BASE LISTING DOCUMENT DATED 8 APRIL 2021

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 8 April 2021 (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:

Rating agency	*Ratings as of the day immediately preceding the date of this document*
Moody's Investors Service, Inc. ("**Moody's**")	A1 (with stable outlook)
S&P Global Ratings ("**S&P**")	A (with negative 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. 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 Issuer's or the Guarantor's financial position changed since last financial year-end?

(i) There has been no material adverse change in the financial or trading position of the Issuer since 31 December 2019; and (ii) there has been no material adverse change in the financial or trading position of the Guarantor since 31 December 2020.

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 2020 ("**2020 BLD**") for the Guarantor's consolidated financial statements for the year ended 31 December 2019 and the Statutory Auditors' Report on such consolidated financial statements and (ii) the addendum to the 2020 BLD dated 4 May 2020 for the Issuer's annual financial statements for the year ended 31 December 2019 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?

The Guarantor's auditors have given and have not withdrawn their written consent to the inclusion of their report dated 17 March 2021 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/Structured-Products/Eligible-Underlying-Assets?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 *https://www.hkex.com.hk/products/securities/structured-products/overview?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/structured-products/overview?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, the Hang Seng TECH 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/Structured-Products/Eligible-Underlying-Assets?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 follow closely 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 *https://www.hkex.com.hk/products/securities/structured-products/overview?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 8 April 2021, 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 contractual obligation of SG Issuer, 16, Boulevard Royal, L-2449 Luxembourg, Luxembourg (the "**Company**") set out under the terms and conditions in respect of each series of structured products (the "**Structured Products**") permitted by the rules governing the listing of securities on the Exchange issued by the Company between 8 April 2021 and 7 April 2022 (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 contractual obligation 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.

   (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 resolution* (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. Our capital is mainly owned by Société Générale Luxembourg S.A. and has a minority ownership by Société Générale S.A. since 30 November 2020. Our accounts are included in the consolidated accounts of Société Générale S.A., which is the largest body of undertakings of which we form a part as a subsidiary undertaking, and whose head-office is located at 29, boulevard Haussmann, 75009 Paris, France.

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 15 January 2021 is EUR 2,000,320 divided into 50,008 ordinary shares of EUR 40.00 each, all issued and fully paid up.

Indebtedness

As at 31 December 2020 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 28 February 2021, debt instruments amounting to EUR 117,286,012,752.79 (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 19 February 2021 are Thierry Bodson, Yves Cacclin, Alexandre Galliche, Pascal Jacob, Christian Rousson, Estelle Stephen-Jaspard and Laurent Weil (each individually a "**Director**" and collectively the "**Executive Board**"). The members of the supervisory board as at 19 February 2021 are Olivier Blanc, Angelo Bonetti, Grégory Claudy, Olivier Freitas and Pierre Lescourret. Save for Grégory Claudy, being appointed since September 2018 as an independent external member and president of audit committee of SGI, all members of the Executive Board and the Supervisory Board hold full-time positions within the Société Générale Group.

The business address of Christian Rousson, Estelle Stephen-Jaspard and Laurent Weil as at 19 February 2021 is Tour Société Générale, 17, Cours Valmy, F-92987 Paris-La Défense 7, France. The business address of Thierry Bodson, Yves Cacclin, Alexandre Galliche and Pascal Jacob is 11, avenue Emile Reuter, L-2420 Luxembourg. The business address of Olivier Blanc and Olivier Freitas is 11, avenue Emile Reuter, L-2420 Luxembourg. The business address of Angelo Bonetti and Pierre Lescourret is Tour Société Générale, 17, Cours Valmy, F-92987 Paris-La Défense 7, France.

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 2020, 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 2019, 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 decreased from EUR 58.7 billion on 31 December 2019 to EUR 43.8 billion on 31 December 2020 (non-audited). The EUR 14.9 billion (non-audited) decrease can be detailed as follows:

- Decrease in EUR 9.8 billion (non-audited) for notes issued under the euro medium term note programme activity; and

- Decrease in EUR 5.1 billion (non-audited) for the warrants.

The nominal of warrants activity in the related off-balance sheet is approximately EUR 67.2 billion as of 31 December 2020 (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.

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 2020 are set out on pages 28 and 29 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, 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 national 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.

On 7 December 2020, the Societe Generale Group announced the launch of plans to merge the Societe Generale and Crédit du Nord banking networks and for Boursarama to enter a new phase of maturity, with a goal of 4.5 million customers in 2025.

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 93.6 billion at the end of 2020, compared with EUR 95.0 billion in 2019.

The networks continue to support the economy and help customers finance their projects, with growth in average loan outstandings up from EUR 196 billion in 2019 to EUR 217 billion in 2020. At the same time, and amid rife competition, deposit inflows stood up well, resulting in a loan-to-deposit ratio of 93.8% in 2020, down just 1 point on the 2019 performance.

Réseau Societe Generale

The Societe Generale network offers solutions tailored to the needs of its individual customers as well as the nearly 440,000 professional customers, non-profit associations and corporate customers that trust it with their business. The network leverages three major strengths:

- nearly 1,720 branches and sites (of which 1,411 full-service branches) located mainly in urban areas where a large proportion 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: Internet, mobile, telephone and service platforms.

Representing nearly 5.6 million[1] current accounts, the individual customer base is a key component of the Societe Generale network's portfolio.

Individual customer deposits amounted to EUR 101 billion in 2020, compared with EUR 96 billion in 2019. Outstanding loans granted to individual customers stood at EUR 83.6 billion in 2020, a 3% increase on 2019, with mortgage loans accounting for 88.5% of this total.

In 2020, Societe Generale mobilised all its resources to ensure continued operations for both its customers and the economy in general, despite the unprecedented Covid-19 crisis. Corporate, professional and individual customers alike were able to count on the availability, personal attention and expertise of their usual advisers (on average, 80% of branches were open during the first lockdown, with all necessary Covid-prevention measures in place), as well as the services available via Societe Generale's remote platforms, websites and apps.

The Bank adopted a flexible approach towards individuals facing particularly tough situations (such as those that had been put on furlough) offering them the possibility to defer repayments of their consumer and mortgage loans free of charge. Societe Generale continued to offer innovative developments in everyday remote banking services. For example, 2020 saw the launch of Kapsul, a full banking service for just EUR 2 per month, and of Banksup, a tool to help teenagers manage their allowance, as well as a new version of the app. Contactless payment cards and instant transfers proved particularly popular as payment means in light of the pandemic, cementing their early success.

(1) Including the private accounts of professional customers.

In keeping with its customer relationship strategy, Societe Generale introduced its new private banking initiative, involving an 800-strong team of asset management specialists across France, and laid the groundwork for a new individual customer onboarding arrangement.

Societe Generale also continued its network specialisation strategy – entailing the creation of business centres for corporate customers and regional sales departments for individual and professional customers – seeing it through to completion by the end of 2020.

The Bank's advisers were on hand throughout 2020 to support businesses and professionals affected by the pandemic, helping them to manage their cash flow through government-backed loans, deferred repayments, online payment solutions, new options such as factoring, and cybersecurity solutions through Oppens.

Societe Generale continued to support close to 245,000 professional customers, each of whom is now assigned two expert advisers: 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 129 concept areas dedicated to professionals had also been opened 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 take advantage of the extended opening hours of 958 open-plan concept areas to deposit cheques and make cash deposits and withdrawals.

With its acquisition of Shine in 2020, Societe Generale expanded its fully digitalised offer for professionals and VSEs, confirming the Bank's prominent role within the fintech ecosystem and its ability to work with start-ups.

On the corporates market, business remained strong in 2020, proving resilient in the face of the Covid-19 crisis. At end-2020, 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 combined – totalled EUR 61 billion in 2020, while loan outstandings came to EUR 73 billion, compared with EUR 52 billion and EUR 63 billion, respectively, in 2019. The Societe Generale network and advisers worked hard throughout 2020 to help customers weather the storm, issuing government-backed loans, deferring loan repayments where necessary and maintaining regular dialogue.

In a bid to forge closer and stronger ties with its corporate customers, Societe Generale has pursued a network sales strategy specialised according to market. By end-2020, around 30 regional business centres had been created for corporate, public-sector, institutional and social-economy customers.

The SG Entrepreneurs programme combines strategic advice for business owners with tailor-made solutions, drawing on 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 for business owners, offering a comprehensive package (Societe Generale Entrepreneurs) and 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 start-ups in 2017. This programme includes initiatives such as a partnership with Bpifrance to strengthen relations between our two networks, and 150 specialist start-up advisers in French tech hubs, supported by experts from Private Banking and Corporate and Investment Banking.

Crédit du Nord network

The Crédit du Nord group consists of nine regional banks – Courtois, Kolb, Laydernier, Nuger, Rhône-Alpes, Société Marseillaise de Crédit, Tarneaud, Société de Banque Monaco 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, now defined as "placing our energy at the service of the country's entrepreneurs at all times", Crédit du Nord introduced a sweeping transformation plan called Agir 3.0.

The strategy of the group's banks is structured around three key elements:

- 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 within 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 the results of the Crédit du Nord group have been recognised by the market and are confirmed by the long-term A- rating attributed by Fitch.

Crédit du Nord serves 1.8 million individual customers[(1)], 216,000 professional customers and non-profit associations and 46,000 corporate and institutional customers. In 2020, Crédit du Nord's average outstanding deposits totalled EUR 52.0 billion, compared with EUR 45.1 billion in 2019, while loan outstandings stood at EUR 50.1 billion, compared with EUR 43.9 billion in 2019.

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 thirteenth consecutive year, Boursorama Banque now has 3.5 times the number of customers it had in 2015 (with a current total of more than 2.5 million customers registered). Its recommendation rate continues to rank at a high 90% and its Net Promoter Score stands at +48. 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, so as to boost their purchasing power.

In 2020, Boursorama expanded its range of products and services with three new SRI mandates, a solidarity-based savings account (CSL Solidarité), and the launch of its virtual payment card, its new budget coaching service (Wicount Patrimoine), its Alabri home insurance, a discount programme with partners from outside the banking sector (The Corner) and its Ultim Metal range of cards.

Its online portal, www.boursorama.com, launched over 20 years ago, is consistently ranked the No. 1 website for financial and economic news and receives 50 million visits a month (Source ACPM – monthly average over H1 2020).

(1) Number of active clients

By keeping development focused firmly on customers' changing expectations, and on simplicity and efficiency, in addition to security and lower fees, Boursorama Banque has each year systematically reinforced its position as a leading French banking operator. It has now set itself new targets: to register more than four million customers in 2023 and lock in profitability in excess of 25% in 2025.

INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES (IBFS)

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.

Leveraging this pillar, the Group's ambition is to better serve all its individual and corporate customers by adapting to changes in the economic and social environments, in addition to 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-focused universal banking model, the enhancement of its customer base through an extended range of products, and the distribution and pooling of expertise aimed at improving revenues while continually seeking to optimise risk management and the allocation of scarce resources. With around 59,000 employees[(1)] and commercial operations in 61 countries, IBFS is dedicated to offering a wide range of products and services to its clients (individuals, professionals and corporates). Boasting a complementary range of 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 policy and currently hold leading positions in their various regions of operation, such as Europe, Russia, the Mediterranean Basin and sub-Saharan Africa. They help finance the economies in their different regions of development. In this way, the Group will continue to support the development of its activities through these high-potential geographic regions.

EUROPE

The Group operates in Western Europe predominantly in consumer finance and car finance activities (in France, Germany and Italy). Outstanding loans grew by 2% in 2020 to EUR 22.5 billion, mainly due to the strong growth on car finance markets.

In Czech Republic, **Komerčni banka** (KB) is ranked third in terms of balance sheet size, with outstanding loans of EUR 26.1 billion, 242 branches and 7,658 employees (FTE) at December 2020. KB, which was created in 1990 and became a subsidiary of Société Générale in 2001, has developed its universal banking activities for individual customers and expanded its traditionally significant presence among corporate customers and municipalities. The KB Group also offers a range of products intended for individual customers with ESSOX (consumer loans and car financing), Modra Pyramida (mortgage facilities), as well as a range developed in collaboration with Private Banking.

In 2020, US financial magazine Global Finance again ranked **Komerčni banka the safest bank in Central and Eastern Europe.**

In Romania, BRD is the No. 3 bank in terms of balance sheet size, with market share of approximately 12% in deposits and 11% in loans at November 2020. The Societe Generale Group became BRD's main shareholder in 1999. The BRD Group's activity is divided into three major business lines: Retail

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

Banking (individual and professional customers, SMEs), Corporate and Investment Banking, and Consumer Finance with BRD Finance. Outstanding loans and deposits totalled respectively EUR 6.3 billion and EUR 10.3 billion.

In 2020, BRD received the **"Best Bank in Romania, 2020" award for the eighth time from The Banker magazine.**

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-2020, loan and deposit outstandings totalled EUR 8.7 billion and EUR 10.1 billion, respectively. Societe Generale operates in Russia covering the different activities of corporate and individual client segments, with notably a good dynamic in mortgage loans activity in 2020.

AFRICA, MEDITERRANEAN BASIN AND OVERSEAS FRANCE

Societe Generale has leading positions in these geographic regions, the result of a long history and a strong strategic ambition.

In the **Mediterranean Basin**, the Group is mainly present in Morocco (since 1913), Algeria (since 1999), and Tunisia (since 2002). Overall, this set-up covers 665 branches with more than 2 million customers. At 31 December 2020, outstanding deposits came to EUR 10.5 billion and outstanding loans stood at EUR 11.3 billion.

In **sub-Saharan Africa**, the Group has an historic presence in 16 countries, with solid local positions, particularly in Côte d'Ivoire (leading bank for loans and deposits), Senegal (No. 2 for loans and deposits), and Cameroon (No. 1 for loans and No. 2 for deposits). In 2020, the region shows outstanding loans to EUR 6.6 billion and deposits to EUR 8.6 billion. Societe Generale is Western Africa's leading international bank.

The Group is supporting the continent in a fair, environmentally friendly and inclusive transition, drawing its strength from one conviction, that the demographic and economic development of this continent – with its talent, natural resources and infrastructure projects – is a key issue for this millennium. Societe Generale in particular supports local economies through the **Grow with Africa initiative**, which demonstrates our commitment to long-term performance. This initiative runs in partnership with local territories and actors, in addition to international experts. It establishes dialogue, two-way responsiveness and sharing innovative resources and approaches. It places the focus on four areas of development: supporting the development of African SMEs, taking part in the infrastructure financing, offering services that promote financial inclusion and developing innovative financing for renewable energies and agribusiness.

In 2020, Societe Generale was awarded "Africa's Best bank for CSR" by the magazine EMEA Finance. For the sixth consecutive year, Societe Generale Cameroun and Societe Generale Côte d'Ivoire took out the "Best Bank" and "Best Investment Bank" awards for their respective countries. The finance magazine also bestowed Societe Generale Maroc (Morocco) with the "Best Foreign Bank" and "Best Investment Bank" awards. In addition, it conferred the "Best African CEO" award on its Managing Director. Societe Generale has won several other prizes on the African continent, in particular the "Excellence in leadership" award by industry magazine Euromoney, for its commitment in the fight against Covid-19, as well as in Algeria, Cameroon, Guinea and in Senegal (Global Finance).

In **Overseas France**, the Group is established in Reunion and Mayotte, French Polynesia and New Caledonia, where it has been present for more than 40 years. In these regions, Societe Generale offers the same services as in mainland France for individual and corporate customers.

Financial Services

INSURANCE (SOCIETE GENERALE ASSURANCES)

Societe Generale Assurances is at the core of Societe Generale Group's development strategy, in synergy with all its retail banking, private banking and financial services businesses. Societe Generale Assurances also pursues the expansion of its distribution model through the development of external partnerships. Societe Generale Assurances offers a full range of products and services to meet the needs of individual, professional and corporate clients in Life Insurance Savings, Retirement Savings and Personal Protection. Thanks to the expertise of its 2,700 employees (FTE), Societe Generale Assurances combines financial strength with dynamic innovation and a sustainable development strategy to be a trusted partner for its clients. In an environment marked by the sanitary crisis, Societe Generale Assurances has shawn its resilience. Even if, as in the market, the savings life insurance activity declined in France and abroad, Societe Generale Assurances relied on the quality of its production in terms of products mix and took advantage of the diversification engaged with new distribution partners. As a result, the share of unit-linked (UL) outstandings amounted to 44% and the outstandings in life insurance investment solutions reached EUR 126 billion of which 32% in UL. In personal protection and property and casualty, the activity remains in a growth mode by 1% compared to 2019.

In 2020, in a bid to constantly increase client satisfaction, Societe Generale Assurances accelerated the digital transformation of its bank insurance model by favouring the development of innovative and modular products (in car and home insurance, notably) and fully digital customer journeys. Societe Generale Assurances also continued the diversification of its business model, in synergy with the Group's other businesses, such as ALD (with the launch of the first connected insurance for fleet management), Boursorama (with the launch of Alabri, an 100% online and customised home insurance), and CGI as well as with external partners to test new markets and new offers.

Corporate Social Responsibility (CSR) has become a key element of Societe Generale Assurances strategy. It is divided into three areas: Responsible Insurer, Responsible Investor and Responsible Employer, which will become a true strategic differentiating marker. Numerous actions have been undertaken and major projects have been launched in the framework of these three aspects, aligned with the objectives of the Paris Agreement and the ambitious commitments made by Societe Generale Group.

OPERATIONAL VEHICLE LEASING AND FLEET MANAGEMENT (ALD AUTOMOTIVE)

ALD Automotive offers mobility solutions centered on operational vehicle leasing and fleet management for businesses of all sizes in both local and international markets. It also serves individual customers. The business combines the financial benefits of operational leasing with a complete range of upscale services, including maintenance, tyre management, fuel consumption, insurance and vehicle replacement. The ALD Automotive Group employs more than 6,100 people (FTE).

ALD Automotive has the largest geographical coverage of any leasing company (43 countries) and manages more than 1.76 million vehicles. It has unique 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 2020, the business ranked No. 1 in Europe for multi-brand operational vehicle leasing and fleet management, and No. 2 worldwide.

A pioneer in mobility solutions, ALD Automotive is constantly innovating to provide unparalleled support to its customers, fleet managers and drivers, and offer customised services that are tailored to their needs.

ALD has been listed on the Euronext Stock Market since June 2017 with the floatation of 20.18% of its shares. Societe Generale is 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 develops its expertise in four major sectors: transport, industrial equipment, technology and healthcare and green energy.

As a leading company for equipment finance, SGEF operates in 35 countries(1), employs over 1,300 people (FTE), and manages a portfolio of EUR 21.8 billion in outstandings(1). It has a broadly diverse customer base, ranging from large international companies to SMEs, to which it offers a wide array of products such as financial leasing, loans, rentals, purchase of receivables, as well as services including insurance and marketing.

Industry-acclaimed, SGEF was singled out by Leasing Life in 2020 for the Editor's Award and was ranked No. 1 in the Annual Asset Finance Europe 50(2) rankings.

GLOBAL BANKING AND INVESTOR SOLUTIONS (GBIS)

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 20,000 people located in 39 countries and fields operations(3) in more than 65 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 provide their issuer customers - large corporates, financial institutions, sovereigns and the public sector - with strategic advisory on their development, as well as access to capital markets to address their funding requirements and hedge their risks. They also furnish services to investors who 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.

A pioneer in sustainable and positive-impact finance and one of the global leaders in renewable(1) energy financing, the Group furnishes advisory to its clients and offers concrete financing and investment solutions aimed at transitioning to a fairer and greener economy.

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 an unrivalled pioneering marketplace for Business-to-Business financial services, capitalising on the functionalities of the SG Markets tool.

(1) At 31/12/2019 including Franfinance, Sogelease and Starlease.

(2) SGEF and ALD Automotive

(3) In-country operations through partnerships in the Societe Generale Group.

(1) No.2 worldwide in Project Finance Renewable Energies; Source: IJ Global 2020.

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” arms. 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.

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 digital platform, to furnish tailored solutions designed to meet the needs and specific risks of each customer.

In parallel, Societe Generale’s Cross Asset Research Department assesses the impact of significant events on the different asset categories, weighs up the relationship existing between them and delivers a strategic summary of key information to provide an integrated picture. Since January 2020, the Bank has systematically included the Environmental, Social and Governance (ESG) aspects of companies in its Equity research, in addition to fundamental financial analyses.

In 2020, Societe Generale was named *ESG Provider of the Year 2020* (Asia Risk Awards 2020), *Best House in Europe, Best ESG House and Best Issuance Platform – SG Markets* (SRP Europe Awards 2020).

In 2020, the Group performed a strategic review of its Global Markets business, which contributed to reducing the risk profile of the structured credit and equity product activities to make income generated by Global Markets less sensitive to market dislocations. In addition, a cost reduction plan was launched in 2020 with a net cost reduction target of approximately EUR 450 million expected by 2022-2023.

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 in London, Paris, Madrid and Milan, and also in the United States and the Asia-Pacific region 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.

EQUITIES

Leveraging its historic presence in the world’s major primary and secondary equity markets and its longstanding tradition of calculated innovation, Societe Generale is a leader in a comprehensive suite of varied solutions covering the full spectrum of cash equity, equity finance, derivative-based services, equity structured products, strategic equity transactions and prime service activities.

Drawing on more than 30 years’ experience in this field, the Group leverages a leading position in derivatives and investment solution products and continues to constantly innovate, offering tailored advisory and innovative solutions adapted to the needs of its customers. The Group has succeeded in maintaining this global leadership despite the strategic review on the most complex products by developing the next generation of investment solution products and by remaining a pioneer in innovation, in particular for CSR.

Clients voted the department best issuer of listed products in Germany for quality of service and offering (Börse Online Survey, Issuer Services survey 2020).

SECURITIES SERVICES

The Societe Generale Security Services (SGSS) business offers a comprehensive range of solid and effective 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 suite of services ranging from support to fund distribution.

With EUR 4,315 billion in assets under custody at end-December 2020 (versus EUR 4,213 billion at 31 December 2019), SGSS ranks second among European custodians. It also offers custodian services to more than 3,325 mutual funds and provides valuation services to more than 4,182 mutual funds, with EUR 638 billion in total assets under management in Europe.

Financing and Advisory

Financing and Advisory is responsible for covering and developing global relationships with the Bank's strategic clients. The department 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. The teams' knowledge of customers and local regulations are key to conducting domestic, international and cross-border activities due to the international dimension of their business. Leveraging this global expertise and sectoral knowledge, the Group is ranked No. 1 worldwide for project finance advisory and No. 2 worldwide for renewable energy financing (source: IJ Global, 2020).

Global Banking & Advisory teams provide issuer clients with a full suite 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 Group is a leader in syndicated real estate finance loans in EMEA (source: Dealogic, 2020), and is ranked No. 1 for export finance in Africa and No.2 worldwide (source: TXF 2020);
- 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. Societe Generale was named Energy & Commodity Finance House of the Year (Energy Risk awards 2020);

- the **Asset Backed Product Division**, which combines GLBA's primary markets expertise, 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. The Group is ranked No.1 for global securitisations in euro (source: Dealogic 2020).

The **investment banking** teams offer customers, businesses, financial institutions and the public sector an integrated, comprehensive and tailored approach leveraging its in-depth sectoral knowledge and recognised execution capacity. This offer relies on an 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.

Societe Generale's Investment Bank notched up several awards in 2020, including ECM Bank of the Year in France and Benelux (Global Capital), TMT Financing Bank of the Year in EMEA (TMT M&A awards 2020).

The **Global Transaction & Payment Services** (GTPS) teams are geared to economic and financial operators and in particular 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 40 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;
- cash clearing and correspondent banking;
- supply chain finance;
- foreign exchange services linked to the payments of our activities, in partnership with Global Markets.

Global Transaction Banking teams are regular recipients of industry awards. The Group was named Best Trade Finance Provider in Western Europe and Emerging Markets, Best Bank for Cash Management in Western Europe and CEE 2021 and Best Bank for Payments and Collections in Africa 2021 by Global 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 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, in particular 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 customers 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 services to all individual customers with more than EUR 500,000 in their accounts. These customers reap the benefit 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 from three main centres: SGPB France, SGPB Europe (Luxembourg, Monaco and Switzerland) and Kleinwort Hambros (London, Jersey, Guernsey and Gibraltar). At the end of 2020, Private Banking held assets under management of EUR 116 billion.

Societe Generale Private Banking's expertise is a regular recipient of industry accolades. In 2020, Private Banking was singled out as Best European Private Bank – Credit Provider, and Private Bank – Best UHNW Team by Wealth Briefing Awards 2020, and Outstanding Private Bank in Western Europe and for Customer Relationship, Servicing and Engagement by Private Banker International.

LYXOR ASSET MANAGEMENT

Lyxor Asset Management (Lyxor), a wholly-owned subsidiary of the Societe Generale Group and founded in 1998, is a European asset management specialist with expertise in the full array of investment styles (active, passive or alternative). From ETFs to multi-management, Lyxor creates innovative investment solutions to meet the challenges of sustainable investment, and pays particular attention to the fight against climate change. Leveraging the know-how of its experts and its engineering and research tradition, the Lyxor group combines the quest for performance and 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. The ability to carefully select relevant strategies from among the biggest names in the alternative investing universe has made Lyxor a trusted partner, both with clients and asset managers.

A trailblazer for climate-friendly solutions, Lyxor launched in 2017 the world's first ETF with exposure to green bonds, the Green Bonds ETF, and in 2020 crossed the EUR 500 million in assets under management threshold. Lyxor has also developed the first ETF Climate ecosystem with the launch of a range aligned with the Paris Agreement.

Lyxor is now ranked third-largest European ETF provider with a market share at 7.9%[(1)]. At the end of 2020, Lyxor's total assets under management stood at EUR 140 billion.

In 2020, Lyxor was singled out for a number awards and, in particular, ETF Providers in the wealth management provider list and received the Investor Inspiration Award in the Developed Equity ETFs category at the European ETF Awards - *l'Agefi*.

(1) Source: ETFGI, ranking by total assets under management at end-December 2020.

Board of Directors

The members of the Board of Directors of the Guarantor as at 1 January 2021 are as follows:

Lorenzo BINI SMAGHI
(Date of birth: 29 November 1956)
- Chairman of the Board of Directors
- Independent Director

Frédéric OUDÉA
(Date of birth: 3 July 1963)
- Chief Executive Officer

William CONNELLY
(Date of birth: 3 February 1958)
- Company Director
- Independent Director
- Chairman 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 and the Compensation Committee

Diane CÔTÉ
(Date of birth: 28 December 1963)
- Chief Risk Officer and Member of the Executive Committee of the LSE Group (until 1 February 2021)
- 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 the Risk Committee

France HOUSSAYE
(Date of birth: 27 July 1967)
- Director elected by employees
- Head of External Business Opportunities, Regional Commercial Department, Rouen
- Member of the Compensation Committee

David LEROUX
(Date of birth: 3 June 1978)
- Director elected by employees
- In charge of General Meetings at Securities Services

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

Annette MESSEMER
(Date of birth: 14 August 1964)
- Independent Director
- Member of the Audit and Internal Control Committee and the Risk 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 the Compensation Committee

Lubomira ROCHET
(Date of birth: 8 May 1977)
- Chief Digital Officer of L'Oréal Group
- Independent Director
- Nomination and Corporate Governance Committee

Alexandra SCHAAPVELD
(Date of birth: 5 September 1958)
- Company Director
- Independent Director
- Member of the Audit and Internal Control Committee and the Risk Committee

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Group Management Committee

The Group Management Committee of the Guarantor as at 15 January 2021 is as follows:

General Management:

Frédéric OUDÉA
Chief Executive Officer

Diony LEBOT
Deputy Chief Executive Officer

Philippe AYMERICH
Deputy Chief Executive Officer

William KADOUCH-CHASSAING(1)(2)
Deputy General Manager, Head of Finance

Slawomir KRUPA(1)
Deputy General Manager, Head of Global Banking and Investor Solutions

Sébastien PROTO(1)
Deputy General Manager, Head of Societe Generale, Crédit du Nord, Private Bankingnetworks and the Innovation, Technology and IT Service Unit

Members of the Group Strategy Committee (excluding General Management):

David ABITBOL[2]
Global Head of Societe General Securities Services

Stéphane ABOUT[2]
Chief Executive Officer, Societe Generale Americas

Tim ALBERTSEN[2]
Chief Executive Officer of ALD Automotive

Pascal AUGÉ[2]
Head of the Inspection and Audit Division

Cécile BARTENIEFF[2]
Chief Operating Officer of Global Banking & Investor Solutions

Gilles BRIATTA[2]
Group General Secretary

Bruno DELAS[2]
Head of ITIM

Marie-Christine DUCHOLET[2]
Head of Societe Generale Retail Banking in France

Patrick FOLLÉA[2]
Head of Societe Generale Private Banking, Supervisor of Lyxor

Laurent GOUTARD[2]
Head of International Retail Banking for Africa, the Mediterranean Basin & Overseas

Jean-François GRÉGOIRE[2]
Head of Global Markets

Benoît GRISONI[2]
Chief Executive Officer of Boursorama

Caroline GUILLAUMIN[2]
Group Head of Human Resources and Group Head of Communication

Jochen JEHMLICH[2]
Head of the Equipment Finance businesses and CEO of GEFA Bank

Christophe LEBLANC[2]
Group Head of Corporate Resources and Digital Transformation

Alexandre MAYMAT[2]
Head of Global Transaction and Payment Services

Françoise MERCADAL-DELASALLES[2]
Chief Executive Officer of Crédit du Nord

Gaëlle OLIVIER[2]
Chief Executive Officer for Societe Generale Asia Pacific

Pierre PALMIERI[2]
Head of Global Banking and Advisory

Philippe PERRET[2]
Head of the Insurance businesses

Sadia RICKE[2] [3]
Advisor to the Risk Management team

Grégoire SIMON-BARBOUX[2]
Group Head of Compliance

Giovanni-Luca SOMA[2]
Head of International Retail Banking for Europe and Group Country Head for Russia

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

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 Executive Officer of Societe Generale Equipment Finance

Jean-François DESPOUX
Deputy Head of Risk

Claire DUMAS
Deputy Chief Financial Officer of the Group

Delphine GARCIN-MEUNIER
Head of Group Strategy

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

Stéphane LANDON
Deputy Head of Risk

Véronique LOCTIN
Co-Head of Coverage 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 and Chief Executive Officer of SG Zurich

Laetitia MAUREL
Group Deputy Head of Communication

Ilya POLYAKOV
Chief Executive Officer of Rosbank

Sylvie PRÉA
Director of Corporate Social Responsibility

Sylvie RÉMOND(3)
Advisor to the Risk Division

John SAFFRETT
Deputy Chief Executive Officer of ALD Automotive

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

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(1) Deputy Chief Executive Officers are not executive officers.

(2) Manager of a Business Unit or a Service Unit.

(3) As of 14 January 2021.

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 2020, 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 2020 prepared in accordance with IFRS as endorsed by the European Union as of 31 December 2020 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 17 March 2021 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 audited capitalisation as at 31 December 2020 and 31 December 2019, as adjusted to give effect to the issuance of additional debt by the Guarantor since such dates.

	31 December 2019	31 December 2020
	(EUR millions)	(EUR millions)
Medium and long-term debt(2)(3)		
– denominated in Euros	0	0
– denominated in other currencies(4)	1,780	1,630
SUB TOTAL	**1,780**	**1,630**
Long-term subordinated debt		
– denominated in Euros	5,891	6,889
– denominated in other currencies(4)(5)	7,803	7,476
SUB TOTAL	**13,694**	**14,365**
TOTAL	**15,474**	**15,995**
Shareholders' equity and undated subordinated loans and capital notes		
– Undated subordinated capital notes	9,783	9,094
– Capital stock	1,067	1,067
– Reserves and unappropriated earnings	33,222	36,917
TOTAL	**44,072**	**47,078**
TOTAL CAPITALISATION	**59,546**	**63,073**

(1) At 31 December 2020, 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 (obligations). In addition to debt securities, Sociéte Générale regularly sells to its customers term savings certificates (bon de caisse), 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 indicatory exchange rates for such currencies released by the Banque de France on 31 December 2019 (first column) and on 31 December 2020 (second column).

Rate of conversion: (Exchange rates against EUR)	**31 December 2019**	**31 December 2020**
Exchange Rate USD:	1.1234	1.2271
Exchange Rate JPY:	121.94	126.49
Exchange Rate GBP:	0.8508	0.8990
Exchange Rate AUD:	1.5995	1.5896
Exchange Rate SGD:	1.5111	1.6218
Exchange Rate CNH:	7.8225	7.9792

(5) Since 1 January 2021, the Guarantor has, among others, issued or redeemed, as applicable, the following capital securities:

- announced on 22 February 2021, the early redemption at first call date on 7 April 2021 of EUR 1,000,000,000 Additional Tier 1 Capital Notes issued in April 2014;
- issued USD 1,000,000,000 Tier 2 Capital Subordinated Notes on 1 March 2021; and
- issued EUR 1,000,000,000 Tier 2 Capital Subordinated Notes on 1 April 2021.

Except as set forth in this section, there has been no material change in the capitalisation of the Guarantor group since 1 January 2021.

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 investors.societegenerale.com/en.

Societe Generale enters into exclusive negotiation with Amundi with a view to disposing of the asset management activities operated by Lyxor

The Guarantor issued a press release on 7 April 2021 (Paris time) in respect of the board of directors meeting of 6 April 2021. An extract of the press release is reproduced below:

"Societe Generale's Board of Directors approved, during a meeting on 6 April 2021, the entry into exclusive negotiation with Amundi with a view to disposing of the asset management activities operated by Lyxor.

Lyxor is an entity which includes the Group's asset management activities and operates in particular through Lyxor Asset Management, a wholly owned subsidiary of Societe Generale.

Created in 1998, Lyxor has played a pioneering role in specialised asset management and has notably reached leadership positions in passive asset management. Lyxor's assets under management represent approximately EUR 140 billion at the end of December 2020 of which EUR 124 billion are in the scope of the envisaged transaction[1].

This disposal project would cover Lyxor's passive (ETFs) and active (including alternative) management activities for institutional clients in France and abroad[2]. The scope of the transaction would include the sales and support functions dedicated to these activities.

This agreement is in line with Societe Generale's strategy with regards to savings, which is to operate in open architecture and to propose to its clients investment and asset management solutions through partnerships with external asset managers.

In this context, Societe Generale would announce a project to create a "Wealth & Investment Solutions" department within its private bank. This department would serve as a centre of expertise to structure savings, asset management and investment solutions for the Group's private banking and retail banking networks, as well as structured asset management solutions for global markets clients. It would include Lyxor's teams, which would not be part of the disposal project.

(1) Certain activities from Lyxor are excluded from the scope of the transaction and retained by Societe Generale: (i) structured asset management solutions intended for Societe Generale's global markets clients and (ii) asset management activities dedicated to savings solutions and carried out for Societe Generale (Branch networks and Private Banking) such as structuring of savings solutions, funds selection and the supervision of the Group's asset management companies.

(2) with the exception of Lyxor AM Japan Co. Ltd in Japan

The partnership agreements with Amundi for the provision of savings and investment solutions for Societe Generale's networks are maintained. Societe Generale will also continue to support Amundi through its comprehensive and flexible range of market solutions and securities services.

This transaction, which is expected to be finalized by February 2022 at the latest, would be carried out at a price of EUR 825 million and would have an estimated positive impact of approximately 18 basis points on the Group's CET1 ratio when completed. The capital gain from the disposal, net of tax, would be recorded upon completion of the transaction for around EUR 430 million.

This transaction would successfully conclude the refocusing programme launched by Societe Generale in 2018. Carried out under very good conditions, its execution will have simplified the Group's organisation and optimised its capital allocation by focusing its business model on core activities, working in synergy and benefiting from critical size, with a positive effect of this program on the Group's capital ratio in line with the target of 80 to 90 basis points.

The two institutions will work together to ensure the smooth integration of Lyxor within Amundi, both in terms of services provided to clients and in relations with the employees involved in this project.

This project will be submitted to the relevant employee representative bodies within Societe Generale Group, and then to the competent regulatory authorities for approval.

Frédéric Oudéa, Chief Executive Officer of Societe Generale, comments: *'This transaction with Amundi, Europe's leading asset manager, which Societe Generale helped to create, will enable Lyxor's teams to play an active role in building the undisputed leader in passive management in Europe in a consolidating market. It is fully in line with Societe Generale's strategy in terms of savings products, which is to operate in open architecture and team up with the best asset management experts to build the most suitable offers for our clients. Societe Generale and Amundi will remain key partners, each participating mutually in the value proposition implemented for their clients. In addition, this transaction would successfully close the refocusing program launched in 2018 by Societe Generale.'*

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Note: Upon completion of this transaction Societe Generale Private Banking, one of the bank's core businesses, would become a fully-fledged Business Unit, renamed "PRIV", integrated within the RBDF pillar and supervised by Sébastien Proto. It would be composed of four main business lines: Private Banking France, Private Banking Europe (Luxembourg, Switzerland, Monaco), Kleinwort Hambros and the Wealth and Investment Solutions department."

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 placees.

European Economic Area

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. 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 for the Structured Products.

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 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 (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

   ii. a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

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

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

Each dealer further represents and agrees, 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 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. 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 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 or an investor's broker or custodian may be subject to FATCA and, as a result, may be 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 or the relevant broker or custodian with such certification, we and our Guarantor or other withholding agent 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 or the relevant broker or custodian 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. In addition, if the Underlying Asset is an index and the calculation and/or publication of the index level by the index compiler is suspended for whatever reasons, trading in the relevant series of Structured Products may 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 QFII, 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 Qualified Foreign Institutional Investor ("**QFII**") regime, 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 the QFII regime, the RQFII regime 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;

(c) trading of securities invested by the China ETF under China Connect will be subject to a daily quota which is utilised on a first-come-first-serve basis under China Connect. In the event that the daily quota under China Connect is 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. The People's Bank of China and the State Administration of Foreign Exchange have published the detailed implementation rules removing the investment quota allocated to such China ETF under the QFII and RQFII regimes with effect from 6 June 2020; and

(d) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to China ETF investing in the mainland China through the QFII regime, the RQFII regime and/or China Connect. Although such China ETF may have made a tax provision in respect of potential tax liability, the provision may be excessive or inadequate. Any shortfall between the provisions and actual tax liabilities may be covered by the assets of such China ETF and may therefore adversely affect the net asset value of such China ETF and the market value and/or potential payout of the Structured Products.

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.

Commodity market risk

Where the Underlying Asset comprises the units of an ETF whose value relates directly to the value of a commodity, you should note that fluctuations in the price of the commodity could materially adversely affect the value of the underlying units. Commodity market is generally subject to greater risks than other markets. The price of a commodity is highly volatile. Price movement of a commodity is influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and international political and economic events and policies.

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.

Rejection of orders and trades at the price above HK$1

You should note that any orders and reported trades of Inline Warrants at the price above HK$1 will be automatically rejected upon their entry to the Stock Exchange's trading system. 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 rejection of orders and trades, including without limitation, any delay, failure, mistake or error in such rejection of orders and trades.

We and our affiliates shall not have any responsibility for any losses suffered as a result of such rejection of orders and 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 Marches 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.

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.

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.

APPENDIX 1 – TERMS AND CONDITIONS OF WARRANTS

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

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:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Average Price – Exercise Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

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

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Exercise Price – Average Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

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:

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

Where:

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:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

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

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

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.

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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:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Average Price – Exercise Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

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

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Exercise Price – Average Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

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;

"**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:

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

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:

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:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Average Price – Exercise Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

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

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Exercise Price – Average Price) x one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

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:

Adjusted Entitlement = Adjustment Factor x 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:

Level 38
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.

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:

Cash Settlement Amount per Board Lot = Maximum Payoff Amount per Inline Warrant x one Board Lot

(ii) if the Average Price is above the Upper Strike Price or below the Lower Strike Price:

Cash Settlement Amount per Board Lot = Minimum Payoff Amount per Inline Warrant x 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:

Cash Settlement Amount per Board Lot = Maximum Payoff Amount per Inline Warrant x one Board Lot

(ii) if the Closing Level is above the Upper Strike Level or below the Lower Strike Level:

Cash Settlement Amount per Board Lot = Minimum Payoff Amount per Inline Warrant x 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 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. 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.

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.

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:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Closing Price – Strike Price) x one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

(ii) in respect of a Series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Strike Price – Closing Price) x one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

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:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Minimum Trade Price} - \text{Strike Price) x one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

(b) in respect of a Series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Strike Price} - \text{Maximum Trade Price) x one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

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;

"**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:

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

 (ii) in respect of a Series of bear CBBCs:

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

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:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(b) in respect of a Series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

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; (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. 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:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Closing Price} - \text{Strike Price) x one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

  (ii) in respect of a Series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Strike Price} - \text{Closing Price) x one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

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:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Minimum Trade Price – Strike Price) x one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

(b) in respect of a Series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Strike Price – Maximum Trade Price) x one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

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:

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

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

Extract of our financial information for the 6-month period ended 30 June 2020

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 2020

**16, boulevard Royal
L-2449 Luxembourg
R.C.S. Luxembourg: B121.363**

Summary

EXECUTIVE BOARD MEMBERS

Chairman:

Mr Yves CACCLIN
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Members:

Mr Thierry BODSON
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Alexandre GALLICHE
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Pascal JACOB
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Christian ROUSSON (since 3 April 2020)
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

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

SUPERVISORY BOARD MEMBERS

Chairman:

Mr Pierre LESCOURRET (Member since 19 March 2020 – Chairman since 6 April 2020)*
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

Mr Olivier BLANC (from 11 February 2020 until April 5 2020)*
Employee of Société Générale
11, avenue Emile Reuter, L-2440 Luxembourg

*There was no Chairman of the Supervisory Board from 27 September 2019 to 11 February 2020.

Members:

Mr Gregory CLAUDY
Independent Director
225A, rue du Burgknapp, B-6717 Heinstert, Belgium

Mr Olivier FREITAS
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Didier LALLEMAND (until 19 March 2020)
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

AUDIT COMMITTEE MEMBERS

Chairman:

Mr Gregory CLAUDY
Independent Director
225A, rue du Burgknapp, B-6717 Heinstert, Belgium

Members:

Mr Olivier BLANC (since 6 April 2020)
Employee of Société Générale
11, avenue Emile Reuter, L-2440 Luxembourg

Mr Olivier FREITAS
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Didier LALLEMAND (until 19 March 2020)
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

MANAGEMENT AND ADMINISTRATION

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, United Kingdom

Collateral Custodian
The Bank of New York Mellon S.A., Luxembourg Branch
Vertigo Building, Polaris, 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg

Collateral Monitoring Agent
The Bank of New York Mellon London Branch
One Canada Square, London E14 5AL, United Kingdom

Custodian Agent, Issuing and Paying Agent, Registrar, Exchange Agent and Transfer Agent
Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg, 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 Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

LEGAL ADVISERS AND RÉVISEUR D'ENTREPRISES AGRÉÉ

Legal advisers
To the Arranger as to English, French and U.S. laws
Allen & Overy LLP
52, avenue Hoche, CS 90005, 75379 Paris Cedex 08, 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
5, avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

Independent Auditor (Réviseur d'entreprises agréé)
Ernst & Young S.A.
35E, avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

REPORT OF THE EXECUTIVE BOARD AND CORPORATE GOVERNANCE STATEMENT

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 2020 to 30 June 2020.

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 issued and sold by SG Issuer to SG Paris are then distributed 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 programmes prepared by Société Générale.

The main programmes for Notes are (i) the Debt Instruments Issuance Programme, the Base Prospectus of which has been approved by the CSSF on 5 June 2020 and (ii) the "Programme d'Emission de Titres de Créance" the Base Prospectus of which has been updated and approved by the CSSF on 15 June 2020. Similarly, the main programme for Warrants is the Warrants Issuance Programme, for which the last updates have been approved by the CSSF on 29 June 2020.

In addition, (i) the German law Dual Language Debt Instruments Issuance Programme has been approved by the CSSF on 2 July 2020 and (ii) the Dual Language Leveraged and Tracking Products Issuance Programme has been approved by the CSSF on 15 July 2020.

The state of business of the Company at the closing of the six-month period ended 30 June 2020 is adequately presented in the interim statement of financial position and interim statement of profit and loss and other comprehensive income.

During the six-month period ended 30 June 2020, 11 407 new Notes were issued (among which 34 new secured Notes) and 3 943 new Warrants were issued[1]. The net profit for the period from 1 January 2020 to 30 June 2020 amounts to KEUR 131.

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 formula for the payoff (final and coupons), the underlying(s) type and characteristics, the maturity, the secured / unsecured status of the Notes or Warrants.

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 or derivative 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 11 hereafter.

3. COVID-19 CRISIS

The Covid-19 pandemic is causing unprecedented health crisis and economic shock. The lockdown measures imposed by many governments to stop the spread of virus have led to a collapse of global activity during the first half of 2020: the crisis has been affecting both the supply and demand for goods and services and has led to financial market dislocations.
Governments and central banks have tried to mitigate the effects of this shock by providing significant support in term of liquidity and credit guarantees to the economy.
Strong uncertainties remain about the consequences, magnitude and duration of the crisis.

During the first semester of 2020, the crisis had a limited impact on the Company, considering the quality of the asset portfolio and the robustness of its balance sheet. However, the Covid-19 crisis had an impact on the volume of the activity due to the decrease in clients' requests for this type of instruments.

4. FUTURE DEVELOPMENTS AND PERSPECTIVES

In the context of acquisition by SG Group of the listed product activities from Commerz Bank, Société Générale has decided that new issuances for this activity would mostly be done by another issuer starting from 1 April 2020. As this activity represented most of the Warrants issued by SGIS so far, the Executive Board expects a significant drop in Warrants stock from second semester 2020 which should represent however a slight decrease in the commission income for the Company.

On another hand, the second semester of 2020 will no doubt be marked by the unprecedented macroeconomic consequences of the Covid-19 pandemic disease. In such highly uncertain environment, the Company intends to continue in the coming years the development of its business.

[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.

5. 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 2020.

6. 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.

6.1. 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.

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 organised and monitored appropriately;
- Reviews and approves the Company's financial statements and condensed interim financial statements;
- Supervises and controls operative management.

6.2. Supervisory board

The Supervisory Board ensures permanently and by all necessary means 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 power or mandates permanently or temporary to these advisory committees. These advisory committees cannot have the effect of restricting the powers of the Executive Board.

6.3. 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 28 April 2020, during which the financial statements for the year ended 31 December 2019 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.

6.4. Internal audit

The Internal Audit of both Société Générale Luxembourg S.A. ("SG Luxembourg") 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.

6.5. 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.

6.6. New products committee

All the new activities and businesses of the Company are analysed and authorised by a dedicated New Products Committee (NPC). All involved departments within Société Générale Luxembourg are represented (operations, finance, risk, accounting standards, etc…) to assess the impact for the Company.

6.7. 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 SG Luxembourg and with Société Générale. The SLAs govern the relations between the entities as well as their respective obligations. The services supplied by SG Luxembourg and Société Générale are listed in the appendices of the agreements (mainly General services, legal services, business continuity management services and financial services from SG Luxembourg and operational services – Middle Office and Back Office – from Société Générale). In particular, the calculation of the remuneration related to the issuance of the Notes is delegated to Société Générale Paris Middle office within the framework of the SLA.

7. PRIOR YEARS CORRECTION OF ERROR

During Q4 2019, SG Issuer identified that, in 2019 as well as in prior years, Société Générale had paid to SG Issuer a remuneration in excess of the contractually agreed remuneration due to an error in using the right notes' maturities when applying the contractually agreed remuneration formula. However, such undue remuneration had no impact on any remuneration due to investors of SG Issuer's notes and warrants at any time.

Société Générale confirmed in a letter addressed to SG Issuer on 15 April 2020 and duly signed by both parties that it had decided to waive any reimbursement claim from SG Issuer related to such undue remuneration whenever paid.

Therefore, this operational incident had no impact on SG Issuer net result and shareholders' equity.

The economic nature of this excess remuneration being different from the contractual remuneration, the excess remuneration was recorded in "Other income" for the year ended 31 December 2019. Further to this change, SG Issuer has restated the amount in the income statement for the period ended 30 June 2019 as well as in the notes to the condensed interim financial statements (Notes 8 and 9).

This excess remuneration paid by Société Générale to SG Issuer amounts to KEUR 14 384 for the period ended 30 June 2019.

Luxembourg, 25 September 2020
For the Executive Board

Yves CACCLIN
Chairman of the Executive Board

Alexandre GALLICHE
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 2020

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 2020. The condensed interim financial statements comprise the interim statement of financial position as at 30 June 2020, 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 report of the Executive Board and Corporate Governance Statement 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 2020

Yves CACCLIN
Chairman of the Executive Board

Alexandre GALLICHE
Member of the Executive Board

Thierry BODSON
Member of the Executive Board

Building a better
working world

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L-2017 Luxembourg

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TVA LU 16063074

To the sole Shareholder of
SG Issuer
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 as at and for the six-month period ended 30 June 2020, which comprise the interim statement of financial position as at 30 June 2020 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 a summary of significant accounting policies and explanatory notes. The Executive Board is responsible for the preparation and fair presentation of these 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 these 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 2020

Interim statement of financial position

As at

	Note	('000 EUR) 30.06.2020	('000 EUR) 31.12.2019
Cash and cash equivalents	3	48 750	65 975
Financial assets at fair value through profit or loss			
- *Mandatorily measured at fair value through profit or loss*	4.1	43 807 580	52 893 265
- *Trading derivatives*	4.1	1 304 778	5 786 274
Loans and receivables	5	49 997	51 660
Other assets		339 413	430 988
Total assets		**45 550 518**	**59 228 162**
Financial liabilities at amortised cost	4.3	54 380	83 669
Financial liabilities at fair value through profit or loss			
- *Designated at fair value through profit or loss*	4.2	43 832 027	52 889 867
- *Trading derivatives*	4.2, 10	1 309 597	5 788 693
Other liabilities	8	352 136	463 523
Tax liabilities	6	47	62
Total liabilities		**45 548 187**	**59 225 814**
Share capital	7.1	2 000	2 000
Share premium	7.1	-	-
Legal reserve	7.2.1	200	200
Other reserves	7.2.2	-	-
Profit for the financial period/year		131	148
Total equity		**2 331**	**2 348**
Total equity and liabilities		**45 550 518**	**59 228 162**

Interim statement of profit and loss and other comprehensive income

For the six-month period ended 30 June

	Note	('000 EUR) 2020	('000 EUR) 2019 Restated *
Interest income		476	546
Commission income	8	24 656	18 498
Other income	9	-	14 384
Net gains from financial instruments at fair value through profit or loss		78	129
Total revenues		**25 210**	**33 557**
Interest expenses		(6 751)	(18 672)
Personnel expenses		(92)	(103)
Other operating expenses		(18 184)	(14 432)
Impairment	5	(5)	0
Total expenses		**(25 032)**	**(33 207)**
Profit before tax		**178**	**350**
Income tax	6	(47)	(87)
Profit for the financial period		**131**	**263**
Other Comprehensive Income		-	-
Total comprehensive income for the period		**131**	**263**

** Restatement explained in Note 2.4*

Interim statement of changes in equity

	('000 EUR) Share capital	('000 EUR) Share premium	('000 EUR) *Legal reserve*	('000 EUR) *Other reserves*	('000 EUR) Total reserves	('000 EUR) Profit for the financial year/period	('000 EUR) Total equity
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	-	**31 605**	-	-	-	-	**31 605**
Dividend to the sole shareholder	-	-	-	*(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**
Reimbursement of the share premium (Note 7.1)	-	**(56 605)**	-	-	-	-	**(56 605)**
Profit and other comprehensive income for the period from 1 July 2019 to 31 December 2019	-	-	-	-	-	**(115)**	**(115)**
As at 31 December 2019	**2 000**	-	*200*	-	**200**	**148**	**2 348**
Allocation of the result of the previous year before dividend distribution	-	-	-	*148*	**148**	**(148)**	-
Capital increase / Allocation to the share premium account (Note 7.1)	-	**34 981**	-	-	-	-	**34 981**
Dividend to the sole shareholder (Note 7.1)	-	-	-	*(148)*	**(148)**	-	**(148)**
Reimbursement of the share premium (Note 7.1)	-	**(34 981)**	-	-	-	-	**(34 981)**
Profit and other comprehensive income for the period from 1 January 2020 to 30 June 2020	-	-	-	-	-	**131**	**131**
As at 30 June 2020	**2 000**	-	*200*	-	**200**	**131**	**2 331**

The accompanying notes are an integral part of these condensed interim financial statements.

SG Issuer

Interim statement of cash flows

For the six-month period ended 30 June

	Note	('000 EUR) 2020	('000 EUR) 2019 Restated *
OPERATING ACTIVITIES			
Profit for the financial period		131	263
Adjustment for:			
Net (Increase)/decrease in financial assets	4.1	13 568 838	(6 077 771)
Net Increase/(decrease) in financial liabilities**	4.2, 4.3	(13 531 243)	6 106 425
(Increase)/decrease in other assets		91 575	(12 072)
Increase/(decrease) in tax liabilities and other liabilities		(111 355)	(2 329)
Other (IFRS 9 impairment)	5	5	-
Taxes paid		(47)	(87)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**17 904**	**14 429**
FINANCING ACTIVITIES			
Payment of capital surplus**	7.1	(34 981)	-
Dividend paid	7.1	(148)	(1 849)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(35 129)**	**(1 849)**
Cash and cash equivalents at the beginning of the period	3	65 975	79 584
Net increase/(decrease) in cash and cash equivalents		(17 225)	12 580
Cash and cash equivalents at the end of the period	3	**48 750**	**92 164**
Cash flows from interest and dividends			
Interest paid***		35 386	353
Interest received		476	546
Dividend received		-	-

** Please refer to Note 2.5 on comparative data.*

*** The amount of KEUR 13 531 243 excludes the 2019 activity related interests amounting to KEUR 34 981, which are payable to SG Luxembourg and which have been allocated to the Share premium (see Note 7.1).*
**** The amount of KEUR 35 386 relates both to interest paid and share premium reimbursement.*

Notes to the condensed interim financial statements
as at 30 June 2020

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 Luxembourg S.A. (hereafter “SG Luxembourg”), a bank incorporated under Luxembourg law.

The accounts of the Company are included in the consolidated financial statements of SG Luxembourg, 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 financial statements 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

2.1.1. Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2019 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 2019 were authorised for issue by the Executive Board on 30 April 2020.

The condensed interim financial statements as at and for the six-month period ended 30 June 2020 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 2020 were approved and authorised for issue by the Executive Board on 25 September 2020.

The condensed interim 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 2019.

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. 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. Unless stated otherwise, the amounts in the condensed interim financial statements are expressed in thousands of EUR (KEUR). The value "0" indicates the presence of a number, which is rounded to zero, while "-" represents the value nil.

2.1.4. Use of estimates and judgements

The preparation of the Company’s condensed interim financial statements requires the Executive Board to make judgments, estimates and assumptions that affect the reported amount of figures recorded in the statement of profit and loss, on the unrealised or deferred gains and losses, on the valuation of assets and liabilities in the statement of financial position, and on information disclosed in the notes to the condensed interim financial statements.

In order to make these assumptions and estimates, the Executive Board 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 condensed interim 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, the Executive Board 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 recognised in the condensed interim financial statements with substantial Executive Board judgment and/or estimates are listed below with respect to judgments/estimates involved.

The use of significant estimates and judgment mainly concerns the following topics:

- Fair value in the interim statement of financial position of financial instruments not quoted in 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 4.3);

- The analysis of the contractual cash flow characteristics of financial assets (see Note 2.3.3.1).

2.1.5. Segmental information

No dedicated management reporting information is presented for SGIS to a chief decision maker; only the annual 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. New accounting standards

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 applicable as at 1 January 2020

Amendments to IFRS 3 "Business Combinations" (Note 2.2.1.1)

Amendments to IAS 1 and IAS 8 "Definition of materiality" (Note 2.2.1.2)

Amendments to IFRS 7, IAS 39 and IFRS 9 in the context of the interest rate benchmark reform ("IBOR Reform") Phase 1 (Note 2.2.1.3)

First application of the revised conceptual framework for financial reporting (the revised "Conceptual Framework") (Note 2.2.1.4).

2.2.1.1. Amendments to IFRS 3 "Business Combinations"

Issued by the IASB on 22 October 2018 and adopted by the European Union on 29 November 2019.

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.

This amendment to IFRS 3 standard is not applicable to the Company, as the acquisition of business is not part of its usual activity and it did not proceed to any acquisition in the previous periods.

2.2.1.2. Amendments to IAS 1 and IAS 8 “Definition of materiality”

Issued by the IASB on 31 October 2018 and adopted by the European Union on 29 November 2019.

These amendments are intended to clarify the definition of ‘materiality’ in order to facilitate the judgment in the context of the preparation of financial statements and interim financial information, particularly when selecting the information to be presented in the Notes.

The Company assessed the potential impact of this clarification. No impact on the condensed interim financial statements as at 30 June 2020 was observed.

2.2.1.3. Amendments to IFRS 7, IAS 39 and IFRS 9 in the context of the interest rate benchmark reform (“IBOR Reform”) Phase 1

Issued by IASB in September 2019 and adopted by the European Union on 15 January 2020.

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: ESTR (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.

Société Générale 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 Société Générale 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).

The IASB started a second phase of study on this subject (cf Note 2.2.2.1.)

2.2.1.4. First application of the revised conceptual framework for financial reporting (the revised "Conceptual Framework")

Issued by IASB on 29 March 2018 and adopted by the European Union on 6 December 2019.

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

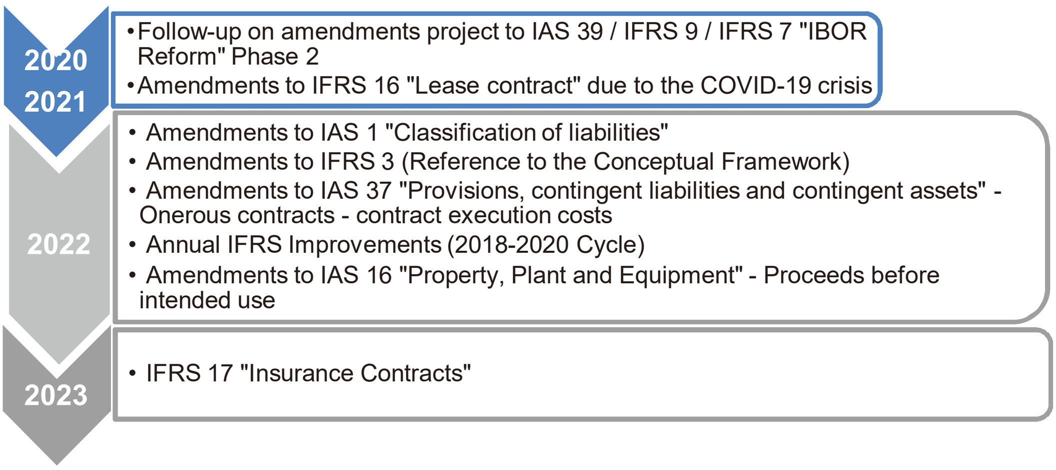
The changes to the Conceptual Framework affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The revised Conceptual Framework is effective for the Company as it develops accounting policies based on the Conceptual Framework, it is effective for a first application in the interim financial statements as at 30 June 2020.

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 2020. They are required to be applied from annual periods beginning on 1 January 2021 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 2020.

These standards are expected to be applied according to the following schedule:



Follow-up on amendments project to IAS 39 / IFRS 9 / IFRS 7 – "IBOR Reform" Phase 2

Further to the phase 1 study of IBOR reform (cf Note 2.2.1.3.), the IASB continued a second phase of study from October 2019 to February 2020 on the accounting consequences of the changes that will be made to financial instrument contracts as part of the IBOR reform. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were published in April 2020.

The amendments concern the classification and evaluation of financial instruments, hedge accounting, the consequences of the IBOR reform on other IFRS standards, the procedures for ending the application of exceptions introduced by the amendments published following phase 1 of the reform, the information to be provided in the appendix to the financial statements as well as the date of entry into force of these specific provisions.

More specifically, the proposed amendments relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosures requirements applying IFRS 7 to accompany the Board's proposal for classification and measurement and hedge accounting.

The Accounting Standards Board is participating in the International Accounting Standards Board's project to consider the financial reporting implications of interest rate benchmark reform. The Accounting Standards Board issued in April 2020 its exposure corresponding to the IASB's exposure on this topic.

These amendments should enable the Company to limit the impact on its financial statement and reduce the cost of the transition from an operational standpoint as long as the rate change results from the interest rate references reform and is carried out on an equivalent economic basis.

The finalised amendments should be published in the second half of 2020 with a date of first application on 1 January 2021. Optionally, these amendments could be applicable in advance and with retroactive effect from 2020.

To date, the Company has not made any changes to its financial contracts.

2.2.2.1. Amendments to IFRS 16 "Lease contract" due to the COVID-19 crisis

Issued by the IASB on 28 May 2020, not yet adopted by the European Union – To be applied by the Company once adopted by the European Union

These amendments are to allow, as an option, tenants benefiting from rent relief in the context of the Covid-19 pandemic, not to analyse whether the concessions granted to them should be accounted for as modifications to rental contracts. This would imply spreading out the effects of the advantage granted over the term of the contract in profit or loss, they can recognise these reductions as negative variable rents (generating an immediate gain in profit or loss). The amendment specifies that the lessees electing to apply the exemption should apply it retrospectively in accordance with IAS 8 but are not required to restate prior period figures.

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 nonmaterial.

In the first half of 2020, the Company did not benefit from any rent relief following the Covid-19 crisis.

2.2.2.2. Amendments to IAS 1 "Classification of liabilities"

Issued by the IASB on 23 January 2020

On 23 January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists;
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant;
- The amendments clarify the situations that are considered settlement of a liability.

The new guidance will be effective for annual periods starting on or after 1 January 2023.

On 15 July 2020, the IASB issued Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after 1 January 2023. The Accounting Standards Board will approve this amendment to IAS 1 by the last quarter 2020.

At this stage, the Company does not expect any impact from these amendments.

2.2.2.3. Amendments to IFRS 3 (Reference to the Conceptual Framework)

Issued by the IASB on 14 May 2020

After its meeting on 30 January 2020, the IASB finalised the amendments to IFRS 3 and decided to require an entity to apply the amendments to business combinations for which acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.

The IASB published Reference to the Conceptual Framework (Amendments to IFRS 3) with amendments to IFRS 3, Business Combinations that update an outdated reference in IFRS 3 without significantly changing its requirements.

At this stage, the Company does not expect any impact from these amendments.

2.2.2.4. Amendments to IAS 37 “Provisions, contingent liabilities and contingent assets” – Onerous contracts – Contract execution costs

Issued by IASB in May 2020

These amendments specify the costs to be used in determining the costs of performing a contract when analysing onerous contracts. These amendments will be effective on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.

At this stage, the Company does not expect any impact from these amendments.

2.2.2.5. Annual IFRS improvements (2018 – 2020 cycle)

Issued by the IASB on 14 May 2020

As part of the annual procedure for improving IFRS, the IASB published minor changes to IFRS 9 “Financial instruments” and IFRS 16 “Leases”. The IASB also published minor changes to IFRS 1 “First time adoption of International Financial Reporting Standards” and IAS 41 “Agriculture”, which are not applicable to the Company.

The amendment on IFRS 9 “Financial instruments” clarifies which fees an entity includes when performing the “10 per cent” test to assess whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment to IFRS 16 clarifies the treatment of lease incentives related to reimbursement of leasehold improvements by the lessor.

The amendment only relates to an illustrative example and as such will not result in any impact for the Company.

2.2.2.6. Amendments to IAS 16 “Property, Plant and Equipment” – Proceeds before intended use

Issued by the IASB on 14 May 2020

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Such sales proceeds or related costs realised during the preparation of the asset for its intended use should be recognised in profit or loss.

As the Company has no property, plant and equipment, the Company does not expect any impact from these amendments.

2.2.2.7. IFRS 17 "Insurance Contracts"

Issued by the IASB on 18 May 2017, amended on 25 June 2020.

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

The Company maintains its books in EUR, which is the currency of the capital.

Assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rates ruling at the reporting date. Foreign exchange differences arising on translation and realised 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.

Revenues and expenses in foreign currencies are translated into EUR at the exchange rates prevailing at the date of the transactions.

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
30.06.2020	1.1198	120.6600	0.9124	8.6788	1.0651
31.12.2019	1.1234	121.9400	0.8508	8.7473	1.0854

2.3.2. Cash and Cash equivalents

Cash and cash equivalents comprise only cash repayable on demand.

Cash and cash equivalents in the Company are subject to impairment under IFRS 9 and are presented net of impairment (cf. Note 2.3.3.3).

2.3.3. Financial instruments

2.3.3.1. Classification of financial instruments

Classification of financial assets

Financial assets are classified under IFRS 9 based on the characteristics of their contractual cash flows and on how they are managed (business models).

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). These 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 Solely Payments of Principles and Interest (or "SPPI") test and consequently 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.

Purchases and sales of financial assets recorded under Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are recognised in the statement of financial position at the delivery-settlement date. Changes in fair value between the trade and settlement dates are recorded in the income statement or booked to shareholders' equity depending on the accounting category of the relevant financial assets. Loans and receivables are recorded in statement of financial position on the date they are paid or at the maturity date for invoiced services. The trade date is the date on which the contractual commitment becomes binding and irrevocable for the Company.

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 Company upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option.

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 amortised cost.

2.3.3.2. Valuation of financial instruments

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.

Notes to the condensed interim financial statements
as at 30 June 2020
- continued -

Fair value hierarchy

The fair values of financial instruments include accrued interest as applicable.

For information purposes, in the notes to the condensed interim financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the significance of the inputs used according to 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 statement of financial position 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 statement of financial position date.

A financial instrument is considered 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 Company 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 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 statement of financial position 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.

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 statement of financial position are predominantly instruments for which the sales margin is not immediately recognised in profit or loss.

Accordingly, Level 3 financial instruments include derivatives with longer maturities than those usually traded and/or with specifically tailored return profiles. Similarly, debt measured at fair value is classified as Level 3 where the valuation of the associated embedded derivatives is also based on unobservable inputs.

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 n^{th} 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).

At the level of Société Générale Group, valuation models are determined in order to fully embed the impact of IFRS 13 as described above and use appropriate parameters and methodologies in order to determine L3 instruments valuation. Counterparty credit risk estimates relies on Credit Value Adjustments (CVA) and Debit Value Adjustments (DVA) calculations.

Different calculation methods can exist regarding the CVA-DVA / OCA (Own Credit Adjustment) impact calculation: derived from the yield discounting methodology, other from the Monte-Carlo EPE/ENE (Expected Positive / Negative Exposure). The methodology for calculation of CVA-DVA (OCA not applicable to the Company) applied to SGIS (the same as the Société Générale Group) is the yield discounting methodology.

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 Company to establish the fair value of financial instruments are detailed below.

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 collateralised with assets deposited on segregated or pooled accounts with external custodian (The Bank of New York Mellon S.A., Luxembourg Branch, hereafter "BNY Mellon Luxembourg") 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 (securities issued by issuers which are not part of the SG Group). Therefore, as Société Générale and SGIS are mere risk pass-through, the credit risk premium 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, of the Repack Notes and of 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.

The base models may not fully capture all factors relevant to the valuation of SGIS on these financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (Funding Valuation Adjustment or "FVA"). Therefore, SGIS applies various techniques (from the Group) to estimate the credit risk associated with its financial instruments measured at fair value.

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.

2.3.3.3. Impairments and provisions

Some financial assets involve credit risk which exposes the Company to a potential loss if the counterparties were to be unable to respect their financial commitments. The Company is remunerated for bearing this risk by a portion of the contractual interest that it receives on those assets; this is known as the credit margin.

This potential loss, or expected credit loss, is recognised in profit or loss without waiting for the occurrence of a default event on a specific counterparty.

For loans and receivables measured at amortised cost or, if any, fair value through other comprehensive income, the expected credit loss, as assessed by the Company, is recognised in profit or loss. In the interim statement of financial position, this potential loss is recognised as an impairment that reduces the carrying amount of assets measured at amortised cost. Impairments are written-back in case of a subsequent decrease of credit risk. No impairment is recognised on cash and cash equivalents. The Company does not have given loan commitments or financial guarantees contracts.

Impairment and provisions for credit risk

To determine the amount of impairment or loss allowances to be recorded at each reporting date, these exposures are classified into one of three categories based on the increase in credit risk observed since initial recognition. An impairment or loss allowance shall be recognised for the exposures in each category as follows:

- Exposures classified in Stage 1: At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are underperforming/credit-impaired on acquisition. Stage 1 exposures are impaired for the amount of credit losses that the Company expects to incur within 12 months (12-month expected credit losses), based on past data and the current situation.
- Exposures classified in Stage 2: To identify Stage 2 exposures, the significant increase in credit risk is assessed by the Company, taking into account the counterparty's credit risk rating, the magnitude of the change in the counterparty's credit rating and the existence of payments of more than 30 days.
- Exposures classified in Stage 3 (doubtful outstandings): The Company determines whether or not there is objective evidence of impairment (default event).

Stage 2 and 3 exposures are impaired for the amount of credit losses that the Company 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.

Impairments / Reversal of impairments

Impairments / Reversal of impairments include net reversals of impairment and loss allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

2.3.3.4. 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 Société Générale.

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 recognised 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 Group and the Company consequently acquired a legally enforceable right to offset the recognised 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 Group and the Company consequently acquired a legally enforceable right to offset the recognised 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.

2.3.4. Fee income and expense

Fee income and Fee expense combine fees on services rendered and received, as well as fees on pledge security granted 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 income and Interest expenses.
The Company 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 custody fees and administration costs are recognised as income over the life of the service;
- fees for one-off services, such as issuance and listing fees are recognised as income when the service is provided.

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. For example: supplier contracts generate trade payables, accrued expenses or prepaid expenses.

The Company splits the income realised through its activity of issuance of Notes and Warrants in 2 types of commission, which are accounted separately, on basis of the 2 services generating such income:

- The issuing fee, which is recognised upfront for the initiation and the structuration of the issuance; and
- Account and security servicing fee during the lifecycle of the security, which is accrued and recognised on the duration of the security issued.

2.3.5. Other commitments linked to secured Notes

In relation to each Serie of Secured Notes, in order to secure its obligations in respect of such Notes, the Company enters into a pledge agreement which is governed by the Luxembourg act dated 5 August 2005 on financial collateral arrangements, as amended. Under each pledge agreement, the Company grants first ranking security over the Collateral Assets contained in one or more accounts held by the Company with BNY Mellon Luxembourg (or such other custodian or account bank as is specified in the applicable Final Terms, pursuant to the terms of a custodian agreement between, inter alia, the Company and the collateral custodian).

The security granted under each pledge agreement is granted either in favour of:

- (i) in the case of English Law Notes, The Bank of New York Mellon Corporate Trustee Services Limited or such other security trustee as is specified in the applicable Final Terms as security trustee on behalf of itself and the relevant Noteholders and the other relevant Secured Parties (as defined in the Additional Terms and Conditions for Secured Notes) or,
- (ii) in the case of French Law Notes, directly in favour of the relevant Noteholders and the other relevant Secured Parties as represented by The Bank of New York Mellon Corporate Trustee Services Limited or such other security agent as is specified in the applicable Final Terms as security agent.

Following the occurrence of a Secured Note Acceleration Event (as defined in the Additional Terms and Conditions for Secured Notes), all Noteholders whose Notes have become immediately due and payable is first entitled to claim for any outstanding amounts due to them under the terms of the Guarantee. If neither the Issuer nor the Guarantor (pursuant to the terms of the Guarantee) has paid all amounts due to Noteholders within a period of 3 Collateral Business Days following the occurrence of a Secured Note Acceleration Event, Noteholders may send a notice in writing to the Security Trustee (in the case of English Law Notes) or the Security Agent (in the case of French Law Notes) requesting that the relevant Pledge Agreement be enforced in accordance with the terms of the Base Prospectus.

The Company borrows the securities to be pledged from Société Générale Group. In accordance with IFRS 9, the borrowing of the securities to be pledged by the Company is not assimilated to the transfer of assets and thus does not result in recognition in the interim statement of financial position. The risks and rewards associated to the securities remain in Société Générale Group and as such are not presented in the Company's interim statement of financial position.

The pledged securities are accounted as an off balance-sheet commitment "Securities pledged". The committed amount is re-measured at each closing to reflect the value of the securities pledged.

2.4. Prior years corrections of error

During Q4 2019, SG Issuer, identified that, in 2019 as well as in prior years, Société Générale had paid to SG Issuer a remuneration in excess of the contractually agreed remuneration due to an error in using the right notes' maturities when applying the contractually agreed remuneration formula. However, such undue remuneration had no impact on any remuneration due to investors in SG Issuer's notes and warrants at any time.

Société Générale confirmed in a letter addressed to SG Issuer on 15 April 2020 and duly signed by both parties that it had decided to waive any reimbursement claim from SG Issuer related to such undue remuneration whenever paid.

Therefore, this operational incident had no impact on SG Issuer net result and shareholders' equity.

The economic nature of this excess remuneration being different from the contractual remuneration, the excess remuneration was recorded in "Other income" for the year ended 31 December 2019. Further to this change, SG Issuer has restated the amount in the interim statement of profit or loss and other comprehensive income for the period ended 30 June 2019 as well as in the notes to the condensed interim financial statements (Notes 8 and 9).

This excess remuneration paid by Société Générale to SG Issuer amounts to KEUR 14 384 for the period ended 30 June 2019 (also KEUR 14 384 for the year ended 31 December 2019 since it was identified and corrected during Q4 2019).

2.5. Comparative data

The presentation of the interim statement of cash flows was slightly changed in 2020 in order to clarify some of its components ("Taxes paid" are now presented separately). In the interim statement of cash flows, the comparative data for the period ended 30 June 2019 have been restated for comparison purposes. The restatements have no impact on the subtotals and total disclosed in the interim statement of cash flows.

2.6. Covid-19 crisis

The Covid-19 pandemic is causing unprecedented health crisis and economic shock. The lockdown measures imposed by many governments to stop the spread of virus have led to a collapse of global activity during the first half of 2020: the crisis has been affecting both the supply and demand for goods and services and has led to financial market dislocations.

Governments and central banks have tried to mitigate the effects of this shock by providing significant support in term of liquidity and credit guarantees to the economy.

Strong uncertainties remain about the consequences, magnitude and duration of the crisis.

In this context, Société Générale Group has defined new potential scenarios of economic recovery and analysed their effects on its activities in order to integrate them into the assumptions and estimates used for preparing interim consolidated financial statements.

In conjunction with the numerous publications of regulatory authorities and of the IASB, Société Générale Group has also introduced some adjustments and taken into account Governments support measures in the methodology used for the application of measurement principles regarding expected credit losses.

SGIS policy is to rely on the methodological framework defined by the Société Générale Group. Therefore, SGIS adopted a similar approach to Société Générale Group for the adjustments related to Governments support measures due to the fact is generally operates in similar countries and environments and also relies on its parent Group's modelizations for macroeconomic scenarios and analysis of activities.

Covid-19 consequences are detailed below to shed light on the financial consequences of the crisis and on their implementation in the preparation of the condensed interim consolidated financial statements, as recommended by the market and accounting authorities.

Covid-19 impact on Market Risk

Following the Covid-19 outbreak, we noted as explained above a significant change in fair value of financial liabilities. Given the specific setup of SGIS, the notes are fully backed, meaning that the change in fair value of SGIS notes is fully reflected on asset side. Due to these hedging arrangements, there can be no impact on PNL.

Consequently, on the market risk ground, the Covid-19 situation did not have any impact. The absence of profit or loss on issuing GOPs is still monitored on a daily basis ensuring that no profit or loss remain on GOPs.

Covid-19 impact on Expected Credit Loss

Both the Statement of financial position and the off-balance sheet of SGIS are largely out of scope as regards Expected Credit Loss calculation (ECL). Financial assets (Fully Funded Swap) and options held are mandatorily measured at Fair Value through Profit and Loss ("FVTPL") as describe in point 2.3.3.1 (classification of financial instrument).

Only a minor part of statement of financial position is measured at amortized cost and thus subject to impairment under IFRS 9, corresponding essentially as at 30 June 2020 in term deposits with its Parent Company, SG Luxembourg, 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 not significant at KEUR 8 as at 30 June 2020 (31 December 2019: KEUR 3).

Covid-19 support measures

Given its specific activities, SGIS does not deal directly with clients, does not grant loans and its only counterpart is SGPM or Société Générale Group entities. Therefore, SGIS suffer today no impact in terms of potential downgrade in credit risk rating or in terms of granted moratorium and no specific measures has been put in place due to COVID crisis regarding credit risk nor operational risk.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to KEUR 48 750 as at 30 June 2020 (31 December 2019: KEUR 65 975) and are mainly composed of cash held with SG Luxembourg and Société Générale.

As at 30 June 2020 and 31 December 2019, this caption only contains cash that is repayable on demand.

NOTE 4 – FINANCIAL INSTRUMENTS

4.1. Financial assets at fair value through profit or loss

	30.06.2020 (‘000 EUR)	**31.12.2019** (‘000 EUR)
Financial assets at fair value through profit or loss		
- Mandatorily at fair value through profit or loss (Fully Funded Swaps)	43 807 580	52 893 265
- Trading derivatives (Options)	1 304 778	5 786 274
Total	**45 112 358**	**58 679 539**

As at 30 June 2020, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 43 807 580 (31 December 2019: KEUR 52 893 265) 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 2020, Trading derivatives (Options) amount to KEUR 1 304 778 (31 December 2019: KEUR 5 786 274) 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 2020, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 40 005 291 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2019: KEUR 30 038 519) and KEUR 9 182 140 for the non-sold Warrants and the corresponding Options (31 December 2019: KEUR 6 692 028) (see Note 4.2).

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 2019	**45 062 134**	**4 168 362**	**49 230 496**
Acquisition	33 277 613	20 820 233	54 097 846
Maturity/Disposal/Liquidation/Cancellation	(17 375 767)	(17 574 915)	(34 950 682)
Change in fair value	9 520 579	(1 350 072)	8 170 507
Exchange difference	307 744	32 792	340 536
Offsetting of Assets and Liabilities (Change)	(19 079 917)	(2 497 998)	(21 577 915)
As at 30 June 2019	**51 712 386**	**3 598 402**	**55 310 788**
Acquisition	38 382 473	19 588 395	57 970 868
Maturity/Disposal/Liquidation/Cancellation	(69 384 782)	(20 299 589)	(89 684 371)
Change in fair value	1 703 488	1 703 338	3 406 826
Exchange difference	651 676	108 716	760 392
Offsetting of Assets and Liabilities (Change)	29 828 024	1 087 012	30 915 036
As at 31 December 2019	**52 893 265**	**5 786 274**	**58 679 539**
Acquisition	17 333 800	26 369 657	43 703 457
Maturity/Disposal/Liquidation/Cancellation	(6 040 994)	(28 445 887)	(34 486 881)
Change in fair value	(10 195 256)	99 190	(10 096 066)
Exchange difference	(216 463)	(14 344)	(230 807)
Offsetting of Assets and Liabilities (Change)	(9 966 772)	(2 490 112)	(12 456 884)
As at 30 June 2020	**43 807 580**	**1 304 778**	**45 112 358**

4.2. Financial liabilities at fair value through profit or loss

	30.06.2020 ('000 EUR)	31.12.2019 ('000 EUR)
Financial liabilities at fair value through profit or loss		
- Designated at fair value through profit or loss (Notes)	43 832 027	52 889 867
- Trading derivatives (Warrants)	1 309 597	5 788 693
Total	**45 141 624**	**58 678 560**

As at 30 June 2020, the Company has issued secured and unsecured Notes for a total amount of KEUR 43 832 027 (31 December 2019: KEUR 52 889 867):

- 31 231 unsecured Notes were issued (stock) for a total amount of KEUR 37 893 856 (31 December 2019: 31 999 unsecured Notes were issued (stock) for a total amount of KEUR 48 347 725);
- 852 secured Notes were issued (stock) for a total amount of KEUR 5 938 171 (31 December 2019: 846 secured Notes were issued (stock) for a total amount of KEUR 4 542 142).

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 2020, securities deposited at BNY Mellon as collateral for secured issuances amount to KEUR 4 773 341 (31 December 2019: KEUR 4 468 186). The value of the collateral is lower than the amount of the secured Notes issued considering no collateral is required for the secured Notes which are helds by Société Générale.

As at 30 June 2020, the Company also issued Warrants for a total amount of KEUR 1 309 597 (31 December 2019: KEUR 5 788 693). Refer to Note 10 for further details on Off-balance sheet items related to the Warrants activity.

As at 30 June 2020, the impact of the offsetting (decrease in the balance sheet) is KEUR 40 005 291 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2019: KEUR 30 038 519) and KEUR 9 182 140 for the non-sold Warrants and the corresponding Options (31 December 2019: KEUR 6 692 028) (see Note 4.1).

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 2019	**45 053 728**	**4 170 486**	**49 224 214**
Issuance	33 743 010	20 821 781	54 564 791
Maturity/Disposal/Liquidation/Cancellation	(17 794 541)	(17 350 616)	(35 145 157)
Change in fair value	9 473 510	(1 574 971)	7 898 539
Exchange difference	308 902	53 993	362 895
Offsetting of Assets and Liabilities (Change)	(19 079 917)	(2 497 998)	(21 577 915)
As at 30 June 2019	**51 704 692**	**3 622 675**	**55 327 367**
Issuance	39 510 208	19 163 471	58 673 679
Maturity/Disposal/Liquidation/Cancellation	(69 785 435)	(19 953 151)	(89 738 586)
Change in fair value	997 399	1 697 587	2 694 986
Exchange difference	634 979	171 100	806 079
Offsetting of Assets and Liabilities (Change)	29 828 024	1 087 011	30 915 035
As at 31 December 2019	**52 889 867**	**5 788 693**	**58 678 560**
Issuance	17 653 343	26 280 394	43 933 737
Maturity/Disposal/Liquidation/Cancellation	(4 920 840)	(29 049 537)	(33 970 377)
Change in fair value	(11 513 922)	776 483	(10 737 439)
Exchange difference	(309 649)	3 676	(305 973)
Offsetting of Assets and Liabilities (Change)	(9 966 772)	(2 490 112)	(12 456 884)
As at 30 June 2020	**43 832 027**	**1 309 597**	**45 141 624**

4.3. Financial liabilities at amortised cost

As at 30 June 2020 and 31 December 2019, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000 issued by the Company and fully subscribed by SG Luxembourg, with maturity in 2022. Conversion may occur each year.

On this convertible bond, the Company pays to SG Luxembourg both variable interests calculated on Euribor 3M plus a margin of 2.05% (total rate of 1.63% as at 30 June 2020) 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 2020 and 31 December 2019, the value of the equity component is estimated to be nil.

NOTE 5 – LOANS AND RECEIVABLES

As at 30 June 2020 and 31 December 2019, loans and receivables only consist in term deposits with SG Luxembourg, which represent the reinvestment of the Company's share capital, reserves and other available funds.

Expected credit losses calculated on loans and receivables in accordance with IFRS 9 amount to KEUR 8 as at 30 June 2020 (31 December 2019: KEUR 3).

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 SG Luxembourg, as authorised by the article 164 bis LIR and has concluded a Tax Sharing Agreement (the "Agreement") with SG Luxembourg. Under the Agreement, the Company pays to SG Luxembourg, 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.

The rate of current tax applied as of 30 June 2020 is 24.94% (31 December 2019: 24.94%). The current tax rate includes the corporate tax and the municipal tax.

For the period ended 30 June 2020, tax expenses amount to KEUR 47 (30 June 2019: KEUR 87).

NOTE 7 – SHAREHOLDERS' EQUITY

7.1. Share capital and Share premium

As at 31 December 2019, the subscribed and fully paid share capital, 100% held by SG Luxembourg, was EUR 2 000 240, divided into 50 006 shares with nominal value of EUR 40 each.

By resolution adopted on 15 January 2020, the Executive Board decided to increase the capital of the Company from EUR 2 000 240 to EUR 2 000 280 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 2019 activity related interests amounting to EUR 34 981 050 have been allocated to the Share premium. Then, the Share premium has been paid to SG Luxembourg in June 2020.

As at 30 June 2020, the subscribed and fully paid share capital, 100% held by SG Luxembourg, is EUR 2 000 280, divided into 50 007 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 or 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 2020, the legal reserve amounts to KEUR 200 (31 December 2019: KEUR 200).

7.2.2. Other reserves

Since 2013, the Company is fiscally integrated in its parent company SG Luxembourg. SG Luxembourg constitutes the Net Wealth Tax reserve for the Company. As a consequence, no Net Wealth Tax reserve has been constituted by the Company since 2013.

As at 30 June 2020, the amount of other reserves is nil (31 December 2019: nil).

Notes to the condensed interim financial statements
as at 30 June 2020
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NOTE 8 – COMMISSION INCOME

Commission income can be broken down as follows:

	30.06.2020 ('000 EUR)	30.06.2019 ('000 EUR) Restated *
Issuing upfront fees on Notes	19 341	15 657
Servicing fees on Notes	3 158	925
Commission on Warrants	2 157	1 916
Total	**24 656**	**18 498**

As at 30 June 2020, KEUR 7 861 are retained as deferred income under the caption "other liabilities" (30 June 2019: KEUR 4 37).

** Restatement explained in Note 2.4*

NOTE 9 – OTHER INCOME

As explained in Note 2.4, other income included an excess remuneration of KEUR 14 384 for the period ended 30 June 2019.

NOTE 10 – OFF-BALANCE SHEET

As at 30 June 2020, financial instruments to be issued (commitment taken before 30 June 2020 with value date after 30 June 2020) amount to KEUR 1 528 075 (31 December 2019: KEUR 2 836 408).

Notes to the condensed interim financial statements
as at 30 June 2020
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Warrants issuance summary

The Warrants issued as at 30 June 2020 and 31 December 2019 break down as follows:

				30 June 2020			31 December 2019		
Warrant Type	**Category of Underlying**	**Type of Underlying**	**Option Type**	**Quantity**	**Notional ('000 EUR)**	**Fair Value ('000 EUR)**	**Quantity**	**Notional ('000 EUR)**	**Fair Value ('000 EUR)**
Basket Warrant	Basket	Index	Call	1	500	42 265	1	12 462	14 432
		Commodity Future	Call	1	78 020	13 003	-	-	-
Commodity Future Warrant	Future	Mutual Fund	Put	-	-	-	24	35 591	6 048
		Commodity Future	Call	13	32 309	15	76	637 284	42 969
			Put	21	46 146	8 055	74	176 905	25 045
Commodity Warrant		Index	Call	15	507 388	11 328	9	40 197	19 188
		Mutual Fund	Call	50	224 990	40 468	136	904 041	130 055
			Put	55	115 007	154	83	154 736	10 222
		Precious metals	Call	6	14 206	32	11	22 469	5 626
			Put	10	25 101	0	11	26 439	126
		Future Contract	Call	-	-	-	1	-	57 440
Currency Warrant	Currency	Currency	Call	102	76 842	6 445	9 155	88 621	41 196
			Put	141	210 547	2 526	4 152	417 838	305 098
Equity Warrant	Equity	American Depositary Receipt	Call	5	10 133	334	63	202 059	9 155
			Put	1	1 162	0	36	60 612	4 152
		Mutual fund	Call	1	14 288	2	6	139 725	960
		Ordinary Share	Call	2 307	26 770 348	146 117	4 397	27 304 462	1 045 517
			Put	1 430	8 933 395	68 346	3 217	10 749 863	522 589
		Own Share	Call	27	63 459	175	67	103 867	12 856
			Put	10	7 301	3 328	42	52 041	8 039
		Preference	Call	12	25 936	77	29	61 705	2 846
			Put	7	11 448	0	19	31 784	822

Notes to the condensed interim financial statements
as at 30 June 2020
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Warrant Type	Category of Underlying	Type of Underlying	Option Type	30 June 2020 Quantity	30 June 2020 Notional ('000 EUR)	30 June 2020 Fair Value ('000 EUR)	31 December 2019 Quantity	31 December 2019 Notional ('000 EUR)	31 December 2019 Fair Value ('000 EUR)
Real Estate Investment Trust	Real Estate Investment Trust	Real Estate Investment Trust	Call	9	96 104	20	47	140 612	6 483
			Put	7	46 872	565	40	87 700	2 315
Index Warrant	Index	Index	Call	996	28 520 266	750 437	2 169	53 295 928	3 009 616
			Put	791	17 573 668	203 815	1 319	25 762 353	471 170
Fund Warrant	Fund	Mutual Fund	Call	202	1 169 450	12 075	228	1 467 868	34 668
			Put	3	23 922	15	6	118 816	60
Total Call			**Call**	**3 747**	**57 604 239**	**1 022 793**	**16 395**	**84 421 300**	**4 433 007**
Total Put			**Put**	**2 476**	**26 994 569**	**286 804**	**9 023**	**37 674 678**	**1 355 686**
Total Warrants				**6 223**	**84 598 808**	**1 309 597**	**25 418**	**122 095 978**	**5 788 693**

NOTE 11 – 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).

11.1 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 (SG Luxembourg) with hedged interest rate risk (fixed rate contracted with SG Luxembourg**)**. 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.

11.2 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, SG Luxembourg and Société Générale. Therefore, the credit risk of the Company is limited to the credit risk on SG Luxembourg and Société Générale. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred.

As at 30 June 2020 and 31 December 2019, no financial assets were past due. An Expected Credit Loss is calculated on deposits, amounting to KEUR 8 as of 30 June 2020 following an impairment of KEUR 5 on the period (see note 5).

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).

As at 30 June 2020, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

11.3 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.

11.4 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.

11.5 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 sensibilities 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).

Notes to the condensed interim financial statements
as at 30 June 2020
- continued -

11.5.1. Estimates of Level 3 instruments and other most significant unobservable inputs as at 30 June 2020 (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 inputs Min & Max**
Equity / Funds	17 439	17 466	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	[10% ; 132.7%]
					Equity dividends	[0% ; 29.1%]
					Correlations	[-100% ; 97.8%]
					Hedge funds volatilities	[7.6% ; 20%]
					Mutual fund volatilities	[2.1% ; 26.1%]
Rates, Forex and others	4 397	4 398	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[-46.4% ; 90%]
			Forex derivatives	Forex option pricing models	Forex volatilities	[0% ; 27.5%]
			Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools	Prepayement modeling	Constant prepayment rates	[0% ; 20%]
			Inflation instruments and derivatives	Inflation pricing models	Correlations	[55%; 88.9%]
Credit	4 005	4 004	Collateralised 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	19	19	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	[-74.7%; 93.8%]
Total	**25 860**	**25 887**				

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.

Moreover, changes in an unobservable parameter would have by underlying a mirror effect on both assets and liabilities.

Notes to the condensed interim financial statements
as at 30 June 2020
- continued -

11.5.2 Analysis per remaining maturities

As at 30 June 2020, analysis per remaining maturities is as follows:

30.06.2020 - EUR' 000	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Total
Cash and cash equivalents	48 750	-	-	-	48 750
Financial assets at fair value through profit or loss					
- Mandatorily at fair value through profit or loss	2 329 177	8 353 951	16 869 978	16 254 474	43 807 580
- Trading derivatives	559 600	91 720	382 449	271 009	1 304 778
Loans and receivables	-	200	48 797	1 000	49 997
Other assets	339 413	-	-	-	339 413
Total assets	**3 276 940**	**8 445 871**	**17 301 224**	**16 526 483**	**45 550 518**
Financial liabilities at amortised cost	623	5 757	48 000	-	54 380
Financial liabilities at fair value through profit or loss					
- Designated at fair value through profit or loss	2 358 326	8 354 016	16 869 720	16 249 965	43 832 027
- Trading derivatives	564 279	92 579	381 730	271 009	1 309 597
Other liabilities	352 136	-	-	-	352 136
Tax liabilities	47	-	-	-	47
Total liabilities	**3 275 411**	**8 452 352**	**17 299 450**	**16 520 974**	**45 548 187**

As at 31 December 2019, analysis per remaining maturities is as follows:

31.12.2019 - EUR' 000	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Total
Cash and cash equivalents	65 975	-	-	-	65 975
Financial assets at fair value through profit or loss					
- Mandatorily at fair value through profit or loss	3 163 448	11 165 213	19 600 467	18 964 137	52 893 265
- Trading derivatives	1 193 884	947 357	1 080 289	2 564 744	5 786 274
Loans and receivables	-	1 953	48 707	1 000	51 660
Other assets	430 988	-	-	-	430 988
Total assets	**4 854 295**	**12 114 523**	**20 729 463**	**21 529 881**	**59 228 162**
Financial liabilities at amortised cost	681	34 988	48 000	-	83 669
Financial liabilities at fair value through profit or los					
- Designated at fair value through profit or loss	3 163 305	11 165 232	19 597 397	18 963 933	52 889 867
- Trading derivatives	1 191 838	949 542	1 079 739	2 567 574	5 788 693
Other liabilities	463 523	-	-	-	463 523
Tax liabilities	62	-	-	-	62
Total liabilities	**4 819 409**	**12 149 762**	**20 725 136**	**21 531 507**	**59 225 814**

11.5.3 Carrying amounts and fair values of assets and liabilities not measured at fair value in the interim statement of financial position

30.06.2020 - EUR' 000	**Carrying amount**	**Fair value**
Cash and cash equivalents	48 750	48 750
Loans and receivables *	49 997	51 784
Other assets	339 413	339 413
Total	**438 160**	**439 947**
Financial liabilities at amortised cost *	54 380	56 032
Other liabilities	352 136	352 136
Tax liabilities	47	47
Total	**406 563**	**408 215**

31.12.2019 - EUR' 000	**Carrying amount**	**Fair value**
Cash and cash equivalents	65 975	65 975
Loans and receivables *	51 660	53 302
Other assets	430 988	430 988
Total assets	**548 623**	**550 265**
Financial liabilities at amortised cost *	83 669	85 311
Other liabilities	463 523	463 523
Tax liabilities	62	62
Total	**547 254**	**548 896**

* 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.

11.5.4 The fair value hierarchy of IFRS 13

As at 30 June 2020, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

30.06.2020 - EUR' 000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
- Mandatorily at fair value through profit or loss	**-**	**18 088 800**	**25 718 780**	**43 807 580**
Commodities instruments	-	418 731	18 923	437 654
Credit derivatives/securities	-	1 137 395	4 005 448	5 142 843
Equity and index securities	-	13 788 060	17 312 648	31 100 708
Foreign exchange instruments/securities	-	848 527	420 678	1 269 205
Interest rate instruments/securities	-	1 714 450	3 216 673	4 931 123
Other financial instruments	-	181 637	744 410	926 047
- Trading derivatives	**-**	**1 163 394**	**141 384**	**1 304 778**
Equity and Index instruments	-	1 042 549	125 912	1 168 461
Foreign exchange instruments / securities	-	8 919	-	8 919
Other financial instruments	-	111 926	15 472	127 398
Financial liabilities at fair value through profit or loss				
- Designated at fair value through profit or loss	**-**	**18 087 057**	**25 744 970**	**43 832 027**
Commodities instruments	-	418 689	18 923	437 612
Credit derivatives/securities	-	1 135 477	4 004 272	5 139 749
Equity and index securities	-	13 788 636	17 340 152	31 128 788
Foreign exchange instruments / securities	-	848 305	420 551	1 268 856
Interest rate instruments/securities	-	1 714 459	3 216 673	4 931 132
Other financial instruments	-	181 491	744 399	925 890
- Trading derivatives	**-**	**1 167 510**	**142 087**	**1 309 597**
Equity and Index instruments	-	1 047 260	125 919	1 173 179
Foreign exchange instruments / securities	-	8 971	-	8 971
Other financial instruments	-	111 279	16 168	127 447

As at 31 December 2019, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31.12.2019 - EUR' 000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
- *Mandatorily at fair value through profit or loss*	**-**	**21 171 636**	**31 721 629**	**52 893 265**
Commodities instruments	-	736 757	6 113	742 870
Credit derivatives/securities	-	1 378 833	4 856 266	6 235 099
Equity and index securities	-	15 198 731	20 867 313	36 066 044
Foreign exchange instruments/securities	-	1 777 010	847 690	2 624 700
Interest rate instruments/securities	-	1 921 912	3 961 009	5 882 921
Other financial instruments	-	158 393	1 183 238	1 341 631
- Trading derivatives	**-**	**5 229 694**	**556 580**	**5 786 274**
Equity and Index instruments	-	3 203 565	222 023	3 425 588
Other financial instruments	-	2 026 129	334 557	2 360 686
Financial liabilities at fair value through profit or loss				
- Designated at fair value through profit or loss	**-**	**21 169 553**	**31 720 314**	**52 889 867**
Commodities instruments	-	736 757	6 113	742 870
Credit derivatives/securities	-	1 379 219	4 855 992	6 235 211
Equity and index securities	-	15 197 980	20 866 396	36 064 376
Foreign exchange instruments/securities	-	1 775 900	847 573	2 623 473
Interest rate instruments/securities	-	1 921 464	3 961 009	5 882 473
Other financial instruments	-	158 233	1 183 231	1 341 464
- Trading derivatives	**-**	**5 229 108**	**559 585**	**5 788 693**
Equity and Index instruments	-	3 201 226	221 988	3 423 214
Other financial instruments	-	2 027 882	337 597	2 365 479

Notes to the condensed interim financial statements
as at 30 June 2020
- continued -

The following table describes the variation in Level 3 by financial instruments (in KEUR):

Financial liabilities at fair value through profit or loss	**Balance at 01.01.2020**	Acquisitions	Change in fair value	Reimbursements	Transfers from L2 to L3	Transfers from L3 to L2	Offsetting of the assets and liabilities	**Balance at 30.06.2020**
Designated at fair value through profit or loss	**31 720 314**	**15 850 501**	**(2 824 439)**	**(10 841 493)**	**6 230 382**	**(15 985 564)**	**1 595 269**	**25 744 970**
Equity and index instruments	20 866 396	13 176 155	(2 007 099)	(8 842 972)	5 617 136	(14 120 749)	2 651 284	17 340 151
Commodities securities	6 113	44 651	(6 124)	249	3 155	-	(29 121)	18 923
Credit derivatives	4 855 992	497 785	(527 648)	(542 281)	141 552	(610 419)	189 292	4 004 273
Foreign exchange instruments	847 573	1 423 782	(159 120)	(30 986)	345 679	(719 296)	(1 287 081)	420 551
Interest rate instruments	3 961 009	570 960	(20 809)	(922 324)	86 195	(518 379)	60 021	3 216 673
Other financial instruments	1 183 231	137 168	(103 639)	(503 179)	36 665	(16 721)	10 874	744 399
Trading derivatives	**559 585**	**77 829**	**110 274**	**(430 331)**	**34 734**	**(34 706)**	**(175 298)**	**142 087**
Equity and index instruments	221 988	72 724	115 197	(103 199)	34 734	(34 706)	(180 819)	125 919
Other financial instruments	337 597	5 105	(4 923)	(327 132)	-	-	5 521	16 168

The variations in Level 3 financial assets are similar.

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…).The transfers from Level 2 to Level 3 during the six-month period ended 30 June 2020 are also explained by an in-depth review of all the models used by the Group.

11.6 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.

NOTE 12 – SUBSEQUENT EVENTS

There were no subsequent events which could have a significant impact on the condensed interim financial statements as at 30 June 2020.

APPENDIX 5 – FINANCIAL INFORMATION OF THE GUARANTOR FOR THE YEAR ENDED 31 DECEMBER 2020

Reproduction of Extracts of the "2021 REGISTRATION DOCUMENT" of the Guarantor for the year ended 31 December 2020 and the Statutory Auditors' Report on the Consolidated Financial Statements

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This Appendix has been extracted from the "2021 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.

2

GROUP MANAGEMENT REPORT

2.1 SOCIETE GENERALE GROUP'S MAIN ACTIVITIES

SIMPLIFIED OWNERSHIP STRUCTURE AT 31 DECEMBER 2020

Societe Generale Group

Corporate Centre | International Retail Banking and Financial Services (IBFS)

FRANCE

Corporate Centre

- Société Générale*
- Généfinance 100%
- SG Financial SH 100%
- Sogéparticipations 100%

- Société Générale SFH 100%
- Société Générale SCF 100%

- Sogefim Holding 100%
- Galybet 100%
- Genevalmy 100%
- Valminvest 100%
- Sogemarché 100%
- Sogecampus 100%

International Retail Banking and Financial Services (IBFS)

- Sogessur 100%
- Sogecap 100%
- CGL 99.9%

- Banque Française Commerciale Océan Indien 50%
- SGEF SA 100%
- ALD 80%

EUROPE

International Retail Banking and Financial Services (IBFS)

- Hanseatic Bank *Germany* 75%
- Komercni Banka A.S *Czech Republic* 60.7%

- BRD-Groupe SG *Romania* 60.2%
- PJSC Rosbank *Russia* 100%
- Fiditalia S.P.A *Italy* 100%

AFRICA - MEDITERRANEAN

International Retail Banking and Financial Services (IBFS)

- SG Marocaine de Banques *Morocco* 57.6%
- Société Générale Algérie 100%
- Société Générale Côte d'Ivoire 73.2%
- Union Internationale de Banques 52.3%

AMERICAS

ASIA - AUSTRALIA

* 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

Societe Generale Group

French Retail Banking (RBDF)		Global Banking and Investor Solutions (GBIS)	

FRANCE

French Retail Banking (RBDF)		Global Banking and Investor Solutions (GBIS)	
Société Générale*		Société Générale*	
Crédit du Nord	100%	Lyxor Asset Management	100%
Boursorama	100%	CALIF	100%
Franfinance	100%	Société Générale Capital Partenaires	100%
Sogefinancement	100%		
Sogelease France	100%		
Sogeprom	100%		

EUROPE

Global Banking and Investor Solutions (GBIS)	
Société Générale Luxembourg *Luxembourg*	100%
SG Kleinwort Hambros Bank Limited *United Kingdom*	100%
SG Investments (U.K.) Ltd *United Kingdom*	100%
Société Générale International Ltd London *United Kingdom*	100%
Société Générale Effekten *Germany*	100%
SG Issuer, *Luxembourg*	100%
SGSS Spa *Italy*	100%
SG Private Banking *Switzerland*	100%
SG Private Banking *Monaco*	100%

- Société Générale* branches in:
  London *United Kingdom*
  Milan *Italy*
  Frankfurt *Germany*
  Madrid *Spain*

AFRICA - MEDITERRANEAN

AMERICAS

Global Banking and Investor Solutions (GBIS)	
Banco SG Brazil SA *Brazil*	100%
SG Americas, Inc. *United States*	100%
SG Americas Securities Holdings, LLC *United States*	100%

- Société Générale* branches in:
  New York *United States*
  Montreal *Canada*

ASIA - AUSTRALIA

Global Banking and Investor Solutions (GBIS)	
Société Générale (China) Ltd *China*	100%
SG Securities Asia International Holdings Ltd *Hong Kong*	100%
SG Securities Korea Co, Ltd *South Korea*	100%
SG Securities Japan Limited *Japan*	100%

- Société Générale* branches in:
  Seoul *South Korea*
  Taipei *Taiwan*
  Singapore
  Mumbai
  Sydney

2.2 GROUP ACTIVITY AND RESULTS

Definitions and details of methods used are provided on page 41 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 42.

2.2.1 ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

(In EURm)	2020	2019	Change	
Net banking income	**22,113**	***24,671***	**-10.4%**	**-7.6%***
Operating expenses	(16,714)	(17,727)	-5.7%	-3.4%*
Gross operating income	**5,399**	**6,944**	**-22.2%**	**-18.8%***
Net cost of risk	(3,306)	(1,278)	x2.6	x2.7*
Operating income	**2,093**	**5,666**	**-63.1%**	**-61.6%***
Net income from companies accounted for by the equity method	3	(129)	-	-
Net profits or losses from other assets	(12)	(327)	-	-
Impairment losses on goodwill	(684)	0	-	-
Income tax	(1,204)	(1,264)	-4.8%	9.2%*
Net income	**196**	**3,946**	**-95.0%**	**-95.3%***
o.w. noncontrolling interests	*454*	*698*	*-35.0%*	*-33.6%**
Group net income	**(258)**	**3,248**	**n/s**	**n/s**
Cost-to-income ratio	75.6%	71.9%		
Average allocated capital	52,088	50,586		
ROTE	**-0.4%**	**6.2%**		

Net banking income

2020 was dominated by a global pandemic, reflected in Group net banking income of EUR 22,113 million, a -7.6% contraction relative to 2019. In the wake of a first half marked by the impact of the Covid-19 crisis and a dislocation in the businesses, their performances bounced back significantly in the second half of the year amid a durably uncertain environment.

- French Retail Banking's net banking income grew by +2% in the second half (excluding the PEL/CEL provision) relative to the first half of the year. The full-year contraction in revenues stood at -6.1% compared with 2019.
- International Retail Banking & Financial Services also experienced a strong rebound in revenues during the second half of the year (+2.6%* relative to H1 20). Revenues over the full year contracted by -2.9%*.
- Global Banking and Investor Solutions also registered a sharp +17% rebound in net banking income relative to the first half against a backdrop of normalising market conditions. Over the full year, revenues for this business declined by -12.5% (-11.8%*).

Operating expenses

Underlying operating expenses fell significantly over the year to EUR 16,504 million (-5.2% vs. 2019, -2.8%*), in line with the annual target.

Operating expenses included a EUR 210 million restructuring charge that was booked to the fourth quarter, which produced an actual result of EUR 16,714 million, down -5.7% on the 2019 level (-3.4%*). The figure included a EUR 316 million restructuring provision booked in 2019.

All three Group businesses contributed to the contraction in operating expenses. French Retail Banking's costs narrowed by -4.9% relative to 2019, while International Retail Banking & Financial Services' costs decreased by -9.6% over the year. Last, Global Banking and Investor Solutions' operating costs fell by -8.7%.

The Group is committed to reducing its underlying operating costs as of 2023 relative to 2020. Several initiatives already under way will fuel the cost-reduction trend. The benefits are expected to be reaped as soon as 2022. Global Markets' cost base is forecast to fall by around EUR 450 million by 2020-2023, while French Retail Banking's is also expected to decline by around EUR 450 million out to 2025, 80% of which is likely to be achieved by 2024. Additional cost reductions are also expected, particularly as a result of finalised remediation and process industrialisation efforts.

In 2021, the Group intends to push ahead with its disciplined cost management approach and is targeting a positive jaws effect, with marginally higher costs.

Cost of risk

The Group's commercial cost of risk totalled 64 basis points in 2020, i.e. a net cost of risk of EUR 3,306 million compared with EUR 1,278 million in 2019. The rise in this indicator can be chiefly explained by an increase in provisions on performing and under-performing loans (classified as Stage 1 and Stage 2 loans) for a total of EUR 1,367 million, including a EUR 1,010 million impact following a review of macroeconomic scenarios.

The gross doubtful outstandings ratio continued to remain low throughout 2020 and stood at 3.3%[1] at 31 December 2020, versus 3.1% at end-December 2019. The Group's gross coverage ratio for doubtful outstandings was 52%[2] at 31 December 2020 versus 56% at 31 December 2019.

The total amount of moratoria under the European Banking Authority's definition granted at end-September 2020 stood at approximately EUR 35 billion, including EUR 5 billion of unexpired moratoria at 31 December 2020. Out of the total moratoria granted at 31 December 2020, 2.2% were classified as Stage 3 (doubtful loans).

The Group also granted EUR 19 billion in government-guaranteed loans ("PGE") across all geographical regions in which it operates, including EUR 18 billion in France. Its net exposure on government-guaranteed loans in France stands at approximately EUR 2 billion. At 31 December 2020, 2.3% of government-guaranteed loans fell in the Stage 3 group (doubtful loans).

In 2021, the Group is targeting a lower commercial cost of risk than that of 2020.

Operating income

Book operating income totalled EUR 2,093 million in 2020 compared with EUR 5,666 million in 2019. Underlying operating income came to EUR 2,323 million compared with EUR 6,000 million in 2019.

Net profits or losses from other assets

Net profits or losses from other assets totalled EUR -12 million in 2020.

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.

Impairment losses on goodwill

Owing to the review of Global Banking and Investor Solutions' financial trajectory, the Group recorded two exceptional non-cash items in 2020: a EUR -684 million charge in relation to impaired goodwill of the Global Banking and Investor Solutions CGU and a EUR -650 million charge on depreciated deferred tax assets.

Net income

(In EURm)	2020	2019
Reported Group net income	(258)	3,248
Underlying Group net income[1]	1,435	4,061

(In %)	2020	2019
ROTE (reported)	-0.4%	6.2%
Underlying ROTE[1]	1.7%	7.6%

(1) Adjusted for exceptional items.

(1) NPL ratio calculated according to the new EBA methodology.
(2) Ratio between the amount of provisions for doubtful loan outstandings and the actual amount of said 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)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net banking income	**7,315**	**7,746**	**7,524**	**8,373**	**7,613**	**8,704**	**(339)**	**(152)**	**22,113**	**24,671**
Operating expenses	(5,418)	(5,700)	(4,142)	(4,581)	(6,713)	(7,352)	(441)	(94)	(16,714)	(17,727)
Gross operating income	**1,897**	**2,046**	**3,382**	**3,792**	**900**	**1,352**	**(780)**	**(246)**	**5,399**	**6,944**
Net cost of risk	(1,097)	(467)	(1,265)	(588)	(922)	(206)	(22)	(17)	(3,306)	(1,278)
Operating income	**800**	**1,579**	**2,117**	**3,204**	**(22)**	**1,146**	**(802)**	**(263)**	**2,093**	**5,666**
Net income from companies accounted for by the equity method	(1)	8	0	12	4	3	0	(152)	3	(129)
Net profits or losses from other assets	158	58	15	3	0	6	(185)	(394)	(12)	(327)
Impairment losses on goodwill	-	-	-	-	-	-	(684)	-	(684)	-
Income tax	(291)	(514)	(531)	(760)	100	(174)	(482)	184	(1,204)	(1,264)
Net income	**666**	**1,131**	**1,601**	**2,459**	**82**	**981**	**(2,153)**	**(625)**	**196**	**3,946**
o.w. non-controlling interests	-	-	*297*	*504*	*25*	*23*	*132*	*171*	*454*	*698*
Group net income	**666**	**1,131**	**1,304**	**1,955**	**57**	**958**	**(2,285)**	**(796)**	**(258)**	**3,248**
Cost-to-income ratio	74.1%	73.6%	55.1%	54,7%	88.2%	84.5%			75.6%	71.9%
Average allocated capital	**11,427**	**11,263**	**10,499**	**11,075**	**14,302**	**15,201**	**15,860**	**13,047**	**52,088**	**50,586**
RONE (businesses)/ROTE (Group)	**5.8%**	**10.0%**	**12.4%**	**17.7%**	**0.4%**	**6.3%**			**-0.4%**	**6.2%**

2.3.2 FRENCH RETAIL BANKING

(In EURm)	2020	2019	Change
Net banking income	**7,315**	**7,746**	**-5.6%**
Operating expenses	(5,418)	(5,700)	-4.9%
Gross operating income	**1,897**	**2,046**	**-7.3%**
Net cost of risk	(1,097)	(467)	x2.3
Operating income	**800**	**1,579**	**-49.3%**
Net income from companies accounted for by the equity method	(1)	8	n/s
Net profits or losses from other assets	158	58	x2.7
Impairment losses on goodwill	-	-	-
Income tax	(291)	(514)	-43.4%
Net income	666	1,131	-41.1%
o.w. non-controlling interests	-	-	-
Group net income	**666**	**1,131**	**-41.1%**
Cost-to-income ratio	74.1%	73.6%	
Average allocated capital	11,427	11,263	

Activity and net banking income

After the lockdown's heavy impact on activity at the beginning of the year, French Retail Banking's commercial performance pressed ahead with growth in Q4.

The brands continued to grow their activity in core businesses.

French Retail Banking maintained its support for the economy, accompanying individual, corporate and professional customers.

In the Corporate and Professional customers segment, the Bank supported its customers in France primarily through the grant of government-guaranteed Loans ("PGE"), for which it received more than 98,200 applications for a total disbursed amount of EUR 18 billion.

In insurance activities, property/casualty premiums and protection insurance delivered solid performances, with premiums up +3.9% *vs.* 2019. The number of personal protection policies was up +5.3% *vs.* 2019.

Private Banking's net inflow remained buoyant at EUR 2.5 billion in 2020.

Boursorama consolidated its position as France's leading online bank, resistering more than 2.6 million clients at end-December 2020. Client onboarding at Boursorama reached a record level, with around 590,000 new clients added to the books in 2020. In addition, the number of stock market orders tripled compared to 2019.

Average investment loan outstandings (including leases), rose by 25.0% *vs.* 2019 to EUR 88.9 billion (+2.3% excluding government-guaranteed loans). Average outstanding loans to individuals were up 2.8% at EUR 123.2 billion, bolstered by housing loans which were up +3.5% *vs.* Q4 19. Private Banking's assets under management totalled EUR 70.4 billion at end-December 2020.

Average outstanding balance sheet deposits[1] were 15.1% higher than in Q4 19 at EUR 242.6 billion and were continued to be driven by sight deposits (+18.7% *vs.* Q4 19). As a result, the average loan/deposit ratio stood at 92% in Q4 20 *vs.* 96% in Q4 19.

Revenues (excluding PEL/CEL) totalled EUR 7,381 million, down -6.1% vs. 2019, reflecting the effects of Covid-19 and the low interest rate environment. Net interest income (excluding PEL/CEL) was 3.6%[2] lower and commissions declined by -5.7%[2].

Operating expenses

Operating expenses were lower at EUR 5,418 million (-4.9% vs. 2019 and -5.5% excluding Boursorama). The cost to income ratio (restated for the PEL/CEL provision) stood at 73.4%.

Cost of risk

The commercial cost of risk amounted to EUR 1,097 million or 52 basis points, which was higher than in 2019 (when it stood at EUR 467 million or 24bp). The cost of risk was divided between EUR 646 million of Stage 1-Stage 2 provisioning and EUR 451 million of Stage 3 provisioning on non-performing loans.

Contribution to Group net income

The contribution to Group net income totalled EUR 666 million (-41.1% *vs.* 2019). RONE (restated for the PEL/CEL provision) stood at 6.2% in 2020.

(1) Including BMTN (negotiable medium-term notes).
(2) Reallocation of pro forma revenues following a change in accounting treatment in Q4 20.

2.3.3 INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

(In EURm)	2020	2019	Change	
Net banking income	**7,524**	**8,373**	**-10.1%**	**-2.9%***
Operating expenses	(4,142)	(4,581)	-9.6%	-1.6%*
Gross operating income	**3,382**	**3,792**	**-10.8%**	**-4.5%***
Net cost of risk	(1,265)	(588)	x2.2	x2.3*
Operating income	**2,117**	**3,204**	**-33.9%**	**-29.2%***
Net income from companies accounted for by the equity method	0	12	-100%	-100%*
Net profits or losses from other assets	15	3	x5.0	x5.5*
Impairment losses on goodwill	0	0	-	-
Income tax	(531)	(760)	-30.1%	-25.4%*
Net income	1,601	2,459	-34.9%	-29.9%*
o.w. non-controlling interests	*297*	*504*	*-41.1%*	*-39.7%**
Group net income	**1,304**	**1,955**	**-33.3%**	**-27.1%***
Cost-to-income ratio	55.1%	54.7%		
Average allocated capital	10,499	11,075		

* *At constant structure and exchange rates.*

Revenues amounted to EUR 7,524 million in 2020, down -2.9%* (-10.1%) *vs.* 2019.

Operating expenses contracted by -1.6%* (-9.6%) *vs.* 2019. When restated for restructuring costs related to the simplification of the head office (EUR 34 million in 2019), the tax on financial assets in Romania (EUR 16 million in 2019) and the contribution to Covid guarantee funds in the Mediterranean Basin (EUR 15 million in 2020), operating expenses were 0.8%* lower than in 2019. The cost to income ratio stood at 55.1% in 2020.

The cost of risk stood at 96 basis points (or EUR 1,265 million) in 2020, compared with 43 basis points in 2019. The estimate for expected Stage 1 and Stage 2 credit losses stood at EUR 389 million.

The contribution to Group net income totalled EUR 1,304 million in 2020 (-27.1%*, -33.3% *vs.* 2019) and underlying RONE stood at a high 12.4% in 2020, *vs.* 17.9% in 2019.

International Retail Banking

(In EURm)	2020	2019	Change	
Net banking income	**4,902**	**5,592**	**-12.3%**	**-3.4%***
Operating expenses	(2,870)	(3,218)	-10.8%	-1.4%*
Gross operating income	**2,032**	**2,374**	**-14.4%**	**-6.0%***
Net cost of risk	(1,080)	(504)	x2.1*	x2.3*
Operating income	**952**	**1,870**	**-49.1%**	**-43.6%***
Net income from companies accounted for by the equity method	0	11	-100%	-100%*
Net profits or losses from other assets	4	3	33.3%	29.2%*
Impairment losses on goodwill	0	0	-	-
Income tax	(227)	(421)	-46.1%	-40.7%*
Net income	729	1,463	-50.2%	-44.3%*
o.w. non-controlling interests	*198*	*394*	*-49.7%*	*-48.4%**
Group net income	**531**	**1,069**	**-50.3%**	**-42.5%***
Cost-to-income ratio	58.5%	57.5%		
Average allocated capital	5,882	6,661		

* *At constant structure and exchange rates.*

In International Retail Banking, further confirmation of the rebound observed in H2 materialised on loan and deposit production despite renewed lockdown measures in Q4. Outstanding loans totalled EUR 85.9 billion. They rose +2.5%* *vs.* end-December 2019 (-2.8% at current structure and exchange rates, particularly as a result of the disposal of SG Antilles and the currency effect in Russia). Outstanding deposits climbed +8.8%* (+2.0% at current structure and exchange rates) vs. December 2019, to EUR 79.6 billion.

For Europe, outstanding loans were up +2.8%* *vs.* December 2019 at EUR 54.9 billion (+1.0% at current structure and exchange rates), driven by the Czech Republic (+4.6%*, +1.2%) and to a lesser extent Western Europe (+2.0%). Outstanding deposits were up +8.2%* (+5.3% at current structure and exchange rates), with healthy momentum seen in the Czech Republic (+8.9%*, +5.4%).

In Russia, outstanding loans rose +2.7%* at constant exchange rates (-21.5% at current exchange rates) while outstanding deposits climbed +13.7%* (-13.0% at current exchange rates).

In Africa, Mediterranean Basin and French Overseas Territories, outstanding loans rose +1.8%* (or -2.7%) *vs.* December 2019. Outstanding deposits experienced robust momentum and climbed +7.9%* (+3.4%).

In International Retail Banking, net banking income totalled EUR 4,902 million in 2020, down -3.4%* (-12.3%) vs. 2019, marked in particular by reduced activity due to the lockdowns and a decrease in net interest income in the Czech Republic and Romania related to falling interest rates.

In International Retail Banking, operating expenses were down -1.4%* (-10.8%) *vs.* 2019.

Insurance

(In EURm)	2020	2019	Change	
Net banking income	**887**	**909**	**-2.4%**	**-2.1%***
Operating expenses	(356)	(349)	2.0%	2.5%*
Gross operating income	**531**	**560**	**-5.2%**	**-5.0%***
Net cost of risk	0	0	-	-
Operating income	**531**	**560**	**-5.2%**	**-5.0%***
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	(165)	(174)	-5.2%	-5.0%*
Net income	366	386	-5.2%	-5.0%*
o.w. non-controlling interests	*3*	*3*	*0.0%*	*2.4%**
Group net income	**363**	**383**	**-5.2%**	**-5.0%***
Cost-to-income ratio	40.1%	38.4%		
Average allocated capital	1,865	1,506		

* *At constant structure and exchange rates.*

In the Insurance business, the life insurance savings business saw outstandings increase +0.5%* *vs.* December 2019. The recovery in gross life insurance inflows was confirmed in the last quarter, buoyed by sound inflow composition. Protection insurance increased +1.6%* vs. 2019. Growth was driven partially by a 9.9%* increase in property/casualty premiums *vs.* 2019.

The Insurance business saw net banking income decline by -2.1%**vs.* 2019 to EUR 887 million. Adjusted for the contribution to the solidarity fund in France, net banking income was down -0.9%* *vs.* 2019, illustrating a resilient financial performance. Gross inflows were sound in 2020, with the unit-linked share accounting for 44%.

Operating expenses for the business rose +2.5%* (+2.0%) *vs.* 2019 to EUR 356 million on back of cost-control efforts.

Financial Services to Corporates

(In EURm)	2020	2019	Change	
Net banking income	**1,735**	**1,872**	**-7.3%**	**-2.1%***
Operating expenses	(916)	(980)	-6.5%	-0.3%*
Gross operating income	**819**	**892**	**-8.2%**	**-4.0%***
Net cost of risk	(185)	(84)	x2.2	x2.2*
Operating income	**634**	**808**	**-21.5%**	**-17.4%***
Net income from companies accounted for by the equity method	0	1	-100%	-100%*
Net profits or losses from other assets	11	0	-	-
Impairment losses on goodwill	0	0	-	-
Income tax	(139)	(176)	-21.0%	-16.0%*
Net income	506	633	-20.1%	-16.0%*
o.w. non-controlling interests	*96*	*107*	*-10.3%*	*-9.3%**
Group net income	**410**	**526**	**-22.1%**	**-17.5%***
Cost-to-income ratio	52.8%	52.4%		
Average allocated capital	2,730	2,870		

* *At constant structure and exchange rates.*

Financial Services to Corporates delivered a resilient commercial performance. The number of contracts for Operational Vehicle Leasing and Fleet Management was stable *vs.* end-December 2019, with 1.76 million contracts at end-December 2020. Equipment Finance's outstanding loans were slightly lower (-0.8%*) *vs.* end-December 2019, at EUR 14.1 billion (excluding factoring).

Financial Services to Corporates' net banking income was down -2.1%* (-7.3%) in 2020, at EUR 1,735 million. However, in 2020, ALD posted a used car sale result (EUR 201 per unit) above the guidance, while margins were higher in Equipment Finance.

In Financial Services to Corporates, operating expenses were down -0.3%* (-6.5%) *vs.* 2019.

2.3.4 GLOBAL BANKING AND INVESTOR SOLUTIONS

(In EURm)	2020	2019	Change	
Net banking income	**7,613**	**8,704**	**-12.5%**	**-11.8%***
Operating expenses	(6,713)	(7,352)	-8.7%	-7.9%*
Gross operating income	**900**	**1,352**	**-33.4%**	**-33.0%***
Net cost of risk	(922)	(206)	x4.5	x4.5*
Operating income	**(22)**	**1,146**	**n/s**	**n/s**
Net income from companies accounted for by the equity method	4	3	-	-
Net profits or losses from other assets	0	6	-	-
Impairment losses on goodwill	0	-	-	-
Income tax	100	(174)	n/s	n/s
Net income	82	981	-91.6%	-91.6%*
o.w. non-controlling interests	*25*	*23*	-	-
Group net income	**57**	**958**	**-94.1%**	**-94.0%**
Cost-to-income ratio	88.2%	84.5%		
Average allocated capital	14,302	15,201		

* *At constant structure and exchange rates.*

Global Banking & Investor Solutions' revenues were down -12.5% vs. 2019. When restated for the impact of restructuring in Global Markets in 2019 and the revaluation of SIX securities (EUR +66 million), revenues were down -10.0%*.

In 2020, a strategic review performed by the Group of its Global Markets business helped ease the risk profile on equity and credit structured products to reduce the sensitivity of Global Markets' revenues to market dislocations. A cost reduction plan was also launched in 2020, the objective being to lock in expected net cost savings of around EUR 450 million out to 2022-2023.

Underlying operating expenses (restated for the restructuring provision recognised in Q2 19 for EUR 227 million and the restructuring charge recognised in Q4 20 for EUR 157 million related to the new EUR 450 million cost savings plan out to 2022-2023) were substantially lower (-7.2%*) than in 2019. Th decline reflects the successful cost savings plan (EUR 500 million) implemented in Global Banking & Investor Solutions in 2018. They were down -7.9%* on a reported basis.

The cost of risk amounted to 57 basis points (or EUR 922 million) vs. 13 basis points in 2019. It includes EUR 310 million of S1/S2 provisioning and EUR 612 million of S3 (non-performing loans) provisioning.

The underlying contribution to Group net income (adjusted for restructuring charges in 2020 and the restructuring provision in 2019) came to EUR 183 million.

In 2020, underlying RONE stood at 1.3% *vs.* 7.4% in 2019 .

Global Markets & Investor Services

(In EURm)	2020	2019	Change	
Net banking income	**4,164**	**5,210**	**-20.1%**	**-19.3%**
Operating expenses	(4,337)	(4,788)	-9.4%	-8.7%
Gross operating income	**(173)**	**422**	**n/s**	**n/s**
Net cost of risk	(24)	(13)	84.6%	83.0%
Operating income	**(197)**	**409**	**n/s**	**n/s**
Net income from companies accounted for by the equity method	4	4	-	-
Net profits or losses from other assets	11	4	-	-
Impairment losses on goodwill	0	0	-	-
Income tax	40	(89)	n/s	n/s
Net income	(142)	328	n/s	n/s
o.w. non-controlling interests	*23*	*20*	*15.0%*	*17.7%*
Group net income	**(165)**	**308**	**n/s**	**n/s**
Cost-to-income ratio	104.2%	91.9%		
Average allocated capital	7,960	8,454		

* *At constant structure and exchange rates.*

In **Global Markets & Investor Services**, revenues were down -20.1% (-19.3%*) in 2020 *vs.* 2019 to EUR 4,164 million, after a H1 impacted by the Covid pandemic. When restated for the impact of restructuring in Global Markets in 2019 and the revaluation of SIX securities, revenues decreased by -16.9%*.

The performance of **Fixed Income & Currency** activities was up +14.9% in 2020 *vs.* 2019 (+21.3% when restated for the impact of activities discontinued in 2019). Revenues, which totalled EUR 2,292 million, were driven by healthy commercial momentum and particularly favourable market conditions in H1 across all regions. Activities normalised in H2 2020.

Equity activities' net banking income was down -49.0% in 2020 *vs.* 2019 to EUR 1,275 million, with structured products hit hard by market dislocation in H1. Losses were mitigated by increased revenues for listed products and equity flow products. Revenues rebounded in H2 amid a normalising market environment. The integration of EMC activities was successfully finalised in Q1 20.

Securities Services' assets under custody amounted to EUR 4,315 billion at end-December 2020, up +102 million over the year, while assets under administration were down -1.4% at EUR 638 billion.

Divisional revenues totalled EUR 597 million in 2020, down -12.2% (restated for the revaluation of SIX securities) *vs.* 2019 (-16.4% on a reported basis).

Financing and Advisory

(In EURm)	2020	2019	Change	
Net banking income	**2,546**	**2,547**	**0.0%**	**0.6%**
Operating expenses	(1,563)	(1,676)	-6.7%	-5.9%
Gross operating income	**983**	**871**	**12.9%**	**12.9%***
Net cost of risk	(861)	(195)	x4.4	x4.5*
Operating income	**122**	**676**	**-82.0%**	**-82.0%***
Net income from companies accounted for by the equity method	0	(1)	-	-
Net profits or losses from other assets	(3)	0	-	-
Impairment losses on goodwill	0	0	-	-
Income tax	69	(70)	n/s	n/s
Net income	188	605	-68.9%	-69.1%*
o.w. non-controlling interests	*0*	*0*	*n/s*	*n/s*
Group net income	**188**	**605**	**-68.9%**	**-69.1%***
Cost-to-income ratio	61.4%	65.8%		
Average allocated capital	5,445	5,732		

* *At constant structure and exchange rates.*

Financing and Advisory revenues totalled EUR 2,546 million in 2020, up +0.6%* vs. 2020 (stable at current structure and exchange rates). Franchise activity strengthened and clients received ongoing support during this challenging year.

Investment Banking performed particularly well, benefiting from a high level of issues in the debt and equity capital markets and buoyant acquisition financing activity.

Asset and Wealth Management

(In EURm)	2020	2019	Change	
Net banking income	**903**	**947**	**-4.6%**	**-4.3%***
Operating expenses	(813)	(888)	-8.4%	-7.6%*
Gross operating income	**90**	**59**	**52.5%**	**41.3%***
Net cost of risk	(37)	2	n/s	n/s
Operating income	**53**	**61**	**-13.1%**	**-19.3%***
Net income from companies accounted for by the equity method	0	0	-	-
Net profits or losses from other assets	(8)	2	-	-
Impairment losses on goodwill	0	0	-	-
Income tax	(9)	(15)	-40.0%	-43.5%*
Net income	36	48	-25.0%	-30.4%*
o.w. non-controlling interests	*2*	*3*	*-33.3%*	*-31.6%**
Group net income	**34**	**45**	**-24.4%**	**-30.4%***
Cost-to-income ratio	90.0%	93.8%		
Average allocated capital	892	1,015		

* *At constant structure and exchange rates.*

Asset and Wealth Management's net banking income totalled EUR 903 million in 2020, down -4.6% *vs.* 2019 (-1.3% when restated for the revaluation of SIX securities).

Lyxor's net banking income amounted to EUR 207 million in 2020, up +3.5% *vs.* 2019, driven by a high level of performance fees. Lyxor confirmed its leadership position in the Green Bond segment in 2020 and enhanced its ESG ETF offering. Lyxor's assets under management totalled EUR 140 billion at end-December 2020.

Wealth Management registered a slower performance in 2020 (-2.4%, when restated for the revaluation of SIX securities) vs. 2019, with net banking income of EUR 678 million. Revenues were impacted by pressure on interest margins despite stable commercial revenues. Assets under management stood at EUR 116 billion. Net inflow totalled EUR 1.7 billion in 2020 and was driven by France.

2.3.5 CORPORATE CENTRE

(In EURm)	2020	2019	Change
Net banking income	**(339)**	**(152)**	**n/s**
Operating expenses	(441)	(94)	x4.7
Gross operating income	**(780)**	**(246)**	**n/s**
Net cost of risk	(22)	(17)	29.4%
Operating income	**(802)**	**(263)**	**n/s**
Net income from companies accounted for by the equity method	0	(152)	100%
Net profits or losses from other assets	(185)	(394)	53.0%
Impairment losses on goodwill	(684)	-	n/s
Income tax	(482)	184	n/s
Net income	(2,153)	(625)	n/s
o.w. non-controlling interests	*132*	*171*	*-22.8%*
Group net income	**(2,285)**	**(796)**	**n/s**

The Corporate Centre includes:

- the property 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 -339 million in 2020 *vs.* EUR -152 million in 2019. In 2020, it included in particular the change in fair value of financial instruments corresponding to economic hedges of financial debt but which do not meet IFRS hedge accounting criteria.

Operating expenses amounted to EUR -441 million in 2020 *vs.* EUR -94 million in 2019 (which included an operating tax adjustment of EUR +241 million). In 2020, these expenses included a restructuring charge of EUR 53 million recorded in Q4 20.

Gross operating income totalled EUR -780 million in 2020 *vs.* EUR -246 million in 2019.

Net profits or losses from other assets amounted to EUR -185 million in 2020 *vs.* EUR -394 million in 2019 related to the application of IFRS 5 as part of the rollout of the Group’s refocusing plan (in 2020, EUR -101 million in respect of the disposal of SG Finans and EUR -69 million as part of the finalisation of the disposal of Societe Generale de Banque aux Antilles).

Net income from companies accounted for by the equity method is nil in 2020. In 2019, it included an impairment of EUR -158 million corresponding to the Group’s entire minority stake (16.8%) in SG de Banque au Liban.

In 2020, the review of Global Markets & Investor Services’ financial trajectory led to the impairment of the associated goodwill for EUR -684 million and deferred tax assets for EUR -650 million.

The Corporate Centre’s contribution to Group net income was EUR -2,285 million in 2020 *vs.* EUR -796 million in 2019.

2.3.6 DEFINITIONS AND METHODOLOGY, ALTERNATIVE PERFORMANCE MEASURES

Framework

The financial information presented in respect of the financial year ended 31 December 2020 was reviewed by the Board of Directors on 9 February 2021 and was prepared in accordance with IFRS as adopted in the European Union and applicable at that date.

Capital allocation

In 2020, 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 2020 (see pages 466 to 468) 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 fall 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 over the financial year to provide a more reliable economic picture of the costs actually attributable to the activity over the period under review. 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 present 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.

Moreover, the Group restates the allocations or reversals of PEL/CEL provisions on French Retail Banking's revenues and income. This adjustment provides a clearer picture of revenues and income by excluding volatile items related to commitments on regulated savings.

The reconciliation of underlying data obtained from reported data appears in the table below:

(In EURm)	2020	2019	Change	
Operating Expenses[1]	**(16,714)**	**(17,727)**	**-5.7%**	
(-) Restructuring charges	(210)			See note (2)
(-) Restructuring provision		(316)		See note (3)
Underlying Operating Expenses	**(16,504)**	**(17,411)**	**-5.2%**	
Net cost of risk	**(3,306)**	**(1,278)**	**x2.6**	
(-) Group refocusing plan*	(20)	(18)		Corporate Centre
Underlying net cost of risk	**(3,286)**	**(1,260)**	**x2.6**	
Net profit or losses from other assets	**(12)**	**(327)**	**+96.3%**	
(-) Group refocusing plan*	(178)	(386)		Corporate Centre
Underlying net profit or losses from other assets	**166**	**59**	**x2.8**	
Net income from companies under equity method	**3**	**(129)**	**n/s**	
(-) Write-off of Group minority stake in SG de Banque au Liban*	-	(158)		Corporate Centre
Underlying net income from companies under equity method	**3**	**29**	**n/s**	
Impairment losses on goodwill	**(684)**	**0**	**n/s**	
(-) Goodwill impairment	(684)	-		Corporate Centre
Underlying impairment losses on goodwill	**0**	**0**	**n/s**	
Income tax	**(1,204)**	**(1,264)**	**-4.8%**	
(-) Group refocusing plan*	(14)	(18)		
(-) Restructuring charges*	63	-		See note (2)
(-) Restructuring provision*	-	83		See note (3)
(-) DTA impairment*	(650)	-		
Underlying income tax	**(603)**	**(1,329)**	**-54.6%**	
Group net income	**(258)**	**3,248**	**n/s**	
Effect in Group net income of above restatements	(1,693)	(813)		
Underlying Group Net income	**1,435**	**4,061**	**-64.7%**	

* *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) *Global Banking and Investor Solutions (EUR - 157m), Corporate Centre (EUR -53m).*

(3) *French Retail Banking (EUR - 55m), International Retail Banking and Financial Services (EUR - 34m), Global Banking and Investor Solutions (EUR - 227m).*

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 and provisions 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.

		2020	2019
French Retail Banking	Net cost of risk *(EUR m)*	1,097	467
	Gross loan outstandings *(EUR m)*	212,185	194,359
	Cost of risk in bp	**52**	**24**
International Retail Banking and Financial Services	Net cost of risk *(EUR m)*	1,265	588
	Gross loan outstandings *(EUR m)*	132,082	136,303
	Cost of risk in bp	**96**	**43**
Global Banking and Investor Solutions	Net cost of risk *(EUR m)*	922	206
	Gross loan outstandings *(EUR m)*	160,918	161,865
	Cost of risk in bp	**57**	**13**
Societe Generale Group	Net cost of risk *(EUR m)*	3,306	1,278
	Gross loan outstandings (EUR m)	516,797	501,929
	Cost of risk in bp	**64**	**25**

Gross coverage ratio for doubtful outstandings

Doubtful outstandings are outstandings that are in default pursuant to 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 pursuant to the regulations, without taking into account any guarantees provided. The coverage ratio measures the maximum residual risk associated with outstandings in default, otherwise referred to as "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.

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)	2020	2019
Shareholders' equity Group share	**61,684**	**63,527**
Deeply subordinated notes	(8,830)	(9,501)
Undated subordinated notes	(264)	(283)
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	19	4
OCI excluding conversion reserves	(942)	(575)
Dividend provision	(467)	(1,869)
ROE equity end-of-period	**51,201**	**51,303**
Average ROE equity	**52,088**	**50,586**
Average Goodwill	(4,172)	(4,586)
Average Intangible Assets	(2,432)	(2,243)
Average ROTE equity	**45,484**	**43,757**
Group net Income (a)	**(258)**	**3,248**
Underlying Group net income (b)	**1,435**	**4,061**
Interest on deeply subordinated notes and undated subordinated notes (c)	(611)	(715)
Cancellation of goodwill impairment (d)	684	200
Corrected Group net Income (e) = (a) + (c) + (d)	**(185)**	**2,733**
Corrected Underlying Group net Income (f) = (b) + (c)	**824**	**3,346**
Average ROTE equity (g)	**45,484**	**43,757**
ROTE (e/g)	-0.4%	6.2%
Average ROTE equity (underlying) (h)	**47,177**	**43,983**
Underlying ROTE (f/h)	1.7%	7.6%

RONE CALCULATION: AVERAGE CAPITAL ALLOCATED TO CORE BUSINESSES

(In EURm)	2020	2019
French Retail Banking	11,427	11,263
International Retail Banking and Financial Services	10,499	11,075
Global Banking and Investor Solutions	14,302	15,201

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.

	2020	2019
Existing shares (average number, in thousands of shares)	**853,371**	**834,062**
Deductions (in thousands of shares)		
Shares allocated to cover stock option plans and free shares awarded to staff (average, in thousands of shares)	2,987	4,011
Other own shares and treasury shares		149
Number of shares used to calculate EPS[1]	**850,385**	**829,902**
Group net Income *(In EURm)*	**(258)**	**3,248**
Interest on deeply subordinated notes and undated subordinated notes *(In EURm)*	(611)	(715)
Capital gain net of tax on partial buybacks *(In EURm)*	0	0
Adjusted Group net income *(In EURm)*	**(869)**	**2,533**
EPS *(In EUR)*	**(1.02)**	**3.05**
Underlying EPS[2] *(In EUR)*	**0.97**	**4.03**

(1) The number of shares considered is the number of ordinary shares outstanding at 31 December 2020, 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.

	2020	2019
Shareholders' equity Group share *(In EURm)*	**61,684**	**63,527**
Deeply subordinated notes *(In EURm)*	(8,830)	(9,501)
Undated subordinated notes *(In EURm)*	(264)	(283)
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 EURm)*	19	4
Book value of own shares in trading portfolio *(In EURm)*	301	375
Net Asset Value *(In EURm)*	**52,910**	**54,122**
Goodwill *(In EURm)*	(3,928)	(4,510)
Intangible Asset *(In EURm)*	(2,484)	(2,362)
Net Tangible Asset Value *(In EURm)*	**46,498**	**47,250**
Number of shares used to calculate NAPS[1]	**848,859**	**849,665**
Net Asset Value per Share *(In EUR)*	**62.3**	**63.7**
Net Tangible Asset Value per Share *(EUR)*	**54.8**	**55.6**

(1) In thousands of shares, the number of shares considered is the number of ordinary shares outstanding at 31 December, 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	**Kapsul** (January 2020, Societe Generale)	Essential banking solutions for EUR 2 a month: an account, a card, an application, access to the entire range of products and services and an account advisor for transactions requiring expertise. The solution does not impose revenue preconditions and account-keeping charges, and gives clients the reassurance of a leading bank. In addition, clients are reimbursed for purchases made with our partners through the Societe Generale Cashback service.
	PERECOI Inter-Company Collective Pension Savings Plan (February 2020, Societe Generale)	Launch of an Inter-company Collective Pension Savings Plan, replacing the ARCANCIA PERCOI plan for professionals and companies. This new product was designed in the wake of the the Pacte Law, an action plan to promote business growth and transformation.
	New user space for policyholders - Legal Protection for Professionals (PJ Pros) (February 2020, Societe Generale)	When making their first claim, policyholders are allocated a new user space, a simplified login and access to new services. They can use the new user space to perform real-time checks on the work performed by the lawyer handling the dispute or make a telephone appointment with the latter, and even view the payments that have been issued. In addition, to ease red-tape, clients now have the advantage of an online platform (LégaLife) to help them quickly obtain letter and contract templates.
	Government-backed loans (PGE) (March 2020, Societe Generale and Crédit du Nord Group)	In light of the Covid-19 pandemic, SG and Crédit du Nord granted government-backed loans to help clients manage their cash requirements for an amount capped at 25% of their revenue and with an initial bullet redemption phase over 12 months. At the end of this initial phase, the client may opt for a redemption period of up to five years. Ninety percent of the loan amount for professional and VSB clients is backed by the French government. The only cost to these clients is a 0.25% commission to the French Public Investment Bank (BPI). For corporate clients, 70% to 90% of the loan amount is backed by the French government. The only cost to these clients is a commission of between 0.25% and 0.50% paid to the French government and collected by the French Public Investment Bank (BPI) depending on the revenue bracket.
	Flash 3 or 4xCB on Electronic Payment Terminals (March 2020, Societe Generale)	Providing business owners and companies with sales-related payment facilities, Flash 3x CB has now been extended to 4x CB for amounts capped at EUR 4,000. Flash 3x or 4x CB is an offer managed by Franfinance. Professionals with an electronic payment terminal (EPT) can offer individual customers payment facilities in three or four instalments, at no cost. Professional clients are guaranteed payment and a cash advance.
	Appli - new version (June 2020, Societe Generale)	Retail customers can now experience the innovative solutions of this client-centric application offer: ■ a chatbot connected to accounts and live video consultations with customer relationship managers who respond directly; ■ Banxup is a simple pocket-money solution for parents to manage their children's allowance; ■ a new-look interface for a seamless customer experience: new account presentations, a personalised home page using widgets, headings for card transactions and business logos, real-time alerts: card limits almost reached, creditor and debtor movements and payment notifications, as well as continued access to biometric operations, contactless payments, and cashback and instant payment services.
	EER PRO: creation of a communication space (June 2020, Societe Generale)	Creation of a communication space for prospective clients to contact their bank at the onboarding stage to: ■ lodge administrative documents required to complete their dossier; ■ obtain their French bank account details ("RIB") once the end-to-end account opening is deemed to comply with rules and has been validated.
	Instant digital card (July 2020, Societe Generale)	Societe Generale has introduced a unique service in France for clients who have cancelled their payment cards to continue making payments using their mobile phone.

Business Unit	Product name	New product or service
French Retail Banking	**Civic solidarity cashback service** (November 2020, Societe Generale)	Subscribers to the Societe Generale Cashback service may now use it to show their civic generosity. Subscribers may direct all or part of the amount in their cashback fund to an association (including a CSR association).
	Car insurance (new version) (September 2020, Societe Generale)	A new modular service adapted to clients' requirements, irrespective of the degree of cover sought. Even more personalisation with five policies and options on offer. Specific tariff advantages exist for policyholders who are frequent car users. The policy can be taken out by clients as they wish - in an agency, on the internet or using the Societe Generale app.
	Donations from an Eco and Solidarity Savings Account ("LDDS") (1 October 2020, Societe Generale)	Clients with an LDDS account can make donations from their account to one of the civic solidarity associations partnered by Societe Generale.
	Palissandre Entreprises – Retirement Savings Plan (PER) (December 2020, Societe Generale)	The Palissandre Entreprises retirement savings plan (or Compulsory Company PER) supersedes the "Article 83" Palissandre contract pursuant to the Pacte Law. Employees benefit from this category-based contract to save for their retirement using contributions made by the employer's company, which are topped up by payments by employee beneficiaries if they so wish.
	3X-4X web solution (November 2020, Societe Generale)	This is a change to our Sogenactif and Sogecommerce e-commerce services which enable our business owner clients to offer their own customers the opportunity of paying for their online purchases in three or four instalments, and still have the advantage of a payment guarantee. Business owners can use the solution to grow their sales while keeping their cash intact.
	Financing orders using an SG factoring contract (Pro and Corporate markets) (September 2020, Societe Generale)	Our clients subscribing to an SG factoring contract can use the service to finance their orders with SG factoring.
	Multirisk Pros V2 solution (October 2020, Crédit du Nord Group)	This modular solution can be adapted to client requirements, allowing them to insure their work premises and take out civil liability insurance, choose optional packs, related insurance cover thresholds and deductible levels.
	Cyber risk insurance (December 2020, Crédit du Nord Group)	Insurance to protect business against attacks on their information systems and/or electronic data following a cyber-attack: ▪ emergency intervention with 24/7 assistance; ▪ compensation for damage incurred by the policyholder; ▪ civil liability guarantees.
	Launch of Antarius Wealth Management life insurance contract (January 2020, Crédit du Nord Group)	A contract geared to HNW clients, starting from EUR 100,000 and with a minimum UA investment of 35%. Management fees are adapted to suit the client and the contract may be transferred to the Private Bank. Eligible for use in the contract are: 40 UAs of choice, three UAs in open architecture, two REITs, Private Equity, structured products, active securities and delegated management.
	Lease with option to purchase (Launched in Q1, Q2 and Q3 2020, Crédit du Nord Group)	A simple, flexible and rapid solution to acquire a new or almost-new used car. Leasing with option to purchase is also an advantageous financing solution that lets users drive a car in return for making monthly lease payments. The monthly amount is defined in advance according to the kilometers travelled and the time period selected. At the end of the contract, the client may return the vehicle if they so choose, or may instead decide to acquire it by taking up the purchase option.
	Smooth out entry points into the financial markets (April 2020, Crédit du Nord Group)	Launched in April 2020, Crédit du Nord proposes this interim life-insurance solution to invest in the financial markets: a financial allocation is invested over six months to smooth out the entry points in the financial markets.
	Online sureties and guarantees (Two-phase introduction in late-June and late-August 2020, Crédit du Nord Group)	New, more user-friendly interface to issue domestic sureties and guarantees.
	Partnership with AON for Unpaid Lease Guarantees (March 2020, Crédit du Nord Group)	This solution for our investor clients ensures the reimbursement of unpaid rents and covers property damage caused by the tenant during their occupancy.
	Partnership with Payfit (July 2020, Crédit du Nord Group)	A solution that facilitates the management of pay and ISHR tools for our professional and business clients.

Business Unit	Product name	New product or service
French Retail Banking	**Launch of the Prismea service** (July 2020, Crédit du Nord Group)	Professionals can open a fully online account using the Prismea application.
	SRI mandates (January 2020, Boursorama)	Boursorama Banque launched, in partnership with Sycomore AM, three new Manager Guided 100% SRI mandates (with zero entry fees and no additional management fees) to meet the requirements of clients wishing to make meaningful investments. As part of Boursorama Vie's new Manager Guided solution, Sycomore AM pledges that 100% of the selected funds in the three new mandates (defensive, balanced and dynamic) will have the SRI Label (321 eligible funds to date). In so doing, it is continuing to support Boursorama's ambition to participate in a sustainable and inclusive economy.
	Solidarity savings account (April 2020, Boursorama)	From the start of the Covid-19 pandemic and until 31 July 2020, Boursorama Banque offered clients the opportunity of subscribing to a Solidarity Savings Account at an exceptional annual gross rate of 1%. Savings were capped at EUR 5,000. During the same period, Boursorama paid EUR 1 to the *Tous Unis Contre Le Virus* (All United Against the Virus) alliance fund for each euro of interest calculated on the interest obtained by the client.
	Virtual payment card (April 2020, Boursorama)	Boursorama Banque now enables clients who have subscribed to a new payment card to make mobile payments - even before they receive the card at their residence - by making an instant solution available to them *via* a virtual card available in their personal space in the Boursorama Banque app. Clients merely have to register it in an Apple Pay or Google Pay wallet to use it for their future mobile payments at businesses equipped for the service.
	Wicount financial management (May 2020, Boursorama)	Boursorama developed this innovative budget coaching service to give clients a 360° vision of their financial and property assets (cash, savings, share market investments, property assets), as well as their current loans. The tool analyses the breakdown of clients' wealth (including savings held with their other banks) and provides optimisation advice adapted to their situation to help them set up the most appropriate savings actions.
	Alabri (November 2020, Boursorama)	Boursorama Banque, in partnership with Societe Generale Assurances, now offers an exclusive Multirisk Home insurance service to clients. This involves tailor-made tariffs which are shaped to client requirements, depending on the characteristics of their home, on the value of objects being guaranteed, on the deductible levels sought, etc. Alabri has rounded off the insurance product range on offer at Boursorama, which comprises Boursorama Protection to insure means of payment and personal belongings, retirement insurance and car insurance with Carapass.
	The Corner (December 2020, Boursorama)	Boursorama Banque has taken its services beyond the frontiers of banking by offering its 2.5 million-plus clients The Corner, a program that provides extra-financial advantages. The Corner offers the most attractive discounts possible on around fifty national and international brands, with a 100% mobile purchasing journey. Purchases are simple, rapid, fluid and secure, and are accessible directly from the client interface, irrespective of the device used.
	Ultim Metal (December 2020, Boursorama)	With Ultim Metal, Boursorama launched the market's most attractively priced upscale all-in-one service: simple and transparent, backed by the most solid protection and guarantees, and priced at an extremely competitive rate, this premium service furnishes clients with a current account and comes with a stylish metallic payment card.

Business Unit	Product name	New product or service
International Retail Banking and Financial Services	**ESSOX Rent: a unique financing offer for long-term vehicle leasing** (December 2020, ESSOX – Czech Republic) (International Retail Banking)	ESSOX, Societe Generale's Czech subsidiary introduced a new product onto the market, **ESSOX Rent.** Used to finance long-term vehicle leases without the need for a down payment, it also comes with complex insurance and a paid-up road tax. Completely new to the Czech market, ESSOX is the only leasing company to offer such a product, which is designed for entrepreneurs and companies, as well as consumers. ESSOX pays up-front the price of the lease for its entire duration after which the customer pays off the sum by instalments without having to make a down payment when initially leasing the vehicle. Instalment amounts are lower than those usually charged for leases and are paid over the course of the lease's term. Customers also benefit from an indisputed advantage, which is the possibility of receiving a one-off VAT deduction from the total lease term that potentially covers up to four regular lease instalments.
	A new recycled card for students (October 2020, Komerční banka – Czech Republic) (International Retail Banking)	**This new card is one of the most environmentally friendly payment cards in the world, with a recycled content rate of over 85%.** It also proves that Komerční banka is serious about reducing plastic waste. Manufacturing the card does not create disposable plastic, of which standard PVC cards are made (plastic which is produced exclusively to manufacture the final product and is not further recycled). The card is manufactured using a mix of plastic waste composed of packaging materials, printing and other industrial waste. Some household waste is also used. **Seven grams of CO_2** is exactly how much a new Komerční banka (KB) payment card will save on a student account. Young people's ecological mindset is the reason why Komerční banka decided to offer the recycled card to this demographic group. According to a sample of almost 7,000 high school students, the **environment should be a priority area for the global community.**
	Hanseatic Bank activates Google Pay (October 2020, Hanseatic Bank – Germany) (International Retail Banking)	All the credit cards of the Hamburg-based financial institution are automatically activated for **Google Pay** and can be easily added to the Google Wallet or *via* the **Hanseatic Bank Mobile** app. The mobile payment service works on NFC-enabled devices with Android Lollipop 5.0 and later versions. When paying with Google Pay, no credit card data is transmitted to the merchant. The customer's data is encrypted with a virtual account number and is therefore protected.
	SoGé (July 2020, Societe Generale Maroc - Morocco) (International Retail Banking)	**SoGé is an online bank that delivers on several customer promises and one key issue: serving clients remotely by ensuring autonomy, simplicity and security.** This new relational model takes the shape of a virtual agency with remote bankers who are available for extended periods to meet clients' needs. SoGé has taken innovation to the next level by rounding out Societe Generale Maroc's services range and in so doing is responding to clients' increasing need for autonomy, personalised support and assistance, and suitable pricing.
	OCRE AFS shared loan tool (July 2020, sub-Saharan Africa) (International Retail Banking)	**OCRE AFS is a single shared tool for granting loans in nine subsidiaries across the AFS zone (Benin, Congo, Burkina Faso, Ghana, Guinea, Equatorial Guinea, Madagascar, Mauritania and Chad).** By leveraging the tool the bank expects to improve efficiency and increase customer satisfaction, as well as optimise and streamline its operating model. It should also reduce case management costs thanks to automated processing. OCRE AFS will be progressively enriched with new functionalities such as automated document recognition, automatic checks with loan offices, inclusion of insurance policies, an offer of PRO loans and digital banking services.
	Mobiwan Web (July 2020, Societe Generale Maroc - Morocco) (International Retail Banking)	**Mobiwan Web is an online interface that gives Societe Generale Maroc clients access to online banking services.** Accessible from a computer, Mobiwan Web is equipped with a host of functionalities. Customers may view their account activity and consult up to 50 past credit card transactions, as well as download their bank statements and bank information details.
	UIB Assurances (September 2020, UIB, Tunisie) (International Retail Banking)	**Created jointly by ASSU and UIB, UIB Assurances was registered in the National Business Register at the end of September.** Subject to final approval by the Tunisian regulator, UIB Assurances will sell life insurance policies from mid-2021 on consumer and property loans granted by UIB throughout its 144 branches and *via* remote channels.
	Contactless payments (September 2020, sub-Saharan Africa) (International Retail Banking)	**Societe Generale subsidiaries in Africa launch contactless payments.** This new payment method in Africa offers several advantages, not only for customers with adapted credit cards, but also for merchants with dedicated contactless payment terminals. The settlement of contactless transactions is guaranteed under the same conditions as conventional bank card transactions. The contactless solution was first launched in Madagascar and Senegal, and is will be introduced later in Benin, Burkina Faso, Cameroon, Congo, Côte d'Ivoire, Guinea, Equatorial Guinea.
	BtoB app (November 2020, Societe Generale Algeria) (International Retail Banking)	**The BtoB app is a mobile application geared to small, medium and large companies as well as to professionals,** allowing them to initiate payments at the behest of the retailer/wholesaler, and to even make payment requests at the supplier's initiative. Suppliers can therefore be paid securely and in real time.

Business Unit	Product name	New product or service
International Retail Banking and Financial Services	**Cyber Risk insurance** (December 2020, Societe Generale Assurances) (Financial Services to Corporates and Insurance)	An offer launched with Crédit du Nord Group that addresses the concerns of company directors by protecting firms from cyber risks. Included in the service are crisis management assistance, compensation in the event of damage incurred by the company and the consequences of financial loss and legal costs.
	Alabri (November 2020, Societe Generale Assurances) (Financial Services to Corporates and Insurance)	An 100% online and customised home insurance for Boursorama clients. Alabri is a modular offer which adapts to all client profiles, whatever their coverage needs.
	Connected Fleet Insurance in France (October 2020, Societe Generale Assurances) (Financial Services to Corporates and Insurance)	Launched with ALD Automotive, this is the first connected insurance offer on the fleet market in France. It offers a telematic solution with an eco-driving module enabling companies to optimise the daily management of their fleets due to connected devices installed in the vehicles that capture vehicle data.
Global Banking and Investor Services	**SGI Private Equity Proxy Index** (April 2020, Global Markets)	The SGI Private Equity Proxy Index was launched in April 2020 as a liquid and transparent strategy replicating an illiquid traditional Private Equity investment. Using Private Equity funds' methods in a systematic way, the strategy selects at least 100 stocks (80% US, 20% Europe) that most closely resemble the positive characteristics of the companies found in buyout fund portfolios (small cap and profitable with low valuations). The strategy aims at replicating private equity funds' performances by selecting small cap stocks directly using equity factor criteria – Size (small cap stocks), Value ("cheap" stocks), Highly Profitable stocks and Quality stocks (those with healthy balance sheets with ability to take on debt) - in a US and EU universe.
	SGI Climate Risk Control Index (February 2020, Global Markets)	The Index is based on the Intelligent Smart Climate® Score that offers a forward-looking alternative to the past carbon emission focused solutions available on the market today. It gives investors access to the 250 stocks in the S&P 500 index that have the lowest exposure to climate change downside risk based on the Intelligent Smart Climate® Score. The Index seeks to capture alpha from all the sectors represented in the S&P 500, including sectors usually cast out by other ESG methodologies. At the core design of the strategy is the innovative model to identify the sensitivity of companies to future climate change scenarios.
	SGI European Green Deal (Octobre 2020, Global Markets)	The European Green Deal Index aims to select stocks that could potentially benefit from the "European Green Deal", a growth strategy put in place by the European Commission aimed at making Europe the first climate-neutral continent. The index was not designed to select companies with the highest environmental score. It aims to exploit the companies and themes associated with the Green Deal Legislation that could benefit from the latter. The exposure is gained through a selection of stocks within each of the sub-sectors as identified by the SG Research team.
	3 new solutions available through SG Markets (December 2020, Societe Generale Securities Services)	All SGSS services are now available through our single platform SG Markets, and include our 3 new solutions: ■ Fund Alerts: Now provides asset managers with email or SMS alerts for subscriptions and redemptions at closing, based on pre-defined criteria set by the fund manager in relation to the net asset value (NAV) of the fund. ■ Fund Factsheet: Allows asset managers to produce their fund factsheets with automated performance comments generation. ■ Selfcare: SGSS provides its customers with an environment where they can access documents and information on a daily basis independently. Available 24 hours a day via SG Markets, these services are enriched over time.
	COOP by Societe Generale (Video game financing) H1 20, Financing and Advisory	Relying on an algorithm predicting future revenues of mobile video games, Societe Generale is testing with a limited number of clients a lending offer to mobile studios and software editors. Powered by SG Markets, fed with real-time data from digital platforms such as Apple, Google or Facebook, COOP aims at revolutionising the banking experience of the creators and editors of digital content through a fully online portal. Processed in real-time, loan requests are instantly granted or rejected by the bank and the flows settled in a matter of days.
	My Capital Markets (H1 20, Financing and Advisory)	In the wake of the unprecedented funding requirements triggered by the Covid-19 pandemic, the Debt Capital Markets teams developed a set of integrated apps called "My Capital Markets" allowing issuers in particular to obtain live access to roadshow agendas and subsequent investor feedback, predict the potential orderbook of a future bond issue using machine learning techniques, and monitor the effective participation of investors during the final book-building phase.

Business Unit	Product name	New product or service
Global Banking and Investor Services	**Financing & Advisory** (H1 20, Financing and Advisory)	A digital platform for CFOs and finance teams at our corporate clients to support their decision-making. Thanks to its intuitive and interactive dashboard interface and its powerful data processor, this web-based multidimensional tool analyses a company's financials, elaborates strategic scenarios and outlines the financial impacts (capital structure, credit rating analysis, positioning among peers, etc.). The platform's ability to generate business plans enables users to visualise, analyse and simulate financial forecasts based on a variety of business and financial decisions (acquisitions, disposals, investments, shareholding policy, etc.) taking into account financial objectives (EPS, leverage, target rating, etc.) and a financing plan.
	Green Guarantees (January 2020, Global Transaction & Payment Services)	GTPS' Trade Finance & Services teams launched early in 2020 structured solutions to grant Green Trade Finance facilities, including international guarantees and letters of credit, which are backed to projects in the renewable energy, clean transportation, waste management as well as sustainable water and waste water management sectors. These projects seek to support the transition to a low carbon future with a sustainable business model and to make a clear, positive contribution to the environment.
	Sustainability-linked Trade Finance Products (November 2020, Global Transaction & Payment Services)	GTPS's Trade Finance & Services launched in November 2020 an innovative approach that aims at accompanying our core corporate clients on Trade Finance instruments who have engaged a strong transition towards a more sustainable business model and who have defined some key environmental and social targets they want to achieve. To illustrate our willingness to support our clients' ESG transition, we commit on our side to adjust our price to those environmental and social objectives. In case our client meets his objectives, he will benefit from a bonus on his conditions. We believe this approach can be an additional leverage to foster a more responsible development growth and to have a clear positive contribution to the environment and social challenges.
	Digital management mandate portal (September 2020, Wealth Management)	The Société Générale website and app now has a digital portal dedicated to individual clients holding an SG 29 Haussmann management mandate so they can regularly monitor their financial assets under management thanks to information on mandate performances, the breakdown of their portfolio by asset class and by geographic region, as well as the investment strategy of their management company.

2.5 ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

ASSETS

(In EURbn)	31.12.2020	31.12.2019
Cash, due from central banks	168.1	102.3
Financial assets at fair value through profit or loss	429.5	385.7
Hedging derivatives	20.7	16.8
Financial assets at fair value through other comprehensive income	52.1	53.3
Securities at amortised cost	15.6	12.5
Due from banks at amortised cost	53.4	56.4
Customer loans at amortised cost	448.8	450.2
Revaluation differences on portfolios hedged against interest rate risk	0.4	0.4
Investments of insurance companies	166.9	164.9
Tax assets	5.0	5.8
Other assets	67.3	68.0
Non-current assets held for sale	0	4.5
Investments accounted for using the equity method	0.1	0.1
Tangible and intangible fixed assets	30.1	30.8
Goodwill	4.0	4.6
TOTAL	**1,462.0**	**1,356.5**

LIABILITIES

(In EURbn)	31.12.2020	31.12.2019
Due to central banks	1.5	4.1
Financial liabilities at fair value through profit or loss	390.2	364.1
Hedging derivatives	12.5	10.2
Due to banks	135.6	107.9
Customer deposits	456.1	418.6
Debt securities issues	139.0	125.2
Revaluation differences on portfolios hedged against interest rate risk	7.7	6.7
Tax liabilities	1.2	1.4
Other liabilities	84.9	85.1
Non-current liabilities held for sale	-	1.3
Insurance contract related liabilities	146.1	144.3
Provisions	4.8	4.4
Subordinated debt	15.4	14.5
Shareholder's equity	61.7	63.5
Non-controlling interests	5.3	5.0
TOTAL	**1,462.0**	**1,356.5**

2.5.1 MAIN CHANGES IN THE CONSOLIDATION SCOPE

The main changes to the consolidation scope at 31 December 2020 compared with the scope applicable at the closing date of 31 December 2019 are as follows:

SOCIETE GENERALE DE BANQUE AUX ANTILLES (SGBA)

On 2 March 2020, the Group sold its entire stake in its subsidiary operating in Guadeloupe, Martinique and French Guyana to Promontoria MMB. The sale reduced the Group's total balance sheet by EUR 0.4 billion (under Non-current assets held for sale and Non-current liabilities held for sale).

SG FINANS AS

On 1 October 2020, the Group sold its entire stake in SG Finans AS, an equipment finance and factoring company in Norway, Sweden and Denmark. The disposal reduced the Group's total balance sheet by EUR 4 billion, mainly through a decrease of EUR 4 billion in customer loans and of EUR 0.9 billion in due to banks, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2019.

The result of these two disposals recorded in Net income / expense from other assets amounts to EUR - 169 million for the 2020 financial year.

2.5.2 CHANGES IN MAJOR CONSOLIDATED BALANCE SHEET ITEMS

Cash due from central banks increased by EUR 65.9 billion (+64.4%) compared to 31 December 2019, mainly as result of the large amount of liquidity injected by the European Central Bank into the markets.

Financial assets at fair value through profit or loss increased by EUR 43.8 billion (+11.3%) compared to 31 December 2019. The increase in financial assets at fair value through profit or loss is primarily driven by growth in shares and other equity securities of EUR 14.8 billion and growth in the trading derivatives of EUR 15.7 billion.

Financial liabilities as fair value through profit or loss increased by EUR 26.1 billion (+7.2%) compared to 31 December 2019. The increase in financial liabilities at fair value through profit or loss is primarily driven by growth in the trading derivatives of EUR 21.1 billion and growth in the borrowings, securities sold under repurchase agreements of EUR 23 billion, partially offset by the decrease in financial instruments at fair value through profit or loss using the fair value option of EUR 12.4 billion.

Debt securities issued increased by EUR 13.8 billion (+11.0%) compared to 31 December 2019 mainly due to an increase in EMTN issuances of EUR 15.2 billion.

Customer loans at amortised cost decreased by EUR 1.4 billion (-0.3%) compared to 31 December 2019. This can be mainly explained by the decrease in securities purchased under resale agreements of EUR 11.1 billion and the decrease in overdrafts of EUR 2.8 billion, which is partially offset by an increase in the customer loans of EUR 13.4 billion, in particular the new government-guaranteed loans.

Customer deposits increased by EUR 37.5 billion (+8.9%) compared to 31 December 2019 mainly due to the growth in other demand deposits of EUR 38.8 billion partially offset by a decrease in securities sold to customers under repurchase agreements.

Due from banks at amortised cost decreased by EUR 3.0 billion compared to 31 December 2019 as a result of the decrease in securities purchased under resale agreements and long-term loans, partially offset by the increase in current accounts.

Due to banks increased by EUR 27.7 billion (+25.6%) compared to 31 December 2019 mainly as a result of the increase in term deposits of EUR 34.6 billion, partially offset by the decrease in securities sold under repurchase agreements of EUR 6.3 billion.

Non-current assets and liabilities held for sale decreased respectively by EUR 4.5 billion (-99.9%) and EUR 1.3 billion (-100%) compared to 31 December 2019 owing to the disposal of Société Générale de Banque aux Antilles (SGBA) and SG FINANS AS.

Groupe shareholders' equity totalled EUR 61.7 billion at 31 December 2020 versus EUR 63.5 billion at 31 December 2019. The variation was attributable primarily to the following:

- net income Group share for the financial year at 31 December 2020 of EUR -0.3 billion;
- issuance and redemption of equity instruments totalling EUR 0.2 billion;
- remuneration of equity instruments amounting to EUR -0.6 billion;
- change in treasury stock of EUR 0.3 billion;
- unrealised or deferred capital gains and losses totalling EUR- 1.4 billion.

After taking into account non-controlling interests of EUR 5.3 billion, Group shareholders' equity stood at EUR 67.0 billion at 31 December 2020.

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 capital ratios (Common Equity Tier 1, Tier 1 and Total Capital ratios) at levels consistent with the market status of Societe Generale and the Group's target rating.

In 2020, the Group 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 61.7 billion at 31 December 2019. Net asset value per share stood at EUR 62.3 and net tangible asset value per share was EUR 54.8 using the new methodology disclosed in Chapter 2 of this Universal Registration Document, on page 46. Book capital includes EUR 8.8 billion in deeply subordinated notes and EUR 0.3 billion in undated subordinated notes.

At 31 December 2020, Societe Generale held, directly or indirectly, 4.5 million Societe Generale shares, representing 0.53% of the capital (excluding shares held for trading purposes). The Group acquired 0.2 million Societe Generale shares in 2020 under the liquidity contract concluded with an external investment services provider on 22 August 2011. Over the period, Societe Generale also transferred 0.2 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 599 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 (CET1) ratio stood at 13.4%(1) at 31 December 2020 compared to 12.7% at 31 December 2019.

The leverage ratio, calculated according to the CRR/CRD4 rules , which integrate the Delegated Act of October 2014 and exclude the phase-in of IRFS 9, increased to 4.7% at 31 December 2020, compared with 4.3%. The CET1 ratio is thus in keeping with the expected trajectory and the target range of between 4% and 4.5%.

At end-2020, the Tier 1 ratio stood at 15.7%(2) and the Total Capital Ratio stood at 18.9%, i.e. above the regulatory requirements.

The TLAC (Total Loss-Absorbing Capacity) ratio for RWAs was 30.6%(2) and the TLAC leverage ratio stood at 9.2% at end-2020. At 31 December 2020, the Group also placed above its MREL requirements, i.e. 8.51% of Total Liabilities and Own Funds (TLOF), which in December 2017 stood at 24.4% of RWAs and served as a CRU benchmarking reference.

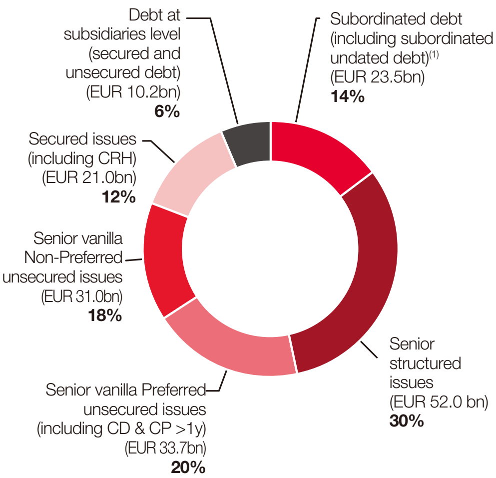
(1) Including a +28 basis-point impact in respect of the phase-in of IFRS 9. Excluding this impact, the CET1 ratio was 13.2%.
(2) Excluding the phase-in of IFRS 9.

2.6.3 GROUP DEBT POLICY

The Group's debt policy is based on two principles:

- maintaining an active policy of diversifying Societe Generale Group's sources of refinancing to guarantee its stability; and
- adopting a Group refinancing structure to ensure consistency in the maturities of its assets and liabilities.

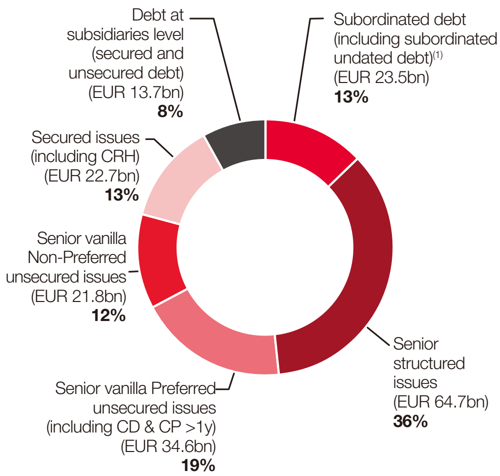
GROUP LONG-TERM DEBT AT 31 DECEMBER 2020: EUR 171.3 BN*



** Group short-term debt totalled EUR 51.4 billion at 31 December 2020, of which EUR 10.1 billion issued by conduits.*

(1) Of which EUR 9.3 billion accounted as "Other equity instruments" (see consolidated financial statements, changes in shareholders' equity).

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 10.6 billion issued by conduits.*

(1) Of which EUR 9.8 billion accounted as "Other equity instruments" (see consolidated financial statements, changes in shareholders' equity).

These resources also include:

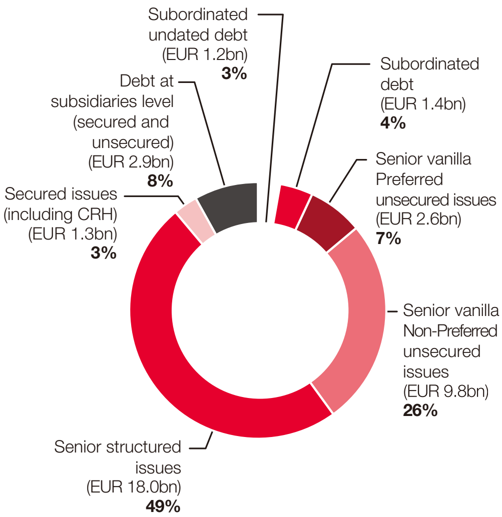
- funding via securities lending and borrowing transactions and securities sold under repurchase agreements measured at fair value through P&L totalling EUR 152.9 billion at 31 December 2020, versus EUR 136.8 billion at 31 December 2019 (see Note 3.1 to the consolidated financial statements), which are not included in this graph. Societe Generale Group's debt policy is designed not only to ensure financing for the growth of the businesses' commercial activities and renew debt, but also to maintain repayment schedules that are compatible with the Group's ability to access the market and its future growth;
- securitisations and other securitised issues (EUR 3.1 billion at end-2020 and EUR 2.7 billion at end-2019).

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 to long term.

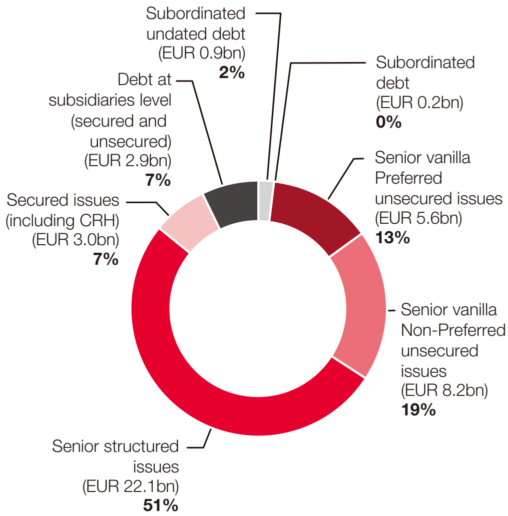
At end-2020, liquidity raised under the 2020 financing programme amounted to EUR 37.2 billion in senior and subordinated debt. Liquidity raised at parent company level amounted to EUR 34.3 billion at 31 December 2020.

The breakdown of refinancing sources is as follows: EUR 9.8 billion in senior vanilla non-preferred unsecured issues, EUR 2.6 billion in senior vanilla preferred unsecured issues, EUR 18 billion in senior structured issues, EUR 1.3 billion in secured issues (SG SFH and CRH), EUR 1.4 billion in subordinated Tier 2 debt and EUR 1.2 billion in subordinated undated debt. At subsidiary level, a total of EUR 2.9 billion was raised at 31 December 2020.

2020 FINANCING PROGRAMME: EUR 37.2 BN



2019 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 2020:

	FitchRatings	Moody's	R&I	Standard & Poor's
Long-term/short-term counterparty assessment	A(dcr)/F1	A1(CR)/P-1(CR)	n/a	A/A-1
Long-term senior preferred rating	A (Stable)	A1 (Stable)	A (Stable)	A (Negative)
Short-term senior rating	F1	P-1	n/a	A-1

During the 2020 financial year, Standard & Poor's lowered the outlook on the Group's long-term rating to negative and confirmed the ratings at A/A-1 on 15 May 2020. The rating action resulted in a one-notch downgrade to the credit rating of Sogécap, the Group's insurance subsidiary, and likewise affected the ratings of the Group's hybrid and subordinated debt instruments, including its senior non-preferred paper. In addition, Fitch downgraded the Group's senior preferred debt rating to A on 28 May 2020, as well as that of the hybrid and subordinated debt instruments.

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
2020	
International Retail Banking and Financial Services	Acquisition of Reezocar, a French platform specialised in the online sale of used cars to individuals.
French Retail Banking	Acquisition of Shine, the neobank specialised in the professional and SME segments.
International Retail Banking and Financial Services	Acquisition of Socalfi, entity specialised in consumer credit in New Calendonia.
French Retail Banking	Acquisition by Franfinance of ITL, the equipment leasing company specialised in the environmental, manufacturing and healthcare sectors.
2019	
International Retail Banking and Financial Services	Acquisition of Sternlease by ALD (fleet leasing in the Netherlands).
Global Banking and Investor Solutions	Acquisition of Equity Capital Markets and Commodities activies 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).

Business division	Description of disposals
2020	
International Retail Banking and Financial Services	Disposal of SG Finans AS, an equipment finance and factoring company in Norway, Sweden and Denmark.
International Retail Banking and Financial Services	Disposal of Société Générale de Banque aux Antilles.
International Retail Banking and Financial Services	Disposal by ALD of its entire stake in ALD Fortune (50%) in China.
Global Banking and Investor Solutions	Disposal of the custody, depository and clearing activities in South Africa.
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 Serbja 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 in 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 SG 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.

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 AND DISPOSALS

There are no significant pending acquisitions or disposals.

2.9 PROPERTY AND EQUIPMENT

The gross book value of Societe Generale Group's tangible operating fixed assets amounted to EUR 42.9 billion at 31 December 2020. The figure comprises land and buildings (EUR 5.4 billion), the right of use (EUR 2.8 billion), assets leased by specialised financing companies (EUR 28.8 billion) and other tangible assets (EUR 5.9 billion).

The net book value of tangible operating assets and investment property amounted to EUR 27.6 billion, representing only 1.9 % of the consolidated balance sheet at 31 December 2020.

Accordingly, due to the nature of Societe Generale's activities, property and equipment are not material at Group level.

2.10 POST-CLOSING EVENTS

None.

2.11 STATEMENT ON POST-CLOSING EVENTS

Since the end of the last financial period, no significant change in the financial performance of the Group occurred other than those described in the present Universal Registration Document filed with the AMF on 17 March 2021.

2.12 INFORMATION ABOUT GEOGRAPHIC LOCATIONS AND ACTIVITIES RELATED TO 2020

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 entitites 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[5]	-	3	(2)	(0)	(1)	(0)	-
Algeria	1,577	173	55	(36)	18	(6)	-
Germany	2,799	888	183	(51)	(15)	(4)	-
Australia	50	22	(9)	(0)	2	(1)	-
Austria	78	12	3	(1)	(0)	(0)	-
Belgium	320	83	37	(2)	(8)	(1)	-
Benin	162	24	6	(1)	(2)	(0)	-
Bermuda[1]	-	5	5	-	-	-	-
Brazil	324	70	37	(8)	(13)	(6)	-
Burkina Faso	302	52	18	(3)	1	(0)	-
Cameroon	639	124	37	(13)	(3)	(3)	-
Canada	66	32	11	(3)	0	(1)	-
China	305	51	15	-	1	(0)	-
Congo	128	25	2	(0)	0	(1)	-
South Korea	108	117	49	(15)	1	(3)	-
Côte d'Ivoire	1,031	242	92	(19)	(1)	(4)	-
Croatia	52	7	4	(1)	0	(0)	-
Curacao[2]	-	(0)	(0)	(0)	-	-	-
Denmark	119	38	21	(3)	(1)	-	-
United Arab Emirates	51	9	(4)	-	-	(0)	-
Spain	678	246	104	(24)	(6)	(2)	-
Estonia	14	3	2	(0)	-	(0)	-
United States of America	2,235	1,463	266	(2)	(4)	(8)	-
Finland	113	35	21	(3)	(2)	-	-
France	55,549	9,725	(2,224)	136	(518)	(1,339)	-
Ghana	543	85	29	(19)	11	(0)	-
Gibraltar	35	11	(2)	-	(1)	(0)	-
Guinea	327	60	32	(12)	1	(0)	-
Greece	40	5	2	(0)	(1)	(0)	-
Guernsey	82	31	3	-	-	-	
Guinea	327	60	32	(12)	1	(0)	
Equatorial Guinea	254	24	(56)	1	(21)	(0)	-
Hong Kong	1,125	547	165	(13)	(1)	(1)	-
Hungary	94	15	9	(2)	0	-	-
Isle of Man	-	-	-	-	-	-	-
Cayman Islands[3]	-	-	-	-	-	-	-
India[4]	9,275	88	110	(28)	4	(0)	-
Ireland	188	94	71	(9)	0	(0)	-
Italy	2,049	693	164	1	(15)	(2)	-
Japan	238	269	114	(48)	10	(5)	-
Jersey	207	47	5	(1)	0	(0)	-
Latvia	18	3	2	(0)	-	-	-
Lithuania	14	3	2	(0)	0	(0)	-
Luxembourg	1,389	665	315	(45)	24	(19)	-
Madagascar	884	55	24	(5)	0	(2)	-
Malta	-	-	-	-	-	-	-
Morocco	3,936	508	133	(61)	2	(17)	-
Mauritius	-	(0)	(0)	-	-	-	-
Mexico	116	17	9	(1)	(1)	-	-

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subsidies*
Monaco	315	101	4	(3)	0	(0)	-
Norway[(5)]	73	119	46	(3)	15	(0)	-
New Caledonia	303	77	25	(15)	4	(0)	-
Netherlands	281	123	77	(28)	0	(2)	-
Poland	452	71	11	(4)	(1)	(0)	-
French Polynesia	255	47	6	(7)	3	(1)	-
Portugal	115	21	13	(3)	(0)	-	-
Czech Republic	8,103	1,160	412	(80)	(0)	(37)	-
Romania	9,483	653	263	(40)	1	(12)	-
United Kingdom	2,805	1,436	472	(129)	18	(1)	-
Russian Federation	12,814	862	211	(50)	9	(22)	-
Senegal	1,005	103	30	(7)	(0)	(4)	-
Serbia	27	7	5	(1)	0	(0)	-
Singapore	193	118	(188)	(5)	(5)	0	-
Slovakia	108	25	11	(3)	(0)	(0)	-
Slovenia	21	4	2	(0)	0	(0)	-
Sweden	145	64	28	(6)	0	(0)	-
Switzerland	525	209	33	(10)	5	(0)	-
Taiwan	45	29	9	(1)	(2)	(2)	-
Chad	211	25	4	(1)	(0)	(1)	-
Thailand	4	2	(0)	-	-	-	-
Togo	41	5	3	-	-	-	-
Tunisia	1,402	128	19	(17)	5	(5)	-
Turkey	101	46	40	(2)	(10)	(0)	-
Ukraine	50	11	9	(1)	(1)	-	-
TOTAL	**126,391**	**22,113**	**1,400**	**(712)**	**(493)**	**(1,515)**	**-**

* ***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. Accordingly, 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) Entity located in Curacao is under portfolio liquidation (run-off).

(3) Income from entities located in Cayman Islands is taxed in the United States.

(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.

(5) Countries in which all (or a significant part) of the entities were sold or liquidated during the year (e.g. South Africa, Norway) do not have (or little) staff linked to the NBI or Earning before tax: the staff numbers are declared as at closing date (therefore at 0) while the NBI and pre-tax results of entities are declared proportionally according to their presence in the Group.

4

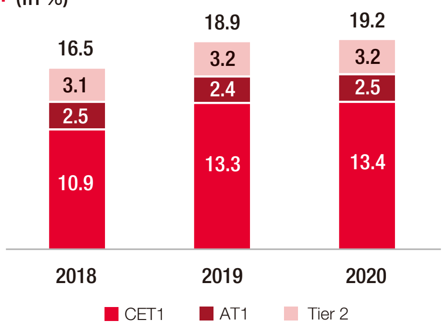
RISKS AND CAPITAL ADEQUACY

KEY FIGURES

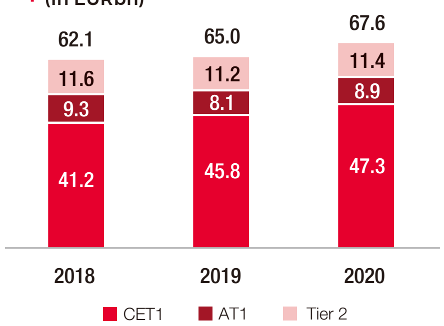
The solvency and leverage prudential ratios, as well as the amounts of regulatory capital and RWA featured here, take into account:

- at 31 December 2020, the IFRS 9 phasing (a CET1 ratio of 13.2% without phasing, the phasing effect being +28 bp);
- at 31 December 2019, the restatement for the 2019 dividend cancellation, in accordance with restrictions on dividend payments imposed by the European authorities.

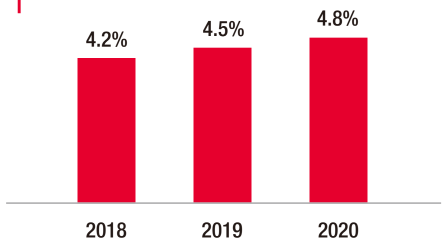
Solvency ratios
(In %)



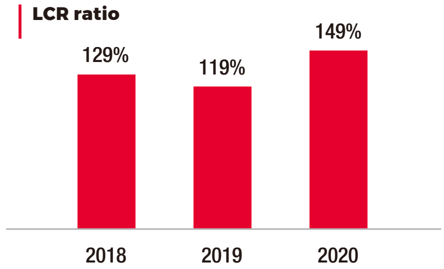
Regulatory capital
(In EURbn)



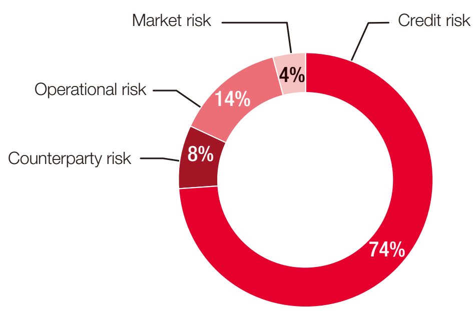
Leverage ratio



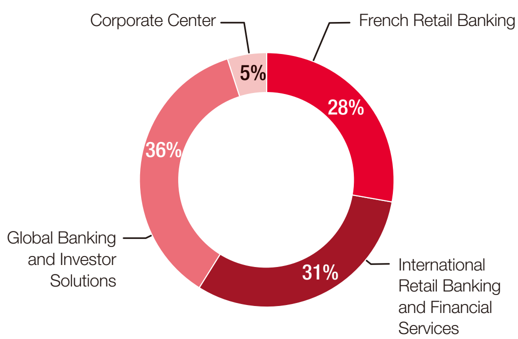
LCR ratio



Distribution of RWA by risk type
(RWA at end 2020: EUR 352bn
RWA at end 2019: EUR 345bn)



Distribution of RWA by core business
(RWA at end 2020: EUR 352bn
RWA at end 2019: EUR 345bn)



This chapter includes information on risk management related 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 26 June 2013).

As part 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 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 risk:** risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. This risk includes the risk linked to market transactions and securitisation activities and may be further amplified by individual, country and sector concentration risk;
- **counterparty credit risk:** Credit risk of a counterparty on a market transaction, combined with the risk of changes in exposure;
- **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:** risk of court-ordered, administrative or disciplinary sanctions, financial loss or reputational damage due to failure to comply with legal and regulatory requirements or professional/ethical standards and practices applicable to banking,
  - **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.);
- **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 Bank's commercial and proprietary activities, 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;
- **model risk:** Risk of losses due to decisions reached based on results of internal modeling due to errors in development, implementation or use of these models;
- **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;
- **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;
- **private equity risk:** risk of reduction in the value of our equity ownership interests;
- **residual value risk:** through its specialised financing activities, 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 to risk factors since 21 July 2019:

- risks related to the macroeconomic, market and regulatory environments;
- credit and counterparty credit 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 coronavirus pandemic (Covid-19) and its economic consequences could adversely affect the Group's business and financial position.

In December 2019, a new strain of coronavirus (Covid-19) emerged in China. The virus has since spread to numerous countries around the world and the World Health Organization declared the outbreak of a pandemic in March 2020.

The propagation of the virus and the health measures taken in response to it (border closures, lockdown measures, restrictions on certain economic activities, etc.) have and may continue to have a significant impact, both direct and indirect, on the global economic situation and financial markets. The persistence of the Covid-19 pandemic and the emergence of new variants have led to new restrictive measures on mobility (introduction of new lockdown measures and local or national curfews), notably in France, while the economic rebound seen in the summer of 2020 is losing momentum in several countries. An ever-active virus could lead to the extension or repetition of restrictive measures for several months, and thus adversely affect the Group's business, financial position and results. The deployment of vaccination programmes is encouraging, but risks remain regarding the overall effectiveness of these programmes. Logistical difficulties, delays in vaccine production, or doubts over their effectiveness (notably with regard to new variants) could prolong uncertainties and negatively affect economic activity and financial markets.

The sharp recession experienced by the affected countries and the reduced world trade will continue to have a negative impact on the global economic environment as long as global production, investments, supply chains and consumer demand are affected, thereby impacting the Group's business and that of its customers and counterparties.

The different restrictive measures also led to a decline in the Group's commercial activity and results due to the reduced opening of its retail network and lower demand from its customers. New phases of lockdown measures or curfews in the countries where the Group operates may have an even greater impact on the Group's financial results.

In many jurisdictions in which the Group operates, national governments and central banks have taken or announced exceptional measures to support the economy and its actors (government-guaranteed loan facilities programmes, tax deferrals, facilitated recourse to part-time working, compensation, etc.) or to improve liquidity in financial markets (asset purchases, etc.). The agreement reached on 21 July 2020 by the European Commission to provide the European Union with a EUR 750 billion recovery mechanism and the announcement by the French President of a new EUR 100 billion national recovery plan should encourage a more demand-driven recovery. Although the initial support measures adequately addressed the immediate effects of the crisis, the measures that are currently being implemented may not be sufficient to support the recovery. As these plans unfold, the ECB's ability to conduct its quantitative easing policy will remain crucial for ensuring financial stability in the eurozone.

As part of the French government-guaranteed loan programme (Prêts garantis par l'État) for a maximum amount of EUR 300 billion, the Group has adapted its loan approval processes to handle the massive flow of applications. The Group has taken exceptional measures to financially support its customers and help them address the effects of the Covid-19 pandemic on their activities and income. The Group also supports its clients abroad within the framework of public or private moratoria or government-guaranteed loans. These measures require the Group to reallocate resources and to adapt its granting and management processes. In the event that these support measures for both businesses and individuals were to be further strengthened (extension of moratoria, additional financing, strengthening of equity capital, etc.), the Group's business and results may continue to be affected.

The restrictive measures taken in several of the main countries where the Group operates (with Western Europe representing 69% of the Group's EAD (Exposure at Default) at 31 December 2020, of which 47% was in France) are significantly reducing economic activity and are leading many countries to face economic recessions. The risk of new lockdown periods (especially in the event of new pandemic waves) as well as a slow recovery of demand could increase the scale and duration of these recessions. This, combined with a high level of public and corporate indebtedness, could constitute a brake on the recovery and lead to significant adverse repercussions on the quality of the Group's counterparties and the level of non-performing loans for both businesses and individuals.

Within the Corporate portfolio, the most impacted sectors to date have been the automotive sector (0.9% of the Group's total exposure as of 31 December 2020), hotels, catering and leisure (0.6% of the Group's total exposure), non-food retail distribution (the entirety of the retail distribution sector representing 1.6% of the Group's total exposure), air transport and aeronautics (less than 0.5% of the Group's total exposure) and maritime transport (less than 1% of the Group's total exposure). The oil and gas sector has been strongly impacted by a drop in demand due to the pandemic and by the initially uncoordinated actions on supply from several producing countries, including Opec countries and Russia, resulting in a sharp drop in the price per barrel and increased price volatility. Within the Corporate portfolio, this sector represented approximately 1.9% of the Group's total exposure at 31 December 2020.

This context led to a significant increase in the Group's cost of risk in 2020. This increase takes into account the adjustment in our outlook in accordance with IFRS 9 principles and expert analyses resulting in complementary overlays. The Group's cost of risk could be affected by its participation in the French government-guaranteed loan programmes (in respect of the unguaranteed residual exposure) and by the implementation in various jurisdictions of moratoria periods delaying the recognition of defaults. The cost of risk in 2020 reached a higher level than in previous years.

For information purposes, the cost of risk was 54 basis points for the fourth quarter of 2020 and 64 basis points over the full year 2020. At 31 December 2020, the non-performing loan ratio stood at 3.3%.

Due to the Covid-19 pandemic, the Group's results and financial position were affected by unfavourable developments in global financial markets, especially in March and April 2020 (extreme volatility and dislocation of term structure, alternate sharp declines and rapid rebounds in the equity markets, widening of credit spreads, unprecedented declines in dividend distributions, etc.). These exceptional conditions have particularly affected the management of structured financial instruments whose underlyings are equity products. These activities have since been adapted, and are continuously being adapted, in order to improve their risk profiles.

The situation in financial markets improved in the second half of 2020 as a result of recovery plans announced by governments, accommodating central bank policies and the decline in political instability in the US following the election of the democrat Joe Biden. However, the new epidemic wave and the related uncertainties, despite the progressive deployment of vaccine programmes, may result in a further adverse impact on the Group's capital markets activities, including decline in activity, higher hedging costs, trading losses, increase in market risk reserves, reduction in liquidity on certain markets, operational losses related to capital markets activities, etc.

For information purposes, risk-weighted assets (RWA) related to market risks were thus up 6% at the end of 2020 compared to the situation at the end of December 2019, to EUR 15.3 billion. The Global Markets and Investor Services sector, which mainly concentrates the Group's market risks, represented a net banking income of EUR 4.2 billion, or 19% of the Group's total revenues, over the full year 2020.

Restrictive measures have led the Group to massively implement remote working arrangements, particularly in a significant part of its market activities. This organisation, which was deployed in immediate response to the crisis, increases the risk of operational incidents and the risk of cyber-attacks faced by the Group. In addition, all employees remain subject to health risks at the individual level. Prolonged remote working also increases psychosocial risk, with potential impacts in terms of organisation and business continuity in the event of prolonged absence of such individuals.

The unprecedented environment resulting from the Covid-19 pandemic could alter the performance of the models used within the Group (particularly in terms of asset valuation and assessment of own funds requirements for credit risk), due in particular to calibration carried out over periods that are not comparable to the current crisis or to assumptions that are no longer plausible, leading the models beyond their area of validity. The temporary decline in performance and the recalibration of these models could have an adverse impact on the Group's results.

The Group's dividend distribution policy could be influenced in 2021 by the recommendations made by the ECB to banks under its supervision in light of the Covid-19 pandemic and their consequences on the economic and financial situation.

Uncertainty as to the duration and impact of the Covid-19 pandemic makes it difficult to predict its impact on the global economy. The consequences for the Group will depend on the duration of the pandemic, the measures taken by national governments and central banks and developments in the health, economic, financial and social context.

4.1.1.2 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 44% of its business in France (in terms of 2020 net banking income), 35% in Europe (excluding France), 7% in the Americas and 14% 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 can develop quickly and thus potentially may not be anticipated and hedged, could affect the Group's operating environment for short or extended periods and have a material adverse effect on its financial position, cost of risk and results of operations.

The situation related to the Covid-19 crisis is an aggravating factor in these risks and represents the main source of uncertainty. It is detailed in the risk factor 4.1.1.1 "The coronavirus (Covid-19) pandemic and its economic consequences could adversely affect the Group's business and financial performance".

In recent years, the financial markets have thus experienced significant disruptions resulting notably from concern over the trajectory of the sovereign debt of several eurozone countries, the Brexit situation (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 and political tensions (especially between the United States and China) or fears of a major slowdown growth in China. The crisis related to the Covid-19 pandemic is unprecedented in nature and its potential effects on the financial markets are not yet fully understood. These factors are likely to weaken several economic sectors and consequently the credit quality of the actors 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.

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 EUR 3.9 billion in 2020 for Retail Banking in France). The growth in the volume of loans made to non-financial companies, already high before the pandemic, significantly increased in 2020 with the implementation of government-guaranteed loan programmes (such as the *Prêt garanti par l'État* programme in France). If the economic recovery is too slow, it may provoke a rise in the volume of non-performing loans and create a weak investment dynamic in a context where companies' balance sheets are already fragile. The environment of low interest rates tends to lead to an increased risk appetite of some participants in the banking and financial system, lower risk premiums compared to their historical average and high valuation levels of certain assets. These favourable market conditions could change in the context of a gradual phase-out of highly expansionary central-bank policies. The financial markets' long-term expectations for inflation are still very low, but relative price changes are likely and the risk of inflationary pressures in the medium term cannot be excluded.

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, amplified by the implementation of the French government-guaranteed loan programme, could lead in the future to additional regulatory measures by supervisory authorities in order to limit the extension of credit or to further protect banks against a financial cycle downturn. In addition, the ongoing presence of geopolitical or political risks is another source of uncertainty which, if tensions are escalated, 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 2020, Group's exposures at default (EAD) to credit and counterparty credit risks were concentrated in Europe and the United States (together accounting for 90%), with a predominant exposure to France (47% of EAD). The other exposures concern Western Europe excluding France (accounting for 22%), North America (accounting for 13%), Eastern European members of the European Union (accounting for 6%) 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 resulting 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 credit risk at 31 December 2020) and Africa and the Middle East (4% of the Group's credit exposure). A significant adverse change in the macroeconomic, health, political or financial environment in these 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 the significant decline in oil prices since the 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.

4.1.1.3 The Group's failure to achieve its strategic plan and financial objectives disclosed to the market could have an adverse effect on its business, results of operations and value of its financial instruments.

At the time of the publication of its annual results on 11 February 2021, the Group communicated new guidance on operating expenses, cost of risk and the solvency of the Group. The Group aims by 2023 to reduce its underlying costs compared to 2020. The Group has launched several initiatives expected to produce results starting from 2022, with a cost reduction target of approximately EUR 450 million in market activities as early as 2022-2023, a cost reduction target of approximately EUR 450 million in retail banking in France in 2025 compared to 2019 (of which approximatively 80% is expected by 2024) and other cost reductions through the finalisation of remediation actions and by standardising and digitalising certain processes. The Group expects a lower cost of risk in 2021 compared to 2020. The Group is aiming to achieve a 2021 CET1 ratio above target, at a value of more than 200 basis points above the Maximum Distributable Amount (MDA) at all times, including in a Basel IV environment. These expectations are based on a number of assumptions related to the health and macroeconomic context. A deterioration in the health situation could have an impact on the global macroeconomic situation, which may compromise the achievement of Group's objectives and negatively affect the Group's profitability. It should be noted that the Group regularly reports on its financial aggregates as part of its financial communication.

More precisely, the *Vision 2025* project anticipate the merger between the Retail Banking network of Societe Generale in France and Crédit du Nord. Although this project has been designed to enable a controlled deployment, the merger could have a short-term material adverse effect on the Group's business, financial position and costs. System reconciliations could face unanticipated delays, delaying part of the expected merger benefits. The project could lead to the departure of a number of employees, requiring replacements and efforts related to new employee training, thus potentially generating additional costs. The merger could also lead to the departure of a portion of the Group's customers, resulting in loss of revenue. The legal and regulatory aspects of the transaction could result in delays or additional costs.

Furthermore, 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 earmarked 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 negatively impact the Group's results in the sectors concerned.

4.1.1.4 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, exposures to credit and counterparty credit risks (EAD) in France, the 27-member European Union (including France) and the United States represented 47%, 67% and 12%, respectively, at 31 December 2020.

Among the recent regulations that have a significant influence on the Group:

- following the 2008 financial crisis, 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) have increased the Group's obligations, notably in the areas of transparency and reporting, and have also implemented an obligation to offset some of its derivative transactions or to increase related collateral requirements. In the next two years, certain factors are still likely to degrade the environment for market activities: (i) the possible strengthening of transparency constraints and investor protection measures (review of MiFID II/MiFIR), (ii) the implementation of the phased-in Basel III Package (including the fundamental review of the trading book, FRTB), which may unilaterally increase requirements applicable to European banks and (iii) a potential forced relocation of clearing activities related to euro-denominated rate derivatives, which could affect the competitiveness of European actors;
- in the United States, the implementation of the Dodd-Frank Act has been almost finalised. The new Securities and Exchange Commission (SEC) regulations related to security-based swap dealers will be applicable in 2021 and will constitute a significant step for the Group's U.S. market activities;
- new European measures aimed at restoring banks' balance sheets, especially 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. More generally, additional measures to define a framework of good practices for granting (*e.g.*, loan origination orientations published by the European Banking Authority) and monitoring loans could also impact the Group;
- 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;
- the implementation of the European sustainable finance regulatory framework, with an increase in non-financial reporting obligations, enhanced inclusion of environmental and social issues in risk management activities and the potential inclusion of such risks in the supervisory review and assessment process (Supervisory Review and Evaluation Process - SREP);
- 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. In this context, the SRB could, in order to limit the cost to the taxpayer, force creditors and shareholders of the Group to incur 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 the remuneration of its debt instruments, issue new debt instruments, or be subjected to the depreciation of its debt instruments or their conversion 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 in Note 7.3.2 *Other provisions for risks and expenses* of the 2021 Universal Registration Document.

Future legal and regulatory obligations could also be imposed on the Group, such as:

- the ongoing implementation in France of consumer-oriented measures affecting retail banking (limitation of banks' fees for individuals and extension of such measures to small and medium-sized businesses, protection measures for vulnerable customers, extended liability of customer advisers on societal issues (equality between men and women, advice on energy transition, etc.);
- the potential requirement (at the European level) to open more bank accounts (savings books, investments) to third-party service providers and/or to pool customer data.

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 programme and organisation, corrective actions to address identified deficiencies, the cost of which will be significant, and strengthen its compliance programme. 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.

4.1.1.5 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.

The British law on the withdrawal of the United Kingdom from the European Union came into force on 1 February 2020, confirming the United Kingdom's departure from the European Union. Shortly before the end of the transition period ended on 31 December 2020, the EU and the United Kingdom concluded the EU-UK Trade and Cooperation Agreement (TCA) on 24 December 2020. The TCA was approved by the British parliament and was transposed into UK law by the European Union (Future Relationship) Act 2020 and remains subject to ratification by the European Parliament. Even if the TCA avoided a "no deal" Brexit at the end of the transition period, certain aspects of the future relationship between the EU and the United Kingdom remain uncertain and the Group has had to adapt its economic model. The TCA does not replicate the market access that the UK had as a member of the EU's single market and customs union, and the Group will now have to rely on the replacement of the passport regime with the EU's existing general access regime for foreign banks, which relies heavily on granting market access through a series of equivalency determinations. It is still unclear when or if the European Commission will make further equivalence decisions. The Group will continue to face trade barriers between the UK and the EU, including compliance with two regulatory regimes and the need to respect local rules governing the provision of services.

At the end of the transition period, the Group did not experience major disruptions related to market, counterparty or credit risks. Also, there was no significant increase in volumes over the year-end period, and IT systems functioned normally. At 31 December 2020, the Group had an Exposure at Default of EUR 50 billion in the United Kingdom (5% of the Group's credit exposure). Despite the trade agreement, Brexit could lead to further disruption of the European and global economies and financial markets and thus have an impact on the Group's activities and results.

4.1.1.6 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 more than 2,500,000 customers at the end of 2020). Driven by new market participants such as "fintechs" and new services that are automated, scalable and based on new technologies (such as blockchain) 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. Competition with these new actors could also be exacerbated by the emergence of substitutes for central bank currency (crypto-currencies, digital central bank currency, etc.). In this context, additional investments may be necessary for the Group to be able to offer new innovative services and to be competitive with these new actors.

Consolidation in the financial services industry could result in the competitors benefiting from greater capital, resources and an ability to offer a broader range of products. Moreover, competition is also enhanced by the emergence of 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.

To address these challenges, the Group has implemented a strategy, in particular with regard to the development of digital technologies and the establishment of commercial or equity partnerships with these new actors (such as Lumo, the platform offering green investments, or Shine, the neobank for professionals). This intensification of competition could, however, adversely affect the Group's business and results, both on the French market and internationally.

4.1.2 CREDIT AND COUNTERPARTY CREDIT RISKS

Weighted assets (RWA) subject to credit and counterparty credit risks amounted to EUR 287.3 billion at 31 December 2020.

4.1.2.1 The Group is exposed to credit, 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 credit risk. The Group may therefore incur 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 this collateral is not sufficient to fully recover the exposure in the event of default. Despite the Group's 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 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.

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, at 31 December 2020, the Group's exposure at default (EAD, excluding counterparty credit risk) was EUR 877 billion, with the following breakdown by type of counterparty: 31% on sovereigns, 28% on corporates, 23% on retail customers and 7% on credit institutions and similar. Risk-weighted assets (RWA) for credit risk totalled EUR 262 billion.

Regarding counterparty credit risks resulting from market transactions (excluding CVA), at the end of December 2020, the exposure value (EAD) was EUR 126 billion, mainly to corporates (44%) and credit institutions and similar entities (34%) and to a lesser extent to sovereign entities (19%). Risk-weighted assets (RWA) for counterparty credit risk amounted to EUR 23 billion.

The main sectors to which the Group was exposed in its corporate portfolio included financial activities (accounting for 18.1% of exposure), commercial services (10.7%), real estate (10.1%), wholesale trade (7.6%), the transport, postal services and logistics sector (7.2%), the oil and gas sector (5.6%), and the collective services sector (6.3%).

In addition, the sectors particularly impacted by the Covid-19 pandemic are described in the risk factor 4.1.1.1 "The coronavirus pandemic (Covid-19) and its economic consequences could adversely affect the Group's business and financial performance".

In terms of geographical concentration, the five main countries in which the Group was exposed at 31 December 2020 were France (47% of the Group's total EAD, mainly related to retail customers and sovereigns), the United States (12% of EAD, mainly related to corporates and sovereigns), the United Kingdom (5% of EAD, mainly related to corporates and sovereigns), the Czech Republic (4% of the Group's total EAD, mainly related to retail clients, corporates and sovereigns) and Germany (4% of the Group's total EAD, mainly related to corporates and retail customers).

For more details on credit and counterparty credit risk, see sections 4.5.6 *Quantitative information* and 4.6.3 *Counterparty credit Risk Measures* of the 2021 Universal Registration Document.

4.1.2.2 The financial soundness and conduct of other financial institutions and market participants could adversely affect the Group.

Financial institutions and other market players (commercial or investment banks, mutual funds, alternative funds, institutional clients, clearing houses, investment service providers, etc.) are important counterparties for the Group in capital or inter-bank markets. Financial services institutions and financial players are closely interrelated as a result of trading, clearing, counterparty and funding relationships. In addition, there is a growing involvement in the financial markets of players with little or no regulation (hedge funds, for example). As a result, defaults by one or several actors in the sector or a crisis of confidence affecting one or more actors could result in market-wide liquidity scarcity or chain defaults, which could adversely affect the Group.

The Group is exposed to clearing institutions and their members because of the increase in transactions traded through these institutions, induced in part by regulatory changes that require mandatory clearing for over-the-counter derivative instruments standardised by these clearing counterparties. For information, the Group's exposure to clearing houses amounted to EUR 28 billion of EAD at 31 December 2020. 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.

The Group is also exposed on assets held as collateral for credit or derivatives instruments, with the risk that in the event of failure of the counterparty, some of these assets may not be sold or that their disposal price may not cover the entire exposure in credit and counterparty credit risks. These assets are subject to periodic monitoring and a specific management framework.

For information purposes, at 31 December 2020, the Group's exposure (EAD) to credit and counterparty credit risks on financial institutions amounted to EUR 106 billion, representing 11% of the Group's EAD in respect of credit risk.

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. 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 IFRS 9 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.

IFRS 9 accounting standard principles and provisioning models could be pro-cyclical in the event of a sharp and sudden deterioration in the environment, which has resulted in a significant increase in the net cost of risk in 2020 in anticipation of the future degradations on the basis of a multi-scenario economic approach. Such a deterioration in the operating environment 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.

At 31 December 2020, the stock of provisions relating to outstanding amounts (on- and off-balance sheet) amounted to EUR 3.6 billion on performing assets and EUR 9.3 billion on assets in default. Outstanding loans in default (stage 3 under IFRS 9) represented EUR 18.3 billion, including 49% in France, 19% in Africa and Middle East and 16% in Western Europe (excluding France). The gross ratio of doubtful loans on the balance sheet was 3.3% and the gross coverage ratio of these loans was approximately 52%. The Group's cost of risk stood at 64 basis points in 2020, against a cost of risk of 25 basis points in 2019.

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 activities, the Group takes trading positions in the debt, currency, raw material and stock markets, as well as in unlisted shares, real estate assets and other types of assets including derivatives. The Group is thus exposed to "market risk". 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 financial assets (and especially on the riskiest assets) and generate losses for the Group;
- a sudden change in the levels of volatility and its structure, or alternative short-term sharp declines and fast rebounds in markets, 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 (the Covid-19 pandemic being the latest example; see the risk factor 4.1.1.1 "The coronavirus (Covid-19) pandemic and its economic consequences could negatively affect the Group's business and financial performance" for more information), 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.

Similarly, the sudden decrease, or even the cancellation of dividends, as experienced during in the Covid-19 pandemic, and changes in the correlations of different assets of the same class, could affect the Group's performance, with many activities being sensitive to these risks.

A prolonged slowdown in financial markets or reduced liquidity in financial markets could make asset disposals or position manoeuvrability more difficult, leading to significant losses. In many of the Group's activity segments, a prolonged decline in financial markets, particularly asset prices, could reduce the level of activity in these markets or their liquidity. These variations could lead to significant losses if the Group were unable to quickly unwind the positions concerned, adjust the coverage of its positions, or if the assets held in collateral could not be divested, or if their selling prices did not cover the Group's entire exposure on defaulting loans or derivatives.

The assessment and management of the Group's market risks are 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.

For information purposes, Global Markets & Investor Services activities, which account for most of the Group's market risks, represented EUR 4.2 billion of net banking income in the first half of 2020, or 19% of the Group's total revenues. At 31 December 2020, risk-weighted assets (RWA) subject to market risk represented EUR 15.3 billion (representing 4% of the Group's total RWA).

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 7.3 billion in 2020.

For more details on structural interest rate risks, see Chapter 4.9 *Structural interest rate and exchange risks* and Note 8.1 *Segment reporting* of the 2021 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 geographical presence 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.

For information, at 31 December 2020, out of a total of EUR 1,258 billion of assets on the balance sheet, 39% was recorded in euros, 37% in USD and 7% in JPY.

See Chapter 4.7.5 *Market Risk Capital Requirements and Risk-Weighted Assets*, Chapter 4.9.3 *Structural exchange rate risk* and Note 8.5 *Foreign exchange transactions* in Chapter 6 of the 2021 Universal Registration Document.

4.1.4 OPERATIONAL RISKS (INCLUDING RISK OF INAPPROPRIATE CONDUCT) AND MODEL RISKS

At 31 December 2020, risk-weighted assets subject to operational risk amounted to EUR 49.2 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 2016 and 2020, the Group's operational risks were primarily concentrated in five risk categories, representing 93% of the Group's total operating losses over the period: fraud and other criminal activities (34%), mainly comprising external frauds, execution errors (23%), disputes with authorities (16%), errors in pricing or risk assessment, including model risk (12%) and commercial disputes (9%). The Group's other categories of operational risk (unauthorised activities in the markets, failure of information systems and loss of operating resources) remain minor, representing 7% of the Group's losses on average over the 2016 to 2020 period.

See Chapter 4.7.3 *Main market risk measures* of the 2021 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.

In the case of alleged non-compliance with applicable laws and regulations, 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 334 million at 31 December 2020.

For a description of the most significant ongoing proceedings, see the section *Compliance risk, litigation*, Note 8.3.2 *Other provisions* and Note 9 *Information on risks and litigation* to Chapter 6 of the 2021 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 information technology systems, especially cyber-attacks, could have an adverse effect on the Group's business and result in losses and damages to its reputation.

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 dysfunction, failure, 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. 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 tarnish 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 those 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 the risk of fraud, mainly external and relating to credit risks, methods of payment (cheques and credit/debit cards) and cybercrime through 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"). Such actions are likely to result in operational losses and have an adverse effect on the Group's business and results of operations.

The Group also continues to follow the IBOR reform, which aims to ensure the continuity of contracts indexed on interbank rates. This reform still presents uncertainties concerning the timing and precise conditions of the transition between current and new indices, as well as changes that could be applicable to transactions indexed to current indices. This could lead to changes in the value of contracts, operational disruptions related to the management of interests, consequences to the accounting of transactions and their tax or prudential treatment, the need to update IT tools, etc. This reform could thus have an impact on the activities and results of the Group.

See *Information security risks* of section 4.8.1 *Organisation of operational risk management, Quantitative data* of section 4.8.3 *Measurement of operational risk* for a breakdown of operational risk losses, and section 4.8.4 *Weighted assets and capital requirements* of the 2021 Universal Registration Document.

The operational risks specific to the Covid-19 pandemic are also described in the section 4.1.1.1 "The coronavirus (Covid-19) pandemic and its economic consequences could negatively affect the Group's business and financial performance".

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 penalising an insufficiently effective control environment, such as the sanctions issued by the US 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.

For more information about reputation risk please see section 4.11 *Compliance risk, litigation* and section 5.2.1 *Satisfying clients by ensuring their protection* of Chapter 5 *Corporate Social Responsibility* of the 2021 Universal Registration Document.

4.1.4.4 The Group's inability to attract and retain qualified employees may adversely affect its performance.

The Group employs more than 133,251 people in 61 countries. The Group's human resources are key assets of the Group, its business model and value proposition. Inadequate career or skills management (integration, career prospects and training, or in terms of compensation levels in line with market practice, etc.) could affect the performance of the Group's banking and financial activities. The Group's inability to attract and retain employees, 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 increased oversight of compensation policies to which the banking sector is subject, including rules on certain types of compensation (fixed, variable, performance conditions, deferred payments, etc.), may limit the Group's ability to attract and retain talent. This is the case in particular of the CRD IV directive, which has applied since 2014 to banks in the European Economic Area and therefore to the Group, and of the CRD V directive applicable from January 2021. This directive includes a cap on the variable component of compensation compared to its fixed component for the relevant personnel, which could reduce the Group's ability to attract and retain employees.

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, face delays in deployment 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, engendering more specifically financial consequences.

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 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 categorised within level 3 (for which the valuation is not based on observed data) represented EUR 12.6 billion and EUR 46 billion, respectively, at 31 December 2020 (see Note 3.4.1 and Note 3.4.2 of Chapter 6 of the consolidated financial statements included in the second amendment to the 2020 Universal Registration Document on financial assets and liabilities measured at fair value);
- the assessment of customer solvency and the Bank's exposure to credit and counterparty credit 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 a new Covid-19 pandemic wave, 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.

In addition, the Group has initiated an evolution of its system of internal credit risk models (project "Haussmann"). This evolution could have a significant impact on the calculation of its RWA credit and counterparty credit risk in the event of delay in the schedule for submitting its models to the supervisor or in the event of late validation by the supervisor.

4.1.4.6 The Group may incur losses as a result of unforeseen or catastrophic events, including health crises, terrorist attacks or natural disasters.

The Group remains dependent on its natural and social environment. The occurrence of a new epidemic or pandemic crisis (such as the Covid-19 pandemic) or a crisis related to the pollution of the natural environment could have a significant impact on the Group's activities. Also, terrorist attacks, natural disasters (including earthquakes, such as in Romania, and floods, such as the exceptional flooding of the Seine in Paris), extreme weather conditions (such as heatwaves), or major social unrest (such as the *Gilets jaunes* movement in France) could disturb the Group's activities.

Such events 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.

4.1.5 LIQUIDITY AND FUNDING RISKS

4.1.5.1 The Group's access to financing and the cost of this financing could be negatively affected in the event of a resurgence of financial crises or deteriorating economic conditions

In past crises (such as the 2008 financial crisis, the eurozone sovereign debt crisis or more recently the tensions on the financial markets linked to the Covid-19 pandemic before the intervention of the central banks), access to financing from European banks was intermittently restricted or subject to less favourable conditions.

If unfavourable debt market conditions were to reappear following a new systemic or Group-specific crisis, the effect on the liquidity of the European financial sector in general and on the Group in particular could be very significantly unfavourable and could have an adverse impact on the Group's operating results as well as its financial position.

For several years, central banks have taken measures to facilitate financial institutions' access to liquidity, in particular by lowering interest rates to historical lows and by setting up TLTRO- (Targeted Longer-Term Refinancing Operations) type facilities. In the event that central banks put an end to these extraordinary measures, the Group could face an unfavourable evolution of its financing cost and of its access to liquidity.

In addition, if the Group were unable to maintain a satisfactory level of deposits from its customers, it could be forced to resort to more expensive financing, which would reduce its net interest margin as well as its results.

The Group's regulatory short-term liquidity coverage ratio (LCR) stood at 149% at 31 December 2020 and liquidity reserves amounted to EUR 243 billion at 31 December 2020.

4.1.5.2 A downgrade to the Group's external rating or to 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.

The deterioration of the economic environment following the health crisis and its impact on the Group, particularly in terms of profitability and cost of risk, could increase the risk of external ratings downgrades. The Group's ratings could be placed under negative watch or be subject to a downgrade. In addition, France's sovereign ratings could also be downgraded due to an increase in its debt and deficits (further increased by the Covid-19 pandemic and the response measures taken by the French government). These elements could have a negative impact on the Group's financing costs and its access to liquidity. The Group's ratings by Fitch Ratings, Moody's, R&I and Standard & Poor's are available on the Group's website (*https://investors.societegenerale.com/en/financial-and-non-financial-information/ratings/credit-ratings*).

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 2021, the Group has planned a funding programme of approximately EUR 16 billion in vanilla long-term debt, in senior preferred and secured debt as well as in senior non-preferred debt and subordinated debt.

At 31 December 2020, the Group had raised a total of EUR 37.2 billion of long-term funding (EUR 34.3 billion for the parent company and EUR 2.9 billion for its subsidiaries) which relates, at the parent company level, to senior structured issues (EUR 18 billion), subordinated issues (EUR 2.6 billion), senior vanilla non-preferred issues (EUR 9.8 billion), unsecured senior vanilla preferred issues (EUR 2.6 billion) and secured issues (EUR 1.3 billion).

4.1.6 RISKS RELATED TO INSURANCE ACTIVITIES

4.1.6.1 A deterioration in market conditions, 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 the first half of 2020, the Group's insurance activities represented net banking income of EUR 0.9 billion, or 4% of the Group's consolidated net banking income. The Group's Insurance Division is mainly focused on Life Insurance. At 31 December 2020, life insurance contracts registered outstandings of EUR 126 billion, divided between euro-denominated contracts (68%) and unit-linked contracts (32%).

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 operations by customers, in an unfavourable context of unrealised losses on bond holdings. This configuration could affect the revenues and 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 to enable them to continue meeting their regulatory capital requirements.

4.2 RISK MANAGEMENT ORGANISATION

ADAPTATION OF THE RISK MANAGEMENT SYSTEM TO COVID-19

Like all economic players, Societe Generale Group has been strongly impacted by the Covid-19 pandemic and by the economic, financial and social consequences of the health crisis. From the outset, the risk management organisation has been adapted to ensure the continued monitoring and control of Group activities, while remaining attentive to the protection of the Group's employees. As part of the large-scale rollout of working-from-home measures, the Group has remained particularly vigilant with regard to the control of its operational risks and the security of its information systems.

Governance was also strengthened during the period by activating crisis units and generating more frequent reports, whether intended for Management, the Board of Directors or the supervisor. These included indicators adapted to the context (monitoring sectors with sensitive activity and/or weakened by the economic crisis, business continuity, etc.).

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

The Group's ambition is to push ahead with 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 wishes to maintain long-term relationships with its clients built on the mutual confidence deserved and to meet the expectations of all of its stakeholders.

This is reflected in:

- an organisation with 16 Business Units offering various products and services to the Group's clients in different geographic locations;
- balanced capital allocation between activities:
  - a preponderance of retail banking activities in France and abroad, which currently represent around 60% of risk weighted assets (“RWA”) of the Group,
  - limitation of Business Unit Global Markets’ share in the RWA of the Group. In accordance with its client-focused development strategy, the Group also announced the closure of its proprietary trading activities[1], and promotes a simplification of the products offered,
  - non-bank services activities, in particular Insurance, are conducted in line with the business strategy; they demonstrate a disciplined risk profile and thus generate profitability compliant with the Group’s expectations;
- a geographically balanced model:
  - in Retail Banking, the Group focuses its development on Europe and Africa where it enjoys an historic presence, extensive knowledge of the markets and top-tier positions,
  - as regards Global Banking and Investor Solutions, outside the Europe and Africa zones, the Group targets activities for which it can leverage international expertise;
- a targeted growth policy, favouring existing areas of expertise, a sound quality business fund and the search for synergies in the diversified banking model;
- 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 the Group's relationships with stakeholders;
- a strong vigilance as regards its reputation, deemed by the Group to be a high-value asset which must be protected.

A robust financial strength profile

The Group seeks to achieve sustainable profitability, relying on a robust financial profile consistent with its diversified banking model, by:

- aiming for 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:
  - meeting the minimum regulatory requirements on regulatory capital ratios,
  - one-year coverage of the “internal capital requirement” using available CET1 capital,
  - a sufficient level of creditor protection consistent with a debt issuance programme that is particularly hybrid consistent with the Group's objectives in terms of rating and regulatory ratios such as Tier 1, TLAC (“Total Loss Absorbing Capacity”), MREL (“Minimum Required Eligible Liabilities”), and the leverage ratio;
- ensuring resilience of its liabilities, which are 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 through a leverage ratio target.

(1) In accordance with French banking law, the Group's few residual trading activities with no connection to clients were isolated in a dedicated subsidiary called Descartes Trading, which was closed in February 2020.

Credit risk (including concentration effects)

Credit risk appetite is managed through a system of credit policies, risk limits and pricing policies.

When it takes on 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.

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 management 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).

The risk measure of the credit portfolio is based primarily on the Basel parameters that are used to calibrate the capital need. As such, the Group favours the so-called advanced Basel models (IRBA), which are more risk-sensitive and more adapted to the specific characteristics of the bank's portfolio. These measures are complemented by an internal stress-sized risk assessment, either at the global portfolio level or at the sub-portfolio level, linking risk measures and rating migration to macro-economic variables. In addition, the calculation of expected losses under the provisions of IFRS9, used to determine the level of impairment on healthy outstandings, provides additional insight into assessing portfolio risk.

In consultation with the Risk Department, the businesses implement pricing policies that are differentiated according to the level of risk of counterparties and transactions. The purpose of pricing a transaction is to ensure acceptable profitability, in line with the objectives of ROE (Return on Equity) of the business or entity, after taking into account the cost of the risk of the transaction in question. However, the pricing of an operation may be adapted in some cases to take into account the overall profitability and the development potential of the customer relationship.

Proactive management of counterparties whose situation has deteriorated is key to containing the risk of final loss in the event of counterparty failure. As such, the Group implements stringent procedures to monitor counterparties whose risk profiles are deteriorating. In addition, the businesses and entities, in conjunction with the Risk Department, and through collaborators specialising in recovery and litigation, work together to effectively protect the Bank's interests in the event of default.

Counterparty credit risk

Counterparty credit risk management is based on a combination of several types of indicators:

- indicators of potential future exposures (potential future exposures, or PFE), aimed at measuring exposure to our counterparties.
  - the Group controls idiosyncratic counterparty credit risks via a set of CVaR (Counterparty VaR)[1] limits. The CVaR measures the potential future exposure linked to the replacement risk in the event of default by one of the group's counterparties. The CVaR is calculated for a 99% confidence level and different time horizons, from one day until the maturity of the portfolio,
  - in addition to the risk of a counterparty default, the CVA (Credit Valuation Adjustment) measures the adjustment of the value of our portfolio of derivatives and repos account the credit quality of our counterparties;
- the abovementioned indicators are supplemented by stress test frameworks or on nominal ones in order to capture risks that are more difficult to measure:
  - the more extreme correlation risks are measured via stress tests at different levels (wrong-way risk, stress monitoring at sector level, risk on collateralised financing activities and agency),
  - the CVA risk is measured via a stress test in which representative market scenarios are applied, notably involving the credit spreads of our counterparties;
- exposures to clearing houses (CCP) are subject to specific supervision:
  - the amount of collateral posted for each segment of a CCP: the initial posted margins, both for our principal and agency activities, and our contributions to CCP default funds,
  - in addition, a stress test measures the impact linked to the default of a member of a CCP;
- the Global Stress Test on market activities includes cross market-counterparty risks, it is described in more detail in the "Market risks" section.

Market risk

The Group's market activities are carried out as part of a business development strategy primarily focused on meeting client requirements through a full range of products and solutions.

Market risk is 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 during the course of a discussion-based process.

(1) The CVaR economic indicator is built on the same modelling assumptions as the regulatory Effective Expected Positive Exposure (EEPE) indicator used to calculate RWAs.

The choice of limits and their calibration reflect qualitatively and quantitatively the fixing of the Group's appetite for market risks. A regular review of these frameworks also enables risks to be tightly controlled according to changing market conditions with, for example, a temporary reduction of limits in case of a deterioration. Warning thresholds are also in place to prevent the possible occurrence of overstays.

Limits are set at different sub-levels of the Group, thereby cascading down the Group's risk appetite from an operational standpoint within its organisation.

Within these limits, the Global Stress Test limits on market activities and the Market Stress Test limits play a pivotal 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.

Operational risk (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 or for non-compliance risk. Furthermore, the Group maintains a zero-tolerance policy on incidents severe enough to potentially inflict serious harm to its image, jeopardise its results or the trust displayed by customers and employees, disrupt the continuity of critical operations or call into question its strategic focus.

The Group underscores that it has is no or very 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 trust, as much between employees as between the Group and its employees. This implies respecting the Group's principles at every level, such as exercising loyalty and integrity. The Group's internal control system must be capable of preventing acts of major fraud;
- cybersecurity: The Group has zero tolerance for fraudulent intrusions, in particular those resulting in the theft of customer data or a major operational disruption. The Group intends to introduce effective means to prevent and detect this risk. It is adequately organised to deal with potential incidents;
- data leaks: the Group is committed to deploying the necessary resources and implementing controls to prevent, detect and remediate data leaks. It does not tolerate any leaks of its most sensitive information, in particular that of customer data;
- business continuity: the Group relies heavily on its information systems to perform its operations and is therefore committed to deploying and maintaining the resilisence of its information systems to ensure the continuity of its most essential services. The Group has very low tolerance for the risk of downtime in its information systems that perform essential functions, in particular systems directly accessible to customers or those enabling it to conduct business on financial markets;
- outsourced services: the Group seeks to achieve a high degree of thoroughness in the control of its activities entrusted to external service providers. As such, the Group adheres to a strict policy of reviewing its providers;
- managerial continuity: the Group intends to ensure the managerial continuity of its organisation to avoid the risk of a long-term absence of a manager that would question the achievement of its strategic objectives, which might threaten team cohesion or disrupt the Group's relationships with its stakeholders.

Structural interest rate and exchange rate risks, risk to employee commitments

The Group measures and strictly controls structural risks. The mechanism whereby rate risk, foreign exchange risk and the risk on pension/long-service obligations is controlled 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 book, optional risk (arising 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") on different horizons.

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 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 to pension and 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. The risk management policy has two main objectives: reduce risk by moving from defined-benefit plans to defined-contribution plans and optimise asset risk allocation (between hedge assets and performance assets) where allowed by regulatory and tax constraints.

Liquidity and financing risks

Controlling liquidity risk is based primarily on:

- compliance with regulatory liquidity ratios, with precautionary buffers: LCR (liquiditycoverage ratio) ratios that reflect a stress situation and NSFR (net stable funding ratio);
- the off-cap USD LCR surplus, which is used to inform the internal management of dollar liquidity risk;
- framing of transformation and anti-transformation positions (price risk).

Controlling financing risk is based on:

- maintaining a liability structure to meet the Group's regulatory constraints (Tier1, Total Capital, Leverage, TLAC, NSFR, MREL) and complying with rating agencies' constraints to secure a minimum rating level;
- capping the use of market and short-term cash financing; in particular, the hold in wholesale unsecured financing markets is governed by a dedicated metric.

Model risk

The Group is committed to defining and deploying internal standards to reduce model risk on the basis of key principles, including the creation of three independent lines of defence, the proportionality of due diligence according to each model's level of risk inherent, the consideration of the models' entire lifecycle and the appropriateness of the approaches within the Group.

Risk related to insurance activities

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 fluctuations in the claims ratio;
- risks related to financial markets (interest rate, credit and equity) and asset-liability management.

Private equity risk

The Group has limited appetite for financial holdings, such as proprietary private equity transactions. The investments allowed are mainly related to:

- commercial support for the network through the activities of MCIB, Crédit du Nord, and certain subsidiaries abroad;
- taking stakes, either directly or through investment funds, in innovative companies via SG Ventures;
- the takeover of stakes in local companies: Euroclear, *Crédit Logement*, etc.

4.2.2 RISK APPETITE – GENERAL FRAMEWORK

Risk appetite is determined at Group level and attributed to the businesses and subsidiaries. Monitoring of risk appetite is performed according to the principles described in the Risk Appetite Framework governance and implementation mechanism, which are summarised below.

Governance

As part of the supervision of risk appetite, the Group relies on the following organisation:

- The Board of Directors:
  - approves each year the Group Risk Appetite Statement and the Group Risk Appetite Framework, as well as the Group Risk Appetite Framework;
  - ensures that risk appetite is relevant to the Group's strategic and financial objectives and its vision of the risks of the macro-economic and financial environment;
  - reviews quarterly the risk appetite dashboards presented to it, and is informed of risk appetite overruns and remediation action plans;
  - sets the compensation of corporate officers, sets out the principles of the remuneration policy applicable in the Group, especially for regulated persons whose activities may have a significant impact on the Group's risk profile, and ensures that they are in line with risk management objectives.

The Board of Directors relies primarily on the Risk Committee.

- General Management:
  - approves the Risk Appetite Statement and its Risk Appetite Framework based on the proposal of the Chief Risk Officer and the Deputy General Manager, Head of Finance;
  - regularly ensures that risk appetite is complied with
  - ensures the effectiveness and integrity of the risk appetite implementation system;
  - ensures that the risk appetite for the Group's Business Units and subsidiaries/branches is formalised and translated into frameworks consistent with the Group's risk appetite;
  - ensures internal communication of risk appetite and its transposition in the Universal Registration Document.

In addition, the main mission of the Risk Department is to develop the Group's risk appetite, as well as the implementation of a risk management, monitoring and control system.

The Finance Department contributes to setting this risk appetite in the framework of indicators under the responsibility of the Finance Committee (profitability, solvency, liquidity and structural risks).

The Compliance Department is also responsible for instructing the risk appetite setting for indicators falling within its scope.

Identification of risks

The identification of risks is the cornerstone of the Group's risk management framework which implies on an ongoing basis the whole of Business Units and enables the identification of all the risks[1] that are or could be significant. The approach is global and holistic: it covers all types of risks and all Group exposures.

In addition to the annual review of the Group's risk taxonomy in the context of risk appetite, risk identification is based on two pillars in order to ensure a complete and up-to-date view of all the material risks facing the Group:

(1) Risks are classified on the basis of the Group's risk taxonomy, which names and defines the categories of risks and their possible sub-categories.

- risk management governance and key committees such as CORISQs at Group or Business Unit level or New Product Committees making it possible to monitor changes in the risk profile for all types of risk (credit, market, operation, etc.). In addition to monitoring well-identified risks, this governance can also generate a debate between risk experts and senior management on emerging risks. This debate is fueled by the latest market news, early warning signals, internal alerts, and more;
- a series of exercises aimed at identifying additional risks, for example arising from changes in macroeconomic or sectoral conditions, financial markets, regulatory constraints, competitors or market pressure, business model (concentration effects) and changes in banking organisations. These additional identification exercises are also organised by risk types, but include some identification of cross-risk effects (*e.g.* credit and market or credit and operational). For a given type of risk, these exercises analyse and segment the Group's exposure along several axes (Business Unit, activity, customer, product, region, etc.). The underlying risk factors are identified for the perimeters where this risk is assessed as being significant.

When a significant risk is identified, a risk management system, which may include a quantitative risk appetite (risk ceiling or threshold) or a risk policy, is implemented.

In addition, where possible, the risk factors underlying a significant risk are identified and combined in a dedicated scenario, and the associated loss is then quantified by means of a stress test (see also section "Risk quantification and stress test system”).

Risk quantification and stress test system

For each identified material risk, indicators to measure this risk are introducd to ensure monitoring. These indicators can be based on measurements of outstandings (risk weighted or not), sensitivities to the variation of one or more risk factors (interest rate, etc.), impacts of stress tests based on scenarios, etc. These indicators can be expressed as ratios and are sometimes the subject of regulatory or publication requirements.

Regarding more specifically stress tests, or crisis simulations, they assess what would be the behavior of a portfolio, activity, entity or Group in a context of degraded activity.

Within the Group, stress tests contribute to the identification, measurement and management of risks, as well as to the assessment of the adequacy of capital and liquidity to the Group's risk profile.

Hence, stress tests:

- are a preferential measure providing information on the resilience of the Group, its activities and its portfolios, and are an integral part of the process of building risk appetite;
- are based on hypothetical economic scenarios defined in conjunction with the Economic and Sectoral Studies department, or historical scenarios. The stress tests break down these scenarios into impacts on the Group's activities, by taking into account the reaction capacities of the activities, by systematically combining quantitative methods and expert judgment (risks, finance or business lines);
- can also be based on sensitivity analysis (single or multi-factor risk).

The stress test system thus comprises:

- a global stress test, integrated into the budget process (Strategic and financial plan), to ensure that the Group's profile meets its objectives in the event of an adverse scenario, but also to quantify the deterioration in the profitability of the Business Units in this scenario. The stress test system is an integral part of the ICAAP (Internal Capital Adequacy Assessment Process);
- specific stress tests by type of risk or portfolio:
  - stress tests on credit risk complete the overall analysis with a more granular approach, and thus shed light on the fixing of risk appetite at a portfolio, activity, etc. They are also used to refine the identification, measurement and operational management of this risk,
  - stress tests on market activities are based on historical and hypothetical scenarios and apply to the entire Group. They are supplemented by specific sensitivity stress tests on certain risk factors (rates, equities, etc.) or certain activities (emerging markets, etc.). A stress test limit is established for these different risk measures,
  - stress tests assess the sensitivity of structural interest rate risk. The exercise focuses on changes in the economic value of assets and liabilities in bank portfolios and on changes in the net interest margin generated by these assets and liabilities. The Group sets limits on these sensitivities in scenarios of translation and deformation (steepening and flattening) of the yield curves,
  - a stress test on social commitments consists of simulating the impact of variations in market risk factors (inflation, interest rate, etc.) on the Group's net position (dedicated investments minus the corresponding social commitments). A stress test limit is established on this indicator,
  - liquidity stress tests,
  - an assessment of operational risk under stress uses the scenario analysis and loss modeling work to calibrate the Group's capital requirement regarding operational risk, and makes it possible to understand the exposure to operational losses, including exposure to rare and severe losses not present in the history,
  - stress tests of insurance activities support the process of defining the risk appetite of the Insurance Business Unit, which is based on minimum profitability and solvency targets for a central and a stressed scenario. The Insurance Business Unit also uses also results from stress tests to define its hedging policy, the distribution of its assets and the dividend distribution policy;
- reverse stress tests, both as part of the risk appetite and the recovery plan. The impact of these stress tests is typically defined by a breaking point in the solvency ratio or liquidity indicator, which poses a significant threat to the Bank. Hypothetical scenarios leading to this breaking point are then constructed in order to identify new weaknesses.

In addition to internal stress test exercises, the Group is part of the sample of European banks participating in major international stress test programs piloted by the EBA (European Banking Authority) and the ECB (European Central Bank).

In addition, and specifically on climate risk, the Group participates on a voluntary basis in exploratory climate stress exercises organised by the ACPR (*Autorité de Contrôle Prudentiel et de Résolution*) and the European Banking Authority in 2020.

DEFINITION OF THE "CENTRAL" AND "STRESSED" ECONOMIC SCENARIOS

Central scenario

The central scenario is based first of all on a set of observed factors such as recent economic situation and economic policy shifts (budgetary, monetary and exchange-rate policies). From these observed factors, economists calculate the most likely trajectory of economic and financial variables for the desired forecast horizon.

Stressed scenario

The severity of the stressed scenario, which is determined by the deviation of the GDP trajectory from the central scenario, is based on the magnitude of the 2008-2009 crisis and has been adjusted to take into account the impacts - health, economic and financial - of the Covid-19 crisis on the basis of current knowledge.

Setting and formalisation of risk appetite at Group level

The Group's risk appetite is formalised in a document ("Risk Appetite Statement") which sets out:

- the strategic profile of the Group;
- its profile of profitability and financial soundness;
- the frameworks relating to the management of the Group's main risks (qualitative, through risk policies, and quantitative, through indicators).

Regarding the profile of profitability and financial soundness, the Finance Department proposes each year, upstream of the budgetary procedure, to the General Management, financial targets at Group level. These targets, supplemented by alert thresholds and crisis levels according to a "traffic light" approach, allow:

- to respect, with a sufficient safety margin, the regulatory obligations to which the Group is subject (in particular the minimum regulatory solvency, leverage and liquidity ratios), by anticipating as best as possible the implementation of new regulations;
- to ensure, via a safety margin, sufficient resistance to stress scenarios (stress standardised by regulators or stress defined according to a process internal to the Group).

The frameworks relating to risk management, also represented via a graduated approach (limits, alert thresholds, etc.), result from a process in which the needs expressed by the businesses are confronted with a contradictory opinion independent from the second line defence. The latter is based on:

- independent analysis of risk factors;
- the use of prospective measures based on stress approaches;
- the proposal for a framework.

For the main risks, the frameworks set make it possible to consolidate the achievement of the Group's financial targets and to orient the Group's profitability profile.

Allocation of risk appetite in the organisation

The allocation of risk appetite in the organisation is based on the strategic and financial plan, and on risk management systems:

- based on recommendations by the Finance Department to General Management, the financial targets defined at Group level are broken down into budget allocation targets at business level as part of the budget and the strategic and financial plan;
- the breakdown of frameworks and risk policies is based on an understanding of the needs of the businesses and their business prospects and takes into account the profitability and financial strength targets 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 Group 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 on 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. 82.).

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) in 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).

As part of the Board of Directors, the Risk Committee (see Art. 11 of the Internal rules of the Board of Directors, p. 87) advises the Board on overall strategy and appetite regarding all kinds of risks, both current and future, and assists the Board when the latter verifies that the strategy is being rolled out.

The Board of Directors' Audit and Internal Control Committee (see Art. 10 of the Internal Rules of the Board of Directors, p. 86) 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 22 times in 2020, defines the Group's key priorities in respect of risk policies (credit, country, market and operational risks), within the framework of the risk appetite and the financial targets set by the Group Strategy Committee, and to monitor compliance of same. 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). Along with the Risks Committee, the Major Risks Committee (*Comité Grands Risques*) is an ad hoc body that validates the commercial strategy and risk-taking with regard to large 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 management of structural risks. The COFI, based upon proposals from the Finance division and the Risk division, validates the structural risk oversight 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 Center budget and intra-group re-invoicing. Lastly, it addresses issues pertaining to the Group's taxation (managed jointly by the Finance division and the Corporate Secretary);
- **the Compliance Committee** (COMCO) meets quarterly to monitor non-compliance risks and major compliance incidents; under the responsibility of the Compliance Department, it is chaired by the General Management;
- **the Digital Transformation Committee (DTCO)**, in line with the Group Strategy Committee's decisions, initiates and monitors changes in the information system and the relevant operational model which require approval by General Management due to their cross-business character or to the scale of the envisaged transformation;
- **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 and are 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 perform its role of managing Group strategy under the authority of the Chief Executive Officer. The Corporate Divisions report directly to General Management.

- The primary 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 conjunction with the Finance Division and the Business and Service Units, and establishing a risk management and monitoring system in its capacity as a second line of defence.

  When performing its work, the Risk Division reconciles independence from the businesses with a close working relationship with the Business Units, which are ultimately responsible 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,
  - helps define the risk policies, taking into account the objectives 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 reporting to a Deputy 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 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 Transactions Processing Department** manages the shared service centers of the Finance Division with the support of its Paris teams and the oversight of Finance teams in Bucharest and Bangalore.

- **the Finance Control Department** is responsible for the second-level permanent control system across all the Finance processes,
- **the Asset and Liability Management Department** is in charge of the ALM function for the Group, of controlling the Group's 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 perform 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 local level and control the quality of the information in the financial reports (accounting, management control, regulations, etc.).
- The Group Compliance Division is responsible for defining and ensuring the consistency of the system for preventing and controlling the risk of non-compliance, as well as for coordinating the system intended to prevent, detect, assess and control reputational risk across the entire Group.
- **The Corporate Secretary** brings together:
  - the Group Legal Department, which ensures in particular the security and legal regularity of the Group's activities, drawing on the legal services of subsidiaries and branches where applicable,
  - the Group Tax Department, which ensures compliance with tax laws in France and abroad,
  - the Corporate Social Responsibility Department, which is in charge of defining and proposing a policy in favour of Corporate Social Responsibility within the Group,
  - the Group Security Department, which oversees the Group's security in conjunction with the Service Unit of the Resources and Digital Transformation Department regarding the security of information systems,
  - the Group's Administrative Department, which provides the Group's central administration services and provides support, as necessary, to 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 the policies to be applied in matters of information systems and information systems security.
- **The Group Internal Audit and General Inspection Division** is in charge of internal audits and reports to the Head of Group Internal Audit. ▲

According to the last census carried out on a declarative basis (at 31 December 2020), the full-time equivalent (FTE) workforce:

- of the Group's Risk Department stood at around 5,463 FTEs:
  - including 4,620 as the second line of defence, i.e. 1,536 in the Group Risk Division itself and 3,084 in the rest of the Risk sector: the Risk Management function,
  - and including 857 as the first line of defence on issues of operational risks, crisis management and the fight against fraud;
- the Compliance Department represented approximately 3,900 FTEs;
- the Information System Security Department totalled approximately 630 FTEs.

Risk reporting and assessment systems

The Group's data aggregation system operates at two levels and has clearly defined responsibilities. The teams of Business Units, Service Units and entities perform data collection and data quality control functions for both local and Group consolidation requirements, as well as a first level of aggregation when necessary. The cross-business 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), the granularity of the contract and accounting quality. The data are updated daily and fed by the entities' operational systems;
- 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 the needs shared with the Group.

These architectural principles are applied to the following four main application areas:

- the pooled 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 credit risk calculation chain on market operations.

The significant strengthening of the Finance and Risk information system was initially aimed at increasing our data aggregation and risk management capacities. Despite the delay in the first half of 2021 of some milestones in the planned trajectory, the action plans have been widely implemented and allowed the Group to reach a new level of maturity at the end of 2020 by:

- feeding the Group's credit risk systems with the commitments of retail customers at contract level on all the BCBS 239 priority entities;
- being able to produce liquidity indicators more quickly in a crisis situation on the most critical perimeter;
- deploying data warehouses on new significant entities in the Retail Banking and International Financial Services scope;
- the faster production of monthly Group rate risk indicators;
- the ability to manage the NIM (Net Interest Margin) centrally over a wide area;
- industrialising almost all of market risk's main indicators and strengthening the certification of these indicators by centralising controls and alerts.

INTEREST RATE BENCHMARK REFORM

Audited I As part of the reform of interbank rates ('IBOR' rates), the Group is pushing ahead with its efforts towards the significant deadline of the end of 2021. The project structure, which the Group has placed under the leadership of the General Management, pursues a dual objective: on the one hand, to prepare the Group to deal with "Risk Free Rates", and on the other hand to prepare the migration of the stock of operations in progress indexed to IBOR rates which will expire successively after 2021 and 2023.

In 2014, the Financial Stability Board considered in its report on interbank rates that uncertainty related to IBOR rates and their termination, if left unchecked, constituted systemic vulnerability and risk.

The Group assesses its own main risks as follows:

- governance and programme execution risk that could lead to delays and lost opportunities is monitored as part of the regular Committee and arbitration bodies;
- risk of legal documentation that could lead to post-transition litigation is managed by the introduction of fallback clauses in transactions depending on the presence of market standards and the support of external firms in the renegotiation of bilateral contracts;
- market risk with the creation of a basic risk between the rate curves associated with the different indices is the subject of close monitoring and supervision;
- operational risks in the execution of transaction migrations, depending on the willingness and preparedness of our customers, the volume of transactions to be migrated and their spread over time;
- risk of "conduct" associated with the announced end of LIBORs, managed in particular through specific group guidelines and broken down by entity. Team training and client communication actions (conferences, events, bilateral points, especially with less well-informed clients) are organised on the associated risks, the alternative solutions that could be deployed, and the way in which they could be affected. ▲

AUDITED I TABLE 1: FINANCIAL ASSETS AND LIABILITIES AND DERIVATIVES IMPACTED BY THE INTEREST RATE BENCHMARKS REFORM

(In EURbn)		Exposures at 30.09.2020		
		Remaining capital		Notional Amounts[1]
	New risk-free rates likely to replace current benchmark interest rates	Financial assets[2] (excluding derivatives) impacted by the reform	Financial liabilities[3] (excluding derivatives) impacted by the reform	Derivatives[4] impacted by the reform
EURIBOR - Euro Interbank Offered Rate		106	6	3,463
EONIA - Euro OverNight Index Average	Euro Short-Term Rate (EUR STR)	4	16	495
LIBOR - London Interbank Offered Rate - USD	Secured Overnight Financing Rate (SOFR)	35	3	2,536
LIBOR - London Interbank Offered Rate - GBP	Reformed Sterling Overnight Index Average (SONIA)	4	0	568
LIBOR - London Interbank Offered Rate - CHF	Swiss Average Rate Overnight (SARON)	0	0	63
LIBOR - London Interbank Offered Rate - JPY	Tokyo Overnight Average (TONA)	0	1	641
LIBOR - London Interbank Offered Rate - EUR	Euro Short-Term Rate (€STR)	1	0	7
TOTAL		**150**	**26**	**7,774**

(1) Notional amounts used in combination with a reference interest rate to calculate derivative cash flows.
(2) Of which accounts receivable, loans, securities received under repurchase agreements, debt securities bearing interest at variable rates.
(3) Of which deposits, borrowing, transaction of securities given in delivered reseal, debt issued in the form of securities bearing interest at variable rates.
(4) Of which firm instruments (swap and futures) and conditional instruments.

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 underpin the 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.

The Board tasks the Group's General Management with rolling out the Group's strategic guidelines to implement this set-up.

The Audit and Internal Control Committee (CACI) is a Board of Directors' committee that is specifically responsible for preparing the decisions of the Board in respect of internal control supervision.

As such, General Management submits reports to the Audit and Internal Control Committee on the internal control of the Group. The Committee monitors the implementation of remediation plans when it considers the risk level to be justified.

Internal control is based on a **body of standards and procedures.**

All Societe Generale Group activities are governed by rules and procedures contained in a set of documents referred to collectively as the "Standard Guidelines", compiled in the Societe Generale Code, which:

- set out the rules for action and behaviour applicable to Group staff;
- define the structures of the businesses and the sharing of roles and responsibilities;
- describe the management rules and internal procedures specific to each business and activity.

The Societe Generale Code groups together the standard guidelines which, in particular:

- 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.);
- 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 and 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.

Internal control in particular 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 materiality of the risks involved;
- the independence of internal auditing.

The internal control framework is based 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 Business Units and the Services Units in respect of their own operations.

  Operational management is responsible for risks, their prevention and their management (by putting in place first-level permanent control measures, amongst other things) and for implementing corrective or remedial actions in response to any deficiencies identified by controls and/or process steering;

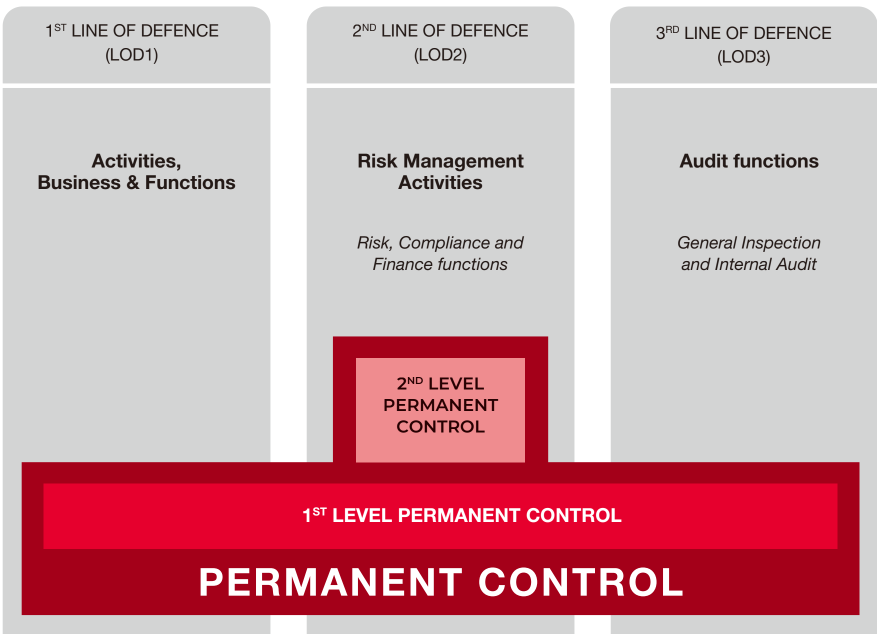
- the **second line of defence** is provided by the compliance, finance and risk functions.

  Within the internal control framework, operational management is responsible for verifying the proper and continuous running of the risk security and management operation functions through the effective application of established standards, defined procedures, methods and requested controls.

  Accordingly, these functions must provide the necessary expertise to define in 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 General Inspection and Internal Audit functions. This division performs periodic internal audits that are strictly independent of the business lines and the permanent control function;

- **internal control coordination,** which falls under the responsibility of a Deputy Chief Executive Officer, is also provided at Group level and is rolled out in each of the divisions and core businesses.



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 ICCC), 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 12 times in 2020. 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);
- cross-business review of cybersecurity and security tools and resources.

The organisation implemented at Group level to coordinate the actions of the various participants in internal control is coordinated in each Business Unit (BU) and Service Unit (SU). All of the Group's BUs and SUs have an Internal Control Coordination Committee. Chaired by the Head of the Business Unit or the Service Unit, these Committees bring together the competent Heads of Internal Audit and Permanent Control for the Business Unit and Service Unit 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:

- the **first-level permanent control,** which is the basis of the Group's permanent control, is performed by the businesses. Its purpose is to ensure the security, quality, regularity and validity of transactions completed at operational level;
- the **second-level permanent control,** which is independent of the businesses and concerns three divisions, *i.e.* the Compliance, Risk and Finance Divisions.

In 2018, General Management initiated a transformation programme of the Group's permanent control system, which is under its direct supervision. Through a set of actions focusing on areas such as standards, methods, tools, procedures and training, the programme served to consolidate the control culture and optimise risk control, and thus helps to improve the quality and the reliability of services provided to our customers and partners. All scheduled deadlines were met and the programme's long-term activities are being transferred to operating teams. The transfer is set to be completed in 2021.

FIRST-LEVEL PERMANENT CONTROL

Permanent Level 1 controls, carried out on operations performed by BUs and the SUs, ensure the security and quality of transactions and the operations. These controls are defined as a set of provisions constantly implemented to ensure the regularity, validity, and security of the operations carried out at operational level.

The permanent Level 1 controls consist of:

- **any combination of actions and/or devices that may limit the likelihood of a risk occurring or reduce the consequences for the company:** these include controls carried out on a regular and permanent basis by the businesses or by automated systems during the processing of transactions, automated or non-automated security rules and controls that are part of transaction processing, or controls included in operational procedures. Also falling into this category are the organisational arrangements (*e.g.*, segregation of duties) or governance, training actions, when they directly contribute to controlling certain risks;
- **controls performed by managers:** line managers control the correct functioning of the devices for which they are responsible. As such, they must apply formal procedures on a regular basis to ensure that employees comply with rules and procedures, and that Level 1 controls are carried out effectively.

Defined by a Group entity within its scope, Level 1 controls include controls (automated or manual) that are integrated into the processing of operations, proximity controls included in operating procedures, safety rules, etc. They are carried out in the course of their daily activities by agents directly in charge of an activity or by their managers. These controls aim to:

- ensure the proper enforcement of existing procedures and control of all risks related to processes, transactions and/or accounts;
- alert management in the event of identified anomalies or malfunctions.

Permanent Level 1 controls are set by management and avoid, as far as possible, situations of self-assessment. They are defined in the procedures and must be traced without necessarily being formalised, *e.g.* preventive automated controls that reject transations that do not comply with system-programmed rules.

In order to coordinate the operational risk management system and the permanent Level 1 control system, the BUs/SUs deploy a specific department called CORO (Controls & Operational Risks Office department).

SECOND-LEVEL PERMANENT CONTROL

The permanent Level 2 control ensures that the Level 1 control works properly:

- the scope includes all permanent Level 1 checks, including managerial supervision checks and checks carried out by dedicated teams;
- this review and these audits aim to give an opinion on (i) the effectiveness of Level 1 controls, (ii) the quality of their implementation, (iii) their relevance (including, in terms of risk prevention), (iv) the definition of their modus operandi, (v) the relevance of remediation plans implemented following the detection of anomalies, and the quality of their follow-up, and thus contribute to the evaluation of the effectiveness of Level 1 controls.

The permanent level 2 control, control of the controls, is carried out by teams independent of the operational.

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 defence.

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 holds 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, bilateral meetings are held as needed between the Group Head of Inspection and Audit and the chairpersons of these Committees.

The Inspection and Audit Service Unit (IGAD) is part of the Group's internal control framework. IGAD carries out an internal audit mandate through its missions. In its role as the third line of defence, it is strictly independent from the Group's business units and permanent control functions.

In line with standards set by the IIA (Institute of Internal Auditors), IGAD's internal audit mandate is defined 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 recommendations 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 (i) the quality of risk management within an audited scope, (ii) the permanent control framework is adequately structured and effective, (iii) management's risk awareness and compliance with conduct rules and expected professional practices.

Whilst Audit Departments perform solely an internal audit role, General Inspection has, in addition to its internal audit role, a mandate to undertake other assignments such as any type of analysis or research, be involved in the assessment of strategic projects or intervene on specific subjects as requested by General Management. Such assignments, limited with regards to resources dedicated to them, are carried out within a framework ensuring that ethical principles defined in Institute of Internal Auditors' Standards are being met.

The General Inspection also supervises the rollout 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.

IGAD has six distinct Audit Departments aligned with the Group organisation. Audit Departments placed under the supervision of a Head of internal Audit are each responsible for a scope of activity. A matrix organisation allows coverage of the main cross-business issues at Group level. In France, the Internal Audit teams are hierarchically linked to the Inspection unit. Audit Department heads based in branches or affiliates overseas report to the local entity's head. However, in their internal audit role they report directly to the Internal Audit Head in charge of their region or entity.

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 issues identified in risk management and generally improve operations and risk management. IGAD teams are subsequently in charge of monitoring the effective implementation of these recommendations.

4.3.2 CONTROL OF THE PRODUCTION AND PUBLICATION OF FINANCIAL MANAGEMENT INFORMATION

The participants 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. The Audit and Internal Control Committee's remit also is to monitor the independence of the Statutory Auditors, and the effectiveness of the internal control, measurement, supervision and control systems for risk related to the accounting and financial processes. The Statutory Auditors meet with the Audit and Internal Control Committee during the course of their assignment;
- the **Group Finance Division** gathers the accounting and management data compiled by the subsidiaries and the Business Units/Services Units in a set 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.). It also has a team in charge of the preparation of the Group regulatory reports;

  In the framework of these missions, it is in charge of:

  - 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, 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;
- 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 Centers 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.

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 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. As the Societe Generale Group is identified as a "financial conglomerate", it is subjected to additional supervision.

The Group Finance Division has dedicated teams that monitor the applicable standards 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 in the consolidation scope of the Group prepares its own accounting and management statements on a monthly basis. This information is then consolidated each month at 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 delegated to financial shared service centres acting under their responsibility and sent to the Group Finance Division. The Group Finance Division forwards 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 adaptation action plans 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 ensured 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 teams 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:

- verification of the economic justification of all information reported;

- reconciliation of accounting and management data, using specific procedures, respecting the specified deadlines;
- for market activities, reconciliation between the accounting result, produced by the Finance Division and the economic result, produced by a dedicated expert department in the Risk 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 checks 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 the Business Units/Services Units have a dedicated department for financial management and control.

CONTROL BY THE FINANCIAL SHARED SERVICE CENTRES

Financial shared service centres perform the first-level controls necessary to ensure the reliability of 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 as part of the managerial supervision and Group accounting certification processes.

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 to ensure the reliability and consistency of the accounts prepared.

SUPERVISION BY THE GROUP FINANCE DIVISION

Once the financial statements prepared 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 in the Group Accounting Officer Department checks that the consolidation scope complies with the applicable accounting standards and performs multiple checks on data received for consolidation purposes. These checks 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.

Last, 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.

A team in this department is in charge of managing and coordinating the quarterly Group accounting certification framework to certify first-level controls on a quarterly basis (internal control certification).

The Group Finance Division has also a dedicated team reporting directly to it which is responsible for ensuring second-level permanent controls on all Finance processes and for implementing the framework within the Group. Its mission is to ensure the effectiveness, quality and relevance of the Level 1 control framework by assessing it through process or activity reviews, testing controls and quarterly certifications. The team also reports to the Head of Permanent & Internal Control Division of Societe Generale Group.

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

Internal Audit and the General Inspection define their audits and inspections using a risk-based approach and define an annual work programme (Inspection and Audit plan schedule - *plan de tournée*). As part of their assignments, teams may verify the quality of the control environment contributing to the quality of the accounting and management data produced by the audited entities. They may 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 findings, these teams issue recommendations to the parties involved in the production and control of accounting, financial and management data to improve this process through more specific initiatives targeting particular entities or activities.

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.

Some amendments to the European regulatory legislation were adopted in May 2019 (CRR2/CRD5). Although several of the new amendments are already in force, most of the new provisions will enter into force in June 2021.

The new provisions include the following:

- NSFR: the text introduces regulatory requirements related to the NSFR ratio. A 100% ratio has to be met as of June 2021;
- Leverage ratio: a 3% minimum requirement to which an additional 50% buffer for systemic entities will be added from 2023;
- Counterparty derivatives risk: the "SA-CCR" Basel method replaces the current "CEM" method to calculate the prudential exposure to derivatives using the Standardised Approach (SA);
- Large exposures: the main change concerns the calculation of the regulatory limit (25%) on Tier 1 (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 has been 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%+risk-weighted capital buffers and 6% of the leverage exposure in 2019, the ratio increasing to 18%+weighted risk cushions and 6.75% leverage in 2022.

With regard to the implementation of the market risk reform (FRTB), after the publication of the first revised standard in January 2016 and of the consultation in March 2018 on this subject, the Basel Committee published in January 2019 its final text: BCBS457. In March 2020, the Basel Committee announced a one-year delay in the implementation of FRTB (1 January 2023 instead of 1 January 2022 as originally planned in the January 2019 text).

The European FRTB calendar would be as follows:

- regarding reporting requirements:
  - in April 2020, EBA postponed the Standardised Approach (SA) from Q1 2021 to Q3 2021,
  - 2023 for the Internal Model Approach (IMA);
- the capital requirements for FRTB would then become mandatory at the end of 2023 at the earliest, or in 2024.

In December 2017, the Group of Central Bank Governors and Heads of Supervision (GHOS), the Basel Committee's oversight body, endorsed the regulatory reforms aiming to complete Basel 3. These new rules, which were to take effect from 2022, have been postponed to January 2023 with an overall output floor: the risk-weighted assets (RWA) will be floored to a percentage of the standard method (credit, market and operational). The output floor level will increase gradually, from 50% in 2023 to 72.5% in 2028. Nevertheless, these rules will have to be transposed into European law (CRR3/CRD6) to be applicable to the Group.▲

In the face of the health crisis and of its economic and financial consequences, a number of measures have been taken by the supervisory and regulatory authorities. For example, the ECB announced the immediate implementation of Article 104a of CRD5: possible fulfilment of P2R requirement *via* 56% of CET1, 19% of AT1 and 25% of Tier 2 instruments (instead of 100% of CET1 previously), but also possibility to operate below the conservation cushion (CCB), as well as the countercyclical (CCyB) and the Systemic Risk Buffer (0% in France) ones.

In addition, the European Parliament and the Council reached an agreement through the CRR "quick fix" regulation, implemented as of 30 June 2020. The most significant elements reside in the anticipation of the implementation date for the non-deduction of CET1 software, but also for the SME and "Infrastructure financing" discount factors. Regarding the leverage ratio, the implementation of the cushion (0.5% for the Group) has been postponed from 1 January 2022 to 1 January 2023 in order to be in line with the Basel 4 application date. Central bank reserves may be excluded from the exposure base (without increasing the 3% requirement) until 27 June 2021 .

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 since 1 March 2019, at 1.75% for 2020.

As part of the ECB Covid-19 specific measures, the 2020 Pillar 2 rate will remain at the same level in 2021.

Detailed information on the G-SIB requirements and other prudential information are available on the Group website, www.societe generale.com, under "Universal Registration Document and Pillar 3".

Throughout 2020, Societe Generale complied with the minimum ratio requirements applicable to its activities.

4.4.2 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 and explains the evolution of the Group's capital ratios over time, taking into account any future regulatory constraint.▲

This process (ICAAP) also takes into account, in addition to future regulatory changes, any future changes in scope (asset disposals and acquisitions). The assessment of this adequacy is based on a selection of key metrics that are relevant to the Group in terms of risk and capital measurement, such as CET1, Tier 1 and Total Capital ratios. These regulatory indicators are supplemented by an assessment of the coverage of internal capital needs by available CET1 capital, thus confirming the relevance of the targets set in the risk appetite. Besides, this assessment takes into account the constraints arising from the other metrics of the risk appetite, such as rating, MREL and TLAC or leverage ratio.

All of these indicators are measured on a forward-looking basis in relation to their target on a quarterly or even monthly basis for the current year. During the preparation of the financial plan, they are also assessed on an annual basis over a five-year horizon according to two distinct scenarios, central and adverse, in order to demonstrate the resilience of the bank's business model in the face of adverse macroeconomic and financial environments. Capital adequacy is continuously monitored by the Executive Management and by the Board of Directors as part of the Group's corporate governance process and is reviewed in depth during the preparation of the multi-year financial plan. It ensures that the bank always complies with its financial target with a buffer of +200bp to the "Maximum Distributable Amount" (MDA) threshold.

Besides, the Group maintains a balanced capital allocation among its three strategic core businesses:

- French Retail Banking;
- International Retail Banking and Financial Services;
- Global Banking and Investor Solutions.

Each of the Group's core businesses accounts for around a third of total Risk-Weighted Assets (RWA), with a predominance of French and International Retail Banking (62% of total business RWA) and credit risk (82% of total Group RWA).

At 31 December 2020, Group RWA were up 2% to EUR 352 billion, compared with EUR 345 billion at end December 2019.

The evolution of the business lines' RWA is at the heart of the operational management of the Group's capital trajectory based on a detailed understanding of the vectors of variations. Where appropriate, the General Management may decide, upon a proposal from the Finance Division, to implement managerial actions to increase or reduce the share of the business lines, for instance by validating the execution of synthetic securitisation or of disposals of performing or non-performing portfolios.

4.4.3 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 regulated entities of the Group 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 2: DIFFERENCE BETWEEN ACCOUNTING SCOPE AND PRUDENTIAL REPORTING SCOPE

Type of entity	Accounting treatment	Prudential treatment under CRR/CRD4
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 between the consolidated balance sheet and the accounting balance sheet within the prudential scope. The amounts presented are accounting data, not a measure of RWA, 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 3: RECONCILIATION BETWEEN THE CONSOLIDATED BALANCE SHEET AND THE PRUDENTIAL ACCOUNTING BALANCE SHEET

ASSETS at 31.12.2020 *(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	168,179	(0)	0	168,179
Financial assets at fair value through profit or loss	429,458	10,966	(0)	440,424
Hedging derivatives	20,667	22	-	20,689
Financial assets at fair value through other comprehensive income	52,060	(0)	-	52,060
Securities at amortised cost	15,635	(0)	-	15,635
Due from banks at amortised cost	53,380	0	214	53,594
o.w. subordinated loans to credit institutions	*97*	*(0)*	-	*97*
Customer loans at amortised cost	448,761	1,543	(5)	450,299
Revaluation differences on portfilios hedged against interest rate risk	378	-	-	378
Investment of insurance activities	166,854	(166,854)	-	-
Tax assets	5,001	(88)	0	4,913
o.w deferred tax assets that rely on future profitability excluding those arising from temporary differences	*1,840*	-	*(613)*	*1,227*
o.w deferred tax assets arising from temporary differences	*2,267*	-	*436*	*2,703*
Other assets	67,341	(2,529)	50	64,862
o.w defined-benefit pension fund assets	*52*	-	-	*52*
Non-current assets held for sale	6	-	-	6
Investments accounted for using the equity method	100	4,668	(76)	4,692
Tangible and intangible assets	30,088	(166)	0	29,922
o.w intangible assets exclusive of leasing rights	*2,485*	-	*(140)*	*2,345*
Goodwill	4,044	(325)	-	3,719
TOTAL ASSETS	**1,461,952**	**(152,763)**	**183**	**1,309,372**

(1) Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions relating to these entities.

LIABILITIES at 31.12.2020 *(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 banks	1,489	-	-	1,489
Financial liabilities at fair value through profit or loss	390,247	2,031	-	392,278
Hedging derivatives	12,461	10	-	12,471
Debt securities issued	138,957	823	-	139,780
Due to banks	135,571	(2,710)	43	132,904
Customer deposits	456,059	1,438	(58)	457,439
Revaluation differences on portfolios hedged against interest rate risk	7,696	-	-	7,696
Tax liabilities	1,223	(294)	0	929
Other Liabilities	84,937	(6,881)	198	78,254
Non-current liabilities held for sale	-	-	-	-
Liabilities related to insurance activities contracts	146,126	(146,126)	-	-
Provisions	4,775	(20)	-	4,755
Subordinated debts	15,432	40	-	15,472
o.w redeemable subordinated notes including revaluation differences on hedging items	*15,001*	*40*	-	*15,041*
TOTAL DEBTS	**1,394,973**	**(151,690)**	**183**	**1,243,466**
Sub-Total Equity, Group share				
Issued common stocks, equity instruments and capital reserves	31,628	0	-	31,628
Retained earnings	32,076	(202)	(0)	31,874
Net income	(258)	(0)	-	(258)
Unrealised or deferred capital gains and losses	(1,761)	(0)	(0)	(1,762)
Minority interests	5,295	(871)	-	4,424
TOTAL EQUITY	**66,979**	**(1,074)**	**(0)**	**65,905**
TOTAL LIABILITIES	**1,461,952**	**(152,763)**	**183**	**1,309,372**

(1) Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions relating to these entities.

ASSETS at 31.12.2019 *(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	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
o.w. subordinated loans to credit institutions	*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
o.w deferred tax assets that rely on future profitability excluding those arising from temporary differences	*2,659*	-	*(756)*	*1,903*
o.w deferred tax assets arising from temporary differences	*2,082*	-	*650*	*2,732*
Other assets	68,045	(2,614)	65	65,496
o.w defined-benefit pension fund assets	*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
o.w intangible assets exclusive of leasing rights	*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 these entities.

LIABILITIES at 31.12.2019 *(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 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
o.w redeemable subordinated notes including revaluation differences on hedging items	*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 these entities.

The main Group companies outside the prudential reporting scope are as follows:

TABLE 4: ENTITIES OUTSIDE THE PRUDENTIAL 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
SG Strakhovanie LLC	Insurance	Russia
Sogecap	Insurance	France
Komercni Pojstovna 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 supervisory authorities. Regulated financial entities and affiliates outside of Societe Generale's prudential consolidation scope are all in compliance with their respective solvency requirements. As a general principle, all banks should be under a double supervision, on a standalone basis and on a consolidated basis but the CRR allows, under specific conditions, waivers from the requirements on an individual basis granted by the competent authorities.

The supervisory 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. Terms and conditions of waiver of requirements granted by supervisors include a commitment to provide these subsidiaries with the Group's support to ensure their overall solvency and liquidity, as well as a commitment to ensure that they are managed prudently according to the applicable banking regulations.

The conditions for applying waivers regarding monitoring on an individual basis for a Parent Institution, as far as solvency and large exposure ratios are concerned, are defined by the CRR, which stipulates that two conditions have to be met:

- there is no significant obstacle, in law or in fact, current or anticipated, to the prompt transfer of equity capital or the rapid repayment of liabilities to the Parent Institution in a Member State;
- the risk assessment, measurement and control procedures that are useful for the purposes of supervision on a consolidated basis cover the Parent Institution in a Member State.

Accordingly, for instance, 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 is carried out in compliance with capital and liquidity requirements that are locally applicable.

4.4.4 REGULATORY CAPITAL

Reported in accordance with 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 managed under 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%, when these positions are excluded from the calculation of RWA.

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;
- 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 managed under the IRB approach and expected losses, up to 0.6% of total credit RWA under the IRB approach;
- value adjustments for credit risk related to collective impairment losses on customer loans and receivables exposures managed under the standardised approach, up to 1.25% of total credit RWA.

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/en/measuring-our-performance/information-and-publications/registration-documents*).

(1) The undated deeply subordinated notes' remuneration will be paid from the distributable profits for the purposes of the consolidated prudential regulation.

TABLE 5: CHANGES IN DEBT INSTRUMENTS ELIGIBLE FOR SOLVENCY CAPITAL REQUIREMENTS

(In EURm)	31.12.2019	Issues	Redemptions	Prudential supervision valuation haircut	Others	31.12.2020
Debt instruments eligible for Tier 1	8,165	1,222	-	-	(557)	8,830
Debt instruments eligible for Tier 2	13,032	1,427	(266)	(1,088)	(518)	12,587
TOTAL ELIGIBLE DEBT INSTRUMENTS	**21,197**	**2,649**	**(266)**	**(1,088)**	**(1,075)**	**21,417**

Solvency ratios

The solvency ratios are 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 RWA and according to the split of own funds i.e.: Common Equity Tier 1 (CET1), Tier 1 (T1) or Total Capital (TC).

Each quarter, the ratios are calculated following the accounting closing and then compared to the supervisory requirements.

The Pillar 1 regulatory minimum capital requirement is set at 4.5% for CET1, 6% for T1 and 8% for TC. This minimum remains stable over time.

The minimum Pillar 2 requirement (P2R) is set by the supervisor following the Supervisory Review and Evaluation Process (SREP). It has been standing at 1.75% since 1 March 2019 .

In addition to these requirements comes the overall buffer requirement which is the sum of:

- the mean of the countercyclical buffer rates of each country, weighted by the relevant credit risk exposures in these countries. As of 1 January 2021, Societe Generale's countercyclical buffer is equal to 0.04%;
- the conservation buffer in force as of 1 January 2016 with a maximum level standing at 2.50% since 1 January 2019;
- the Group's G-SIB buffer imposed by the Financial Stability Board (FSB), which is equal to 1%.

As of 1 January 2021, taking into account the combined regulatory buffers, the phased-in CET1 ratio level that would trigger the Maximum Distributable Amount (MDA) mechanism stands at 9.02%.

TABLE 6: BREAKDOWN OF PRUDENTIAL CAPITAL REQUIREMENT FOR SOCIETE GENERALE

	01.01.2021	01.01.2020
Minimum requirement for Pillar 1	4.50%	4.50%
Minimum requirement for Pillar 2 (P2R)[(1)]	0.98%	1.75%
Minimum requirement for countercyclical buffer	0.04%	0.28%
Minimum requirement for conservation buffer	2.50%	2.50%
Minimum requirement for systemic buffer	1.00%	1.00%
Minimum requirement for CET1 ratio	**9.02%**	**10.03 %**

(1) The ECB has decided to implement earlier the provisions adopted in article 104a of the CRD5 directive, stating that a minimum of 56% of P2R add-on has to be covered by CET1 capital (instead of 100% previously) and 75% by Tier 1 capital.

TABLE 7: REGULATORY CAPITAL AND CRR/CRD4 SOLVENCY RATIOS[1]

(In EURm)	31.12.2020	31.12.2019
Shareholders' equity (IFRS), Group share	**61,684**	**63,527**
Deeply subordinated notes	(8,830)	(9,500)
Perpetual subordinated notes	(264)	(283)
Group consolidated shareholders' equity net of deeply subordinated and perpetual subordinated notes	**52,590**	**53,744**
Non-controlling interests	4,378	3,928
Intangible assets	(1,647)	(2,214)
Goodwill	(3,710)	(4,302)
Dividends proposed (to the General Meeting) and interest expenses on deeply subordinated and perpetual subordinated notes	(557)	(102)
Deductions and regulatory adjustments	(3,764)	(5,290)
COMMON EQUITY TIER 1 CAPITAL	**47,290**	**45,764**
Deeply subordinated notes and preferred shares	8,830	8,165
Other additional Tier 1 capital	195	100
Additional Tier 1 deductions	(136)	(137)
TOTAL TIER 1 CAPITAL	**56,179**	**53,892**
Tier 2 instruments	12,587	13,032
Other Tier 2 capital	240	37
Tier 2 deductions	(1,422)	(1,915)
Total regulatory capital	**67,584**	**65,046**
TOTAL RISK-WEIGHTED ASSETS	**351,852**	**345,010**
Credit and counterparty credit risk-weighted assets	287,324	282,536
Market risk-weighted assets	15,340	14,513
Operational risk-weighted assets	49,188	47,961
Solvency ratios		
Common Equity Tier 1 ratio	13.4%	13.3%
Tier 1 ratio	16.0%	15.6%
Total capital ratio	19.2%	18.9%

(1) December 2020 ratios take into account the IFRS 9 phasing (CET1 ratio of 13.2% without phasing, the phasing effect being +28 bps). December 2019 figures include the restatement for 2019 dividend cancellation, in accordance with restrictions to the payment of dividends imposed by European Authorities.

The solvency ratio as at 31 December 2020 stood at 13.4% in Common Equity Tier 1 (13.3% at 31 December 2019) and 16.0% in Tier 1 (15.6% at 31 December 2019) for a total ratio of 19.2% (18.9% at 31 December 2019).

Group shareholders' equity at 31 December 2020 totalled EUR 61.7 billion (compared with EUR 63.5 billion at 31 December 2019).

After taking into account non-controlling interests and regulatory adjustments, CET1 regulatory capital was EUR 47.3 billion at 31 December 2020, *vs.* EUR 45.8 billion at 31 December 2019. 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.

TABLE 8: CET1 REGULATORY DEDUCTIONS AND ADJUSTMENTS UNDER CRR/CRD4

(In EURm)	31.12.2020	31.12.2019
Unrecognised minority interests	(2,507)	(2,094)
Deferred tax assets	(1,226)	(1,903)
Prudent Valuation Adjustment	(884)	(935)
Adjustments related to changes in the value of own liabilities	289	217
Other	564	(575)
TOTAL CET1 REGULATORY DEDUCTIONS AND ADJUSTMENTS	**(3,764)**	**(5,290)**

CRR/CRD4 prudential deductions and restatements included in the "Other" category essentially involve the following:

- any positive difference between expected losses on customer loans and receivables managed under 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%, when these positions are excluded from the calculation of RWA.

4.4.5 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

The Basel 3 Accord has 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 risk profile of transactions *via* two approaches intended for determining RWA: a standardised approach and an advanced one based on internal methods modelling the counterparties' risk profiles.

The total amount of RWA featured in this chapter (EUR 351.9 billion) shows a EUR 0.5 billion gap compared with the amount published through the financial communication of 10 February 2021 of Societe Generale group as regards Q4 2020 and 2020 full year. This discrepancy is due to the consideration, in the present regulatory information disclosed, of the phasing related to IFRS 9 transitional arrangements.

Change in risk-weighted assets and capital requirements

TABLE 9: GROUP CAPITAL REQUIREMENTS AND RISK-WEIGHTED ASSETS

	RWA		Minimum capital requirements	
(In EURm)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Credit risk (excluding counterparty credit risk)	**247,423**	**251,113**	**19,794**	**20,089**
o.w. standardised approach	*86,000*	*93,302*	*6,880*	*7,464*
o.w. Foundation IRB (F-IRB) approach	*4,417*	*4,725*	*353*	*378*
o.w. Advanced IRB (A-IRB) approach	*136,302*	*133,026*	*10,904*	*10,642*
o.w. equity IRB under the simple risk-weighted approach or IMA	*20,704*	*20,061*	*1,656*	*1,605*
Counterparty credit risk	**26,330**	**19,567**	**2,106**	**1,565**
o.w. risk exposure for contributions to the default fund of a CCP	*986*	*1,077*	*79*	*86*
o.w. CVA	*3,131*	*2,586*	*250*	*207*
Settlement risk	**77**	**41**	**6**	**3**
Securitisation exposures in the Banking Book (after cap)[(1)]	**5,486**	**3,762**	**439**	**301**
o.w. SEC-ERBA incl. IAA	*2,951*	*1,836*	*236*	*147*
o.w. SEC-IRBA	*2,233*	*1,860*	*179*	*149*
o.w. SEC-SA	*301*	*66*	*24*	*5*
o.w. 1,250% / deductions	-	-	-	-
Market risk	**15,340**	**14,513**	**1,227**	**1,161**
o.w. standardised approach	*1,728*	*1,373*	*138*	*110*
o.w. IMA	*13,612*	*13,140*	*1,089*	*1,051*
Large exposures	-	**-**	-	**-**
Operational risk	**49,188**	**47,961**	**3,935**	**3,837**
o.w. basic indicator approach	-	-	-	-
o.w. standardised approach	*2,250*	*2,470*	*180*	*198*
o.w. advanced measurement approach	*46,938*	*45,491*	*3,755*	*3,639*
Amounts below the thresholds for deduction (subject to 250% risk-weighting)	**8,008**	**8,052**	**641**	**644**
Floor adjustment	-	-	-	-
TOTAL	**351,852**	**345,010**	**28,148**	**27,601**

(1) The amounts of RWA and of capital requirements as at 31 December 2019 relating to securitisation in the Banking Book are featured in accordance with the new classification by prudential approach.

TABLE 10: RISK-WEIGHTED ASSETS (RWA) BY CORE BUSINESS AND RISK TYPE

(In EURbn)	Credit and counterparty credit	Market	Operational	Total 2020	Total 2019
French Retail Banking	94.4	0.1	4.4	98.9	97.8
International Retail Banking and Financial Services	102.3	0.1	5.6	108.0	115.3
Global Banking and Investor Solutions	79.0	15.0	31.9	125.9	117.7
Corporate Centre	11.6	0.2	7.3	19.1	14.1
Group	**287.3**	**15.3**	**49.2**	**351.9**	**345.0**

At 31 December 2020, RWA (EUR 351.9 billion) broke down as follows:

- credit and counterparty credit risks accounted for 82% of RWA (of which 36% for International Retail Banking and Financial Services);
- market risk accounted for 4% of RWA (of which 98% for Global Banking and Investor Solutions);
- operational risk accounted for 14% of RWA (of which 65% for Global Banking and Investor Solutions).

4.4.6 TLAC AND MREL RATIOS

The Total Loss Absorbing Capacity (TLAC) requirement which applies to Societe Generale is 16% of RWA until 1 January 2022 and 18% of RWA thereafter, to which the conservation buffer of 2.5%, the G-SIB buffer of 1% and the countercyclical buffer must be added. As at 31 December 2020, the global TLAC requirement thus stood at 19.54% of Group RWA.

The TLAC rule also provides for a minimum ratio of 6% of the leverage exposure from 2019 before reaching 6.75% of the leverage exposure starting from January 2022.

As at 31 December 2020, Societe Generale reached a TLAC ratio of 28.6% of RWA and 9.2% of leverage exposure.

The Minimum Requirement for own funds and Eligible Liabilities (MREL) has applied to credit institutions and investment firms within the European Union since 2016.

Contrary to the TLAC ratio, the MREL is tailored to each institution and regularly revised by the resolution authority.

Throughout 2020, Societe Generale complied with the 8% (until May) and the 8.51% (after May) ratio of total own funds and eligible liabilities, as required by its resolution authority, the Single Resolution Board.

4.4.7 LEVERAGE RATIO

The Group calulates 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 2023).

Managing the leverage ratio means both calibrating the amount of Tier 1 capital (the numerator of the ratio) and controlling the Group's leverage exposure (the denominator of the ratio) 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 set in the Basel Committee's recommendations, transposed in Europe *via* CRR2, including a fraction of the systemic buffer which is applicable to the Group.

As at 31 December 2020, the leverage ratio of Societe Generale stood at 4.8%, considering a Tier 1 capital amount of EUR 56.2 billion compared with a leverage exposure of EUR 1,179 billion (versus 4.5% as at 31 December 2019, with EUR 53.9 billion and EUR 1,200 billion respectively).

TABLE 11: LEVERAGE RATIO SUMMARY AND TRANSITION FROM PRUDENTIAL BALANCE SHEET TO LEVERAGE EXPOSURE[1]

(In EURm)	31.12.2020	31.12.2019
Tier 1 capital[2]	**56,179**	**53,892**
Total assets in prudential balance sheet[3]	**1,309,372**	**1,203,797**
Adjustments for fiduciary assets recognised on the balance sheet but excluded from the leverage ratio exposure	-	-
Adjustments for derivative financial instruments	*(118,705)*	*(80,869)*
Adjustments for securities financing transactions[4]	*5,988*	*(3,037)*
Off-balance sheet exposure (loan and guarantee commitments)	*104,034*	*103,856*
Technical and prudential adjustments (Tier 1 capital prudential deductions)	*(6,866)*	*(10,217)*
Technical and prudential adjustments (regulated saving exemption)	*(17,087)*	*(13,268)*
Technical and prudential adjustments (central banks exemption)	*(98,192)*	-
Leverage ratio exposure	**1,178,543**	**1,200,262**
Leverage ratio	**4.8%**	**4.5%**

(1) December 2020 ratio takes into account the IFRS 9 phasing (leverage ratio of 4.7% without phasing, the phasing effect being +8 bps). December 2019 figures include the restatement for 2019 dividend cancellation, in accordance with restrictions to the payment of dividends imposed by European Authorities.
(2) The capital overview is available in Table 6.
(3) The reconciliation between the consolidated balance sheet and the accounting balance sheet within the prudential scope is available in Table 2.
(4) 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, Societe Generale must not have any exposure towards a single beneficiary which 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. The latter cannot exceed one third of Tier 1 capital.

The final rules of the Basel Committee on large exposures have been transposed in Europe *via* CRR2, applicable from June 2021. The main changes compared with CRR reside in the calculation of the regulatory limit (25%), henceforth expressed as a proportion of Tier 1 (instead of cumulated Tier 1 and Tier 2), and in 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 from the ECB.

As at 31 December 2020, Societe Generale's financial conglomerate equity covered the solvency requirements for both banking and insurance activities.

The financial conglomerate ratio as at 30 June 2020 has been modified as follows: 143%, consisting of a numerator (“Own funds of the Financial Conglomerate”) of EUR 71.3 billion and a denominator (“Regulatory requirement of the Financial Conglomerate”) of EUR 50.0 billion.

At 31 December 2019, the financial conglomerate ratio stood at 145%, consisting of a numerator “Own funds of the Financial Conglomerate” of EUR 70.0 billion and of a denominator “Regulatory requirement of the Financial Conglomerate” of EUR 48.4 billion.

4.5 CREDIT RISK

Audited I Credit 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. This risk includes the risk related to securitisation activities, and may be further amplified by individual, country and sector concentration risk. ▲

4.5.1 CREDIT RISK MONITORING AND SURVEILLANCE SYSTEM

General principles governing risk-taking

Audited I The risk approval process is based on the following main principles:

- the analysis and the validation of the files fall respectively and independently 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 sectors on the other.

The business line assumes the burden of provisions and losses related to its credit decisions as the first line of defence. 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 among others 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 most indebted companies established in France at a maximum level of 5% of eligible equity.

Internal systems are implemented to identify and manage the risks of individual concentrations, particularly at granting. For example, concentration thresholds, based on the internal rating, are set by CORISQ and define the governance for validating the limits on individual concentrations. Exposures to groups of clients deemed significant by the Group are reviewed by the Large Exposure Committee chaired by the General Management. As part of identifying its risks, the Group also performs loss simulations by customer type and typical of significant individual exposures that the Group may have.

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, nationalization, 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/or monitoring of exposures have been established for countries based on their internal ratings and governance indicators. The supervision is strengthened depending on the level of the country's risk.

Country limits are approved annually by Risk Division (or General Management in specific situations). 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 for each counterparty.

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 2020, several countries were put under alert list due to difficulties encountered.

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 periodically reviews its exposures to the portfolio segments presenting a specific risk profile, within the framework of CORISQs at Group or Business Unit level. These identified sectors or sub-portfolios are, where appropriate, subject to specific supervision through portfolio limits and specific granting criteria. The limits are monitored either at the General Management level or at the level of the Business Unit Management depending on the materiality and the level of risk of the portfolios.

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 among others:

- 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 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.

Credit risk stress tests complement the global analysis with a more granular approach and allow fine-tuning of the identification, assessment and operational management of risk, including concentration. They project expected credit losses both on defaulted exposures and on non-defaulted exposures consistently with IFRS 9 methodology. The perimeter covered may include counterparty credit risk on market activities when relevant.

4.5.2 CREDIT RISK HEDGING

Audited I 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).

The guarantors are subject to an internal rating updated at least annually. Regarding collateral, regular revaluations are made on the basis of an estimated disposal value composed of the market value of the asset and a discount. The market value corresponds to the value at which the good should be exchanged on the date of the valuation under conditions of normal competition. It is preferably obtained on the basis of comparable assets, failing this by any other method deemed relevant (example: value in use). This value is subject to haircuts depending on the quality of the collateral and the liquidity conditions.

In accordance with the requirements of European Regulation No. 575/2013 (CRR), the Group applies minimum collateralization 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 319 billion as at 31 December 2020 (compared with EUR 302 billion as at 31 December 2019), of which EUR 156 billion for retail customers and EUR 163 billion for other types of counterparties (compared with EUR 139 billion and EUR 163 billion as at 31 December 2019, respectively).

The outstanding loans covered by these guarantees and collateral correspond mainly to loans and receivables at amortised cost, which amounted to EUR 258 billion as at 31 December 2020, and to off-balance sheet commitments, which amounted to EUR 51 billion (compared with EUR 238 billion and EUR 57 billion as at 31 December 2019 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 4.3 billion as at 31 December 2020 (EUR 4.5 billion as at 31 December 2019), including EUR 1.7 billion on retail customers and EUR 2.6 billion on other types of counterparties (versus EUR 1.5 billion and EUR 3.0 billion as at 31 December 2019 respectively).

The amount of guarantees and collateral received for non-performing outstanding loans as at 31 December 2020 amounted to EUR 4.5 billion (compared with EUR 3.9 billion as at 31 December 2019), of which EUR 1.8 billion on retail customers and EUR 2.7 billion on other types of counterparties (compared with EUR 1.9 billion and EUR 2.0 billion respectively as at 31 December 2019). These amounts are capped at the amount of outstanding.

Use of credit derivatives to manage Corporate concentration risk

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.

Housed in Corporate and Investment Banking, the Performance & Scarce Resources management (PSR) team works in close conjunction 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 recommend actions to improve the capital allocation. PSR is part of the department responsible for defining and effectively deploying the strategy, for monitoring performance and managing the scarce resources in the credit and loan portfolio.

Total outstanding purchases of protection through Corporate credit derivatives were stable at EUR 2.5 billion at end of December 2020 in nominal terms and a corresponding fair value of EUR 7.3 million at the end of December 2020 (compared to EUR 2.5 billion nominal value and a corresponding fair value of -16 million euros at the end of December 2019). New operations have mainly been performed to approve capital allocation (+EUR 1.9 billion) and to a lower extend reduce concentration risk (EUR 0.6 billion).

Over 2020, the credit default swaps (CDS) spreads of European investment grade issues (Itraxx index) were volatile, peaking at 151bps at the end of March followed by a downward trend (the index reached 50bps at the end of December 2020). The overall sensitivity of the portfolio (Price Value of a Basis Point) is falling due to the reduction in the average maturity of the protections.

The majority of protection purchases (98% of outstandings as of 31 December 2020) are made against European clearing houses, and all against counterparties with "Investment Grade" ratings (rating at least equal to BBB-).

Moreover, the amounts recognised as assets (EUR 1.3 billion as at 31 December 2020 *versus* EUR 2.4 billion as at 31 December 2019) and liabilities (EUR 1.4 billion as at 31 December 2020 *versus* EUR 2.0 billion as at 31 December 2019) correspond to the fair value of credit derivatives mainly held under a transaction activity.

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. ▲

TABLE 12: CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW

	31.12.2020			
(In EURm)	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Total loans	442,980	262,058	104,775	157,282
Total debt securities	62,035	5,590	5,486	104
TOTAL EXPOSURES	**505,014**	**267,648**	**110,262**	**157,386**

The table as at 31 December 2019 has been modified as follows:

	31.12.2019			
(In EURm)	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Total loans	391,647	250,974	116,495	134,479
Total debt securities	63,907	3,225	3,225	
TOTAL EXPOSURES	**455,555**	**254,200**	**119,720**	**134,479**

4.5.3 NEW DEFINITION OF DEFAULT

Audited I The objective of the European Banking Authority (EBA) published Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No. 575/2013, applicable from 1 January 2021, and Regulation (EU) 2018/1845 of the European Central Bank (ECB) in relation to the threshold for assessing the materiality of credit obligations past due, applicable from 31 December 2020 at the latest, is to harmonise the definition of default across the European Union, thus contributing to improving consistency in the way EU banks apply regulatory requirements to their capital positions.

In particular, they clarify all aspects relating to the application of the definition of default, including conditions for a return to non-defaulted status (introduction of a probation period), explicit criteria for classification of restructured loans as defaulted, and the introduction of materiality thresholds (an absolute one and a relative one) to identify past-due payments as defaulted.

The Group has been applying these new provisions to identify defaulted exposures from 6 July 2020 to the entities whose capital requirements are determined using the internal ratings-based approach.

The other entities, under the standardised approach, have implemented these new provisions since 1 January 2021, date when the internal parameters used to calculate expected losses will be adjusted for the whole Group.

The preliminary assessments made by the Group show that the clarifications provided regarding the identification of defaulted loans remain consistent with the criteria used to assess whether Stage 3 exposures are doubtful according to IFRS 9 provisions on the recognition of expected credit losses (ECL). The Group considers that the changes brought about by the implementation of these new regulatory default provisions will have no material impact on its consolidated financial statements.▲

4.5.4 IMPAIRMENT

Audited I Impairment includes impairments of performing loans (Stages 1 and 2) and impairments of non-performing loans (Stage 3).

Exposures classified in stages

The classification methods are described in the accounting principles and in the specific Covid-19 paragraph of Note 3.8 to the consolidated financial statements featured in Chapter 6 of the universal Registration Document. These were adjusted in 2020 to take into account the context of health and economic crisis linked to Covid-19.

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 Approach).

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. ▲

The expected credit losses were at 31 December 2019 calculated according to the probabilised average of three macroeconomic scenarios, established by the economists of the Group for all the entities of the Group. The basic and stress scenarios correspond to those used by the Group in its budget planning and its stress test exercise. As of 31 December 2020, the scenarios have been updated and reflect the current situation. In addition, to take into account the increased uncertainty, a fourth scenario has been defined, which reflects a slightly more degraded sensitivity compared to the central scenario, without being as severe as the stress.

The models used since the implementation of IFRS 9 and calibrated based on historical correlations between defaults and economic variables are no longer adequate due to two specificities of the current crisis, the magnitude of the drop in GDP and the exceptional supporting measures. As a consequence, the inputs of the models have been adjusted to correspond to anticipated default increase from 2020 to 2022.

The probabilities used as of 31 December 2019 were 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. As of 31 December 2020, the weights of the stress and optimistic scenarios have been kept rather unchanged (15% on the stress scenario and 10% on the optimistic scenario). The previous weight of the central scenario of 75% is split between the central scenario (65%) and the fourth scenario called "Extended scenario" 10%.

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 or which are particularly exposed to the current crisis and whose Group exposure exceeds a threshold determined and reviewed every year by Risk Department. Lastly, loss allowances based on expert opinion that increase or decrease expected credit loss have been retained and increased to factor in future risks which cannot be modeled (mainly legislative or regulatory changes) and in increased risks on portfolio under the simplified approach in which there is no modeled correlations between default and economic variables. These inputs are updated quarterly.

IMPAIRMENT OF NON-PERFORMING LOANS (STAGE 3)

Audited I 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 methods for estimating credit losses were revised in 2020 to take into account the context of health and economic crisis linked to Covid-19. In particular, Note 1 to the consolidated financial statements in Chapter 6 describes the characteristics of the macroeconomic scenarios used and the specific Covid-19 paragraph of Note 3.8 to the consolidated financial statements specifies the model adjustments. ▲

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 Exchange rate EUR/RON Romanian unemployment rate
	Italy	Italian unemployment rate
Non retail	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 Eurozone growth rate
	Middle-market companies France	Profit margins of companies France French growth rate
	Local communities	French growth rate
	SMEs France	Profit margins of French companies French growth rate
	SMEs (excluding France)	Romanian growth rate Romanian unemployment rate Eurozone growth rate

4.5.5 RISK MEASUREMENT AND INTERNAL RATINGS

Since 2007, Societe Generale has been authorised by its supervisory authorities to apply, for the majority of its exposures, the internal method (IRB method, Internal Rating Based) to calculate the capital required for credit risk.

The rating model monitoring system is operational, in accordance with regulatory requirements, and detailed in this section 4.5.5 "Risk measurement and internal ratings".

In accordance with the texts published by the EBA as part of the "IRB Repair" program and following the review missions carried out by the ECB (TRIM – Targeted Review of Internal Models), the Group plans to develop its internal model system credit risk, so as to comply strictly with these new requirements. A program ("Haussmann") has been launched in this direction within the Group, and deals with aspects such as:

- the simplification of the architecture of the models, and the improvement of its auditability: either by *ex nihilo* development of new models based on the New Definition of Default (NDoD), and natively integrating the expectations of the EBA and ECB, or by bringing certain existing models up to standard;
- simplifying the architecture of models, and improving its auditability;
- improving the quality of data and its traceability throughout the chain;
- the review of the roles and responsibilities of the teams, particularly with regard to the construction and monitoring ("backtest") of the system;
- the review of certain IT application bricks, and their rationalization;
- the establishment of a more complete normative base, and a more closely monitored relationship with the supervisor;
- the roll-out plan towards the IRB approach and the maintenance of the Standard approach (Permanent Partial Use – PPU), in consultation with the supervisors.

The exposures subject to the Standard approach mainly concern the portfolios of retail customers and SMEs (Small and Medium Enterprises) of the International Retail Banking division. For exposures processed under the standard method excluding retail banking, the Group mainly uses external ratings from the Standard & Poor's, Moody's and Fitch rating agencies and the Banque de France. In the event that several Ratings are available for a third party, the second best Rating is retained.

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 favorable than that of the obligor;
- collateral used as guarantees (physical or financial). This impact is taken into account *via* the LGD level. ▲

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 authorization 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 contribute to the setting of approval limits granted to business lines and the Risk function.

TABLE 13: BREAKDOWN OF EAD[1] BY BASEL APPROACH

	31.12.2020	31.12.2019
IRB	83%	81%
Standard	17%	19%
TOTAL	**100%**	**100%**

(1) Credit risk and counterparty credit risk

TABLE 14: 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	Subsidiaries KB (Czech Republic), CGI, Fiditalia, GEFA, SG Leasing SPA and Fraer Leasing SPA, SGEF Italy	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: SGBT Luxembourg, SGBT Monaco, SG Private Banking Suisse	For Private Banking, Securities Services and Brokerage, exposures granted to banks and companies, SG Hambros,
Corporate Center	Majority of portfolios	-

Credit risk measurement for wholesale clients

For Corporate (including specialised financing), 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 twenty years.

The following table presents the indicative corresponding scales of the main external credit assessment institutions and and the corresponding average probabilities of default, as well as 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 15: SOCIETE GENERALE'S INTERNAL RATING SCALE AND INDICATIVE CORRESPONDING SCALES OF RATING AGENCIES

Probability of Default range	Counterparty internal rating	Indicative Equivalent Standard & Poor's	Indicative equivalent Fitch	Indicative Equivalent Moody's	Internal probability of Default (one year)
0.00 to < 0.25	1	AAA	AAA	Aaa	0.009%
	2+	AA+	AA+	Aa1	0.014%
	2	AA	AA	Aa2	0.020%
	2-	AA-	AA-	Aa3	0.026%
	3+	A+	A+	A1	0.032%
	3	A	A	A2	0.036%
	3-	A-	A-	A3	0.061%
	4+	BBB+	BBB+	Baa1	0.130%
0.25 to < 0.50	4	BBB	BBB	Baa2	0.257%
0.50 to < 0.75	4-	BBB-	BBB-	Baa3	0.501%
0.75 to < 2.50	5+	BB+	BB+	Ba1	1.100%
	5	BB	BB	Ba2	2.125%
2.50 to < 10.00	5-	BB-	BB-	Ba3	3.260%
	6+	B+	B+	B1	4.612%
	6	B	B	B2	7.761%
10.00 to < 100	6-	B-	B-	B3	11.420%
	7+	CCC+	CCC+	Caa1	14.328%
	7	CCC	CCC	Caa2	20.441%
	7-	C/CC/CCC-	CCC-	Caa3	27.247%

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 16: MAIN CHARACTERISTICS OF MODELS AND METHODS – WHOLESALE CLIENTS

Parameter modeled	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	19 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, behavioral 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 judgments. Losses observed over a period of more than 10 years.
	Large corporates – Flat-rate Approach	24 models Flat-rate approach according to type of collateral.	Calibration based on historical data adjusted by expert judgments. 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 judgments. 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 judgments. Losses observed over a period of more than 10 years.
	Project financing	9 models Flat-rate approach according to project type.	Statistical calibration based on historical data adjusted by expert judgments. 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 judgments. 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 judgments. Losses observed over a period of more than 10 years.
Credit Conversion Factor (CCF)	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 judgments 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 section "Governance of the modeling of credit risk"). 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. 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 2019.

The historic default rate remains stable across all of the Basel portfolios. The estimated default probability is higher than the historical default rates for all Basel portfolios and for most of the ratings. It should be noted that new internal models are being developed on the most significant portfolios in order to comply with new regulatory requirements and to address the identified weaknesses of existing models.

TABLE 17: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL PD VALUES – WHOLESALE CLIENTS

	31.12.2020						
			Number of obligors				
Basel Portfolio	Weighted average PD	Arithmetic average PD	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%	1.0%	729	621	-	-	0.2%
Institutions	0.2%	0.9%	5,582	4,166	10	1	0.3%
Specialised financing	1.4%	2.6%	2,289	2,339	28	4	2.1%
Large corporates	1.1%	3.5%	37,285	36,592	493	57	1.5%
Small- and medium-sized enterprises	3.3%	5.3%	97,833	97,695	2 752	420	3.3%

	31.12.2019						
			Number of obligors				
Basel Portfolio	Weighted average PD	Arithmetic average PD	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 18: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD VALUES – WHOLESALE CLIENTS

	31.12.2020	
Basel portfolio	**A-IRB LGD[1]**	**Estimated losses excluding margin of prudence**
Large corporates	38%[2]	33%
Small- and medium-sized enterprises	39%	25%

(1) Senior unsecured LGD.
(2) Adjustment of the LGD Large Corporate unsecured following the TRIM Large Corporate.

The method for calculating the "Observed EAD/A-IRB EAD" ratio is being revised.

	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.

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 modeling of the probability of default of retail client counterparties is carried out specifically by each of the Group's business lines recording its exposures using the IRBA method. The models incorporate data on the payment behavior 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 modeling 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 19: MAIN CHARACTERISTICS OF MODELS AND METHODS USED – RETAIL CLIENTS

Parameter modeled	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), behavioral 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), behavioral 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), behavioral 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), behavioral 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.
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.

The results presented above cover the entire Group portfolios. 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 2019. Credit customers are included in accordance with the revised instructions of the EBA publication of 14 December 2016 (EBA/GL/2016/11).

While the historical default rate is relatively stable across all Basel Retail portfolios, the probability of default is falling. Indeed, the quality of the counterparties has artificially improved (migration of populations to the best risk classes) due in particular to government measures taken in the Covid context. As the risk scores are mainly based on the number of days of non-payment and the cash balance, they are impacted by: (i) the freezing of the number of days of non-payment and (ii) the artificial increase in cash balances by the payment of government guaranteed loans.

TABLE 20: COMPARISON OF ESTIMATED RISK PARAMETERS: ESTIMATED AND ACTUAL PD VALUES – RETAIL CLIENTS[1]

	31.12.2020					
			Number of obligors			
Basel Portfolio	Weighted average PD	Arithmetic average PD	End of previous year	End of the year	Defaulted obligors in the year	Average historical annual default rate
Other loans to individual customers	2.3%	3.3%	2,251,637	2,244,161	28,691	3.5%
Real estate loans	1.0%	1.0%	879,422	886,357	4,090	1.1%
Revolving credits	4.4%	2.2%	7,886,771	7,403,642	145,516	2.1%
VSB and professionals	2.8%	2.7%	823,464	811, 861	19,762	3.8%

	31.12.2019					
			Number of obligors			
Basel Portfolio	Weighted average PD	Arithmetic average PD	End of previous year	End of the year	Defaulted obligors in the year	Average historical annual default rate
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 2020.

TABLE 21: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD AND EAD VALUES – RETAIL CLIENTS

	31.12.2020		
Basel portfolio	A-IRB LGD	Estimated losses excluding margin of prudence	Observed EAD/A-IRB EAD
Real estate loans (excl. guaranteed exposures)	18%	11%	-
Revolving credits	46%	41%	74%
Other loans to individual customers	28%	24%	-
VSB and professionals	28%	22%	79%
TOTAL GROUP RETAIL CLIENTS	**25%**	**20%**	**75%**

The changes in the portfolio “Other loans to individual customers” are explained by a change in scope.

	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	45%	39%	73%
Other loans to individual customers	26%	21%	-
VSB and professionals	28%	22%	76%
TOTAL GROUP RETAIL CLIENTS	**25%**	**19%**	**74%**

Governance of the modeling of credit risk

Credit own funds estimation models are subject to the global model risk management framework (see Chapter 4.12 “Model risk”).

The first line of defence 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. Depending on the specificities of each model family, in particular depending on the regulatory environment, the second line of defence may decide to perform the backtesting of the model family. In such case the LOD2 is responsible for defining a dedicated standard for the model family and informing the first line of defence (starting with the model owner) of the outcome of the backtesting.

The Model Risk Division, reporting directly to the Risk Division, acts as a second line of defence 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). The model control system gives rise to recurring reports to the Risk Department within the framework of various bodies and processes (Group Model Risk Management Committee, Risk Appetite Statement / Risk Appetite Framework, monitoring of recommendations, etc.) and annually to the General Management (CORISQ). 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: i) 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; ii) 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 defence, 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 defence activities) and performing the independent model audit.

Climate risk – Measuring sensitivity to transition risk

Audited I 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. ▲

The climate risk management system is further detailed in section 5.4.2 "Positive climate action" of this Universal Registration Document.

4.5.6 QUANTITATIVE INFORMATION

Audited I In this section, the measurement used for credit exposures is the EAD – Exposure At Default (on- and off-balance sheet). Under the Standardised Approach, the EAD is calculated net of collateral and provisions. ▲

The 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 features the exposure classes as defined in the portfolios of the COREP regulatory financial statements, in relation to EBA requirements on Pillar 3.

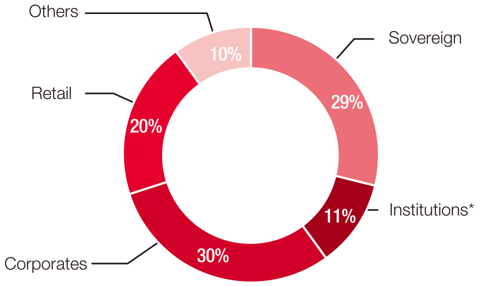
More information available in sections 6.6 *Quantitative information* and 6.7 *Additional quantitative information on credit risk* in the Risk Report Pillar 3 document.

Audited I Credit risk exposure (including counterparty credit risk)

As at 31 December 2020, the Group's Exposure at Default (EAD) amounted to EUR 1,004 billion.

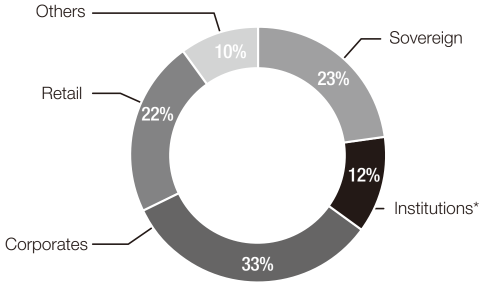
GROUP RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31 DECEMBER 2020

On- and off-balance sheet exposures (EUR 1,004 billion in EAD)



GROUP RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31 DECEMBER 2019

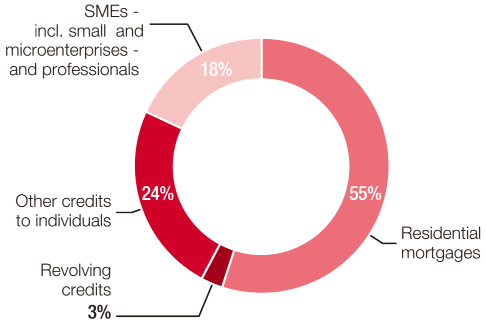
On- and off-balance sheet exposures (EUR 918 billion in EAD)



** Institutions: Basel classification bank and public sector portfolios.*

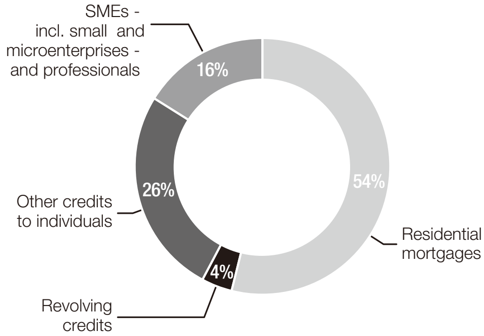
GROUP RETAIL RISK EXPOSURE BY EXPOSURE SUBCLASS (EAD) AT 31 DECEMBER 2020

On- and off-balance sheet exposures (EUR 202 billion in EAD)

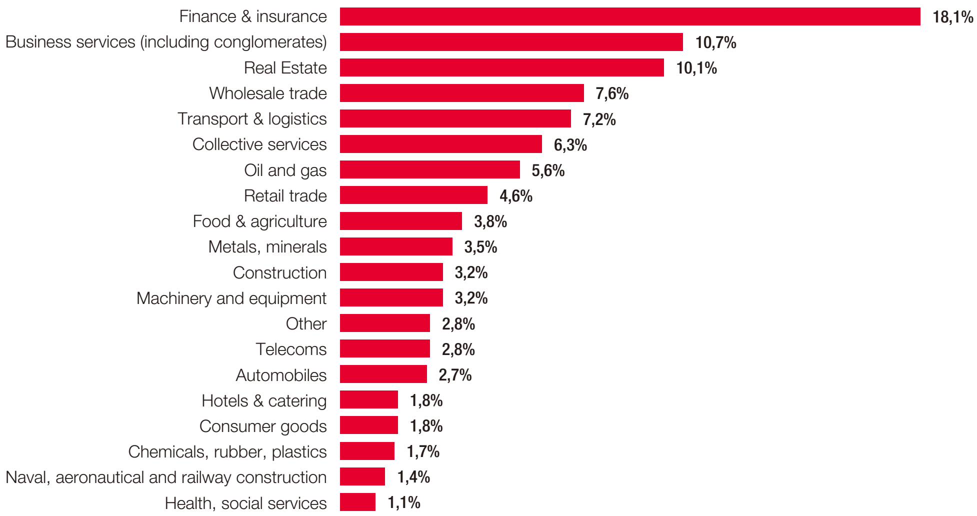


GROUP RETAIL RISK EXPOSURE BY EXPOSURE SUBCLASS (EAD) AT 31 DECEMBER 2019

On- and off-balance sheet exposures (EUR 203 billion in EAD)



SECTOR BREAKDOWN OF GROUP CORPORATE EXPOSURE (BASEL PORTFOLIO)

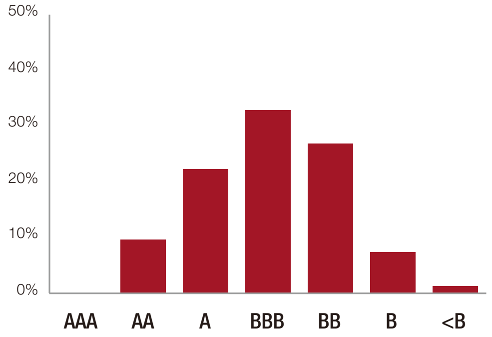


The EAD of the Corporate portfolio is presented in accordance with the Basel rules (large corporates, including insurance companies, funds and hedge funds, SMEs, specialised financing, factoring businesses), based on the obligor's characteristics, before taking into account the substitution effect (credit risk scope: debtor, issuer and replacement risk).

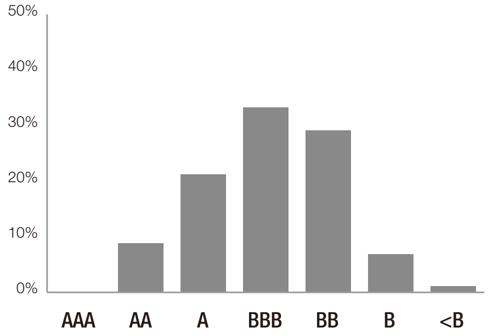
At 31 December 2020, the Corporate portfolio amounted to EUR 339 billion (on- and off-balance sheet exposures measured in EAD). Three sectors account for more than 10% of the portfolio each (Finance and Insurance, Business services, Real Estate). The Group's exposure to its ten largest Corporate counterparties accounts for 6% of this portfolio.

Corporate and bank clients' exposure

BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31 DECEMBER 2020 (AS % OF EAD)



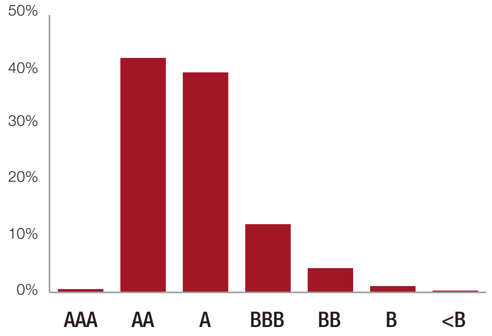
BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31 DECEMBER 2019 (AS % OF EAD)



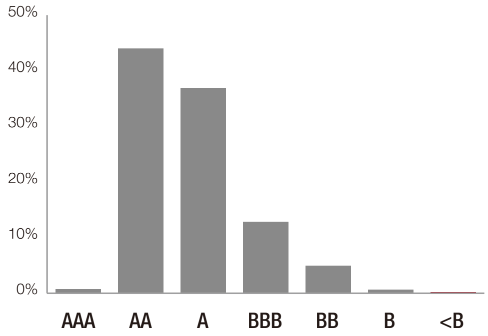
Regarding Corporate clients, the scope consists of performing loans recorded under the IRB approach (excluding prudential classification criteria, by weight, of specialised financing) over the entire Corporate clients portfolio, all divisions combined, and represents a EUR 264 billion EAD (out of a EUR 296 billion total EAD for the Corporate Basel portfolio, Standardised Approach included). The rating breakdown of Societe Generale Group's Corporate counterparty exposure reveals the sound 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 2020, the majority of the portfolio had an Investment Grade rating, i.e. counterparties with an S&P-equivalent internal rating higher than BBB- (65% of Corporate clients). Transactions with non-Investment Grade counterparties were very often backed by guarantees and collaterals in order to mitigate the risk incurred.

BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31 DECEMBER 2020 (AS % OF EAD)



BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31 DECEMBER 2019 (AS % OF EAD)

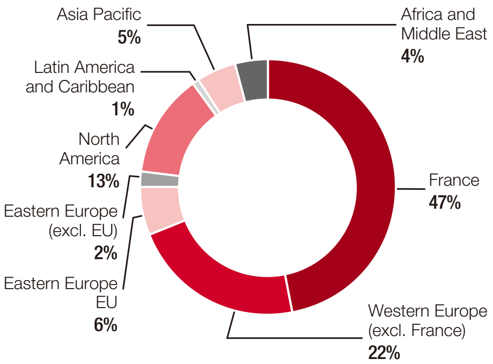


Regarding banking clients, the scope consists of performing loans recorded under the IRB approach over the entire banking clients portfolio, all divisions combined, and represents a EUR 62 billion EAD (out of a EUR 106 billion total EAD for the Bank Basel portfolio, Standardised Approach included). The rating breakdown of Societe Generale Group's banking counterparty exposure reveals the sound quality of the portfolio. It is based on an internal counterparty rating system, displayed above as its Standard & Poor's equivalent.

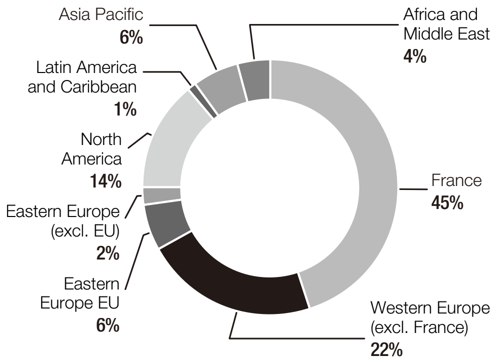
As at 31 December 2020, exposure on banking clients was concentrated on Investment Grade counterparties (95% of the exposure) and in developed countries (90%).

Geographic breakdown of Group exposure

GEOGRAPHIC BREAKDOWN OF GROUP RISK EXPOSURE AT 31 DECEMBER 2020 (ALL CLIENT TYPES INCLUDED): EUR 1,004 BN

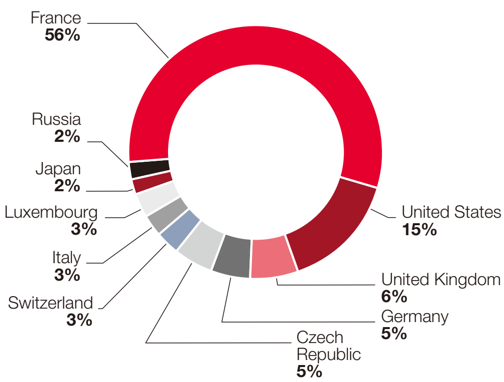


GEOGRAPHIC BREAKDOWN OF GROUP RISK EXPOSURE AT 31 DECEMBER 2019 (ALL CLIENT TYPES INCLUDED): EUR 918 BN

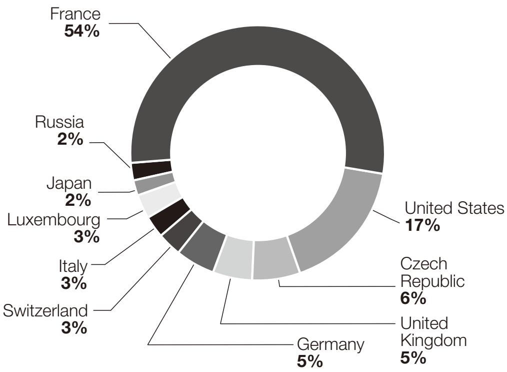


At 31 December 2020, 90% of the Group's on- and off-balance sheet exposure was concentrated in the advanced economies[1]. Almost half of the overall amount of outstanding loans was towards French clients (32% exposure to the non-retail portfolio and 15% to the retail portfolio). ▲

GEOGRAPHIC BREAKDOWN OF GROUP RISK EXPOSURE ON TOP TEN COUNTRIES AT 31 DECEMBER 2020: EUR 844 BN



GEOGRAPHIC BREAKDOWN OF GROUP RISK EXPOSURE ON TOP TEN COUNTRIES AT 31 DECEMBER 2019: EUR 761 BN



The Group's exposure to its top ten countries represented 84% of total exposure (i.e. EUR 844 billion of EAD) at 31 December 2020 (versus 83% and EUR 761 billion of EAD at 31 December 2019).

(1) As defined by the IMF in its World Economic Outlook document of October 2020.

TABLE 22: BREAKDOWN OF EXPOSURES (CREDIT AND COUNTERPARTY CREDIT RISKS) ON TOP FIVE COUNTRIES BY EXPOSURE CLASS (IN %)

	France		United States		United Kingdom		Germany		Czech Republic	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sovereign	29%	19%	31%	33%	32%	14%	19%	17%	31%	29%
Institutions	9%	9%	16%	16%	18%	27%	16%	18%	4%	4%
Corporates	22%	27%	40%	38%	33%	37%	25%	27%	29%	30%
Retail	32%	37%	0%	0%	4%	10%	21%	22%	34%	35%
Other	8%	8%	13%	13%	13%	12%	19%	16%	2%	2%

Change in risk-weighted assets (RWA) and capital requirements for credit and counterparty credit risks

TABLE 23: CHANGE IN RISK-WEIGHTED ASSETS (RWA) BY APPROACH (CREDIT AND COUNTERPARTY CREDIT RISKS)

(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 (31.12.2019)	**175,359**	**104,549**	**279,908**	**14,029**	**8,364**	**22,393**
Asset size	3,542	(4,118)	(577)	283	(329)	(46)
Asset quality	3,985	700	4,685	319	56	375
Model updates	13,605	200	13,805	1,088	16	1,104
Methodology and policy	(3,830)	1,382	(2,448)	(306)	111	(196)
Acquisitions and disposals	(1,613)	(1,518)	(3,130)	(129)	(121)	(250)
Foreign exchange movements	(3,273)	(3,508)	(6,782)	(262)	(281)	(543)
Other	(367)	(979)	(1,346)	(29)	(78)	(108)
RWA as at end of reporting period (31.12.2020)	**187,407**	**96,708**	**284,115**	**14,993**	**7,737**	**22,729**

The table above presents the data without CVA (Credit Valuation Adjustment).

The main effects explaining the EUR 4.2 billion rise in RWA (excluding CVA) in 2020 are as follows:

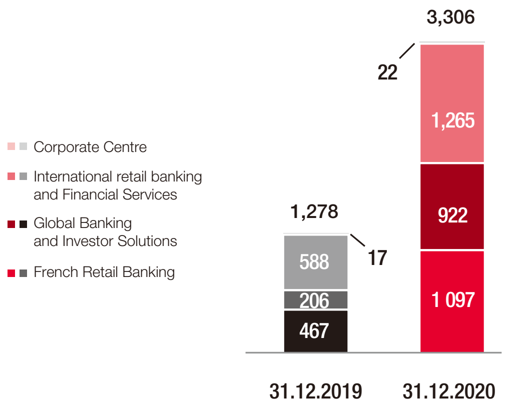
- a model effect of EUR +13.8 billion including an increase of EUR 10 billion due to TRIM ("Targeted Review of Internal Models");
- a change in the prudential scope (EUR -3.1 billion) linked with the various disposals operated in 2020, including SG Banque aux Antilles (EUR -0.4 billion) and SG Finans (EUR -2.5 billion);
- a foreign exchange effect (EUR -6.8 billion), mainly related to the depreciation of the US dollar against the euro (EUR -2.8 billion), of the Russian ruble (EUR -1.8 billion), of the Czech crown (EUR -0.5 billion) and of the British pound (EUR -0.4 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 2020 was EUR - 3,306 million, up by + 159% compared to 2019. The cost of risk surged compared to 2019 due to the increase in stage 1/stage 2 risk following the deterioration of the economic outlook and, to a lesser extent, the risein stage 3 risk due to defaults occurring mainly in the first semester.

The cost of risk (expressed in basis points on the average of the outstanding amounts at the beginning of the four quarters preceding the closing, including operating leases) thus amounts to 64 basis points for the year 2020 compared to 25 basis points in 2019.

- In **French Retail Banking**, the cost of commercial risk rose to 52 basis points in 2020 compared to 24 basis points in 2019, including 30 basis points for stage 1/stage 2 in anticipation of future defects.
- At 96 basis points in 2020 (versus 43 basis points in 2019), the cost of risk for the **Retail Banking and International Financial Services** division increased due to defaults mainly in the first semester and by 29 pb of cost of risk stage 1/stage 2.
- The cost of risk for **Corporate Banking and Investor Solutions** is at 57 basis points (compared to 13 basis points in 2019). This cost of risk includes 19bp of the cost of stage 1/stage 2 risk.

Audited I Analysis of gross outstanding amounts and provisions for credit risk

The following tables detail the outstanding amounts (balance sheet and off-balance sheet) subject to impairment and provisions.

The scope of these tables includes:

- securities (excluding securities received under repurchase agreements) and loans to customers and credit institutions and similar measured at amortised cost or at fair value through equity;
- deposits towards central banks;
- operating and finance lease;
- financing and guarantee commitments;
- guarantee deposits towards clearing houses.

Since 2020, outstanding amounts for which provisions can be booked have included:

- guarantee deposits towards clearing houses, booked in the Other assets line of the consolidated balance sheet. They amount to EUR 9 billion as at 31 December 2020;
- outstanding amounts relating to brokerage activities, formerly Newedge, outside France. These outstanding amounts amount to EUR 51 billion as at 31 December 2020.

Credit risk exposures have increased by EUR 158 billion, rising from EUR 840 billion to EUR 998 billion euros, mainly due to the following:

- the increase in exposures to sovereigns (EUR +68 billion), notably linked to an increase in deposits towards the Central Bank in France;
- the increase in exposures to banks (EUR +66 billion), notably in Western Europe, Asia-Pacific and North America, due to the integration of outstanding amounts of the ex-Newedge brokerage activity (EUR +51 billion) and of the guarantee deposits towards clearing houses (EUR +9 billion);
- the increase in exposures to corporates (EUR +15 billion), in particular due to State-Guaranteed Loans (EUR +19 billion). A transfer from Stage 1 to Stage 2 of exposures to vulnerable sectors due to the impact of the health crisis is also worth noticing.

Impairments and provisions have increased by EUR 1.3 billion, rising from EUR 11.6 billion to EUR 12.9 billion.

The description of the variation of impairments and provisions is presented in Note 3.8 to the consolidated financial statements of Chapter 6 of the Universal Registration Document. ▲

AUDITED I TABLE 24: OUTSTANDING AMOUNTS FOR WHICH PROVISIONS CAN BE BOOKED AND PROVISIONS BY BASEL PORTFOLIO

	31.12.2020							
	Outstanding amounts				Impairment and Provisions			
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	232,976	483	121	233,580	4	1	69	74
Institutions	113,467	969	69	114,505	10	71	17	98
Corporates	313,623	54,819	9,943	378,385	590	1,517	5,082	7,189
Retail	204,820	19,536	8,052	232,408	573	738	4,103	5,414
Others	36,964	2,297	121	39,382	65	55	4	124
TOTAL	**901,850**	**78,104**	**18,306**	**998,260**	**1,242**	**2,382**	**9,275**	**12,899**

	31.12.2019							
	Outstanding amounts				Impairment and Provisions			
(In EURm)	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**

AUDITED I TABLE 25: GEOGRAPHICAL BREAKDOWN OF OUTSTANDING AMOUNTS FOR WHICH PROVISIONS CAN BE BOOKED

	31.12.2020							
	Outstanding amounts				Impairment and Provisions			
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	427,788	36,432	8,884	473,104	542	1,307	4,147	5,996
Western European countries (excluding France)	188,997	13,681	2,861	205,539	228	311	999	1,538
Eastern European countries EU	48,635	4,923	1,144	54,702	110	353	681	1,144
Eastern Europe excluding EU	20,046	3,163	425	23,634	110	40	355	505
North America	113,578	9,606	444	123,628	35	125	125	285
Latin America and Caribbean	8,518	1,902	262	10,682	10	23	80	113
Asia-Pacific	54,112	3,097	734	57,943	20	19	367	406
Africa and Middle East	40,176	5,300	3,552	49,028	187	204	2,521	2,912
TOTAL	**901,850**	**78,104**	**18,306**	**998,260**	**1,242**	**2,382**	**9,275**	**12,899**

	31.12.2019							
	Outstanding amounts				Impairment and Provisions			
(In EURm)	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**

AUDITED I TABLE 26: OUTSTANDING AMOUNTS FOR WHICH PROVISIONS CAN BE BOOKED AND PROVISIONS BY COUNTERPARTY RATING

	31.12.2020							
	Outstanding amounts				Impairment and Provisions			
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	75,967	-	-	75,967	-	-	-	-
2	175,096	2,172	-	177,268	1	1	-	2
3	81,909	5,634	-	87,543	9	8	-	17
4	120,509	10,280	-	130,789	61	36	-	97
5	91,511	16,012	-	107,523	200	275	-	475
6	20,084	15,877	-	35,961	143	667	-	810
7	1,692	4,327	-	6,019	30	267	-	297
Default (8, 9, 10)	-	-	9,655	9,655	-	-	4,694	4,694
Other method	335,082	23,802	8,651	367,535	798	1,128	4,581	6,507
TOTAL	**901,850**	**78,104**	**18,306**	**998,260**	**1,242**	**2,382**	**9,275**	**12,899**

	31.12.2019							
	Outstanding amounts				Impairment and Provisions			
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	68,702	-	-	68,702	-	-	-	-
2	106,537	1	-	106,538	1	-	-	1
3	75,750	8	-	75,758	5	-	-	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**

AUDITED I TABLE 27: RECONCILIATION BETWEEN ACCOUNTING OUTSTANDING AMOUNTS AND OUTSTANDING AMOUNTS FOR WHICH PROVISIONS CAN BE BOOKED

(In EURm)		31.12.2020
Debt instruments at Fair Value through Other Comprehensive Income	Note 3.3	51,801
Securities at amortised cost	Note 3.5	15,635
Due from banks at amortised cost	Note 3.5	53,380
Due from central banks[1]		165,837
Customer loans at amortised cost	Note 3.5	448,761
Other assets[2]		51,533
NET VALUE OF ACCOUNTING OUTSTANDING AMOUNTS (BALANCE SHEET)		**786,947**
Impairment of loans at amortised cost	Note 3.8	11,861
GROSS VALUE OF ACCOUNTING OUTSTANDING AMOUNTS (BALANCE SHEET)		**798,808**
Additional items included in the scope of outstanding amounts for which provisions can be booked		237,438
Financing and guarantee commitments (off-balance sheet)		*237,438*
Items excluded from the scope of outstanding amounts for which provisions can be booked[3]		(37,986)
GROSS VALUE OF ACCOUNTING OUTSTANDING AMOUNTS AFTER RETREATMENTS		**998,260**
GROSS VALUE OF OUTSTANDING AMOUNTS FOR WHICH PROVISIONS CAN BE BOOKED		**998,260**

(1) Included in line “Cash, due from central banks”.
(2) Of which mainly 51,896 million euros of guarantee deposits paid and 914 million euros of operating lease payment amounts (cf. Note 4.4).
(3) Exclusion of assets bearing a low or null level of credit risk, of which essentially securities borrowed under repurchase agreements and guarantee deposits paid in relation to losing positions on derivatives.

Provisioning of doubtful loans

TABLE 28: PROVISIONING OF DOUBTFUL LOANS

(In EURbn)	31.12.2020	31.12.2019
Stage 1 book outstandings*	447.3	481.2
Stage 2 book outstandings*	49.2	25.9
Doubtful loans (stage 3)*	17.0	16.1
Total Gross book outstandings*	513.6	523.2
GROUP GROSS NON PERFORMING LOANS RATIO	**3.3%**	**3.1%**
Stage 1 provisions	1.1	0.9
Stage 2 provisions	1.9	1.1
Stage 3 provisions	8.8	9.0
GROUP GROSS DOUBTFUL LOANS COVERAGE RATIO (STAGE 3 PROVISIONS / DOUBTFUL LOANS)	**52%**	**56%**

* *Customer loans and advances, deposits at banks and loans due from banks, finance leases, excluding loans and advances classified as held for sale, cash balances at central banks and other demand deposits, in accordance with the EBA/ITS/2019/02 Implementing Technical Standards amending Commission Implementing Regulation (EU) No 680/2014 with regard to the reporting of financial information (FINREP). The NPL rate calculation was modified in order to exclude from the gross exposure in the denominator the net accounting value of the tangible assets for operating lease. Historical data restated. Data as at 31.12.2019 restated due to a reallocation of EUR 4.2bn book outstandings from Stage 2 to Stage 1.*

Restructured debt

Audited I For the Societe Generale Group, "restructured" debt refers to loans with amounts, terms or financial conditions 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 one.

Restructured debt does not include commercial renegotiations involving customers for whom 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 amounts or accrued interests.

Any situation leading to debt restructuring entails classifying the considered customer in the Basel default category and classifying the loans themselves as impaired in the event of a loss of value greater than 1% of the original debt. The customers whose loans have been restructured are kept in the default category for as long as the Bank remains uncertain of their ability to meet their future commitments and for at least one year. In other cases, an analysis of the customer's situation makes it possible to estimate his ability to repay according to the new schedule. Otherwise, the customer is also transferred to Basel default.

Restructured debt totalled EUR 3.6 billion at 31 December 2020. ▲

TABLE 29: RESTRUCTURED DEBT

(In EURm)	31.12.2020	31.12.2019
Non-performing restructured debt	2,470	3,092
Performing restructured debt	1,223	815
GROSS AMOUNT OF RESTRUCTURED DEBT(1)	**3,692**	**3,907**

(1) including EUR 3.6 billion carried on the balance sheet at 31 December 2020.

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 COUNTERPARTY CREDIT RISK

Audited I Counterparty credit risk is the risk of losses on market operations, resulting from the inability of the Group's counterparties to meet their financial commitments. The value of the exposure to a counterparty and its credit quality are uncertain and variable over time, and they are affected by changes in market parameters.

Counterparty credit risk covers replacement risk in the event of default of one of our counterparties, the risk of CVA (Credit Valuation Adjustment) related to the adjustment of the value of our portfolio and the risk on central counterparties (Central Counterparty or CCP) following the clearing of market transactions.

Counterparty credit risk may increase in the event of an adverse correlation (Wrong Way Risk), *i.e.* when the Group's exposure to a counterparty increases at the same time as the credit quality of this counterparty deteriorates (*i.e.* when its probability of default increases).

Transactions involving counterparty credit risk include delivered pensions, securities lending and borrowing, and derivatives contracts, whether they are dealt with as principal activity or on behalf of third parties (agency activities or client clearing) in the context of market activities. ▲

4.6.1 DETERMINING LIMITS AND MONITORING FRAMEWORK

Main principles

Audited I Counterparty credit risk is framed through a set of limits that reflect the Group's appetite for risk. The Risk approval process follows the same fundamental principles as for Credit Risk:

- 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 customer monitoring sector on the other;
- the commercial monitoring sector and this risk unit must be independent of each other;
- the limits and internal rating set for each counterparty are proposed by the customer monitoring sector and validated by the dedicated risk unit in charge of the counterparty type. Individual limits are supplemented by stress test or nominal frameworks to capture the impact of certain risk factors that are more difficult to measure.

These limits are subject to annual or *ad hoc* reviews depending on the needs and changing market conditions.

A dedicated team within the Risk Department is in charge of production, reporting and controls on risk metrics, namely:

- ensuring the completeness and reliability of the risk calculation by taking into account all the transactions transmitted by the transaction processing department;
- producing daily certification and risk indicator analysis reports;
- controlling compliance with defined limits, at the frequency of metrics calculation, most often on a daily basis.

In addition, a specific monitoring and approval process is implemented for the most sensitive counterparties or the most complex categories of financial instruments.

Governance

While not a substitute for CORISQ or for the Risk Committee of the Board of Directors (see the section on Risk management governance), the Counterparty Credit Risk Committee (CCRC) closely monitors counterparty credit risk and identifies emerging risk areas through specific analysis (focus). This Committee, chaired by the Risk Department, brings together representatives from the Market Activities and the Global Banking and Advisory Business Units, but also departments that, within the risk management function, are in charge of monitoring counterparty credit risks on market transactions and credit risk. The CCRC also provides an opinion on the changes to the frameworks within its competence.

Replacement risk

The Group frames the replacement risks by limits:

- defined at the counterparty level;
- consolidated across all products types authorised with the counterparty;
- established by maturity buckets to control future exposure using the Potential Future Exposure (PFE) measure also known as CVaR within the Group;
- calibrated according to the credit quality and the nature of the counterparty, the nature/maturity of the financial instruments contemplated (FX transactions, repos transactions, security lending transactions, derivatives, etc.), and the economic understanding, the contractual legal framework agreed and any other risk mitigants.

The Group also considers other measures to further control the replacement cost risk : it has 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 extreme shocks affecting the market parameters (see wrong way risk section).

CVA (Credit Valuation Adjustment)

In addition to the replacement risk, the CVA (Credit Valuation Adjustment) measures the adjustment of the value of the Group's derivatives and repos portfolio in order to take into account the credit quality of the Group's counterparties (see dedicated section).

Positions taken to hedge the volatility of the CVA (credit, interest rate or equity instruments) are monitored through:

- sensitivity limits;
- stress test limits: scenarios representative of the market risks impacting the CVA (credit spreads, interest rates and exchange rates) are applied to carry out the stress test on CVA.

The different indicators and the Stress-Tests are monitored on the net amount (the sum of the CVA exposure and of the hedges traded by the desk).

Calibrations and monitoring of these limits follow the same rules as the one described in the market risk section.

Risk on central counterparties

The counterparty credit risk stemming from the clearing of derivatives and repos with central counterparties (CCP) is framed by specific limits on initial margins, both for house and client activities (client clearing), and on the Group's contributions to the CCP default funds (guarantee deposits).

In addition, a stress test limit is also defined to capture the impact of a scenario where a major CCP member should default.

It should be noted that the EMIR (European Market Infrastructure Regulation) Regulations in Europe and the DFA (Dodd-Frank Act) in the United States, require that the most standardised over-the-counter transactions be compensated *via* clearing houses approved by the authorities and subject to prudential regulation. ▲

See table "EAD and RWA on central counterparties" of section 4.6.3.4 "Quantitative Information" for more information.

4.6.2 MITIGATION OF COUNTERPARTY CREDIT RISK ON MARKET TRANSACTIONS

Audited I The Group uses various techniques to reduce this risk:

- the signing, in the most extensive way possible, of close-out netting agreements for over-the-counter (OTC) transactions;
- the collateralization of market operations, either through clearing houses for eligible products (listed products and certain OTC products), or through a bilateral margin call exchange mechanism which covers both current exposure (variation margins) but also 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 termination (close out) of all transactions governed by these agreements when one of the parties defaults, and on the other hand the settlement of a net amount corresponding to the total value of the portfolio, after netting of mutual debts and claims. This balance may be the subject of a guarantee or collateralisation.

In order to reduce any legal risk associated with documentation and to comply with key international standards, the Group prefers to document these agreements under the main international standards as published by national or international professional associations such as International Swaps and Derivatives Association (ISDA), International Capital Market Association (ICMA), International Securities Lending Association (ISLA), French Banking Federation (FBF), etc.

These contracts establish a set of contractual terms generally recognised as standard and give way to the modification or addition of more specific provisions between the parties in the final contract. This standardization reduces implementation times and secures operations. Provisions detailing counterparty credit risk mitigation techniques are reviewed and analysed by the Bank's legal services to ensure their applicability.

Collateralization

Most of over-the-counter transactions are collateralised. There are two types of collateral exchanges:

- initial margin (IM): an initial amount of collateral aiming at covering potential future exposure, *i.e.* the unfavorable change in the Mark-to-Market of positions in the time period between the last collection of margins and the liquidation of positions following the counterparty default. This initial deposit is kept by a third party[(1)] to ensure its immediate availability, even in the event of a default of the counterparty;
- Variation Margin (VM): collateral collected to cover current exposure arising from Mark-to-Market changes, used as an approximation of the actual loss resulting from the default of one of the counterparties.

The Group ensures a monitoring of collateral received and given both for the part covering the market value of the contracts (VM) and the risk of an unfavorable change in the Mark-to-Market of positions in the event of default of the counterparty (IM). The collaterals given and received, are subject to a 'haircut', which are negotiated at the time of signing of the collateral agreement. A haircut is the valuation percentage applicable to each type of collateral and is largely based on liquidity and price volatility of the underlying during both normal and stressed market conditions.

Main types of collateral are cash or high-quality and liquid assets such as for example prime or high-grade sovereign bonds.

BILATERAL COLLATERAL EXCHANGE

The initial margin, historically very rare except with hedge funds, was generalised by EMIR and DFA Regulations. It is now mandatory for the Group to exchange IM and VM for non-cleared OTC derivatives transactions with a large number of its counterparties (its financial counterparties and some non-financial counterparties above certain thresholds).

(1) Except for repos and clearing activities.

CLEARING HOUSES

EMIR and DFA Regulations have also required that the most standard over-the-counter derivatives transactions be compensated through clearing houses. The Group thus compensates its own operations (principal activity), but also operates a client clearing activity (agency-type activity), which is subject to systematic margin calls to mitigate counterparty credit risk (customers posting daily variation margins and initial margins to Societe General, in order to cover current exposure and future exposure.▲

See table "Breakdown of collateral for counterparty credit risk exposures" section 4.6.3.4 "Quantitative Information" for more information.

4.6.3 COUNTERPARTY CREDIT RISK MEASURES

4.6.3.1 Replacement Risk

Audited I The measure of replacement risk is based on an internal model that determines the Group's exposure profiles. ▲

PRINCIPLES OF THE MODEL

The future fair value of market transactions with each counterparty is estimated from Monte Carlo models based on a historical analysis of market risk factors.

The principle of the model is to represent the possible future financial markets conditions by simulating the evolutions of the main risk factors to which the institution's portfolio is sensitive. For these simulations, the model uses different diffusion models to account for the characteristics inherent in the risk factors considered and uses a 10-year history for calibration.

The transactions with the various counterparties are then revalued according to these different scenarios at the different future dates until the maturity of the transactions, taking into account the terms and conditions defined in the contractual legal framework agreed, notably in terms of netting and collateralisation.

The distribution of the counterparty exposures thus obtained allows the calculation of regulatory capital for counterparty credit risk and the economic monitoring of positions.

The Risk Department responsible for Model Risk Management at Group level, assesses the theoretical robustness (review of the design and development quality), the compliance of the implementation and the suitability of the use of the model. This independent review process ends with (i) a report that describes the scope of the review, the tests carried out, the results of the review, the conclusions or recommendations and (ii) review and approval Committees. This process results in reporting to the appropriate bodies.

REGULATORY INDICATOR

Audited I With respect to the calculation of capital requirements for counterparty credit risk, the ECB, following the Targeted Review of Internal Models, has renewed the approval for using the internal model described above to determine the Effective Expected Positive Exposure (EEPE) indicator.

For products not covered by the internal model as well as for entities in the Societe Generale Group that have not been authorised by the supervisor to use the internal model, the Group uses the market-price valuation method for derivatives[(1)] and the general financial security-based method for securities financing transactions (SFT).

The effects of compensation agreements and collateralization are taken into account either by their simulation in the internal model, or by applying the rules as defined in the market-price valuation method or the financial security-based method, and by subtracting the value of the collateral.

These exposures are then weighted by rates resulting from the credit quality of the counterparty to compute the Risk Weighted Assets (RWA). These rates can be determined by the standard approach or the advanced approach (IRBA). ▲

The RWA breakdown for each approach is available in the "Analysis of Counterparty Credit Risk Exposure by Approach" table in Section 4.6.3.4 "Quantitative Information".

ECONOMIC INDICATOR

For the economic monitoring of positions, Societe Generale relies mainly on a maximum exposure indicator determined from the Monte Carlo simulation, called Credit Value-at-Risk (CVaR) internally or PFE (Potential Future Exposure). This is the maximum amount of loss that could occur after eliminating 1% of the most adverse occurrences. This indicator is calculated at different future dates, which are then aggregated into segments, each of them being framed by limits.

The Group has also developed a set of stress test scenarios to determine the exposure that would result from changes in the fair value of transactions with all its counterparties in the event of an extreme shock affecting the market parameters.

4.6.3.2 Credit Valuation Adjustment

MAIN PRINCIPLES

The CVA (Credit Valuation Adjustment) refers to adjustment to Marked-to-market of derivatives and repos portfolio to take into account counterparty credit risk of each counterparty facing the Group in the valuation. This adjustment is equivalent to the counterparty credit risk hedging cost in the Credit Default Swap (CDS) market.

For a specific counterparty, the CVA is determined on the basis of:

- the positive expected exposure to the counterparty, which is the average of the positive hypothetical future exposure values for a transaction or a group of transactions. It is mainly determined using risk neutral Monte Carlo simulations of risk factors that may affect the valuation of the derivatives transactions. The transactions are revalued through time according to the different scenarios, taking into account the terms and conditions defined in the contractual legal framework agreed, notably in terms of netting and collateralization (i.e that transactions with appropriate credit mitigants will generate lower expected exposure compared to transactions without credit mitigants);

(1) In this method, the EAD (Exposure At Default) relating to the Bank's counterparty credit risk is by aggregating the positive market values of all transactions (replacement cost) supplemented by an add-on factor.

- the probability of default of the counterparty, which is linked to the level of CDS spreads;
- the amount of losses in the event of default (LGD – Loss Given Default taking into account the recovery rate).

The Group computes this adjustment for all counterparties which are not subject to a daily margin call or for which collateral only partially covers the exposure.

CAPITAL REQUIREMENT FOR CVA RISK

The financial institutions are subject to the calculation of a capital requirement under the CVA, to cover its variation over ten days. The scope of counterparties is reduced to financial counterparties as defined in EMIR (European Market Infrastructure Regulation) or to certain Corporates that may use derivatives beyond certain thresholds and for purposes other than hedging.

The CVA charge is computed by the Group using mainly the advanced method:

- the positive expected exposure to the counterparty is mainly determined using the internal model described in section 4.6.3.1, which allows to estimate the future exposure profiles to a counterparty, taking into account counterparty credit risk mitigants;
- the capital charge is the sum of two elements: VaR on CVA and Stressed VaR on CVA. The method chosen is similar to the one developed for the calculation of the market VaR (see chapter Market Risk), and consists of an historical simulation of the change in the CVA due to fluctuations in the credit spreads observed on the counterparties, with a confidence interval of 99%. 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 charge is equal to the sum of the two multiplied by a coefficient set by the regulator, specific to each bank.

The positions not taken into account in the advanced method are subject to a capital charge determined through the standard method by applying a normative weighting factor to the product of the EAD (Exposure At Default) by a maturity calculated according to the rules defined by the CRR (Capital Requirement Regulation). Refer to the "Credit Valuation Adjustment (CVA)" capital requirements table in Section 4.6.3.4 "Quantitative Information") for the decomposition of CVA-related RWA between advanced and standard methods.

CVA RISK MANAGEMENT

The management of this exposure and of this regulatory capital charge led the Bank to purchase hedging instruments such as Credit Default Swap (CDS) from large credit institutions on certain identified counterparties or on indices composed of identifiable counterparties. In addition to reducing credit risk, it decreases the variability of the CVA and the associated capital amounts resulting from fluctuations in counterparty credit spreads.

4.6.3.3 Unfavorable Correlation Risk (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.

There are two different cases:

- general wrong-way risk, where there is a 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 EEPE 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 PFE (Potential Future Exposure) 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 controlled *via* a set of stress tests (single or multifactor stress tests) applied to transactions made with a given counterparty, based on scenarios common with the market stress tests. This set-up is based on:

- a quarterly analysis of stress tests on all counterparties (financial institutions, corporates, sovereigns, hedge funds and proprietary trading groups) allowing to understand the most adverse scenarios related to a joint deterioration in the quality of counterparties and the associated positions;
- a multi-factor stress test monitoring on all counterparties, which allows to holistically quantify the potential loss on market activities following market movements which could trigger a wave of defaults on these counterparties.
- a weekly monitoring of dedicated single-factor stress tests for hedge fund counterparties and Proprietary Trading Groups, subject to limits at the counterparty level. This framework is supplemented by an adverse stress test that quantifies the potential loss on the principal and third-party activities (client clearing) in the event of market movements violent enough to trigger a wave of defaults on this type of counterparty.

4.6.3.4 Quantitative Information

TABLE 30: COUNTERPARTY CREDIT RISK, EAD AND RWA BY APPROACH AND EXPOSURE CLASS

Counterparty credit risk is broken down as follows:

	31.12.2020								
(In EURm)	IRB			Standard			Total		
Exposure class	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA
Sovereign	23,472	23,560	382	170	170	-	23,642	23,730	382
Institutions	19,536	19,673	3,387	23,628	23,928	1,403	43,164	43,601	4,789
Corporates	54,370	54,145	15,786	1,697	1,398	1,246	56,067	55,543	17,032
Retail	121	121	8	2	2	2	122	122	10
Other	1	1	-	3,499	3,499	986	3,500	3,500	987
TOTAL	**97,500**	**97,500**	**19,563**	**28,996**	**28,996**	**3,636**	**126,496**	**126,496**	**23,199**

The table as at 31 December 2019 has been modified as follows in order to include risk exposures related to contributions to the default funds of central counterparties (EUR 1.1 billion of RWA as at 31 December 2019):

	31.12.2019								
(In EURm)	IRB			Standard			Total		
Exposure class	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	-	3,960	3,960	1,267	3,970	3,970	1,267
TOTAL	**87,077**	**87,077**	**13,852**	**34,215**	**34,215**	**3,129**	**121,292**	**121,292**	**16,981**

The tables above feature amounts excluding the CVA (Credit Valuation Adjustment) which represents EUR 3.1 billion at 31 December 2020 (vs. EUR 2.6 billion at 31 December 2019).

TABLE 31: 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 1.85. The aim of the internal model is to determine exposure profiles.

	31.12.2020						
(In EURm)	**Notional**	**Replace-ment cost/current market value**	**Potential future credit exposure**	**EEPE**	**Multiplier**	**EAD post CRM**	**RWAs**
Mark to market		21,626	29,694			26,586	5,677
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)				36,449	1.85	67,431	15,767
of which securities financing transactions				*15,500*	*1.85*	*28,676*	*2,270*
of which derivatives and long settlement transactions				*20,949*	*1.85*	*38,756*	*13,497*
of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						9,937	383
VaR for SFTs							
TOTAL							**21,827**

The table as at 31 December 2019 has been modified as follows :

	31.12.2019						
(In EURm)	**Notional**	**Replacement cost/current market value**	**Potential future credit exposure**	**EEPE**	**Multiplier**	**EAD post CRM**	**RWAs**
Mark to market		6,802	31,535			26,443	4,481
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)				43,569	1.5	65,354	11,698
of which securities financing transactions				*20,159*	*1.5*	*30,239*	*1,514*
of which derivatives and long settlement transactions				*23,410*	*1.5*	*35,115*	*10,184*
of which from contractual cross - product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						3,433	418
VaR for SFTs							
TOTAL							**16,597**

TABLE 32: EAD AND RWA TOWARDS CENTRAL COUNTERPARTIES (CCP)

	31.12.2020		31.12.2019	
(In EURm)	EAD	RWA	EAD	RWA
Exposures to QCCPs	28,248	1,228	32,252	1,454
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	10,038	201	16,225	326
■ OTC derivatives	1,003	20	1,108	23
■ Exchange-traded derivatives	7,243	145	13,793	277
■ Securities financing transactions	1,791	36	1,323	26
■ Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	12,701	-	9,731	-
Non-segregated initial margin	2,036	41	2,525	51
Pre-funded default fund contributions	3,474	986	3,771	1,077
Alternative calculation of own funds requirements for exposures	-	-	-	-
Exposures to non-QCCPs	61	35	-	-
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	35	35	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	25	-	-	-
Unfunded default fund contributions	-	-	-	-

TABLE 33: BREAKDOWN OF COLLATERAL FOR COUNTERPARTY CREDIT RISK

	31.12.2020			
	Collateral used in derivative transactions		Collateral used in SFTs	
(In EURm)	Fair value of collateral received	Fair value of posted collateral	Fair value of collateral received	Fair value of posted collateral
Cash	110,446	25,241	23,251	33,134
Banks/Broker-dealers	119	383	91,651	96,638
Central Counterparties	20	12,098	9,241	4,145
Government-sponsored entities/Government Agencies	-	-	-	-
Hedge funds	0	-	17	111
Insurance and Financial Guaranty Firms	18	-	825	3,279
Mutual funds	63	-	1,399	3,034
Nonfinancial corporations	1,088	36	22,697	72,315
Pension Plans	-	-	-	-
Sovereign national governments	16,771	3,621	258,657	292,114
SPVs, SPCs, and SPEs	-	-	-	-
Supranationals	64	-	2,228	951
Others	-	-	4	272

	31.12.2019			
	Collateral used in derivative transactions		Collateral used in SFTs	
(In EURm)	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 34: EXPOSURES AND RWA RELATED TO CREDIT VALUATION ADJUSTMENT (CVA)

	31.12.2020		31.12.2019	
(In EURm)	Exposure value	RWA	Exposure value	RWA
Total portfolios subject to the Advanced Method	37,471	2,783	33,457	2,276
(i) VaR component (including the 3×multiplier)	-	740	-	318
(ii) Stressed VaR component (including the 3×multiplier)	-	2,043	-	1,959
All portfolios subject to the Standardised Method	5,349	347	5,611	310
Based on Original Exposure Method	-	-	-	-
Total subject to the CVA capital charge	**42,821**	**3,131**	**39,068**	**2,586**

4.7 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. ▲

4.7.1 ORGANISATION OF MARKET RISK MANAGEMENT

Main functions

Audited I Although primary responsibility for managing risk exposure relies on 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 authorised 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 indicators used to monitor market risk;
- 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.

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. ▲

This department 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.

Governance

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, etc.). These Committees are decision-making bodies, composed of senior representatives from each relevant Department teams and regions. Market risks oversight is provided by various Committees at different levels of the Group:

- 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;
- the Risk Committee (CORISQ), chaired by the Chief Executive Officer of the Group, is regularly informed of Group-level market risks. Moreover, upon a proposal from the Market Risk Department, 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 market risks 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.

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. ▲

4.7.2 MARKET RISK MONITORING PROCESS

Market risk appetite

Audited I The business development strategy of the Group for market activities is primarily focused on meeting client needs, 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:

- the Value-at-Risks (VaR) and stressed Value-at-Risks (sVaR): these global indicators are used for market risk calculations for RWA and 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 indicators such as concentration risk or holding period, maximum maturity, 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[1].

Determining and monitoring limits

The choice and calibration of these limits ensure the operational transposition of the Group's market risk appetite through its organization:

- 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, risk/rewards analysis, 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 the risk framework, the front office must detail 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 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.

4.7.3 MAIN MARKET RISK MEASURES

Stress test assessment

Audited I 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 estimates the losses linked to market risks, market/counterparty cross-risk, and dislocation and carry risk on exotic activities, that could arise simultaneously in the event of a severe but plausible systemic crisis. This stress test is modeled on five scenarios;
- the Market Stress Test, which focuses solely on market risks, applying the same scenarios as the Global Stress Test and additional scenarios corresponding to different market conditions.

The various scenarios for those stress tests are reviewed by the Risk Division on a regular basis. These reviews are presented during dedicated biannual Committees, chaired by the Market Risk Department and attended by economists and representatives of Societe Generale's trading activities. These Committees 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 tests 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.

(1) 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.

GLOBAL STRESS TEST ON MARKET ACTIVITIES

The Global Stress Test on market activities is the main risk indicator used on this scope. It covers all the risks on market activities 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 components, 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 risks on exotic activities related to concentration effects and crowded trades;
- market/counterparty cross-risks arising in transactions with weak counterparties (hedge funds and proprietary trading groups).

The Global Stress Test corresponds to the least favorable results arising from the five scenarios and their respective components.

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. Following the last review of the scenarios at the end of 2020, it was decided to use for the calculation of the stress test three theoretical scenarios (generalised (*i.e.* financial crisis scenario), eurozone crisis, general decline in risk assets) and two historical scenarios focusing respectively on the period of early October 2008 and early March 2020;
- the impact of the stress test scenario on CVA (Credit Value Adjustment) and FVA (Funding Value Adjustment) reserves, as their variations affect trading results.

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.

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.

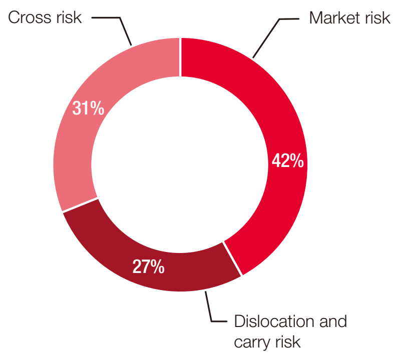
Market/counterparty cross-risk component on weak counterparties

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).

Two measurements are used:

- **the collateralised financing stress test:** this stress test focuses on collateralised 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 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 2020 GLOBAL STRESS TEST ON MARKET ACTIVITIES



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 11 scenarios[2] (four historical and seven hypothetical). The main principles are as follows:

- the scenario considered in the market stress test is the worst of the different scenarios defined;
- 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.

(1) *Measurement of the impact in the Net Banking Product in case of shocks on all risk factors (refer to description below).*
(2) *Including the scenarios used in the global stress tests on market activities.*

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 analysed 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, this approach makes it possible to determine the historical scenarios used for the calculation of the stress test. This set of scenarios is also the subject of regular reviews. In 2020, two new historical scenarios related to the covid-19 crisis were integrated: a crisis scenario (marked by a decline in equity indices and an increase in credit spreads) as well as a rebound scenario (marked by an increase in equity indices and a decrease in credit spreads). Societe Generale is currently using four historical scenarios in the calculation of the stress test, which cover the periods from October to December 2008 and March 2020.

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 defined seven hypothetical scenarios. ▲

Regulatory indicators

99% VALUE-AT-RISK (VAR)

Methodology

Audited I 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;
- 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 modeling 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 repricing. Nonetheless, for certain risk factors, a sensitivity-based approach may be used.

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).

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 Group 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 intraday 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.

Backtesting

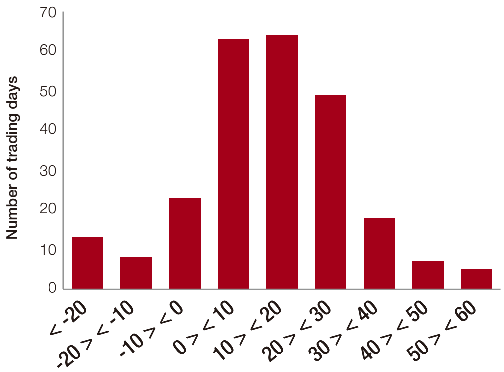
The relevance of the model is checked through continuous backtesting in order to verify whether the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval. The results of the backtesting are audited by the Risk Department in charge of the validation of internal models, which, as second line of defence, 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. ▲

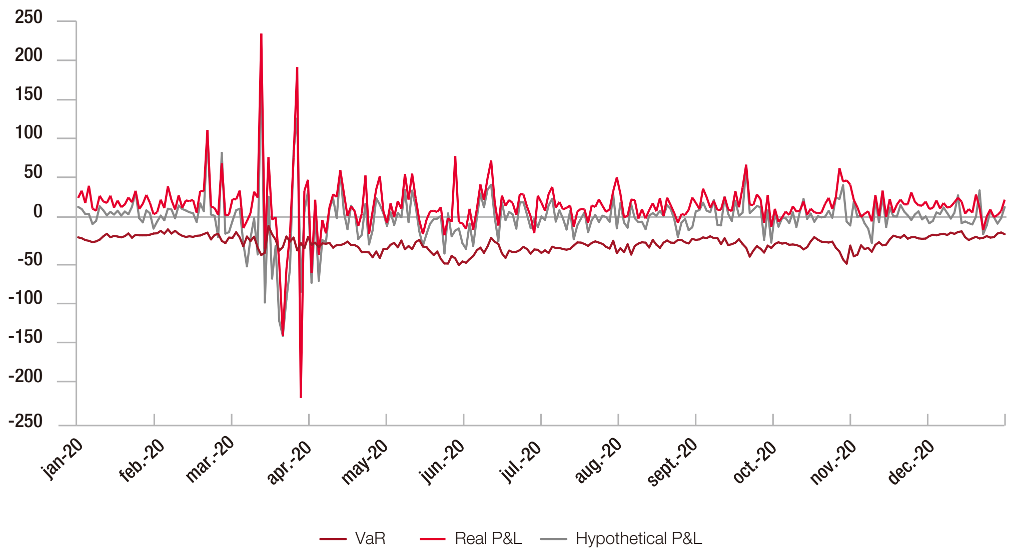
As a result of the Covid-19 crisis, markets were impacted, particularly in the first half of 2020, by high volatility across all asset classes. Daily losses on market activities were recorded 44 times. A breach of VaR backtesting was observed at Societe Generale Group level on 13 days. Following the decision of the European Parliament to authorise the exclusion of backtesting events occurring between 1 January 2020 and 31 December 2021 not attributable to internal model, the competent authorities have validated the exclusion of such events from the calculation of Societe Generale's risk-weighted assets for market risk. Three VaR backtesting breaches were finally maintained at Group level, against hypothetical result, in particular as a result of the VaR model not taking into account movements on share dividends once they are announced.

BREAKDOWN OF THE DAILY[3] P&L OF MARKET ACTIVITIES (2020, IN EURM).



(1) "Actual P&L" by agreement hereinafter.
(2) "Hypothetical P&L" by agreement hereinafter.
(3) Actual P&L.

TRADING VAR (ONE-DAY, 99%), DAILY ACTUAL[1] P&L AND DAILY HYPOTHETICAL P&L[2] OF THE TRADING PORTFOLIO (2020, IN EURM)



VaR Changes

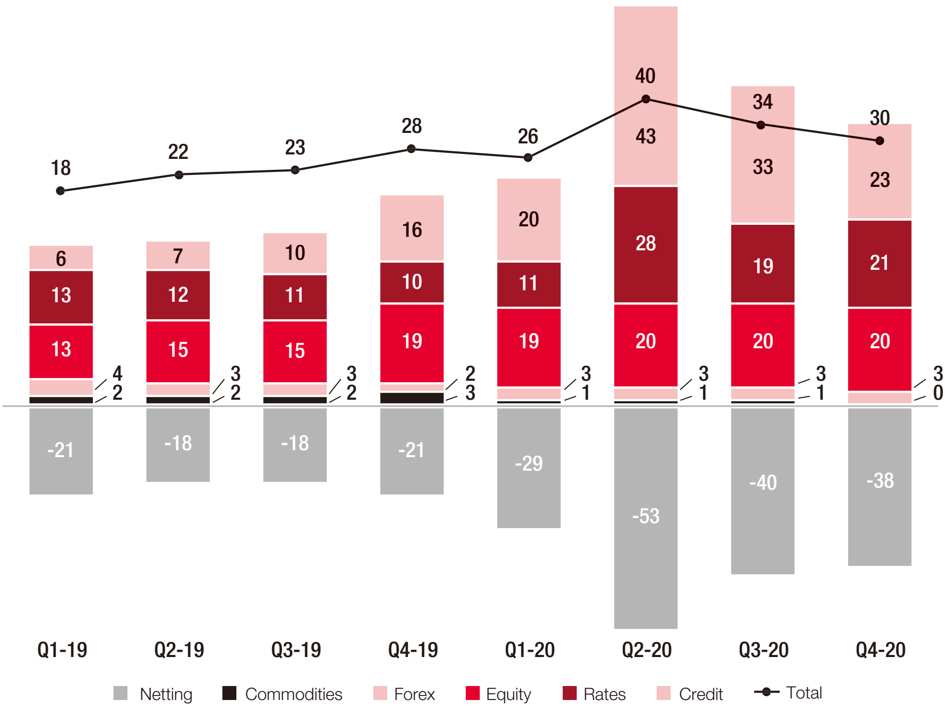
TABLE 35: REGULATORY TEN-DAY 99% VAR AND ONE-DAY 99% VAR

	31.12.2020		31.12.2019	
(In EURm)	VaR (10 days, 99%)[1]	VaR (1 day, 99%)[1]	VaR (10 days, 99%)[1]	VaR (1 day, 99%)[1]
Period start	93	29	49	16
Maximum value	188	60	113	36
Average value	103	33	71	23
Minimum value	35	11	40	13
Period end	67	21	85	27

(1) Over the scope for which capital requirements are assessed by internal model.

(1) Daily profit or loss used for the VaR backtesting against actual P&L, as defined in the "99% Value-at-Risk (VaR)".
(2) 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 2019-2020 PERIOD (IN EURM)



Audited i VaR was riskier in 2020 on average (EUR 33 million *vs* EUR 23 million in 2019) with contrasting trends:

- over the first two months of the year, VaR remained relatively stable at its 2019 year-end level;
- from the end of February and throughout the second quarter, VaR increased sharply, with a high level of variability due to the financial crisis triggered by the Covid-19 epidemic. This increase is mainly attributable to the interest rate and credit scope, the equity scope, and notably the exotic products activities, being the main factor of volatility;
- VaR then fell gradually to reach again pre-crisis values and dynamic at the end of the year. ▲

STRESSED VAR (SVAR)

Audited I The Internal Stressed VaR Model (SVaR) was introduced at the end of 2011 and has been approved by the Regulator within the scope of the regulatory capital requirements on the same scope as the 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 2020, 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 defence. 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.

(1) A complementary method was submitted to the regulator for approval in Q2 2018: the purpose was 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 the portfolio.

The SVaR increased on average in 2020 (EUR 50 million *vs* EUR 38 million in 2019). Its evolution over the year was marked by three main stages:

- over the first two months of the year, the SVaR remained at a low level, following on from 2019;
- in March, SVaR increased significantly, with a high level of variability due to the financial crisis triggered by the Covid-19 epidemic. This increase is mainly attributable to the equity scope initially, then mainly results from Fixed Income activities thereafter;
- the SVaR then fell gradually and in July returned to the pre-crisis values and dynamic. ▲

TABLE 36: REGULATORY TEN-DAY 99% SVAR AND ONE-DAY 99% SVAR

	31.12.2020		31.12.2019	
(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	105	33	108	34
Maximum value	343	109	213	67
Average value	158	50	119	38
Minimum value	73	23	49	15
Period end	131	41	112	35

(1) Over the scope for which capital requirements are assessed by internal model.

IRC AND CRM

At end-2011, Societe Generale received approval from the Regulator to expand its internal market risk modeling system by including IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure), for the same scope as for VaR.

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 securitizations 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 modeled 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.

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 is 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 securitisation positions.

(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 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 modeling 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 models for the dissemination of recovery rates, spread dissemination and dissemination of basic correlations used in the CRM calculation;

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 Authority (*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 defence. 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 37: IRC (99.9%) AND CRM (99.9%)

(In EURm)	31.12.2020	31.12.2019
Incremental Risk Charge (99.9%)		
Period start	93	317
Maximum value	172	352
Average value	103	192
Minimum value	53	58
Period end	112	83
Comprehensive Risk Measure (99.9%)		
Period start	95	164
Maximum value	462	211
Average value	116	144
Minimum value	51	73
Period end	70	95

4.7.4 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 share 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 of 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.

Quantitative information

Almost ninety per cent of Societe Generale 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. The main entities concerned are some International Retail Banking and Financial Services entities such as Rosbank, SG Maroc, Crédit du Nord, BRD, SG Algérie, etc.

The increase in capital requirements for market risk is due to a diffuse and moderate increase in several components:

- VaR, which has almost returned to its pre Covid-19 level at the end of the year, after having increased significantly at the end of the first quarter and in the second quarter, increase mainly attributable to Fixed Income activities and to a lesser extent to the credit perimeter;
- IRC, which is increasing due to debt instruments on several categories of issuers (US companies and European governments);
- RWAs calculated under the standard approach, reflecting new securitization positions, and a growth in the rate component.

TABLE 38: MARKET RISK CAPITAL REQUIREMENTS AND RWA BY RISK FACTOR

	Risk-weighted assets			Capital requirement		
(In EURm)	31.12.2020	31.12.2019	*Change*	31.12.2020	31.12.2019	*Change*
VaR	4,117	3,881	*236*	329	310	*19*
Stressed VaR	6,671	6,678	*(7)*	534	534	*(1)*
Incremental Risk Charge (IRC)	1,758	1,361	*398*	141	109	*32*
Correlation portfolio (CRM)	1,066	1,220	*(154)*	85	98	*(12)*
Total market risk assessed by internal model	**13,612**	**13,140**	***472***	**1,089**	**1,051**	***38***
Specific risk related to securitisation positions in the trading portfolio	534	277	*257*	43	22	*21*
Risk assessed for currency positions	219	865	*(646)*	17	69	*(52)*
Risks assessed for interest rates (excl. securitisation)	975	231	*745*	78	18	*60*
Risk assessed for ownership positions	-	-	-	-	-	-
Risk assessed for commodities	0	0	*0*	0	0	*0*
Total market risk assessed by standard approach	**1,728**	**1,373**	***355***	**138**	**110**	***28***
TOTAL	**15,340**	**14,513**	***827***	**1,227**	**1,161**	***66***

TABLE 39: MARKET RISK CAPITAL REQUIREMENTS AND RWA BY TYPE OF RISK

	Risk-weighted assets		Capital requirement	
(In EURm)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Risk assessed for currency positions	462	1,173	37	94
Risk assessed for credit (excl. deductions)	5,943	4,768	475	381
Risk assessed for commodities	43	792	3	63
Risk assessed for ownership positions	4,133	3,904	331	312
Risk assessed for interest rates	4,760	3,876	381	310
TOTAL	**15,340**	**14,513**	**1,227**	**1,161**

4.7.5 FINANCIAL INSTRUMENT VALUATION

Management risk related to financial instrument valuation relies on the Global Market Division as first line of defence as well as two independent departments within the Finance Division and the Risk Division.

Governance

Governance on accounting valuation topics 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.

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.

Lastly, a Valuation Policy describes the valuation framework and its governance, specifying the breakdown of responsibilities between the stakeholders.

Valuation principles and associated controls

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 to be dealt with are formalised 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 developed in consultation with the front office, which are subject to approval by the Market Risk Department and the Finance Division during the Global Valuation Committees.

Regulatory requirements

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 CRD (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 on the basis of methodologies designed by the Market Risk Department. 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.

4.8 OPERATIONAL RISK

Operational risk is the risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events.

Societe Generale's operational risk classification is divided into eight event categories:

- 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.

This classification is declined into 58 risk categories, cornerstone of the Group risk modeling, ensuring consistency throughout the system and enabling cross-business analyses throughout the Group (see section 4.8.2), particularly on the following risks:

- risks related to information and communication technologies and security (cybercrime, IT systems failures, etc.);
- risks related to outsourcing of services and business continuity;
- risks related to the launch of new products/services/activities for customers;
- 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 behavior 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 4.11 "Compliance risk, litigation".

4.8.1 ORGANISATION OF OPERATIONAL RISK MANAGEMENT

The Group operational risk management framework, other than non-compliance risks detailed in Chapter 4.11 "Compliance risk, litigation" is structured around a two-level system with the following participants:

- a first line of defence in each core Business Units/Service Units, 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 Business Units/Service Units.

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

Level 2 control consists of verifying the definition and actual performance of level 1 controls, and in particular the examination of the results of level 1 controls in quantitative and qualitative aspects, in particular with regard to completion rate, anomaly levels, etc. This review also ensures the effectiveness and relevance of the deployment of controls by control needs and risk type and of corrective action plans.

According to the internal control system, the level 2 permanent control Risk teams carry out this mission on the risks operational covering the risks specific to the various businesses (including operational risks related to credit risks and market risks), as well as the risks associated with purchases, communication, real estate, human resources and information system.

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 and information and communication technologies

Given the importance for the Group of its information system and the data it conveys and the continuous increase in the cybercriminal threat, the risks related to information and communication technologies and to security (ICT) are major for Société Generale. Their supervision, integrated into the general operational risk management system, is steered as the first line of defence by a dedicated area of expertise (Information and Information Systems Security – ISS) and the second line of defence is provided by the Risk Department. They are subject to specific monitoring by the management bodies through sessions dedicated to Group governance (Risk Committee, CORISQ, CCCIG, DTCO) and a quarterly dashboard which presents the risk situation and action plans on the eight main themes of information and communication technologies risks.

The Department Security of the Group, housed within the General Secretariat, is responsible for protecting information. It ensures in particular:

- the publication of a new Information Security Group policy that encompasses both human and technical aspects;
- the redesign of the "Electronic Communications Charter" into the "Charter for the Protection of Information and IT Resources";
- the co-construction with RESG of the Data-Protection program, which aims to equip employees with a tool for classifying and protecting office documents;
- the distribution of a new e-learning on information security to all of the Group's employees in France and internationally.

The person in charge of risks related to information and communication technologies (ICT) and security of information systems is housed at the Corporate Resources and Digital Transformation Division. Under the functional authority of the Director of Group Security, he recommends the strategy to protect digital information and heads up the IT security department. The IT security framework is aligned with the market standards (NIST, ISO 27002), and implemented in each BU/SU.

Risk management associated with cybercrime is carried out through the tri-annual Information Systems Security (ISS) master plan.

In order to take into account the evolution of the threat, in particular that related to ransomware, and in line with the Group strategy, the ISS 2021-2023 master plan is structured, with a budget of 650 million euros over the period 2021-2023, around two pillars that guide actions by 2023:

- protect the data of our customers and our ability to operate the banking services, by integrating the threats, the requirements of the regulators, and the need to support the Business Units and Service Units in their digital transformation and the evolution of uses that accompanies it. A risk-based approach allows us to concentrate our efforts on the most critical elements and data, in connection with the work of the Security Department cited above. We are preparing to manage a major cyber crisis by improving in particular our detection capacity, our ability to control our IT links with our partners and subsidiaries, and our ability to rebuild the information system;
- increase our operational efficiency by gaining overall consistency, and by increasing our protections and our ability to react. In particular by developing the management of the cyber security department, by optimising our processes and our tools to be able to deploy new protections at constant cost. Finally, by working on the management of human resources in the filiere, in particular on the development of skills and networks of expertise.

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. CERT works closely with the Security Operation Center (SOC), which is in charge of detecting security events and processing them.

A team at the Resources and Digital Transformation Department is in charge of the consistency of the implementation of operational risk management systems and their consolidation for IT processes. The main tasks of the team are as follows:

- identify and evaluate the major IT risks for the Group, including extreme risk scenarios (eg. cyberattack, 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;
- produce the indicators that feed the IT risks monitoring dashboard, intended for management bodies and Information Systems directors. They are reviewed regularly with the second line of defence in order to remain aligned with the IS and SSI strategy and their objectives;
- more generally, ensure 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 topic. As part of the "PCT" program to transform permanent control, the normative controls were reviewed, i.e. around thirty controls on IS/SSI subjects. The IT Department monitors the deployment of these controls across the Group, the progress of which is aligned with the objectives set by the Group.

In terms of awareness, a multilingual online training module on information security is mandatory for all internal Group staff and for all service providers who use or access our information system. It was updated in early 2020 in order to incorporate changes to the new Group Information Security Policy. At the end of November 2020, 92% of Societe Generale group employees who were notified of the training module had performed it.

4.8.2 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;
- management of risks related to information and communication technologies;

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 program 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 centers). 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.

4.8.3 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 modeling

The statistical method used by the Group for operational risk modeling is based on the Loss Distribution Approach (LDA) for AMA internal model.

Under this approach, operational risks are modeled 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. To comply with the regulations (Delegated Regulation (EU) 2018/959), the Group made two methodological changes in 2020: the modification of the copula used in the AMA model to take into account the dependencies between extreme events and not taking into account the opportunity costs in the AMA calculation.

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 3.9 billion at the end of 2020, representing EUR 49.0 billion in risk-weighted assets. This assessment includes the capital requirement of AMA and Standard perimeters.

Insurance cover in risk modeling

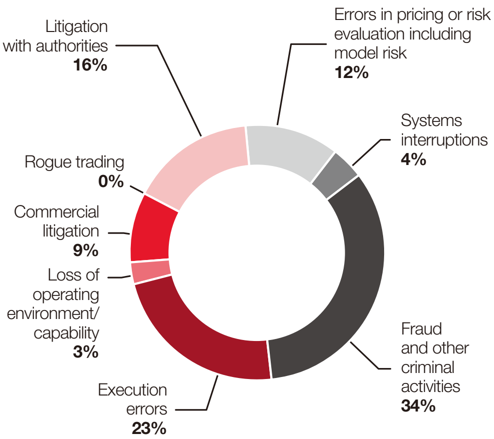
In accordance with regulations, Societe Generale incorporates risk cover provided by insurance policies when calculating regulatory capital requirements for operational risks, within the limit of 20% of said requirements. These insurance policies cover part of the Group's major risks, *i.e.* civil liability, fraud, fire and theft, as well as systems interruptions.

Risk reduction through insurance policies resulted in a 3.5% decrease in total capital requirements for operational risks.

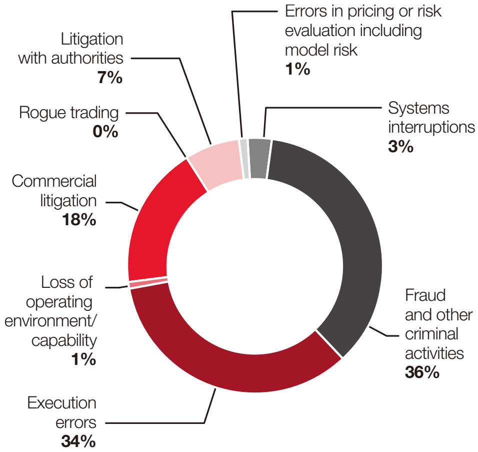
Quantitative data

The following charts break down operating losses by risk category for the 2016-2020 period.

OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE – AMOUNTS



OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE – NUMBER OF EVENTS



Over the past five years, Societe Generale's operational risks were concentrated on average on sixtypes, accounting for 97% of the Group's total operating losses:

- fraud and other criminal activities represented 34% 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 in this category is trending upwards over the last two years with values above the average;
- litigation with authorities, the third largest category, represented 16% of the Group's operational losses over the period. The amount of losses in this category has fallen very significantly over the last two years following the settlement of the Group's main disputes in 2018;
- 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;
- commercial disputes represented 14% of total Group operating losses. The trend is down for this category over the period considered;
- information systems failures represent 4% of the total amount of the Group's operational losses. The trend is increasing for this category over the period considered.

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 3% of the Group's losses on average over the 2016 to 2020 period.

4.8.4 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 2020).

The amount of RWA on the AMA scope increased in 2020 (EUR +1.4 billion, i.e +3.2%). This rise is linked with the application of some regulatory evolutions (Delegated Regulation (EU) No. 2018/959 having a final application date as of Q3 2020), with notably an upward impact on RWA triggered by a change of statistical modelling, somewhat alleviated by the exclusion of some types of losses from several scenarios for the calculation of operational risk capital requirements.

The following table breaks down the Group's risk-weighted assets and the corresponding capital requirements as at 31 December 2020.

TABLE 40: RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS FOR OPERATIONAL RISK

	31.12.2020				31.12.2019			
(In EURm)	RWA under Standar-dised approach	RWA under Advanced Measu-rement Approach (AMA)	Total RWA	Capital require-ments	RWA under Standar-dised approach	RWA under Advanced Measu-rement Approach (AMA)	Total RWA	Capital require-ments
Global Banking and Investor Solutions	185	31,696	31,881	2,550	189	32,007	32,196	2,576
Corporate Center	260	7,046	7,306	584	364	3,141	3,505	280
International Retail Banking and Financial Services	1,681	3,922	5,603	448	1,884	5,029	6,913	553
French Retail Banking	124	4,275	4,398	352	33	5,313	5,346	428
TOTAL	**2,250**	**46,938**	**49,188**	**3,935**	**2,470**	**45,491**	**47,961**	**3,837**

4.8.5 OPERATIONAL RISK INSURANCE

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 program.

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 general risk coverage

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, etc.) are covered. The amounts insured vary from country to country, according to operating requirements.

Description of main 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.

4.9 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.

4.9.1 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.

Finally, the Risk Department organises and chairs the Group model validation Committee and the Group ALM norms validation Committee.

The entities and BU/SU 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.

4.9.2 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

Societe Generale 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 hypotheses 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 to the consolidated financial statements.

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 determinated outstanding amount of items eligibles 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 2020 was EUR 345 million (for an instantaneous and parallel increase in interest rates of 0.1%). ▲

AUDITED I TABLE 41: SENSITIVITY OF THE GROUP'S VALUE TO A +10 BP INTEREST RATE VARIATION

(In EURm)	Total
Amount of sensitivity (31.12. 2020)	**345**
Amount of sensitivity (31.12.2019)	(54)

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 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 2% 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 lower refinancing costs.

Calculations are based on the aggregate estimates as at 31 December of the consolidated entities of the Group.

TABLE 42: SENSITIVITY OF THE GROUP'S INTEREST MARGIN

(In EURm)	31.12.2020	31.12.2019
Parallel increase in interest rates of 10 bp		
Year 1	62	9
Year 2	107	48
Year 3	184	115
Parallel decrease in interest rates of 10 bp		
Year 1	(74)	(15)
Year 2	(124)	(56)
Year 3	(201)	(122)

4.9.3 STRUCTURAL EXCHANGE RATE RISK

Audited I Structural exchange rate risk, understood as resulting from all transactions that do not belong to the Trading Book, results from:

- exposures related to net investments abroad in foreign currencies, i.e. in subsidiaries and branches. FX positions generated by an imperfect hedge are valued through other comprehensive income;
- exposures related to activities made by entities in currencies that are not their reporting currency.

The Group's policy is to make the CET1 ratio insensitive to fluctuations in exchange rates against the euro.

As such:

- Group entities are asked to individually hedge the results related to activities in currencies other than their reporting currency;
- the exposures related to net investments in foreign currencies and the associated net results are partially hedged at central level. A position in each foreign currency generating RWA is intentionally maintained open by the Finance department at the Group CET1 ratio targeted level. Hedges are realised using cash lending and borrowing, forward and swap instruments in the subsidiaries' currencies and accounted for as net investment hedges (see § 3.2.2 Hedging derivatives in Chapter 6 of the Universal Registration Document).

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 43: SENSITIVITY OF THE GROUP'S COMMON EQUITY TIER 1 RATIO TO A 10% CHANGE IN THE CURRENCY (IN BASIS POINTS)

	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	
Currency	31.12.2020	31.12.2019	31.12.2020	31.12.2019
GNF	(0.1)	(0.1)	0.1	0.1
JPY	0.1	(0.2)	(0.1)	0.2
KRW	0.2	(0.1)	(0.2)	0.1
MAD	0.2	0.2	(0.2)	(0.2)
XPF	0.3	0.0	(0.3)	(0.0)
RUB	0.3	0.0	(0.3)	0.0
GBP	0.7	(0.1)	(0.7)	0.1
XAF	0.7	0.4	(0.7)	(0.4)
USD	0.8	(0.2)	(0.8)	0.2
Others	0.5	(0.9)	(0.5)	0.9

4.10 LIQUIDITY RISK

Audited I Liquidity risk is defined as the Group's inability to meet its financial obligations at a reasonable cost. Funding risk is defined as the risk of the Group being unable to finance the development of its activities in line with its commercial objectives and at a competitive cost.

4.10.1 OBJECTIVES AND GUIDING PRINCIPLES

The liquidity and funding management set up at Societe Generale aims at ensuring that the Group can (i) fulfil its payment obligations at any moment in time, during normal course of business or under lasting financial stress conditions (management of liquidity risks) ; (ii) raise funding resources in a sustainable manner, at a competitive cost compared to peers (management of funding risks). Doing so, the liquidity and funding management set up ensures that both regulatory requirements and the risk appetite set by the Group are met.

To achieve these objectives, Societe Generale has adopted the following guiding principles:

- pooling resources, optimising costs and ensuring consistent risk management by centralising liquidity and funding management at the Corporate centre level, mainly in the name of the parent company (Societe Generale SA). For that purpose, Business Units have tight constraints in terms of the transformation position they can run, hence need to match their assets and liabilities by transacting with the Corporate Centre, along a Funds Transfer Pricing mechanism. Assets or liabilities which do not have a set contractual maturity (e.g. sight deposits) have their maturity assessed along quantitative models or conventions proposed by the Finance Division and by the Business Units and validated by the Risk Division (see below);
- planning for funding resources in consideration of both the business development objectives and the risk appetite set by the Board of Directors. See the “Funding Plan” chapter in section 2;
- ensuring that funding risks are mitigated through a proper diversification of funding resources in terms of currencies, investor pools, maturity buckets, liability format (e.g. benchmark bond issuance, with a split along various seniority levels, issuance in the form of structured notes, issuance in the form of unsecured and secured notes. In order to optimise funding costs, the majority of bond issuance is made in the name of the mother company. However, a degree of diversification is sought by leveraging the capacity of some subsidiaries to raise funds in a way which complements the mother company’s funding, i.e. raising funds from local investors in local currencies;
- ensuring that Societe Generale keeps liquid reserves in sufficient amount to comply with the survival horizon under stress set by the Board of Directors. Liquid reserves are in the form of cash held at central banks and highly liquid securities, split between the Banking Book (under the direct ownership of the Group Treasury Department) or the Trading Book (mainly within the Global Markets division, under a permanent control of the Group Treasury Department);
- ensuring Societe Generale has readily available remediation options to face potential stress situations, through contingency plans aimed at detecting any stress signals at an early stage and defining in advance the crisis management setup.

4.10.2 THE GROUP'S PRINCIPLES AND APPROACH TO LIQUIDITY RISK MANAGEMENT

The key operational steps of liquidity and funding management are as follows:

- risk identification is a process which is set out and documented by the Risk Division, in charge of establishing a mapping of liquidity risks. This process is conducted yearly with each Business Unit and within the Group Treasury Department, aimed at screening all material risks and checking their proper measurement and capturing the control framework. In addition, a Reverse Stress Testing process exists, which aims at identifying and quantifying the risk drivers which may weigh most on the liquidity profile under assumptions even more severe than used in the regular stress test metrics;
- definition, implementation and periodic review of liquidity models and conventions used to assess the duration of assets and liabilities without a set contractual maturity and to assess the liquidity profile under stress. Liquidity models are managed along the overall Model Risk Management governance, also applicable to other risk factors (market, credit, operational), controlled by the Group Risk division;
- yearly definition of the risk appetite for liquidity and funding risks, whereby the Board of Directors sets targets for key metrics, and related alert thresholds. Such risk appetite targets are then cascaded down per Business Units. The risk appetite is framed along the following metrics:
  - key regulatory indicators (LCR, with a specific focus on the LCR in US dollar, and NSFR),
  - the footprint of the Group in Short-Term Wholesale funding markets,
  - the survival horizon under an adverse stress scenario, combining a severe market and systemic shock and an idiosyncratic shock. In addition to the main adverse scenario, Societe Generale also checks its survival horizon under an extreme stress scenario. For both scenarios, the idiosyncratic shock is characterised by one of its main consequences, which would be an immediate 3-notch downgrade of Societe Generale’s long-term rating. In such adverse or extreme scenarios, the liquidity position of the Group is assessed over time, taking into account the negative impacts of the scenarios, such as deposit outflows, drawing by clients of the committed facilities provided by Societe Generale, increase in margin calls related to derivatives portfolios, etc. The survival horizon is the moment in time when the net liquidity position under such assumptions becomes negative,

  - the overall transformation position of the Group (proper matching of assets and liabilities, in tenors up to 5 years),
  - the amount of free collaterals providing an immediate access to central bank funding, in case of an emergency (only collaterals which do not contribute to the numerator of the LCR are considered, i.e. non-HQLA collaterals); yearly budget process aimed at ensuring that the forward financial trajectory under baseline and stressed scenarios will fulfil the risk appetite targets set by the Board of Directors and at calibrating accordingly the funding plan. The budget's baseline scenario reflects the central assumptions for the macro-economic environment and the business strategy of the Group, while the stressed scenario is factoring both an adverse macro-economic environment and idiosyncratic issues;
- the funding plan comprises both the long-term funding programme, which frames the issuance of plain vanilla bonds and structured notes, and the plan to raise short-term funding resources in money markets;
- maintenance by the Group Treasury Department of a Funds Transfer Pricing framework, aimed at making funding grids available at any time for Business Units to transact with the Corporate center to upstream their liquidity surplus or borrow cash so that they fund their activities within their transformation position limits;
- production and broadcasting of periodic liquidity reports, at various frequencies (daily indicators, weekly indicators, monthly indicators), leveraging in most part on the central data repository, operated by a dedicated central production team. The net liquidity position under the combined (idiosyncratic and market/systemic) stress scenario is reassessed on a weekly basis and can be analysed along multiple axes (per product, Business Unit, currency, legal entity). Each key metric (LCR, NSFR, transformation positions, net liquidity position under combined stress) is reviewed formally on a monthly basis by the Group Finance and Risk divisions. Forecasts are made and revised weekly by the Strategic and Financial Steering Department and reviewed during a Weekly Liquidity Committee chaired by the Head of Group Treasury. This Weekly Liquidity Committee gives tactical instructions to Business Units, with the objective to adjust in permanence the liquidity and funding risk profile, within the financial targets and taking into account business requirements and market conditions;
- preparation of a Contingency Funding Plan, which is updated yearly, and provides for: (i) a set of early warning indicators (e.g. market parameters or internal indicators); (ii) the operating model and governance to be adopted in case of an activation of a crisis management mode (and the interplay with other regimes, in particular Recovery management); (iii) the main remediation actions to be considered as part of the crisis management.

These various operational steps form overall the ILAAP (Internal Liquidity Adequacy Assessment Process) framework of Societe Generale.

Every year, Société Générale produces for its supervisor, the ECB, a self-assessment of the liquidity risk framework in which key liquidity and funding risks are identified, quantified and analysed with both a backward and a multi-year forward-looking perspective. The adequacy self-assessment also describes qualitatively the risk management set up (methods, processes, resources…), supplemented by an assessment of the adequacy of the Group's liquidity.

4.10.3 GOVERNANCE

Based on the guiding principles and on the operational setup described above, the following bodies are involved in the control of liquidity and funding risks:

- the Board of Directors, which:
  - sets yearly the level of liquidity risk tolerance as part of the Group's risk appetite, based on a set of key metrics, which includes both internal and regulatory metrics, in particular the period of time during which the Group can operate under stressed conditions ("survival horizon"),
  - approves budget targets, including targets related to scarce resources such as liquidity usage and funding (definition of the funding plan),
  - reviews at least quarterly the Group's liquidity and funding situation: key liquidity metrics, including the pace of execution of the funding plan and the related cost of funds;
- General Management, which:
  - allocates liquidity and funding targets to the various Business Units and the Group Treasury entity, upon proposal from the Group Finance division,
  - defines and implements the liquidity and funding risk strategy, based on inputs from the Finance and Risk Divisions and the Business Units. In particular, the General Management chairs the Finance Committee, held every 6 weeks and attended by representatives from the Finance and Risk Divisions and Business Units, which is responsible for monitoring structural risks and managing scarce resources:
    - validation and monitoring of the set of limits for structural risks, including liquidity risk,
    - monitoring of budget targets and decisions in case of a deviation from the budget,
    - definition of principles and methods related to liquidity risk management (e.g. definition of stress scenarios),
    - assessment of any regulatory changes and their impacts;
- the Group Finance Division, which is responsible for the liquidity and funding risks as first line of defence, interacting closely with Business Units. Within the Group Finance Division, there are three main departments involved respectively in the preparation and implementation of decisions taken by the abovementioned bodies:
  - the Strategic and Financial Steering Department is responsible for framing and overseeing management of the Group's scarce resources, including liquidity, within the Group's risk appetite and budget targets,
  - the Group Treasury Department is in charge of all aspects of the operational management of liquidity and funding across the Group, including managing the liquidity position, executing the funding plan, supervising and coordinating treasury functions, providing operational expertise in target setting, managing the liquidity reserves and the collateral used in funding transactions, managing the corporate centre,
  - the Asset and Liability Management Department is in charge of modelling and controlling structural risks, including liquidity risk alongside interest rate and foreign exchange risks in the Banking Book;

- also sitting with the Group Finance Division, the Metrics Production Department runs the management information system regarding liquidity and funding risks across the Group. For liquidity metrics, the Group relies on a centralised system architecture, with all Business Units feeding a central data repository from which all metrics are produced, either regulatory metrics (e.g. the LCR or the NSFR) or metrics used for internal steering (e.g. stress test indicators);
- the ALM Risk Department, which leads the risk identification process, designs the structure and the calibration of the liquidity and funding risks control framework and monitors compliance with related thresholds and limits. It also validates liquidity models and conventions.

4.10.4 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 44: LIQUIDITY RESERVE

(In EURbn)	31.12.2020	31.12.2019
Central bank deposits (excluding mandatory reserves)	154	88
HQLA securities available and transferable on the market (after haircut)	82	81
Other available central bank-eligible assets (after haircut)	7	21
TOTAL	**243**	**190**

4.10.5 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 regulation issued on 10 October 2014 has since been updated by a Delegated Act which entered 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 publisehd 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 been finalised yet) 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 149% at end-2020 (*vs.* 119% at end-2019).

4.10.6 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 45: BALANCE SHEET SCHEDULE

FINANCIAL LIABILITIES

	31.12.2020					
(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		1,489	-	-	-	**1,489**
Financial liabilities at fair value through profit or loss, excluding derivatives		164,209	17,529	20,520	28,813	**231,071**
Due to banks	Note 3.6	57,383	9,140	67,830	1,218	**135,571**
Customer deposits	Note 3.6	422,319	14,489	13,328	5,923	**456,059**
Securitised debt payables	Note 3.6	36,665	34,317	44,998	22,977	**138,957**
Subordinated debt	Note 3.9	7	2	6,029	9,394	**15,432**

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.

	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		155,032	17,815	23,584	29,578	**226,009**
Due to banksknow	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.

FINANCIAL ASSETS

(In EURm)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	>5 yrs	Total
	31.12.2020					
Cash, due from central banks		164,724	900	1,611	944	**168,179**
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.4	240,288	9,371	-	-	**249,659**
Financial assets at fair value through other comprehensive income	Note 3.4	51,090	708	-	262	**52,060**
Securities at amortised cost	Note 3.5	13,941	146	1,337	211	**15,635**
Due from banks at amortised cost	Note 3.5	46,790	1,664	4,071	855	**53,380**
Customer loans at amortised cost	Note 3.5	70,518	75,862	163,365	109,820	**419,565**
Lease financing agreements*	Note 3.5	2,582	6,036	16,167	4,411	**29,196**

* *Amounts are featured net of impairments*

(In EURm)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	>5 yrs	Total
	31.12.2019					
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*

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:

1. 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 accountBing classification): maturity of less than 3 months,
   - positions measured mainly using unobservable market data (L3): maturity of 3 months to 1 year;
2. 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

(In EURm)	31.12.2020 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	-	-	815	-	408	**1,223**
Revaluation difference on portfolios hedged against interest rate risk		7,696	-	-	-	-	**7,696**
Other liabilities	Note 4.4	-	76,148	2,218	4,549	2,022	**84,937**
Non-current liabilities held for sale		-	-	-	-	-	-
Insurance contracts related liabilities	Note 4.3	-	16,593	9,475	38,011	82,047	**146,126**
Provisions	Note 8.3	4,775	-	-	-	-	**4,775**
Shareholders' equity		66,979	-	-	-	-	**66,979**

(In EURm)	31.12.2019 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**

OTHER ASSETS

(In EURm)	31.12.2020 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		378	-	-	-	-	**378**
Other assets	Note 4.4	-	67,341	-	-	-	**67,341**
Tax assets	Note 6	5,001	-	-	-	-	**5,001**
Investments accounted for using the equity method		-	-	-	-	100	**100**
Tangible and intangible fixed assets	Note 8.4	-	-	-	-	30,088	**30,088**
Goodwill	Note 2.2	-	-	-	-	4,044	**4,044**
Non-current assets held for sale		-	1	1	2	2	**6**
Investments of insurance companies		-	44,087	7,569	34,097	81,101	**166,854**

(In EURm)	31.12.2019 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**

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.

4.11 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 are 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 nine 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 antimoney laundering and counter-terrorism financing rules;
- regulatory risks, which cover customer protection, market integrity, compliance with international tax regulations, antibribery and corruption, ethics and conduct, corporate social responsibility and personal data protection.

Financial Security			Regulatory Risk					
KYC	AML	Sanctions & Embargoes	Customer protection	Market integrity	Tax transparency	Anti-corruption, Conduct and Ethics	Corporate Social Responsibility	Data
Know Your Customer	Anti-money laundering and counter-terrorism financing		MiFID II/MIFIR, PRIIPs, etc.	EMIR/DFA, Volker, FBL, MAD/MAR, benchmarks, etc.	FATCA, CRS, QI, etc.	ABC, Sapin II, etc.	CSR, ESG, etc.	GDPR, Archiving, etc.

4.11.1 COMPLIANCE

Financial security

KNOW YOUR CUSTOMER (KYC)

In 2018, the Group launched a programme to rework 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. Placed under the responsibility of the Compliance Division, this four-year programme is closely and regularly monitored at the highest Bank level. Significant progress has already been made in terms of providing equipment to handle KYC analysis and with respect to process industrialisation.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CTF)

The Group has implemented all the measures linked to the Fourth Directive on antimoney laundering and counter-terrorism financing, as well as European Regulation 2015/847 on the quality of payment information. The transposition of the fifth European Directive (transposed into French law *via* a decree dated 12 February 2020) into internal standards is advancing through recent industry-wide consultations and quarterly updates to the Societe Generale Code. It will be completed in early 2021.

The system for detecting suspicious or unusual transactions continued to be strengthened in 2020 with the roll-out of the most sophisticated surveillance tools, the optimisation of the scenarios used, and the use of new technologies.

FINANCIAL EMBARGOES AND SANCTIONS

In 2020, the international environment was impacted by the reinforcement of United States sanctions on China, with greater complexity in terms of implementation that may generate substantial operational risks for financial institutions. More broadly, 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 page 259), in particular in terms of screening third parties and transactions, training employees and industrialising all processes involved in controlling this risk.

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.

The system addressing the obligations introduced by European customer protection regulations (MIF2 and the Insurance Distribution Directive or DDA) has now been established both in terms of product governance and consulting, and with respect to compliance with information requirements. As part of the COVID crisis, the networks have temporarily adapted the marketing terms (information and remote sales) by developing telephonic consulting procedures.

In an environment marked by the health and social crisis, bank fee capping systems have been operational since February 2019 and continue to be strengthened.

In this context, significant measures are being taken to improve the Group's system by:

- strengthening internal rules relating to key aspects of customer protection (marketing rules, customer claims, conflict of interest, product governance, protection of customer assets, remuneration and qualification of employees);
- specific training and increased staff awareness; the importance the Group places on this issue is largely addressed in the Group's Code of Conduct;
- 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 impacts customer satisfaction. Accordingly, it has received much coverage in the Code of Conduct.

The "Customer claim processing" Group instruction incorporates the recommendations of the national supervisor (the French Prudential Supervisory and Resolution Authority) and the regulatory requirements (MIF2, DDA and DSP - Payment Services Directive) relative to the strengthening at European level of customer protection measures. The bank's businesses have an *ad hoc* governance, an organisation, human resources and applications, formalised procedures, and quantitative and qualitative monitoring indicators. Mediation services also form part of the internal procedure.

Conflicts of interest

The Group has a clear normative framework in place to prevent and manage conflicts of interest. This framework specifies the principles and mechanisms that have been implemented. The risk mappings, registers and declarations of the most exposed employees were strengthened in 2020 and are now more thorough to comply with obligations to identify situations of potential conflicts of interest. The system now covers three categories of potential conflicts of interest: those that may arise between the Group and its customers, or between the Group's customers; those occurring between the Group and its employees (particularly in relation to activities involving an employee's personal interest and their professional obligations); and those occurring between the Group and its suppliers.

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 situations, 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, in particular customers benefiting from the specific offer for financially vulnerable customers. 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: i) freezing bank fees; ii) capping bank intervention fees at EUR 25 for vulnerable clients; iii) organising follow-up and support suited to the situation of customers experiencing difficulties in the wake of recent events. These measures are closely monitored.

MARKET INTEGRITY

The main regulatory risks concerning market integrity involve the following:

- benchmarks (regulation on Benchmarks/BMR);
- market abuse and ethical employee behavior (MAR);
- derivatives activities (Dodd-Frank and EMIR regulations);
- separation of proprietary trading activities (US Volcker Rule and SRAB Act in France).

The challenges are threefold:

- constantly adapting compliance systems to address regulatory changes in the various global markets where the Group operates and, to this end, having expert resources who are also trained in project management;
- managing a robust compliance risk assessment process, taking into account the specific characteristics of each business and each region;
- having a solid governance at Group level to be able to monitor the progress made in projects and remedial programmes, ensure the normative framework is kept up-to-date, and monitor compliance incidents and the effective reporting of information to General Management, the Board and regulators.

Market abuse

The Compliance Division continued to improve the compliance of its system. Specific 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.

"Market abuse" instructions were revised in 2020. These instructions set out the measures to be implemented to prevent or detect market abuse practices that may threaten the integrity of financial markets, namely i) insider trading (transmission and use of privileged information); ii) market manipulation (price manipulation and the spreading of false information).

Regarding **market indices**: the Group has implemented an action plan to control **market manipulation** risks. This plan is now well under way and has enabled contributions to the benchmarks to be supervised and their administration to be rolled out across the Group. In addition to contributions to **benchmark indices** and the administration of indices, the use of indices has been subject to regulatory restrictions since January 2020.

The management of this system has been rolled out through instructions and training.

SEPARATION OF BANKING ACTIVITIES

The Volcker Rule published in December 2013, which established a prohibition in principle for certain institutions in the financial services sector, such as the Societe Generale Group, to trade on their own account and to purchase or hold covered funds(1) on its own account, was subject to two major amendments in 2019 and 2020: the Volcker 2.0 amendment on trading and the Volcker 2.1 amendment on funds, respectively. These amendments ease the Societe Generale Group's regulatory obligations. The Group's Volcker/FBL system became compliant with these amendments as of 1 January 2021.

DERIVATIVES

Regulatory risks related to derivatives market activities are covered by European regulations (EMIR Regulation) and US regulations (Title VII of the Dodd-Frank Act, SEC Rules). These regulations were changed in 2019 (SEC Rules and EMIT), leading the Group to become compliant; in particular by updating the instructions and training required to manage the system.

COMPLIANCE/TAX TRANSPARENCY

Societe Generale Group's principles on combating 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 and can be consulted on the Bank's institutional investor portal: *https://www.societegenerale.com/sites/default/files/documents/Code%20de%20conduite/Code_de_conduite_fiscale_groupe_societe_generale_fr.pdf*.

The five main principles of the Code of Conduct are as follows:

- Societe Generale ensures that the tax rules applicable to its business are followed in all countries where the Group operates, in accordance with international conventions and national laws;
- in its customer relationships, Societe Generale ensures that customers are informed of their tax obligations relating to transactions carried out with the Group, and the Group complies with the reporting obligations that apply to it as bookkeeper or in any other way;
- in its relations with the 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, its subsidiaries or its customers;
- 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 entities 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/sites/default/files/190426-vade-mecum-ri.pdf*)

The Group is committed to a strict policy with regard to tax havens. No Group entity is authorised in a state or territory on the official French list of ETNCs (États et territoires non coopératifs in French)(2) and internal rules have been in place since 2003 to monitor an expanded list of countries or territories.

The Group follows the Organization for Economic Co-operation and Development's (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 information on its entities and activities annually on a country-by-country basis (see p.60-61) and confirms that its presence in a number of countries is for commercial purposes only, and not to benefit from special tax provisions. The Group also complies with the tax transparency rules for its own account (CbCR - Country-by-Country Reporting).

The Group is fully committed to implementing regulations aimed at ensuring tax transparency for its customers' accounts (in particular FATCA and Common Reporting Standard – CRS).

Some of the tax regulations define tax transparency requirements. The FATCA (Foreign Account Tax Compliance Act), CRS (Common Reporting Standard), QI (Qualified Intermediary) and DAC 6 (Directive on Administrative Cooperation 6) regulations have the common goal of combating fraud and tax evasion by customers. The risks borne by financial institutions are financial, commercial and reputational in nature. The Group's main challenges involve adapting to regulatory developments, which are becoming increasingly stringent over the years, and strengthening its control systems.

Societe Generale complies with tax transparency standards. The Common Reporting Standard (CRS) 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. Moreover, Societe Generale complies with the requirements of the United States FATCA (Foreign Account Tax Compliance Act), which aims to combat tax evasion 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).

(1) The Volcker Rule does not offer a clear definition of a covered fund; it establishes a prohibition in principle to deal with hedge funds and private equity funds, and provides a list of exclusion criteria based on the products and/or the strategy of the fund, which make it possible to prevent this categorisation. For example, pension funds, foreign public funds, property acquisition vehicles and securitisation funds do not fall into the covered funds category.

(2) Including the European blacklist.

Lastly, the Group has implemented the new European Directive on transparency between intermediaries (referred to as DAC 6), which will require the reporting of cross-border tax arrangements. The Group Compliance Division has supported the Group Tax Department in implementing DAC6, more specifically the D regulatory marker regarding schemes aimed at circumventing the CRS and those involving opaque chains of beneficial owners. The first reports are expected to be filed after 31 January 2021.

Importantly, the account-keeping entities of the Private Banking business line 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 antimoney 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.

Within this context, processes and tools continue to be strengthened with the provision of staff dedicated to anti-corruption practices within the Group, and the creation of monitoring indicators and new controls - including accounting and operational controls to reduce the risk of corruption.

The Group's anti-corruption instructions have been greatly expanded. Accordingly, the Anti-Corruption and Influence Peddling Code has been updated and supplemented. Furthermore, several instructions and procedures have been published or updated this year, thereby constituting a thorough and updated body of instructions.

The implementation of certain instructions was accompanied by the establishment of Group tools, such as the tool for declaring gifts and invitations (GEMS), the tool for whistleblowing management (WhistleB, now available Group-wide), and the annual conflict of interest declaration tool (DACI).

Training measures have been strengthened, in particular with respect to persons most exposed to the risk of corruption, accounting controllers, and members of General Management and the Board of Directors.

Third-party knowledge procedures have been improved, with special focus on intermediaries, as well as the introduction of due diligence for suppliers and associations benefiting from donations or sponsorship initiatives. The ABC (Anti-Corruption) function now plays an active role in developing KYC (Know Your Customer) processes in the bank's Global Banking business.

A comprehensive training programme is being rolled out to increase the vigilance of employees. The programme was reinforced throughout the Group in 2020 resulting in the following:

- e-learning for all staff: an enhanced version of this training programme was put online in July 2020 (99% completion rate);
- training dedicated to employees most exposed to the risk of corruption (98% completion rate) and to employees in charge of accounting and in charge of accounting and financial controls (418 people trained in webex);
- anti-corruption experts as well as members of the ABC network have completed a diploma course (ACAMS).

CORPORATE SOCIAL RESPONSIBILITY

In keeping with the Group's strategic ambitions, a dedicated team in the Compliance Division is now responsible for Corporate Social Responsibility as the second line of defence. In particular, it oversees the project targeting compliance with the ESG[1] Directive aimed at promoting sustainable investment and strengthening the transparency of ESG investment products and services provided to customers

In 2021, efforts will also be made towards the operational implementation of the Bank's social and environmental commitments by systematically checking exclusion and identification lists, as well as taking sectoral policies into consideration in the onboarding and customer review process. Lastly, there are plans to develop appropriate training courses for affected categories of staff.

DATA PROTECTION

As a trusted partner of its customers, Societe Generale is especially sensitive to personal data protection.

The entry into force of the new European General Data Protection Regulation (GDPR) in May 2018, which increases the Company's obligations regarding the protection of data and the level of sanctions in case of non-compliance with these obligations (up to 4% of revenue), has offered the Group and its subsidiarie an opportunity for to further reinforce their compliance system.

Internal instructions and associated procedures in line with local and European regulations define the applicable rules and the measures to guarantee the protection and security of customer and staff data across all Group entities. Data Information and processing measures are in place so that customers can exercise their data protection rights, notably through dedicated digital platforms. The Group devised a personal data security policy which dovetails with the Group's overall security strategy, in particular in respect of cybersecurity. And, in keeping with the rollout of GDPR, specific efforts have been made to increase staff awareness through dedicated training programmes. On that score, an e-learning module was introduced for employees in the entities concerned. At end-2020, 98.5% of employees had undertaken the training course.

(1) Environment, Social and Governance.

Lastly, Societe Generale Group has appointed a Data Protection Officer (DPO) who reports to the Head of Group Compliance and is the main contact person for the French Personal Data Protection Authority (*Commission Nationale de l'Informatique et des Libertés* - CNIL). The DPO is responsible for ensuring sound Group compliance for personal data protection. Alongside the network of local DPOs and correspondents throughout the Group entities, the DPO assists them with security issues and personal data usage. As part of his duties, the DPO regularly reviews a number of indicators, notably the number and nature of requests by persons seeking to exercise their rights under GDPR, the internal training completion rate, and the local DPO certification programme launched at the end of 2018.

Others regulatory risk

MEDIATION

The Group employs several methods to inform customers of mediation, one of the alternative dispute resolution measures, including a permanent notice on the back of customer bank account statements. Every entity involved is obliged to comply with the independent mediator's decision.

RISK AND REMUNERATION POLICY

In keeping with the regulatory framework defined by European Directive CRD3, Societe Generale has had a specific governance in place to determine variable remuneration since the end of 2010. The rules introduced by this directive apply not only to financial market professionals, but 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. It 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 of 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. 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: 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 provisions). All deferred variables of the regulated population are subject to a non-payment clause to sanction any excessive risk-taking or behavior 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 2020.

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 of 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.

Furthermore, Societe Generale has 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 non-compliant employee behavior with respect to risk management, 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 Chief Executive Officer. 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 through 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.

This updated programme's action plan was implemented in 2019 and will continue to be implemented in 2021.

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 itpros 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 2020, 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.

On 14 December 2020, Societe Generale was notified of the termination of proceedings notice issued by the Financial Prosecutor of the French Republic (the *Procureur de la République Française*, or PRF) in connection with certain transactions with Libyan counterparties.

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 antimoney laundering compliance programme. This agreement requires (i) submitting an enhanced antimoney laundering programme, (ii) an antimoney laundering governance plan, and (iii) the performance of an external audit in 2020.

As background information, 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 antimoney 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 US Federal Reserve 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.

4.11.2 LITIGATION

The information pertaining to risks and litigation is included in Note 9 to the consolidated financial statements, page 519.

4.12 MODEL RISK

Many choices made within the Group are based on quantitative decision support tools (models). Model risk is defined as the risk of losses due to decisions reached based on results of internal modeling due to errors in development, implementation or use of these models. It can take the form of model uncertainty or errors in the implementation of model management processes.

4.12.1 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 defence, 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 defence (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 defence (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 defence (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 defence) and l '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 defence 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 risk 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 defence 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 along the time proposed by the LOD1, from the independent Review Report and the minutes of the Review Authority.

4.13 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.

4.13.1 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' behavior (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 behavior.

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 framed 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 behavior (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.

4.13.2 INSURANCE RISK MODELING

The models are reviewed by the Insurance Risks Department, which is the second line of defence 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 use of the model, 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.

4.14 OTHER RISKS

4.14.1 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 2020 and 2019, 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 46: SHARES AND EQUITIES IN THE BANKING BOOK

(In EURm)	31.12.2020	31.12.2019
Shares and equities in the Banking Book - Statutory perimeter	16,913	18,796
o.w shares and other equity securities at fair value through profit or loss	*2,561*	*2,492*
o.w. shares and other equity securities at fair value through other comprehensive income	*14,351*	*16,304*
Shares and equities in the Banking Book - Prudential scope (Exposure at default)	7,253	7,156
o.w shares and other equity securities at fair value through profit or loss	*6,994*	*6,917*
o.w. shares and other equity securities at fair value through other comprehensive income	*259*	*239*

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 47: NET GAINS AND LOSSES ON BANKING BOOK EQUITIES AND HOLDINGS

(In EURm)	31.12.2020	31.12.2019
Gains and losses on the sale of shares and equity	155	388
Net gains/losses on banking book	49	33

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 2020, the Group's risk-weighted assets related to its non-trading equity portfolio, and its corresponding capital requirements, were as follows:

TABLE 48: CAPITAL REQUIREMENTS RELATED TO BANKING BOOK EQUITIES AND HOLDINGS[1]

(In EURm)			31.12.2020			31.12.2019		
Equities and holdings	Approach	Weighting	Exposure at default	Risk-weighted assets	Capital requirements	Exposure at default	Risk-weighted assets	Capital requirements
Private equity	Standardised	150%	-	-	-	-	-	-
Private equity	Advanced approach (IRB)	190%	351	668	53	185	352	28
Financial securities	Advanced approach (IRB)	250%	517	1,292	103	-	-	-
Financial securities	Standardised	250%	10	26	2	503	1,257	101
Listed shares	Advanced approach (IRB)	290%	25	74	6	38	111	9
Unlisted shares and insurance	Advanced approach (IRB)	370%	5,381	19,908	1,593	5,297	19,599	1,568
TOTAL			**6,285**	**21,968**	**1,757**	**6,023**	**21,318**	**1,705**

(1) Excluding cash investments.

4.14.2 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. This residual value risk is managed by ALD Automotive (ALDA).

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.

ALDA gross operating income derived from car sales totalled EUR 61.1 million at 31 December 2020 versus EUR 75 million at 31 December 2019.

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 ALDA 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 ALDA. 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 ALDA 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.

4.14.3 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.

4.14.4 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).

4.14.5 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).

6.1 CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 CONSOLIDATED BALANCE SHEET - ASSETS

(In EURm)		31.12.2020	31.12.2019
Cash, due from central banks		168,179	102,311
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	429,458	385,739
Hedging derivatives	Notes 3.2 and 3.4	20,667	16,837
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	52,060	53,256
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	15,635	12,489
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	53,380	56,366
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	448,761	450,244
Revaluation differences on portfolios hedged against interest rate risk		378	401
Investments of insurance companies	Note 4.3	166,854	164,938
Tax assets	Note 6	5,001	5,779
Other assets	Note 4.4	67,341	68,045
Non-current assets held for sale		6	4,507
Investments accounted for using the equity method		100	112
Tangible and intangible fixed assets*	Note 8.4	30,088	30,844
Goodwill	Note 2.2	4,044	4,627
TOTAL		**1,461,952**	**1,356,495**

* *The amount has been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

6.1.2 CONSOLIDATED BALANCE SHEET - LIABILITIES

(In EURm)		31.12.2020	31.12.2019
Due to central banks		1,489	4,097
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	390,247	364,129
Hedging derivatives	Notes 3.2 and 3.4	12,461	10,212
Debt securities issued	Notes 3.6 and 3.9	138,957	125,168
Due to banks	Notes 3.6 and 3.9	135,571	107,929
Customer deposits	Notes 3.6 and 3.9	456,059	418,612
Revaluation differences on portfolios hedged against interest rate risk		7,696	6,671
Tax liabilities	Note 6	1,223	1,409
Other liabilities*	Note 4.4	84,937	85,254
Non-current liabilities held for sale		-	1,333
Insurance contracts related liabilities	Note 4.3	146,126	144,259
Provisions	Note 8.3	4,775	4,387
Subordinated debts	Note 3.9	15,432	14,465
TOTAL LIABILITIES		**1,394,973**	**1,287,925**
SHAREHOLDERS' EQUITY			
Shareholders' equity, Group share			
Issued common stocks and capital reserves		22,333	21,969
Other equity instruments		9,295	9,133
Retained earnings		32,076	29,558
Net income		(258)	3,248
SUB-TOTAL		**63,446**	**63,908**
Unrealised or deferred capital gains and losses	Note 7.3	(1,762)	(381)
SUB-TOTAL EQUITY, GROUP SHARE		**61,684**	**63,527**
Non-controlling interests		5,295	5,043
TOTAL EQUITY		**66,979**	**68,570**
TOTAL		**1,461,952**	**1,356,495**

* *The amount has been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

6.1.3 CONSOLIDATED INCOME STATEMENT

(In EURm)		2020	2019
Interest and similar income	Note 3.7	20,721	23,712
Interest and similar expense	Note 3.7	(10,248)	(12,527)
Fee income	Note 4.1	8,529	9,068
Fee expense	Note 4.1	(3,612)	(3,811)
Net gains and losses on financial transactions		2,851	4,460
o/w net gains and losses on financial instruments at fair value through profit or loss	*Note 3.1*	*2,785*	*4,343*
o/w net gains and losses on financial instruments at fair value through other comprehensive income		*69*	*119*
o/w net gains and losses from the derecognition of financial instruments at amortised cost		*(3)*	*(2)*
Net income from insurance activities	Note 4.3	2,124	1,925
Income from other activities	Note 4.2	11,471	11,629
Expenses from other activities	Note 4.2	(9,723)	(9,785)
Net banking income		**22,113**	**24,671**
Personnel expenses	Note 5	(9,289)	(9,955)
Other operating expenses*	Note 8.2	(5,821)	(6,240)
Amortisation, depreciation and impairment of tangible and intangible fixed assets*	Note 8.4	(1,604)	(1,532)
Gross operating income		**5,399**	**6,944**
Cost of risk	Note 3.8	(3,306)	(1,278)
Operating income		**2,093**	**5,666**
Net income from investments accounted for using the equity method		3	(129)
Net income/expense from other assets		(12)	(327)
Value adjustment on goodwill	Note 2.2	(684)	-
Earnings before tax		**1,400**	**5,210**
Income tax	Note 6	(1,204)	(1,264)
Consolidated net income		**196**	**3,946**
Non-controlling interests		454	698
Net income, Group share		**(258)**	**3,248**
Earnings per ordinary share	Note 7.2	(1.02)	3.05
Diluted earnings per ordinary share	Note 7.2	(1.02)	3.05

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

6.1.4 STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In EURm)	2020	2019
Consolidated net income	**196**	**3,946**
Unrealised or deferred gains and losses that will be reclassified subsequently into income	**(1,353)**	**844**
Translation differences	(1,776)	563
Revaluation of debt instruments at fair value through other comprehensive income	247	(28)
Revaluation differences for the period	*317*	*48*
Reclassified into income	*(70)*	*(76)*
Revaluation of available-for-sale financial assets	117	188
Revaluation differences for the period	*123*	*190*
Reclassified into income	*(6)*	*(2)*
Revaluation of hedging derivatives	154	153
Revaluation differences of the period	*138*	*195*
Reclassified into income	*16*	*(42)*
Unrealised gains and losses of entities accounted for using the equity method	-	1
Related tax	(95)	(33)
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	**(79)**	**(160)**
Actuarial gains and losses on defined benefit plans	(53)	(32)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss	(79)	(121)
Revaluation of equity instruments at fair value through other comprehensive income	16	(48)
Unrealised gains and losses of entities accounted for using the equity method	-	3
Related tax	37	38
Total unrealised or deferred gains and losses	**(1,432)**	**684**
Net income and unrealised or deferred gains and losses	**(1,236)**	**4,630**
o/w Group share	*(1,640)*	*3,903*
o/w non-controlling interests	*404*	*727*

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 and deferred gains and losses	Total	Non-controlling interests	Total consolidated shareholder's 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 and remuneration of equity instruments	1,011	23	(731)	-	-	303	(33)	270
Elimination of treasury stock	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***
At 31 December 2019	**21,969**	**9,133**	**29,558**	**3,248**	**(381)**	**63,527**	**5,043**	**68,570**
Allocation to retained earnings	6	-	3,229	(3,248)	13	-	-	-
At 1 January 2020	**21,975**	**9,133**	**32,787**	**-**	**(368)**	**63,527**	**5,043**	**68,570**
Increase in common stock and issuance/redemption and remuneration of equity instruments (see Note 7.1)	-	162	(628)	-	-	(466)	(33)	(499)
Elimination of treasury stock (see Note 7.1)	316	-	(57)	-	-	259	-	259
Equity component of share-based payment plans (see Note 5.3)	42	-	-	-	-	42	-	42
2020 Dividends paid (see Note 7.2)	-	-	-	-	-	-	(91)	(91)
Effect of changes of the consolidation scope (see Note 7.1)	-	-	80	-	-	80	(21)	59
Sub-total of changes linked to relations with shareholders	***358***	***162***	***(605)***	***-***	***-***	***(85)***	***(145)***	***(230)***
2020 Net income	-	-	-	(258)	-	(258)	454	196
Change in unrealised or deferred gains and losses	-	-	-	-	(1,394)	(1,394)	(57)	(1,451)
Other changes	-	-	(106)	-	-	(106)	-	(106)
Sub-total	***-***	***-***	***(106)***	***(258)***	***(1,394)***	***(1,758)***	***397***	***(1,361)***
At 31 December 2020	**22,333**	**9,295**	**32,076**	**(258)**	**(1,762)**	**61,684**	**5,295**	**66,979**

6.1.6 CASH FLOW STATEMENT

(In EURm)	2020	2019
Consolidated net income (I)	**196**	**3,946**
Amortisation expense on tangible and intangible fixed assets (including operational leasing)*	5,263	5,218
Depreciation and net allocation to provisions	1,937	(3,284)
Net income/loss from investments accounted for using the equity method	(3)	129
Change in deferred taxes	496	295
Net income from the sale of long-term assets and subsidiaries	(74)	(84)
Other changes*	(757)	1,258
Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)	**6,862**	**3,532**
Income on financial instruments at fair value through profit or loss	6,077	5,267
Interbank transactions	42,149	14,554
Customers transactions	43,790	5,429
Transactions related to other financial assets and liabilities	(21,347)	(36,748)
Transactions related to other non-financial assets and liabilities	3,064	14,424
Net increase/decrease in cash related to operating assets and liabilities (III)	**73,733**	**2,926**
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	**80,791**	**10,404**
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments	(1,275)	234
Net cash inflow (outflow) related to tangible and intangible fixed assets	(5,588)	(7,210)
Net cash inflow (outflow) related to investment activities (B)	**(6,863)**	**(6,976)**
Cash flow from/to shareholders	24	(1,219)
Other net cash flow arising from financing activities	2,109	3,229
Net cash inflow (outflow) related to financing activities (C)	**2,133**	**2,010**
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	(2,596)	1,386
Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C) + (D)	**73,465**	**6,824**
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 start of the year	**108,480**	**101,656**
Cash, due from central banks (assets)	168,179	102,311
Due to central banks (liabilities)	(1,489)	(4,097)
Current accounts with banks (see Notes 3.5 and 4.3)	26,609	21,843
Demand deposits and current accounts with banks (see Note 3.6)	(11,354)	(11,577)
Cash and cash equivalents at the end of the year	**181,945**	**108,480**
Net inflow (outflow) in cash and cash equivalents	**73,465**	**6,824**

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 9 February 2021.

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 2020 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date. The Group includes the parent company Societe Generale (including the Societe Generale foreign branches) and all of the entities in France and abroad that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates).

These standards are available on the European Commission website.

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 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 the notes to the consolidated financial statements 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, particularly affected by the effects of the Covid-19 crisis.

The Group has elected to publish its Annual Financial Report 2020 using the European Single Electronic Format (ESEF) as defined by the European Delegated Regulation 2019/815 amended by the Delegated Regulation 2020/1989.

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 at 1 January 2020

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in the framework of interest rate benchmark reform (IBOR reform)

Amendments to IFRS 3 "Business Combinatons"

Amendments to IAS 1 and IAS 8 "Definition of Material"

Amendments to IFRS 16 "leases" Covid-19 related rent concessions

AMENDMENTS TO IFRS 9 "FINANCIAL INSTRUMENTS", IAS 39 "FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT", IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES", IFRS 4 "INSURANCE CONTRACTS", IFRS 16 "LEASES"

In the context of the interest rate reform – or IBOR reform – currently being implemented (see Chapter 4), the accounting standards applicable have been amended by the IASB.

The objective of the first amendments, implemented by the Group since 31 December 2019, is to enable the continued application of hedge accounting treatments despite uncertainties regarding the timetable and specifics regarding the transition from current interest rate benchmarks to new ones; and to do so despite any possible changes to financial instruments indexed on the current interest rate benchmarks. These amendments have introduced exemptions relating mainly to compliance with the following requirements:

- the hedged cash flows must be highly probable;
- the hedges must be highly effective;
- the hedged risk has to be identifiable.

These amendments will remain applicable until the uncertainties have been resolved. Specific information on the hedging financial instruments concerned are disclosed in the Notes (see Note 3.2.2).

Supplementary amendments have been introduced by the IASB regarding the treatment of the changes in financial instruments contracts in the framework of the IBOR reform. Adopted by the European Union on 14 January 2021, they were early-applied by the Group in its financial statements as at 31 December 2020.

These supplementary amendments provide for the application of the following treatments:

- changes brought about by the IBOR reform in the determination of the contractual cash flows, when performed on an economically equivalent basis, should be booked as a revision of the variable interest rate when measuring financial assets and liabilities at amortised cost, financial assets at fair value through other comprehensive income and lease liabilities (see Note 3 Financial instruments and Note 3.7 Interest income and expense);
- continuation of the hedging relationship when changes are made, in the framework of the IBOR reform, on the hedged item and/or the hedging instrument and leading to a new documentation of the hedge (see Note 3.2.2 Financial instruments – Hedging derivatives).

During 2020, the implementation of the IBOR reform triggered changes in the assessment of some derivative financial instrument contracts cleared through Clearing Houses (LCH, CME) as well as in the remuneration of the collateral deposits associated. Regarding financial instrument agreements, the changes in value resulting from changes in discount rates have been compensated in cash without any impact on the Group's income statement.

AMENDMENTS TO IFRS 3 "BUSINESS COMBINATIONS"

These amendments clarify the implementation guide 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.

The amendments did not have any impact on the Group consolidated financial statements.

AMENDMENTS TO IAS 1 AND IAS 8 "DEFINITION OF MATERIAL"

These amendments are intended to clarify the definition of 'material' in order to facilitate the exercise of judgement during the preparation of financial statements, particularly when selecting the information to be presented in the Notes.

The amendments did not have any impact on the Group consolidated financial statements.

AMENDMENTS TO IFRS 16 "LEASES" - COVID-19 RELATED RENT CONCESSIONS

These amendments are intended to optionally enable lessees who receive rent reliefs in the context of the Covid-19 pandemic not to analyse whether the granted concessions should be accounted for as changes to leases (which would imply a spreading into the income statement of the effects of the granted benefit over the term of the contract) but to account for these reliefs as negative variable leases (generating an immediate gain in the income statement).

In 2020, the Group did not have any rent reliefs consecutive of the Covid-19 crisis.

FOLLOW-UP ON IFRS INTERPRETATIONS COMMITTEE (IFRS IC) DECISIONS ON 26 NOVEMBER 2019 RELATED TO IFRS 16

During its 26 November 2019 meeting, the IFRS IC specified two major points for the application of the IFRS 16 principles:

- to assess the enforceability of the agreement and determine the lease term within enforcement period one should take account of all the economic aspects of the agreement, the intents and capacities of all parties, and not only of the contractual terms (contractual termination penalties, for example);
- the assumptions used to determine the lease term and those used to determine the depreciation period of any layouts associated with the lease shall be aligned.

The ANC issued a new statement of conclusions on French commercial leases (called "3/6/9" leases) taking into account the clarifications provided by the IFRS IC.

In 2020, the Group reviewed the enforcement periods and durations to be selected for the commercial leases of its retail networks in France; some of these leases, having been extended tacitly each year, had not resulted, on 1 January 2019, in the recognition of any lease debt or right-of-use.

This revision of the duration is reflected in the consolidated financial statements through the recognition, from 1 January 2019, of a supplementary lease debt and a right-of-use which amounted to 192 million euros as at 31 December 2019.

The impact on the 2019 income of the substitution of the depreciation expense and interest expense on the lease debt to the lease expenses amounts to 45 million euros.

NOTE 1.3 Accounting standards, amendments or interpretations to be applied by the Group in the future

IASB published accounting standards and amendments, some of which have not been adopted by the European Union as at 31 December 2020. They are required to be applied for annual periods beginning on 1 January 2021 at the earliest or on the date of their adoption by the European Union.

The accounting standards and amendments which have therefore not been applied by the Group as at 31 December 2020 and their implementation timetable are as follows:

2022

- Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets - Onerous contracts - Cost of fulfilling a contract"
- Annual improvements to IFRS standards (2018 - 2020 cycle)

2023

- IFRS 17 "Insurance Contracts"

AMENDMENTS TO IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS - ONEROUS CONTRACTS – COST OF FULFILLING A CONTRACT"

Issued by IASB on 14 May 2020.

These amendments clarify the costs to be retained in determining the costs of fulfilling a contract when analysing onerous contracts.

ANNUAL IMPROVEMENTS TO IFRS STANDARDS (2018-2020 CYCLE)

Issued by IASB on 14 May 2020.

As part of the annual Improvements to the International Financial Reporting Standards (IFRS), the IASB has issued minor amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial instruments", IAS 41 "Agriculture" and IFRS 16 "Leases".

IFRS 17 "INSURANCE CONTRACTS"

Issued by IASB on 18 May 2017.

This new standard will replace IFRS 4 "Insurance Contracts" issued in 2004 which currently allows entities to apply national accounting regulations for the recognition of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts within its scope application (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised as liabilities on the balance sheet will be replaced by an assessment of current value of the insurance contracts.

On 25 June 2020, the IASB issued amendments to IFRS 17 "Insurance Contracts" to facilitate its implementation.

These amendments to IFRS 17 include the postponement to 1 January 2023 of its first application date originally set for 1 January 2021. In parallel, an amendment to the IFRS 4 Standard has also been published to extend until 1 January 2023 the ability for entities whose primary activity is insurance to delay the application of IFRS 9. As at 15 December 2020, the European Commission published the Regulation (EU) 2020/2097 which allows the financial conglomerates falling within the scope of Directive 2002/87/EC to postpone until the 1 January 2023 the implementation of IFRS 9 by their entities belonging to the insurance sector.

In 2018, the Group completed the scoping of a project to implementing the IFRS 17 standard in order to determine the stakes and impacts for the Insurance business line.

Over the course of 2019, a project structure was set up under the joint governance of the Group's Finance Divisions and the Insurance business line.

In 2019 and 2020, the work has focused on reviewing the different types of contracts, the analysis of their accounting treatment under IFRS 17 and their presentation in the consolidated financial statements and finally the study and choice of information systems and processes.

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, on the Unrealised or deferred gains and losses on the valuation of assets and liabilities in the balance sheet, and on the 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 nature, valuations based on estimates involve risks and uncertainties regarding their occurrence in the future. Consequently, the actual future results may differ from these estimates and have a significant impact on the financial statements.

The assumptions and the estimates made for the preparation of these consolidated financial statements have changed since the previous annual closing to reflect the current uncertainties about the consequences, duration and magnitude of the economic crisis generated by the Covid-19 pandemic. The effects of this crisis on the assumptions and estimates used are specified in the 5th part of this note.

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;
- assumptions and amortisation conventions used to determine the maturities of financial assets and liabilities for the purpose of measuring and monitoring the structural interest rate risks and documenting the related macro fair value hedge accounting (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);
- the determination of the lease period to be applied in determining the right-of-use assets and the lease liability (see Note 8.4).

BREXIT

The United Kingdom organised on 23 June 2016 a referendum at which a majority of British people voted to leave the European Union (Brexit).

After having been postponed several times, the United Kingdom withdrawal agreement entered into force on 31 January 2020 with a transition period which ended on 31 December 2020. The law of European Union has also ceased to apply to the United Kingdom since 1 January 2021.

Despite the unfavorable health and political context, the negotiations conducted between the United-Kingdom and the European Union resulted on 24 December 2020 in a Trade and cooperation agreement excluding financial services. To date, there is merely a European equivalence for the use of Clearing Houses for an 18-month period from 1 January 2021.

The Group had anticipated these difficulties and has thus maintained the measures already in place from 31 January 2020 to provide continuity of service to its customers (in particular, reorganisation and migration of some customer accounts between the two platforms in Paris and London). Furthermore, the Group has been granted a transitional authorisation to continue its activities in London for two years, subject to compliance with local regulatory standards.

Thus, areas of uncertainties remain with regard to financial services and the terms and conditions for obtaining equivalences on one side, and to the potential increase in the divergences between local regulations and European regulations on the other side.

The Group continues to follow these negotiations and has taken into account the short-/mid-/long-term consequences of the Brexit in the assumptions and estimates selected to prepare the consolidated accounts.

NOTE 1.5 Covid-19

The Covid-19 pandemic is causing a health crisis and an economic shock of historic proportions. The containment measures imposed by many governments to stop the spread of virus have led to a collapse of global activity during 2020: the crisis is affecting both the supply of goods and services through containment measures and demand through declining corporate and household incomes.

Governments and central banks have massively intervened to mitigate the effects of this shock by providing significant support in term of liquidity and credit guarantees to the economy.

High uncertainties remain about the consequences, magnitude and duration of the crisis.

In this context, the Group decided during the second quarter to take a multi-scenario approach. This one served to analyse the effects on the Group activities in order to take into account the assumptions and estimates used by the Group in the preparation of the half-year consolidated financial statements. These scenarios have been updated at the end of 2020 for the preparation of annual financial consolidated statements.

In connection with the numerous publications of regulatory authorities and of the IASB, the Group has also made some adjustments in methodology and has taken into account support measures decided by the government authorities for the application of the principles for measuring expected credit losses. Indeed, as part of the economic emergency plan implemented by the French authorities offering cashflow support to the companies weakened by the crisis, the Group has proposed to some of its clients adjustments to their loans facilities in the form of moratoriums (deferral of the payment date without waiving interest in most cases) and has actively contributed to the massive granting processes of State Guaranteed Loans (PGE). Similar measures have also been implemented in different countries where the Group operates.

These different elements consequent to the Covid-19 crisis are detailed below to shed light on the financial consequences of the crisis and on their consideration in the preparation of the consolidated financial statements.

DEFINITION OF NEW MACROECONOMIC SCENARIOS

To prepare its financial statements, the Group uses macroeconomic scenarios in the expected credit losses measurement models including forward-looking data (see Note 3.8).

These scenarios are developed by Societe Generale's Economic and Sector Studies Department for all the Group entities. A weighting ratio is attributed to each scenario and the outputs from the models correspond to a weighted average of these scenarios.

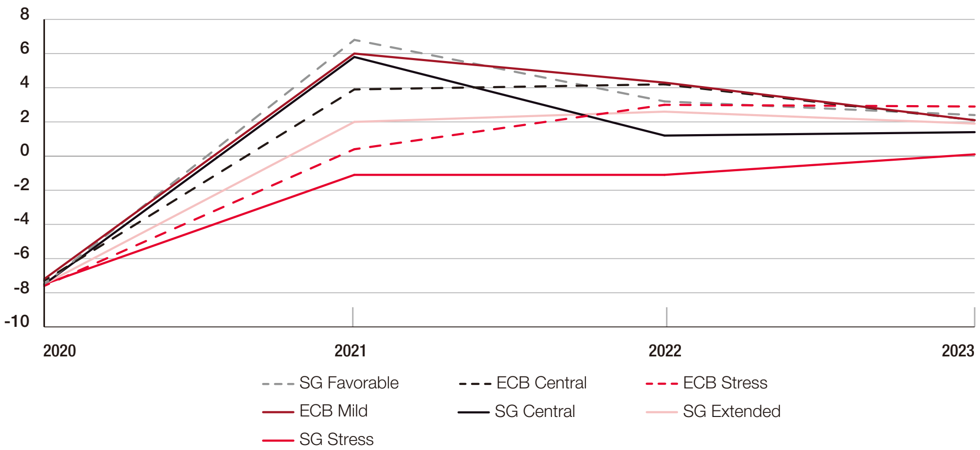
In the second quarter 2020, the Group developed four new macro-economic scenarios to better reflect the impacts and uncertainties generated by the Covid-19 crisis.

On 31 December 2020, the Group maintained the coexistence of four scenarios owing to a still high level of uncertainty, and adjusted them to reflect the best vision to date:

- the central scenario (SG Central) expects, after a significant fall in GDP in the countries where the Group has been operating in 2020, a gradual rebound from 2021, considering that the travel restrictions measures will be lifted by the beginning of 2022;
- a scenario of prolonged health crisis (SG Extended) expects that the travel restrictions measures will be lifted by the beginning of 2023;
- Finally, these two scenarios are supplemented by one favorable and one stressed scenarios. These last two scenarios are less severe as at 30 June 2020 owing to a less uncertain environment by the strengthening of support measures.

The illustration below compares the GDP previsions in the Euro area used by the Group for each scenario with the previsions provided by ECB in December 2020. By the end of 2021, the scenarios adopted by the Group are within the range of the ECB scenarios.

GDP FORECASTS BY SCENARIO, IN %



The main variables used (GDP percentage growth for the main countries where the Group operates and profit margins of French companies) for each scenario are detailed below:

SG Favorable scenario	2021	2022	2023	2024	2025
France GDP	7.5	3.0	2.5	2.8	1.9
Profit margin of French companies	33.6	32.4	32.7	32.8	32.3
Euro area GDP	6.8	3.2	2.4	2.7	1.8
United States GDP	4.7	4.8	3.4	3.2	2.2
China GDP	8.2	6.8	5.6	5.5	4.4
Czech Republic GDP	6.8	3.5	3.0	3.5	2.5
Romania GDP	6.7	3.6	3.0	4.0	3.0

SG Central scenario	2021	2022	2023	2024	2025
France GDP	6.5	1.0	1.5	1.8	1.9
Profit margin of French companies	33.0	32.2	32.2	32.2	32.3
Euro area GDP	5.8	1.2	1.4	1.7	1.8
United States GDP	3.7	2.8	2.4	2.2	2.2
China GDP	7.2	4.8	4.6	4.5	4.4
Czech Republic GDP	5.8	1.5	2.0	2.5	2.5
Romania GDP	5.7	1.6	2.0	3.0	3.0

SG Extended scenario	2021	2022	2023	2024	2025
France GDP	2.0	3.0	2.5	1.8	1.9
Profit margin of French companies	30.5	31.4	32.0	32.0	31.9
Euro area GDP	2.0	2.6	1.9	1.7	1.8
United States GDP	0.4	3.3	2.4	2.2	2.2
China GDP	3.8	5.2	4.8	4.5	4.4
Czech Republic GDP	2.0	0.3	1.3	2.2	2.3
Romania GDP	2.0	1.8	2.0	3.0	3.0

SG Stress scenario	2021	2022	2023	2024	2025
France GDP	(0.8)	(1.0)	0.5	1.3	1.9
Profit margin of French companies	29.7	29.4	30.0	30.0	31.9
Euro area GDP	(1.1)	(1.1)	0.1	1.2	1.8
United States GDP	(3.0)	0.1	0.9	1.7	2.2
China GDP	0.5	2.0	3.2	4.0	4.4
Czech Republic GDP	(1.1)	(2.1)	0.2	1.9	2.5
Romania GDP	(1.2)	(1.3)	0.5	2.5	3.0

Weighting of the macroeconomic scenarios

On 31 December 2020, the SG Central scenario was updated as described in the “Definition of macroeconomic parameters” paragraph. The analysis of the consequences of the first lockdown and the proposed governmental support measures has enabled the Group, as part of the annual budget process, to review the SG Central scenario. Thus, the SG Central scenario takes into account more precisely the uncertainties related to Covid-19 crisis and its future consequences.

PRESENTATION OF THE CHANGES IN WEIGHTING

	31.12.2019	30.06.2020	31.12.2020
SG Central	74%	65%	65%
SG Extended	-	25%	10%
SG Stress	16%	5%	15%
SG favorable	10%	5%	10%

CALCULATION OF EXPECTED CREDIT LOSSES

The main evolutions of the year concerned:

- the update of the models of expected credit losses to take into account the impact of the new macroeconomic scenarios described above;
- adjustments of the models to better reflect the impact of the scenarios on the expected credit losses;
- the update of sector adjustments and adjustments on the scope of entities that do not use developed model;
- the inclusion of support measures for customers weakened by the crisis in connection with the government authorities.

The impacts of these changes on the valuation and the accounting of expected credit losses are presented in the Note 3.8.

Based on the scenarios and weighting mentioned above, and after taking into account the methodological adjustments and support measures, the Cost of risk for the financial year 2020 amounts to a net expense of 3,306 million euros, increasing by 2,028 million euros (159%) compared to the financial year 2019.

Using weighting of 10% for the scenario SG Central, of 65% for the scenario SG Extended, of 10% for the scenario SG favorable and of 15% for the scenario SG Stress, the impact would be an extra allocation of 131 million euros.

Covid-19 support measures

The terms of the moratoriums varied from country to country. In the large majority of cases, they have been included in mass schemes (*i.e.* broadly applied to all outstanding company loans, with no specific granting conditions).

In France, the moratoriums took the form of a six-month payment deferment on loans (until twelve months for the tourism moratoriums) granted to corporates and professionals (principal and interests), with interests on the deferral charged only on the principal. For the French Retail Banking, the outstandings of these moratoriums represented 23.1 billion euros, of which the majority has now expired, with a resumption for most customer of reimbursements without incident.

Abroad, various cases have been observed, both over the duration of the moratorium, and over its terms (interest charged or not for the deferment).

From an accounting point of view, these moratoriums were not considered as substantial modifications of the contractual cash flows of the loans to which they were applied, and therefore did not result in the derecognition of these loans. The application of the IFRS 9 provisions relating to the modification of financial assets (catch-up method with recording of a charge in profit or loss representative of a loss of interests) had no material impact on the financial statements of the Group.

As recommended by the prudential and supervisory authorities, and repeated over by the IASB in a press release of 27 March 2020, the granting of moratoriums directly related to the cash flow difficulties generated by the occurrence of the Covid-19 crisis did not lead to the automatic transfer of these credit outstandings into Stage 2 (under-performing assets), nor into Stage 3 (credit-impaired assets). A case-by-case analysis was conducted on the most significant exposures, and on those with increased risks particularly due to their ante-crisis Basel scoring. At the end of December 2020, 7.5 billion euros of these outstandings are classified in Stage 2 and 730 million euros are downgraded to Stage 3.

In France, in addition to the moratoriums, the Group's entities have contributed to the implementation of support measures decided by the authorities through the study and allocation of State Guaranteed Loans.

Thus, the Group offers until June 2021 to its customers affected by the crisis (professionals and corporate customers) the allocation of State Guaranteed Loan facilities (PGE) within the framework of the 2020 French Amending Finance Act and the conditions set by the decree of 23 March 2020. These are financings made at cost price and guaranteed by the government up to 90% (with a waiting period of two months after the disbursement at the end of which the guarantee period begins). With a maximum amount corresponding in the general case to three months of turnover before taxes, these loans come with a one-year repayment exemption. At the end of this year, the customer can repay the loan, or amortise it over one to five more years, with the possibility of extending the capital franchise for one year. The remuneration conditions of the guarantee are set by the State and are applicable by all French banking institutions: the bank keeps only one share of the guarantee premium paid by the borrower (the amount of which depends on the size of the company and the maturity of the loan) remunerating the risk it bears and which corresponds to the part of the loan not guaranteed by the State (*i.e.* between 10% and 30% of the loan depending on the size of the borrower).

The State Guaranteed Loans contractual characteristics are those of basic loans (SPPI criterion) and these loans are held by the Group as part of a business model whose objective is to collect contractual cash flows until their maturity; as a result, these loans have been recorded in the consolidated balance sheet under Customer loans at amortised cost.

As at 31 December 2020, the government-guaranteed loans granted by the Group represented a credit outstanding of approximately 18.6 billion euros (of which 3.4 billion euros classified in Stage 2 and 433 million euros in Stage 3). The government-guaranteed loans granted by the French Retail Banking amounted to 16.7 billion euros (of which 3.3 billion euros classified in Stage 2 and 390 million euros in Stage 3) and new government-guaranteed loans will be granted until the deadline for granting set by the State on 30 June 2021.

When initially recognised, these loans are recorded at their nominal value, as the Group considers that it is representative of their fair value; and an impairment for expected credit loss based on a probability of default at one year is recorded taking into account the effects of the guarantee insofar as it is an integral part of the loan. The models for calculating expected credit losses also take into account the probabilities of exercise of the extension options, the amount of the loan not guaranteed by the State as well as the waiting period in the enforcement of the guarantee.

The amount of expected credit losses recorded as at 31 December 2020 for all of the State Guaranteed Loans is approximately 80 million euros of which 65 million euros from French Retail Banking.

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 as well as a portion of the financial statements of the companies over which the Group exercises 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 three 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 there are several investors, each with substantive rights that give them the unilateral ability to direct different relevant activities, the investor who 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 variable returns

To assess the link between power and variable returns, 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 their effective acquisition date while the results of subsidiaries disposed of during the fiscal year are included up to the date where the Group relinquished control.

CONSOLIDATION METHODS

The subsidiaries, including the 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 portion 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 portions of these entities not owned 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, the investment in an associate is recognised, on initial recognition, 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 the 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 losses 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 2020, compared with the scope applicable at the closing date of 31 December 2019, are as follows:

SOCIETE GENERALE DE BANQUE AUX ANTILLES (SGBA)

On 2 March 2020, the Group sold to Promontoria MMB all its interest in Societe Generale de Banque aux Antilles, a subsidiary located in Guadeloupe, Martinique and French Guiana. The sale reduced the Group's balance sheet by EUR 0.4 billion (Non-current assets held for sale and Non-current liabilities held for sale).

SG FINANS AS

On 1 October 2020, the Group sold to Nordea Finance all its participation in SG Finans AS, equipment finance and factoring company in Norway, Sweden and Denmark. The sale reduced the Group's balance sheet by EUR 4 billion, mainly through a decrease of EUR 4 billion in customer loans and of EUR 0.9 billion in due to banks, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2019.

The result of these two disposals recorded in Net income/expense from other assets amounts to EUR -169 million for the 2020 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.

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 in accordance with IFRS 3 "Business Combinations".

On the acquisition date, the acquisition cost is calculated as the total fair value 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 profit or loss for the period except those related to the issuance of equity or debt 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. If recognised as equity instruments, these subsequent adjustments are not recorded.

On the acquisition date, as required by IFRS 3, all assets, liabilities, off-balance sheet items and contingent liabilities of this new subsidiary (even if they were not recognised before the combination) are measured individually at their fair value regardless of their purpose. 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.

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 profit or loss.

On the acquisition date, 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.

The analyses and professional appraisals required for this initial valuation must be carried out within twelve 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. Goodwill and non-controlling interests initially recorded are consequently adjusted.

On 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 adjustment on goodwill.

As at 31 December 2020, 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	Banking group Rosbank and its subsidiaries
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 over the year 2020 in the values of goodwill of CGUs:

(In EURm)	Value as at 31.12.2019	Acquisitions and other increases	Disposals and other decreases	Impairment loss	Value as at 31.12.2020
French Retail Banking	**797**	**-**	**-**	**-**	**797**
Societe Generale network	286	-	-	-	286
Credit du Nord	511	-	-	-	511
International Retail Banking & Financial Services	**2,729**	**2**	**(1)**	**-**	**2,730**
Europe	1,361	-	-	-	1,361
Russia	-	-	-	-	-
Africa, Mediterranean Basin and Overseas	228	-	-	-	228
Insurance	335	-	-	-	335
Equipment and Vendor Finance	228	-	-	-	228
Auto Leasing Financial Services	577	2	(1)	-	578
Global Banking and Investor Solutions	**1,101**	**101**	**(1)**	**(684)**	**517**
Global Markets and Investor Services	584	101	(1)	(684)	-
Financing and Advisory	57	-	-	-	57
Asset and Wealth Management	460	-	-	-	460
TOTAL	**4,627**	**103**	**(2)**	**(684)**	**4,044**

COMPLETION OF THE ACQUISITION OF COMMERZBANK'S "EQUITY MARKETS AND COMMODITIES" BUSINESS

On 8 November 2018, the Group signed an agreement committing Societe Generale to acquire the Commerzbank's ''Equity Markets and Commodities'' (EMC) business, which comprises the manufacturing and market-making of flow ("Flow business") and structured products ("Exotic, Vanilla and Funds" business) as well as part of the asset management activities ("Asset Management" business).

Due to operational reasons, the integration process of the staff, trading positions and infrastructure of the EMC business took place between the first half of 2019 and the first half of 2020.

In 2019, the Group took control of the "Exotic, Vanilla and Funds" (EVF) and the asset management businesses, 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).

During the first half of 2020, the integration process was completed with the acquisition of the "Flow" business, leading to the recognition of a EUR 101 million goodwill allocated to Global Markets and Investor Services CGU.

ANNUAL IMPAIRMENT TEST OF CGU

The Group performed an annual impairment test at 31 December 2020 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 under value adjustment on goodwill.

The recoverable amount of a CGU is calculated using the discounted cash flows (DCF) method applied to the entire CGU.

As at 30 June 2020, the Group adjusted the implementation modalities of the discounted dividend method, moving towards an approach integrating two macroeconomic scenarios, more relevant in the context of an exercise carried out outside the budget process, and in a context of strong uncertainties at the beginning of the Covid-19 crisis.

As at 31 December 2020, the analysis of the consequences of lockdowns and of the support measures proposed by governments has enabled the Group, as part of the annual budget process, to revise the central scenario by refining the consideration of uncertainties linked to the Covid-19 crisis and its future consequences. This revision made it possible to re-apply the approach usually adopted during annual tests for the assessment of the recoverable amount of CGUs, whose key principles are as follows:

- for each CGU, estimates of future distributable dividends are determined over a six-year period, on the basis of a five-year budget trajectory (2021 – 2025) extrapolated to 2026, the latter year being used to calculate the terminal value;
- these estimates take into account the equity target allocated to each CGU, unchanged compared to 31 December 2019 (11% of the risk-weighted assets of each CGU, except for the Crédit du Nord CGU for which the target is set at 10.5% of the risk-weighted assets);
- the growth rates used to calculate the terminal value are determined using forecasts on sustainable long-term economic growth and 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 provides 2025 forecasts;
- the projected dividends are then discounted on the basis of a rate equal to the 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 updated discount rates as at 31 December 2020 are detailed below.

The table below presents discount rates and long-term growth rates specific to the CGUs of the Group's three core businesses:

Assumptions as at 31 December 2020	Discount rate	Long-term growth rate
French Retail Banking		
Societe Generale network and Credit du Nord	8.1%	1.5%
International Retail Banking and Financial Services		
Retail Banking and Consumer Finance	10.1% to 13.7%	2% to 3%
Insurance	9.5%	2.5%
Equipment and Vendor Finance and Auto Leasing Financial Services	9.3%	2%
Global Banking and Investor Solutions		
Global Markets and Investor Services	12.1%	2%
Financing and Advisory	9.8%	2%
Asset and Wealth Management	9.5%	2%

Budget projections are based on the following main business line and macroeconomic assumptions:

French Retail Banking	
Societe Generale network and Credit du Nord	■ In a challenging environment (regulatory constraints, low inflation, historically low rates), ongoing efforts to shift operations and relationship banking at Societe Generale and Credit du Nord towards a digital model ■ Confirmation of Boursorama's customer acquisition plan
International Retail Banking & Financial Services	
Europe	■ 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	■ Continued development of activities in Russia ■ Strict discipline applied to operating expenses and cost of risk
Africa, Mediterranean Basin and Overseas	■ Continued development of Societe Generale's sales network and expansion of services through the mobile banking offer ■ Continued focus on operating efficiency
Insurance	■ 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(1)
Equipment and Vendor Finance	■ Consolidation of leadership in these corporate financing businesses ■ Recovery of profitability by continuing to focus on activities with the best risk/reward ■ Strict discipline applied to operating expenses
Auto Leasing Financial Services	■ 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	■ After the significant drop in revenues linked to the Covid-19 crisis, particularly in the Investment Solutions activities, adaptation of the market activities to a competitive environment under pressure and continued business and regulatory investments ■ Consolidation of market-leading franchises (equities) particularly through the integration of Commerzbank's Equity Markets and Commodities activities, with an increase in revenues on listed products ■ Continued of optimisation measures and investments in information systems
Financing and Advisory	■ Continuation of origination momentum of financing activities ■ Consolidation of market-leading franchises (commodity and structured financing) ■ Progressive normalisation of cost of risk despite challenging economic conditions
Asset and Wealth Management	■ 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

(1) The impacts of the new IFRS 17 standard have not been incorporated into the trajectory of the Insurance CGU, as the methodological options have not been stabilised.

During the first half of 2020, the tests carried out led to the impairment of all goodwill allocated to the Global Markets and Investor Services CGU for an amount of EUR 684 million presented in value adjustment on goodwill line in the income statement.

For other CGUs, the tests carried out at 31 December 2020 show that the recoverable amount remains higher than the book value.

Sensitivity tests were performed to measure the impact of the change in the discount rate and in the long-term growth rate on the recoverable amount of each CGU. The results of these tests show that:

- a 50 basis point increase applied to all CGU discount rates shown in the table above would result in a decrease in the total recoverable amount of 7.3% without requiring additional impairment of any CGU;
- a 50 basis point reduction in long-term growth rates would result in a 1% decrease in the total recoverable amount without requiring additional depreciation of any CGU;
- by combining these two sensitivity cases, the total recoverable amount would result in a 9.2% decrease without requiring additional depreciation of any CGU.

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 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 2020, the Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2020, 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 2020, the amount of outstanding loans thus guaranteed is EUR 63.2 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 for EUR 19.5 billion as of 31 December 2020.

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 5,295 million at 31 December 2020 (*vs.* EUR 5,043 million at 31 December 2019) and account for 8% of total shareholders' equity at 31 December 2020 (*vs.* 7% at 31 December 2019).

INFORMATION ON SHAREHOLDER'S EQUITY OF NON-CONTROLLING INTERESTS

(In EURm)	31.12.2020	31.12.2019
Capital and reserves	4,594	4,291
Other equity instruments issued by subsidiaries (see Note 7)	800	800
Unrealised or deferred gains and losses	(99)	(48)
TOTAL	**5,295**	**5,043**

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 Komercni 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.

	31.12.2020				
(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%	117	1,609	-
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	80	774	0
GROUPE ALD	79.82%	79.82%	111	873	(58)
SG MAROCAINE DE BANQUES	57.62%	57.62%	25	465	0
SOGÉCAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	88	745	(33)
TOTAL	**-**	**-**	**454**	**5,295**	**(124)**

	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)**

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.

	31.12.2020			
(In EURm)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S.	1,056	297	607	43,597
BRD - GROUPE SOCIETE GENERALE SA	605	197	24	12,684
GROUPE ALD	1,491	696	498	46,546
SG MAROCAINE DE BANQUES	427	59	90	9,512

	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

NOTE 2.3.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES AND JOINT VENTURES)

SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES AND ASSOCIATES

	Joint ventures		Associates		Total investments accounted for using the equity method	
(In EURm)	2020	2019	2020	2019	2020	2019
Group share:						
Net income(1)	5	5	(2)	(134)	3	(129)
Unrealised or deferred gains and losses (net of tax)	-	-	-	3	-	3
NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES	**5**	**5**	**(2)**	**(131)**	**3**	**(126)**

(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)	31.12.2020	31.12.2019
Loan commitments granted	-	-
Guarantee commitments granted	-	45
Forward financial instrument commitments	-	-

NOTE 2.3.4 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 vehicules).

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 Swaps (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	
(In EURm)	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Total balance sheet(1) of the entity	**6,777**	**7,436**	**118,781**	**135,564**	**21,105**	**31,038**
Net carrying amount of Group interests in unconsolidated structured entities						
Assets	**3,021**	**2,011**	**6,284**	**13,139**	**6,714**	**8,950**
Financial assets at fair value through profit or loss	311	446	5,763	12,652	839	3,801
Financial assets at fair value through other comprehensive income	-	-	-	-	53	55
Financial assets at amortised cost	2,706	1,553	354	361	5,822	5,094
Others	4	12	167	126	-	-
Liabilities	**1,478**	**1,851**	**4,597**	**12,241**	**1,707**	**4,261**
Financial liabilities at fair value through profit or loss	129	218	2,845	8,927	871	3,438
Due to banks and customer deposits	1,332	1,621	1,636	1,625	836	823
Others	17	12	116	1,689	-	-

(1) For Asset management: NAV (Net Asset Value) of funds.

In 2020, the Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2020, does not intend to provide such support.

The maximum exposure to loss related to interests in unconsolidated structured entities is measured as:

	Asset financing		Asset management		Others	
(In EURm)	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Amortised cost or fair value (according to the measurement of the financial instrument) of non-derivative financial assets entered into with the structured entity	2,521	3,029	4,618	5,097	2,223	2,333
Fair value of derivative financial assets recognised in the balance sheet	244	327	3,585	9,885	522	2,885
Notional amount of CDS sold (maximum amount to be paid)	-	-	-	-	-	-
Notional amount of loan or guarantee commitments granted	474	534	478	978	1,080	1,848
Maximum exposure to loss	**3,239**	**3,890**	**8,681**	**15,960**	**3,825**	**7,066**

The amount of maximum exposure to loss can be mitigated by:

- the notional amount of guarantee commitments received;
- the fair value 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 1,865 million and mainly concern Asset financing.

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.

As at 31 December 2020, 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 3,629 million.

In 2020, no significant revenue has been recognised for theses structured entities.

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.).

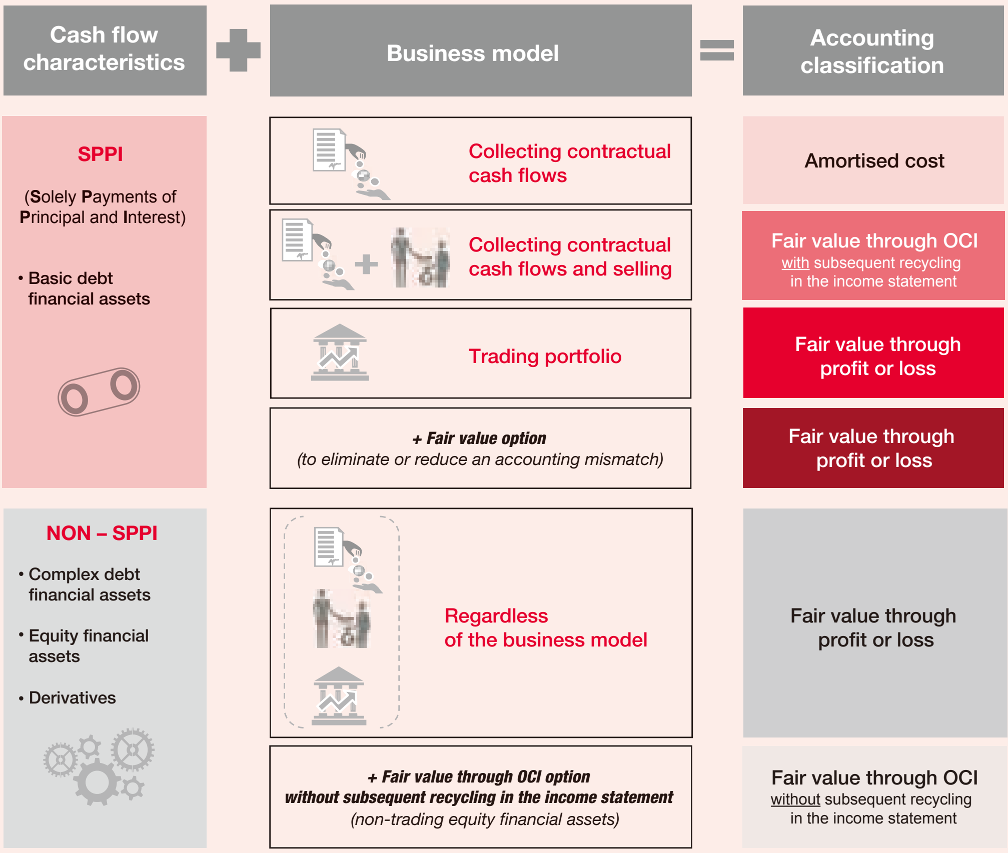
In the financial statements, the classification and valuation of financial assets and liabilities depend on their contractual characteristics and the way the entity manages those financial instruments.

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.



The accounting principles for classifying the financial assets require the entity to analyse the contractual cash flows generated by the financial instruments and to analyse the business model for managing the financial instruments.

ANALYSIS OF CONTRACTUAL CASH FLOW CHARACTERISTICS

The aim of the analysis of contractual cash flow characteristics is to limit the option of recognising revenues from financial assets using the effective interest method exclusively to the instruments whose characteristics are similar to those of a basic lending arrangement, meaning their associated cash flows are highly predictable. All other financial instruments that do not share these characteristics are measured at fair value through profit or loss, regardless of the business model used to manage them.

The contractual inflows that represent Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding are consistent with a basic lending arrangement.

In a basic lending arrangement, interest predominantly consists of a consideration for the time value of money and for credit risk. Interest may also include a consideration for liquidity risk, administrative costs, and a commercial profit margin. Negative interest is not inconsistent with this definition.

All financial assets that are not basic will be mandatorily measured at fair value through profit or loss, regardless of the business model for managing them.

Derivatives qualifying as hedging instruments for accounting purposes are recorded on a separate line in the balance sheet (see Note 3.2).

The Group can make the irrevocable decision on a security-by-security basis, to classify and measure any equity instrument (shares and other equity securities) that is not held for trading purposes at fair value through other comprehensive income. Subsequently, the profit or loss accumulated in other comprehensive income will never be reclassified to profit or loss (only dividends on these instruments will be recognised as income).

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 on financial assets and selling these 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 the 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).

Reclassifications of financial assets

Reclassifications 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:

- as at the settlement / delivery date for securities;
- as at the trade date for derivatives;
- as 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 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.

Upon initial recognition, the financial assets and liabilities are measured at fair value including the transaction costs directly attributable to their acquisition or issuance, except for the 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 exclusively based on observable market data, any difference between the fair value and the transaction price, *i.e.* the sales margin, is immediately recognised in profit or loss. However, if one of the valuation inputs is not observable or if the used valuation model is not recognised by the market, the recognition of the sales margin is then generally deferred in profit or loss.

For some instruments, due to their complexity, this margin is recognised at their maturity or upon disposal in the event of an early sale. When valuation inputs become observable, any portion of the sales margin that has not yet been recorded is then recognised in profit or loss (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 of the risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all of 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 transfer of the asset. 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 said 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 profit or loss on the prepayment date in 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.

Foreign exchange transactions

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 under Net gains and losses on financial instruments at fair value through profit or loss.

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 exchanges losses or gains are recognised either in profit or loss 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.

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.

TREATMENTS OF THE CHANGES IN THE BASIS FOR DETERMINING THE CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS AND LIABILITIES – IBOR REFORM

The basis for determining the contractual cash flows of a financial asset or liability may be modified:

- either by amending the contractual terms and conditions set during the initial recognition of the financial instrument (example: when the agreement is renegotiated, the contractual terms and conditions are amended to replace the initial reference interest rate by an alternative one);
- or by applying the appropriate external dispositions without requiring a change in contractual terms (example: the method for determining the reference interest rate is modified without any change in the contractual terms and conditions, *i.e.*, the EONIA has been quoted by reference to the €ster +8.5bp since October 2019);
- or as a result of the activation of an existing contractual term or condition (example: application of the contractual rate replacement provision, or "Fallback").

If, in the context of the reference interest rates reform (IBOR reform), there is a change in the basis for determining the contractual cash flows of a financial asset or liability at amortised cost or of a financial asset at fair value through other comprehensive income, the reassessment of the contractual cash flows is regarded as a modification of the effective interest rate applied to determine the future interest income or expense and does not generate a gain or loss in the income statement.

This treatment depends on compliance with the following conditions:

- a change in the basis for determining the contractual cash flows is required and results directly from the IBOR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the former basis used before the change.

The cases giving rise to a new basis for determining the contractual cash flows considered economically equivalent to the former basis are, for example:

- the replacement of an existing reference interest rate used to determine the contractual cash flows of a financial asset or liability by:
  - an alternative reference interest rate (or by changing the method used to determine the reference interest rate in question), with
  - the addition of a fixed spread necessary to compensate for the difference in basis between the existing reference interest rate and the alternative one;
- changes in the determination of the amount of interest resulting from the use of a new reference interest rate (rate revision procedure, number of days between interest payment dates…); and
- the addition of a Fallback provision to the contractual terms and conditions of a financial asset or liability to allow for the implementation of the changes described above (replacement of the rate; changes in the determination of the interest).

Changes to a financial asset or liability, in addition to those deriving directly from the application of the IBOR reform, are treated as changes to instruments with an income statement impact whenever they are substantial.

Method of 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 Group 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

	31.12.2020		31.12.2019	
(In EURm)	Assets	Liabilities	Assets	Liabilities
Trading portfolio	404,338	319,812	358,033	281,246
Financial assets measured mandatorily at fair value through profit or loss	23,630		24,977	
Financial instruments measured using fair value option through profit or loss	1,490	70,435	2,729	82,883
TOTAL	**429,458**	**390,247**	**385,739**	**364,129**
o/w securities purchased/sold under resale/repurchase agreements	*119,374*	*120,697*	*111,818*	*97,895*

NOTE 3.1.1 TRADING PORTFOLIO

ACCOUNTING PRINCIPLES

The trading book contains the financial assets and liabilities held or accrued for the purpose of capital markets activities.

This portfolio also includes, among other trading assets, the 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 as at the closing date and recognised in the balance sheet under Financial assets or liabilities at fair value through profit or loss. The changes in fair value and revenues associated to those instruments are recorded in profit or loss under Net gains and losses on financial instruments at fair value through profit or *loss*.

TRADING ACTIVITIES

Financial assets held for trading are:

- acquired for the purpose of selling or repurchasing it in the near 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 3.1.2).

ASSETS

(In EURm)	**31.12.2020**	**31.12.2019**
Bonds and other debt securities	30,322	26,080
Shares and other equity securities	92,780	77,966
Loans, receivables and securities purchased under resale agreements	129,700	117,956
Trading derivatives(1)	151,536	135,849
Other trading assets	-	182
TOTAL	**404,338**	**358,033**
o/w securities lent	*11,066*	*13,681*

(1) See Note 3.2 Derivatives instruments.

LIABILITIES

(In EURm)	**31.12.2020**	**31.12.2019**
Amounts payable on borrowed securities	32,165	38,950
Bonds and other debt instruments sold short	5,385	3,518
Shares and other equity instruments sold short	1,253	1,466
Borrowings and securities sold under repurchase agreements	120,755	97,820
Trading derivatives(1)	159,176	138,120
Other trading liabilities	1,078	1,372
TOTAL	**319,812**	**281,246**

(1) See Note 3.2 Derivatives instruments.

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 profit or loss under Net gains or losses on financial instruments at fair value through profit or loss.

(In EURm)	31.12.2020	31.12.2019
Bonds and other debt securities	190	177
Shares and other equity securities	2,561	2,492
Loans, receivables and securities purchased under resale agreements	20,879	22,308
TOTAL	**23,630**	**24,977**

BREAKDOWN OF LOANS AND RECEIVABLES AND SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(In EURm)	31.12.2020	31.12.2019
Short-term loans	1,997	2,029
Equipment loans	17,248	18,152
Other loans	1,634	2,127
TOTAL	**20,879**	**22,308**

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 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 the financial assets and liabilities held for trading, and the financial assets measured mandatorily at fair value through profit or loss, the same items in the financial statements include the 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 profit or loss 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, any gains and losses, 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)	31.12.2020	31.12.2019
Bonds and other debt securities	29	1,458
Loans, receivables and securities purchased under resale agreements	158	145
Separate assets for employee benefits plans[1]	1,303	1,126
TOTAL	**1,490**	**2,729**

(1) Including, as at 31 December 2020, 1,150 million euros of separate assets for defined post-employment benefits compared to 963 million euros as at 31 December 2019 (see Note 5.2).

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.

	31.12.2020		31.12.2019	
(In EURm)	Fair value	Amount redeemable at maturity	Fair value	Amount redeemable at maturity
Financial instruments measured using fair value option through profit or loss	70,435	70,941	82,883	83,249

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 79 million during 2020. Up to this date, the total losses attributable to own credit risk amounted to EUR 396 million recognised in equity.

NOTE 3.1.4 NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(In EURm)	2020	2019
Net gain/loss on trading portfolio (excluding derivatives)	(1,790)	5,754
Net gain/loss on financial instruments at fair value through profit or loss[1]	2,746	3,661
Net gain/loss on financial instruments measured using fair value option	(2,285)	(15,028)
Net gain/loss on derivative instruments	4,645	9,712
Net gains/loss on hedging instruments[2]	92	100
Net gain/loss on fair value hedging derivatives	*801*	*1,155*
Revaluation of hedged items attributable to hedged risks[3]	*(709)*	*(1,055)*
Net gain/loss on foreign exchange transactions	(623)	144
TOTAL	**2,785**	**4,343**
o/w gains on financial instruments at fair value through other comprehensive income	*55*	*84*

(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 income statement 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 Derivatives instruments

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 a 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 derivatives instruments 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 - derivatives with Societe Generale shares as underlying instrument

Derivatives instruments having with Societe Generale shares as underlying instrument or shares in Group ubsidiaries 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 purchases of Societe Generale shares, a debt is recognised for the value of the notional amount with a contra entry in equity.

Other derivatives instruments 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 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 under one of the financial liability categories measured at amortised cost.

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 derivatives instruments involving counterparties that subsequently proved to be in 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. On this termination date, the 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.

FAIR VALUE

	31.12.2020		31.12.2019	
(In EURm)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate instruments	99,873	98,406	91,146	88,501
Foreign exchange instruments	18,698	19,795	18,036	18,354
Equities & index Instruments	31,224	37,978	22,318	26,141
Commodities Instruments	413	392	1,860	2,201
Credit derivatives	1,297	1,434	2,415	2,037
Other forward financial instruments	31	1,171	74	886
TOTAL	**151,536**	**159,176**	**135,849**	**138,120**

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.

COMMITMENTS (NOTIONAL AMOUNTS)

(In EURm)	31.12.2020	31.12.2019
Interest rate instruments	**9,731,256**	**11,988,127**
Firm instruments	8,090,893	9,959,001
Swaps	*6,849,353*	*8,324,621*
FRAs	*1,241,540*	*1,634,380*
Options	1,640,363	2,029,126
Foreign exchange instruments	**3,155,455**	**3,192,776**
Firm instruments	2,349,313	2,475,393
Options	806,142	717,383
Equity and index instruments	**869,679**	**1,124,549**
Firm instruments	128,941	186,691
Options	740,738	937,858
Commodities instruments	**20,078**	**96,900**
Firm instruments	19,194	83,509
Options	884	13,391
Credit derivatives	**202,994**	**246,006**
Other forward financial instruments	**28,603**	**38,428**
TOTAL	**14,008,065**	**16,686,786**

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.

In the context of Covid-19 crisis, the Group has not observed any ineffectiveness or disappearance of hedged items that could lead to the termination of its hedging relationships.

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 to be hedged.

To designate an instrument as a hedging derivative, the Group documents the hedging relationship in detail, from inception. 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.

The 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 and similar income/Interest and similar expense – Hedging derivatives symmetrically to the accrued interest income and expenses related to the hedged item.

In the balance sheet, the carrying value of the hedged item is adjusted for the 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 interest rates, future exchange 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 the hedging derivative is recorded under 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, the accrued interest income and expenses on the derivative are recorded in the income statement under Interest income/Interest expense – Hedging derivatives symmetrically to the accrued interest income and expenses related to the hedged item.

The prospective effectiveness of the hedge is assessed *via* a sensitivity analysis based on probable market input trends or *via* a regression analysis of the statistical relationship (correlation) between certain components of the hedged item and the hedging instrument. The effectiveness of the hedge is assessed using the hypothetical derivative method, which consists in i) creating a hypothetical derivative which bears exactly the same characteristics as the instrument being hedged (in terms of notional amounts, date on which the rates are reset, interest rate, exchange rate, etc.), but 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.

When the derivative financial instrument has expired, 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. Gains and losses booked under equity are later recorded under Net gains and losses on financial instruments at fair value through profit or loss in the income statement at the same time as cash flows hedged. For interest rate derivatives, accrued interest income and expenses on the derivative are recorded in the income statement under Interest income/Interest expense – Hedging derivatives symmetrically to the accrued interest income and expenses related to the hedged item.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. The amounts previously recognised directly in equity are reclassified in the income statement over the periods during which interest income is affected by the cash flows 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, the 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 hedging 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 hedge of a net investment in a foreign operation follows the same accounting principles as the cashflow hedge relationships. Thus, the effective portion of the changes in fair value of a hedging derivative designated for accounting purposes as the 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.

In accounting for these transactions, are either documented as fair value hedges or as cash flow hedges, depending on the Group entities.

Group entities documenting a macro fair value hedge of fixed rate assets and liabilities portfolios, apply the IAS 39 "carve-out" standard as adopted by the European Union, which facilitates:

- the application of fair value hedge accounting to the macro-hedges used for asset-liability management, including customer demand deposits in the fixed-rate positions being hedged;
- the performance of the effectiveness tests required by IAS 39 as adopted by the European Union.

The accounting treatment of the derivatives instruments 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 measured based on the modelled synthetic instrument 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.

Finally, regardless of the documentation used for these macro-hedges, they require the implementation of three tests to measure the effectiveness of the relationship:

- a non-over-coverage test to ensure, prospectively and retrospectively, that the nominal amount of the portfolios covered is higher than the notional amount of the hedging instruments for each future maturity band and each rate generation;
- a test of non-disappearance of the hedged item, which consists in prospectively and retrospectively ensuring that the historically covered maximum position is less than the notional amount of the hedging instruments on the closing date considered for each future maturity band and each generation of rates;
- a quantitative test to retrospectively ensure that the fair value changes in the modelled synthetic instrument offset the changes in fair value of the hedging instruments.

The sources of ineffectiveness of the macro-hedges implemented in the Group result from the latest fixing of the variable leg of the hedging swaps, the two-curve valuation of the collateralised hedging instruments, the possible mismatches of interests between the hedged item and the hedging instrument and the consideration of counterparty risk on the hedging instruments.

TREATMENT OF THE CHANGES IN THE BASIS USED FOR DETERMINING THE CONTRACTUAL CASH FLOWS OF THE COMPONENTS OF A HEDGING RELATIONSHIP – IBOR REFORM

NON-DISCONTINUATION OF HEDGING RELATIONSHIPS

The documentation of the existing hedging relationships shall be updated to reflect the changes brought about by the reform of the reference interest rate (IBOR reform) on the basis for determining the contractual cash flows of the hedging components.

These updates resulting from the IBOR reform do not cause the discontinuation of the hedging relationship nor the designation of a new accounting hedge if the aim of such updates is only to:

- designate the alternative reference interest rate (contractually or non-contractually specified) as a hedged risk;
- update the description of the hedged item, including a description of the hedged portion of cash flows or of the fair value;
- update the description of the hedging instrument;
- update the description of the method used to assess the effectiveness of the hedge.

These updates are performed as and when changes are made to the hedged items or the hedging instruments; an accounting hedge may be updated several successive times.

Changes not directly resulting from the application of the IBOR reform and impacting the basis used for determining the contractual cash flows of the hedging relationship components or the hedging documentation are analysed beforehand in order to confirm compliance with the qualifying criteria for hedge accounting.

SPECIFIC ACCOUNTING TREATMENTS

Regarding fair value hedges and cash flow hedges, the applicable accounting requirements remain unchanged for the recognition of gains and losses resulting from the reassessment of the hedged component and the hedging instrument taking account of the changes described above.

For the purpose of the retrospective effectiveness assessment, the cumulative fair value changes may be reset to zero on a case by case basis for each hedging relationship modified.

The amounts of gains or losses recognised in equity (as unrealised or deferred gains and losses), for the cash flow hedges that have been discontinued prospectively after a change in the reference interest rate used as a basis for the future cash flows hedged are kept in equity until the hedged cash flows are recorded on the income statement.

An alternative reference interest rate used as a risk component not specified by an agreement (example, a 3-month alternative reference interest rate used to determine the fixed rate of a loan and for which the Group intends to hedge the changes in value) may be used, provided it is, as reasonably expected, separately identifiable (*i.e.*, quoted on a sufficiently liquid market) in the 24 months after its first use.

FAIR VALUE

	31.12.2020		31.12.2019	
(In EURm)	Assets	Liabilities	Assets	Liabilities
Fair value hedge	**19,982**	**12,161**	**16,617**	**9,981**
Interest rate instruments	19,950	12,161	16,616	9,981
Foreign exchange instruments	32	-	1	-
Cash flow hedge	**298**	**163**	**181**	**124**
Interest rate instruments	288	58	169	65
Foreign exchange instruments	10	34	10	46
Equity and index Instruments	-	71	2	13
Net investment hedge	**387**	**137**	**39**	**107**
Foreign exchange instruments	387	137	39	107
TOTAL	**20,667**	**12,461**	**16,837**	**10,212**

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.

Furthermore, 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 outstanding. These data may be increased or decreased by changes in management methods.

Finally, as part of their management of structural interest rate and exchange rate risks, the Group's entities set up fair value hedge for portfolios of assets or liabilities for interest rate risk as well as cash flow hedge and net investment hedge for foreign exchange risk.

COMMITMENTS (NOTIONAL AMOUNTS)

(In EURm)	31.12.2020	31.12.2019
Interest rate instruments	**970,144**	**757,099**
Firm instruments	969,391	755,847
*Swaps**	*779,359*	*711,985*
*FRAs**	*190,032*	*43,862*
Options	753	1,252
Foreign exchange instruments	**8,604**	**11,314**
Firm instruments	8,604	11,314
Equity and index instruments	**169**	**90**
Options	169	90
TOTAL	**978,917**	**768,503**

* *Amounts restated, compared to the financial statements published for the year 2019. Since the second semester of 2019, 3-month Forward Rate Agreements and Futures contracts are now concluded by the Group to extend the maturity of swaps underwritten for hedging the net interest margin. This change in hedging management mechanically generates an increase in commitments on this type of contracts but does not lead to an increase in interest rate risk exposure.*

The notional amounts of the hedging instruments affected by the amendments to IAS 39, introduced in the context of the rate reform and aimed at not taking into account the uncertainties associated with the reform in order to meet certain criteria required in terms of hedge accounting, amounted to the following:

	31.12.2020	
(In EURm)	Fair value hedge	Cash flow hedge
Eonia	31,396	1,975
Euribor	554,246	4,702
Libor	23,006	550
of which: Libor USD	*16,808*	*320*
of which: Libor GBP	*582*	*230*
TOTAL	**608,648**	**7,227**

MATURITIES OF HEDGING DERIVATIVES INSTRUMENTS (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	31.12.2020
Interest rate instruments	66,139	301,608	376,800	225,597	970,144
Foreign exchange instruments	272	5,788	2,314	230	8,604
Equity and index instruments	34	49	86	-	169
TOTAL	**66,445**	**307,445**	**379,200**	**225,827**	**978,917**

FAIR VALUE HEDGE: BREAKDOWN OF HEDGED ITEMS

	31.12.2020		
(In EURm)	Carrying amount of the hedged item	Cumulative change in the fair value of the hedged item[(2)]	Change in the fair value of the hedged item booked during the period[(2)]
Hedge of interest rate risk	**253,429**	**13,542**	**(709)**
Hedged assets	65,138	3,269	1,031
Due from banks, at amortised cost	*1,455*	*41*	*12*
Customer loans, at amortised cost	*4,694*	*429*	*51*
Securities at amortised cost	*932*	*43*	*28*
Financial assets at fair value through other comprehensive income	*37,521*	*2,379*	*1,049*
Customer loans macro hedged[(1)]	*20,536*	*377*	*(109)*
Hedged liabilities	188,291	10,273	(1,740)
Debt securities issued	*40,823*	*1,283*	*(354)*
Due to banks	*12,798*	*440*	*(131)*
Customer deposits	*1,615*	*169*	*26*
Subordinated debts	*14,933*	*684*	*(298)*
Customer deposits macro hedged[(1)]	*118,122*	*7,697*	*(983)*
Hedge of currency risk	**393**	**31**	**(38)**
Hedged liabilities	393	31	(38)
Subordinated debts	*393*	*31*	*(38)*
Hedge of equity risk	**1**	**(0)**	**1**
Hedged liabilities	1	(0)	1
Other liabilities	*1*	*(0)*	*1*
TOTAL	**253,823**	**13,573**	**(746)**

	31.12.2019		
(In EURm)	Carrying amount of the hedged item	Cumulative change in the fair value of the hedged item[(2)]	Change in the fair value of the hedged item booked during the period[(2)]
Hedge of interest rate risk	**254,747**	**11,741**	**(1,067)**
Hedged assets	62,966	2,796	1,242
Due from banks, at amortised cost	*1,331*	*30*	*12*
Customer loans, at amortised cost	*4,680*	*384*	*44*
Securities at amortised cost	*748*	*19*	*(0)*
Financial assets at fair value through other comprehensive income	*39,135*	*1,531*	*1,016*
Customer loans macro hedged[(1)]*	*17,072*	*832*	*170*
Hedged liabilities	191,781	8,945	(2,309)
Debt securities issued	*33,424*	*948*	*(234)*
Due to banks	*14,389*	*308*	*(183)*
Customer deposits	*2,506*	*196*	*24*
Subordinated debts	*11,985*	*391*	*(395)*
Customer deposits macro hedged[(1)]*	*129,477*	*7,102*	*(1,521)*
Hedge of currency risk	**605**	**3**	**12**
Hedged liabilities	605	3	12
Due to banks	*605*	*3*	*12*
Hedge of equity risk	**1**	**(0)**	**(0)**
Hedged liabilities	1	(0)	(0)
Other liabilities	*1*	*(0)*	*(0)*
TOTAL	**255,353**	**11,744**	**(1,055)**

* *Amounts restated compared with the published financial statements for the year ended 31 December 2019.*

(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.*

As at 31 December 2020, EUR 169 million of cumulative changes in fair value are still to be amortised because of the disappearance of the hedged item. This amount is mainly related to interest rate risk hedging.

FAIR VALUE HEDGE: BREAKDOWN OF HEDGING INSTRUMENTS

	31.12.2020				
		Fair value[2]			
(In EURm)	Commitments (notional amounts)	Asset	Liabilities	Change in fair value booked during the period	Ineffectiveness recognised during the period
Hedge of interest rate risk	**241,509**	**19,854**	**12,198**	**801**	**92**
Firm instruments – Swaps	240,756	19,854	12,198	799	92
For hedged assets	*41,944*	*35*	*3,256*	*(1,150)*	*(10)*
For hedged portfolios of assets (macro hedge)[1]	*17,614*	*290*	*563*	*120*	*13*
For hedged liabilities	*67,933*	*3,004*	*149*	*795*	*38*
For hedged portfolios of liabilities (macro hedge)[1]	*113,265*	*16,525*	*8,230*	*1,034*	*51*
Options	753	0	-	2	0
For hedged portfolios of assets (macro hedge)[1]	*753*	*0*	*-*	*2*	*0*
Hedge of currency risk	**384**	**32**	**0**	**38**	**-**
Firm instruments	384	32	0	38	-
For hedged liabilities	*384*	*32*	*0*	*38*	*-*
Hedge of equity risk	**2**	**-**	**1**	**(1)**	**0**
Options	2	-	1	(1)	0
For hedged liabilities	*2*	*-*	*1*	*(1)*	*0*
TOTAL	**241,895**	**19,886**	**12,199**	**838**	**92**

	31.12.2019				
		Fair value[2]			
(In EURm)	Commitments (notional amounts)	Asset	Liabilities	Change in fair value booked during the period	Ineffectiveness recognised during the period
Hedge of interest rate risk	**247,030**	**16,619**	**9,979**	**1,167**	**100**
Firm instruments – Swaps	245,778	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]*	*16,660*	*55*	*553*	*(180)*	*(8)*
For hedged liabilities	*61,370*	*2,279*	*226*	*866*	*78*
For hedged portfolios of liabilities (macro hedge)[1]*	*123,917*	*14,126*	*6,785*	*1,565*	*44*
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*
Hedge of equity risk	**2**	**-**	**0**	**0**	**(0)**
Options	2	-	0	0	(0)
For hedged liabilities	*2*	*-*	0	0	(0)
TOTAL	**247,860**	**16,630**	**9,986**	**1,155**	**100**

* *Amounts restated compared with the published financial statements for the year ended 31 December 2019.*

(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 and excludes margin calls.*

CASH FLOW HEDGE: BREAKDOWN OF 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.

	31.12.2020	31.12.2019
(In EURm)	**Change in the fair value**	**Change in the fair value**
Hedge of interest rate risk	**(206)**	**(181)**
Hedged assets	(13)	1
Financial assets at fair value through other comprehensive income	*(3)*	*(1)*
Customer loans (macro hedged)	*(10)*	*2*
Hedged liabilities	(193)	(182)
Debt securities issued	*1*	*(1)*
Due to banks	*(11)*	*(25)*
Customer deposits (macro hedged)	*(183)*	*(156)*
Hedge of currency risk	**6**	**(0)**
Hedged liabilities	(3)	(0)
Subordinated debts	*(3)*	-
Forecast transactions	9	-
Hedge of equity risk	**40**	**(26)**
Forecast transactions	40	(26)
TOTAL	**(160)**	**(207)**

CASH FLOW HEDGE: BREAKDOWN OF HEDGING INSTRUMENTS

	31.12.2020					
		Fair value		Changes in fair value recorded during the period		
(In EURm)	Commitments (notional amounts)	Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	Cumulative change in fair value recorded in unrealised or deferred gains and losses
Hedge of interest rate risk	**11,329**	**288**	**58**	**203**	**(1)**	**213**
Firm instruments – Swaps	11,297	288	58	203	(1)	213
For hedged assets	*1,711*	*0*	*9*	*3*	*(1)*	*(8)*
For hedged portfolios of assets (macro hedge)[1]	*2,175*	*1*	*26*	*11*	*(0)*	*(18)*
For hedged liabilities	*3,682*	*25*	*16*	*7*	*(0)*	*(14)*
For hedged portfolios of liabilities (macro hedge)[1]	*3,729*	*262*	*7*	*182*	*-*	*253*
Firm instruments – FRAs	32	-	-	0	0	0
For hedged liabilities	*32*	*-*	*-*	*0*	*0*	*0*
Hedge of currency risk	**1,661**	**10**	**34**	**(6)**	**1**	**(13)**
Firm instruments	1,661	9	33	(6)	1	(13)
For hedged assets	*652*	*7*	*21*	*-*	*-*	*-*
For hedged liabilities	*246*	*1*	*4*	*3*	*0*	*(1)*
For hedged future transactions	*763*	*1*	*8*	*(9)*	*1*	*(12)*
Non-derivative financial instruments	-	1	1	(0)	-	(0)
For hedged future transactions	*-*	*1*	*1*	*(0)*	*-*	*(0)*
Hedge of equity risk	**167**	**-**	**71**	**(36)**	**(4)**	**(15)**
Options	167	-	71	(36)	(4)	(15)
For hedged future transactions	*167*	*-*	*71*	*(36)*	*(4)*	*(15)*
TOTAL	**13,157**	**298**	**163**	**161**	**(4)**	**185**

	31.12.2019					
		Fair value		Changes in fair value recorded during the period		
(In EURm)	Commitments (notional amounts)	Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	Cumulative change in fair value recorded in unrealised or deferred gains and losses
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 assets	*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**

(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.

In 2020, EUR -16 million of unrealised or deferred gains and losses were transferred to net income, following the accounting of hedged the cash flows in the income statement.

NET INVESTMENT HEDGE: BREAKDOWN OF HEDGED ITEMS

	31.12.2020		31.12.2019
(In EURm)	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	**843**	**2,029**	**839**
Hedged net investment in GBP	179	484	145
Hedged net investment in CZK	58	(115)	(200)
Hedged net investment in RUB	330	1,288	797
Hedged net investment in RON	16	36	38
Hedged net investment in USD	80	40	(39)
Hedged net investment (other currencies)	180	296	98

(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.

NET INVESTMENT HEDGE: BREAKDOWN OF HEDGE INSTRUMENTS

	31.12.2020					
		Carrying amount[(1)]		Changes in fair value recorded during the period		
(In EURm)	Commitments (notional amounts)	Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	Cumulative change in fair value recorded in unrealised or deferred gains or losses
Hedge of currency risk	**7,129**	**387**	**2,204**	**(843)**	**1**	**(2,029)**
Firm instruments	7,129	387	137	(571)	1	(634)
Hedged net investment in GBP	*1,373*	*29*	*18*	*(70)*	*(13)*	*23*
Hedged net investment in CZK	*1,297*	*14*	*30*	*(31)*	*2*	*(25)*
Hedged net investment in RUB	*870*	*145*	*10*	*(237)*	*11*	*(336)*
Hedged net investment in RON	*933*	*6*	*5*	*(15)*	*(8)*	*(23)*
Hedged net investment in USD	*396*	*98*	*43*	*(63)*	*1*	*(53)*
Hedged net investment (other currencies)	*2,260*	*95*	*31*	*(155)*	*8*	*(220)*
Non derivatives instruments		-	2,067	(272)	-	(1,395)
Hedged net investment in GBP		-	*453*	*(109)*	-	*(507)*
Hedged net investment in CZK		-	*823*	*(27)*	-	*140*
Hedged net investment in RUB		-	*303*	*(93)*	-	*(953)*
Hedged net investment in RON		-	*43*	*(1)*	-	*(14)*
Hedged net investment in USD		-	*187*	*(17)*	-	*14*
Hedged net investment (other currencies)		-	258	(25)	-	(75)

	31.12.2019					
		Carrying amount[(1)]		Changes in fair value recorded during the period		
(In EURm)	Commitments (notional amounts)	Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	Cumulative change in fair value recorded in unrealised or deferred gains or losses
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)

(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

(In EURm)	31.12.2020	31.12.2019
Debt instruments	**51,801**	**53,012**
Bonds and other debt securities	*51,721*	*52,991*
Loans and receivables and securities purchased under resale agreements	*80*	*21*
Shares and other equity securities	259	244
TOTAL	**52,060**	**53,256**
o/w securities lent	*173*	*146*

NOTE 3.3.1 DEBT INSTRUMENTS

ACCOUNTING PRINCIPLES

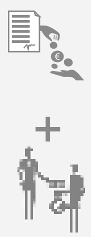
Debt instruments (loans and receivables, bonds and bond equivalents) are classified as Financial assets at fair value through other comprehensive income where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a collect and sell business model.

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 in 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, the changes in expected credit losses are recorded in profit or loss under Cost of risk with a corresponding entry under 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 OF THE PERIOD

(In EURm)	2020
Balance as at 1 January	**53,012**
Acquisitions/disbursements	38,191
Disposals/redemptions	(37,193)
Transfers towards (or from) another accounting category	(563)
Change in scope and others	(265)
Changes in fair value during the period	1,258
Change in related receivables	52
Translation differences	(2,691)
Balance as at 31 December	**51,801**

UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

(In EURm)	31.12.2020	31.12.2019
Unrealised gains	714	391
Unrealised losses	(262)	(186)
TOTAL	**452**	**205**

NOTE 3.3.2 EQUITY INSTRUMENTS

ACCOUNTING PRINCIPLES

Equity instruments (shares and share equivalents), that are not held for trading purposes, can be initially designated by the Group to be measured at fair value through other comprehensive income. This choice made instrument by instrument, is irrevocable.

These equity instruments are then measured at fair value and the 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, is recorded in profit or loss under Net gains or losses on financial assets at fair value through other comprehensive income.

The Group chose only in few rare cases to designate equity instruments to be measured at fair value through other comprehensive income.

NOTE 3.4 Fair value of financial instruments measured at fair value

MAKING 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 on 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 which 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 the 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 the 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 AND THAT ARE OBSERVABLE FOR THE ASSET OR LIABILITY CONCERNED, EITHER DIRECTLY (I.E. AS PRICES) OR INDIRECTLY (I.E. DERIVED FROM PRICES).

These are the instruments measured using a financial model based on market inputs. The inputs used shall be observable in active markets; using some unobservable inputs is possible only if the latter have only a minor impact on the fair value of the instrument. The 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 the 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 the 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 however limited. 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 A SIGNIFICANT PART OF WHICH 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 using financial models based on market inputs among which those which are unobservable or observable on insufficiently active markets, have a significant impact on the fair value of the financial instrument as a whole.

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 the correlations between the different underlying assets 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 asset); 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 N^{th} 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

	31.12.2020				31.12.2019			
(In EURm)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading portfolio (excluding derivatives)	**109,734**	**138,699**	**4,369**	**252,802**	**89,037**	**129,130**	**4,017**	**222,184**
Bonds and other debt securities	26,420	3,108	794	30,322	22,645	2,976	459	26,080
Shares and other equity securities	83,314	9,465	1	92,780	66,392	11,465	109	77,966
Loans, receivables and securities purchased under resale agreements	-	126,126	3,574	129,700	-	114,507	3,449	117,956
Other trading assets	-	-	-	-	-	182	-	182
Trading derivatives	**49**	**147,417**	**4,070**	**151,536**	**191**	**132,572**	**3,086**	**135,849**
Interest rate instruments	4	97,189	2,680	99,873	6	88,868	2,272	91,146
Foreign exchange instruments	38	18,484	176	18,698	182	17,717	137	18,036
Equity and index instruments	-	30,730	494	31,224	-	21,938	380	22,318
Commodity instruments	-	410	3	413	-	1,784	76	1,860
Credit derivatives	-	580	717	1,297	-	2,195	220	2,415
Other forward financial instruments	7	24	-	31	3	70	1	74
Financial assets measured mandatorily at fair value through profit or loss	**183**	**19,517**	**3,930**	**23,630**	**350**	**21,746**	**2,881**	**24,977**
Bonds and other debt securities	18	43	129	190	11	44	122	177
Shares and other equity securities	165	359	2,037	2,561	339	185	1,968	2,492
Loans, receivables and securities purchased under resale agreements	-	19,115	1,764	20,879	-	21,517	791	22,308
Financial assets measured using fair value option through profit or loss	**13**	**1,461**	**16**	**1,490**	**1,296**	**1,320**	**113**	**2,729**
Bonds and other debt securities	13	-	16	29	1,296	162	-	1,458
Loans, receivables and securities purchased under resale agreements	-	158	-	158	-	32	113	145
Other financial assets	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	1,303	-	1,303	-	1,126	-	1,126
Hedging derivatives	**-**	**20,667**	**-**	**20,667**	**-**	**16,837**	**-**	**16,837**
Interest rate instruments	-	20,238	-	20,238	-	16,785	-	16,785
Foreign exchange instruments	-	429	-	429	-	50	-	50
Equity and index instruments	-	-	-	-	-	2	-	2
Financial assets measured at fair value through other comprehensive income	**51,090**	**708**	**262**	**52,060**	**51,730**	**1,282**	**244**	**53,256**
Bonds and other debt securities	51,090	628	3	51,721	51,730	1,261	-	52,991
Shares and other equity securities	-	-	259	259	-	-	244	244
Loans and receivables	-	80	-	80	-	21	-	21
TOTAL	**161,069**	**328,469**	**12,647**	**502,185**	**142,604**	**302,887**	**10,341**	**455,832**

NOTE 3.4.2 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	31.12.2020				31.12.2019			
(In EURm)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio (excluding derivatives)	**6,666**	**152,939**	**1,031**	**160,636**	**5,001**	**136,800**	**1,325**	**143,126**
Amounts payable on borrowed securities	28	32,031	106	32,165	71	38,743	136	38,950
Bonds and other debt instruments sold short	5,385	-	-	5,385	3,464	54	-	3,518
Shares and other equity instruments sold short	1,253	-	-	1,253	1,466	-	-	1,466
Borrowings and securities sold under repurchase agreements	-	119,831	924	120,755	-	96,631	1,189	97,820
Other trading liabilities	-	1,077	1	1,078	-	1,372	-	1,372
Trading derivatives	**46**	**153,807**	**5,323**	**159,176**	**216**	**132,371**	**5,533**	**138,120**
Interest rate instruments	5	95,704	2,697	98,406	31	85,177	3,293	88,501
Foreign exchange instruments	40	19,599	156	19,795	175	18,064	115	18,354
Equity and index instruments	-	36,000	1,978	37,978	-	24,529	1,612	26,141
Commodity instruments	-	392	-	392	-	2,131	70	2,201
Credit derivatives	-	942	492	1,434	-	1,594	443	2,037
Other forward financial instruments	1	1,170	-	1,171	10	876	-	886
Financial liabilities measured using fair value option through profit or loss	**-**	**30,784**	**39,651**	**70,435**	**-**	**38,160**	**44,723**	**82,883**
Hedging derivatives	**-**	**12,461**	**-**	**12,461**	**-**	**10,212**	**-**	**10,212**
Interest rate instruments	-	12,219	-	12,219	-	10,045	-	10,045
Foreign exchange instruments	-	171	-	171	-	154	-	154
Equity and index instruments	-	71	-	71	-	13	-	13
TOTAL	**6,712**	**349,991**	**46,005**	**402,708**	**5,217**	**317,543**	**51,581**	**374,341**

NOTE 3.4.3 VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

(In EURm)	Balance as at 31 December 2019	Acqui-sitions	Disposals/ redem-ptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 31 December 2020
Trading portfolio (excluding derivatives)	**4,017**	**3,252**	**(1,551)**	**(1,391)**	**214**	**(24)**	**(151)**	**3**	**4,369**
Bonds and other debt securities	459	1,505	(978)	(319)	214	(60)	(30)	3	794
Shares and other equity securities	109	1	-	(86)	-	(23)	-	-	1
Loans, receivables and securities purchased under resale agreements	3,449	1,746	(573)	(986)	-	59	(121)	-	3,574
Trading derivatives	**3,086**	**195**	**(88)**	**(862)**	**1,153**	**533**	**53**	**-**	**4,070**
Interest rate instruments	2,272	-	-	(766)	724	350	100	-	2,680
Foreign exchange instruments	137	-	(1)	(13)	4	65	(16)	-	176
Equity and index instruments	380	192	(87)	(74)	218	(115)	(20)	-	494
Commodity instruments	76	3	-	-	-	(75)	(1)	-	3
Credit derivatives	220	-	-	(9)	207	309	(10)	-	717
Other forward financial instruments	1	-	-	-	-	(1)	-	-	-
Financial assets measured mandatorily at fair value through profit or loss	**2,881**	**711**	**(273)**	**-**	**1,047**	**(405)**	**(72)**	**41**	**3,930**
Bonds and other debt securities	122	25	(10)	-	-	(8)	-	-	129
Shares and other equity securities	1,968	502	(263)	-	-	(197)	(22)	49	2,037
Loans, receivables and securities purchased under resale agreements	791	184	-	-	1,047	(200)	(50)	(8)	1,764
Financial assets measured using fair value option through profit or loss	**113**	**1**	**(1)**	**(100)**	**-**	**16**	**-**	**(13)**	**16**
Bonds and other debt securities	-	1	(1)	-	-	16	-	-	16
Loans, receivables and securities purchased under resale agreements	113	-	-	(100)	-	-	-	(13)	-
Financial assets measured at fair value option through other comprehensive income	**244**	**-**	**-**	**-**	**-**	**18**	**-**	**-**	**262**
Debt instruments	-	-	-	-	-	-	-	3	3
Equity instruments	244	-	-	-	-	18	-	(3)	259
TOTAL	**10,341**	**4,159**	**(1,913)**	**(2,353)**	**2,414**	**138**	**(170)**	**31**	**12,647**

FINANCIAL LIABILITIES

(In EURm)	Balance as at 31 December 2019	Issues	Redemp-tions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 31 December 2020
Trading portfolio (excluding derivatives)	**1,325**	**438**	**(654)**	**(196)**	**-**	**131**	**(13)**	**-**	**1,031**
Debt securities issued	-	-	-	-	-	-	-	-	-
Amounts payable on borrowed securities	136	-	-	(143)	-	119	(6)	-	106
Borrowings and securities sold under repurchase agreements	1,189	438	(654)	(53)	-	11	(7)	-	924
Other trading liabilities	-	-	-	-	-	1	-	-	1
Trading derivatives	**5,533**	**726**	**(156)**	**(1,346)**	**1,267**	**(147)**	**(545)**	**(9)**	**5,323**
Interest rate instruments	3,293	-	-	(1,218)	797	260	(426)	(9)	2,697
Foreign exchange instruments	115	-	-	(24)	-	71	(6)	-	156
Equity and index instruments	1,612	726	(156)	(46)	364	(418)	(104)	-	1,978
Commodity instruments	70	-	-	-	-	(69)	(1)	-	-
Credit derivatives	443	-	-	(58)	106	9	(8)	-	492
Financial liabilities measured using fair value option through profit or loss	**44,723**	**20,695**	**(20,890)**	**(6,871)**	**4,794**	**(1,413)**	**(1,375)**	**(12)**	**39,651**
TOTAL	**51,581**	**21,859**	**(21,700)**	**(8,413)**	**6,061**	**(1,429)**	**(1,933)**	**(21)**	**46,005**

During the first half of 2020, the Group changed its methodology for determining the observability of market input used in the calculation of the fair value of financial instruments:

- observability is now determined on the one hand at a more granular level, and on the other hand takes more parameters into account in the analysis, whereas it was until now assessed by family of inputs with homogeneous characteristics. These changes, aiming at extending and improving the system by measuring observability at a more granular level, have led to the reclassification of some financial instruments at fair value from level 2 to level 3;
- the classification rules between levels 2 and 3 of fair value have also been revised in order to take account of a concept of significance in the allocation, in accordance with IFRS 13 "Fair Value Measurement": financial instruments classified in level 3 are now the ones that are valued using a financial model based on market inputs which are unobservable or can only be observed on insufficiently active markets, and whose influence is significant on the fair value of the instrument as a whole. As at 31 December 2019, any transaction considered unobservable, according to the criteria in force on that date, led to the classification of the instrument in level 3, regardless of the significance of the input concerned. This second change led to a reclassification of some financial instruments from level 3 to level 2.

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 DERIVATIVES INSTRUMENTS

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	925	29,198	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	1.6%; 347.5%
					Equity dividends	0%; 35.8%
					Correlations	-99.6%; 100%
					Hedge fund volatilities	7.6%; 20%
					Mutual fund volatilities	2.1%; 26.1%
Interest rates and Forex	9,133	16,314	Hybrid forex/interest rate or credit/interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-46.2%; 90%
			Forex derivatives	Forex option pricing models	Forex volatilities	0%; 27.5%
			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	55%; 88.9%
Credit	718	493	Collateralised 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
Commodities	3	0	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	NA
Long term equity investments	1,868	-	Securities held for strategic purposes	Net Book Value/Recent transactions	Not applicable	-
TOTAL	**12,647**	**46,005**				

(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 2020 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

	31.12.2020		31.12.2019	
(In EURm)	Negative impact	Positive impact	Negative impact	Positive impact
Shares and other equity instruments and derivatives	**(49)**	**150**	**(9)**	**79**
Equity volatilities	0	27	0	19
Dividends	(18)	46	(1)	13
Correlations	(31)	69	(8)	43
Hedge Fund volatilities	0	0	0	0
Mutual Fund volatilities	0	8	0	4
Rates or Forex instruments and derivatives	**(6)**	**27**	**(6)**	**43**
Correlations between exchange rates and/or interest rates	(4)	26	(4)	41
Forex volatilities	(1)	1	(1)	2
Constant prepayment rates	0	0	0	0
Inflation/inflation correlations	(1)	0	(1)	0
Credit instruments and derivatives	**0**	**12**	**(3)**	**13**
Time to default correlations	0	1	(3)	7
Recovery rate variance for single name underlyings	0	0	0	0
Quanto correlations	0	8	0	5
Credit spreads	0	3	0	1
Commodity derivatives	**NA**	**NA**	**0**	**1**
Commodities correlations	NA	NA	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 at the computation date on the basis of a standardised variation in inputs. Future variations in fair value cannot be deduced or forecast from these estimates.

NOTE 3.4.7 DEFERRED MARGIN RELATED TO MAIN UNOBSERVABLE INPUTS

At initial recognition, financial assets and liabilities are measured at fair value, *i.e.* 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.

When this fair value differs from transaction price and the instrument's valuation technique uses one or more unobservable inputs, this difference representative of a commercial margin is deferred in time to be recorded in the income statement, from case to case, at maturity of the instrument, at the time of sell or transfer, over time, or when the inputs become observable.

The table below shows the amount remaining to be recognised in the income statement due to this difference, less any amounts recorded in the income statement after initial recognition of the instrument.

(In EURm)	2020	2019
Deferred margin at 1 January	**1,151**	**1,237**
Deferred margin on new transactions during the period	949	693
Margin recorded in the income statement during the period	(943)	(779)
o/w amortisation	*(614)*	*(473)*
o/w switch to observable inputs	*(24)*	*(16)*
o/w disposed, expired or terminated	*(305)*	*(290)*
Deferred margin at 31 December	**1,157**	**1,151**

Two adjustments in methodology have been made in 2020 to the rules for identifying and amortising the deferred margin relating to financial instruments valued from unobservable parameters:

- in line with the observed evolution of market practices, observability, assessed until the end of 2019 by family of parameters with homogeneous characteristics, is now determined at a more granular level;
- at the same time, the way of recognising the margin over time takes more into account the materiality of unobservable parameters in the measurement of the fair value of the instrument.

NOTE 3.5 Loans, receivables and securities at amortised cost

OVERVIEW

	31.12.2020		31.12.2019	
(In EURm)	Carrying amount	*o/w impairment*	Carrying amount	*o/w impairment*
Due from banks	53,380	*(31)*	56,366	*(24)*
Customer loans	448,761	*(11,601)*	450,244	*(10,727)*
Securities	15,635	*(42)*	12,489	*(10)*
TOTAL	**517,776**	***(11,674)***	**519,099**	***(10,761)***

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 profit or loss under Interest and similar income. Furthermore, as these financial assets are subject to impairment for credit risk, changes in the 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), the subsequent accrued interest incremented to the carrying amount of the financial asset before impairment is limited to the 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, while the borrowing customer is not experiencing any 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 as at the renegotiation date, and the new loans contractualised under the renegotiated terms and conditions replace the previous loans in the balance sheet as 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 a basic instrument (SPPI), the 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 the 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)	31.12.2020	31.12.2019
Current accounts	25,712	20,717
Deposits and loans	16,000	17,269
Securities purchased under resale agreements	11,264	18,168
Subordinated and participating loans	97	88
Related receivables	297	118
Due from banks before impairments(1)	**53,370**	**56,360**
Credit loss impairment	(31)	(24)
Revaluation of hedged items	41	30
TOTAL	**53,380**	**56,366**

(1) As at 31 December 2020, the amount due from banks classified as Stage 3 impairment (credit impaired) was EUR 36 million compared to EUR 38 million at 31 December 2019. 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)	31.12.2020	31.12.2019
Overdrafts	16,381	19,181
Other customer loans	401,589	388,167
Lease financing agreements	30,086	30,761
Securities purchased under resale agreements	8,439	19,541
Related receivables	3,438	2,937
Customer loans before impairments(1)	**459,933**	**460,587**
Credit loss impairment	(11,601)	(10,727)
Revaluation of hedged items	429	384
TOTAL	**448,761**	**450,244**

(1) As at 31 December 2020, the amount due from customers classified as Stage 3 impairment (credit impaired) was EUR 16,807 million compared to EUR 15,976 million at 31 December 2019. 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 to the net carrying amount of the financial asset (see Note 3.7).

BREAKDOWN OF OTHER CUSTOMER LOANS

(In EURm)	31.12.2020	31.12.2019
Trade notes	8,491	9,700
Short-term loans	133,502	123,452
Export loans	11,078	11,582
Equipment loans	62,324	58,683
Housing loans	142,247	136,333
Loans secured by notes and securities	83	98
Other loans	43,864	48,319
TOTAL	**401,589**	**388,167**

ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

(In EURm)	31.12.2020	31.12.2019
Gross investments	**32,077**	**33,517**
Amount for the next five years	26,786	27,595
Less than one year	*9,111*	
From one to two years	*6,690*	
From two to three years	*5,460*	
From three to four years	*3,402*	
From four to five years	*2,123*	
More than five years	5,291	5,922
Present value of minimum payments receivable	**28,444**	**29,110**
Rental receivables due for the next five years	24,321	24,985
Less than one year	*8,465*	
From one to two years	*6,099*	
From two to three years	*4,945*	
From three to four years	*3,010*	
From four to five years	*1,802*	
Rental receivables due for more than five years	4,123	4,125
Unearned financial income	**1,991**	**2,754**
Unguaranteed residual values receivable by the lessor	**1,642**	**1,652**

In 2020, the Group refined the collection of information on minimum rents receivable on finance lease assets. The 2019 year-on-year comparative data for payments less than five years is not available.

NOTE 3.5.3 SECURITIES

(In EURm)	31.12.2020	31.12.2019
Government securities	7,143	6,005
Negotiable certificates, bonds and other debt securities	8,390	6,390
Related receivables	101	85
Securities before impairments	**15,634**	**12,480**
Impairment	(42)	(10)
Revaluation of hedged items	43	19
TOTAL	**15,635**	**12,489**

NOTE 3.6 Debts

ACCOUNTING PRINCIPLES

Debts include the non-derivative financial liabilities that are not measured at fair value through profit or loss.

They are recognised in the balance sheet, depending on 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, i.e. at the fair value of the amount borrowed net of transaction fees. These liabilities are measured as at the 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)	31.12.2020	31.12.2019
Demand deposits and current accounts	11,354	11,577
Overnight deposits and borrowings	3,221	3,680
Term deposits[(1)]	117,460	82,893
Related payables	61	186
Revaluation of hedged items	440	308
Securities sold under repurchase agreements	3,035	9,285
TOTAL	**135,571**	**107,929**

(1) Including term-deposits linked to governments and central administrations, and in particular long-term refinancing operations set up by the ECB (Targeted Longer-Term Refinancing Operations – TLTRO).

The European Central Bank (ECB) launched in 2019 a third series of Targeted Longer-Term Refinancing Operations (TLTRO) with the aim of maintaining favourable credit conditions in the euro area. Like the two previous systems, borrowing banks can benefit from a reduced interest rate depending on their performance in granting loans to their household (excluding real estate loans) and business (excluding financial institutions) customers. These TLTRO III operations each have a three-year maturity and are conducted quarterly between September 2019 and March 2021. Certain terms and conditions were modified in March 2020, in particular the loan production objectives, rate conditions and drawdown limit, in order to further support the granting of loans in the face of the emergence of the Covid-19 crisis.

The entities of the Societe Generale Group have subscribed to TLTRO III loans through quarterly drawings staggered between December 2019 and December 2020. As of the closing date, the total outstanding amount is 62.6 billion euros.

Based on the granting of loans for the year 2020 and the estimate of future production for the first quarter of 2021, the Group considers that it has reasonable assurance of reaching the objective of stability of the outstanding eligible loans between 1 March 2020 and 31 March 2021 and consequently of benefiting from a bonificated borrowing rate. This bonificated rate, more favourable than the remuneration conditions for the main Eurosystem refinancing operations, is equal to the average interest rate of the deposit facility over the life of each operation and is complemented by an additional temporary bonification over the period from 24 June 2020 to 23 June 2021 (reduction of 50 basis points in the average rate of the deposit facility with a floor rate set at -1%).

Interest income recorded in 2020 in respect of these transactions is presented under Interest and similar income; the amount is determined on the basis of a weighted rate calculated over the life of the operations and taking account of the temporary additional bonification.

NOTE 3.6.2 CUSTOMER DEPOSITS

(In EURm)	31.12.2020	31.12.2019
Regulated savings accounts	100,204	96,642
Demand	*74,617*	*70,610*
Term	*25,587*	*26,032*
Other demand deposits[1]	268,556	229,756
Other term deposits[1]	81,295	82,817
Related payables	299	441
Revaluation of hedged items	169	196
TOTAL CUSTOMER DEPOSITS	**450,523**	**409,852**
Securities sold to customers under repurchase agreements	5,536	8,760
TOTAL	**456,059**	**418,612**

(1) Including term-deposits linked to governments and central administrations.

BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE

(In EURm)	31.12.2020	31.12.2019
Professionals and corporates	124,987	111,079
Individual customers	84,364	76,135
Financial customers	43,558	29,093
Others[1]	15,647	13,449
TOTAL	**268,556**	**229,756**

(1) Including term-deposits linked to governments and central administrations

NOTE 3.6.3 DEBT SECURITIES ISSUED

(In EURm)	31.12.2020	31.12.2019
Term savings certificates	312	510
Bond borrowings	22,434	23,847
Interbank certificates and negotiable debt instruments	114,276	99,107
Related payables	672	776
Revaluation of hedged items	1,263	928
TOTAL	**138,957**	**125,168**
o/w floating-rate securities	*59,475*	*49,343*

NOTE 3.7 Interest income and expense

MAKING 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 which are calculated using the same risk-free interest rate as that used to discount the expected outflow of resources as soon as the effects of this discounting are significant.

SPECIFIC TREATMENT RELATED TO THE REPLACEMENT OF A REFERENCE INTEREST RATE BY AN ALTERNATIVE REFERENCE INTEREST RATE (POSSIBLY INCLUDING A FINANCIAL COMPENSATION) – IBOR REFORM

The replacement of a reference interest rate by an alternative reference interest rate (possibly including a financial compensation in the form of a margin adjustment expressed in basis points and/or a cash amount) is liable to change the basis for determining the contractual cash flows of a financial asset or liability (*i.e.*, the method for calculating the return on it).

The effective interest rate is then modified prospectively to reflect the change from the current reference interest rate to an alternative reference interest rate. This last is adjusted for the new margin expressed in basis points and, if needed, for the amortisation over the remaining term of the contract, of the cash amount paid at the time of the modification.

(In EURm)	2020 Income	2020 Expense	2020 Net	2019 Income	2019 Expense	2019 Net
Financial instruments at amortised cost	12,193	(5,449)	6,744	14,907	(7,850)	7,057
Central banks	*110*	*(153)*	*(43)*	*427*	*(181)*	*246*
Bonds and other debt securities	*470*	*(1,660)*	*(1,190)*	*318*	*(2,096)*	*(1,778)*
Due from/to banks	*943*	*(819)*	*124*	*1,010*	*(1,632)*	*(622)*
Customer loans and deposits	*10,257*	*(2,109)*	*8,148*	*12,053*	*(3,123)*	*8,930*
Subordinated debt	*-*	*(503)*	*(503)*	*-*	*(516)*	*(516)*
Securities lending/borrowing	*6*	*(4)*	*2*	*10*	*(6)*	*4*
Repo transactions	*407*	*(201)*	*206*	*1,089*	*(296)*	*793*
Hedging derivatives	6,550	(4,753)	1,797	6,433	(4,632)	1,801
Financial instruments at fair value through other comprehensive income	526	(2)	524	752	(1)	751
Lease agreements	991	(44)	947	1,178	(44)	1,134
Real estate lease agreements	*179*	*(43)*	*136*	*189*	*(43)*	*146*
Non-real estate lease agreements	*812*	*(1)*	*811*	*989*	*(1)*	*988*
Subtotal interest income/expense on financial instruments using the effective interest method	**20,260**	**(10,248)**	**10,012**	**23,270**	**(12,527)**	**10,743**
Financial instruments mandatorily at fair value through profit or loss	461	-	461	442	-	442
TOTAL INTEREST INCOME AND EXPENSE	**20,721**	**(10,248)**	**10,473**	**23,712**	**(12,527)**	**11,185**
o/w interest income from impaired financial assets	*268*	*-*	*268*	*280*	*-*	*280*

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 of 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)	2020	2019
Trade notes	342	511
Other customer loans	8,992	10,361
Short-term loans	*3,840*	*4,572*
Export loans	*255*	*375*
Equipment loans	*1,410*	*1,529*
Housing loans	*2,884*	*2,985*
Other customer loans	*603*	*900*
Overdrafts	662	909
Doubtful outstandings (Stage 3)	261	272
TOTAL	**10,257**	**12,053**

NOTE 3.8 Impairment and provisions

MAKING 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 the income statement 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 the income statement 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.

For financial assets measured at fair value through profit or loss (including instruments held by global markets activities), their fair value includes already the expected credit loss, as assessed by the market participants, 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 compared to the date of initial recognition is assessed by the Group using all available past and forward-looking data (behavioural scores, loan to value indicators, macroeconomic forecast scenarios, etc.).

The three criteria used to assess the significant changes in credit risk are detailed below. Once only one of these three criteria is met, the relevant outstanding is transferred from Stage 1 to Stage 2 and related impairments or provisions are adjusted accordingly.

CRITERIA 1: THE CLASSIFICATION OF THE COUNTERPARTY IN "SENSITIVE"

To determine the classification of the counterparty as "sensitive" (notion of watch list), the Group analyses:

- the counterparty's credit rating (where it is the subject of an internal analysis); and
- the changes in its operating sector, in macroeconomic conditions and in the behaviours of the counterparty that may 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.

CRITERIA 2: THE MAGNITUDE OF THE CHANGE IN A COUNTERPARTY'S CREDIT RATING SINCE THE INITIAL RECOGNITION

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.

CRITERIA 3: THE EXISTENCE OF PAYMENTS MORE THAN 30 DAYS PAST DUE

There is a (rebuttable) presumption of a significant deterioration in credit risk when a payment on an asset is more than 30 days past due.

The three criteria are symmetrical: thus, a removal from the watch list of sensitive counterparties, a sufficient improvement in the debtor's credit rating or a settlement of payments more than 30 days overdue results in a return to Stage 1, without any probation period in Stage 2.

PARTICULAR CASE OF EXPOSURES WITHOUT CREDIT RATING

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 30 days past due for retail customers;
- the classification into watch list and the existence of payments more than 30 days past due for Corporate.

Exposures classified in Stage 3

To identify Stage 3 exposures (doubtful exposures), the Group has been applying to most of its entities, since July 2020, the new definition of default as detailed in the guidelines published by the European Banking Authority (EBA). This definition results in classification into Stage 3 according to the following criteria:

- one or more unpaid payments of over 100 euros for Retail (500 euros for Non-retail) during 90 consecutive days, representing at least 1% of the total exposure of the customer. This unpaid amount may or may not be accompanied by a recovery procedure (except for restructured loans classified into Stage 1 or 2 which are retransferred into Stage 3 from the first amount unpaid after 30 days during the two-year probation period). In addition, only missed payments related to business litigations, specific contractual features or IT failures may avoid automatic transfer into Stage 3 after 90 days;
- 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,
  - the granting of concessions to the clauses of the loan agreement, which would not have been granted in other circumstances (restructured loans) and result in a decrease in the present value of cash flows of more than 1% of its initial value,
  - the existence of probable credit risk or litigious proceedings (*ad hoc* mandate, bankruptcy protection, 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.

The classification in Stage 3 is kept during the 3-month probation period after the disappearance of all default indicators described above. The probation period in Stage 3 is extended to one year for the restructured loans that have been transferred in Stage 3.

In the case of a return to Stage 2, the exposures are kept in Stage 2 during a probation period before assessing whether they could be transferred to Stage 1. This probation period in Stage 2 is from 6 months to two years according to the nature of the risk portfolio to which the exposures belong.

For the entities which do not implement the new definition of default, the main differences concern the criteria for classification into Stage 3:

- existence of payments more than 90 days past due without materiality threshold;
- no probation period (except for restructured loans that remain at least 1 year in Stage 3) before reclassification into Stage 1 or 2 once the Stage 3 conditions are not met anymore;
- classification of all restructured loans into Stage 3.

The rules of implementation of the new definition of default will be carried out by these entities from 1 January 2021.

Measurement of depreciation and provision

Stage 1 exposures are impaired for the amount of credit losses that the Group expects to incur within 12 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 12 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 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 the income statement 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.

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 restructuration 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 restructuration.

Post-restructuring, these financial assets are classified in Stage 3 (credit-impaired exposures) whether the present value of modified cash flows decreases by more than 1% compared with the carrying amount of financial instruments before the restructuring or there is a high probability that the counterparty cannot meet all its commitments involving a risk of loss for the Group. In these two cases, the restructuring of financial assets leads to 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 or the loans which the present value does not decrease more than 1%, 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 restructuration, loans are retransferred into Stage 3 as of payments more than 30 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.

Given the new contractual terms arising from the restructuring 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 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.

COVID-19 CRISIS

This section summarises the main developments relating to the Covid-19 crisis.

Over 2020, the exceptional nature of the economic crisis caused by the pandemic, combined with unprecedented government support measures, required adjustments to the models used to calculate impairments and provisions for credit risk to best reflect expected losses based on our expectations of future defaults. As at 31 December 2020, the default situations observed remain moderate as a result of the implementation of moratoria. However, an increase in defaults is expected for 2021 and 2022, which should be reflected, as early as 2020, in the provisions for performing loans in Stage 1 and under-performing loans in Stage 2.

Consequently:

- the models and parameters used to estimate expected credit losses have been reviewed based on the economic scenarios described in paragraph 5 of Note 1;
- the adjustments made to supplement the models used have been updated (sectoral adjustments and adjustments when using simplified models);
- a new criterion for reclassifying loans into Stage 2 under-performing loans has been established.

UPDATE OF THE MODELS AND PARAMETERS USED TO ESTIMATE EXPECTED CREDIT LOSSES

When applied for determining future default rates, the models used to estimate expected credit losses didn't reflect accurately the economic uncertainties stemming from the current crisis.

Consequently, the Group made some adjustments to its models to better reflect the impact of economic scenarios on expected credit losses.

GDP adjustments

The sharp downturn in economic activity resulting from the lockdown measures taken by governments has led to high volatility of quarterly GDP growth rates (year-on-year) for the 2021 and 2022 forecasts in the countries where the Group operates.

In addition, the authorities have adopted financial support measures for households and businesses to help them cope with this sudden deterioration in activity. Therefore, it seems likely that a time-lag will appear between the deterioration in the portfolios' credit quality and that of activity, the first being delayed with respect to the second.

In order to account for this time-lag, the Group has revised its models and retained for each quarter from 2020 to 2022 the (logarithmic) average variation in GDP over the past eight quarters compared to a base of 100 in 2019.

This adjustment is applied to each of the four scenarios (SG Favourable, SG Central, SG Extended and SG Stress) for the GDP series used to model expected credit losses (see Note 1, paragraph 5).

The table below results from the combination of the four scenarios after adjustment; it shows the adjusted GDP growth rates used in the models applied to estimate expected credit losses (in percentages):

	2020	2021	2022	2023	2024
Euro area	(2.8)	(5.8)	(3.8)	1.4	1.7
France	(3.3)	(7.1)	(5.3)	1.6	1.8
United States of America	(2.3)	(3.5)	(1.5)	2.3	2.2
China	(2.3)	1.8	4.6	4.5	4.5

Adjustment of the margin rate of French companies

In France, the pandemic economic shock caused a decrease in corporate profit margin. According to the Group's economists, this deteriorated margin rate does not, however, take sufficient account of State support measures to reduce the companies' financial difficulties, particularly through the PGE mechanism. To better reflect the impact of these measures, an add-on equivalent to 2.4 points of the 2019 added value has been included in all scenarios for 2020 and the first half of 2021 regarding the margin rate of French companies. However, no add-on has been applied over the remainder of the forecast horizon for expected credit losses.

It is worth noting that should the government stop some of the support measures put in place in the second quarter of 2020, the Group would have to scale down the margin rate add-on of French companies.

As at 31 December 2020, the adjustments in macroeconomic variables and probabilities of default led the Group to increase the amount of impairment and provisions for credit risk by EUR 496 million.

ADJUSTMENTS MADE IN ADDITION TO THE APPLICATION OF MODELS

Sectoral adjustments

The different models used to estimate the expected credit losses may be supplemented by sectoral adjustments that increase or decrease the amount of expected credit losses. These adjustments allow to better anticipate defaults or recoveries in certain cyclical sectors. These adjustments have been reviewed and supplemented to take account of the specific risk on sectors particularly affected by the Covid-19 crisis.

The total sectoral adjustments amount to EUR 406 million as at 31 December 2020 (EUR 244 million as at 31 December 2019).

Adjustments in the context of simplified models

For entities lacking developed models for estimating the correlations between the macroeconomic variables and the probability of default, adjustments have also been performed to reflect the deterioration of credit risk on some portfolios when this deterioration could not be measured by a line by line analysis of the outstanding loans.

These adjustments amount to EUR 424 million as at 31 December 2020 (EUR 78 million as at 31 December 2019).

ADDITIONAL CRITERIA OF TRANSFER TO STAGE 2

In addition to the criteria applied at the individual level to classify deteriorated loans as Stage 2 under-performing loans, an additional analysis has been made on the loan portfolios for which a significant increase in credit risk has been observed since their granting. This analysis resulted in additional transfers to Stage 2 under-performing loans of loans granted to sectors particularly affected by the Covid-19 crisis.

These adjustments amount to EUR 122 million as at 31 December 2020.

OVERVIEW

This table does not lay out the IAS 39 impairment related to financial instruments of insurance subsidiaries. This impairment is presented in the Note 4.3.

(In EURm)	31.12.2020	31.12.2019
Impairment of financial assets at fair value through other comprehensive income	9	9
Impairment of financial assets at amortised cost	11,962	10,976
Due from banks at amortised cost	*31*	*24*
Customer loans at amortised cost	*11,601*	*10,728*
Securities at amortised cost	*42*	*9*
Other assets at amortised cost[(1)]	*288*	*215*
TOTAL IMPAIRMENT OF FINANCIAL ASSETS	**11,971**	**10,985**
Provisions on financing commitments	433	244
Provisions on guarantee commitments	495	396
TOTAL CREDIT RISK PROVISIONS	**928**	**640**

(1) See Note 4.4.

NOTE 3.8.1 IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN

(In EURm)	Amount as at 31.12.2019	Allocations	Write-backs available	Net impairment losses	Write-backs used	Curency and scope effects	Amount as at 31.12.2020
Financial assets at fair value through other comprehensive income							
Impairment on performing outstandings (Stage 1)	1	1	(1)	-		-	1
Impairment on underperforming outstandings (Stage 2)	-	-	-	-		-	-
Impairment on doubtful outstandings (Stage 3)	8	1	(1)	-	-	-	8
TOTAL	**9**	**2**	**(2)**	**-**	**-**	**-**	**9**
Financial assets measured at amortised cost							
Impairment on performing outstandings (Stage 1)	902	774	(560)	214		(38)	1,078
Impairment on underperforming outstandings (Stage 2)	1,042	1,912	(968)	944		(35)	1,951
Impairment on doubtful outstandings (Stage 3)	9,032	4,516	(2,723)	1,793	(1,691)	(201)	8,933
TOTAL	**10,976**	**7,202**	**(4,251)**	**2,951**	**(1,691)**	**(274)**	**11,962**
o/w lease financing and similar agreements	***742***	***404***	***(158)***	***246***	***(80)***	***(20)***	***888***
Impairment on performing outstandings (Stage 1)	*90*	*60*	*(34)*	*26*		*(3)*	*113*
Impairment on underperforming outstandings (Stage 2)	*91*	*159*	*(35)*	*124*		*(5)*	*210*
Impairment on doubtful outstandings (Stage 3)	*561*	*185*	*(89)*	*96*	*(80)*	*(12)*	*565*

VARIATION OF DEPRECIATIONS ACCORDING TO CHANGES IN THE CARRYING AMOUNT OF FINANCIAL ASSETS

	Impairment on financial assets											
	At fair value through other comprehensive income				At amortised cost							
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	*o/w lease financing*	Stage 2	*o/w lease financing*	Stage 3	*o/w lease financing*	Total	Total
Amount as at 31.12.2019	**1**	**-**	**8**	**9**	**902**	***90***	**1,042**	***91***	**9,032**	***561***	**10,976**	**10,985**
Production and Acquisition[1]				-	329	*31*	119	*12*	161	*6*	**609**	**609**
Derecognition[2]				-	(146)	*(6)*	(112)	*(2)*	(1,380)	*(46)*	**(1,638)**	**(1,638)**
Transfer from stage 1 to stage 2[3]				-	(95)	*(9)*	878	*89*			**783**	**783**
Transfer from stage 2 to stage 1[3]				-	13	*1*	(171)	*(13)*			**(158)**	**(158)**
Transfer to stage 3[3]				-	(9)	*(1)*	(114)	*(7)*	1,186	*48*	**1,063**	**1,063**
Transfer from stage 3[3]				-			24	*2*	(87)	*(4)*	**(63)**	**(63)**
Allocations and Write-backs without stage transfer[3]				-	113	*8*	306	*39*	187	*9*	**606**	**606**
Currency effect				-	(28)	*(1)*	(19)	*(1)*	(199)	*(9)*	**(246)**	**(246)**
Scope effect				-							**-**	**-**
Other variations				-	(1)		(2)		33		**30**	**30**
Amount as at 31.12.2020	**1**	**-**	**8**	**9**	**1,078**	***113***	**1,951**	***210***	**8,933**	***565***	**11,962**	**11,971**

(1) The amounts of impairment presented in the line Production and Acquisition in Stage 2/Stage 3 could include originated contracts in Stage 1 reclassified in Stage 2/Stage 3 during the period.

(2) Including repayments, disposals and debt waivers.

(3) Amounts presented in transfers include variations due to amortisation. Transfers to Stage 3 correspond to outstanding amounts initially classified as Stage 1 which, during the period, were downgraded directly to Stage 3, or to Stage 2 and later to Stage 3.

NOTE 3.8.2 CREDIT RISK PROVISIONS

BREAKDOWN

(In EURm)	Amount as at 31.12.2019	Allocations	Write-backs available	Net impairment losses	Currency and scope effects	Amount as at 31.12.2020
Financing commitments						
Provisions on performing outstandings (Stage 1)	102	113	(93)	20	(3)	119
Provisions on underperforming outstandings (Stage 2)	105	255	(77)	178	(4)	279
Provisions on doubtful outstandings (Stage 3)	37	124	(173)	(49)	47	35
TOTAL	**244**	**492**	**(343)**	**149**	**40**	**433**
Guarantee commitments						
Provisions on performing outstandings (Stage 1)	34	37	(25)	12	(2)	44
Provisions on underperforming outstandings (Stage 2)	80	103	(29)	74	(2)	152
Provisions on doubtful outstandings (Stage 3)	282	160	(90)	70	(53)	299
TOTAL	**396**	**300**	**(144)**	**156**	**(57)**	**495**

VARIATIONS OF PROVISIONS ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

	Provisions								
	On financing commitments				On guarantee commitments				
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Amount as at 31.12.2019	**102**	**105**	**37**	**244**	**34**	**80**	**282**	**396**	**640**
Production and Acquisition[(1)]	48	29	7	**84**	15	12	18	**45**	**129**
Derecognition[(2)]	(40)	(6)	(25)	**(71)**	(9)	(6)	(39)	**(54)**	**(125)**
Transfer from stage 1 to stage 2[(3)]	(14)	143		**129**	(5)	40		**35**	**164**
Transfer from stage 2 to stage 1[(3)]	1	(10)		**(9)**		(2)		**(2)**	**(11)**
Transfer to stage 3[(3)]	(1)	(1)	6	**4**		(6)	26	**20**	**24**
Transfer from stage 3[(3)]			(1)	**(1)**			(3)	**(3)**	**(4)**
Allocations and Write-backs without stage transfer[(3)]	25	22	11	**58**	10	35	22	**67**	**125**
Currency effect	(2)	(3)		**(5)**	(1)	(1)	(8)	**(10)**	**(15)**
Scope effect				**-**				**-**	**-**
Other variations				**-**			1	**1**	**1**
Amount as at 31.12.2020	**119**	**279**	**35**	**433**	**44**	**152**	**299**	**495**	**928**

(1) The amounts of impairment presented in the line Production and Acquisition in Stage 2/Stage 3 could include originated contracts in Stage 1 reclassified in Stage 2/Stage 3 during the period.
(2) Including repayments, disposals and debt waivers.
(3) Amounts presented in transfers include variations due to amortisation. Transfers to Stage 3 correspond to outstanding amounts initially classified as Stage 1 which, during the period, were downgraded directly to Stage 3, or to Stage 2 and later to Stage 3.

The increase in credit risk impairment and provisions in 2020 is mainly linked to:

- transfer of loans to Stage 3 due to downgraded ratings (EUR 4.9 billion), which caused an increase in impairment charges and provisions of EUR 1.1 billion (including 26% in the automotive sector and 30% in retail):
  - EUR 2.9 billion in outstanding amounts of which related depreciations and provisions amounted to EUR 804 million as at 31 December 2020. These contracts were classified in Stage 1 at 31 December 2019,
  - EUR 2 billion in outstanding amounts of which related depreciations and provisions amounted to EUR 414 million as at 31 December 2020. These contracts were classified in Stage 2 at 31 December 2019;
- transfer of loans to Stage 2 due to downgraded ratings (EUR 56.3 billion) owing to the deteriorated economic environment and the adjustments in the models for calculating impairments and provisions for credit risk described above. This transfer caused an increase in impairment charges and provisions of EUR 947 million (79% on the corporate portfolio);

- disposal of Stage 3 loans on the Retail Banking perimeter (EUR 539 million), which caused a decrease in impairment charges and provisions of EUR 428 million;
- granting of state-guaranteed loans (EUR 18.6 billion) which caused an increase in impairment charges and provisions of EUR 80 million.

NOTE 3.8.3 OUTSTANDING AMOUNTS FOR WHICH PROVISIONS CAN BE BOOKED

The reconciliation between accounting amounts and outstanding amounts is included in Chapter 4 of the present Universal Registration Document.

(In EURm)	31.12.2020
Financial assets at fair value through other comprehensive income	**51,801**
Stage 1	51,792
Stage 2	-
Stage 3	9
Financial assets at amortised cost(1)	**709,020**
Stage 1	642,131
Stage 2	49,740
Stage 3	17,149
o/w lease financing	***30,151***
Stage 1	*24,214*
Stage 2	*4,490*
Stage 3	*1,447*
Financing commitments	**183,588**
Stage 1	161,757
Stage 2	21,488
Stage 3	343
Guarantee commitments	**53,851**
Stage 1	46,169
Stage 2	6,876
Stage 3	806
TOTAL CARRYING AMOUNT	**998,260**

(1) Including Central Banks for EUR 165,837 million as at 31 December 2020.

NOTE 3.8.4 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 uncollectible 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 if the latter's fortune improve. In case of recoveries on an exposure previously written-off, such recoveries are recognised as Amounts recovered on irrecovrables loans on the year of collection.

(In EURm)	2020	2019
Net allocation to impairment losses	(2,951)	(1,202)
On financial assets at fair value through other comprehensive income	-	*2*
On financial assets at amortised cost	*(2,951)*	*(1,204)*
Net allocations to provisions	(305)	12
On financing commitments	*(149)*	*47*
On guarantee commitments	*(156)*	*(35)*
Losses not covered on irrecoverable loans	(251)	(292)
Amounts recovered on irrecoverable loans	114	184
Income from guarantee not taken into account for the calculation of impairment	87	20
TOTAL	**(3,306)**	**(1,278)**

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

	31.12.2020				
(In EURm)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from banks	53,380	53,394	-	38,373	15,021
Customer loans	448,761	450,923	-	153,933	296,990
Securities	15,635	15,767	4,807	9,022	1,938
TOTAL	**517,776**	**520,084**	**4,807**	**201,328**	**313,949**

	31.12.2019				
(In EURm)	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**

NOTE 3.9.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	31.12.2020				
(In EURm)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due to banks	135,571	135,608	239	132,513	2,856
Customer deposits	456,059	456,119	-	446,520	9,599
Debt securities issued	138,957	138,985	20,920	117,809	256
Subordinated debt	15,432	15,435	-	15,435	-
TOTAL	**746,019**	**746,147**	**21,159**	**712,277**	**12,711**

	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**

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 represented by 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 derivatives instruments 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, the 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 the securities measured at fair value through profit or loss and the 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 to equity, depending on the accounting classification of the securities in question.

NOTE 3.10.1 COMMITMENTS

COMMITMENTS GRANTED

(In EURm)	31.12.2020	31.12.2019
Loan commitments		
To banks	45,707	50,589
To customers	194,890	184,305
Issuance facilities	*83*	*83*
Confirmed credit lines	*185,061*	*166,168*
Others[(1)]	*9,746*	*18,054*
Guarantee commitments		
On behalf of banks	4,541	10,572
On behalf of customers[(2)]	59,297	42,248
Securities commitments		
Securities to be delivered	26,387	31,121

(1) This line includes, as from 31 December 2020, investment commitments in private equity funds granted by insurance activities for an amount of EUR 2,271 million.
(2) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.

COMMITMENTS RECEIVED

(In EURm)	31.12.2020	31.12.2019
Loan commitments		
From banks	78,577	84,990
Guarantee commitments		
From banks	114,035	110,395
Other commitments[(1)]	139,289	125,771
Securities commitments		
Securities to be received	28,148	30,874

(1) These commitments include, as at 31 December 2020, the guarantee granted by French government related to the State Guaranteed Loans (see Note 1.5).

NOTE 3.10.2 FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSETS PLEDGED

(In EURm)	31.12.2020	31.12.2019
Book value of assets pledged as security for liabilities*[1]	330,730	311,597
Book value of assets pledged as security for transactions in financial instruments[2]	62,308	56,891
Book value of assets pledged as security for off-balance sheet commitments	2,106	2,195
TOTAL	**395,144**	**370,683**

* *The value of the assets pledged as security for liabilities presented in 2019 for an amount of EUR 391,820 million has been corrected by EUR 80,223 million in order to take into account entries erroneously booked on securities made available to agents acting on behalf of Societe Generale.*

(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 deposit.*

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EURm)	31.12.2020	31.12.2019
Fair value of securities purchased under resale agreements	**119,374**	**111,818**

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 securitisation 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 the 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 a 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. If 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 in the value 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

	31.12.2020		31.12.2019	
(In EURm)	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities at fair value through profit or loss	23,375	18,827	23,691	20,486
Securities at fair value through other comprehensive income	12,410	9,913	13,057	10,476
TOTAL	**35,785**	**28,740**	**36,748**	**30,962**

SECURITIES LENDING

	31.12.2020		31.12.2019	
(In EURm)	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities at fair value through profit or loss	11,067	-	13,297	54
Securities at fair value through other comprehensive income	170	-	132	-
TOTAL	**11,237**	**-**	**13,429**	**54**

SECURITISATION ASSETS FOR WHICH THE COUNTERPARTIES TO THE ASSOCIATED LIABILITIES HAVE RECOURSE ONLY TO THE TRANSFERRED ASSETS

(In EURm)	31.12.2020	31.12.2019*
Customers loans		
Carrying amount of transferred assets	3,658	3,039
Carrying amount of associated liabilities	3,248	2,627
Fair value of transferred assets (A)	3,724	3,098
Fair value of associated liabilities (B)	3,263	2,637
NET POSITION (A)-(B)	**461**	**461**

* *As at 31 December 2020, the Group restated the customer loan amounts of the previous period in order to include securitisation transactions that had not been presented in 2019. The impact of this change increased the carrying amount of the transferred assets by EUR 1,410 million and the carrying amount of the associated liabilities by EUR 1,082 million. The fair value of the transferred assets increased by EUR 1,459 million and the fair value of the associated liabilities increased by EUR 1,082 million.*

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

As at 31 December 2020, 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 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 offsettings 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 31 DECEMBER 2020

ASSETS

		Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements[1]			
(In EURm)	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	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	40,978	286,686	(155,461)	172,203	(95,803)	(18,599)	-	57,801
Securities lent (see Notes 3.1 and 3.3)	7,496	3,746	-	11,242	(1,677)	(2)	(91)	9,472
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	47,044	172,751	(80,718)	139,077	(6,350)	(183)	(46,057)	86,487
Guarantee deposits pledged (see Note 4.4)	36,530	15,366	-	51,896	-	(15,366)	-	36,530
Other assets not subject to offsetting	1,087,534	-	-	1,087,534	-	-	-	1,087,534
TOTAL	**1,219,582**	**478,549**	**(236,179)**	**1,461,952**	**(103,830)**	**(34,150)**	**(46,148)**	**1,277,824**

LIABILITIES

(In EURm)	Amount of liabilities not subject to offsetting	Impact of offsetting on the balance sheet: Gross amount	Impact of offsetting on the balance sheet: Amount offset	Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[(1)]: Financial instruments recognised in the balance sheet	Impact of MNA: Cash collateral pledged	Impact of MNA: Financial instruments pledged as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	45,260	281,838	(155,461)	171,637	(95,803)	(15,366)	-	60,468
Amount payable on borrowed securities (see Note 3.1)	23,038	9,127	-	32,165	(1,677)	-	-	30,488
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	55,652	154,334	(80,718)	129,268	(6,350)	-	(38,886)	84,032
Guarantee deposits received (see Note 4.4)	36,955	18,784	-	55,739	-	(18,784)	-	36,955
Other liabilities not subject to offsetting	1,006,164	-	-	1,006,164	-	-	-	1,006,164
TOTAL	**1,167,069**	**464,083**	**(236,179)**	**1,394,973**	**(103,830)**	**(34,150)**	**(38,886)**	**1,218,107**

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect.

NOTE 3.12.2 AT 31 DECEMBER 2019

ASSETS

(In EURm)	Amount of assets not subject to offsetting	Impact of offsetting on the balance sheet: Gross amount	Impact of offsetting on the balance sheet: Amount offset	Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[(1)]: Financial instruments recognised in the balance sheet	Impact of MNA: Cash collateral received	Impact of MNA: Financial instruments received as collateral	Net amount
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*	991,825	-	-	991,825	-	-	-	991,825
TOTAL	**1,104,617**	**428,840**	**(176,962)**	**1,356,495**	**(116,855)**	**(32,989)**	**(41,031)**	**1,165,620**

LIABILITIES

(In EURm)	Amount of liabilities not subject to offsetting	Impact of offsetting on the balance sheet: Gross amount	Amount offset	Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[(1)]: Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	Net amount
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*	935,381	-	-	935,381	-	-	-	935,381
TOTAL	**1,079,866**	**385,021**	**(176,962)**	**1,287,925**	**(116,855)**	**(32,989)**	**(35,880)**	**1,102,201**

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

(1) *Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect.*

NOTE 3.13 Contractual maturities of financial liabilities

(In EURm)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2020
Due to central banks	1,489	-	-	-	1,489
Financial liabilities at fair value through profit or loss	277,326	29,605	34,655	48,661	390,247
Due to banks	57,384	9,140	67,829	1,218	135,571
Customer deposits	422,319	14,489	13,328	5,923	456,059
Debt securities issued	36,665	34,317	44,998	22,977	138,957
Subordinated debt	7	2	6,029	9,394	15,432
Other liabilities	76,148	2,218	4,549	2,022	84,937
TOTAL LIABILITIES	**871,338**	**89,771**	**171,388**	**90,195**	**1,222,692**
Loan commitment granted	101,327	31,814	93,488	13,968	240,597
Guarantee commitments granted	27,091	13,753	9,536	13,458	63,838
TOTAL COMMITMENTS GRANTED	**128,418**	**45,567**	**103,024**	**27,426**	**304,435**

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.

	2020			2019		
(In EURm)	Income	Expense	Net	Income	Expense	Net
Transactions with banks	**159**	**(108)**	**51**	**157**	**(149)**	**8**
Transactions with customers	**2,820**	**-**	**2,820**	**3,072**	**-**	**3,072**
Financial instruments operations	**2,208**	**(2,215)**	**(7)**	**2,261**	**(2,351)**	**(90)**
Securities transactions	503	(1,042)	(539)	523	(1,019)	(496)
Primary market transactions	203	-	203	126	-	126
Foreign exchange transactions and derivatives instruments	1,502	(1,173)	329	1,612	(1,332)	280
Loan and guarantee commitments	**795**	**(271)**	**524**	**772**	**(213)**	**559**
Various services	**2,547**	**(1,018)**	**1,529**	**2,806**	**(1,098)**	**1,708**
Asset management fees	613	-	613	610	-	610
Means of payment fees	795	-	795	914	-	914
Insurance product fees	260	-	260	241	-	241
Underwriting fees of UCITS	77	-	77	80	-	80
Other fees	802	(1,018)	(216)	961	(1,098)	(137)
TOTAL	**8,529**	**(3,612)**	**4,917**	**9,068**	**(3,811)**	**5,257**

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; the latter corresponds to the non-cancellable lease term adjusted for any option to extend the contract that the lessee is reasonably certain to exercise and any early termination options that the lessee is reasonably certain not to exercise (see Note 8.4). 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 the income from invoices for maintenance services related to operating leases is to reflect, over the term of the service agreement, a constant margin between this income and the expenses incurred in providing the service.

Income and expenses, and capital gains or losses on investment properties and leased assets, as well as income and expense on maintenance services related to operating lease activities, are recorded under Income and expenses from other activities on the Real estate leasing and Equipment leasing lines.

These lines also include the losses incurred in the event of a decline in the unguaranteed residual value of finance-lease transactions, and the capital gains or losses on disposal related to unleased assets once the lease finance agreements are terminated.

The leases granted by the Group entities may include the maintenance service of 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.

	2020			2019		
(In EURm)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Real estate development	65	(1)	64	96	-	96
Real estate leasing	37	(23)	14	48	(34)	14
Equipment leasing*(1)	10,933	(9,248)	1,685	10,889	(9,177)	1,712
Other activities*	436	(451)	(15)	596	(574)	22
TOTAL	**11,471**	**(9,723)**	**1,748**	**11,629**	**(9,785)**	**1,844**

* *Amounts as at 31 December 2019 restated following the reclassification of expenses related to maintenance services associated with vehicle leasing activities from Other activities to Equipment leasing.*

(1) *The amount recorded under this heading is mainly due to income and expenses related to long-term leasing and car fleet management businesses. Most of the Group's long-term lease agreements are 36-month to 48-month leases.*

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.

DEFERRED APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES

The amendments to IFRS 17 and IFRS 4 published by IASB on 25 June 2020 as well as the Regulation (EU) 2020/2097 published by the European Commission on 15 December 2020 allow financial conglomerates falling within the scope of Directive 2002/87/EC to defer until 1 January 2023 the implementation of IFRS 9 by their entities belonging to the insurance sector.

The Group has therefore maintained the decision 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 maintained 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.

In accordance with the ANC recommendation of 2 June 2017 related to the consolidated statements of banking institutions with the international accounting standards, 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 Sogécap, Antarius, Sogelife, Oradea Vie, Komercni 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. 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

(In EURm)	31.12.2020	31.12.2019
Underwriting reserves of insurance companies	142,106	140,155
Financial liabilities of insurance companies	4,020	4,104
Financial liabilities at fair value through profit or loss	*583*	*834*
Financial liabilities at fair value through profit or loss (fair value option)	*3,437*	*3,270*
TOTAL	**146,126**	**144,259**

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In EURm)	31.12.2020	31.12.2019
Life insurance underwriting reserves for unit-linked policies	35,794	32,611
Other life insurance underwriting reserves	92,620	94,714
Non-life insurance underwriting reserves	1,834	1,556
Deferred profit-sharing booked in liabilities	11,858	11,274
TOTAL	**142,106**	**140,155**
Attributable to reinsurers	(749)	(750)
Underwriting reserves of insurance net of the share attributable to reinsurers	**141,357**	**139,405**

STATEMENT OF CHANGES IN UNDERWRITING RESERVES EXCLUDING DEFERRED PROFIT SHARING

(In EURm)	Life insurance underwriting reserves for unit-linked policies	Other life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at 1 January 2020	**32,611**	**94,714**	**1,556**
Allocation to insurance reserves	1,695	(2,009)	140
Revaluation of unit-linked policies	653	-	-
Charges deducted from unit-linked policies	(210)	-	-
Transfers and allocation adjustments	859	(859)	-
New customers	-	-	-
Profit-sharing	179	972	-
Others	7	(198)	138
Reserves at 31 December 2020	**35,794**	**92,620**	**1,834**

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed as at 31 December 2020. This test assesses whether recognised insurance liabilities are adequate, using current estimates of future cash flows under insurance policies. The result of the test as at 31 December 2020 does not show any insufficiency of technical liabilities.

UNDERWRITING RESERVES OF INSURANCE COMPANIES BY REMAINING MATURITY

(In EURm)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2020
Underwriting reserves of insurance companies	**15,920**	**9,221**	**36,948**	**80,017**	**142,106**

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 four 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 any assets that do not fall into one of the 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 profit or loss using the effective interest rate method while dividend income earned on equity securities is recorded 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 profit or loss 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 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 respectively presented in Note 8.4 and 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 OF INVESTMENTS IN INSURANCE ACTIVITIES

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 entity's 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 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*.

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 for equity instruments and under Cost of risk for debt instruments.

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

(In EURm)	31.12.2020	31.12.2019
Financial assets at fair value through profit or loss (trading portfolio)	291	268
Shares and other equity instruments	*51*	*37*
Trading derivatives	*240*	*231*
Financial assets at fair value through profit or loss (fair value option)	70,422	65,718
Bonds and other debt instruments	*32,178*	*31,719*
Shares and other equity instruments	*37,942*	*33,694*
Loans, receivables and repo transactions	*302*	*305*
Hedging derivatives	438	438
Available-for-sale financial assets	89,755	91,899
Debt instruments	*75,662*	*75,839*
Equity instruments	*14,093*	*16,060*
Due from banks(2)	5,301	5,867
Customer loans	76	92
Held-to-maturity financial assets	32	80
Real estate investments	539	576
TOTAL INVESTMENTS OF INSURANCE ACTIVITIES(1)(2)	**166,854**	**164,938**

(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 897 million of current accounts as at 31 December 2020 vs. EUR 1,126 million as at 31 December 2019.

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).

	31.12.2020					
	Carrying amount			Fair value		
(In EURm)	Basic instruments	Other instruments	Total	Basic instruments	Other instruments	Total
Financial assets at fair value through profit or loss	-	70,713	70,713	-	70,713	70,713
Hedging derivatives	-	438	438	-	438	438
Available-for-sale financial assets	72,253	17,502	89,755	72,253	17,502	89,755
Due from banks	2,398	2,903	5,301	2,602	2,997	5,599
Customer loans	76	-	76	76	-	76
Held-to-maturity financial assets	32	-	32	32	-	32
TOTAL FINANCIAL INVESTMENTS	**74,759**	**91,556**	**166,315**	**74,963**	**91,650**	**166,613**

	31.12.2019					
	Carrying amount			Fair value		
(In EURm)	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**

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	31.12.2020			
(In EURm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss (trading portfolio)	51	237	3	291
Financial assets at fair value through profit or loss using the fair value option	60,997	9,064	361	70,422
Hedging derivatives	-	438	-	438
Available-for-sale financial assets	80,693	4,934	4,128	89,755
TOTAL	**141,741**	**14,673**	**4,492**	**160,906**

	31.12.2019			
(In EURm)	**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	3,844	3,620	91,899
TOTAL	**143,346**	**10,955**	**4,022**	**158,323**

* *Amounts restated, compared to the financial statements published for the year 2019, following the reclassification of assets held in private equity funds, from Level 2 to Level 3 of the fair value hierarchy.*

CHANGES IN AVAILABLE FOR SALE FINANCIAL ASSETS

(In EURm)	**2020**
Balance as at 1 January	**91,899**
Acquisitions	9,342
Disposals/redemptions	(8,866)
Transfers to held-to-maturity financial assets	(8)
Change in scope and others(1)	(3,211)
Gains and losses on changes in fair value recognised directly in equity during the period	1,036
Net changes in impairment of debt instruments recorded in profit or loss	(2)
Impairment on equity instruments recognised in profit or loss	(277)
Translation differences	(158)
Balance as at 31 December	**89,755**

(1) *Investment commitments in private equity funds, recorded against Miscellaneous payables – insurance, have been reversed to be presented among commitments granted (see Note 3.10).*

The Covid-19 sanitary crisis has brought on an economic crisis which led the Group to recognise losses on available-for-sale equity instruments amounting to EUR 277 million over the year 2020. These impairments recognised in the income statement among Net income from insurance activities are mainly affecting UCITS shares and stocks that are in a prolonged situation of unrealised capital losses. Furthermore, the Group recognised, in the income statement among Cost of risk, impairments on available-for-sale debt instruments amounting to EUR 2 million over the year 2020.

These impairments are mostly offset in the income statement by reversals on the provisions for deferred profit-sharing as at 31 December 2020.

UNREALISED GAINS AND LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	31.12.2020		
(In EURm)	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	**665**	**(22)**	**643**
On available-for-sale equity instruments	*1,968*	*(97)*	*1,871*
On available-for-sale debt instruments and assets reclassified as loans and receivables	*8,505*	*(163)*	*8,342*
Deferred profit-sharing	*(9,808)*	*238*	*(9,570)*

	31.12.2019		
(In EURm)	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	**556**	**(30)**	**526**
On available-for-sale equity instruments	*2,047*	*(75)*	*1,972*
On available-for-sale debt instruments and assets reclassified as loans and receivables	*7,921*	*(240)*	*7,681*
Deferred profit-sharing	*(9,412)*	*285*	*(9,127)*

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EURm)	31.12.2020	31.12.2019
Fair value of securities purchased under resale agreements	**6**	**7**

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 (after eliminating intercompany transactions):

- income and expense from insurance activities and associated investments on a separate line under Net banking income: Net income from insurance activities;
- funding costs of insurance activities recorded under Interest and similar expense;
- impairment debt instruments of insurance activities and the deferred profit-sharing recorded under Cost of risk.

(In EURm)	2020	2019
Net premiums	10,970	14,188
Net income from investments	2,808	3,655
Cost of benefits (including changes in reserves)[1]	(11,377)	(15,736)
Other net technical income (expense)	(277)	(182)
Net income from insurance activities	**2,124**	**1,925**
Funding costs	(7)	(5)
Cost of risk	-	-
o/w impairment of debt instruments	*(2)*	-
o/w which deferred profit sharing	*2*	-

(1) o/w EUR -2,592 million in respect of deferred profit-sharing at 31 December 2020.

NET INCOME FROM INVESTMENTS

(In EURm)	2020	2019
Dividend income on equity instruments	671	719
Interest income	1,790	1,912
On available-for-sale financial assets	*1,566*	*1,675*
On loans and receivables	*179*	*194*
Other net interest income	*45*	*43*
Net gains or losses on financial instruments at fair value through profit or loss	308	764
Net gains or losses on available-for-sale financial instruments	14	237
Capital gain or loss on sale of debt instruments	*34*	*141*
Capital gain or loss on sale of equity instruments	*257*	*187*
Impairment values on equity instruments	*(277)*	*(91)*
Net gains or losses on real estate investments	25	23
TOTAL NET INCOME FROM INVESTMENTS	**2,808**	**3,655**

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.

	31.12.2020				
(In EURm)	Available-for-sale financial assets	Due from banks	Customer loans	Held-to-maturity financial assets	Total
AAA	4,025	207	-	-	4,232
AA+/AA/AA-	37,567	764	-	-	38,331
A+/A/A-	14,819	499	-	-	15,318
BBB+/BBB/BBB-	14,418	171	-	32	14,621
BB+/BB/BB-	921	52	-	-	973
B+/B/B-	30	-	-	-	30
CCC+/CCC/CCC-	-	-	-	-	-
CC+/CC/CC-	6	-	-	-	6
Lower than CC-	-	-	-	-	-
Without rating	467	705	76	-	1,248
TOTAL BEFORE IMPAIRMENT	**72,253**	**2,398**	**76**	**32**	**74,759**
Impairment	-	-	-	-	-
CARRYING AMOUNT	**72,253**	**2,398**	**76**	**32**	**74,759**

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)	31.12.2020	31.12.2019
Guarantee deposits paid[1]	51,896	48,630
Settlement accounts on securities transactions	3,876	6,915
Prepaid expenses	1,019	1,084
Miscellaneous receivables[2]	9,193	10,065
Miscellaneous receivables - insurance	1,752	1,653
GROSS AMOUNT	**67,736**	**68,347**
Impairments	(395)	(302)
Credit risk on operating lease receivables	*(187)*	*(145)*
Credit risk on assets acquired by adjudication	*(101)*	*(70)*
Other risks	*(107)*	*(87)*
NET AMOUNT	**67,341**	**68,045**

(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 914 million as of 31 December 2020.

NOTE 4.4.2 OTHER LIABILITIES

(In EURm)	31.12.2020	31.12.2019
Guarantee deposits received[1]	55,739	49,321
Settlement accounts on securities transactions	4,166	7,356
Expenses payable on employee benefits	2,022	2,364
Lease liability*	2,207	2,443
Deferred income	1,527	1,596
Miscellaneous payables[2]	12,690	13,194
Miscellaneous payables - insurance	6,586	8,980
TOTAL	**84,937**	**85,254**

** The amount has been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*
(1) Mainly relates to guarantee deposits received on financial instruments, their fair value is taken to be the same as their book value.
(2) Miscellaneous payables primarily include trade payables, fee expense and expense from other activities to be paid.

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

MAKE IT SIMPLE

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 be paid to employees or to outside social security agencies;
- whether it be 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 be 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;
- others 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.

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)	2020	2019
Employee compensation	(6,715)	(7,240)
Social security charges and payroll taxes	(1,594)	(1,660)
Net pension expenses - defined contribution plans	(728)	(759)
Net pension expenses - defined benefit plans	(76)	(10)
Employee profit-sharing and incentives	(176)	(286)
TOTAL	**(9,289)**	**(9,955)**
Including net expenses from share-based payments	*(150)*	*(171)*

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)	2020	2019
Short-term benefits	14.0	13.6
Post-employment benefits	0.6	0.7
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	2.5	3.0
TOTAL	**17.1**	**17.4**

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 31 December 2020 for a total amount of EUR 1.6 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 31 December 2020 for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Ms Lebot and Mr. Aymerich, Mr. Cabannes, and the two staff-elected Directors) is EUR 12.7 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 as at 31.12.2019	Allocations	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions as at 31.12.2020
Post-employment benefits	1,620	83	(41)	42	(63)	125	37	1,761
Other long-term benefits	440	91	(35)	56	(43)	-	(11)	442
Termination benefits	356	191	(44)	147	(114)	-	(11)	378
TOTAL	**2,416**	**365**	**(120)**	**245**	**(220)**	**125**	**15**	**2,581**

Societe Generale announced on 9 November 2020 several organisational adjustment projects to continue the in-depth adaptation of its businesses and functions and contribute to improving the Group's operational efficiency and structural profitability.

The first project deals with the adjustments disclosed on 3 August 2020 aiming at lowering the risk profile of the activities involving structured credit and equity products and impacting market activities and related support functions.

The second project includes organisational adjustments impacting the Securities business and some Group central functions to improve their operational efficiency and meet the specific challenges of their activities.

These two projects have required a restructuring provision of EUR 175 million including EUR 166 million booked under Staff expenses and EUR 9 million 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 bare 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 re-measure 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 gains 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, in Switzerland, in the United Kingdom and in 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. Since 4 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 31 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 20 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

	31.12.2020				
(In EURm)	France	United Kingdom	United States	Others	Total
A - Present value of defined benefit obligations	1,246	949	303	864	3,362
B - Fair value of plan assets	76	999	299	281	1,655
C - Fair value of separate assets	1,147	-	-	3	1,150
D - Change in asset ceiling	-	-	-	-	-
A - B - C + D = Net balance	**23**	**(50)**	**4**	**580**	**557**
ON THE LIABILITIES SIDE OF THE BALANCE SHEET	**1,170**	**-**	**4**	**587**	**1,761**
ON THE ASSETS SIDE[(1)] OF THE BALANCE SHEET	**1,147**	**50**	**-**	**6**	**1,204**

(1) o/w EUR 1,150 million of separate assets recorded under Financial assets at fair value through profit or loss and EUR 53 million linked to surplus assets under Other assets.

	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.

COMPONENTS OF THE COST OF DEFINED BENEFITS

(In EURm)	2020	2019
Current service cost including social security contributions	81	79
Employee contributions	(5)	(5)
Past service cost/curtailments	(12)	(80)
Transfer *via* the expense	-	-
Net interest	4	8
A - Components recognised in income statement	**68**	**2**
Actuarial gains and losses on assets	(206)	(257)
Actuarial gains and losses due to changes in demographic assumptions	(15)	(2)
Actuarial gains and losses due to changes in economic and financial assumptions	259	295
Actuarial gains and losses due to experience	17	(32)
Change in asset ceiling	-	-
B - Components recognised in unrealised or deferred gains and losses	**55**	**4**
C = A + B TOTAL COMPONENTS OF THE COST OF DEFINED BENEFITS	**123**	**6**

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

(In EURm)	2020	2019
Balance at 1 January	**3,221**	**3,029**
Current service cost including social security contributions	81	79
Past service cost/curtailments	(12)	(80)
Settlements	-	-
Net interest	42	57
Actuarial gains and losses due to changes in demographic assumptions	(15)	(2)
Actuarial gains and losses due to changes in economic and financial assumptions	259	295
Actuarial gains and losses due to experience	17	(32)
Foreign exchange adjustment	(82)	58
Benefit payments	(157)	(149)
Change in consolidation scope	1	(29)
Transfers and others	7	(6)
Balance at 31 December	**3,362**	**3,221**

CHANGES IN THE FAIR VALUE OF FUNDING ASSETS

	Plan assets		Separate assets	
(In EURm)	2020	2019	2020	2019
Balance at 1 January	**1,723**	**1,534**	**963**	**902**
Interest expenses on assets	29	37	8	12
Actuarial gains and losses on assets	134	164	72	93
Foreign exchange adjustment	(80)	58	-	-
Employee contributions	5	5	-	-
Employer contributions to plan assets	32	23	-	-
Benefit payments	(81)	(76)	-	(45)
Change in consolidation scope	-	(21)	-	-
Transfers and others	(107)	-	107	-
Change in asset ceiling	-	-	-	-
Balance at 31 December	**1,655**	**1,723**	**1,150**	**963**

GENERAL INFORMATION REGARDING FUNDING ASSETS (FOR ALL BENEFITS AND FUTURE CONTRIBUTIONS)

Funding assets include plan assets and separate assets.

Funding assets represent around 82% 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 96%, while they are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 75% bonds, 12% equities and 13% other investments. Directly held Societe Generale shares are not significant.

Funding assets excess is EUR 191 million.

Employer contributions to be paid to post-employment defined benefit plans for 2021 are estimated at EUR 16 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)	2020	2019
Plan assets	164	201
Separate assets	80	106

MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2020	31.12.2019
Discount rate		
France	0.36%	0.82%
United Kingdom	1.24%	2.00%
United States	2.55%	3.19%
Others	0.44%	0.73%
Long-term inflation		
France	1.22%	1.28%
United Kingdom	3.01%	2.92%
United States	N/A	N/A
Others	1.20%	1.22%
Future salary increase		
France	1.47%	0.82%
United-Kingdom	N/A	N/A
United States	N/A	N/A
Others	1.23%	1.20%
Average remaining working lifetime of employees (in years)		
France	8.45	9.24
United Kingdom	4.17	5.17
United States	7.85	7.87
Others	9.97	9.97
Duration (in years)		
France	13.94	13.79
United Kingdom	16.84	16.28
United States	16.17	15.28
Others	15.13	14.69

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)	31.12.2020	31.12.2019
Variation in discount rate	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	-7%	-7%
Variation in long-term inflation	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	5%	5%
Variation in future salary increase	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	1%	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)	2020	2019
N+1	169	160
N+2	140	148
N+3	150	154
N+4	156	163
N+5	164	169
N+6 à N+10	798	851

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 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 the income statement 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

	31.12.2020			31.12.2019		
(In EURm)	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	108	42	150	111	60	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 (Corporate Governance).

NOTE 6 INCOME TAX

MAKE IT SIMPLE

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 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.

Tax uncertainties

There may be uncertainty over the tax treatments applied by the Group. If it is probable that the tax Authority will not accept some tax treatments, these uncertainties shall be booked under Tax expenses/income by the counterpart of Provisions for tax adjustments recorded among Tax liabilities.

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 Breakdown of the tax expense

(In EURm)	2020	2019
Current taxes	(708)	(968)
Deferred taxes	(496)	(296)
TOTAL	**(1,204)**	**(1,264)**

RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE

	2020		2019	
(In EURm)	%	EURm	%	EURm
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill		**2,081**		**5,339**
Group effective tax rate	**57.87%**		**23.67%**	
Permanent differences	1.70%	35	2.51%	134
Differential on securities with tax exemption or taxed at reduced rate	-1.49%	(31)	-2.74%	(146)
Tax rate differential on profits taxed outside France	13.21%	275	9.13%	486
Changes in the measurement of deferred tax assets/liabilities[1]	-39.27%	(817)	1.86%	100
Normal tax rate applicable to French companies (including 3.3% national contribution)	32.02%		34.43%	

(1) In 2020, this amount includes a EUR 650 million reduction in deferred tax assets for the French tax group.

In compliance with the French tax provisions that define the ordinary corporate tax rate, the latter will be gradually lowered to reach 25% in 2022 according to the following trajectory for liable companies with a turnover equal to or greater than 250 million of euros (article 219 of the French Tax Code):

- for fiscal year opened from 1 January 2020 to 31 December 2020, an ordinary tax rate of 31%, plus the existing national contribution (CSB) of 3.3%;
- for fiscal year opened from 1 January 2021 to 31 December 2021, an ordinary tax rate of 27.5%, plus the existing national contribution (CSB) of 3.3%.

Deferred taxes on French companies are determined by applying the tax rate in effect as at the reversal of the temporary difference. Regarding the gradual reduction in French tax rate until 2022 (including CSB):

- for income taxed at the ordinary tax rate: the rate is 32.02% in 2020, 28.41% in 2021 and 25.83% from 2022;
- for long-term income exempted, subject to taxation of a portion of fees and expenses of 12%: the rate is 3.84% in 2020, 3.41% in 2021 and 3.10% from 2022.

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. This portion of fees and expenses is 12% of gross capital gains only if the company realises a net long-term capital gain.

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 of 1% or 5% at the full statutory tax rate.

NOTE 6.2 Tax assets and liabilities

TAX ASSETS

(In EURm)	31.12.2020	31.12.2019
Current tax assets	895	1,038
Deferred tax assets	4,106	4,741
o/w deferred tax assets on tax loss carry-forwards	*1,840*	*2,659*
o/w deferred tax assets on temporary differences	*2,266*	*2,082*
TOTAL	**5,001**	**5,779**

TAX LIABILITIES

(In EURm)	31.12.2020	31.12.2019
Current tax liabilities	440	602
Provisions for tax adjustments	90	101
Deferred tax liabilities	693	706
TOTAL	**1,223**	**1,409**

The Group performs an annual review of its capacity to use its tax loss carryforwards, taking into account the tax system applicable to each tax entity (or tax group) concerned and a realistic forecast of its tax results. For this purpose, the tax results are determined based on the 2021-2025 projections of the performance of the businesses. Tax results also include accounting and tax restatements (including the reversal of the deferred tax assets and liabilities bases on temporary differences) applicable to the entities and jurisdictions concerned. These adjustments are determined on the basis of historical tax results and the Group's tax expertise. An extrapolation is performed from the year 2026 and over a reasonable timeframe depending on the nature of the activities carried out within each tax entity.

On principle, the appreciation of the macro-economic factors selected and the internal estimates used to determine the tax results involve risks and uncertainties about their materialization over the estimated timeframe for the absorption of losses. These risks and uncertainties are in particular related to possible changes in applicable tax rules (computation of the tax result, as well as rules for allocating tax loss carryforwards) or materialisation of the assumptions selected. These uncertainties are mitigated by stress tests on the budgetary and strategic assumptions.

As at 30 June 2020, the Group had carried out a specific review of tax loss carryforwards including the consequences and uncertainties generated by the Covid-19 crisis in the projections of tax results. These projections had shown a risk of partial non-recovery within the French tax group over a reasonable timeframe. As a result, deferred tax assets could no longer be recognized at the end of June for EUR 650 million.

As at 31 December 2020, updated projections confirm that all activated tax loss-carry forwards may be used against future taxable income.

NOTE 6.3 Deferred tax assets recognised on tax loss carry-forwards and deferred tax assets not recognised

As at 31 December 2020, 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)	31.12.2020	Statutory time limit on carry-forwards	Expected recovery period
Total deferred tax assets relating to tax loss carry-forwards	**1,840**	**-**	**-**
o/w French tax group	*1,505*	*Unlimited*[1]	*9 years*
o/w US tax group	*285*	*20 years*[2]	*7 years*
others	*50*	*-*	*-*

(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 31 December 2011.

As at 31 December 2020, the main unrecognised deferred tax assets represent a total of EUR 1,126 million (compared to EUR 467 million as at 31 December 2019). They mostly concern the French tax group, with EUR 650 million (compared to a nil amount as at 31 December 2019), the US tax group, with EUR 305 million (compared to EUR 413 million as at 31 December 2019), SG Singapore with EUR 70 million (compared to EUR 35 million as at 31 December 2019) and SG de Banques en Guinée équatoriale, with EUR 40 million (o/w EUR 9 million on tax loss carry-forwards and EUR 31 million on timing differences). These deferred tax assets may be recognised on the balance sheet depending on the probability that a future taxable income will allow their recovery.

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 23 September 2016 does not call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'Etat*) and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers that the related tax loss remains recoverable against the future taxable income.

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, Societe Generale Group will not fail to assert its rights before the competent courts.

NOTE 7 SHAREHOLDERS' EQUITY

MAKE IT SIMPLE

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 recognised in Retained earnings.

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)	31.12.2020	31.12.2019
Issued capital	1,067	1,067
Issuing premiums and capital reserves	21,465	21,417
Elimination of treasury stock	(199)	(515)
TOTAL	**22,333**	**21,969**

ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	31.12.2020	31.12.2019
Ordinary shares	853,371,494	853,371,494
Including treasury stock with voting rights[(1)]	*4,512,000*	*3,706,880*
Including shares held by employees	*69,033,084*	*57,369,330*

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

As at 31 December 2020, 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.

NOTE 7.1.2 TREASURY STOCK

As at 31 December 2020, the Group held 4,690,634 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 0.55% 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 199 million, including EUR 73 million in shares held for trading activities.

The change in treasury stock over 2020 breaks down as follows:

(In EURm)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	-	303	13	316
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	(2)	(55)	(57)

NOTE 7.1.3 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.

As at 31 December 2020, 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 December 2019	Repurchases and redemptions in 2020	Amount in local currency at 31 December 2020	Amount in millions of euros at historical rate	Remuneration
1 July 1985	EUR 62m	-	EUR 62m	62	BAR (Bond Average Rate) of -0.25% for the period from 1 June to 31 May before each due date
24 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.

As at 31 December 2020, perpetual deeply subordinated notes issued by the Group and recognised under Group shareholders' equity in Other equity instruments totalled EUR 9,051 million, valued at historical rate.

The change in the amount of perpetual deeply subordinated notes issued by the Group is explained by one issuance and one redemption at pair made over the year.

Issuance Date	Amount in local currency at 31 December 2019	Repurchases and redemptions in 2020	Amount in local currency at 31 December 2020	Amount in millions of euros at historical rate	Remuneration
18 December 2013	USD 1,750m		USD 1,750m	1,273	7.875%, from 18 December 2023, USD 5-year Mid Swap Rate +4.979%
25 June 2014	USD 1,500m	USD 1,500m	-	-	6%, from 27 January 2020, USD 5-year Mid Swap Rate +4.067%
7 April 2014	EUR 1,000m		EUR 1,000m	1,000	6.75%, from 7 April 2021, EUR 5-year Mid Swap Rate +5.538%
29 September 2015	USD 1,250m		USD 1,250m	1,111	8% from 29 September 2025, USD 5-year Mid Swap rate +5.873%
13 September 2016	USD 1,500m		USD 1,500m	1,335	7.375% from 13 September 2021, USD 5-year Mid Swap rate +6.238%
6 April 2018	USD 1,250m		USD 1,250m	1,035	6.750% from 6 April 2028, USD 5-year Mid Swap rate +3.929%
4 October 2018	USD 1,250m		USD 1,250m	1,105	7.375% from 4 October 2023, USD 5-year Mid Swap rate +4.302%
16 April 2019	SGD 750m		SGD 750m	490	6.125% from 16 April 2024, 5-year Mid Swap rate +4.207%
12 September 2019	AUD 700m		AUD 700m	439	4.875% from 12 September 2024, 5-year Mid Swap rate +4.036%
18 November 2020	-		USD 1,500m	1,264	5.375% from 18 November 2030, USD 5-year Mid Swap rate +4.514%

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.

As at 31 December 2020, other equity instruments issued by the Group's subsidiaries and recognised under Non-controlling interests totalled EUR 800 million.

Issuance Date	Amount	Remuneration
18 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:

	2020			2019		
(In EURm)	Deeply subordinated notes	Perpetual subordinated notes	Total	Deeply subordinated notes	Perpetual subordinated notes	Total
Remuneration paid booked under reserves	(618)	(3)	(621)	(717)	(7)	(724)
Changes in nominal values	162	-	162	23	-	23
Tax savings on remuneration payable to shareholders and recorded under profit or loss	198	12	210	257	2	259
Issuance fees relating to subordinated notes	(7)	-	(7)	(4)	-	(4)

NOTE 7.1.4 EFFECT OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

The effects of the changes in the scope of consolidation recorded in Equity, group share for EUR 80 million are mainly related to the revaluation of the debt linked to the put option on Non-controlling interests.

NOTE 7.2 Earnings per share and dividends

ACCOUNTING PRINCIPLES

The earnings per share are measured by dividing the net income attributable to ordinary shareholders by the weighted average number of shares outstanding over the period, excluding treasury shares. The net earnings attributable to ordinary shareholders are adjusted for the preferred shareholders rights, such as holders of preferred shares, subordinated securities or deeply subordinated notes classified in equity. The diluted earnings per share take into account the potential dilution of shareholders' interests in the event where 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)	2020	2019
Net income, Group share	(258)	3,248
Attributable remuneration to subordinated and deeply subordinated notes	(604)	(708)
Issuance fees related and deeply subordinated notes	(7)	(4)
Net income attributable to ordinary shareholders	**(869)**	**2,536**
Weighted average number of ordinary shares outstanding[1]	850,384,674	829,901,725
Earnings per ordinary share (In EUR)	**(1.02)**	**3.05**
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	850,384,674	829,901,725
Diluted earnings per ordinary share (In EUR)	**(1.02)**	**3.05**

(1) Excluding treasury shares.

NOTE 7.2.2 DIVIDENDS PAID

In accordance with the European Central Bank's recommendation of 27 March 2020 relative to dividends distribution policies during the Covid-19 crisis, Societe Generale did not pay dividends on its ordinary shares for the 2019 financial year.

	2020			2019		
(In EURm)	Group Share	Non-controlling interests	Total	Group Share	Non-controlling interests	Total
Paid in shares	-	-	-	(889)	-	(889)
Paid in cash	-	(91)	(91)	(881)	(379)	(1,260)
TOTAL	**-**	**(91)**	**(91)**	**(1,770)**	**(379)**	**(2,149)**

NOTE 7.3 Unrealised or deferred gains and losses

BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES

	31.12.2020				
				o/w	
(In EURm)	Gross value	Tax	Net value	Net Group share	Non-controlling interests
Translation differences	(2,587)	-	(2,587)	(2,425)	(162)
Revaluation of debt instruments at fair value through other comprehensive income	452	(90)	362	288	74
Revaluation of available-for-sale financial assets	642	(187)	455	453	2
Revaluation of hedging derivatives	184	13	197	201	(4)
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	**(1,309)**	**(264)**	**(1,573)**	**(1,483)**	**(90)**
Actuarial gains and losses on defined benefit plans[2]	(55)	16	(39)	(31)	(8)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss[3]	(396)	101	(295)	(294)	(1)
Revaluation of equity instruments at fair value through other comprehensive income	49	(3)	46	46	-
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	**(402)**	**114**	**(288)**	**(279)**	**(9)**
TOTAL	**(1,711)**	**(150)**	**(1,861)**	**(1,762)**	**(99)**

	Changes 2019 -2020				
				o/w	
(In EURm)	Gross value	Tax	Net value	Net Group share	Non-controlling interests
Translation differences[1]	(1,776)	3	(1,773)	(1,672)	(101)
Revaluation of debt instruments at fair value through other comprehensive income	247	(46)	201	152	49
Revaluation of available-for-sale financial assets	117	(43)	74	70	4
Revaluation of hedging derivatives	154	(9)	145	145	-
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	**(1,258)**	**(95)**	**(1,353)**	**(1,305)**	**(48)**
Actuarial gains and losses on defined benefit plans[2]	(53)	18	(35)	(33)	(2)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss[3]	(79)	20	(59)	(53)	(6)
Revaluation of equity instruments at fair value through other comprehensive income	16	(1)	15	10	5
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	**(116)**	**37**	**(79)**	**(76)**	**(3)**
TOTAL	**(1,374)**	**(58)**	**(1,432)**	**(1,381)**	**(51)**

	31.12.2019				
				o/w	
(In EURm)	**Gross value**	**Tax**	**Net value**	**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	525	(144)	381	383	(2)
Revaluation of hedging derivatives	30	22	52	56	(4)
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)
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	**(286)**	**77**	**(209)**	**(203)**	**(6)**
TOTAL	**(337)**	**(92)**	**(429)**	**(381)**	**(48)**

(1) *The Group partially hedges structural foreign exchange positions in order to make the CET1 ratio insensitive to fluctuations in the exchange rate against the euro (see chapter 4). The change in translation adjustments, Group share of EUR -1,672 million results from unhedged structural foreign exchange positions. This variation is mainly due to the appreciation of the euro against the US dollar (EUR -1,206 million) and against the Russian ruble (EUR 256 million).*

(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 for the next financial year opening.*

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 set at the start of the financial year, based on tax rates 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.

NOTE 8.1.2 SEGMENT REPORTING BY DIVISION AND SUB-DIVISION

	2020										
		International Retail Banking and Financial Services				Global Banking and Investor Solutions					
(In EURm)	French Retail Banking	International Retail Banking	Financial Services to Corporates	Insurance	Total	Global Markets and Investors Services	Financing and Advisory	Asset and Wealth Management	Total	Corporate Centre[1]	Total Group Societe Generale
Net banking income	7,315	4,902	1,735	887	7,524	4,164	2,546	903	7,613	(339)	22,113
Operating expenses[2]	(5,418)	(2,870)	(916)	(356)	(4,142)	(4,337)	(1,563)	(813)	(6,713)	(441)	(16,714)
Gross operating income	**1,897**	**2,032**	**819**	**531**	**3,382**	**(173)**	**983**	**90**	**900**	**(780)**	**5,399**
Cost of risk	(1,097)	(1,080)	(185)	-	(1,265)	(24)	(861)	(37)	(922)	(22)	(3,306)
Operating income	**800**	**952**	**634**	**531**	**2,117**	**(197)**	**122**	**53**	**(22)**	**(802)**	**2,093**
Net income from investments accounted for using the equity method	(1)	-	-	-	-	4	-	-	4	-	3
Net income/expense from other assets[4]	158	4	11	-	15	11	(3)	(8)	-	(185)	(12)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	(684)	(684)
Earnings before Tax	**957**	**956**	**645**	**531**	**2,132**	**(182)**	**119**	**45**	**(18)**	**(1,671)**	**1,400**
Income tax	(291)	(227)	(139)	(165)	(531)	40	69	(9)	100	(482)	(1,204)
Consolidated Net income	**666**	**729**	**506**	**366**	**1,601**	**(142)**	**188**	**36**	**82**	**(2,153)**	**196**
Non-controlling interests	-	198	96	3	297	23	-	2	25	132	454
Net income, Group share	**666**	**531**	**410**	**363**	**1,304**	**(165)**	**188**	**34**	**57**	**(2,285)**	**(258)**
Segment assets	**256,211**	**123,697**	**38,932**	**169,239**	**331,868**	**566,614**	**124,114**	**34,661**	**725,389**	**148,484**	**1,461,952**
Segment liabilities[3]	**264,228**	**90,784**	**13,351**	**154,736**	**258,871**	**684,293**	**47,161**	**21,324**	**752,778**	**119,096**	**1,394,973**

	2019										
		International Retail Banking and Financial Services				Global Banking and Investor Solutions					
(In EURm)	French Retail Banking	International Retail Banking[5]	Financial Services to Corporates	Insurance	Total[5]	Global Markets and Investors Services	Financing and Advisory	Asset and Wealth Management	Total	Corporate Centre[1]	Total Group Societe Generale
Net banking income	7,746	5,592	1,872	909	8,373	5,210	2,547	947	8,704	(152)	24,671
Operating expenses[2]	(5,700)	(3,252)	(980)	(349)	(4,581)	(4,788)	(1,676)	(888)	(7,352)	(94)	(17,727)
Gross operating income	**2,046**	**2,340**	**892**	**560**	**3,792**	**422**	**871**	**59**	**1,352**	**(246)**	**6,944**
Cost of risk	(467)	(504)	(84)	-	(588)	(13)	(195)	2	(206)	(17)	(1,278)
Operating income	**1,579**	**1,836**	**808**	**560**	**3,204**	**409**	**676**	**61**	**1,146**	**(263)**	**5,666**
Net income from investments accounted for using the equity method	8	11	1	-	12	4	(1)	-	3	(152)	(129)
Net income/expense from other assets	58	3	-	-	3	4	-	2	6	(394)	(327)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	-	-
Earnings before Tax	**1,645**	**1,850**	**809**	**560**	**3,219**	**417**	**675**	**63**	**1,155**	**(809)**	**5,210**
Income tax	(514)	(410)	(176)	(174)	(760)	(89)	(70)	(15)	(174)	184	(1,264)
Consolidated Net income	**1,131**	**1,440**	**633**	**386**	**2,459**	**328**	**605**	**48**	**981**	**(625)**	**3,946**
Non-controlling interests	-	394	107	3	504	20	-	3	23	171	698
Net income, Group share	**1,131**	**1,046**	**526**	**383**	**1,955**	**308**	**605**	**45**	**958**	**(796)**	**3,248**
Segment assets*	**232,840**	**122,695**	**43,730**	**167,249**	**333,674**	**505,413**	**133,132**	**35,881**	**674,426**	**115,555**	**1,356,495**
Segment liabilities*[3]	**226,040**	**89,754**	**13,980**	**156,212**	**259,946**	**623,512**	**46,133**	**24,736**	**694,381**	**107,558**	**1,287,925**

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

(1) *Income and expenses, assets and liabilities not directly related to business line activities are recorded in the Corporate Centre income and balance sheet. 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.*

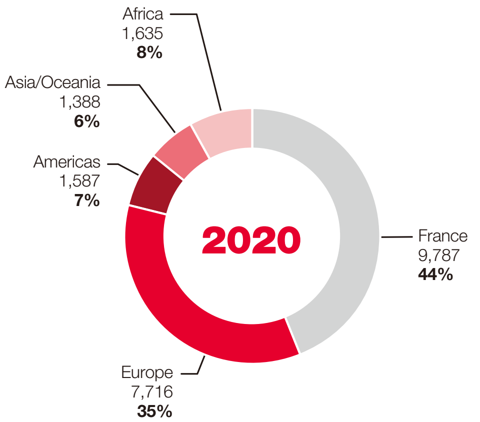
(3) *Segment liabilities correspond to debts (i.e. total liabilities excluding equity).*

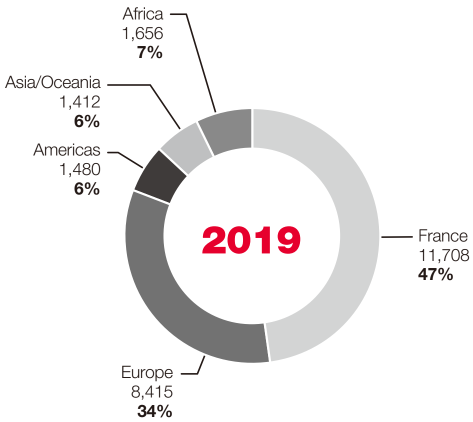
(4) *In 2020 the Net income/expense from other assets items includes a capital gain of EUR 153 million from the Group's property disposal result, recorded in French Retail Banking and relating to, as well as an expense amounting of EUR -169 million recorded in Corporate Centre and corresponding to the impact of Group's subsidiaries disposal program (cf. Note 2.1).*

(5) *In 2019 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.*

NOTE 8.1.3 SEGMENT REPORTING BY GEOGRAPHICAL REGION

GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME (IN EURM)

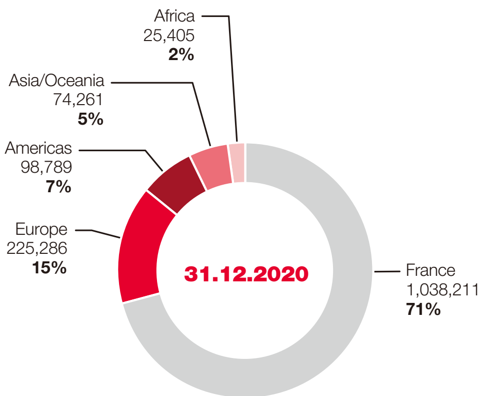


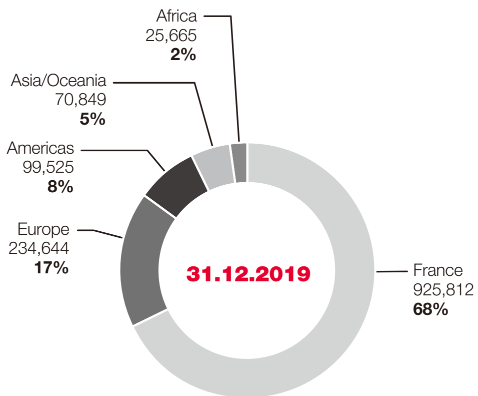


As at 31 December 2020, the amount of net banking income was EUR 22,113 million compared to EUR 24,671 million at 31 December 2019.

GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN EURM)

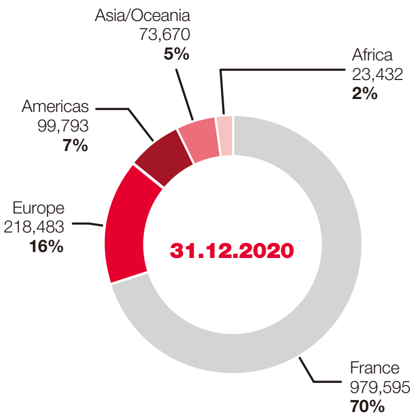
ASSETS

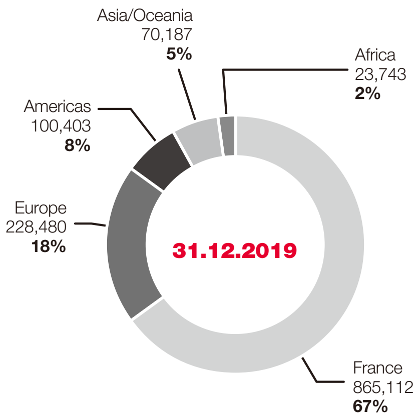




As at 31 December 2020, the amount of assets was EUR 1,461,952 million compared to EUR 1,356,495 million at 31 December 2019*.

LIABILITIES





As at 31 December 2020, the amount of liabilities (except shareholder equity) was EUR 1,394,973 million compared to EUR 1,287,925 million at 31 December 2019*.

** The amounts as at 31 December 2019 have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

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 in profit or loss at the start of the financial year. The company social solidarity contribution (C3S), based on income generated in previous financial year, is fully recognised in profit or loss at 1 January of the current financial year.

Other mainly includes building maintenance and other costs, travel and business expenses, and advertising expenses.

(In EURm)	2020	2019
Rentals*	(307)	(308)
Taxes and levies	(1,071)	(887)
Data & telecom (excluding rentals)	(2,087)	(2,328)
Consulting fees	(1,121)	(1,370)
Other	(1,235)	(1,347)
TOTAL	**(5,821)**	**(6,240)**

* *The amount has been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European regulatory framework designed to enhance financial stability was updated by the Directive 2014/59/UE of 15 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 15 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 2020, the Group’s contributions to the SRF and the NRF were as follows:

- cash contributions (85%) for a total of EUR 470 million, of which EUR 435 million for the SRF and EUR 35 million for the NRF. These contributions are non-tax-deductible in France and have been recorded in the income statement in Other administrative expenses, among Taxes and levies;
- irrevocable payment commitments (15%) backed by a cash collateral for EUR 76 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.

OVERVIEW

(In EURm)	Provisions as at 31.12.2019	Allocations	Write-backs available	Net allocation	Write-backs used	Currency and others	Provisions as at 31.12.2020
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	640	792	(487)	305	-	(17)	928
Provisions for employee benefits (see Note 5.2)	2,416	365	(120)	245	(220)	140	2,581
Provisions for mortgage savings plans and accounts commitments	289	73	(6)	67	(1)	-	355
Other provisions	1,042	150	(209)	(59)	(44)	(28)	911
TOTAL	**4,387**	**1,380**	**(822)**	**558**	**(265)**	**95**	**4,775**

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 10 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)	31.12.2020	31.12.2019
PEL accounts	19,227	19,195
Less than 4 years old	*734*	*1,596*
Between 4 and 10 years old	*11,511*	*11,581*
More than 10 years old	*6,982*	*6,018*
CEL accounts	1,404	1,333
TOTAL	**20,631**	**20,528**

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

(In EURm)	31.12.2020	31.12.2019
Less than 4 years old	-	1
Between 4 and 10 years old	7	13
More than 10 years old	9	12
TOTAL	**16**	**26**

PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In EURm)	31.12.2019	Allocations	Write-backs	31.12.2020
PEL accounts	279	73	-	352
Less than 4 years old	*2*	*-*	*-*	*2*
Between 4 and 10 years old	*31*	*1*	*-*	*32*
More than 10 years old	*246*	*72*	*-*	*318*
CEL accounts	10	-	(7)	3
TOTAL	**289**	**73**	**(7)**	**355**

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2020, 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 1.72% of total outstandings at 31 December 2020.

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 10 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 12 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".

PROJECT TO MERGE BANKING NETWORKS CRÉDIT DU NORD AND FRENCH RETAIL BANKING

On 7 December 2020, the Group announced its project to merge the Crédit du Nord and Societe Generale banking networks to form a new one (project VISION 2025).

As at 31 December 2020, the lending of this project has not resulted in any modification in the composition of Cash Generating Units (see Note 2.2). It has not yet been detailed and submitted to the social partners for comment and to the relevant authorities for approval. Consequently, no provision has been recognised in the financial statements as at 31 December 2020 for this project.

NOTE 8.4 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 profit or loss 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 cannot 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 pre-defined 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.

Lease term = Non-cancellable period of the lease + Periods covered by an option to extend the lease * + Periods covered by an option to terminate the lease **

* *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, most property leases on premises occupied by branches are nine-year leases with an early-termination option at the end of three and six-year term (leases referred to as "3/6/9"); at the end of the nine-year term, if no new agreement is signed, the initial lease is renewed by tacit agreement for a five-year term. This five-year term may be modified depending on the quality of the location, the completion of major investments, or the planned closure of a group of designated branches.

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 is 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)	31.12.2019	Increases/ allowances	Disposals/ reversals	Other movements	31.12.2020
Intangible Assets					
Gross value	7,240	722	(73)	(175)	7,714
Amortisation and impairments	(4,877)	(540)	44	143	(5,230)
Tangible Assets (w/o assets under operating leases)					
Gross value	11,441	548	(359)	(297)	11,333
Depreciation and impairments	(6,351)	(593)	181	178	(6,585)
Assets under operating leases					
Gross value	28,576	8,742	(6,596)	(1,970)	28,752
Depreciation and impairments	(7,527)	(3,971)	2,529	1,029	(7,940)
Investment Property					
Gross value	33	1	(1)	-	33
Depreciation and impairments	(20)	(1)	-	-	(21)
Rights-of-use					
Gross value *	2,766	694	(949)	316	2,827
Amortisation and impairments *	(437)	(440)	111	(29)	(795)
TOTAL	**30,844**	**5,162**	**(5,114)**	**(804)**	**30,088**

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In EURm)	31.12.2020	31.12.2019
Payments due in less than five years	23,745	20,206
Payments due in less than one year	*5,366*	
Payments due from one to two years	*5,949*	
Payments due from two to three years	*6,971*	
Payments due from three to four years	*4,228*	
Payments due from four to five years	*1,231*	
Payments due in more than five years	107	120
TOTAL	**23,852**	**20,326**

In 2020, the Group refined the collection of information on minimum payments receivable on operating lease assets. The 2019 year-on-year comparative data for payments less than five years is not available.

INFORMATION RELATIVE TO LEASES ON TANGIBLE ASSETS USED BY THE GROUP

Property Leases

Most of the leases (more than 90%) involve building leases contracted for the lease of commercial and office space:

- the commercial spaces are branches in the Group's French and international retail banking networks. In France, the majority of contracted property leases 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;
- 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, etc.

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.

Equipment Leases

Other leases (less than 10%) are mainly computer equipment leases and a very small percentage of vehicle leases.

OVERVIEW TABLE OF LEASE TRANSACTION COSTS AND SUBLEASE INCOME

	31.12.2020			
(In EURm)	**Real estate**	**IT**	**Others**	**Total**
Lease	(480)	(49)	(8)	(537)
Interest expenses on lease liabilities	*(43)*	*(1)*	*(0)*	*(44)*
Depreciation charge for right-of-use assets	*(394)*	*(42)*	*(4)*	*(440)*
Expense relating to short-term leases	*(35)*	*-*	*(3)*	*(38)*
Expense relating to leases of low-value assets	*(2)*	*(5)*	*(1)*	*(8)*
Expense relating to variable lease payments	*(6)*	*(1)*	*-*	*(7)*
Sublease income	14	-	-	14

	31.12.2019			
(In EURm)	**Real estate**	**IT**	**Others**	**Total**
Lease	(522)	(33)	(11)	(566)
Interest expenses on lease liabilities	*(43)*	*-*	*-*	*(43)*
*Depreciation charge for right-of-use assets **	*(414)*	*(29)*	*(6)*	*(449)*
*Expense relating to short-term leases **	*(61)*	*-*	*(4)*	*(65)*
Expense relating to leases of low-value assets	*(3)*	*(4)*	*(1)*	*(8)*
Expense relating to variable lease payments	*(1)*	*-*	*-*	*(1)*
Sublease income	16	-	-	16

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

NOTE 8.5 Companies included in the consolidation scope

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
South Africa								
	(1)	SG JOHANNESBURG	Bank	FULL	100	100	100	100
Algeria								
		ALD AUTOMOTIVE ALGÉRIE SPA	Specialist Financing	FULL	79.81	79.81	99.99	99.99
		SOCIETE GENERALE ALGÉRIE	Bank	FULL	100	100	100	100
Germany								
		ALD AUTOLEASING D GMBH	Specialist Financing	FULL	79.82	79.82	100	100
		ALD INTERNATIONAL GMBH	Specialist Financing	FULL	79.82	79.82	100	100
		ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	FULL	79.82	79.82	100	100
		ALD LEASE FINANZ GMBH	Specialist Financing	FULL	100	100	100	100
		BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Specialist Financing	FULL	99.94	99.94	51	51
		BDK LEASING UND SERVICE GMBH	Specialist Financing	FULL	100	100	100	100
		CAR PROFESSIONAL FUHRPARKMANAGEMENT UND BERATUNGSGESELLSCHAFT MBH & CO. KG	Specialist Financing	FULL	79.82	79.82	100	100
		CARPOOL GMBH	Broker	FULL	79.82	79.82	100	100
		GEFA BANK GMBH	Specialist Financing	FULL	100	100	100	100
		GEFA VERSICHERUNGSDIENST GMBH	Specialist Financing	EFS	100	100	100	100
		HANSEATIC BANK GMBH & CO KG	Specialist Financing	FULL	75	75	75	75
		HANSEATIC GESELLSCHAFT FUR BANKBETEILIGUNGEN MBH	Portfolio Management	FULL	75	75	100	100
		HSCE HANSEATIC SERVICE CENTER GMBH	Services	FULL	75	75	100	100
		INTERLEASING DELLO HAMBURG GMBH	Specialist Financing	FULL	79.82	79.82	100	100
	(1)	LYXOR INTERNATIONAL ASSET MANAGEMENT GERMANY	Financial Company	FULL	100	100	100	100
		RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	100	100	100
		RED & BLACK AUTO GERMANY 5 UG (HAFTUNGSBESCHRANKT)	Specialist Financing	FULL	100	100	100	100
		RED & BLACK AUTO GERMANY 6 UG	Financial Company	FULL	100	100	100	100
	(6)	RED & BLACK AUTO GERMANY N°7	Financial Company	FULL	100	0	100	0
		SG EQUIPMENT FINANCE GMBH	Specialist Financing	FULL	100	100	100	100
	(1)	SG FRANCFORT	Bank	FULL	100	100	100	100
		SOCIETE GENERALE EFFEKTEN GMBH	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
Germany	(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)	SOCIETE GENERALE SYDNEY BRANCH	Bank	FULL	100	100	100	100
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 SRL	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
	(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
		SOCIETE GENERALE IMMOBEL	Financial Company	FULL	100	100	100	100
Benin								
		SOCIETE GENERALE BENIN	Bank	FULL	93.43	93.43	94.1	94.1
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
	(6)	ALD CORRETORA DE SEGUROS LTDA	Specialist Financing	FULL	79.82	0	100	0
		BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100	100
		SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100	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
	(2)	SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	0	100	0	100
Cameroon								
		SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
Canada								
		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								
	(4)	ALD FORTUNE AUTO LEASING & RENTING SHANGHAI CO. LTD	Specialist Financing	ESI	0	39.91	0	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								
		SOCIETE GENERALE CONGO	Bank	FULL	93.47	93.47	93.47	93.47
South Korea								
		SG SECURITIES KOREA CO, LTD	Broker	FULL	100	100	100	100
	(1)	SG SEOUL	Bank	FULL	100	100	100	100
Côte d'Ivoire								
		SOCIETE GENERALE CAPITAL SECURITIES WEST AFRICA	Portfolio Management	FULL	71.25	71.25	99.98	99.98
		SOCIETE GENERALE CÔTE 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
	(1)(4)	SG FINANS AS DANISH BRANCH	Specialist Financing	FULL	0	100	0	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

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
Spain		SG EQUIPMENT FINANCE IBERIA, E.F.C, S.A.	Specialist Financing	FULL	100	100	100	100
		SOCGEN FINANCIACIONES IBERIA, S.L.	Bank	FULL	100	100	100	100
		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
United States of America								
		AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
	(2)	CGI NORTH AMERICA INC.	Specialist Financing	FULL	0	99.78	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, LLC	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
		SG STRUCTURED PRODUCTS, INC.	Specialist Financing	FULL	100	100	100	100
		SGAIH, INC.	Financial Company	FULL	100	100	100	100
	(2)	SGB FINANCE NORTH AMERICA INC.	Specialist Financing	FULL	0	50.94	0	100
	(1)	SOCIETE GENERALE (NEW YORK)	Bank	FULL	100	100	100	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
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

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France								
		29 HAUSSMANN EQUILIBRE	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
	(6)	29 HAUSSMANN SELECTION EUROPE - K	Financial Company	FULL	45.23	0	45.23	0
		29 HAUSSMANN SELECTION MONDE	Portfolio Management	FULL	68.7	68.7	68.7	68.7
		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
		ALFORTVILLE BAIGNADE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		AMPERIM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6)	AMUNDI CREDIT EURO - P	Financial Company	FULL	57.43	0	57.43	0
		ANNEMASSE-ÎLOT BERNARD	Real Estate and Real Estate Financing	FULL	80	40	80	40
		ANTALIS SA	Financial Company	FULL	100	100	100	100
		ANTARES	Real Estate and Real Estate Financing	ESI	45	45	45	45
		ANTARIUS	Insurance	FULL	100	100	100	100
		ARTISTIK	Real Estate and Real Estate Financing	ESI	30	30	30	30
		AVIVA INVESTORS RESERVE EUROPE	Financial Company	FULL	69.35	69.35	69.35	69.35
		BANQUE COURTOIS	Bank	FULL	100	100	100	100
		BANQUE FRANÇAISE COMMERCIALE OCÉAN INDIEN	Bank	FULL	50	50	50	50
		BANQUE KOLB	Bank	FULL	99.97	99.97	99.97	99.97
		BANQUE LAYDERNIER	Bank	FULL	100	100	100	100
		BANQUE NUGER	Bank	FULL	100	100	100	100
		BANQUE POUYANNE	Bank	ESI	35	35	35	35
		BANQUE RHONE ALPES	Bank	FULL	99.99	99.99	99.99	99.99
		BANQUE TARNEAUD	Bank	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
France		BAUME LOUBIERE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		BERLIOZ	Insurance	FULL	84.05	84.05	84.05	84.05
		BOURSORAMA INVESTISSEMENT	Services	FULL	100	100	100	100
		BOURSORAMA SA	Broker	FULL	100	100	100	100
		BREMANY LEASE SAS	Specialist Financing	FULL	79.82	79.82	100	100
		CARBURAUTO	Group Real Estate Management Company	EJV	50	50	50	50
		CARRERA	Group Real Estate Management Company	EJV	50	50	50	50
		CENTRE IMMO PROMOTION	Real Estate and Real Estate Financing	FULL	60	60	60	60
		CHARTREUX LOT A1	Real Estate and Real Estate Financing	FULL	100	100	100	100
		CHEMIN DES COMBES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		COMPAGNIE FINANCIÈRE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100	100
		COMPAGNIE FONCIÈRE DE LA MÉDITERRANÉE (CFM)	Group Real Estate Management Company	FULL	100	100	100	100
		COMPAGNIE GÉNÉRALE DE LOCATION D'ÉQUIPEMENTS	Specialist Financing	FULL	99.89	99.89	99.89	99.89
		CONTE	Group Real Estate Management Company	EJV	50	50	50	50
		CRÉDIT DU NORD	Bank	FULL	100	100	100	100
		DARWIN DIVERSIFIE 0-20	Portfolio Management	FULL	89.94	89.94	89.94	89.94
		DARWIN DIVERSIFIE 40-60	Portfolio Management	FULL	79.78	79.78	79.78	79.78
		DARWIN DIVERSIFIE 80-100	Portfolio Management	FULL	78.34	78.34	78.34	78.34
	(5)	DESCARTES TRADING	Financial Company	FULL	0	100	0	100
		DISPONIS	Specialist Financing	FULL	99.99	99.99	100	100
		ESNI - COMPARTIMENT SG-CREDIT CLAIMS -1	Financial Company	FULL	100	100	100	100
		ÉTOILE CAPITAL	Financial Company	FULL	100	100	100	100
		ÉTOILE CLIQUET 90	Financial Company	FULL	73.52	73.52	73.52	73.52
		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

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France		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 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 EURO STOXX 50 - D9	Financial Company	FULL	99.98	99.98	99.98	99.98
	(3)	FEEDER LYXOR STOXX 50	Financial Company	FULL	0	100	0	100
		FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100
	(5)	FINANCIÈRE PARCOURS	Specialist Financing	FULL	0	79.82	0	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 RÉASSURANCE	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	49.49	49.49	49.49
		GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
		ÎLOT AB	Real Estate and Real Estate Financing	FULL	80	40	80	40

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France	(2)	IMAPRIM AMÉNAGEMENT	Real Estate and Real Estate Financing	FULL	0	70	0	70
		IMMOBILIÈRE PROMEX	Real Estate and Real Estate Financing	ESI	35	35	35	35
		INVESTIR IMMOBILIER NORMANDIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		INVESTISSEMENT 81	Financial Company	FULL	100	100	100	100
		JSJ PROMOTION	Real Estate and Real Estate Financing	ESI	45	45	45	45
		KOLB INVESTISSEMENT	Financial Company	FULL	100	100	100	100
		LA CORBEILLERIE	Real Estate and Real Estate Financing	ESI	24	24	40	40
		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
		LES TROIS LUCS 13012	Real Estate and Real Estate Financing	FULL	100	90.89	100	100
		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

Country		Activity	Method*	Group ownership interest		Group voting interest	
				At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France	LYON LA FABRIC	Real Estate and Real Estate Financing	EJV	50	50	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 INTERMEDIATION	Broker	FULL	100	100	100	100
	LYXOR INTERNATIONAL ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
	LYXOR SKYFALL FUND	Insurance	FULL	88.98	88.98	88.98	88.98
	MÉDITERRANÉE GRAND ARC	Real Estate and Real Estate Financing	EJV	50	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
	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	100	86	100	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

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
France		PAREL	Services	FULL	100	100	100	100
		PHILIPS MEDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
	(6)	PIERRE PATRIMOINE	Financial Company	FULL	100	0	100	0
		PRAGMA	Real Estate and Real Estate Financing	FULL	100	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 REALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
		S.C.I. 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
	(2)	SAINT CLAIR	Real Estate and Real Estate Financing	EJV	0	50	0	50
		SAINTE-MARTHE ÎLOT C	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SAINTE-MARTHE ÎLOT D	Real Estate and Real Estate Financing	ESI	40	40	40	40
		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
		SARL D'AMÉNAGEMENT DU MARTINET	Real Estate and Real Estate Financing	EJV	50	43	50	50

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France		SARL DE LA CÔTE 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
	(2)	SARL EKO BOUAYE	Real Estate and Real Estate Financing	ESI	0	35	0	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
	(6)	SAS BF3 NOGENT THIERS	Real Estate and Real Estate Financing	ESI	20	0	20	0
	(6)	SAS BONDUES - CŒUR DE BOURG	Real Estate and Real Estate Financing	ESI	20	0	25	0
		SAS COPRIM RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS ÉCULLY SO'IN	Real Estate and Real Estate Financing	FULL	75	75	75	75
		SAS FOCH SULLY	Real Estate and Real Estate Financing	FULL	90	90	90	90
	(2)	SAS LOIRE ATLANTIQUE TERTIAIRE	Real Estate and Real Estate Financing	EJV	0	50	0	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	100	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

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France		SAS NOYALIS	Real Estate and Real Estate Financing	ESI	28	28	28	28
		SAS ODESSA DÉVELOPPEMENT	Real Estate and Real Estate Financing	ESI	49	49	49	49
		SAS PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6)	SAS PAYSAGES	Real Estate and Real Estate Financing	FULL	51	0	51	0
		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	41	41	41
	(6)	SAS SCÈNES DE VIE	Real Estate and Real Estate Financing	EJV	50	0	50	0
	(6)	SAS SOAX PROMOTION	Real Estate and Real Estate Financing	FULL	51	0	51	0
		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
		SAS SOJEPRIM	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SAS TIR A L'ARC AMÉNAGEMENT	Real Estate and Real Estate Financing	EJV	40	40	50	50
		SAS TOUR D2	Real Estate and Real Estate Financing	JO	50	50	50	50
		SAS ZAC DU TRIANGLE	Real Estate and Real Estate Financing	FULL	51	51	51	51

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France	(5)	SC ALICANTE 2000	Group Real Estate Management Company	FULL	0	100	0	100
	(5)	SC CHASSAGNE 2000	Group Real Estate Management Company	FULL	0	100	0	100
		SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	FULL	60	51.6	60	60
	(2)	SCCV 3 CHÂTEAUX	Real Estate and Real Estate Financing	EJV	0	43	0	50
		SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	ESI	49	49	49	49
	(6)	SCCV BAC GALLIENI	Real Estate and Real Estate Financing	FULL	51	0	51	0
		SCCV BAHIA	Real Estate and Real Estate Financing	FULL	51	51	51	51
		SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV BRON CARAVELLE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV CAEN CASERNE MARTIN	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV CAEN PANORAMIK	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(6)	SCCV CANNES JOURDAN	Real Estate and Real Estate Financing	EJV	50	0	50	0
		SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV CHARTREUX LOT E	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV CITY SQUARE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV CLICHY BRC	Real Estate and Real Estate Financing	EJV	50	50	50	50

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2019	At 31.12.2019
France	(6)	SCCV COMPIÈGNE - RUE DE L'ÉPARGNE	Real Estate and Real Estate Financing	ESI	35	0	35	0
	(2)	SCCV COURS CLÉMENCEAU	Real Estate and Real Estate Financing	ESI	0	28	0	28
		SCCV CUGNAUX-LÉO LAGRANGE	Real Estate and Real Estate Financing	EJV	50	43	50	50
	(2)	SCCV EKO GREEN CITY	Real Estate and Real Estate Financing	ESI	0	35	0	35
	(2)	SCCV EKO PARK OCEAN	Real Estate and Real Estate Financing	ESI	0	32.5	0	32.5
		SCCV EPRON - ZAC L'ORÉE DU GOLF	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV ÉTERVILLE ROUTE D'AUNAY	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV EURONANTES 1E	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV FAVERGES	Real Estate and Real Estate Financing	FULL	100	80	100	80
	(2)	SCCV GAO	Real Estate and Real Estate Financing	ESI	0	32.5	0	32.5
		SCCV GIGNAC MOUSSELINE	Real Estate and Real Estate Financing	FULL	70	60.2	70	70
		SCCV GIVORS ROBICHON	Real Estate and Real Estate Financing	FULL	85	50	85	50
		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

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
France		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
	(6)	SCCV LA BAULE - LES JARDINS D'ESCOUBLAC	Real Estate and Real Estate Financing	ESI	25	0	25	0
		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
	(2)	SCCV LE COURTIL	Real Estate and Real Estate Financing	ESI	0	35	0	35
	(2)	SCCV LE TEICH CŒUR DE VILLE	Real Estate and Real Estate Financing	ESI	0	30	0	30
		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	50	50	50
		SCCV LESQUIN PARC	Real Estate and Real Estate Financing	EJV	40	40	50	50
		SCCV LILLE - JEAN MACE	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	35	35	35
		SCCV MARCQ PROJECTIM	Real Estate and Real Estate Financing	FULL	64	64	80	80

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France	(6)	SCCV MARQUETTE CALMETTE	Real Estate and Real Estate Financing	EJV	40	0	50	0
		SCCV MEHUL	Real Estate and Real Estate Financing	FULL	70	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	50	43	50	50
	(6)	SCCV MONS EQUATION	Real Estate and Real Estate Financing	FULL	40	0	50	0
		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 BOISSIERE	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 OCEAN II	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV PRADES BLEU HORIZON	Real Estate and Real Estate Financing	EJV	50	43	50	50
		SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	FULL	51	51	51	51
	(6)	SCCV QUAI NEUF BORDEAUX	Real Estate and Real Estate Financing	ESI	35	0	35	0
		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

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
France		SCCV ROUSSET - LOT 03	Real Estate and Real Estate Financing	FULL	70	60.2	70	70
	(6)	SCCV SAINT JUST DAUDET	Real Estate and Real Estate Financing	FULL	80	0	80	0
		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
		SCCV SENSORIUM BUREAUX	Real Estate and Real Estate Financing	EJV	40	40	50	50
		SCCV SENSORIUM LOGEMENT	Real Estate and Real Estate Financing	EJV	40	40	50	50
		SCCV SOGAB ILE DE FRANCE	Real Estate and Real Estate Financing	FULL	80	80	80	80
		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	100	100	100
		SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	50	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	50	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
	(6)	SCCV VILLENEUVE D'ASCQ-RUE DES TECHNIQUES	Real Estate and Real Estate Financing	EJV	40	0	50	0

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
France		SCCV VILLEURBANNE TEMPO	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI 1134, AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	50	43	50	50
		SCI 637 ROUTE DE FRANS	Real Estate and Real Estate Financing	ESI	30	30	30	30
		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 RESIDENCES	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(2)	SCI DREUX LA ROTULE NORD	Real Estate and Real Estate Financing	FULL	0	80	0	100
		SCI DU 84 RUE DU BAC	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI DU PARC SAINT ETIENNE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI ETAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(5)	SCI EUROPARC ST MARTIN DU TOUCH 2002	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SCI HEGEL PROJECTIM	Real Estate and Real Estate Financing	FULL	68	68	85	85

					Group ownership interest		Group voting interest	
Country			Activity	Method*	At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France		SCI LA MANTILLA COMMERCES	Real Estate and Real Estate Financing	FULL	100	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
		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 JEREMY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(2)	SCI LE PARC DE BORDEROUGE	Real Estate and Real Estate Financing	FULL	0	60	0	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
		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
	(2)	SCI LES RESIDENCES GENEVOISES	Real Estate and Real Estate Financing	FULL	0	90	0	90
		SCI LIEUSAINT RUE DE PARIS	Real Estate and Real Estate Financing	EJV	50	50	50	50

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France		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
		SCI MONTPELLIER JACQUES CŒUR	Real Estate and Real Estate Financing	EJV	50	43	50	50
		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 QUINTESSENCE-VALESCURE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI RESIDENCE 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
		SCI RIVAPRIM RESIDENCES	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
	(2)	SCI SAINT JEAN	Real Estate and Real Estate Financing	ESI	0	40	0	40

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France		SCI SAINT OUEN L'AUMONE - 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 RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(2)	SCI STRASBOURG ÉTOILE THUMENAU	Real Estate and Real Estate Financing	ESI	0	35	0	35
	(2)	SCI STRASBOURG ROUTE DE WASSELONNE	Real Estate and Real Estate Financing	ESI	0	35	0	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
		SCI VELRI	Group Real Estate Management Company	EJV	50	50	50	50
		SCI VILLA EMILIE	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
		SG ACTIONS EURO	Insurance	FULL	47.75	47.75	47.75	47.75
		SG ACTIONS EURO SELECTION	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

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
France		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
		SG ACTIONS US TECHNO	Insurance	FULL	85.08	85.08	85.08	85.08
		SG CAPITAL DÉVELOPPEMENT	Portfolio Management	FULL	100	100	100	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
	(3)	SG MONE TRESO-E	Insurance	FULL	0	98.62	0	98.62
	(3)	SG MONETAIRE PLUS E	Financial Company	FULL	0	58.93	0	58.93
		SG OBLIG ETAT EURO-R	Insurance	FULL	79.94	79.94	79.94	79.94
		SG OBLIGATIONS	Insurance	FULL	82.92	82.92	82.92	82.92
		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'EVEQUE	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
		SGI PACIFIC	Insurance	FULL	86.17	86.17	89.53	89.53
		SNC CŒUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SNC COPRIM RESIDENCES	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
		SNC ISSY FORUM 11	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
		SNC NEUILLY ILE DE LA JATTE	Real Estate and Real Estate Financing	ESI	40	40	40	40

Country		Activity	Method*	Group ownership interest		Group voting interest	
				At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France	SNC PROMOSEINE	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SOCIETE "LES PINSONS"	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIETE ANONYME DE CREDIT 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
	SOCIÉTÉ CIVILE IMMOBILIÈRE ERICA	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE ESTEREL 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 SEPTEMES	Real Estate and Real Estate Financing	ESI	25	25	25	25

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France		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
		SOCIETE DE BOURSE GILBERT DUPONT	Financial Company	FULL	100	100	100	100
		SOCIÉTÉ DE LA RUE EDOUARD 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
		SOCIETE GENERALE	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL FINANCE	Portfolio Management	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100	100
	(4)	SOCIETE GENERALE DE BANQUE AUX ANTILLES	Bank	FULL	0	100	0	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 DÉVELOPPEMENT DES OPÉRATIONS DE CRÉDIT-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
		SOCIÉTÉ IMMOBILIÈRE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
France	SOCIÉTÉ IMMOBILIÈRE URBI ET ORBI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIÉTÉ MARSEILLAISE DE CREDIT	Bank	FULL	100	100	100	100
	SOGE BEAUJOIRE	Group Real Estate Management Company	FULL	99.99	99.99	100	100
	SOGE PERIVAL I	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL II	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL III	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100	100
	SOGEACT.SELEC.MON.	Portfolio Management	FULL	99.78	99.78	99.78	99.78
	SOGECAMPUS	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
	SOGÉCAP EQUITY OVERLAY (FEEDER)	Insurance	FULL	100	100	100	100
	SOGÉCAP LONG TERME N°1	Financial Company	FULL	100	100	100	100
	SOGECAPIMMO 2	Insurance	FULL	89.39	89.39	90.84	90.84
	SOGEFIM HOLDING	Portfolio Management	FULL	100	100	100	100
	SOGEFIMUR	Specialist Financing	FULL	100	100	100	100
	SOGEFINANCEMENT	Specialist Financing	FULL	100	100	100	100
	SOGEFINERG SG POUR LE FINANCEMENT DES INVESTISSEMENTS ÉCONOMISANT L'ÉNERGIE	Specialist Financing	FULL	100	100	100	100
	SOGEFONTENAY	Group Real Estate Management Company	FULL	100	100	100	100
	SOGELEASE FRANCE	Specialist Financing	FULL	100	100	100	100
	SOGEMARCHE	Group Real Estate Management Company	FULL	100	100	100	100
	SOGEPARTICIPATIONS	Portfolio Management	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
France	(6)	SOGEPIERRE	Financial Company	FULL	100	0	100	0
		SOGEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ALPES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ENTREPRISES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM LYON	Real Estate and Real Estate Financing	FULL	100	100	100	100
		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	100	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	50	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

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
France		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
		VG PROMOTION	Real Estate and Real Estate Financing	ESI	35	35	35	35
	(6)	VIENNE BON ACCUEIL	Real Estate and Real Estate Financing	EJV	50	0	50	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								
		SOCIETE GENERALE 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
Hong Kong								
		SG ASSET FINANCE (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
		SG CORPORATE FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
		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
	(6)	SG LEASING (HONG KONG) LIMITED	Financial Company	FULL	100	0	100	0
		SG SECURITIES (HK) LIMITED	Broker	FULL	100	100	100	100
	(8)	SG SECURITIES (HK) NOMINEES LTD	Broker	FULL	100	100	100	100
		SG SECURITIES ASIA INTERNATIONAL HOLDINGS LIMITED	Broker	FULL	100	100	100	100
	(1)(6)	SGL ASIA HK	Real Estate and Real Estate Financing	FULL	100	0	100	0

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
Hong Kong		SOCIETE GENERALE ASIA LTD	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	FULL	100	100	100	100
	(8)	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
		J D 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) LIMITED	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
	(3)	SOLENTIS INVESTMENT SOLUTIONS PCC	Financial Company	FULL	0	100	0	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

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
Guernsey Island		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
		KLEINWORT BENSON INTERNATIONAL TRUSTEES 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
British Virgin Islands								
	(2)	TSG HOLDINGS LTD	Services	FULL	0	100	0	100
	(2)	TSG MANAGEMENT LTD	Services	FULL	0	100	0	100
	(2)	TSG SERVICES LTD	Services	FULL	0	100	0	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	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
		IRIS II SPV DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
	(6)	IRIS SPV PLC SERIES SOGÉCAP	Real Estate and Real Estate Financing	FULL	100	0	100	0
		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
	(6)	NB SOG EMER EUR - I	Financial Company	FULL	100	0	100	0
	(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

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
Italy		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
		SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100
Latvia								
		ALD AUTOMOTIVE SIA	Specialist Financing	FULL	59.86	59.86	75	75
Lithuania								
		UAB ALD AUTOMOTIVE	Specialist Financing	FULL	59.86	59.86	75	75
Luxembourg								
	(3)	AF EMG MK HD CURR - CLASSE C - LU0907913460	Insurance	FULL	0	47.7	0	47.7
		ALD INTERNATIONAL SERVICES S.A.	Specialist Financing	FULL	79.82	79.82	100	100
		AXUS LUXEMBOURG SA	Specialist Financing	FULL	79.82	79.82	100	100
		BARTON CAPITAL SA	Financial Company	FULL	100	100	100	100
	(3)	CANDRIAM BONDS EURO HIGH YIELD - LU1010337324	Insurance	FULL	0	45.35	0	45.35
		CODEIS COMPARTIMENT A0084	Insurance	FULL	100	100	100	100
		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
		FIDELITY FUNDS EUR HY IQ - LU0954694930	Insurance	FULL	49.6	49.6	49.6	49.6
	(2)	G FINANCE LUXEMBOURG SA	Financial Company	FULL	0	100	0	100
	(6)	GOLDMAN SACHS 2 G EM M DBP ID	Financial Company	FULL	100	0	100	0
		IVEFI S.A.	Financial Company	FULL	100	100	100	100
	(2)	LX FINANZ S.A.R.L.	Financial Company	FULL	0	100	0	100

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
Luxembourg		LYXOR EURO 6M - CLASS SI	Insurance	FULL	64.37	64.37	64.37	64.37
		LYXOR FUNDS SOLUTIONS	Financial Company	FULL	100	100	100	100
		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)	RED & BLACK AUTO LEASE GERMANY S.A. N°7	Real Estate and Real Estate Financing	FULL	79.82	0	100	0
		SALINGER S.A.	Bank	FULL	100	100	100	100
		SG ISSUER	Financial Company	FULL	100	100	100	100
		SGBT ASSET BASED FUNDING SA	Financial Company	FULL	100	100	100	100
		SGBTCI	Financial Company	FULL	100	100	100	100
	(6)	SGL ASIA	Real Estate and Real Estate Financing	FULL	100	0	100	0
		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 LUXEMBOURG	Bank	FULL	100	100	100	100
	(6)	SOCIETE GENERALE LUXEMBOURG LEASING	Specialist Financing	FULL	100	0	100	0
		SOCIETE GENERALE PRIVATE WEALTH MANAGEMENT S.A.	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE RE SA	Insurance	FULL	100	100	100	100
		SOCIÉTÉ IMMOBILIÈRE DE L'ARSENAL	Group Real Estate Management Company	FULL	100	100	100	100
		SOGELIFE	Insurance	FULL	100	100	100	100
	(6)	SURYA INVESTMENTS S.A.	Specialist Financing	FULL	100	0	100	0
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	36.58	36.57	50	50
		ATHENA COURTAGE	Insurance	FULL	58.2	58.17	99.9	99.93
		FONCIMMO	Group Real Estate Management Company	FULL	57.62	57.58	100	100
		LA MAROCAINE VIE	Insurance	FULL	79.21	79.19	99.98	99.98
		SG MAROCAINE DE BANQUES	Bank	FULL	57.62	57.58	57.62	57.58

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
Morocco		SOCIÉTÉ D'ÉQUIPEMENT DOMESTIQUE ET MENAGER "EQDOM"	Specialist Financing	FULL	30.95	30.93	53.72	53.72
		SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.62	57.58	100	100
		SOCIETE GENERALE OFFSHORE	Financial Company	FULL	57.59	57.51	99.94	99.88
		SOGECAPITAL GESTION	Financial Company	FULL	57.59	57.54	99.94	99.94
		SOGECAPITAL PLACEMENT	Portfolio Management	FULL	57.59	57.56	99.94	99.96
	(8)	SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.62	57.58	100	100
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	100	100	100
Monaco								
	(1)	CREDIT DU NORD - MONACO	Bank	FULL	100	100	100	100
	(1)	SMC MONACO	Bank	FULL	100	100	100	100
		SOCIÉTÉ DE BANQUE MONACO	Bank	FULL	100	100	100	100
	(1)	SOCIETE GENERALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	100	100	100	100
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
	(4)	SG FINANS AS	Specialist Financing	FULL	0	100	0	100
New Caledonia								
		CREDICAL	Specialist Financing	FULL	87.07	87.07	96.64	96.64
		SOCIETE GENERALE CALÉDONIENNE 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
		CAPEREA B.V.	Specialist Financing	FULL	100	100	100	100
		COPARER HOLDING	Group Real Estate Management Company	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
Netherlands		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
		SOGELEASE B.V.	Specialist Financing	FULL	100	100	100	100
		SOGELEASE 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
		SG EQUIPMENT LEASING POLSKA SP Z.O.O.	Specialist Financing	FULL	100	100	100	100
	(1)	SOCIETE GENERALE S.A. ODDZIAL W POLSCE	Bank	FULL	100	100	100	100
	(1)	SOGÉCAP SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
	(1)	SOGESSUR SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
French Polynesia								
		BANQUE DE POLYNESIE	Bank	FULL	72.1	72.1	72.1	72.1
		SOGELEASE BDP "SAS"	Specialist Financing	FULL	72.1	72.1	100	100
Portugal								
		SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENS SA	Specialist Financing	FULL	79.82	79.82	100	100
Czech Republic								
		ALD AUTOMOTIVE S.R.O.	Specialist Financing	FULL	79.82	79.82	100	100
		ESSOX SRO	Specialist Financing	FULL	80	80	100	100
		FACTORING KB	Financial Company	FULL	60.73	60.73	100	100
		KB PENZIJNI SPOLECNOST, A.S.	Financial Company	FULL	60.73	60.73	100	100
		KB REAL ESTATE	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
		KB SMARTSOLUTIONS, S.R.O.	Bank	FULL	60.73	60.73	100	100
		KOMERCNI BANKA A.S.	Bank	FULL	60.73	60.73	60.73	60.73
		KOMERCNI POJISTOVNA A.S.	Insurance	FULL	80.76	80.76	100	100
		MODRA PYRAMIDA STAVEBNI SPORITELNA AS	Financial Company	FULL	60.73	60.73	100	100
		PROTOS	Financial Company	FULL	60.73	60.73	100	100
		SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Specialist Financing	FULL	80.33	80.33	100	100

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
Czech Republic		SOGEPROM CESKA REPUBLIKA S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM MICHLE S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100	100
		STD2, A.S.	Group Real Estate Management Company	FULL	60.73	60.73	100	100
		VN 42	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
		WORLDLINE CZECH REPUBLIC S.R.O.	Services	ESI	0.61	0.61	40	40
Romania								
		ALD AUTOMOTIVE SRL	Specialist Financing	FULL	75.89	75.89	100	100
		BRD - GROUPE SOCIETE GENERALE SA	Bank	FULL	60.17	60.17	60.17	60.17
		BRD ASSET MANAGEMENT SAI SA	Portfolio Management	FULL	60.15	60.15	99.97	99.97
		BRD FINANCE IFN S.A.	Financial Company	FULL	80.48	80.48	100	100
		S.C. BRD SOGELEASE IFN S.A.	Specialist Financing	FULL	60.17	60.17	100	100
		S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	FULL	75	75	75	75
		SOCIETE GENERALE EUROPEAN BUSINESS SERVICES S.A.	Services	FULL	100	100	100	100
		SOGEPROM ROMANIA SRL	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(1)	SOGESSUR S.A PARIS - SUCURSALA BUCURESTI	Insurance	FULL	100	100	100	100
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
	(1)	BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	(1)(2)	DESCARTES TRADING LONDON BRANCH	Financial Company	FULL	0	100	0	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
		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

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
United Kingdom		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
	(2)	MAGPIE ROSE LIMITED	Bank	FULL	0	100	0	100
	(2)	PICO WESTWOOD LIMITED	Bank	FULL	0	100	0	100
		ROBERT BENSON, LONSDALE & CO. (CANADA) LIMITED	Bank	FULL	100	100	100	100
	(2)	SAINT MELROSE LIMITED	Bank	FULL	0	100	0	100
		SG (MARITIME) LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
		SG EQUIPMENT FINANCE (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	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 LIMITED	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
	(2)	SG LEASING (CENTRAL 1) LIMITED	Specialist Financing	FULL	0	100	0	100
		SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	FULL	100	100	100	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
		SG LEASING IX	Specialist Financing	FULL	100	100	100	100
	(1)	SG LONDRES	Bank	FULL	100	100	100	100
	(2)	SGFLD LIMITED	Financial Company	FULL	0	100	0	100
		SOCGEN NOMINEES (UK) LIMITED	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE EQUIPMENT FINANCE LIMITED	Specialist Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
United Kingdom		SOCIETE GENERALE INTERNATIONAL LIMITED	Broker	FULL	100	100	100	100
		SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED	Financial Company	FULL	100	100	100	100
		STRABUL NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	(1)	TH INVESTMENTS (HONG KONG) 2 LIMITED (UK BRANCH)	Financial Company	FULL	100	100	100	100
	(1)	TYNEVOR B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
Russian Federation								
		ALD AUTOMOTIVE OOO	Specialist Financing	FULL	79.82	79.82	100	100
		CLOSED JOINT STOCK COMPANY SG FINANCE	Specialist Financing	FULL	99.97	99.97	100	100
	(8)	CREDIT INSTITUTION OBYEDINYONNAYA RASCHOTNAYA SISTEMA	Financial Company	FULL	99.97	99.97	100	100
		LLC RUSFINANCE	Bank	FULL	99.97	99.97	100	100
		LLC RUSFINANCE BANK	Bank	FULL	99.97	99.97	100	100
		LLC TELSYCOM	Services	FULL	99.97	99.97	100	100
		PJSC ROSBANK	Bank	FULL	99.97	99.97	99.97	99.97
	(6)	RB CAPITAL ASSET MANAGEMENT LIMITED LIABILITY COMPANY	Real Estate and Real Estate Financing	FULL	99.97	0	100	0
		RB FACTORING LLC	Specialist Financing	FULL	99.97	99.97	100	100
		RB LEASING LLC	Specialist Financing	FULL	99.97	99.97	100	100
		RB SERVICE LLC	Group Real Estate Management Company	FULL	99.97	99.97	100	100
		RB SPECIALIZED DEPOSITARY LLC	Financial Company	FULL	99.97	99.97	100	100
		SOCIETE GENERALE STRAKHOVANIE LLC	Insurance	FULL	99.99	99.99	100	100
		SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	FULL	99.99	99.99	100	100
Senegal								
		SOCIETE GENERALE SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
Serbia								
		ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	FULL	79.82	79.82	100	100
Singapore								
		SG MARKETS (SEA) PTE. LTD.	Broker	FULL	100	100	100	100
		SG SECURITIES (SINGAPORE) PTE. LTD.	Broker	FULL	100	100	100	100
	(1)	SG SINGAPOUR	Bank	FULL	100	100	100	100
		SG TRUST (ASIA) LTD	Financial Company	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest At 31.12.2020	Group ownership interest At 31.12.2019	Group voting interest At 31.12.2020	Group voting interest At 31.12.2019
Slovakia								
		ALD AUTOMOTIVE SLOVAKIA S.R.O.	Specialist Financing	FULL	79.82	79.82	100	100
		ESSOX FINANCE S.R.O.	Specialist Financing	FULL	80	80	100	100
	(1)	KOMERCNI BANKA SLOVAKIA	Bank	FULL	60.73	60.73	100	100
	(1)	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	FULL	80.33	80.33	100	100
Slovenia								
		ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	79.82	79.82	100	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
	(1)(4)	SG FINANS AS SWEDISH BRANCH	Specialist Financing	FULL	0	100	0	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
	(2)	ROSBANK (SWITZERLAND)	Bank	FULL	0	99.97	0	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

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2020	At 31.12.2019	At 31.12.2020	At 31.12.2019
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	93.43	90.98	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://investors.societegenerale.com/en/publications-documentsNote.

NOTE 8.6 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 23 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 ("SACC") of Statutory Auditors 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	
(In EUR m excluding VAT)		2020[1]	2019	2020[2]	2019	2020	2019
Certification of parent company and consolidated accounts	Issuer	5	4	8	7	13	11
	Fully consolidated subsidiaries	15	16	12	12	27	28
SUB-TOTAL		**20**	**20**	**20**	**19**	**40**	**39**
Non-audit services (SACC)	Issuer	1	0	1	2	2	2
	Fully consolidated subsidiaries	1	1	1	1	2	2
TOTAL		**22**	**21**	**22**	**22**	**44**	**43**

(1) Including Ernst and Young network: EUR 12 million.
(2) Including Deloitte network: EUR 10 million.

The non-audit services are 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 Engagements), 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 0.5 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 24 October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5 October 2010, finding Jérôme Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. Jérôme 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 19 March 2014, the Supreme Court confirmed the criminal liability of Jérôme Kerviel. This decision puts an end to the criminal proceedings. On the civil front, on 23 September 2016, the Versailles Court of Appeal rejected Jérôme 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 Jérôme Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and Jérôme 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 Jérôme 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'Etat*) 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 20 September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by Jérôme 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 3 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 15 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 18 December 2018, the Supreme Court refused permission to appeal to both Societe Generale and Goldas. On 16 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, sixteen cases have ended in favour of SGA, one case has ended against SGA and eight remain pending, six 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 – Echange 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 20 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 23 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 14 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 3 and 4 November 2016 by the Paris Court of Appeal before which the case was remanded. On 21 December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22 January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision. On 29 January 2020, the Supreme Court partially quashed the order the Paris Court of Appeal decision of 21 December 2017 and ordered the remand of the case to this same court of appeal but differently composed. On 13 March 2020, Societe Generale and Crédit du Nord therefore filed a new appeal before the Paris Court of Appeal against the decision of the French competition authority. The court proceeding is still pending.

- In August 2009, Societe Generale Private Banking (Switzerland), along with several other financial institutions, was named as a defendant in a putative class action that was ultimately transferred to the US District Court for the Northern District of Texas. The plaintiffs sought 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 16 February 2009. The plaintiffs alleged that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants were responsible for those alleged losses. The plaintiffs further sought to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they were 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 5 June 2014. Societe Generale Private Banking (Switzerland) sought reconsideration of the Court's jurisdictional ruling, which the Court ultimately denied. On 21 April 2015, the Court permitted the substantial majority of the claims brought by the plaintiffs and the OSIC to proceed.

  On 7 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 20 April 2018. On 3 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 18 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. The state court action was removed to federal court and is now pending in the Southern District of Texas.

  On 22 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. By order dated 30 March 2020, the court denied OSIC's 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 13 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 was finally approved by the District Court on 17 September 2020. As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products. On 1 April 2020, the Court of Appeals reversed the dismissal and reinstated the claims. Plaintiffs filed a second amended complaint on 24 August 2020, and defendants have again filed motions to dismiss. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange on 27 September 2019, plaintiff filed a motion for class certification. On 25 September 2020, the District Court granted defendants' motion for judgment on the pleadings and dismissed plaintiffs' claims. Plaintiffs have appealed.

  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 15 January 2019, Societe Generale and SG Americas Securities, LLC, 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 1 February 2014 to the present, regardless of when the instrument was purchased. By order dated 26 March 2020, the District Court dismissed the action. Plaintiffs have appealed that ruling. Defendants have moved to dismiss the appeal because the proposed class representatives are withdrawing from the action. A new proposed class representative is seeking to intervene as a plaintiff in the appeal.

- 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 reached a settlement of USD 18 million, which was approved by the Court on 6 August 2018. A separate putative class action on behalf of putative classes of indirect purchasers was also filed. SG reached a settlement of USD 975,000 to resolve that proceeding. The settlement was finally approved by the Court on 19 November 2020. On 7 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. SG Americas Securities, LLC was dismissed by order dated 28 May 2020. Discovery is proceeding as to SG and the other remaining defendants.
- On 10 December 2012, the French Supreme Administrative Court (Conseil d'Etat) 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 1 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 10 December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15 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 28 April 2016 and by referring the matter to the Court of Justice of the European Union on 8 December 2016. The Court of Justice of European Union rendered its judgement on 4 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 has continued to assert its rights with the competent courts and the tax authorities, which it expects to be treated diligently and in accordance with the law. On 23 June 2020, the Administrative Court of Appeal of Versailles issued a ruling in favour of Societe Generale on our 2002 and 2003 Suez claims, followed by a mid-July enforcement in our favour. The judgment of Versailles held that the advance payment was not compatible with the Parent-Subsidiary Directive: the French Supreme Administrative Court, which had also received a request for a priority question of constitutionality, also pointed out that the advance payment was incompatible with Article 4 of the Parent-Subsidiary Directive but that a question should be referred to the ECJ for a preliminary ruling in order to ascertain this. It is therefore now appropriate to await the response of the Court of Luxembourg, which should not occur before the end of 2021.
- 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 4 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 inter alia 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 19 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 19 August 2019, the Bonn District Court ordered SGSS GmbH to join these criminal proceedings as a "secondary party". By order of 16 March 2020, the Bonn District Court, with consent of the Cologne Prosecutors, released SGSS GmbH as a secondary party immediately. In addition to being subject to investigations or criminal proceedings, SG Group entities may be exposed to claims by third parties, including German tax offices, and become party to legal disputes.
- 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 13 June 2019 which was granted on 29 August 2019 as against SGAS and several other bank defendants. Plaintiffs filed an amended complaint on 9 September 2019, and a motion to dismiss this amended complaint was filed on 17 September 2019. That motion was denied on 15 October 2019. On 16 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. The class action settlement was finally approved by the court on 16 June 2020. SGAS also has been named in four separate individual opt-out litigations by the following plaintiffs: the State of Louisiana (filed September 2019), the City of Baton Rouge/East Baton Rouge Parish and related entities (October 2019), Louisiana Asset Management Pool (April 2020), and the City of New Orleans and related entities (September 2020). These suits also assert antitrust claims (and in some cases other related 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 22 November 2016 and 3 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 25 February 2019, the Second Circuit vacated the judgements and remanded for further proceedings. On 1 June 2020, the United States Supreme Court denied Defendant-Appellees' petition for a writ of certiorari. The case will now be returned to the District Court for further proceedings.
- On 10 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 24 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 10 January 2020. While the motion to dismiss was pending, plaintiffs filed an unopposed motion on 29 January 2020, to transfer the case to federal court in Manhattan, which the court granted on 30 January 2020. Plaintiffs filed a second amended complaint on 11 September 2020, and a motion to dismiss has been filed.
- On 9 November 2020, Societe Generale was named in similar Helms Burton litigation filed in the US District Court in Manhattan by the purported owners (and successors) of Banco Pujol, a Cuban bank alleged to have been confiscated by the Cuban government in 1960.
- On 5 June 2020, a shareholder of Societe Generale filed a derivative action in New York State court against 39 current and former Directors and officers of the Bank. The complaint alleges that a 2009 written agreement with US banking regulators required the Bank to implement and maintain an effective anti-money laundering compliance and transaction monitoring system. According to the complaint, the Bank failed to do so, leading to penalties and forfeitures imposed in November 2018 by a number of federal and New York state agencies and criminal authorities relating to US sanctions and anti-money laundering laws. The complaint makes claims for, among other things, breaches of duty related to these matters. This litigation is at an early procedural stage, and a motion to dismiss on a variety of grounds is expected.
- On 16 October 2020, Vestia brought proceedings against Societe Generale before the High Court of England regarding the conditions pursuant to which Vestia contracted derivative products with Societe Generale between 2008 and 2011. Vestia claims that these transactions were outside of its capacity and alleges they were induced by corruption. Vestia seeks to rescind the transactions and recover the amounts paid to Societe Generale pursuant to these transactions. On 8 January 2021, Societe Generale filed its Statement of Defence and Counterclaim.
- On 20 October 2020, Societe Generale Securities Australia Pty Ltd ("SGSAPL") was sentenced by the Local Court in Sydney on charges relating to breaches of client money obligations. SGSAPL was required to pay a total penalty of AUD 30,000 for facts which occurred over the period from December 2014 to February 2017 and which were self-declared to the Australian Securities and Investment Commission.

AUDITED I TABLE 10

RECORD OF PERFORMANCE SHARES AWARDED

INFORMATION ON PERFORMANCE SHARES AWARDED

Date of General Meeting	23.05.2018	23.05.2018	18.05.2016	18.05.2016	18.05.2016
Date of Board Meeting	12.03.2020	13.03.2019	14.03.2018	15.03.2017	18.05.2016
Total number of shares awarded	2,545,414	2,834,045	1,677,279	1,796,759	2,478,926
o.w. number awarded to corporate officers(1)	*253,783*	*265,413*	*75,880*	*74,565*	*101,544*
Frédéric Oudéa	72,541	86,705	46,472	45,871	62,900
Diony Lebot	45,629	41,795	7,277	5,986	4,860
Philippe Aymerich	46,035	37,889	2,815	2,857	3,626
Séverin Cabannes	43,431	60,139	29,408	28,694	38,644
Philippe Heim(4)	46,147(4)	38,885(4)	4,990(4)	5,224(4)	7,290(4)
Total number of beneficiaries	4,652	5,747	6,016	6,710	6,495
Vesting date	see table below	see table below	see table below	see table below	see table below
Holding period end date	see table below	see table below	see table below	see table below	see table below
Performance conditions(2)	yes	yes	yes	yes	yes
Fair value *(In EUR)*(3)	see table below	see table below	see table below	see table below	see table below
Number of shares vested at 31.12.2020	372	0	301,008	1,480,174	2,088,474
Total number of cancelled or lapsed shares	61,725	152,608	165,226	167,033	238,459
Performance shares outstanding at year-end	2,483,317	2,681,437	1,211,045	149,552	151,993

(1) For the Chairman of the Board and Chief Executive Officers, see also Tables 6 and 7 of this Universal Registration Document.
(2) The applicable performance conditions are detailed in the Performance and Compensation Report, available at societegenerale.com.
(3) The performance shares are valued at their market value, taking into account a discount for non-transferability.
(4) Philippe Heim left office as Deputy Chief Executive Officer on 3 August 2020, further to the reorganisation of General Management. As vesting of shares is subject to continued presence, the shares awarded to him were delisted as follows: 2020 plan: 46,147 shares delisted; 2019 plan: 32,106 shares delisted; 2018 plan: 4,990 shares delisted; 2017 plan: 3,483 shares delisted; 2016 plan: 4,860 shares delisted.

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 (1st instalment)	29.03.2019	31.03.2020 (1st instalment)	31.03.2021
	29.03.2019 (2nd instalment)		31.03.2022 (2nd 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 (1st instalment) 28.92 (2nd instalment)	29.55	22.07 (1st instalment) 21.17 (2nd instalment)	32.76

(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 corporate 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 (1st instalment)	31.03.2020	31.03.2021 (1st instalment)	31.03.2022
	31.03.2020 (2nd instalment)		31.03.2023 (2nd 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 (1st instalment) 40.33 (2nd instalment)	41.05	27.22 (1st instalment) 26.34 (2nd instalment)	43.75

(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 corporate 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 (1st instalment)	31.03.2021	31.03.2022 (1st instalment)	31.03.2023
	31.03.2021 (2nd instalment)		29.03.2024 (2nd 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 (1st instalment) 38.59 (2nd instalment)	39.18	26.40 (1st instalment) 24.43 (2nd instalment)	39.17

(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 corporate 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 (1st instalment)	31.03.2022	31.03.2023 (1st instalment)	31.03.2023 (1st instalment)
	31.03.2022 (2nd instalment)		31.03.2025 (2nd instalment)	29.03.2024 (2nd instalment)
Holding period end date	01.10.2021	N/A	01.04.2024	01.10.2023
	01.10.2022		01.04.2026	01.10.2024
Fair value *(In EUR)*(2)	22.32 (1st instalment) 20.93 (2nd instalment)	21.4	8.53 (1st instalment) 9.45 (2nd instalment)	10.86 (1st instalment) 11.35 (2nd 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 corporate officers).

(2) The performance shares are valued at their market value, taking into account a discount for non-transferability.

SUMMARY OF THE 2020 PERFORMANCE SHARE PLAN(1)

Date of General Meeting				**23.05.2018**
Date of Board Meeting				12.03.2020
Total number of shares awarded				2,545,414
Vesting date	31.03.2022 (1st instalment)	31.03.2023	31.03.2024 (1st instalment)	31.03.2024 (1st instalment)
	31.03.2023 (2nd instalment)		31.03.2026 (2nd instalment)	31. 03.2025 (2nd instalment)
Holding period end date	01.10.2022	N/A	01.04.2025	01.10.2024
	01.10.2023		01.04.2027	01.10.2025
Fair value *(In EUR)*(2)	11.62 (1st instalment) 10.76 (2nd instalment)	11.26	6.3 (1st instalment) 5.9 (2nd instalment)	9.2 (1st instalment) 8.8 (2nd 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 corporate 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

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.

For the year ended December 31, 2020

To the Annual General Meeting of Société Générale,

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, 2020.

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, 2020 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 requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors for the period from January 1, 2020 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.

Emphasis of Matter

We draw attention to the following matter described in Note 1.2 to the consolidated financial statements relating to the change in accounting method pursuant to the IFRS Interpretations Committee (IFRS IC) decision of November 26, 2016 on IFRS 16, Leases. Our opinion is not modified in respect of this matter.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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 judgment, 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.

IMPACT OF THE ECONOMIC CRISIS TIED TO THE COVID-19 PANDEMIC ON CREDIT RISK APPRAISAL AND ASSESSMENT OF THE IMPAIRMENT OF 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 loan portfolios requires the exercise of judgment by management, particularly in the uncertain context due to the global crisis tied to the Covid-19 pandemic, notably to:

- determine the loan classification criteria under stage 1, stage 2 or stage 3 taking account of the material increase in credit risk at loan portfolio level and the impact of measures to support the economy;
- prepare, in an uncertain environment, macro-economic projections which are embedded in the deterioration criteria and in the expected credit losses measurement;
- estimate the amount of expected credit losses depending on the different stages;
- determine the adjustments to models and parameters and the sector adjustments considered necessary to reflect the impact of economic scenarios on expected credit losses and anticipate the default or recovery cycle for certain sectors.

The qualitative information concerning in particular the procedures used to estimate and recognize expected credit losses are mainly described in Note 3.8 "Impairment and provisions" to the consolidated financial statements.

As at December 31, 2020, total customer loan outstandings exposed to credit risk totaled 448,761 M€; impairment and provisions totaled 11,601 M€.

We considered the impact of the Covid-19 pandemic on credit risk appraisal and the measurement of expected credit losses to be a key audit matter, as they require management to exercise judgement and make estimates, particularly concerning the economic sectors and geographic areas most affected by the crisis.

Our response

With the support of specialists in risk management and modelling and the economists included in the audit team, we focused our work on the most significant customer loan outstandings and/or portfolios, as well as on the economic sectors and geographic areas the most affected by the crisis.

We obtained an understanding of the Société Générale Group's governance and internal control system and tested the manual and automated key controls relating to credit risk appraisal and the measurement of expected losses.

Our audit work notably consisted in:

- examining the compliance of policies implemented by the Group and the methodologies broken down in the different business units with IFRS 9, Financial instruments;
- assessing the relevance of the macro-economic projections and the scenario weightings applied by the group;
- examining the main parameters adopted by the Société Générale Group to classify the loans and assess impairment within stages 1 and 2 as at December 31, 2020, including adjustments performed to take account of the impact of economic support measures;
- assessing the ability of adjustments to models and parameters and sector adjustments to provide adequate coverage of the level of credit risk in the context of the economic crisis;
- assessing using data analysis tools the correct calibration of models and the valuation of expected credit losses for a sample of stage 1 and 2 loan portfolios;
- testing, as at December 31, 2020, for a selection of the most significant loans to corporate clients, the main criteria used to classify loans in stage 3, as well as the assumptions underlying the estimation of the related individual impairment.

We also examined the qualitative and quantitative disclosures in Note 1.4 "Use of estimates and judgement", Note 3.8 "Impairment and provisions" and Note 10.3 "Credit and counterparty risk" to the consolidated financial statements relating to credit risk in the changing context of the pandemic and, in particular, the information required by IFRS 7, Financial instruments: Disclosures, on credit risk.

RECOVERABILITY OF DEFERRED TAX ASSETS IN FRANCE AND IN THE UNITED STATES

Risk identified

As at December 31, 2020 deferred tax assets on tax loss carryforwards were recorded in an amount of 1,840 M€, including 1,790M€ for the tax groups in France and the United States. At June 30, 2020, a specific review of tax losses carried forward taking account of the consequences and uncertainties generated by the global crisis tied to the Covid-19 pandemic, led the group to impair deferred tax assets of the France tax group in the amount of 650 M€.

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. As at December 31, 2020, this timeframe is 9 years for the France tax group and 7 years for the United States tax group.

In addition, as stated in Note 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 importance of the assumptions used to assess the recoverability of the deferred tax assets in France and the United States, notably on future taxable profits, and the judgment exercised by management in this respect, we considered this issue to be 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 to 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, to assess the reliability of the tax business plan preparation process;
- obtained an understanding of the 2021 budget drawn up by management and approved by the Board of Directors, as well as of the assumptions underlying projections for the period 2021-2025;
- assessed the relevance of tax profit extrapolation methods after 2021-2025, in the uncertain context tied to the crisis;
- obtained an understanding of the projected temporary differences over a three-year period;
- reviewed the assumptions underlying sensitivity tests in the event of adverse scenarios defined by the Société Générale Group;
- analyzed the sensitivity of the tax loss recovery period under a range of assumptions determined by us;
- 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 Note 1.4 "Use of estimates and judgement", Note 6 "Income tax" and Note 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 portfolio of internal derivatives classified as hedges.

These internal transactions are classified as portfolio-based interest rate risk fair value hedging transactions ("macro-hedging") in accordance with IAS 39 as adopted in the European Union, as presented in Note 3.2 "Financial derivatives" to the consolidated financial statements.

Hedge accounting is 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;
- demonstration of the reversal of internal transactions at group level.

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;
- determining the criteria adopted to schedule the outstandings' maturities by including behavioral criteria;
- and the conduct of tests on over-hedging, the disappearance of hedged items, efficiency and the external reversal of hedging transactions entered into with internal group counterparties.

As at December 31, 2020, the fair value of the derivative instruments hedging portfolios totaled 20,667 M€ in assets and 12,461 M€ in liabilities and notably include derivative instruments contracted to hedge eligible assets and liabilities of retail bank networks in France. Revaluation differences on portfolios hedged against interest rate risk totaled 378 M€ in assets and 7,696 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;
- examining the external reversal system for hedges entered into with internal group counterparties and the related documentation, and conducting tests on the matching of internal and external transactions;
- analyzing the results of tests on over-hedging, the disappearance of hedged items, efficiency and reversal required by applicable accounting standards;
- reviewing the qualitative and quantitative information disclosed in the notes to the consolidated financial statements and their compliance with IFRS 7 "Financial instruments: Disclosures" with regard to hedge accounting.

MEASUREMENT OF GOODWILL

Risk identified

The accounting recognition of external growth transaction leads the Société Générale Group to record goodwill in assets in the consolidated balance sheet. This goodwill represents the difference between the acquisition cost of the activities or securities of companies acquired and the share in identifiable net assets acquired and liabilities assumed at the acquisition date. As at December 31, 2020, the net value of goodwill was 4,044 M€, after impairment in full of the GIMS cash-generating unit (CGU) at June 30, 2020 for a total amount of 684 M€.

In the context of the Covid-19 pandemic negatively impacting the financial results and projections of the Société Générale Group, the group must determine the presence or absence of indications of loss in value on this goodwill. The comparison of the net carrying amount of uniform business groupings allocated to CGUs, and their recoverable amount is a key component in assessing the potential need to record an impairment. The value in use of CGUs was calculated using the discounted cash flow method based on distributable profits calculated at CGU level.

As disclosed in Note 1.4 "Use of estimates and judgement" and Note 2.2 "Goodwill" to the consolidated financial statements, the models and data used to value these CGUs are based on accounting estimates resulting from the exercise of management judgement, notably concerning the following assumptions:

- future distributable profits of activities or companies acquired, whether 5-year budget forecasts or the extrapolation for an additional year to calculate the terminal value;
- discount and growth rates applied to forecast flows.

For these reasons, we considered the measurement of goodwill to be a key audit matter.

Our response

Our audit approach is based on obtaining an understanding of control procedures relating to (i) goodwill impairment tests and (ii) the preparation of business plans, implemented in the Société Générale Group to assess future changes in structures and activities and identify indications of impairment loss on these assets.

Procedures on the financial statements for the year ended December 31, 2020, conducted with our valuation specialists and in the context of the Covid-19 pandemic, notably consisted in:

- assessing the way groupings of uniform businesses are determined and, where appropriate, change; analyzing the methodology applied in the current context;

- comparing prior year profit forecasts with actual results for the relevant years, to assess the reliability of the budget process;
- conducting a critical review of business plans prepared by management and approved by the Board of Directors based on our knowledge of activities and of the assumptions adopted by management beyond the five-year period to establish projections enabling the determination of terminal values;
- conducting a critical analysis of the main assumptions and parameters used (growth rate, cost of capital, discount rate) with regard to available internal and external information (macro-economic scenarios, financial analysts' consensus, etc.);
- independently recalculating the valuation of the CGUs;
- assessing the sensitivity analyses of results to change in key parameters, in particular when the recoverable amount is close to the net carrying amount;
- reviewing the information communicated by the group on goodwill disclosed in Note 1.4 "Use of estimates and judgement" and Note 2.2 "Goodwill" to the consolidated financial statements.

VALUATION OF COMPLEX FINANCIAL INSTRUMENTS

Risk identified

Within the scope of its market activities, the Société Générale Group holds financial instruments for trading purposes which are measured at fair value through profit or loss. As at December 31, 2020, a total amount of 319,479 M€ is recognized in fair value levels 2 and 3 in this respect in assets and 383,535 M€ in liabilities on the Société Générale Group's balance sheet, i.e. 64% and 95%, respectively, of financial assets and liabilities measured at fair value.

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 defer the recognition of the margin in the income statement for transactions involving such financial instruments, as stated in point 7 of 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, may be based for example on management's judgment and estimates, in the absence of available market data or a market valuation model.

Furthermore, the global crisis tied to the Covid-19 pandemic disrupted the financial markets during the fiscal year. The uncertainty generated by the crisis was notably reflected by a deterioration in liquidity in certain markets, which could require management to exercise greater judgement in valuing these instruments.

Due to the complexity of modelling in determining fair value, the multiplicity of models used, the use of management judgement in determining these fair values and the material uncertainties generated by the crisis in valuation methods, 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;
- we specifically analyzed the valuation formulas for certain categories of complex instruments and the relating value adjustments;
- we conducted specific procedures on the correct inclusion in valuations of the uncertainties generated by the crisis, in particular with regard to the method of calculating reserves;
- 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, by reference to external data;
- 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;
- we obtained the quarterly results of the valuation adjustment process 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. Where there was no external data, we controlled the existence of reserves or the non-material nature of the related issues.
- 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 and we compared the new methods adopted by the Société Générale Group to recognize these margins over time with the information presented in point 7 of Note 3.4 to the consolidated financial statements;
- 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 addition, the Covid-19 pandemic required all employees to work from home to ensure business continuity. Measures taken by the group in this respect exposed it to new risks, notably relating to the opening of information systems to enable remote access to transaction processing applications.

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.

We also analyzed the governance implemented by the group to ensure the resilience of information systems in the context of the Covid-19 crisis. Our procedures consisted in discussions with the group security teams and reviewing minutes of cybersecurity committee meetings, as well as any incidents during the period. Our procedures notably included an analysis of access derogations granted and validated by the security team.

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 statement required by Article L.225-102-1 of the French Commercial Code (*code de commerce*) is included in Group management report, it being specified that, in accordance with the provisions of Article L.823-10 of the code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Other Legal and Regulatory Verifications or Information

FORMAT OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS INTENDED TO BE INCLUDED IN THE ANNUAL FINANCIAL REPORT

In accordance with Article 222-3, III of the AMF General Regulations, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of December 17, 2018 to years beginning on or after January 1, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*).

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, 20120, Deloitte & Associés was in the eighteenth year of total uninterrupted engagement and Ernst & Young et Autres in the ninth 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 17, 2021

The Statutory Auditors

Ernst & Young et Autres	Deloitte & Associés
Micha Missakian	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 is an opinion regarding the likely rating direction over the medium 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 rating 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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