

Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

**12,000,000 European Style Cash Settled Long Certificates relating to
the ordinary shares of Sunny Optical Technology (Group) Company Limited
with a Daily Leverage of 5x**

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S\$0.50 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 16 June 2023 including such further base listing documents as may be issued from time to time, as supplemented by an addendum dated 28 July 2023 and an addendum dated 8 March 2024 (the “**Base Listing Document**”), for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see “Placing and Sale” contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products¹ and Specified Investment Products (SIPs)², and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the guarantee dated 16 June 2023 (the "**Guarantee**") and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 25 April 2024.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

24 April 2024

¹ As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.

² As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates 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 and the Issuer has not been and 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. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, 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 Certificates 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 Certificates, 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. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed “Placing and Sale” contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in

negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the “**Conditions**” shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has fallen sharply;
- (d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;
- (e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 32 to 37 and the examples and illustrations of adjustments set out in the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section of this document for more information;

- (i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;
- (j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy (as described below) including the Funding Cost (as defined below) and Rebalancing Cost (as defined below);
- (l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

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 Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

- (m) investors should note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (o) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);
- (p) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (q) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight fall in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens (including pre-opening session or opening auction, as the case may be) the

following day or (ii) a sharp intraday fall in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 53 to 54 of this document for more information;

- (r) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Certificates may be terminated prior to its Expiry Date for the following reasons which are not exhaustive: Illegality and force majeure, occurrence of a Holding Limit Event (as defined in the Conditions of the Certificates) or Hedging Disruption (as defined in the Conditions of the Certificates). For more detailed examples of when early termination may occur, please refer to the FAQ section under the “Education” tab on the website at dlc.socgen.com.

The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be substantially less than the amount initially invested, and at the worst case, be zero. Investors may refer to the Condition 13 on pages 38 to 41 of this document for more information;

- (s) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;
- (t) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker’s market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;
- (u) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging

transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

(v) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

(w) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

(x) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may decline. The following is a list of some of the significant risks associated with the Underlying Stock:

- Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
- The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

(y) the value of the Certificates depends on the Leverage Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Strategy last closing level and a calculation tool available to the investors on a website;

(z) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

(aa) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited (“**CDP**”):

- (i) investors should note that no definitive certificate will be issued in relation to the Certificates;

- (ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;
 - (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and
 - (iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;
- (bb) the reform of HIBOR may adversely affect the value of the Certificates

The Hong Kong Inter-bank Offered Rate (“**HIBOR**”) benchmark is referenced in the Leverage Strategy.

It is not possible to predict with certainty whether, and to what extent, HIBOR will continue to be supported going forwards. This may cause HIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Certificates.

In addition, the occurrence of a modification or cessation of HIBOR may cause adjustment of the Certificates which may include selecting one or more successor benchmarks and making related adjustments to the Certificates, including if applicable to reflect increased costs.

The Calculation Agent may make adjustments as it may determine appropriate if any of the following circumstances occurs or may occur: (1) HIBOR is materially changed or cancelled or (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms in making any investment decision with respect to any Certificate;

- (cc) the US Foreign Account Tax Compliance Act (“**FATCA**”) withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do not provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer 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 the Issuer or the relevant broker or custodian with such certification, the Issuer and the Guarantor or other withholding agent could be required to

withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer 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;

(dd) U.S. withholding tax

The Issuer has determined that this Certificate is not linked to U.S. Underlying Equities within the meaning of applicable regulations under Section 871(m) of the United States Internal Revenue Code, as discussed in the accompanying Base Listing Document under “TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986.” Accordingly, the Issuer expects that Section 871(m) will not apply to the Certificates. Such determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on a Certificate Holder's particular circumstances. Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates; and

(ee) risk factors relating to the BRRD

French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution.

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the “**BRRD**”) entered into force on 2 July 2014. The BRRD, as amended, has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the “**BRR Act 2015**”). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

In April 2023, the EU Commission released a proposal to amend, in particular, the BRRD according to which senior preferred debt instruments would no longer rank pari passu with any non covered non preferred deposits of the Issuer; instead, senior preferred debt instruments would rank junior in right of payment to the claims of all depositors.

This proposal will be discussed and amended by the European Parliament and the European Council before being final and applicable. If the Commission proposal was adopted as is, there may be an increased risk of an investor in senior preferred debt instruments losing all or some of their investment in the context of the exercise of the Bail-in Power. The proposal may also lead to a rating downgrade for senior preferred debt instruments.

Moreover, 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 (“**SRM**”) and a Single Resolution Framework (the “**SRM Regulation**”) has established a

centralised power of resolution entrusted to a Single Resolution Board (the “**SRB**”) in cooperation with the national resolution authorities.

Since November 2014, the European Central Bank (“**ECB**”) has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the Single Supervisory Mechanism (“**SSM**”). In addition, the SRM has been put in place to ensure that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States’ resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been, and continues to be, designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the “**SSM Regulation**”) and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the “**Resolution Authority**”) with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions while minimising the impact of an institution’s failure on the economy and financial system (including taxpayers’ exposure to losses).

In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions’ resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the “**Bail-in Power**”). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution

objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

The BRRD, the BRR Act 2015 and the SRM Regulation however also state that, under exceptional circumstances, if the bail-in instrument is applied, the SRB, in cooperation with the CSSF, may completely or partially exclude certain liabilities from the application of the impairment or conversion powers under certain conditions.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article 12 of the SRM Regulation. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The regime has evolved as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called “EU Banking Package”, the following legislative texts were published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (“**BRRD II**”); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity (“**TLAC**”) of credit institutions and investment firms (the “**SRM II Regulation**” and, together with the BRRD II, the “**EU Banking Package Reforms**”).

The EU Banking Package Reforms introduced, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet (“**FSB TLAC Term Sheet**”), by adapting, among other things, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions’ ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC has been implemented in accordance with the FSB TLAC Term Sheet, which impose a level of “Minimum TLAC” that will be determined individually for each global systemically important bank (“**G-SIB**”), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets since January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator since January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “**CRR**”), as amended by Regulation (EU) 2019/876 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the “**CRR II**”), EU G-SIBs, such as Societe Generale, have to comply with TLAC requirements, on top of the MREL requirements, since the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale have to comply with both the TLAC and MREL requirements.

Consequently, the criteria for MREL-eligible liabilities have been closely aligned with the criteria for TLAC-eligible liabilities under CRR II, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance with only an additional return permitted to be linked to that derivative component and dependent on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL is set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance and may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining term of at least one year and, they recognise contractually the Resolution Authority's power to write down or convert the liabilities governed by non-EU law.

The scope of liabilities used to meet MREL includes, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in BRRD, as amended by BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail-in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements apply to resolution groups with assets above EUR 100 billion (top-tier banks, including Societe Generale).

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.

The Conditions are set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	12,000,000 European Style Cash Settled Long Certificates relating to the ordinary shares of Sunny Optical Technology (Group) Company Limited traded in HKD (the “ Underlying Stock ”)
ISIN:	LU2517559576
Company:	Sunny Optical Technology (Group) Company Limited (RIC: 2382.HK)
Underlying Price ³ and Source:	HK\$34.45 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 0.50
Management Fee (p.a.) ⁴ :	0.40%
Gap Premium (p.a.) ⁵ :	8.50%, is a hedging cost against extreme market movements overnight.
Funding Cost ⁶ :	The annualised costs of funding, referencing a publicly published interbank offered rate plus spread.
Rebalancing Cost ⁶ :	The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock.
Launch Date:	18 April 2024
Closing Date:	24 April 2024
Expected Listing Date:	25 April 2024

³ These figures are calculated as at, and based on information available to the Issuer on or about 24 April 2024. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 24 April 2024.

⁴ Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to “Fees and Charges” below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.

⁵ Please note that the Gap Premium is calculated on a 360-day basis.

⁶ These costs are embedded within the Leverage Strategy.

Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 15 April 2025
Expiry Date:	23 April 2025 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	22 April 2025 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate Please refer to the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section on pages 45 to 59 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1)) \times (\text{ACT}(t-1;t) \div 360)$, where: “t” refers to “ Observation Date ” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An “**Underlying Stock Business Day**” is a day on which The Stock Exchange of Hong Kong Limited (the “**HKEX**”) is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section on pages 45 to 59 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

Initial Reference Level: 1,000

Final Reference Level: The closing level of the Leverage Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Strategy is set out in the “Specific Definitions relating to the Leverage Strategy” section on pages 20 to 26 below.

Initial Exchange Rate³: 0.1737

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by

the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.

Air Bag Mechanism:

The “**Air Bag Mechanism**” refers to the mechanism built in the Leverage Strategy and which is designed to reduce the Leverage Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock falls by 15% or more (“**Air Bag Trigger Price**”) during the trading day (which represents an approximately 75% loss after a 5 times leverage), the Air Bag Mechanism is triggered and the Leverage Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.

Trading of Certificates is suspended for at least 30 minutes of continuous trading after the Air Bag is triggered. The resumption of trading is subject to the SGX-ST’s requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour.

The Leverage Strategy is floored at 0 and the Certificates cannot be valued below zero.

Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 24 to 26 below and the “Description of Air Bag Mechanism” section on pages 51 to 52 of this document for further information of the Air Bag Mechanism.

Adjustments and Extraordinary Events:

The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

Underlying Stock Currency:

Hong Kong Dollar (“**HKD**”)

Settlement Currency:

Singapore Dollar (“**SGD**”)

Exercise Expenses:

Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.

Relevant Stock Exchange for the Certificates:

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)

Relevant Stock Exchange for the Underlying Stock:

HKEX

Business Day, Settlement Business Day and Exchange Business Day: A “**Business Day**” or a “**Settlement Business Day**” is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

An “**Exchange Business Day**” is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.

Warrant Agent: The Central Depository (Pte) Limited (“**CDP**”)

Clearing System: CDP

Fees and Charges: Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors 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.

Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.

Further Information: Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

Specific Definitions relating to the Leverage Strategy

Description of the Leverage Strategy

The Leverage Strategy is designed to track a 5 times daily leveraged exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Strategy to the Underlying Stock is reset within the Leverage Strategy in order to retain a daily leverage of 5 times the performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

Leverage Strategy Formula

LSL_t means, for any Observation Date(t), the Leverage Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the Leverage Strategy Closing Level as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

$$LSL_t = \text{Max}[LSL_{t-1} \times (1 + LR_{t-1,t} - FC_{t-1,t} - RC_{t-1,t}), 0]$$

LR_{t-1,t} means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right)$$

FC_{t-1,t} means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

$$FC_{t-1,t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{t-1} \times \text{ACT}(t - 1, t)}{\text{DayCountBasisRate}}$$

RC_{t-1,t} means the Rebalancing Cost of the Leverage Strategy on Observation Date (t), calculated as follows:

$$RC_{t-1,t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left| \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right| \right) \times \text{TC}$$

TC means the Transaction Costs applicable (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to:
0.10%

“Stamp Duty” refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.

Leverage 5

S_t means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.

Rate_t means, in respect of each Observation Date(t), a rate calculated as of such day in accordance with the following formula:

$$\text{Rate}_t = \text{CashRate}_t + \% \text{SpreadLevel}_t$$

Rfactor_t means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula:

$$\text{Rfactor}_t = 1 - \frac{\text{Div}_t}{S_{t-1}}$$

where

Div_t is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered net of any applicable withholding taxes.

CashRate_t means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

%SpreadLevel_t means, in respect of each Observation Date(t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the 12-month HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKD1YD= and (2) Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, each being the rate as of day (t), provided that if any of such rates is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

	Provided that if such difference is negative, % SpreadLevel _t should be 0%.
ACT(t-1,t)	ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).
DayCountBasisRate	365
Benchmark Fallback	upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Reference Rate Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.
Reference Rate Event	means, in respect of the Reference Rate any of the following has occurred or will occur: <ul style="list-style-type: none"> (i) a Reference Rate Cessation; (ii) an Administrator/Benchmark Event; or (iii) a Reference Rate is, with respect to over-the-counter derivatives transactions which reference such Reference Rate, the subject of any market-wide development formally agreed upon by the International Swaps and Derivative Association (ISDA) or the Asia Securities Industry & Financial Markets Association (ASIFMA), pursuant to which such Reference Rate is, on a specified date, replaced with a risk-free rate (or near risk-free rate) established in order to comply with the recommendations in the Financial Stability Board's paper titled "Reforming Major Interest Rate Benchmarks" dated 22 July 2014.
Reference Rate Cessation	means, for a Reference Rate, the occurrence of one or more of the following events: <ul style="list-style-type: none"> (i) a public statement or publication of information by or on behalf of the administrator of the Reference Rate announcing that it has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate, the central bank for the currency of the Reference Rate, an insolvency official with jurisdiction over the administrator for the Reference Rate, a resolution authority with jurisdiction over the administrator for the Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Reference Rate, which states that the administrator of the Reference Rate has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; or (iii) in respect of a Reference Rate, a public statement or publication of information by the regulatory supervisor for the administrator of such Reference Rate announcing that (a) the regulatory supervisor has determined that such Reference Rate is no longer, or as of a specified future date will no longer be, representative of the underlying market and economic reality that

such Reference Rate is intended to measure and that representativeness will not be restored and (b) it is being made in the awareness that the statement or publication will engage certain contractual triggers for fallbacks activated by pre-cessation announcements by such supervisor (howsoever described) in contracts;

**Administrator/
Benchmark Event**

means, for a Reference Rate, any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Reference Rate or the administrator or sponsor of the Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that either the Issuer, the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the Reference Rate to perform its or their respective obligations under the Certificates.

Reference Rate(s)

means the rate(s) used in the Leverage Strategy Formula, for example SORA, SOFR and US Federal Funds Effective Rate.

Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)

**Extraordinary Strategy
Adjustment for
Performance Reasons**

If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date**, noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Strategy Closing Level on the Intraday Restrike Date (LSL_{IRD}) should be computed as follows:

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)} \times (1 + ILR_{IR(n),IR(C)} - IRC_{IR(n),IR(C)}), 0]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)}, 0]$$

$ILSL_{IR(k)}$

means, in respect of $IR(k)$, the Intraday Leverage Strategy Level in accordance with the following provisions:

(1) for $k = 1$:

$$ILSL_{IR(1)} = \text{Max}[LSL_{IRD-1} \times (1 + ILR_{IR(0),IR(1)} - FC_{IRD-1,IRD} - IRC_{IR(0),IR(1)}), 0]$$

(2) for $k > 1$:

$$ILSL_{IR(k)} = \text{Max}[ILSL_{IR(k-1)} \times (1 + ILR_{IR(k-1),IR(k)} - IRC_{IR(k-1),IR(k)}), 0]$$

$ILR_{IR(k-1),IR(k)}$

means the Intraday Leveraged Return between $IR(k-1)$ and $IR(k)$, calculated as follows:

$$ILR_{IR(k-1),IR(k)} = \text{Leverage} \times \left(\frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right)$$

IRC_{IR(k-1),IR(k)}	<p>means the Intraday Rebalancing Cost of the Leverage Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows:</p> $IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right \right) \times TC$
IS_{IR(k)}	<p>means the Underlying Stock Price in respect of IR(k) computed as follows:</p> <p>(1) for k=0</p> $IS_{IR(0)} = S_{IRD-1} \times Rfactor_{IRD}$ <p>(2) for k=1 to n</p> <p>means in respect of IR(k), the lowest price of the Underlying Stock during the respective Intraday Restrike Observation Period</p> <p>(3) with respect to IR(C)</p> $IS_{IR(C)} = S_{IRD}$ <p>In each case, subject to the adjustments and provisions of the Conditions.</p>
IR(k)	<p>For k=0, means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date;</p> <p>For k=1 to n, means the kth Intraday Restrike Event on the relevant Intraday Restrike Date.</p>
IR(C)	<p>means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.</p>
n	<p>means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.</p>
Intraday Restrike Event	<p>means in respect of an Observation Date(t):</p> <p>(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price IS_{IR(0)} as of such Calculation Time.</p> <p>(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price IS_{IR(k)} as of such Calculation Time.</p>
Calculation Time	<p>means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Strategy Level.</p>
TimeReferenceOpening	<p>means the scheduled opening time (including pre-opening session or opening auction, as the case may be) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).</p>

TimeReferenceClosing means the scheduled closing time (including closing auction session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

Intraday Restrike Event Observation Period means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes of continuous trading after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.

Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.

Intraday Restrike Event Time means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status and Guarantee, Transfer and Title

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of: -
- (i) a master instrument by way of deed poll (the “**Master Instrument**”) dated 16 June 2023, made by SG Issuer (the “**Issuer**”) and Société Générale (the “**Guarantor**”); and
 - (ii) a warrant agent agreement (the “**Master Warrant Agent Agreement**” or “**Warrant Agent Agreement**”) dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the “**Certificate Holders**”) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

- (b) *Status and Guarantee.* The Certificates constitute direct, general and unsecured 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 Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a “**Guarantee Obligation**”).

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the “**Code**”).

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

- (i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the “**Law**”) on 11 December 2016;
- (ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;
- (iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and
- (iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

- (c) **Transfer.** The Certificates are represented by a global warrant certificate (“**Global Warrant**”) which will be deposited with The Central Depository (Pte) Limited (“**CDP**”). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.
- (d) **Title.** Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression “**Certificate Holder**” shall be construed accordingly.
- (e) **Bail-In.** By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:
 - (i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer’s liabilities under the Certificates, 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 (as defined below), on a permanent basis;
 - (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;

- (C) the cancellation of the Certificates; and/or
- (D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates 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 or the regulator,

(the “**Statutory Bail-In**”);

(ii) 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 “**Code**”):

- (A) ranking:
 - (1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the Code;
 - (2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the Code; and
 - (3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the Code; and
- (B) which are not *titres non structurés* as defined under Article R.613-28 of the Code, and
- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) 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 Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate 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 Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself and any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the “**Contractual Bail-in**”).

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg

and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

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, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

“Amounts Due” means any amounts due by the Issuer under the Certificates.

“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, varied or otherwise modified in any way 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 Societe Generale or SG Issuer as the case may be.

2. Certificate Rights and Exercise Expenses

- (a) *Certificate Rights.* Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The “**Cash Settlement Amount**”, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The “**Closing Level**”, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case: -

- (i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

“**Market Disruption Event**” means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

- (b) *Exercise Expenses.* Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

- (c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

4. Exercise of Certificates

- (a) *Exercise.* Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).
- (b) *Automatic Exercise.* Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
- (c) *Settlement.* In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Settlement Business Days (as defined in the relevant Supplemental Listing Document and subject to extension upon the occurrence of a Settlement Disruption Event (as defined below)) following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

If the Issuer determines, in its sole discretion, that on any Settlement Business Day during the period of five Settlement Business Days following the Expiry Date a Settlement Disruption Event has occurred, such Settlement Business Day shall be postponed to the next Settlement Business Day on which the Issuer determines that the Settlement Disruption Event is no longer subsisting and such period shall be extended accordingly, provided that the Issuer and/or the Guarantor shall make their best endeavours to implement remedies as soon as reasonably practicable to eliminate

the impact of the Settlement Disruption Event on its/their payment obligations under the Certificates and/or the Guarantee.

“**Settlement Disruption Event**” means the occurrence or existence of any malicious action or attempt initiated to steal, expose, alter, disable or destroy information through unauthorised access to, or maintenance or use of, the Computer Systems of the Issuer, the Guarantor, the Calculation Agent, their respective affiliates (the “SG Group”), their IT service providers, by (and without limitation) the use of malware, ransomware, phishing, denial or disruption of service or cryptojacking or any unauthorized entry, removal, reproduction, transmission, deletion, disclosure or modification preventing the Issuer, the Guarantor and/or the Calculation Agent to perform their obligations under the Certificates, and notwithstanding the implementation of processes, required, as the case may be, by the laws and regulations applicable to the Issuer, the Guarantor, the Calculation Agent and their affiliates, or their IT service providers to improve their resilience to these actions and attempts.

“**Computer System**” means all the computer resources including, in particular: hardware, software packages, software, databases and peripherals, equipment, networks, electronic installations for storing computer data, including Data. The Computer System shall be understood to be that which (i) belongs to the SG Group and/or (ii) is rented, operated or legally held by the SG Group under a contract with the holder of the rights to the said system and/or (iii) is operated on behalf of the SG Group by a third party within the scope of a contractual relationship and/or (iv) is made available to the SG Group under a contract within the framework of a shared system (in particular cloud computing).

“**Data**” means any digital information, stored or used by the Computer System, including confidential data.

- (d) *CDP not liable.* CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.
- (e) *Business Day.* In these Conditions, a “**Business Day**” shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. **Warrant Agent**

- (a) *Warrant Agent.* The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.
- (b) *Agent of Issuer.* The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

- (a) *Potential Adjustment Event.* Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.
- (b) *Definitions.* “**Potential Adjustment Event**” means any of the following:
- (i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;
 - (ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a “spin-off” or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;
 - (iii) an extraordinary dividend;
 - (iv) a call by the Company in respect of the Underlying Stock that is not fully paid;
 - (v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
 - (vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a “poison pill” being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or
 - (vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.
- (c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:
- (i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer,

Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

- (ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or
- (iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the “**Option Reference Source**”) make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

- (d) *Definitions.* “**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. “**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. “**Merger Event**” means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying

Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. “**Nationalisation**” means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. “**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

- (e) *Subdivision or Consolidation of the Certificates.* The Issuer reserves the right to subdivide or consolidate the Certificates, provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction) and subject to the approval of the SGX-ST.
- (f) *Other Adjustments.* Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).
- (g) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from

which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

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

8. Meetings of Certificate Holders; Modification

- (a) *Meetings of Certificate Holders.* The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates 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 Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates 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 Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate 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 Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

- (a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents

delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

- (b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates 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 (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other 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. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

12. Delisting

- (a) *Delisting.* If at any time, the Underlying Stock ceases to be listed on the Relevant 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 Certificates 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 Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) *Issuer's Determination.* The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

- (a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging

arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(e).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

“Regulatory Event” means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the **“Relevant Affiliates”** and each of the Issuer, Société Générale and the Relevant Affiliates, a **“Relevant Entity”**) that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer’s obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer’s obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer’s obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer’s obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer’s capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

“Change in law” means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government

(including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

- (b) *Early Termination for Holding Limit Event.* The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(e) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

"Holding Limit Event" means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

- (c) *Early Termination for Hedging Disruption.* If the Issuer or any of its affiliates is, following commercially reasonable efforts, not in the position (i) to enter, re-enter, replace, maintain, liquidate, acquire or dispose of any Hedge Positions (as defined below) or (ii) to freely realize, recover, receive, repatriate, remit, regain or transfer the proceeds of any Hedge Position (where either (i) or (ii) shall constitute a **"Hedging Disruption"**), the Issuer may terminate the Certificates early in accordance with Condition 13(e) provided that the intrinsic value on the previous trading day of the relevant Certificate is at or above the Issue Price. The Issuer's decision on whether a Hedging Disruption has occurred is final and conclusive. For the avoidance of doubt, Hedging Disruptions shall include the scenario where any Hedge Position cannot be maintained up to the amount necessary to cover all of the Issuer's obligations under the Certificates.

For the purposes hereof, **"Hedge Positions"** means any one or more commercially reasonable (i) positions (including long or short positions) or contracts in, or relating to, securities, options, futures, other derivatives contracts or foreign exchange, (ii) stock loan or borrowing transactions or (iii) other instruments, contracts, transactions or arrangements (howsoever described) that the Issuer or any of its affiliates determines necessary to hedge, individually or on a portfolio basis, any risk (including, without limitation, market risk, price risk, foreign exchange risk and interest rate risk) in relation to the assumption and fulfilment of the Issuer's obligations under the Certificates.

- (d) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(e) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise

considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.

- (e) *Termination.* If the Issuer terminates the Certificates early, the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The determination of the fair market value may deviate from the determination of the Cash Settlement Amount under different scenarios, including but not limited to, where (i) the Daily Reset (as defined in the relevant Supplemental Listing Document) mechanism is suspended and/or (ii) the Final Reference Level is determined based on the closing price of the Underlying Stock on multiple Underlying Stock Business Days or Exchange Business Days, as the case may be. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

14. Substitution of the Issuer

The Issuer may be replaced by the Guarantor or any subsidiary of the Guarantor as principal obligor in respect of the Certificates without the consent of the relevant Certificate Holders. If the Issuer determines that it shall be replaced by the Guarantor or any subsidiary of the Guarantor (the “**Substituted Obligor**”), it shall give at least 90 days’ notice (exclusive of the day on which the notice is given and of the day on which the substitution is effected) specifying the date of the substitution, in accordance with Condition 9, to the Certificate Holders of such event and, immediately on the expiry of such notice, the Substituted Obligor shall become the principal obligor in place of the Issuer and the Certificate Holders shall thereupon cease to have any rights or claims whatsoever against the Issuer.

Upon any such substitution, all references to the Issuer in the Conditions and all agreements relating to the Certificates will be to the Substituted Obligor and the Certificates will be modified as required, and the Certificate Holders will be notified of the modified terms and conditions of such Certificates in accordance with Condition 9.

For the purposes of this Condition, it is expressly agreed that by subscribing to, acquiring or otherwise purchasing or holding the Certificates, the Certificate Holders are expressly deemed to have consented to the substitution of the Issuer by the Substituted Obligor and to the release of the Issuer from any and all obligations in respect of the Certificates and all agreements relating thereto and are expressly deemed to have accepted such substitution and the consequences thereof.

15. Governing Law

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

16. Prescription

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

17. Contracts (Rights of Third Parties) Act 2001 of Singapore

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act 2001 of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

Issuer:	SG Issuer
Company:	Sunny Optical Technology (Group) Company Limited
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	12,000,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 16 June 2023 (the “ Master Instrument ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ Master Warrant Agent Agreement ”) and made between the Issuer, the Guarantor and the Warrant Agent (as amended and/or supplemented from time to time).
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates

- Transfers of Certificates:** Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
- Listing:** Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 25 April 2024.
- Governing Law:** The laws of Singapore
- Warrant Agent:** The Central Depository (Pte) Limited
4 Shenton Way
#02-01 SGX Centre 2
Singapore 068807
- Further Issues:** Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED LONG CERTIFICATES ON SINGLE EQUITIES

What are European Style Cash Settled Long Certificates on Single Equities?

European style cash settled long certificates on single equities (the “**Certificates**”) are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Strategy.

A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

- (1) is the Final Reference Level multiplied by the Final Exchange Rate;
- (2) is the Initial Reference Level multiplied by the Initial Exchange Rate;
- (3) is the Strike Level; and
- (4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will increase and are seeking short-term leveraged exposure to the Underlying Stock.

B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

- (i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and
- (ii) For Certificate Holders who hold the Certificates overnight: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees
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Daily Fees	=	Daily Management Fee Adjustment
		$1 - \text{Management Fee} \times \text{ACT} (t-1;t) / 360$
		x
		Daily Gap Premium Adjustment
		$1 - \text{Gap Premium} (t-1) \times \text{ACT} (t-1;t) / 360$

Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

Value of Certificates	=	t'=0	x	t=1	x	t=2	x ...	t=i
		Notional Amount		Leverage Strategy daily performance ⁸ x Daily Fees		Leverage Strategy daily performance x Daily Fees		Leverage Strategy Daily performance x Daily Fees

Value of Certificates	=	t=0	x	Product of the daily Leverage Strategy Performance	x	Product of the Daily Fees (Hedging Fee Factor)
		Notional Amount		Leverage Strategy daily performance x Leverage Strategy daily performance		Daily Fees x Daily Fees

Final Value of Certificates	=	t=0	x	Final Reference Level x Final Exchange Rate	x	Hedging Fee Factor
		Notional Amount		÷ Initial Reference Level x Initial Exchange Rate		

Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

⁷ "t" refers to "Observation Date" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.

⁸ Leverage Strategy daily performance is computed as the Leverage Strategy Closing Level on Business Day (t) divided by the Leverage Strategy Closing Level on Business Day (t-1).

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock:	Ordinary shares of Sunny Optical Technology (Group) Company Limited traded in HKD
Expected Listing Date:	03/07/2018
Expiry Date:	18/07/2018
Initial Reference Level:	1,000
Initial Exchange Rate:	1
Final Reference Level:	1,200
Final Exchange Rate:	1
Issue Price:	0.50 SGD
Notional Amount per Certificate:	0.50 SGD
Management Fee (p.a.):	0.40%
Gap Premium (p.a.):	8.50%
Strike Level:	Zero

Hedging Fee Factor

Hedging Fee Factor on the n^{th} Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

$$\text{HFF}(0) = 100\%$$

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\text{HFF}(1) = \text{HFF}(0) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 8.50\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9764\% \approx 99.9753\%$$

Assuming 2nd Underlying Stock Business Day falls 3 Calendar Days after 1st Underlying Stock Business Day:

$$\text{HFF}(2) = \text{HFF}(1) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

$$\text{HFF (2)} = 99.9753\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 8.50\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9753\% \times 99.9967\% \times 99.9292\% \approx 99.9011\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\text{HFF (n)} = \text{HFF (n - 1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t - 1; t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t - 1; t)}}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6298% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9753%
5/7/2018	99.9506%
6/7/2018	99.9259%
9/7/2018	99.8517%
10/7/2018	99.8271%
11/7/2018	99.8024%
12/7/2018	99.7777%
13/7/2018	99.7530%
16/7/2018	99.6791%
17/7/2018	99.6544%
18/7/2018	99.6298%

Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.6298\% \\ &= 119.56\% \end{aligned}$$

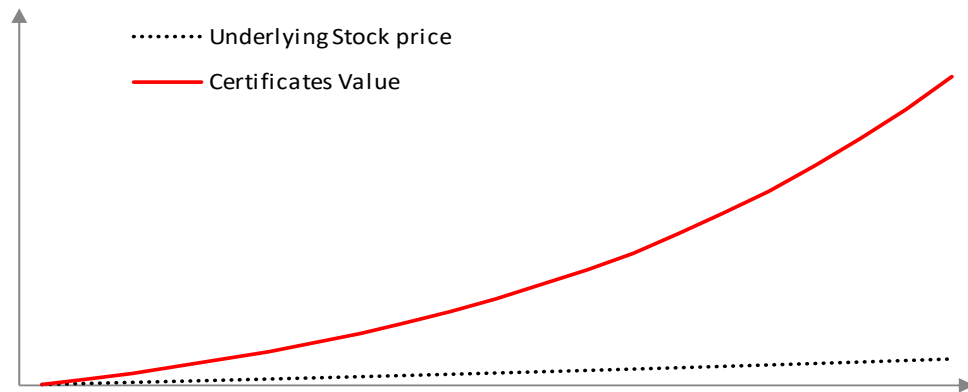
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.56\% \times 0.50 \text{ SGD} \\ &= \mathbf{0.598 \text{ SGD}} \end{aligned}$$

Illustration on how returns and losses can occur under different scenarios

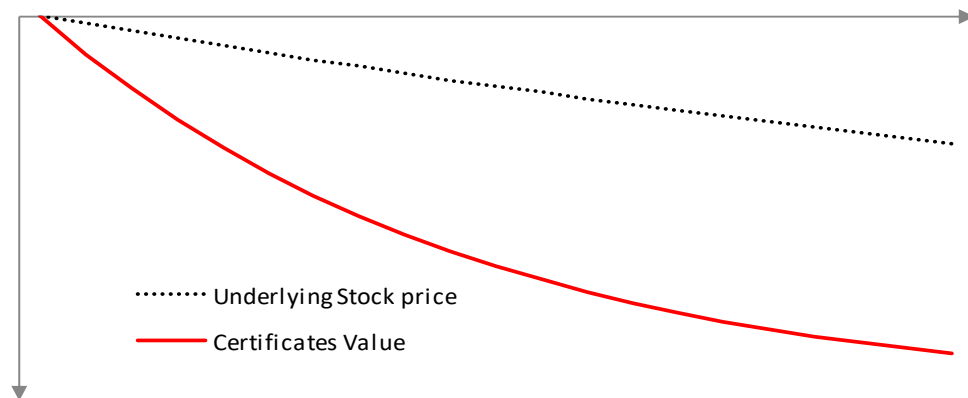
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

1. Illustrative examples

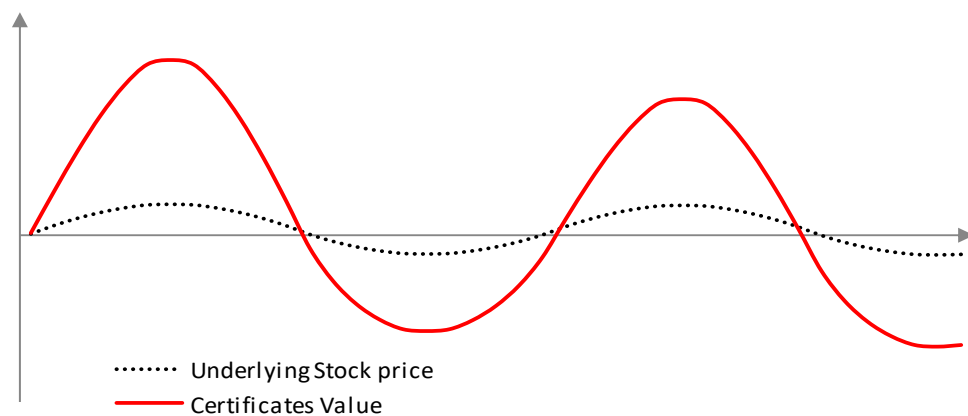
Scenario 1 – Upward Trend



Scenario 2 – Downward Trend



Scenario 3 – Volatile Market



2. Numerical Examples

Scenario 1 – Upward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	2.0%	2.0%	2.0%	2.0%
Value at end of day	10,000.0	10,200.0	10,404.0	10,612.1	10,824.3	11,040.8
Accumulated Return		2.00%	4.04%	6.12%	8.24%	10.41%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	0.50	0.55	0.61	0.67	0.73	0.81
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

Scenario 2 – Downward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Value at end of day	10,000.0	9,800.0	9,604.0	9,411.9	9,223.7	9,039.2
Accumulated Return		-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	0.50	0.45	0.41	0.36	0.33	0.30
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

Scenario 3 – Volatile Market

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	-2.0%	2.0%	-2.0%	2.0%
Value at end of day	10,000.0	10,200.0	9,996.0	10,195.9	9,992.0	10,191.8
Accumulated Return		2.00%	-0.04%	1.96%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	-10.0%	10.0%	-10.0%	10.0%
Price at end of day	0.50	0.55	0.50	0.54	0.49	0.54
Accumulated Return		10.00%	-1.00%	8.90%	-1.99%	7.81%

Description of Air Bag Mechanism

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, this is followed by a period which is divided into two sub-periods:

- Observation Period: the price of the Underlying Stock is observed and its minimum price is recorded (i) during 15 minutes of continuous trading after the Air Bag is triggered, or (ii) until Market Close if there is less than 15 minutes of continuous trading until Market Close when the Air Bag Mechanism is triggered; and
- Reset Period: the Leverage Strategy is then reset using the minimum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Strategy.

During the Observation Period and Reset Period, trading of Certificates is suspended for a period of at least 30 minutes of continuous trading after the Air Bag is triggered, and such suspension will be based on instructions provided by the Issuer to the SGX-ST for suspension of trading. Investors cannot sell or purchase any Certificates during this period.

For the avoidance of doubt, if the Air Bag Mechanism was triggered more than 60 minutes of continuous trading before Market Close, trading of Certificates will resume the same trading day after the Reset Period has elapsed, subject to the SGX-ST’s approval to resume trading. If the Air Bag Mechanism was triggered between 45 minutes and 60 minutes of continuous trading before Market Close, trading of Certificates may or may not resume the same trading day after the Reset Period has elapsed. If the Air Bag Mechanism was triggered with only 45 minutes or less of continuous trading before Market Close, trading of Certificates resumes on the next trading day.

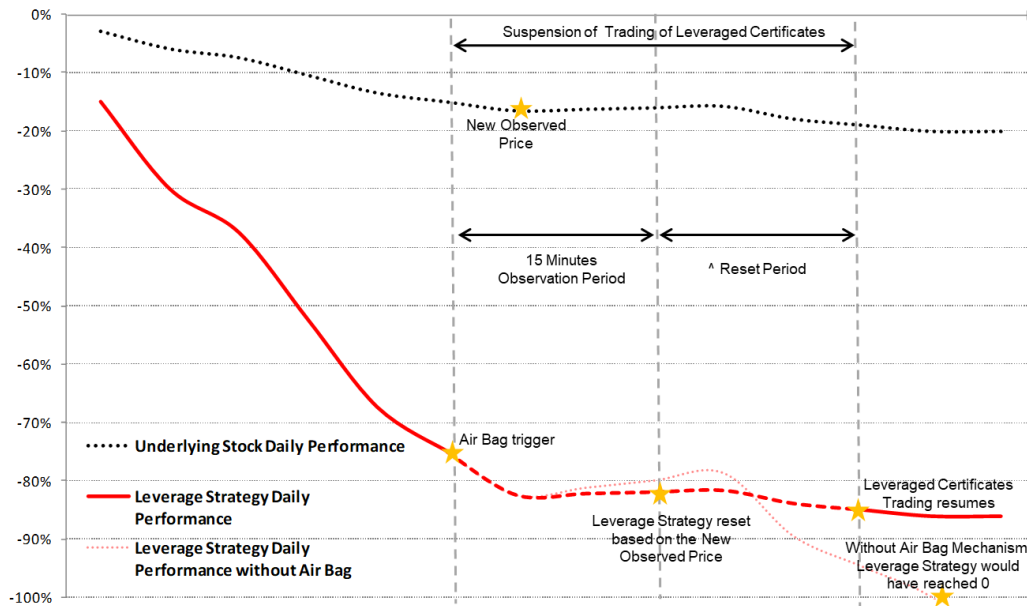
The resumption of trading is subject to the SGX-ST’s requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour. The Issuer will provide at least 15 minutes’ notice of the resumption of trading by making an SGXNET announcement.

With **Market Close** defined as:

- the Underlying Stock closing time, including the closing auction session, with respect to the Observation Period; and
- the sooner of (i) the Underlying Stock closing time for continuous trading and (ii) the SGX-ST closing time, with respect to the Resumption of Trading

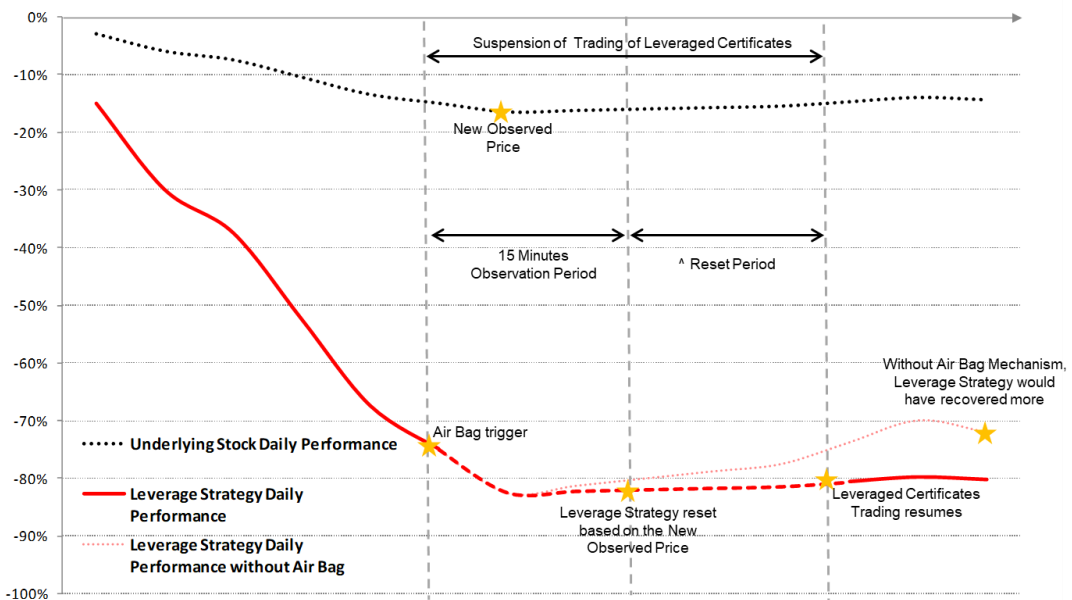
Illustrative examples of the Air Bag Mechanism⁹

Scenario 1 – Downward Trend after Air Bag trigger



^ The resumption of trading is subject to the SGX-ST's requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour.

Scenario 2 – Upward Trend after Air Bag trigger



^ The resumption of trading is subject to the SGX-ST's requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour.

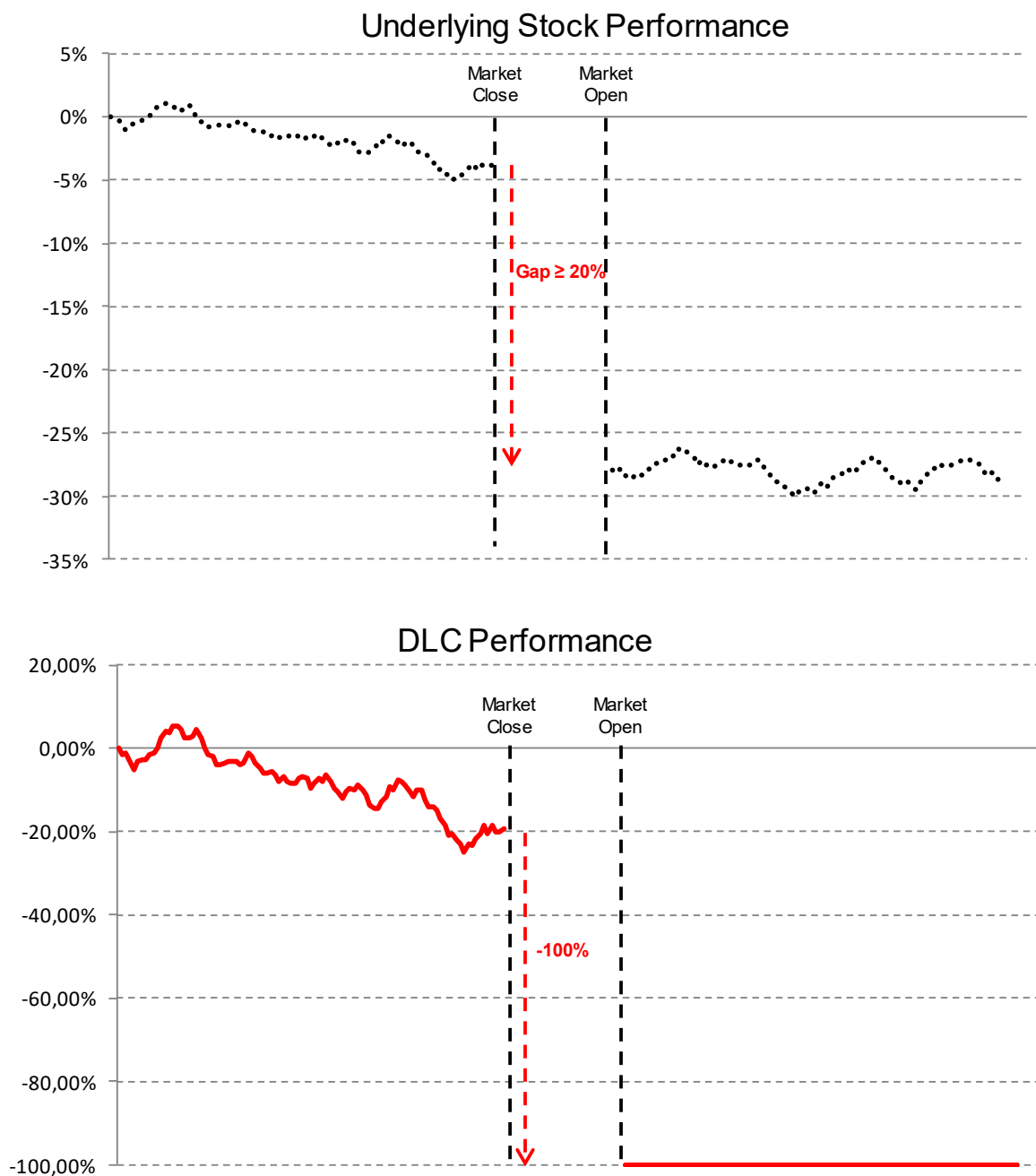
⁹ The illustrative examples are not exhaustive.

Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

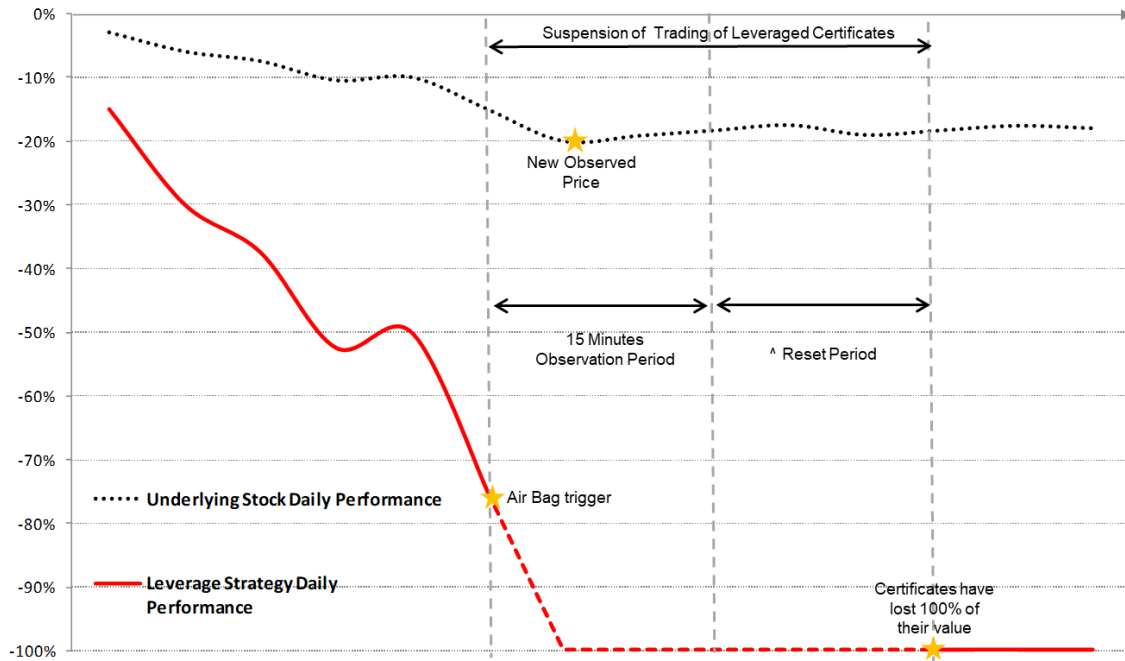
Scenario 1 – Overnight fall of the Underlying Stock

On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a “gap”. If the opening price of the Underlying Stock is 20% or more below the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens (including pre-opening session or opening auction, as the case may be) the following day, and the Certificates would lose their entire value in such event.



Scenario 2 – Sharp intraday fall of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock falls by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



Examples and illustrations of adjustments due to certain corporate actions

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Observation Date (t) by an amount computed according to the following generic formula:

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{S_{t-1}} \right] \times \frac{1}{1 + M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price falls by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$DivExc_t$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

M is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

R is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$$S_{t-1} = \$100$$

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0}{100} \right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = 5 \times \left(\frac{51}{100 \times 50\%} - 1 \right) = 10\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.55	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$42.5, which is 15% below \$50, the Underlying Stock Reference Price.

2. Share Consolidation

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$$S_{t-1} = \$100$$

$$S_t = \$202$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0}{100} \right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = 5 \times \left(\frac{202}{100 \times 200\%} - 1 \right) = 5\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.525	5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$170, which is 15% below \$200, the Underlying Stock Reference Price.

3. Rights Issues

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of \$40.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

$$R = \$40 \text{ (i.e. subscription price of \$40)}$$

$$M = 0.5 \text{ (i.e. 1 new share for every 2 existing shares)}$$

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100} \right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = 5 \times \left(\frac{84}{100 \times 80\%} - 1 \right) = 25\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.625	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$68, which is 15% below \$80, the Underlying Stock Reference Price.

4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

$$S_{t-1} = \$100$$

$$S_t = \$85$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$$R = \$0$$

$M = 0.2$ (i.e. 1 new share for 5 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100} \right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = 5 \times \left(\frac{85}{100 \times 83.33\%} - 1 \right) = 10\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.55	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$70.83, which is 15% below \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$20$$

$$R = \$0$$

$$M = 0$$

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100} \right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = 5 \times \left(\frac{84}{100 \times 80\%} - 1 \right) = 25\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.625	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$68, which is 15% below \$80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the “HKExCL”) at <http://www.hkex.com.hk> and/or the Company’s web-site at <http://www.sunnyoptical.com/en/default.html>. The Issuer has not independently verified any of such information.

Sunny Optical Technology (Group) Company Limited (the “**Company**”) is an investment holding company principally engaged in the design, research and development, manufacture and sale of optical and optical related products and scientific instruments. The Company operates its business through three segments: Optical Components, Optoelectronic Products and Optical Instruments. Through its subsidiaries, the Company is also engaged in the research and development of infrared technologies. The Company distributes its products in domestic market and to overseas market.

The information set out in Appendix I of this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 and has been extracted and reproduced from an announcement by the Company released on 22 April 2024 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at <http://www.hkex.com.hk>.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker (“**DMM**”) for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

- (a) Maximum bid and offer spread : (i) when the best bid price of the Certificate is S\$10 and below: 10 ticks or S\$0.20 whichever is greater; and
(ii) when the best bid price of the Certificate is above S\$10: 5% of the best bid price of the Certificate.
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

- (i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;
- (ii) if the Certificates are valueless (where the Issuer’s bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);
- (iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;
- (iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;
- (v) where the Certificates are suspended from trading for any reason;
- (vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;
- (vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;
- (viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;
- (ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;
- (x) if the stock market experiences exceptional price movement and volatility;

- (xi) when it is a public holiday in Singapore and/or Hong Kong and the SGX-ST and/or the HKEX are not open for dealings; and
- (xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR

The information set out in Appendix II of this document is a reproduction of the Guarantor's audited consolidated financial statements for the year ended 31 December 2023.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with the information set out in the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.
2. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed “Summary of the Issue” above.
3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.
4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 30 June 2023 or the Guarantor since 31 December 2023, in the context of the issuance of Certificates hereunder.
5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:
 - (a) the Guarantee;
 - (b) the Master Instrument; and
 - (c) the Master Warrant Agent Agreement.

None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The reports of the Auditors of the Issuer and the Guarantor were not prepared exclusively for incorporation into this document.

The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.
7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.
8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.
9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale,

Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;
- (b) the latest financial reports (including the notes thereto) of the Issuer;
- (c) the latest financial reports (including the notes thereto) of the Guarantor;
- (d) the Base Listing Document (which can also be viewed at: <https://www.sgx.com/securities/prospectus-circulars-offer-documents>);
- (e) this document; and
- (f) the Guarantee.

PLACING AND SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates 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 the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall be deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act 2001 of Singapore.

Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong ("SFO")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus", as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("CWUMPO") or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

European Economic Area

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates 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 Certificates which are the subject of the offering as contemplated by this 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 (EU) 2016/97 (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 Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

United Kingdom

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates 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 Certificates which are the subject of the offering as contemplated by this 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 Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

Each dealer further represents and agrees, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

- (a) in respect to Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates in, from or otherwise involving the United Kingdom.

United States

The Certificates 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 the Certificates 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 has not been and 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. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, 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 Certificates 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 Certificates, 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, Certificates 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 Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it is not a U.S. Person, (ii) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates 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 (iii) it is not purchasing any Certificates, directly or indirectly, in the United States or for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate 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 Certificates 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).

APPENDIX I

REPRODUCTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 OF SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 and has been extracted and reproduced from an announcement by the Company released on 22 April 2024 in relation to the same.

Independent Auditor's Report

獨立核數師報告

TO THE SHAREHOLDERS OF
SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sunny Optical Technology (Group) Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 135 to 298, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

致
舜宇光學科技(集團)有限公司全體股東
(於開曼群島註冊成立的有限公司)

意見

我們已審核載於第135至298頁舜宇光學科技(集團)有限公司(「**貴公司**」)及其附屬公司(統稱「**貴集團**」)的綜合財務報表，包括於二零二三年十二月三十一日的綜合財務狀況表與截至該日止年度的綜合損益及其他全面收益表、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註，包括重大會計政策資料及其他詮釋資料。

我們認為，該等綜合財務報表已根據香港會計師公會(「**香港會計師公會**」)頒佈的《香港財務報告準則》(「**《香港財務報告準則》**」)真實公允地反映 貴集團於二零二三年十二月三十一日的綜合財務狀況及截至該日止年度的綜合財務表現及綜合現金流量，並已按照香港公司條例的披露要求妥為編製。

意見的基礎

我們根據香港會計師公會頒佈的香港核數準則(「**香港核數準則**」)進行審核工作。根據該等準則，我們的責任於本報告「核數師就審核綜合財務報表的責任」一節中進一步詳述。根據香港會計師公會頒佈的《專業會計師道德守則》(「**《守則》**」)，我們獨立於 貴集團，並已遵循該《守則》履行其他道德責任。我們認為，我們所獲得的審核憑證屬充分及恰當，可為我們的意見提供基準。

關鍵審核事項

根據我們的專業判斷，關鍵審核事項為我們審核本期綜合財務報表中最重要的事項。我們在審核綜合財務報表及就此形成意見時處理該事項，而不會就該事項單獨發表意見。

Independent Auditor's Report

獨立核數師報告

Key audit matter 關鍵審核事項

Impairment assessment of trade receivables

We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit loss ("ECL") of the Group's trade receivables at the end of the reporting period.

基於貿易應收款項對 貴集團合併財務狀況的重要性，以及在報告期末評估 貴集團貿易應收款項的預期信貸虧損（「**預期信貸虧損**」）時涉及主觀判斷和管理層估計的緣故，我們將貿易應收款項的減值評估確定為一項關鍵審核事項。

As at 31 December 2023, the Group's net trade receivables amounted to RMB6,783,914,000 which represented approximately 13.49% of total assets of the Group. Details of trade receivables are set out in Note 25 to the consolidated financial statements.

於二零二三年十二月三十一日，貴集團的貿易應收款項淨額為人民幣6,783,914,000元，約佔 貴集團總資產的13.49%。貿易應收款項的詳情載於綜合財務報表附註25。

As disclosed in Note 37(b) to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually.

如綜合財務報表附註37(b)所披露，貴集團管理層通過對具有類似損失模式的各種債務人進行分組，利用減值矩陣模型估計貿易應收款項整個存續期的預期信貸虧損。預估的損失率乃基於 貴集團歷史觀察到債務人於預期壽命間的違約率及前瞻性資訊。另外，對於信貸減值的貿易應收款項個別評估其預期信貸虧損。

How our audit addressed the key audit matter 核數師如何處理關鍵審核事項

貿易應收款項的減值評估

Our procedures in relation to impairment assessment of trade receivables included:

我們對貿易應收款項的減值評估的相關程式如下：

- Understanding the internal controls related to providing allowance under ECL model;
- 了解與預期信貸虧損模式下的撥備相關的內部監控；
- Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2023, on a sample basis, by comparing individual items in the analysis with supporting documents;
- 測試管理層用於建立減值矩陣模型所使用到的資訊的完整性，包括通過分析比較單個項目相關的支持文件，對二零二三年十二月三十一日的貿易應收款項進行賬齡分析抽樣測試；
- Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2023, including their identification of credit impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and
- 質疑管理層在確定二零二三年十二月三十一日的貿易應收款項信貸虧損撥備的依據和判斷，包括管理層對信用減值的貿易應收款項的識別，對其他貿易應收款項在減值矩陣模型中分出不同組別的合理性，以及矩陣中各組適用的預計損失率的依據（參考歷史違約率 and 前瞻性資訊）；及
- Evaluating the disclosures regarding the impairment assessment of trade receivables in Notes 25 and 37(b) to the consolidated financial statements.
- 評估綜合財務報表附註25和37(b)中有關貿易應收款項減值評估的披露。

Independent Auditor's Report

獨立核數師報告

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine 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, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

其他資料

貴公司董事負責其他資料。其他資料包括年報中載列的資料，但不包括綜合財務報表及核數師報告。

我們就綜合財務報表的意見並未包含其他資料且我們並不就其他資料表達任何形式的確定性結論。

就我們對綜合財務報表的審計而言，我們的責任是閱讀其他資料，並在閱讀過程中考慮其他資料是否與綜合財務報表或我們於審計中得知的情況存在重大不符，或者似乎有重大錯誤陳述。倘基於我們所作工作，我們斷定倘其他資料存在重大錯誤陳述，則我們須匯報該事實。就此而言，我們並無須匯報的內容。

董事責任及綜合財務報表負責管治人員的責任

貴公司董事負責遵照香港會計師公會頒佈的香港財務報告準則及香港公司條例之披露規定編製呈列真實及公允意見的綜合財務報表，以及董事認為為必要的內部監控，使綜合財務報表的編製並無由於欺詐或錯誤導致的重大錯誤陳述。

於編製綜合財務報表時，董事負責評估 貴集團持續經營的能力，披露有關持續經營事項（如適用）及採用持續經營會計基準，除非董事擬對 貴集團進行清算或終止經營，或別無他法而只能如此。

負責管治的人士負責監督 貴集團財務報告程序。

Independent Auditor's Report

獨立核數師報告

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 the consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師審計綜合財務報表的責任

我們的目的為就綜合財務報表總體上是否不存在重大錯誤陳述（不論其由欺詐或錯誤引起）提供合理保證，並按照我們協定的委聘條款向閣下（作為一個團體）發出一份包括我們的意見在內的核數師報告，除此之外，並無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。儘管合理保證為高層次保證，但並不能保證根據香港會計準則實施的審計總能檢查出實際存在的重大錯誤陳述。重大錯誤陳述可由欺詐或錯誤引起，且倘合理預期該錯誤陳述（個別或整體）影響綜合財務報表使用者的經濟決策，則被視為重大錯誤陳述。

作為根據香港會計準則進行審計的一部分，我們於整個審計過程中作出專業判斷並保持專業的懷疑態度。我們亦：

- 識別及評估綜合財務報表的重大錯誤陳述的風險（不論其由欺詐或錯誤引起），設計及實施審計程序以應對該等風險，並取得充分及恰當的審計憑證作為我們意見的依據。未能發現欺詐所導致的重大錯誤陳述的風險大於由於錯誤引起重大錯誤陳述的風險，原因是欺詐可能會涉及勾結、偽造、故意遺漏、不實陳述或凌駕於內部控制之上。
- 了解與審計相關的內部控制以設計恰當的審計程序，但並非為了就貴集團內部控制的有效性表達意見。
- 評估董事所用會計政策的恰當性及所作會計估計及有關披露的合理性。

Independent Auditor's Report 獨立核數師報告

- Conclude on the appropriateness of the directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain 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. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- 就董事使用持續經營會計基準的恰當性進行斷定，並依據所取得的審計憑證，斷定是否存在與可能會對 貴集團持續經營的能力產生重大疑問的事件或狀況有關的重大不確定因素。倘我們斷定存在重大不確定因素，則我們須於核數師報告內就綜合財務報表的相關披露提請注意，或倘該等披露不充分，則修訂我們的意見。我們的結論乃基於直至我們的核數師報告日期所取得的審計憑證。然而，未來事件或狀況可能使得 貴集團終止持續經營。
- 就綜合財務報表的整體呈列、架構及內容（包括披露）及綜合財務報表是否公平反映有關交易及事項進行評估。
- 就 貴集團實體或業務活動的財務資料取得充分恰當的審計憑證，以就綜合財務報表發表意見。我們負責指導、監督及執行集團審計。我們對我們的審計意見負有完全責任。

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

我們與負責管治的人員就（其中包括）審計的計劃範圍及時間以及重大審計發現進行溝通，包括於審計期間我們所發現的內部控制中的任何重大缺陷。

我們亦向負責管治的人員提供表明我們已遵守有關獨立性的道德規定的聲明，並與彼等溝通所有被合理認為可能影響獨立性的關係及其他事項，以及在適用之情況下，採取消除威脅之行動或所應用之防範措施。

Independent Auditor's Report

獨立核數師報告

From the matter communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Kay Man Wo, Dick.

根據與負責管治的人員進行溝通的事項，我們對當期綜合財務報表審計中屬重大而因此屬關鍵審計事項作出判定。我們於我們的核數師報告內對該事項進行陳述，除非法律或法規不允許向公眾披露該事項，或在極其罕有的情況下，我們認為在合理的預期內披露該事項的負面後果大於對公眾利益帶來的好處，因而決定在我們的報告內不予披露該事項。

獨立核數師報告的審計委聘合夥人為紀文和。

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

德勤 • 關黃陳方會計師行

執業會計師

香港

20 March 2024

二零二四年三月二十日

Consolidated Statement of Profit or Loss and Other Comprehensive Income

綜合損益及其他全面收益表

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

	NOTES 附註	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Revenue 收入	5, 6	31,681,261	33,196,937
Cost of sales 銷售成本		(27,090,820)	(26,591,940)
Gross profit 毛利		4,590,441	6,604,997
Other income 其他收益	7(a)	1,329,719	697,707
Other gains and losses 其他收益及虧損	7(b)	(121,585)	(193,460)
Impairment losses under expected credit loss (“ECL”) model, net of reversal 按預期信貸虧損(「預期信貸虧損」)模式計量的減值虧損，扣除撥回		(22,311)	(10,570)
Selling and distribution expenses 銷售及分銷開支		(415,104)	(352,785)
Research and development expenditure 研發開支		(2,566,475)	(2,803,398)
Administrative expenses 行政開支		(1,009,901)	(928,579)
Share of results of associates 分佔聯營公司業績	19	22,516	(5,996)
Finance costs 融資成本	8	(449,147)	(292,937)
Profit before tax 除稅前溢利		1,358,153	2,714,979
Income tax expense 所得稅開支	9	(207,830)	(240,831)
Profit for the year 年內溢利	11	1,150,323	2,474,148
Other comprehensive (expense) income 其他全面(開支)收益			
<i>Item that will not be reclassified to profit or loss:</i> 不會重新分類至損益的項目：			
Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of income tax 按公允值計入其他全面收益(「按公允值計入其他全面收益」)的 權益工具投資的公允值虧損，扣除所得稅		(22,584)	(20,787)
<i>Item that may be reclassified subsequently to profit or loss:</i> 其後可重新分類至損益的項目：			
Exchange differences arising on translation of foreign operations 換算海外業務所產生的匯兌差額		(4,642)	20,956
Other comprehensive (expense) income for the year 年內其他全面(開支)收益		(27,226)	169
Total comprehensive income for the year 年內全面收益總額		1,123,097	2,474,317
Profit for the year attributable to: 應佔年內溢利：			
Owners of the Company 本公司股東		1,099,415	2,407,796
Non-controlling interests 非控股權益		50,908	66,352
		1,150,323	2,474,148
Total comprehensive income for the year attributable to: 應佔年內全面收益總額：			
Owners of the Company 本公司股東		1,074,379	2,409,478
Non-controlling interests 非控股權益		48,718	64,839
		1,123,097	2,474,317
Earnings per share – Basic (RMB cents) 每股盈利 – 基本(人民幣分)	13	100.72	220.26
– Diluted (RMB cents) – 攤薄(人民幣分)	13	100.63	220.15

Consolidated Statement of Financial Position

綜合財務狀況表

AT 31 DECEMBER 2023 於二零二三年十二月三十一日

	NOTES 附註	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
NON-CURRENT ASSETS 非流動資產			
Property, plant and equipment 物業、機器及設備	15	9,927,315	10,119,846
Right-of-use assets 使用權資產	16	768,953	612,062
Investment properties 投資物業	17	30,626	35,502
Intangible assets 無形資產	18	194,505	250,715
Interests in associates 於聯營公司的權益	19	1,664,883	200,645
Deferred tax assets 遞延稅項資產	20	204,024	257,178
Deposits paid for acquisition of property, plant and equipment 就收購物業、機器及設備已支付的按金	21	732,292	489,947
Equity instruments at FVTOCI 按公允值計入其他全面收益的權益工具	22	116,790	168,160
Financial assets at fair value through profit or loss ("FVTPL") 按公允值計入損益(「按公允值計入損益」)的金融資產	23	19,518	19,518
Time deposits 定期存款	27	1,492,091	200,000
Goodwill 商譽		2,119	2,119
		15,153,116	12,355,692
CURRENT ASSETS 流動資產			
Inventories 存貨	24	5,136,941	4,720,913
Trade and other receivables and prepayment 貿易及其他應收款項及預付款項	25	7,854,787	7,205,110
Receivables at FVTOCI 按公允值計入其他全面收益的應收款項	26	629,645	548,956
Tax recoverable 可收回稅項		-	28,120
Derivative financial assets 衍生金融資產	28	114	29,681
Financial assets at FVTPL 按公允值計入損益的金融資產	23	7,113,261	10,086,415
Amounts due from related parties 應收關連人士款項	42(c)	807	8,256
Time deposits 定期存款	27	-	500,000
Pledged bank deposits 已抵押銀行存款	27	13,641	9,775
Short term fixed deposits 短期定期存款	27	1,310,245	475,176
Cash and cash equivalents 現金及現金等值項目	27	13,084,519	7,033,194
		35,143,960	30,645,596

Consolidated Statement of Financial Position

綜合財務狀況表

AT 31 DECEMBER 2023 於二零二三年十二月三十一日

	NOTES 附註	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
CURRENT LIABILITIES 流動負債			
Trade and other payables 貿易及其他應付款項	29	20,324,883	12,917,286
Amounts due to related parties 應付關連人士款項	42(c)	11,536	9,992
Derivative financial liabilities 衍生金融負債	28	41,276	17,655
Contract liabilities 合約負債	30	136,316	166,096
Tax payable 應付稅項		29,211	–
Bank borrowings 銀行借貸	31	699,000	1,989,981
Lease liabilities 租賃負債	32	35,861	51,378
Deferred income 遞延收入	33	8,548	6,446
Bonds payable 應付債券	34	–	4,178,082
		21,286,631	19,336,916
NET CURRENT ASSETS 流動資產淨值		13,857,329	11,308,680
TOTAL ASSETS LESS CURRENT LIABILITIES 總資產減流動負債		29,010,445	23,664,372
NON-CURRENT LIABILITIES 非流動負債			
Deferred tax liabilities 遞延稅項負債	20	752,940	850,321
Long term payables 長期應付款項	29	137,845	122,777
Bank borrowings 銀行借貸	31	1,965,313	30,000
Lease liabilities 租賃負債	32	182,382	187,938
Deferred income 遞延收入	33	192,850	290,950
Bonds payable 應付債券	34	2,897,485	–
		6,128,815	1,481,986
NET ASSETS 資產淨值		22,881,630	22,182,386
CAPITAL AND RESERVES 股本及儲備			
Share capital 股本	35	105,156	105,163
Reserves 儲備		22,317,811	21,733,224
Equity attributable to owners of the Company 本公司股東應佔權益		22,422,967	21,838,387
Non-controlling interests 非控股權益		458,663	343,999
TOTAL EQUITY 權益總額		22,881,630	22,182,386

The consolidated financial statements on pages 135 to 298 were approved and authorised for issue by the board of directors on 20 March 2024 and are signed on its behalf by:

載於第135至298頁之綜合財務報表經董事會於二零二四年三月二十日批准及授權刊發，並由下列董事代表簽署：

Mr. YE Liaoning
葉遼寧先生
CHAIRMAN
主席

Mr. SUN Yang
孫泱先生
DIRECTOR
董事

Consolidated Statement of Changes in Equity

綜合權益變動表

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

	Attributable to owners of the Company 本公司股東應佔											Non-controlling interests	Total
	Share capital	Special reserve	Statutory surplus reserve	Discretionary surplus reserve	Other reserves	Shares held under share award scheme	Share award scheme reserve	FVTOCI reserve	Translation reserve	Retained profits	Sub-Total		
	股本 RMB'000 人民幣千元	特別儲備 RMB'000 人民幣千元 (note a) (附註a)	法定 盈餘儲備 RMB'000 人民幣千元 (note b) (附註b)	酌情 盈餘儲備 RMB'000 人民幣千元 (note b) (附註b)	其他儲備 RMB'000 人民幣千元 (note c) (附註c)	根據股份 獎勵計劃 持有的股份 RMB'000 人民幣千元	股份獎勵 計劃儲備 RMB'000 人民幣千元	按公允價值 計入其他 全面收益 列賬的儲備 RMB'000 人民幣千元 (note d) (附註d)	換算儲備 RMB'000 人民幣千元	保留盈利 RMB'000 人民幣千元	小計 RMB'000 人民幣千元	非控股權益 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
At 1 January 2022 於二零二二年一月一日	105,163	140,178	31,003	916	448,132	(324,499)	119,484	2,938	(41,658)	20,106,415	20,588,072	307,194	20,895,266
Profit for the year 年內溢利	-	-	-	-	-	-	-	-	-	2,407,796	2,407,796	66,352	2,474,148
Other comprehensive (expense) income for the year 年內其他全面(開支)收益	-	-	-	-	-	-	(20,787)	22,469	-	1,682	(1,513)	169	
Total comprehensive (expense) income for the year 年內全面(開支)收益總額	-	-	-	-	-	-	(20,787)	22,469	2,407,796	2,409,478	64,839	2,474,317	
Purchase of shares under share award scheme 根據股份獎勵計劃購買股份	-	-	-	-	-	(358,857)	-	-	-	-	(358,857)	-	(358,857)
Recognition of equity-settled share-based payments (Note 43) 確認以權益結算股份支付的款項(附註43)	-	-	-	-	-	-	243,399	-	-	-	243,399	-	243,399
Shares vested under share award scheme (Note 43) 根據股份獎勵計劃歸屬的股份(附註43)	-	-	-	-	-	194,342	(210,839)	-	-	16,497	-	-	-
Acquisition of additional interest of a subsidiary from non-controlling interests (* NCI) 自非控股權益(「非控股權益」) 收購一家附屬公司的額外權益	-	-	-	-	-	-	-	-	-	-	-	(13,068)	(13,068)
Dividends paid (Note 12) 已付股息(附註12)	-	-	-	-	-	-	-	-	-	(1,047,715)	(1,047,715)	-	(1,047,715)
Dividends received under share award scheme 根據股份獎勵計劃收取的股息	-	-	-	-	-	-	-	-	-	4,010	4,010	-	4,010
Dividends paid to NCI 支付予非控股權益的股息	-	-	-	-	-	-	-	-	-	-	-	(14,966)	(14,966)
Recognition of general risk reserve 確認一般風險儲備	-	-	-	-	24	-	-	-	-	(24)	-	-	-
Disposal of an equity instrument at FVTOCI 出售按公允價值計入其他全面收益的權益工具	-	-	-	-	-	-	(23)	-	23	-	-	-	-
Appropriation 轉撥	-	-	-	-	11,188	-	-	-	-	(11,188)	-	-	-
At 31 December 2022 於二零二二年十二月三十一日	105,163	140,178	31,003	916	459,344	(489,014)	152,044	(17,872)	(19,189)	21,475,814	21,838,387	343,999	22,182,386

Consolidated Statement of Changes in Equity

綜合權益變動表

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

	Attributable to owners of the Company 本公司股東應佔											Non-controlling interests 非控股權益	Total 總計
	Share capital 股本	Special reserve 特別儲備	Statutory surplus reserve 法定盈餘儲備	Discretionary surplus reserve 酌情盈餘儲備	Other reserves 其他儲備	Shares held under share award scheme 根據股份獎勵計劃持有的股份	Share award scheme reserve 股份獎勵計劃儲備	FVTOCI reserve 按公允值計入其他全面收益列賬的儲備	Translation reserve 換算儲備	Retained profits 保留盈利	Sub-Total 小計		
	RMB'000 人民幣千元	RMB'000 人民幣千元 (note a) (附註a)	RMB'000 人民幣千元 (note b) (附註b)	RMB'000 人民幣千元 (note b) (附註b)	RMB'000 人民幣千元 (note c) (附註c)	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元 (note d) (附註d)	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元		
Profit for the year 年內溢利	-	-	-	-	-	-	-	-	-	1,099,415	1,099,415	50,908	1,150,323
Other comprehensive (expense) income for the year 年內其他全面(開支)收益	-	-	-	-	-	-	-	(22,584)	(2,452)	-	(25,036)	(2,190)	(27,226)
Total comprehensive (expense) income for the year 年內全面(開支)收益總額	-	-	-	-	-	-	-	(22,584)	(2,452)	1,099,415	1,074,379	48,718	1,123,097
Purchase of shares under share award scheme 根據股份獎勵計劃購買股份	-	-	-	-	-	(269,887)	-	-	-	-	(269,887)	-	(269,887)
Recognition of equity-settled share-based payments (Note 43) 確認以權益結算股份支付的款項(附註43)	-	-	-	-	-	-	280,396	-	-	-	280,396	-	280,396
Shares vested under share award scheme (Note 43) 根據股份獎勵計劃歸屬的股份(附註43)	-	-	-	-	-	265,948	(272,556)	-	-	6,608	-	-	-
Acquisition of additional interest of a subsidiary from NCI 自非控股權益收購一家附屬公司的額外權益	-	-	-	-	(80)	-	-	-	-	-	(80)	(4,729)	(4,809)
Capital contribution from NCI 於非控股權益獲得的注資	-	-	-	-	-	-	-	-	-	-	-	131,208	131,208
Dividends paid (Note 12) 已付股息(附註12)	-	-	-	-	-	-	-	-	-	(504,852)	(504,852)	-	(504,852)
Dividends received under share award scheme 根據股份獎勵計劃收取的股息	-	-	-	-	-	-	-	-	-	1,552	1,552	-	1,552
Dividends paid to NCI 支付予非控股權益的股息	-	-	-	-	-	-	-	-	-	-	-	(13,888)	(13,888)
Repurchase of ordinary shares 購回普通股	(7)	(3,757)	-	-	-	-	-	-	-	-	(3,764)	-	(3,764)
Acquisition of NCI and deregistration of a subsidiary 收購非控股權益及一間附屬公司取消登記	-	-	-	-	6,836	-	-	-	-	-	6,836	(46,645)	(39,809)
Recognition of general risk reserve 確認一般風險儲備	-	-	-	-	75	-	-	-	-	(75)	-	-	-
Appropriation 轉撥	-	-	-	-	16,395	-	-	-	-	(16,395)	-	-	-
At 31 December 2023 於二零二三年十二月三十一日	105,156	136,421	31,003	916	482,570	(492,953)	159,884	(40,456)	(21,641)	22,062,067	22,422,967	458,663	22,881,630

Consolidated Statement of Changes in Equity

綜合權益變動表

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

Notes:

- (a) The amount recorded in the special reserve was resulted from:
- (i) the capital contribution by/distribution to the Company in relation to the acquisitions/disposals of equity interests in subsidiaries;
 - (ii) the difference between the net carrying amounts of equity interests in subsidiaries and the nominal value of the shares of their respective holding companies arisen in share exchange transactions during the group reorganisation; and
 - (iii) the adjustment of non-controlling interests in relation to the deemed acquisitions/disposals of equity interests in subsidiaries.
- (b) The statutory surplus reserve and discretionary surplus reserve are non-distributable and the transfer to these reserves is determined by the Board of Directors of subsidiaries established in the People's Republic of China (the "PRC") in accordance with the Articles of Association of the subsidiaries. Statutory surplus reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company. Discretionary surplus reserve can be used to expand the existing operations of the Company's PRC subsidiaries.
- (c) Other reserves represent enterprise expansion fund and reserve fund. These reserves are non-distributable and the transfer to these reserves are determined by the board of directors of the PRC subsidiaries in accordance with the Articles of Association. Other reserves can be used to make up for previous year's losses or convert into additional capital of the Company's PRC subsidiaries.
- (d) The Group irrevocably elected to designate certain investments in equity instruments as at FVTOCI and the FVTOCI reserve is related to the gains or losses arising from the changes in fair value of the designated equity investments recognised in other comprehensive income.

附註：

- (a) 計入特別儲備的款項來自：
- (i) 本公司就收購／出售附屬公司股權所作注資／所得分派；
 - (ii) 附屬公司股權的賬面淨值與彼等各自控股公司股份面值之間於集團重組換股交易中產生的差額；及
 - (iii) 與視作收購／出售附屬公司股權有關的非控股權益調整。
- (b) 法定盈餘儲備及酌情盈餘儲備不可用作分派，轉撥至該等儲備的款項須由於中華人民共和國（「中國」）成立的附屬公司的董事會根據附屬公司的章程細則釐定。法定盈餘儲備可用於彌償上年度虧損或轉撥為本公司中國附屬公司的額外資本。酌情盈餘儲備可用作擴展本公司中國附屬公司的現有業務。
- (c) 其他儲備指企業擴展基金及儲備金。該等儲備不可用作分派，而轉撥至該等儲備的款項須由中國附屬公司的董事會根據章程細則釐定。其他儲備可用於彌償上年度虧損或轉撥為本公司中國附屬公司的額外資本。
- (d) 本集團不可撤銷地選擇指定按公允值計入其他全面收益的權益工具的若干投資，而按公允值計入其他全面收益的儲備與於其他全面收益內確認的指定股權投資的公允值變動所產生的收益或虧損有關。

Consolidated Statement of Cash Flows

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
OPERATING ACTIVITIES 經營活動		
Profit before tax 除稅前溢利	1,358,153	2,714,979
Adjustments for: 調整:		
Share of results of associates 分佔聯營公司業績	(22,516)	5,996
Depreciation of property, plant and equipment 物業、機器及設備折舊	1,948,264	1,813,899
Depreciation of right-of-use assets 使用權資產折舊	57,881	65,591
Depreciation of investment properties 投資物業折舊	4,876	4,878
Amortisation of intangible assets 無形資產攤銷	56,210	56,211
Allowance for (reversal of) inventories 存貨撥備 (撥回)	19,832	(109,466)
Impairment loss under ECL model, net of reversal 按預期信貸虧損模式計量的減值虧損，扣除撥回	22,311	10,570
Loss (gain) on changes in fair value of derivative financial instruments, net 衍生金融工具公允價值變動的虧損 (收益) 淨額	53,188	(30,292)
Loss on changes in fair value of debt instruments and fund investments at FVTPL 按公允價值計入損益的債務工具及基金投資公允價值變動產生的虧損	-	28,731
Loss on disposal of property, plant and equipment 出售物業、機器及設備虧損	10,500	7,982
Impairment of interest in an associate 於一間聯營公司的權益減值	202	-
Gain on disposal of subsidiaries 出售附屬公司的收益	(18,351)	(55,200)
Expense recognised in respect of share award scheme 就股份獎勵計劃而確認的支出	280,396	243,399
Interest income from time deposits, short term fixed deposits, pledged bank deposits and bank balances 定期存款、短期定期存款、已抵押銀行存款及銀行結餘的利息收入	(568,258)	(198,203)
Interest income from debt instruments 債務工具利息收入	-	(895)
Investment income from unlisted financial products at FVTPL 來自按公允價值計入損益的非上市金融產品的投資收入	(358,042)	(197,487)
Finance costs 融資成本	449,147	292,937
Net foreign exchange loss 外匯虧損淨額	109,883	380,160
Loss (gain) on lease termination 租賃終止虧損 (收益)	4,118	(292)

Consolidated Statement of Cash Flows

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Operating cash flows before movements in working capital 營運資金變動前的經營現金流量	3,407,794	5,033,498
(Increase) decrease in inventories 存貨(增加)減少	(435,860)	841,275
(Increase) decrease in trade and other receivables and prepayment 貿易及其他應收款項及預付款項(增加)減少	(541,706)	368,637
Increase in receivables at FVTOCI 按公允值計入其他全面收益的應收款項增加	(508,027)	(1,076,879)
Decrease (increase) in amounts due from related parties 應收關連人士款項減少(增加)	7,449	(14,608)
Increase in amounts due to related parties 應付關連人士款項增加	1,544	3,058
Increase in trade and other payables 貿易及其他應付款項增加	1,010,710	2,486,300
Increase in long term payables 長期應付款項增加	22,155	-
(Decrease) increase in contract liabilities 合約負債(減少)增加	(12,848)	11,557
(Decrease) increase in deferred income 遞延收入(減少)增加	(95,998)	110,355
Cash generated from operations 經營活動所得現金	2,855,213	7,763,193
Income taxes paid 已付所得稅款項	(190,740)	(385,897)
NET CASH FROM OPERATING ACTIVITIES 經營活動所得現金淨額	2,664,473	7,377,296
INVESTING ACTIVITIES 投資活動		
Interest and investment income received 已收利息及投資收入	786,193	421,109
Placement of pledged bank deposits 存放已抵押銀行存款	(12,406)	(4,589)
Release of pledged bank deposits 解除已抵押銀行存款	8,540	13,106
Placement of short term fixed deposits 存放短期定期存款	(1,226,595)	(1,160,017)
Release of short term fixed deposits 解除短期定期存款	472,290	1,878,943
Placement of time deposits 存放定期存款	(1,250,000)	(200,000)
Release of time deposits 解除定期存款	500,000	-
Purchases of unlisted financial products 收購非上市金融產品	(9,262,100)	(13,939,816)
Release of unlisted financial products 解除非上市金融產品	12,321,418	11,908,486
Purchases of property, plant and equipment 購置物業、機器及設備	(1,767,541)	(2,604,193)
Proceeds from disposal of property, plant and equipment 出售物業、機器及設備所得款項	35,716	60,918
Acquisition of land use right 收購土地使用權	(204,012)	(25,771)
Deposits and prepayment paid for acquisition of property, plant and equipment and prepayment 就收購物業、機器及設備已支付的按金及預付款項	(477,210)	(443,241)
Payment for intangible assets 無形資產付款	(39,020)	(40,547)
Purchase of equity instruments at FVTOCI 收購按公允值計入其他全面收益的權益工具	(200)	(18,000)
Acquisition of investment and capital injection in associates 收購於聯營公司的投資及注資	(1,426,250)	(5,000)
Proceed from capital reduction of interest in an associate 減少於聯營公司的權益所得款項	7,706	-
Dividends received from an associate 自一間聯營公司收取的股息	1,620	-
Proceeds from disposal of a subsidiary 出售一家附屬公司所得款項	7,500	29,622
Proceeds of relocation compensation 拆遷賠償所得款項	36,490	-
Proceeds from disposal of equity instruments at FVTOCI 出售按公允值計入其他全面收益的權益工具所得款項	-	108
Proceeds from disposal of a debt instrument at FVTPL 出售一項按公允值計入損益的債務工具所得款項	-	40,418
Proceeds from disposal of fund investments at FVTPL 出售按公允值計入損益的基金投資所得款項	-	254,580
NET CASH USED IN INVESTING ACTIVITIES 投資活動所用現金淨額	(1,487,861)	(3,833,884)

Consolidated Statement of Cash Flows

綜合現金流量表

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
FINANCING ACTIVITIES 融資活動		
Interest paid 已付利息	(348,552)	(261,044)
Dividends paid 已付股息	(517,188)	(1,058,671)
Proceeds from notes financing 票據融資所得款項	13,591,244	-
Payments for notes financing 支付票據融資款項	(6,672,208)	-
New bank borrowings raised 新增銀行借貸	6,776,369	8,151,846
Repayment of bank borrowings 償還銀行借貸	(6,263,444)	(8,550,127)
Capital contribution from NCI 非控股權益的注資	131,208	-
Acquisition of additional interest of a subsidiary from NCI 自非控股權益收購一家附屬公司的額外權益	(4,809)	(13,068)
Proceeds from NCI for the deregistration of a subsidiary 因一間附屬公司取消登記而向非控股權益支付的所得款項	(39,809)	-
Proceeds from bonds issuance 債券發行所得款項	2,675,534	-
Repayment of bonds payable 償還應付債券	(4,147,237)	-
Payment for transaction costs of bonds issuance 支付債券發行的交易成本	(2,425)	-
Purchase of shares under share award scheme 根據股份獎勵計劃購買股份	(269,887)	(358,857)
Repayments of lease liabilities 償還租賃負債	(47,323)	(69,232)
Payment on repurchase of shares 購回股份的付款	(3,764)	-
NET CASH FROM (USED IN) FINANCING ACTIVITIES 融資活動所得(所用)現金淨額	4,857,709	(2,159,153)
NET INCREASE IN CASH AND CASH EQUIVALENTS 現金及現金等值項目增加淨額	6,034,321	1,384,259
CASH AND CASH EQUIVALENTS AT 1 JANUARY 於一月一日的現金及現金等值項目	7,033,194	5,605,179
Effect of foreign exchange rate changes 匯率變動的影響	17,004	43,756
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, 於十二月三十一日的現金及現金等值項目 represented by cash and cash equivalents 以現金及現金等值項目呈列	13,084,519	7,033,194

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

1. GENERAL INFORMATION

Sunny Optical Technology (Group) Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 21 September 2006 as an exempted company under the Companies Act Chapter 22 (Law 3 of 1961 as consolidated and revised, formerly known as Companies Law) of the Cayman Islands and its shares have been listed on the Stock Exchange of Hong Kong Limited with effect from 15 June 2007. Its parent company is Sun Xu Limited and ultimate holding company is Sun Ji Limited, both are private limited company incorporated in the British Virgin Islands. All equity interest of Sun Ji is owned by Sunny Group Employee Offshore Trust. Its ultimate controlling party is Mr. Wang Wenjian, also a non-executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in the business of designing, researching and developing, manufacturing and selling of optical and optical related products and scientific instruments.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

1. 概況資料

舜宇光學科技(集團)有限公司(「**本公司**」)於二零零六年九月二十一日在開曼群島根據開曼群島公司法第22章(一九六一年第三條法例,經綜合及修訂,以前稱為公司法)註冊成立為獲豁免公司,其股份自二零零七年六月十五日起在香港聯合交易所有限公司上市,母公司為舜旭有限公司,最終控股公司為舜基有限公司,兩間公司均為於英屬處女群島註冊成立的私人有限公司。舜宇集團僱員海外信託擁有舜基的全部股權。其最終控股人士為王文鑒先生,亦為本公司非執行董事。本公司註冊辦事處及主要營業地點的地址乃於年報公司資料一節披露。

本公司為一間投資控股公司。本公司及其附屬公司(統稱「**本集團**」)主要從事設計、研究與開發、生產及銷售光學及光學相關產品與科學儀器業務。

綜合財務報表以人民幣(「**人民幣**」)呈列,人民幣亦為本公司的功能貨幣。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>	香港財務報告準則第17號(包括二零二零年十月及二零二二年二月之香港財務報告準則第17號修訂本)	保險合同
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>	香港會計準則第8號(修訂本)	會計估計之定義
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	香港會計準則第12號(修訂本)	與單一交易產生之資產及負債有關之遞延稅項
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>	香港會計準則第12號(修訂本)	國際稅收改革 – 支柱二立法模板
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	香港會計準則第1號及香港財務報告準則實務報告第2號(修訂本)	會計政策之披露

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)

於本年度強制生效的新訂及經修訂香港財務報告準則

於本年度，本集團已首次應用下列由香港會計師公會(「香港會計師公會」)頒佈的新訂及經修訂香港財務報告準則，其於二零二三年一月一日開始的本集團年度期間強制生效，以編製綜合財務報表：

香港財務報告準則第17號(包括二零二零年十月及二零二二年二月之香港財務報告準則第17號修訂本)	保險合同
香港會計準則第8號(修訂本)	會計估計之定義
香港會計準則第12號(修訂本)	與單一交易產生之資產及負債有關之遞延稅項
香港會計準則第12號(修訂本)	國際稅收改革 – 支柱二立法模板
香港會計準則第1號及香港財務報告準則實務報告第2號(修訂本)	會計政策之披露

除下文所述外，於本年度應用新訂及經修訂香港財務報告準則對本集團於目前及以往年度的財務狀況及表現及／或該等綜合財務報表所載之披露並無重大影響。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.1 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. The application of the amendments in the current year had no material impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

2. 應用新訂及經修訂香港財務報告準則（「香港財務報告準則」）（續）

2.1 應用香港會計準則第8號（修訂本）「會計估計之定義」的影響

本集團於本年度首次應用該修訂本。該修訂本將會計估計定義為「財務報表中存在計量不確定性之貨幣金額」。會計政策可能要求財務報表中之項目以涉及計量不確定性之方式計量。在此情況下，實體會制定會計估計以達致會計政策所載之目標。香港會計準則第8號修訂本闡明會計估計變動與會計政策變動及錯誤糾正之間的區別。於本年度應用該等修訂本並無對綜合財務報表造成重大影響。

2.2 應用香港會計準則第12號（修訂本）「與單一交易產生之資產及負債有關之遞延稅項」的影響

本集團於本年度首次應用該修訂本。該修訂本縮窄了香港會計準則第12號「所得稅」第15段及第24段中遞延稅項負債及遞延稅項資產的確認豁免範圍，使其不再適用於在初始確認時產生相等應課稅及可扣稅暫時性差額之交易。

根據過渡規定：

- (i) 本集團已對於二零二二年一月一日或之後發生的租賃交易追溯應用新會計政策；
- (ii) 本集團亦已於二零二二年一月一日就與使用權資產及租賃負債有關的所有可抵扣及應課稅暫時差額確認遞延稅項資產（以可能有應課稅溢利可用於抵銷可抵扣暫時差額為限）及遞延稅項負債。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

The application of the amendments has had no material impact on the Group’s financial position and performance, except that the Group disclose the related deferred tax assets and deferred tax liabilities both of RMB27,856,000 on a gross basis in Note 20 but it has no impact on the retained earnings at the earliest period presented.

2.3 Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform – Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “**Pillar Two legislation**”). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantially enacted. The qualitative and quantitative information about the Group’s exposure to Pillar Two income taxes is set out in Note 9.

2. 應用新訂及經修訂香港財務報告準則（「香港財務報告準則」）（續）

2.2 應用香港會計準則第12號（修訂本）「與單一交易產生之資產及負債有關之遞延稅項」的影響（續）

應用該修訂本對本集團的財務狀況及表現概無任何重大影響，惟本集團於附註20中披露相關遞延稅項資產及遞延稅項負債總計人民幣27,856,000元除外（對所呈列最早期間的保留盈利概無影響）。

2.3 對應用香港會計準則第12號（修訂本）「所得稅國際稅收改革 – 支柱二立法模板」的影響

本集團於本年度首次應用該修訂本。香港會計準則第12號經修訂以增加確認及披露與為實施經濟合作與發展組織頒佈的支柱二立法模板而頒佈或實質性頒佈的稅法（「**支柱二立法**」）有關的遞延所得稅資產及負債資料的例外情況。修訂本規定各實體須於緊隨修訂本頒佈後追溯性地應用。修訂本亦規定實體應於支柱二立法生效期間單獨披露其與支柱二所得稅相關的即期稅務開支／收入，以及於支柱二立法於二零二三年一月一日或之後開始的年度報告期間已頒佈或實質性頒佈但尚未生效的期間，其須披露承擔支柱二所得稅的定性及定量資料。

本集團於緊隨該等修訂本頒佈後追溯性地應用暫時豁免，即自支柱二立法頒佈或實質性頒佈當日起應用豁免。有關本集團所承擔支柱二所得稅的定性及定量資料載於附註9。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2. 應用新訂及經修訂香港財務報告準則（「香港財務報告準則」）（續）

2.4 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

2.4 對應用香港會計準則第1號及香港財務報告準則實務報告第2號（修訂本）「會計政策披露」的影響

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

本集團於本年度首次應用該修訂本。香港會計準則第1號「財務報表列報」修訂以「重大會計政策資料」取代「主要會計政策」一詞的所有情況。倘連同實體財務報表內其他資料一併考慮，會計政策資料可以合理預期會影響通用財務報表的主要使用者根據該等財務報表所作出的決定，則該會計政策資料屬重大。

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

該修訂本亦澄清，即使涉及款項並不重大，但基於相關交易性質、其他事項或情況，會計政策資料仍可屬重大。然而，並非所有與重大交易、其他事項或情況有關的會計政策資料本身即屬重大。倘一間實體選擇披露非重大會計政策資料，有關資料不得掩蓋重大會計政策資料。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.4 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)²</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants²</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements²</i>
Amendments to HKAS 21	<i>Lack of Exchangeability³</i>

2. 應用新訂及經修訂香港財務報告準則（「香港財務報告準則」）（續）

2.4 對應用香港會計準則第1號及香港財務報告準則實務報告第2號（修訂本）「會計政策披露」的影響（續）

香港財務報告準則實務報告第2號「作出重大性判斷」（「**實務報告**」）亦經修訂，以說明一間實體如何將「四步法評估重大性流程」應用於會計政策披露及判斷有關一項會計政策的資料對其財務報表是否屬重大。

應用該修訂本對本集團的財務狀況及表現無重大影響，但影響綜合財務報表附註3中所載本集團會計政策的披露。

已發行但尚未生效之經修訂香港財務報告準則

本集團並無提早採用以下已頒佈但尚未生效的經修訂香港財務報告準則：

香港財務報告準則第10號及香港會計準則第28號（修訂本）	投資者及其聯營公司或合資企業出售或注入資產 ¹
香港財務報告準則第16號（修訂本）	售後租回交易中的租賃負債 ²
香港會計準則第1號（修訂本）	負債分類為流動或非流動及香港詮釋第5號（二零二零年）之相關修訂本 ²
香港會計準則第1號（修訂本）	附有契約條件的非流動負債 ²
香港會計準則第7號及香港財務報告準則第7號（修訂本）	供應商融資安排 ²
香港會計準則第21號（修訂本）	缺乏可兌換性 ³

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.4 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

Amendments to HKFRSs in issue but not yet effective (Continued)

- ¹ Effective for annual periods beginning on or after a date to be determined
- ² Effective for annual periods beginning on or after 1 January 2024
- ³ Effective for annual periods beginning on or after 1 January 2025

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. 應用新訂及經修訂香港財務報告準則（「香港財務報告準則」）（續）

2.4 對應用香港會計準則第1號及香港財務報告準則實務報告第2號（修訂本）「會計政策披露」的影響（續）

已發行但尚未生效之經修訂香港財務報告準則（續）

- ¹ 於一個待定日期或之後開始之年度期間生效
- ² 於二零二四年一月一日或之後開始之年度期間生效
- ³ 於二零二五年一月一日或之後開始之年度期間生效

本公司董事預期應用所有經修訂香港財務報告準則於可預見的未來將不會對綜合財務報表產生重大影響。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3. 綜合財務報表之編製基準及重大會計政策資料

3.1 Basis of preparation of consolidated financial statements

3.1 綜合財務報表之編製基準

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

綜合財務報表乃根據香港會計師公會頒佈之香港財務報告準則編製。就編製綜合財務報表而言，倘合理預期有關資料將影響主要用戶作出的決策，則該資料被認為屬重大。此外，綜合財務報表載有香港聯合交易所有限公司證券上市規則（「**上市規則**」）及香港公司條例規定之適用披露資料。

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

於批准綜合財務報表時，本公司董事合理預期本集團有充足資源於可見將來繼續經營。因此，彼等於編製綜合財務報表時繼續採用持續經營會計基準。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料

綜合基準

綜合財務報表包括本公司、本公司所控制實體及其附屬公司的財務報表。當本公司擁有以下權力時，則視為獲得控制權：

- 於投資對象擁有權力；
- 因參與投資對象業務而可能或有權獲得可變回報；及
- 有能力行使其權力影響該等回報。

倘有事實及情況顯示上述三個控制因素中之一項或多項出現變化，本集團將重新評估其是否對投資對象擁有控制權。

本集團獲得附屬公司控制權時即對其綜合入賬，而當本集團失去附屬公司控制權時，即不再對其綜合入賬。具體而言，自本集團獲得附屬公司控制權之日計起，直至本集團不再擁有附屬公司控制權之日止，本年度收購或出售附屬公司之收入及開支將列入綜合損益及其他全面收益表內。

溢利或虧損及其他全面收益各項均歸屬於本公司股東及非控股權益。附屬公司的全面收益總額歸屬於本公司股東及非控股權益，即使此舉會導致非控股權益產生赤字差額。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

綜合基準(續)

附屬公司之財務報表會於需要的情況下作出調整，以使其會計政策與本集團的會計政策一致。

本集團內公司間之所有資產及負債、權益、收入、開支及有關本集團成員公司間交易之現金流量均於綜合賬目時全面抵銷。

附屬公司非控股權益與本集團於其中的權益分開呈列，其代表現時所有權權益且於清盤時賦予其持有人按比例分佔相關附屬公司資產淨值之非控股權益。

本集團於現有附屬公司權益之變動

本集團於附屬公司的權益之變動並不導致本集團失去對附屬公司的控制權，並以權益交易入賬。本集團之權益及非控股權益相關組成部分之賬面值均予以調整，以反映彼等於附屬公司相關權益之變動，包括根據本集團與非控股權益的權益比例重新歸屬本集團與非控股權益間的有關儲備。

經調整之非控股權益金額與已支付或已收取代價之公允值間之任何差額乃直接於權益確認，並歸屬於本公司股東。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

綜合基準(續)

本集團於現有附屬公司權益之變動(續)

倘本集團失去對一家附屬公司之控制權，即終止確認該附屬公司的資產與負債及非控股權益(如有)。收益或虧損於損益內確認，並計量：(i)所收取代價之公允值及任何保留權益的公允值總和與(ii)資產(包括商譽)之賬面值及歸屬於本公司股東的附屬公司之負債之間的差額。早前於其他全面收益確認之有關附屬公司的全部金額將會以猶如本集團已直接出售附屬公司相關資產或負債之方式入賬(即如適用香港財務報告準則所指定/許可，重新分類至損益或轉撥至另一類別權益)。於失去控制權當日仍保留於前附屬公司之任何投資公允值，則根據香港財務報告準則第9號*金融工具*或被視為其後入賬時初步確認之公允值或(如適用)於聯營公司或合資企業投資的初步確認成本。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

於聯營公司之投資

聯營公司乃本集團對其具有重大影響力之實體。重大影響力指參與投資對象財務及營運決策之權力，而並非對該等政策之控制權或共同控制權。

聯營公司之業績、資產及負債使用權益會計法計入本綜合財務報表。以權益會計法處理之聯營公司財務報表乃按與本集團就於類似情況下之交易及事件所採用者相同之會計政策編製。根據權益法，於聯營公司之投資最初乃按成本值於綜合財務狀況表確認，並於隨後就確認本集團應佔該聯營公司之損益及其他全面收益而作出調整。損益及其他全面收益外的聯營公司資產淨值的變動將不會入賬，除非有關變動導致本集團持有的所有權益發生變更。如本集團應佔聯營公司之虧損超過本集團於聯營公司之權益(包括實質上構成本集團於聯營公司淨投資之任何長期權益)，則本集團會終止確認其應佔之進一步虧損。如本集團已產生法定或推定責任或代表聯營公司支付款項，則就額外虧損作出確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investments in associates (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

於聯營公司之投資(續)

於聯營公司的投資乃自投資對象成為聯營公司當日起按權益法入賬。收購於聯營公司之投資時，投資成本超出本集團應佔被投資方可識別資產及負債之公允值淨額之差額會確認為商譽，計入投資之賬面值內。倘於重新評估後本集團應佔可識別資產及負債公允值淨額超逾投資成本，則即時於收購投資期間在損益中確認。

本集團評估有否客觀證據顯示聯營公司權益可能減值。如客觀證據存在，則將投資的全部賬面值(包括商譽)作為單一資產根據香港會計準則第36號透過比較其可收回金額(使用價值與公允值減出售成本之較高者)與賬面值測試有否減值。任何確認之減值虧損不會分配至任何資產(包括商譽)，其屬投資賬面值的一部分。倘其後投資的可收回金額增加，則根據香港會計準則第36號確認該減值虧損的撥回。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investments in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

於聯營公司之投資(續)

倘本集團對聯營公司失去重大影響力，其入賬列作出售被投資方的全部權益，所產生的損益於損益確認。當本集團保留於前聯營公司之權益，且保留權益為香港財務報告準則第9號所界定的金融資產時，本集團於當日按公允值計量保留權益，而公允值則被視為首次確認時之公允值。聯營公司賬面值與任何保留權益之公允值及出售聯營公司相關權益所得任何所得款項之間的差額，乃計入釐定出售聯營公司之損益。此外，本集團將先前在其他全面收益就該聯營公司確認之所有金額入賬，基準與倘該聯營公司直接出售相關資產或負債的基準相同。因此，倘該聯營公司先前已確認其他全面收益之損益，則會於出售相關資產或負債時重新分類至損益，當有關聯營公司出售／部分出售後，本集團將收益或虧損由權益重新分類至損益(作為重新分類調整)。

倘一間集團實體與本集團聯營公司交易，與該聯營公司交易所產生之損益僅在有相關聯營公司之權益與本集團無關的情況下，方會在本集團綜合財務報表確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5 and 30.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

客戶合約收入

本集團與客戶合約有關的會計政策相關資料載於附註5及附註30。

租賃

租賃的定義

倘合約為換取代價而給予在一段時間內控制可識別資產使用的權利，則該合約是租賃或包含租賃。

就於首次應用日期或之後訂立或修改或由業務合併所引致的合約而言，本集團根據香港財務報告準則第16號的定義於初始、修改或收購日期(倘適用)評估該合約是否為租賃或包含租賃。除非合約的條款及條件其後出現變動，否則有關合約將不予重新評估。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office, staff dormitories that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

租賃(續)

本集團作為承租人

分配代價至合約的組成部分

對於包含一項租賃組成部分及一項或多項額外租賃或非租賃部分之合約而言，本集團根據租賃組成部分的相對獨立價格及非租賃組成部分的獨立價格總和，將合約代價分配至各租賃組成部分。

本集團應用實際權宜方法不從租賃組成部分中分拆非租賃組成部分，而是將各租賃組成部分及任何相關非租賃組成部分作為單一租賃組成部分入賬。

短期租賃及低價值資產租賃

對於租期自開始日期起計為12個月或以內且並無包含購買選擇權的辦公室、員工宿舍租賃，本集團應用短期租賃確認豁免。本集團亦對低價值資產租賃應用確認豁免。短期租賃及低價值資產租賃的租賃付款按直線基準或另一系統化基準於租期內確認為開支。

Notes to the Consolidated Financial Statements

綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

租賃(續)

本集團作為承租人(續)

使用權資產

使用權資產的成本包括：

- 租賃負債的初始計量金額；
- 於開始日期或之前作出的任何租賃付款，減任何已收租賃優惠；及
- 本集團產生的任何初始直接成本。

使用權資產按成本減任何累計折舊及減值虧損計量，並就租賃負債之任何重新計量作出調整。

使用權資產按直線基準於其估計使用年期及租期(以較短者為準)內計提折舊。

本集團於綜合財務狀況表中將使用權資產呈列為單獨項目。

Notes to the Consolidated Financial Statements

綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

租賃(續)

本集團作為承租人(續)

可退回租賃按金

已支付的可退回租賃按金根據香港財務報告準則第9號入賬，並初步按公允值計量。初始確認時對公允值的調整被視為額外的租賃付款，並包括在使用權資產成本中。

租賃負債

於租賃開始日，本集團按當日尚未支付的租賃付款的現值確認並計量租賃負債。在計算租賃付款的現值時，如果租賃中隱含的利率難以確定，則本集團在租賃開始日使用增量借款利率。

租賃付款包括固定付款(包括實質性的固定付款)減任何應收租賃優惠。

於開始日期後，租賃負債就應計利息及租賃付款作出調整。

當租賃條款發生變動時，本集團重新計量租賃負債(及對相關使用權資產作出相應調整)，在此情況下，於重新評估日期透過貼現經修訂租賃款項使用經修訂貼現率重新計量相關租賃負債。

本集團於綜合財務狀況表中將租賃負債單獨呈列。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

租賃(續)

本集團作為承租人(續)

租賃修改

倘出現以下情況，本集團將租賃修改作為一項單獨的租賃入賬：

- 該項修改通過增加使用一項或多項相關資產的權利擴大了租賃範圍；及
- 調增租賃的代價，增加的金額相當於範圍擴大對應的單獨價格，加上按照特定合約的實際情況對單獨價格進行的任何適當調整。

就未作為一項單獨租賃入賬的租賃修改而言，本集團基於透過使用修改生效日期的經修訂貼現率貼現經修訂租賃付款的經修改租賃的租期重新計量租賃負債。

本集團通過對相關使用權資產進行相應調整，以對租賃負債進行重新計量。

當經修改合約包含租約成份以及一個或多個額外租約或非租約成份時，本集團根據租約成份的相對獨立價格及非租約成份的總獨立價格，將經修改合約中的代價分配至每個租約成份。

Notes to the Consolidated Financial Statements

綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

租賃(續)

本集團作為出租人

租賃的分類及計量

本集團作為出租人的租賃分類為融資租賃或經營租賃。當租賃的條款實質上將與相關資產所有權相關的所有風險及回報轉讓予承租人時，該項合同被分類為融資租賃。所有其他租賃應分類為經營租賃。

經營租賃之租金收入於相關租期內以直線法在損益中確認。於協商及安排經營租賃時引致之初步直接成本乃加至租賃資產之賬面值，有關成本於租賃期內按直線法確認為開支。

可退回租賃按金

已收可退回租賃按金按香港財務報告準則第9號入賬，並初步按公允值計量。初始確認時對公允值的調整被視為承租人的額外租賃付款。

Notes to the Consolidated Financial Statements

綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

外幣

編製各集團實體之財務報表時，以該實體功能貨幣以外貨幣(外幣)進行之交易乃按該交易日期之匯率確認。於報告期末，以外幣計值之貨幣項目以當日之匯率重新換算。按公允值列賬且按外幣列值之非貨幣項目乃按釐定公允值當日之匯率重新換算。當非貨幣項目的公允值收益或損失在損益中確認時，該收益或損失的任何交換部分亦在損益中確認。以外幣按歷史成本計算之非貨幣項目不予重新換算。

貨幣項目結算以及貨幣項目重新換算所產生的匯兌差額於產生期間的損益確認。

為呈列綜合財務報表，本集團業務的資產及負債用本集團採用的呈列貨幣(即人民幣)按各報告期末的即期匯率進行折算。收入和費用按期內的平均匯率折算，除非匯率於該期間波動較大，在此情況下，將使用交易日期的匯率。若有任何匯兌差額產生，將於其他全面收益中確認及於權益(換算儲備)(歸屬於非控股權益(如適用))內累計。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

借貸成本

因收購、興建或生產合資格資產(即需相當長時間方可作擬定用途或出售的資產)而直接產生的借貸成本歸入該等資產的成本，直至資產基本上可作擬定用途或出售為止。

所有其他借貸成本均於產生期間於損益中確認。

政府補助

政府補助於出現合理保證本集團將會遵守附帶的條件及收取補助前，均不會確認。

政府補助於本集團確認該等補助擬作補償之有關成本為開支之期間內按系統基準在損益中確認。尤其是，以本集團應收購、建造或以其他方式取得非流動資產為主要條件的政府補助，乃於綜合財務狀況表中確認為遞延收入，並按系統及合理基準於有關資產的可用年期內轉至損益。

作為已產生開支或虧損之補償或向本集團提供即時財務支持而無日後相關成本而應收與收入有關之政府補助，於其應收取期間在損益中確認。此補助呈列於「其他收益」項下。

Notes to the Consolidated Financial Statements

綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Employee Benefits

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

僱員福利

退休福利成本

界定供款的退休福利計劃供款於僱員提供服務而有權獲得供款時確認為開支。

短期及其他長期僱員福利

短期僱員福利於僱員提供服務時於預期支付的未折現福利金額中確認。除非有另一香港財務報告準則規定或准許短期僱員福利包含於資產成本福利內，否則所有短期僱員福利均確認為開支。

僱員應計福利(例如工資和薪金以及年假)於扣減任何已付金額後確認為負債。

就其他長期僱員福利確認的負債按本集團就僱員直至報告日期所提供服務預計將作出的估計未來現金流出的現值計量。因服務成本、利息及重新計量而引致的負債賬面值的任何變動均於損益中確認，除非另有香港財務報告準則要求或允許將其計入資產成本，則另作別論。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Share-based payments

Equity-settled share-based payment transactions

Shares granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

For shares of the Company granted under The Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme (“**Restricted Shares**”), the fair value of the employee services received is determined by reference to the fair value of the Restricted Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award scheme reserve). At the end of each reporting period, the Group revises its estimates of the number of Restricted Shares that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognised in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share award scheme reserve.

When the Restricted Shares are vested, the difference of the amount previously recognised in the share award scheme reserve and the cost of the related Restricted Shares previously acquired by the Group will be transferred to retained profits. When the Restricted Shares are forfeited before the vesting date or are still not vested at the expiry date, the amount of previously recognised in the share award scheme reserve will be transferred to profit or loss.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

以股份為基礎之付款

以權益結算股份支付的交易

授予僱員的股份

向僱員及其他提供類似服務的人士作出的以權益結算股份為基礎之付款乃按權益工具於授予日期的公允值計量。

有關舜宇光學科技(集團)有限公司限制性股份獎勵計劃項下授出的本公司股份(「**限制性股份**」)，釐定來自僱員服務的公允值乃參照所授出限制性股份於授出日期的公允值。該公允值以直線法於歸屬期支銷，並相應增加權益(股份獎勵計劃儲備)。於各報告期末，本集團根據對所有有關非市場歸屬狀況的評估重訂對限制性股份於歸屬時的預期股數所作的估計。重訂估計的任何影響(如有)乃於損益中確認，故此，累計開支反映重訂估計，並相應調整股份獎勵計劃儲備。

當限制性股份歸屬時，先前於股份獎勵計劃儲備確認的金額與本集團先前所收購限制性股份成本之間的差額將轉撥至保留盈利。當限制性股份於歸屬日期前失效或於到期日仍未歸屬，則先前於股份獎勵計劃儲備中確認的金額將轉至損益。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary difference. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

稅項

所得稅開支指即期與遞延所得稅開支的總和。

即期應付稅項根據本年度應課稅溢利計算。應課稅溢利與除稅前溢利不同，此乃因其他年度的應課稅或可扣稅收支項目，以及毋須課稅或不可扣稅項目所致。本集團的即期稅項負債根據截至報告期末已頒佈或實質頒佈的稅率計算。

遞延稅項按綜合財務報表中資產及負債賬面值與計算應課稅溢利所採用相應稅基之暫時差額確認。遞延稅項負債一般就所有應課稅暫時差額確認入賬。遞延稅項資產一般就所有可扣稅暫時差額確認入賬，惟可能有應課稅溢利用於對銷可扣稅暫時差額。若於一項交易中，因初次確認資產及負債（業務合併除外）而引致之暫時差額既不影響應課稅溢利亦不影響會計溢利且於交易時不會產生相等的應課稅及可扣減暫時差額，則不會確認該等遞延稅項資產及負債。此外，倘初步確認商譽產生暫時差額，遞延稅項負債不會確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

稅項(續)

遞延稅項負債乃就於附屬公司及聯營公司之投資所產生應課稅暫時差額進行確認，惟倘本集團能控制暫時差額之撥回，且暫時差額可能不會於可見將來撥回之情況則除外。因有關該等投資的可扣減暫時差額而產生的遞延稅項資產僅在可能產生足夠應課稅溢利以使用暫時差額利益並預期能夠在可見將來撥回時確認。

遞延稅項資產的賬面值於各報告期末進行審閱，並會削減至不再可能有足夠應課稅溢利用於收回全部或部分相關資產為止。

遞延稅項資產及負債按償還負債或變現資產的期間內預期適用之稅率，根據報告期末已頒佈或實質頒佈的稅率(及稅法)計算。

遞延稅項負債及資產之計量反映按照本集團所預期方式於報告期末可收回或結算其資產及負債賬面值將出現之稅務後果。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

For the purpose of measuring deferred tax of leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirement to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

稅項(續)

就計量本集團確認使用權資產及相關租賃負債的租賃交易中的遞延稅項而言，本集團首次釐定稅項扣減歸因於使用權資產或租賃負債。

就當中具有租賃負債所產生之稅項扣減的租賃交易而言，本集團對租賃負債及有關資產分別應用香港會計準則第12號之規定。本集團就所有應課稅暫時差額確認與租賃負債有關的遞延稅項資產(以可能有應課稅溢利可用於抵銷可抵扣暫時差額為限)及遞延稅項負債。

當有合法可強制執行權利將與同一稅務機關向同一納稅實體徵收之所得稅有關的即期稅項資產與即期稅項負債抵銷，則遞延稅項資產及負債可互相對銷。

即期及遞延稅項於損益確認，惟當其與在其他全面收益中確認或直接於權益中確認之項目相關，則即期及遞延稅項亦分別於其他全面收益或直接於權益中確認。倘因業務合併之初步會計方法而產生即期或遞延稅項，有關稅務影響會計入業務合併之會計方法內。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

物業、機器及設備

物業、機器及設備指持作生產或供應貨品或服務或作行政用途(在建工程除外)的有形資產,乃按成本減其後累計折舊及後續累計減值虧損(倘有)於綜合財務狀況表中列賬。

用於生產、供應或作行政用途的在建物業以成本減任何已確認的減值虧損列賬。成本包括導致資產處於對於以管理層擬定之方式營運屬必要的情形及條件而直接產生的任何成本(包括測試相關資產是否正常運行之成本)及(對合資格資產而言)根據本集團會計政策資本化的借款成本。該等資產按與其他物業資產相同之方式,於資產可作擬定用途時開始折舊。

當本集團就包括租賃土地及樓宇部分之物業的所有權作出付款時,租賃土地及樓宇部分的全部代價將以初步確認時的相對公允值的比例分配。倘可合理作出相關款項分配,租賃土地權益於綜合財務狀況表中呈列作「使用權資產」。倘非租賃樓宇部分與相關租賃土地的未拆分利息間的代價無法合理分配,全部物業均被分類為物業、機器及設備。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of items of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

物業、機器及設備(續)

資產項目(在建工程除外)以直線法於其估計可使用年期內經扣除剩餘價值後確認折舊以撇銷成本。估計可使用年期、剩餘價值和折舊方法會在各報告期末覆核，而估計的任何變動影響按預期基準列賬。

物業、機器及設備項目於出售後或預計持續使用該資產不會於日後產生經濟利益時取消確認。因出售或報廢物業、機器及設備項目所產生的任何收益或虧損乃釐定為出售所得款項與資產賬面值之間的差額，並於損益中確認。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

投資物業

投資物業乃持作賺取租金及／或資本增值之物業。

投資物業初步按成本(包括任何直接應佔開支)計量。於初始確認後，投資物業按成本減其後累計折舊及任何累計減值虧損列賬。按直線法在投資物業的估計使用年期內且經計及預計殘值後確認折舊，以抵銷投資物業的成本。

投資物業在處置或永久不再使用後且預期處置不會產生未來經濟利益時終止確認。終止確認物業所產生的任何收益或損失(按照資產處置所得款項淨額與賬面值之間的差額計算)在該物業終止確認期間計入損益。

無形資產

分開收購的無形資產

單獨收購的可使用年期有限的無形資產，按成本減累計攤銷及任何累計減值虧損入賬。可使用年期有限的無形資產攤銷於估計可使用年期按直線法確認。估計可使用年期及攤銷方法於各報告期末予以審核，任何估計變動的影響按預期基準入賬。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

無形資產(續)

內部產生無形資產 – 研發開支

研究活動開支於所產生期間確認為開支。

當且僅當出現所有下列情況時，開發活動(或內部項目的開發期)所產生的內部無形資產方予以確認：

- 完成無形資產以使該無形資產可供使用或出售的技術可行性；
- 完成無形資產及使用或出售該無形資產的意向；
- 使用或出售無形資產的能力；
- 無形資產如何產生可能的未來經濟利益；
- 有足夠的技術、財務及其他資源可用於完成開發及使用或出售無形資產；及
- 可靠計量無形資產於開發期間應佔開支的能力。

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditures (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

無形資產(續)

內部產生無形資產 – 研發開支(續)

就內部產生的無形資產所初步確認的金額為該無形資產自首度符合上述確認標準之日起已產生的開支總額。倘無內部產生的無形資產可予確認，則開發費用在其產生期間於損益確認。

於首次確認後，內部產生的無形資產按成本減累計攤銷及累計減值虧損(如有)呈報，與單獨收購的無形資產列賬方式相同。

於業務合併中購入的無形資產

業務合併中所購無形資產與商譽分開確認並於收購日期按公允值初步確認(被視為其成本)。

初步確認後，業務合併中具有有限使用年期的所購無形資產按成本減累計攤銷及任何累計減值虧損呈列，該基準與單獨購入的無形資產一致。

無形資產於出售時或當動用或出售預期不會帶來未來經濟利益時終止確認。無形資產終止確認(按出售所得款項淨額與資產賬面值間的差額計量)產生的收益及虧損於資產終止確認時於損益中確認。

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Impairment on tangible, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

有形資產、使用權資產及無形資產(商譽除外)減值

於各報告期末，本集團檢討其具有有限可使用年期的有形資產、使用權資產及無形資產的賬面值，以釐定是否有任何跡象顯示該等資產已蒙受減值虧損。倘存在任何該等跡象，則估計該等資產的可收回金額以釐定減值虧損程度(如有)。

有形資產、使用權資產及無形資產之可收回款項乃獨立作出評估。倘無法單獨估計可收回金額，本集團將估計該資產所屬現金產生單位之可收回金額。

於測試現金產生單位的減值時，倘可設立合理及一致的分配基準，則企業資產分配至相關現金產生單位，否則分配至可設立合理及一致分配基準的最小現金產生單位組別。可收回金額按企業資產所屬現金產生單位或現金產生單位組別釐定，並與相關現金產生單位或現金產生單位組別的賬面值相比較。

可收回金額為公允值減出售成本與使用價值兩者中之較高值。於評估使用價值時，乃以反映目前市場對金錢時間價值及資產(或現金產生單位)於估計未來現金流量調整前之獨有風險之稅前折算率折算估計未來現金流量至其現值。

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Impairment on tangible, right-of-use assets and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

有形資產、使用權資產及無形資產(商譽除外)減值(續)

倘若資產(或現金產生單位)的估計可收回金額低於其賬面值,則資產(或現金產生單位)的賬面值將調低至其可收回金額。對於企業資產或無法按合理一致基準分配至現金產生單位的部分企業資產,本集團將現金產生單位組別的賬面值(包括企業資產或已分配至該現金產生單位組別的部分企業資產之賬面值)與現金產生單位組別的可收回金額進行比較。於分配減值虧損時,減值虧損首先分配以減少商譽的賬面值(倘適用),然後根據單位中或現金產生單位組別中每項資產的賬面值按比例分配至其他資產。資產的賬面值不會減少至低於其公允值減出售成本(如可計量)、其使用價值(如可釐定)及零(以較高值為準)。分配至資產的減值虧損款額按比例分配至單位中或現金產生單位組別中的其他資產。減值虧損即時於損益中確認。

倘減值虧損於其後撥回,則該項資產(或現金產生單位或現金產生單位組別)之賬面值會增加至其經修訂之估計可收回金額,惟增加後之賬面值不得超出假設過往年度並無就該項資產(或現金產生單位或現金產生單位組別)確認減值虧損原應釐定之賬面值。減值虧損撥回即時於損益中確認。

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

現金及現金等值項目

現金及現金等價物於綜合財務狀況表呈列，包括：

- (a) 現金，其包括手頭現金及活期存款，不包括受監管限制而導致有關結餘不再符合現金定義的銀行結餘；及
- (b) 現金等值項目，其包括短期（通常原到期日為三個月或更短）、可隨時轉換為已知數額現金且價值變動風險不大的高流動性投資。現金等值項目持作滿足短期現金承擔，而非用於投資或其他目的。

就綜合現金流量表而言，現金及現金等值項目包括上文定義的現金及現金等值項目。

存貨

存貨按成本及可變現淨值的較低者列賬。存貨成本按加權平均法釐定。可變現淨值指存貨估計售價減直至完工的全部估計成本及銷售活動所需成本。銷售活動所需成本包括銷售活動直接產生的增量成本及集團銷售活動必須產生的非增量成本。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具

當集團實體成為工具合約條文的訂約方時，金融資產及金融負債方獲確認。所有以正規途徑買賣之金融資產乃按交易日期基準確認及取消確認。正規途徑買賣乃要求於市場法規或慣例所確定之時間框架內交付資產之金融資產買賣。

金融資產及金融負債初步按公允值計量，惟根據香港財務報告準則第15號初步計量的與客戶合約產生的貿易應收款項除外。交易成本直接歸屬於收購或發行金融資產及金融負債(按公允值計入損益的金融資產或金融負債除外)，在初始確認時適當地計入或自金融資產或金融負債的公允值中扣除。直接歸屬於收購按公允值計入損益的金融資產或金融負債的交易成本，即時於損益中確認。

實際利率法為計算金融資產或金融負債的攤銷成本以及於相關期間內分配利息收入及利息支出的方法。實際利率指在金融資產或金融負債的預計年期內或(如適用)較短期間內準確折算估計未來現金收入及支出(包括構成實際利率整體部分的所有已付或已收的費用及點數、交易成本及其他溢價或折扣)至初步確認時的賬面淨值的利率。

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產

金融資產的分類和其後計量

滿足以下條件其後按攤銷成本計量的金融資產：

- 以收取合約現金流量為目的之經營模式下持有之金融資產；及
- 金融資產之合約條款於指定日期產生之現金流量純粹為支付本金及未償還本金之利息。

滿足以下條件其後按公允值計入其他全面收益的金融資產：

- 以出售及收取合約現金流量為目的之經營模式下持有之金融資產；及
- 金融資產之合約條款於指定日期產生之現金流量純粹為支付本金及未償還本金之利息。

所有其他金融資產其後按公允值計入損益計量，惟在初步確認金融資產當日，倘該股權投資並非持作買賣，亦非收購方於香港財務報告準則第3號業務合併適用的業務合併中確認的或然代價，則本集團可不可撤銷地選擇於其他全面收益中呈列股權投資之公允值之其後變動。

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

金融資產的分類和其後計量(續)

倘若出現下列情況，則金融資產將持作買賣：

- 產生之主要目的為於不久將來出售而購回；或
- 於初步確認時，其為本集團聯合管理之已識別金融工具組合之一部分，而近期實際具備短期獲利之模式；或
- 其為不指定及有效作為對沖工具之衍生工具。

此外，倘如此可消除或大幅減少會計錯配，則本集團可不可撤銷地指定符合按攤銷成本或按公允值計入其他全面收益計量的金融資產按以公允值計入損益計量。

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

金融資產的分類和其後計量(續)

(i) 攤銷成本及利息收入

其後按攤銷成本計量的金融資產及其後按公允值計入其他全面收益計量的應收款項的利息收入採用實際利率法確認。利息收入按對金融資產的總賬面值應用實際利率的方式計算，惟其後出現信貸減值的金融資產除外。有關其後出現信貸減值的金融資產，利息收入按照應用於該金融資產下一報告期的攤銷成本採用實際利率進行確認。倘信貸減值金融工具的信貸風險得以改善，使金融資產不再出現信貸減值，則利息收入將透過於確定資產不再出現信貸減值後的報告期間開始起對金融資產賬面總值應用實際利率確認。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

金融資產的分類和其後計量(續)

(ii) 分類為按公允值計入其他全面收益的應收款項

分類為按公允值計入其他全面收益的應收款項賬面值因使用實際利率法計算的利息收入而出現的其後變動於損益中確認。該等應收款項賬面值的所有其他變動於其他全面收益確認，並於按公允值計入其他全面收益列賬的儲備項下累計。減值撥備於損益中確認，並在不減少該等應收款項賬面值的情況下對其他全面收益作出相應調整。當該等應收款項終止確認時，先前於其他全面收益中確認的累計盈虧重新分類至損益。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

金融資產的分類和其後計量(續)

(iii) 指定按公允值計入其他全面收益的權益工具

按公允值計入其他全面收益之權益工具的投資其後按公允值計量，其公允值變動產生的收益及虧損於其他全面收益確認及於按公允值計入其他全面收益列賬的儲備累計；無須作減值評估。累計損益將不重新分類至出售股權投資之損益，並將轉移至保留盈利。

當本集團有權收取股息時，該等來自於權益工具投資的股息於損益中確認，除非確定該等股息為收回部分投資成本。股息於損益中計入「其他收益」項目中。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

金融資產的分類和其後計量(續)

(iv) 按公允值計入損益的金融資產

金融資產如不符合按攤銷成本計量或按公允值計入其他全面收益計量或指定為按公允值計入其他全面收益的條件，則按公允值計入損益的方式計量。

在各報告期末，按公允值計入損益的金融資產按公允值計量，而任何公允值收益或虧損則於損益中確認。於損益確認的收益或虧損淨額不包括金融資產賺取的任何股息或利息及計入「其他收益及虧損」項目下。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“**ECL**”) model on financial assets (including trade and other receivables, loan receivables, receivables at FVTOCI, amounts due from related parties, pledged bank deposits, time deposits, short term fixed deposits and cash at banks) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

須根據香港財務報告準則第9號進行減值評估的金融資產之減值

根據香港財務報告準則第9號，本集團以預期信貸虧損(「**預期信貸虧損**」)模型對金融資產(包括貿易及其他應收款項、應收貸款、按公允值計入其他全面收益的應收款項、應收關連人士款項、已抵押銀行存款、定期存款、短期定期存款及銀行現金)進行減值評估。預期信貸虧損金額於各報告日期更新，以反映自初始確認以來的信貸風險變動。

全期預期信貸虧損指於相關工具預期壽命內發生所有可能的違約事件而導致的預期信貸虧損。相比之下，12個月預期信貸虧損(「**12個月預期信貸虧損**」)則指預期於報告日期後12個月內可能發生的違約事件而導致的部分全期預期信貸虧損。預期信貸虧損根據本集團過往信貸虧損經驗進行評估，並根據債務人的特定因素、總體經濟狀況及於報告日期對當前狀況和未來狀況預測的評估而作出調整。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors credit-impaired and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

須根據香港財務報告準則第9號進行減值評估的金融資產之減值(續)

本集團始終就貿易應收款項確認全期預期信貸虧損。該等資產的預期信貸虧損乃對已發生信貸減值的債務人個別計提及／或採用撥備矩陣對合適組別進行整體評估。

對於所有其他工具，本集團以相等於12個月預期信貸虧損計量虧損撥備，除非自初步確認以來信貸風險已大幅上升，在該情況下，本集團確認全期預期信貸虧損。有關應否確認全期預期信貸虧損的評估乃基於自初步確認以來違約的可能性或風險大幅上升。

(i) 信貸風險大幅上升

於評估信貸風險自初步確認以來有否大幅上升時，本集團比較於報告日期的金融工具違約風險及初步確認日期的金融工具違約風險。作出評估時，本集團考慮合理且有可靠資料證明的定量和定性資料，包括過往經驗及無需付出過多成本或工作下可獲取的前瞻性資料。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

須根據香港財務報告準則第9號進行減值評估的金融資產之減值(續)

(i) 信貸風險大幅上升(續)

尤其，於評估信貸風險有否大幅上升時，將考慮以下資料：

- 金融工具的實際或預期外部(如有)或內部信貸評級大幅下降；
- 外部市場信貸風險指標大幅下降(例如信貸息差(即債務人信貸違約掉期價格)大幅上升)；
- 預期現行或預測業務、金融或經濟狀況的不利變化導致債務人履行債務責任的能力大幅下降；
- 債務人的實際或預期營運業績大幅下降；
- 債務人法規上、經濟上或技術環境上的實際或預期重大不利變化導致債務人履行債務責任的能力大幅下降。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

須根據香港財務報告準則第9號進行減值評估的金融資產之減值(續)

(i) 信貸風險大幅上升(續)

不論上述評估結果如何，當合約款項逾期超30天時，本集團假設信貸風險自初步確認以來大幅上升，除非本集團有合理及有可靠資料證明情況並非如此。

儘管有上述規定，倘債務工具於報告日期釐定為低信貸風險，本集團假定該債務工具信貸風險自初步確認以來並無大幅上升。一項債務工具倘i)其違約風險低；ii)借款人有很強的能力在近期內履行其合約現金流量責任；及iii)經濟及業務狀況在較長時間內發生不利變化，(但非必然會)減低借款人履行其合約現金流量責任的能力，則將被釐定為低信貸風險。倘一項債務工具的內部或外部信貸評級為「投資評級」(根據全球理解的定義)，本集團認為其信貸風險為低。

本集團定期監察用以識別信貸風險有否大幅上升的標準的成效，並且適時作出修訂，以確保該標準能夠於有關款額逾期前識別信貸風險大幅上升。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

須根據香港財務報告準則第9號進行減值評估的金融資產之減值(續)

(ii) 違約的定義

就內部信貸風險管理而言，本集團認為違約乃於內部建立或外部來源獲取的資料顯示債務人不大可能向債權人(包括本集團)全額結清欠款時發生(並無考慮任何本集團持有的抵押品)。

不論上述情況如何，當金融資產逾期超過90天時，本集團即認為已發生違約，除非本集團有合理及可靠資料證明應採用更寬鬆的違約標準。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. 綜合財務報表之編製基準及重大會計政策資料 (續)

3.2 重大會計政策資料 (續)

金融工具 (續)

金融資產 (續)

須根據香港財務報告準則第9號進行減值評估的金融資產之減值 (續)

(iii) 信貸減值的金融資產

當一件或多件對一項金融資產估計未來現金流量產生不利影響的事件發生時，該金融資產則出現信貸減值。金融資產出現信貸減值的證據包括有關以下事項的可觀察數據：

- (a) 發行人或借款人出現重大財政困難；
- (b) 不履行債務或逾期支付等違約行為；
- (c) 借款人的貸款人因有關借款人財務困難的經濟或合約原因，給予借款人在一般情況下不會考慮的優惠安排；或
- (d) 借款人可能破產或面臨財務重組。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

須根據香港財務報告準則第9號進行減值評估的金融資產之減值(續)

(iv) 撇銷政策

倘有資料顯示交易對手處於嚴重財務困難及無實際期望可收回欠款，本集團則撇銷該金融資產(例如於交易對手被清盤或進入破產程序時)。金融資產撇銷仍受限於本集團收回欠款程序下的執行活動，且在適當情況下將參考法律意見。撇銷構成一項終止確認事項，任何其後收回的欠款於損益內確認。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

須根據香港財務報告準則第9號進行減值評估的金融資產之減值(續)

(v) 預期信貸虧損的計量及確認

預期信貸虧損計量是違約可能性、違約損失率(即發生違約時的損失程度)及違約風險的函數。違約可能性及違約損失率的評定乃基於經調整歷史數據及前瞻性資料。預期信貸虧損的估算乃無偏頗及概率加權的數額，其按相應違約風險的權重釐定。本集團經考慮過往信貸虧損經驗後使用撥備矩陣並採用實際權益法估計貿易應收款項的預期信貸虧損，並按無需花費不必要成本或精力可取得的前瞻性資料調整。

一般而言，預期信貸虧損為根據合約應付本集團的所有合約現金流量與本集團預期將收取的現金流量之間的差額，並按初步確認時釐定的實際利率貼現。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Lifetime ECL for certain trade receivables is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

須根據香港財務報告準則第9號進行減值評估的金融資產之減值(續)

(v) 預期信貸虧損的計量及確認(續)

若干貿易應收款項的全期預期信貸虧損經考慮過往逾期資料及前瞻性宏觀經濟資料等相關信貸資料按集體基準考慮。

就集體評估而言，本集團訂立組別時考慮以下特徵：

- 逾期情況；
- 債務人的性質、規模和行業；及
- 外部信貸評級(如有)。

管理層定期檢討分組方法，以確保每個分組的組成部分繼續具有類似的信貸風險特徵。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

須根據香港財務報告準則第9號進行減值評估的金融資產之減值(續)

(v) 預期信貸虧損的計量及確認(續)

利息收入基於金融資產的總賬面值計算，除非該金融資產出現信貸減值，在此情況下，利息收入根據金融資產的攤銷成本計算。

除按公允值計入其他全面收益計量的應收款項外，本集團透過調整所有金融工具的賬面值於損益確認該等金融工具的減值收益或虧損，惟透過虧損撥備賬確認相關調整的貿易及其他應收款項例外。就按公允值計入其他全面收益計量的應收款項而言，虧損撥備於其他全面收益中確認，並在不減少該等應收款項賬面值的情況下，按公允值計入其他全面收益列賬的儲備累計。該金額代表與累計虧損撥備有關的按公允值計入其他全面收益列賬的儲備之變動。

Notes to the Consolidated Financial Statements

綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (Note 7b) as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the gain/(loss) on changes in fair value of derivative financial instruments (Note 7b);
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in FVTOCI reserve.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

匯兌收益及虧損

以外幣計值金融資產的賬面值以相關外幣釐定，並於各報告期末按即期匯率換算。特別是：

- 就並非為指定對沖關係一部分之按攤銷成本計量的金融資產而言，匯兌差額於損益中「其他收益及虧損」項目中確認(附註7b)為外匯收益／(虧損)淨額的一部分；
- 就並非為指定對沖關係一部分之按公允值計入損益的金融資產而言，匯兌差額於損益中「其他收益及虧損」項目中確認為衍生金融工具公允值變動的收益／(虧損)(附註7b)；
- 就按公允值計入其他全面收益計量的權益工具而言，匯兌差額於按公允值計入其他全面收益的儲備內其他全面收益中確認。

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綜合財務報表附註

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3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of the receivables that are measured at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融資產(續)

終止確認金融資產

本集團僅於資產產生的現金流量的合約權利到期時，或於其金融資產及實質上其所有權的所有風險與回報轉移至其他實體時終止確認金融資產。倘本集團並未轉讓且未保留實質上擁有權的所有風險與回報，並繼續控制已轉讓資產，本集團確認其於資產的保留權益以及其可能需要支付的相關負債金額。倘本集團保留已轉讓金融資產擁有權的所有風險與回報，則本集團繼續確認金融資產，亦就已收所得款項確認已抵押借貸。

於終止確認按攤銷成本計量的金融資產時，資產賬面值與已收及應收代價總額間的差額於損益中確認。

於終止確認按公允值計入其他全面收益計量的應收款項時，先前於按公允值計入其他全面收益列賬中的累計盈虧重新分類至損益。

於終止確認本集團在初始確認時選擇按公允值計入其他全面收益計量的權益工具投資時，先前於按公允值計入其他全面收益中的累計收益或虧損不會重新分類至損益，而是轉移至保留盈利。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issued costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融負債及權益

分類為負債或權益

債務及權益工具按合約安排的實質內容以及金融負債及權益工具的定義而分類為金融負債和權益工具。

權益工具

權益工具乃證明於扣減所有負債後於實體的資產中擁有剩餘權益的任何合同。本公司所發行的權益工具乃按所收取的款項扣減直接發行成本後的淨額確認。

回購本公司自有的權益工具會直接於權益中確認及扣減。購入、出售、發行或註銷本公司自有的權益工具概不會於損益中確認收益或虧損。

金融負債

所有金融負債均採用實際利率法按攤銷成本或按公允值計入損益進行後續計量。

按公允值計入損益的金融負債

當金融負債為(i)於香港財務報告準則第3號適用的業務合併中收購方支付的或然代價；(ii)持作買賣；或(iii)指定為按公允值計入損益時，會分類為按公允值計入損益的金融負債。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade and other payables, amounts due to related parties, bank borrowings, long term payables and bonds payable, are subsequently measured at amortised cost, using the effective interest method.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融負債及權益(續)

按公允值計入損益的金融負債(續)

倘若出現下列情況，則金融負債將持作買賣：

- 購入之主要目的為於不久將來購回；或
- 於初步確認時，其為本集團聯合管理之已識別金融工具組合之一部分，而近期實際具備短期獲利之模式；或
- 其為衍生工具（作為金融擔保合約或指定及實際對沖工具之衍生工具除外）。

按攤銷成本計量的金融負債

按攤銷成本計量的金融負債（包括貿易及其他應付款項、應付關連人士款項、銀行借貸、長期應付款項及應付債券）其後採用實際利率法按攤銷成本計量。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (Note 7b) as part of net foreign exchange gains (losses) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

金融負債及權益(續)

外匯收益及虧損

就以外幣計值及於各報告期末按攤銷成本計量的金融負債而言，匯兌收益及虧損根據該等金融工具的攤銷成本釐定。就不構成指定對沖關係一部分的金融負債而言，匯兌收益及虧損於損益中「其他收益及虧損」項目(附註7b)內確認為外匯收益(虧損)淨額的一部分。

以外幣計值的金融負債的公允值以該外幣釐定並以報告期末的即期匯率換算。就按公允值計入損益計量的金融負債而言，外匯部分構成公允值收益或虧損的一部分，並就不構成指定對沖關係一部分的金融負債於損益中確認。

終止確認金融負債

本集團於(及僅於)本集團的責任獲解除、註銷或已屆滿時終止確認金融負債。終止確認的金融負債賬面值與已付及應付代價之差額於損益中確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. 綜合財務報表之編製基準及重大會計政策資料(續)

3.2 重大會計政策資料(續)

金融工具(續)

衍生金融工具

衍生工具於衍生合約訂立日期初步按公允值確認，並於其後於報告期末重新計量至其公允值。所產生的收益或虧損即時於損益中確認。

倘衍生工具的剩餘到期日超過12個月，且不會於12個月內到期變現或結算，則將其列為非流動資產或非流動負債。其他衍生工具以流動資產或流動負債呈列。

4. 估計不確定因素的主要來源

於應用附註3所述本集團之會計政策時，本公司董事須就未能於其他來源取得之資產及負債賬面值作出判斷、估計及假設。該等估計及有關假設乃根據過往經驗及被視為相關之其他因素而作出。實際結果或有別於該等估計。

估計及相關假設將受到持續檢討。倘會計估計修訂只影響該期間，則有關會計估計的修訂會在修訂估計期間確認，或倘有關修訂同時影響當前及未來期間，則有關修訂會在修訂期間及未來期間確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables which are not credit-impaired. The provision matrix is based on debtor's aging as groupings of various debtors that have similar loss patterns. The provision rate is based on the Group's historical observed default rates taking into consideration the forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables which are credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 37(b) and Note 25 respectively.

Assessment of the finite useful lives of intangible assets

The Group estimates the useful lives of intangible assets based on the expected lifespan of those patents. The intangible assets are amortised on a straight-line basis over the estimated useful lives after taking into account the estimated residual value, if any. The Group determines the estimated useful lives of intangible assets on initial recognition in order to determine the amount of amortisation expense to be recorded during any reporting period. The useful lives are determined taking into the factors including the prevailing industry condition and the practice of intangible assets. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates. As at 31 December 2023, the carrying amount of intangible assets with finite useful lives is RMB194,505,000 (31 December 2022: RMB250,715,000) as disclosed in Note 18.

4. 估計不確定因素的主要來源 (續)

以下為於報告期末很可能導致下一個財政年度資產及負債賬面值出現重大調整的有關將來之主要假設及其他估計不確定因素的主要來源。

貿易應收款項的預期信貸虧損撥備

本集團使用撥備矩陣以計算並無出現信貸減值的貿易應收款項的預期信貸虧損。撥備矩陣乃基於債務人的賬齡將具有相似虧損模式的各債務人分組。撥備率乃基於本集團過往觀察的逾期率，並考慮無需付出過多成本或工作即可取的合理及可支持的前瞻性資料。於每個報告日期，過往觀察的違約率會重新評估，並會考慮前瞻性資料的變動。此外，出現信貸減值的貿易應收款項的預期信貸虧損將獨立地評估。

預期信貸虧損撥備對估算變動敏感。有關預期信貸虧損及本集團貿易應收款項的資料分別於附註37(b)及附註25披露。

無形資產之有限可使用年期的評估

本集團根據有關專利的預期使用年限來估計無形資產的可使用年期。無形資產乃經計及預計殘值(如有)後，於其估計可使用年期內按直線法攤銷。本集團會於初步確認時釐定無形資產的估計可使用年期，以釐定於任何報告期內所須記錄的攤銷開支金額。可使用年期乃經計及無形資產的當前行業狀況及慣例等因素後釐定。倘以往估計出現重大變動，則將對未來期間的攤銷開支作出調整。如附註18所披露，於二零二三年十二月三十一日，具有有限可使用年期之無形資產的賬面值為人民幣194,505,000元(二零二二年十二月三十一日：人民幣250,715,000元)。

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4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Fair value measurement of financial instruments

As at 31 December 2023, certain of the Group's financial instruments, including unlisted equity instruments amounting to RMB31,853,000 (2022: unlisted equity instruments amounting to RMB187,678,000) and foreign currency options contracts amounting to RMB5,206,000 (2022: RMB17,147,000) are measured at Level 3 fair values. In estimating the fair value, the Group uses market-observable data to the extent it is available. When market observable data are not available, the Group uses valuation techniques that include inputs that are not based on market-observable data to estimate the fair value of certain types of financial instruments. Note 37(c) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various financial assets and financial liabilities.

Recognition of deferred tax assets

As at 31 December 2023, a deferred tax asset of approximately RMB285,890,000 (2022: RMB232,649,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the Group's consolidated statement of financial position as disclosed in Note 20. No deferred tax asset has been recognised on the tax losses of RMB4,449,883,000 (2022: RMB3,215,697,000) either due to the unpredictability of future profit streams or because it is not probable that the unused tax losses will be available for utilisation before their expiry. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

4. 估計不確定因素的主要來源 (續)

金融工具公允價值計量

於二零二三年十二月三十一日，若干本集團的金融工具，包括非上市權益工具人民幣31,853,000元（二零二二年：非上市權益工具人民幣187,678,000元）及外匯期權合約人民幣5,206,000元（二零二二年：人民幣17,147,000元）乃按第三級公允價值計量。估算公允價值時，本集團在可用範圍內採用市場可觀察數據。倘市場可觀察數據無法獲得，本集團使用估值技術（包括並非根據市場可觀察數據的輸入數據）估計若干類型金融工具之公允價值。附註37(c)載有有關釐定各項金融資產及金融負債公允價值所使用的估值技術、輸入數據及主要假設之詳情。

確認遞延稅項資產

如附註20所披露，於二零二三年十二月三十一日，就若干營運附屬公司的未使用稅項虧損而言，已於本集團綜合財務狀況表內確認遞延稅項資產約人民幣285,890,000元（二零二二年：人民幣232,649,000元）。因未來溢利流不可預測或不可能在其屆滿前有可動用的未動用稅項虧損，概無就稅項虧損人民幣4,449,883,000元（二零二二年：人民幣3,215,697,000元）確認遞延稅項資產。遞延稅項資產是否可變現取決於日後是否會有足夠的未來溢利或可課稅暫時差額。倘日後實際產生的可扣稅溢利低於或超過預期，或導致對未來可扣稅溢利估計進行修訂的事實及情況發生改變，則可能導致遞延稅項資產出現重大撥回或未來確認，其將於該撥回或未來確認發生期間於損益中確認。

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5. REVENUE

5. 收入

(i) Disaggregation of revenue from contracts with customers

(i) 客戶合約收入的細分

	For the year ended 31 December 2023 截至二零二三年十二月三十一日止年度		
	Optical Components 光學零件 RMB'000 人民幣千元	Optoelectronic Products 光電產品 RMB'000 人民幣千元	Optical Instruments 光學儀器 RMB'000 人民幣千元
Types of goods 貨品種類			
Sales of optical and related components 光學及相關零件銷售	9,555,109	21,599,398	526,754
Total 總額	9,555,109	21,599,398	526,754
Geographical markets 地區市場			
China 中國	4,760,143	16,326,813	387,034
Asia (except China) 亞洲(中國除外)	2,453,263	4,702,568	56,869
Europe 歐洲	1,462,543	12,632	34,967
North America 北美洲	803,280	241,000	44,519
Others 其他	75,880	316,385	3,365
Total 總額	9,555,109	21,599,398	526,754
Timing of revenue recognition 確認收入的時間			
At a point in time 時點確認	9,555,109	21,599,398	526,754

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FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

5. REVENUE (Continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

	For the year ended 31 December 2022 截至二零二二年十二月三十一日止年度		
	Optical Components 光學零件 RMB'000 人民幣千元	Optoelectronic Products 光電產品 RMB'000 人民幣千元	Optical Instruments 光學儀器 RMB'000 人民幣千元
Types of goods 貨品種類			
Sales of optical and related components 光學及相關零件銷售	9,467,578	23,325,866	403,493
Total 總額	9,467,578	23,325,866	403,493
Geographical markets 地區市場			
China 中國	4,745,901	17,306,501	247,661
Asia (except China) 亞洲(中國除外)	2,658,514	5,657,424	48,361
Europe 歐洲	1,237,555	6,450	45,730
North America 北美洲	780,872	98,904	59,510
Others 其他	44,736	256,587	2,231
Total 總額	9,467,578	23,325,866	403,493
Timing of revenue recognition 確認收入的時間			
At a point in time 時點確認	9,467,578	23,325,866	403,493

(ii) Performance obligations for contracts with customers and revenue recognition policies

The Group sells optical and optical-related products directly to customers. For sales of optical components, optoelectronic products and optical instruments, revenue is recognised when control of the goods has transferred, being when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products. The credit term granted to customers is average 90 days. The transaction price received by the Group is recognised as a contract liability for sales in which revenue has yet been recognised.

5. 收入(續)

(i) 客戶合約收入的細分(續)

(ii) 客戶合約的履約責任及收入確認政策

本集團直接向客戶銷售光學及光學相關產品。就光學零件、光電產品和光學儀器的銷售而言，收入於貨品的控制權轉移時，即取得客戶接受時確認，即客戶能夠控制貨品的使用及實質取得此等貨品的所有剩餘利益的時間點。授予客戶的信貸期平均為90天。本集團收取的尚未確認收入的銷售的交易價款，乃確認為合約負債。

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5. REVENUE (Continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group's contracts have an original expected duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations is not disclosed.

6. OPERATING SEGMENTS

Information reported to the board of directors, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered because the board of directors has chosen to organise the Group among different major products. No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating segments under HKFRS 8 *Operating Segments* are as follows:

1. Optical Components
2. Optoelectronic Products
3. Optical Instruments

5. 收入 (續)

(iii) 分配至客戶合約剩餘履約責任的交易價格

本集團合約的初始預期期限為一年或更短，如香港財務報告準則第15號所允許，不披露分配予剩餘履約責任的交易價格。

6. 營運分部

就資源分配及分部表現評估向董事會（即主要營運決策者（「主要營運決策者」））所呈報的資料側重於交付產品之類型，因為董事會已選擇按不同主要產品組織本集團。於達致本集團的可報告分部時，主要營運決策者所得出的營運分部概無經合計。

具體而言，根據香港財務報告準則第8號營運分部，本集團營運分部如下所示：

1. 光學零件
2. 光電產品
3. 光學儀器

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FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

6. OPERATING SEGMENTS (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31 December 2023

	Optical Components 光學零件 RMB'000 人民幣千元	Optoelectronic Products 光電產品 RMB'000 人民幣千元	Optical Instruments 光學儀器 RMB'000 人民幣千元	Segment Total 分部總額 RMB'000 人民幣千元	Eliminations 抵銷 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
REVENUE 收入						
External sales 外部銷售	9,555,109	21,599,398	526,754	31,681,261	-	31,681,261
Inter-segment sales 分部間銷售	1,479,349	44,424	102,461	1,626,234	(1,626,234)	-
Total 總額	11,034,458	21,643,822	629,215	33,307,495	(1,626,234)	31,681,261
Segment profit 分部溢利	1,211,625	436,372	99,428	1,747,425	-	1,747,425
Share of results of associates 分佔聯營公司業績						22,516
Unallocated other income, other gains and losses 未分配其他收益、其他收益及虧損						76,597
Unallocated administrative expenses and finance costs 未分配行政開支及融資成本						(488,385)
Profit before tax 除稅前溢利						1,358,153

分部收入及業績

本集團按營運及可報告分部劃分的收入及業績分析如下。

截至二零二三年十二月三十一日止年度

For the year ended 31 December 2022

截至二零二二年十二月三十一日止年度

	Optical Components 光學零件 RMB'000 人民幣千元	Optoelectronic Products 光電產品 RMB'000 人民幣千元	Optical Instruments 光學儀器 RMB'000 人民幣千元	Segment Total 分部總額 RMB'000 人民幣千元	Eliminations 抵銷 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
REVENUE 收入						
External sales 外部銷售	9,467,578	23,325,866	403,493	33,196,937	-	33,196,937
Inter-segment sales 分部間銷售	2,125,532	20,071	172,406	2,318,009	(2,318,009)	-
Total 總額	11,593,110	23,345,937	575,899	35,514,946	(2,318,009)	33,196,937
Segment profit 分部溢利	2,120,162	970,264	106,788	3,197,214	-	3,197,214
Share of results of associates 分佔聯營公司業績						(5,996)
Unallocated other income, other gains and losses 未分配其他收益、其他收益及虧損						(148,853)
Unallocated administrative expenses and finance costs 未分配行政開支及融資成本						(327,386)
Profit before tax 除稅前溢利						2,714,979

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FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

6. OPERATING SEGMENTS (Continued)

Segment revenues and results (Continued)

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of corporate items including unallocated other income, other gains and losses, unallocated central administration costs, and finance costs and share of results of associates. There were asymmetrical allocations to operating segments because the Group allocates interest income, government grants, depreciation and amortisation and gain or loss on disposal of property, plant and equipment to each segment without allocating the related cash and cash equivalents, deferred income, property, plant and equipment and intangible assets to those segments. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

6. 營運分部 (續)

分部收入及業績 (續)

分部間銷售按現行市價入賬。

營運分部的會計政策與附註3所述的本集團會計政策相同。分部溢利指由各分部所賺取的溢利，但並無攤分企業項目，包括未分配其他收益、其他收益及虧損、未分配中央行政成本及融資成本以及分佔聯營公司業績。營運分部間存在不對稱分配，這是由於本集團在分配利息收入、政府補助金、折舊及攤銷以及出售物業、機器及設備收益或虧損至各分部時，並未向各分部分配相關現金及現金等值項目、遞延收入、物業、機器及設備以及無形資產。此乃向董事會報告以作資源分配及表現評估的基準。

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6. OPERATING SEGMENTS (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

As at 31 December 2023

	Optical Components 光學零件 RMB'000 人民幣千元	Optoelectronic Products 光電產品 RMB'000 人民幣千元	Optical Instruments 光學儀器 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
Assets 資產				
Trade receivables 貿易應收款項	2,486,794	4,178,398	118,722	6,783,914
Bill receivables 應收票據	430,830	174,004	24,811	629,645
Inventories 存貨	1,616,841	3,431,160	88,940	5,136,941
Total segment assets 分部資產總額	4,534,465	7,783,562	232,473	12,550,500
Unallocated assets 未分配資產				37,746,576
Consolidated assets 總資產				50,297,076
Liabilities 負債				
Trade payables and accrued purchases 貿易應付款項及應計採購額	2,143,920	5,065,217	123,254	7,332,391
Note payables 應付票據	866,003	9,497,833	60,268	10,424,104
Total segment liabilities 分部負債總額	3,009,923	14,563,050	183,522	17,756,495
Unallocated liabilities 未分配負債				9,658,951
Consolidated liabilities 總負債				27,415,446

6. 營運分部 (續)

分部資產及負債

本集團按營運及可報告分部劃分的資產及負債分析如下：

於二零二三年十二月三十一日

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6. OPERATING SEGMENTS (Continued)

6. 營運分部 (續)

Segment assets and liabilities (Continued)

分部資產及負債 (續)

As at 31 December 2022

於二零二二年十二月三十一日

	Optical Components 光學零件 RMB'000 人民幣千元	Optoelectronic Products 光電產品 RMB'000 人民幣千元	Optical Instruments 光學儀器 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
Assets 資產				
Trade receivables 貿易應收款項	2,086,386	4,197,913	50,612	6,334,911
Bill receivables 應收票據	359,503	178,872	10,581	548,956
Inventories 存貨	1,861,542	2,786,978	72,393	4,720,913
Total segment assets 分部資產總額	4,307,431	7,163,763	133,586	11,604,780
Unallocated assets 未分配資產				31,396,508
Consolidated assets 總資產				43,001,288
Liabilities 負債				
Trade payables and accrued purchases 貿易應付款項及應計採購額	1,938,163	3,340,195	107,145	5,385,503
Note payables 應付票據	946,672	3,380,393	39,899	4,366,964
Total segment liabilities 分部負債總額	2,884,835	6,720,588	147,044	9,752,467
Unallocated liabilities 未分配負債				11,066,435
Consolidated liabilities 總負債				20,818,902

For the purposes of monitoring segment performance and allocating resources between segments:

為監察分部表現及在分部間分配資源：

- Trade receivables, bill receivables and inventories are allocated to the respective operating and reportable segments. All other assets are unallocated assets, which are not regularly reported to the board of directors.
- Trade payables and accrued purchases and note payables are allocated to the respective operating and reportable segments. All other liabilities are unallocated liabilities, which are not regularly reported to the board of directors.
- 貿易應收款項、應收票據及存貨均分配至相應的營運及可報告分部。所有其他資產都是指不定期向董事會報告的未分配資產。
- 貿易應付款項及應計採購額及應付票據分配至相應的營運及可報告分部。所有其他負債都是指不定期向董事會報告的未分配負債。

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FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

6. OPERATING SEGMENTS (Continued)

6. 營運分部 (續)

Other segment information

其他分部資料

For the year ended 31 December 2023

截至二零二三年十二月三十一日止年度

	Optical Components 光學零件 RMB'000 人民幣千元	Optoelectronic Products 光電產品 RMB'000 人民幣千元	Optical Instruments 光學儀器 RMB'000 人民幣千元	Unallocated 未分配 RMB'000 人民幣千元	Consolidated total 綜合總額 RMB'000 人民幣千元
Amounts included in the measure of segment profit or loss: 計量分部損益時計入的款額：					
Depreciation and amortisation 折舊及攤銷	1,441,522	598,191	25,869	1,649	2,067,231
Impairment losses on trade receivables recognised (reversed) in profit or loss 於損益中確認(撥回)的貿易應收款項減值虧損	26,478	(5,497)	1,330	-	22,311
Loss (gain) on disposal of property, plant and equipment 出售物業、機器及設備虧損(收益)	14,679	(4,195)	37	(21)	10,500
Share award scheme expense 股份獎勵計劃支出	137,788	117,560	16,558	8,490	280,396
Interest income from bank and financial instruments 銀行及金融工具利息收入	(35,780)	(874,406)	(8,685)	(7,429)	(926,300)
Allowance for (reversal of) inventories 存貨撥備(撥回)	58,093	(40,156)	1,895	-	19,832
Amounts regularly provided to CODM but not included in the measure of segment assets: 已定期向主要營運決策者提供但未計入分部資產計量的款額：					
Addition to property, plant and equipment 物業、機器及設備增加	1,458,163	404,440	24,125	68	1,886,796

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

6. OPERATING SEGMENTS (Continued)

6. 營運分部 (續)

Other segment information (Continued)

其他分部資料 (續)

For the year ended 31 December 2022

截至二零二二年十二月三十一日止年度

	Optical Components 光學零件 RMB'000 人民幣千元	Optoelectronic Products 光電產品 RMB'000 人民幣千元	Optical Instruments 光學儀器 RMB'000 人民幣千元	Unallocated 未分配 RMB'000 人民幣千元	Consolidated total 綜合總額 RMB'000 人民幣千元
Amounts included in the measure of segment profit or loss: 計量分部損益時計入的款額：					
Depreciation and amortisation 折舊及攤銷	1,188,146	732,673	18,146	1,614	1,940,579
Impairment losses on trade receivables (reversed) recognised in profit or loss 於損益中(撥回)確認的貿易應收款項減值虧損	(1,945)	7,540	(1,704)	–	3,891
Impairment losses on amount due from a related party recognised in profit or loss 於損益中確認的應收關聯方款項減值虧損	–	6,679	–	–	6,679
Loss (gain) on disposal of property, plant and equipment 出售物業、機器及設備虧損(收益)	10,796	(2,956)	118	24	7,982
Share award scheme expense 股份獎勵計劃支出	118,940	103,579	14,361	6,519	243,399
Interest income from bank and financial instruments 銀行及金融工具利息收入	(13,598)	(372,136)	(6,251)	(4,600)	(396,585)
Allowance for (reversal of) inventories 存貨撥備(撥回)	74,123	(183,101)	(488)	–	(109,466)
Amounts regularly provided to CODM but not included in the measure of segment assets: 已定期向主要營運決策者提供但未計入分部資產計量的款額：					
Addition to property, plant and equipment 物業、機器及設備增加	3,051,383	571,553	63,401	321	3,686,658

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

6. OPERATING SEGMENTS (Continued)

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Handset related products 手機相關產品	20,934,678	23,277,387
Vehicle related products 車載相關產品	5,282,725	4,107,668
Augmented reality/virtual reality related products 增強現實／虛擬現實相關產品	1,870,106	2,061,625
Digital camera related products 數碼相機相關產品	952,660	852,119
Other lens sets 其他鏡頭	546,470	494,500
Optical instruments 光學儀器	356,437	334,168
Other spherical lens and plane products 其他球面鏡片及平面產品	220,737	254,021
Other products 其他產品	1,517,448	1,815,449
	31,681,261	33,196,937

Geographical information

The Group's operations are mainly located in China, Vietnam, Korea, Japan, India and the United States.

The Group's revenue from continuing operations from external customers is presented based on the locations of goods physically delivered and information about the Group's non-current assets by the geographical location of the assets are detailed below:

6. 營運分部 (續)

主要產品收入

以下為本集團來自主要產品的收入分析：

地區資料

本集團的業務主要位於中國、越南、韓國、日本、印度及美國。

按實際交付貨物地點所示的來自外部客戶的本集團之持續營運收入及按資產地理位置劃分的本集團非流動資產的資料詳述如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

6. OPERATING SEGMENTS (Continued)

6. 營運分部 (續)

Geographical information (Continued)

地區資料 (續)

	Revenue from external customers 來自外部客戶的收入		Non-current assets (note) 非流動資產 (附註)	
	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
China 中國	21,473,990	22,300,063	10,826,838	10,817,949
Asia (except China) 亞洲 (中國除外)	7,212,700	8,364,299	796,651	689,697
Europe 歐洲	1,510,142	1,289,735	33	79
North America 北美洲	1,088,799	939,286	30,169	347
Others 其他	395,630	303,554	-	-
	31,681,261	33,196,937	11,653,691	11,508,072

Note: Non-current assets excluded interests in associates, deferred tax assets, financial assets at FVTPL, equity instruments at FVTOCI, time deposits and goodwill.

附註：非流動資產不包括於聯營公司的權益、遞延稅項資產、按公允值計入損益的金融資產、按公允值計入其他全面收益的權益工具、定期存款及商譽。

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

主要客戶資料

於相應年度，來自以下客戶的收入佔本集團銷售總額之比重超過10%：

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Customer A, revenue mainly from optoelectronic and related products A客戶，主要來自光電及相關產品的收入	4,429,416	5,510,485
Customer B, revenue mainly from optoelectronic and related products B客戶，主要來自光電及相關產品的收入	3,306,293	4,308,243
Customer C, revenue mainly from optoelectronic and related products C客戶，主要來自光電及相關產品的收入	N/A* 不適用*	3,381,544

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

* 相應的收入佔本集團總收入之比重並未超過10%。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

7(a). OTHER INCOME

7(a). 其他收益

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Government grants 政府補助金	246,710	166,555
Interest income from time deposits, short term fixed deposits, pledged bank deposits and bank balances 定期存款、短期定期存款、已抵押銀行存款及銀行結餘利息收益	568,258	198,203
Interest income from debt instruments 債務工具利息收益	-	895
Investment income from unlisted financial products at FVTPL 按公允值計入損益的非上市金融產品投資收益	358,042	197,487
Interest income from small loan services 小額貸款服務利息收益	6,405	6,308
Income from sales of moulds 銷售模具收益	18,370	15,124
Income from sales of scrap materials 銷售廢料收益	36,451	57,632
Others 其他	95,483	55,503
	1,329,719	697,707

7(b). OTHER GAINS AND LOSSES

7(b). 其他收益及虧損

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Loss on disposal of property, plant and equipment 出售物業、機器及設備的虧損	(10,500)	(7,982)
Gain on disposal of subsidiaries (Note 10) 出售附屬公司的收益(附註10)	18,351	55,200
(Loss) gain on changes in fair value of derivative financial instruments 衍生金融工具公允值變動產生的(虧損)收益	(53,188)	30,292
Loss on changes in fair value of debt instruments and fund investments at FVTPL 按公允值計入損益的債務工具及基金投資公允值變動產生的虧損	-	(28,731)
Net foreign exchange loss 外匯虧損淨額	(76,907)	(241,983)
Impairment loss of interest in an associate 於聯營公司的權益的減值虧損	(202)	-
Others 其他	861	(256)
	(121,585)	(193,460)

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

8. FINANCE COSTS

8. 融資成本

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Interests on bank borrowings 銀行借貸利息	259,886	114,651
Interests on bonds payable 應付債券利息	175,393	161,768
Interests on lease liabilities 租賃負債利息	9,640	11,292
Interests on long term payables related to intangible assets 與無形資產有關的長期應付款項利息	4,228	5,226
	449,147	292,937

9. INCOME TAX EXPENSE

9. 所得稅開支

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Current tax: 即期稅項：		
PRC Enterprise Income Tax 中國企業所得稅	143,988	264,305
Withholding tax expense 預繳稅開支	59,958	61,247
Other jurisdictions 其他管轄區	40,617	13,422
	244,563	338,974
Under provision in prior years: 過往年度不足撥備：		
PRC Enterprises Income Tax 中國企業所得稅	3,508	64,959
Deferred tax (Note 20): 遞延稅項(附註20)：		
Current year 本年度	(40,241)	(163,102)
	207,830	240,831

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綜合財務報表附註

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9. INCOME TAX EXPENSE (Continued)

Under the Law of the PRC Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, except as described below:

- (i) Zhejiang Sunny Optics Co., Ltd. (“**Sunny Zhejiang Optics**”) and Xinyang Sunny Optics Co., Ltd. (“**Sunny Xinyang Optics**”), domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2023.
- (ii) Ningbo Sunny Infrared Technologies Co., Ltd. (“**Sunny Infrared Optics**”), Zhejiang Sunny Optical Intelligence Technology Co., Ltd. (“**Sunny Optical Intelligence**”), and Yuyao Sunny Optical Intelligence Technology Co., Ltd. (“**Sunny Optical Intelligence (Yuyao)**”), domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2024.

9. 所得稅開支(續)

根據中國企業所得稅法(「**企業所得稅法**」)及企業所得稅法實施條例，中國附屬公司適用的稅率於兩個年度均為25%，惟下述者除外：

- (i) 浙江舜宇光學有限公司(「**舜宇浙江光學**」)及信陽舜宇光學有限公司(「**舜宇信陽光學**」)均為內資有限責任公司，獲認可為高新技術企業，並有權享受15%的優惠稅率，於二零二三年十二月三十一日屆滿。
- (ii) 寧波舜宇紅外技術有限公司(「**舜宇紅外光學**」)、浙江舜宇智能光學技術有限公司(「**舜宇智能光學**」)及餘姚舜宇智能光學技術有限公司(「**舜宇智能光學(餘姚)**」)均為內資有限責任公司，獲認可為高新技術企業，並有權享受15%的優惠稅率，於二零二四年十二月三十一日屆滿。

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FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

9. INCOME TAX EXPENSE (Continued)

- (iii) Ningbo Sunny Opotech Co., Ltd. (“**Sunny Opotech**”), Ningbo Sunny Automotive Optech Co., Ltd. (“**Sunny Automotive Optech**”), Sunny Optics (Zhongshan) Co., Ltd. (“**Sunny Zhongshan Optics**”), Ningbo Sunny Instruments Co., Ltd. (“**Sunny Instruments**”), Sunny Optical (Zhejiang) Research Institute Co., Ltd. (“**Sunny Research Institute**”) and Zhejiang Sunny SmartLead Technologies Co., Ltd. (“**Sunny SmartLead**”), domestic limited liability companies, were approved as Hi-Tech Enterprises and entitled to a preferential tax rate of 15% with the expiry date on 31 December 2025.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

As at 31 December 2023, certain countries, where the group entities are incorporated, are enacted or substantially enacted but not yet in effect. The main jurisdictions in which exposures to this tax may exist include Vietnam. Under the legislation, the Company will be required to pay, in certain country, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 per cent.

9. 所得稅開支(續)

- (iii) 寧波舜宇光電信息有限公司(「舜宇光電」)、寧波舜宇車載光學技術有限公司(「舜宇車載光學」)、舜宇光學(中山)有限公司(「舜宇中山光學」)、寧波舜宇儀器有限公司(「舜宇儀器」)、舜宇光學(浙江)研究院有限公司(「舜宇研究院」)及浙江舜宇智領技術有限公司(「舜宇智領技術」)均為內資有限責任公司，獲認可為高新技術企業，並有權享受15%的優惠稅率，於二零二五年十二月三十一日屆滿。

其他管轄區的稅項按相關管轄區的現行適用稅率計算。

本集團已應用香港會計師公會於二零二三年七月頒佈的香港會計準則第12號遞延稅項會計要求的臨時例外情況。因此，本集團既不確認亦不披露與支柱二所得稅相關的遞延所得稅資產及負債的信息。

於二零二三年十二月三十一日，集團實體註冊成立所在若干國家已制定或實質上已制定但尚未生效有關稅項。可能存在有關稅項風險的主要管轄區包括越南。根據該立法，本公司須於若干國家及地區就其按低於15%的實際稅率繳稅的附屬公司的利潤繳納補足稅。

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9. INCOME TAX EXPENSE (Continued)

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Profit before tax 除稅前溢利	1,358,153	2,714,979
Tax at the PRC EIT tax rate of 25% 按中國企業所得稅稅率25%徵稅	339,538	678,745
Tax effect of share of results of associates 分佔聯營公司業績之稅務影響	(5,629)	1,499
Tax effect of expenses not deductible for tax purpose 不可扣稅開支之稅務影響	7,109	5,520
Tax effect of allowance granted under share award scheme in the PRC 根據股份獎勵計劃在中國授出股份的稅務影響	21,461	25,027
Tax effect of preferential tax rates for certain subsidiaries (note a) 若干附屬公司稅率優惠之稅務影響(附註a)	(106,811)	(137,255)
Tax effect of additional tax deduction of research and development expenses (note b) 研發費用加計扣除之稅務影響(附註b)	(588,900)	(623,120)
Tax effect of additional tax deduction of expenditures for equipment and appliances purchasing (note c) 購置設備、器具加計扣除之稅務影響(附註c)	-	(425,524)
Tax effect of tax losses not recognised 未確認稅項虧損之稅務影響	576,630	657,538
Tax effect of deductible temporary differences not recognised 未確認可抵扣暫時差額之稅務影響	339	(1,701)
Utilisation of tax losses not previously recognised 動用先前未確認稅項虧損	(6,708)	(7,629)
Withholding tax on undistributed earnings of PRC subsidiaries 中國附屬公司未分配盈利的預繳稅	11,105	24,321
Withholding tax on interest derived in the PRC 就來自中國利息而產生的預繳稅	5,458	7,747
Tax effect of different tax rates of subsidiaries operating in other jurisdictions 於其他管轄區經營的附屬公司的不同稅率之稅務影響	(49,270)	(29,296)
Over provision in prior years 過往年度超額撥備	3,508	64,959
Income tax expense for the year 年內所得稅開支	207,830	240,831

Details of deferred taxation and unrecognised temporary difference are disclosed in Note 20.

9. 所得稅開支(續)

本集團正不斷評估支柱二所得稅立法對其未來財務業績的影響。

年內的稅項支出與綜合損益及其他全面收益表所列除稅前溢利對賬如下：

遞延稅項及未確認暫時差額的詳情於附註20披露。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

9. INCOME TAX EXPENSE (Continued)

Notes:

- (a) For the PRC subsidiaries which were approved as Hi-Tech Enterprises, they are entitled to a preferential enterprise tax rate of 15%.
- (b) In March 2023, the Ministry of Finance and the State Administration of Taxation released No. 7 announcement of 2023 named “Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses”, according to which certain PRC subsidiaries are entitled to an additional 100% tax deduction on eligible research and development expenses for the year ended 31 December 2023 (2022: Additional 100% tax deduction under Caishui [2018] No.99).
- (c) In September 2022, the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology released No. 28 announcement of 2022 named “Announcement on Increasing Pre-tax Deduction for Supporting Sci-tech Innovation”, according to which certain PRC subsidiaries are entitled to an additional 100% tax deduction on eligible expenditures for equipment and appliances purchasing incurred between 1 October 2022 and 31 December 2022.

9. 所得稅開支(續)

附註：

- (a) 就獲認可為高新技術企業的中國附屬公司而言，其有權享受15%的企業優惠稅率。
- (b) 於二零二三年三月，財政部、稅務總局頒佈二零二三年第7號公告《關於進一步完善研發費用稅前加計扣除政策的公告》，根據此公告，若干中國附屬公司有權就其截至二零二三年十二月三十一日止年度符合條件的研發費用按100%加計扣除(二零二二年：按財稅[2018]99號文100%加計扣除)。
- (c) 於二零二二年九月，財政部、稅務總局及科技部頒佈二零二二年第28號公告《關於加大支持科技創新稅前扣除力度的公告》，根據此公告，若干中國附屬公司在二零二二年十月一日至二零二二年十二月三十一日期間新購置設備、器具產生的符合條件的開支按100%加計扣除。

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FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

10. DISPOSAL OF THE SUBSIDIARIES

In April 2022, the Group entered into an agreement with an independent third party to dispose 100% equity interests in Ningbo Sunny Intelligent Technology Co., Ltd. with net liabilities of approximately RMB22,200,000. The consideration was RMB33,000,000 in cash and disposal gains of RMB55,200,000 was recognised in profit or loss in the year ended 31 December 2022.

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Directors' emoluments (Note 14) 董事酬金 (附註14)	16,082	15,799
Other staff's salaries and allowances 其他員工的薪金及津貼	3,090,280	2,985,820
Other staff's discretionary bonuses 其他員工的酌情花紅	27,719	232,232
Other staff's contribution to retirement benefit scheme 其他員工的退休福利計劃供款	452,019	395,995
Other staff's share award scheme expense 其他員工的股份獎勵計劃支出	271,951	234,617
	3,858,051	3,864,463
Cost of raw material inventories recognised as an expense 確認為開支的原材料存貨成本	21,907,801	21,451,988
Auditor's remuneration 核數師酬金	5,220	4,709
Depreciation of property, plant and equipment 物業、機器及設備折舊	1,948,264	1,813,899
Depreciation of investment properties 投資物業折舊	4,876	4,878
Depreciation of right-of-use assets 使用權資產折舊	57,881	65,591
Amortisation of intangible assets 無形資產攤銷	56,210	56,211
Allowance for (reversals of) inventories (included in cost of sales) 存貨撥備 (撥回) (列入銷售成本)	19,832	(109,466)

10. 出售附屬公司

二零二二年四月，本集團與獨立第三方簽訂協議，出售寧波舜宇智能科技有限公司100%的股權，負債淨額約為人民幣22,200,000元。現金代價為人民幣33,000,000元，出售所得收益為人民幣55,200,000元，於截至二零二二年十二月三十一日止年度在損益內確認。

11. 年內溢利

年內溢利已扣除以下各項：

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FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

12. DIVIDENDS

12. 股息

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2022 final dividends – Hong Kong Dollar (“HKD”) 50.00 cents (2022: 2021 final dividends – HKD111.80 cents) per share 年內確認為分派的本公司普通股股東的股息： 二零二二年末期股息 – 每股50.00港仙(「港仙」)(二零二二年：二零二一年 末期股息 – 每股111.80港仙)	504,852	1,047,715

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HKD21.90 cents per share, equivalent to approximately RMB20.00 cents per share, amounting to a total of approximately HKD240,194,000 (2022: HKD50.00 cents per share, equivalent to approximately RMB43.90 cents per share, amounting to a total of approximately HKD548,425,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting. The final dividends proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

於報告期末後，本公司董事建議派付每股21.90港仙(相等於每股約人民幣20.00分)，合共約240,194,000港元的截至二零二三年十二月三十一日止年度末期股息(二零二二年：每股50.00港仙(相等於每股約人民幣43.90分)，合共約548,425,000港元)，惟須獲股東於應屆股東週年大會上批准。建議於報告期末後派付的末期股息並未於報告期末確認為負債。

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13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Earnings 盈利		
Earnings for the purpose of basic and diluted earnings per share 計算每股基本及攤薄盈利的盈利	1,099,415	2,407,796

	2023 二零二三年 '000 千股	2022 二零二二年 '000 千股
Number of shares 股份數目		
Weighted average number of ordinary shares for the purpose of basic earnings per share (note) 計算每股基本盈利的普通股加權平均數 (附註)	1,091,566	1,093,141
Effect of dilutive potential ordinary shares: 潛在攤薄普通股的影響： Restricted shares 限制性股份	1,009	567
Weighted average number of ordinary shares for the purpose of diluted earnings per share 計算每股攤薄盈利的普通股加權平均數	1,092,575	1,093,708

Note: The weighted average number of ordinary shares has been calculated taking into account the shares held by the Group under share award scheme.

13. 每股盈利

本公司股東應佔每股基本及攤薄盈利乃根據以下數據計算：

附註：加權平均普通股份數目計算已考慮股份獎勵計劃下本集團持有的股份。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

14. DIRECTORS', CHIEF EXECUTIVES' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Directors' and executives' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2023

	Fees 袍金 RMB'000 人民幣千元	Salaries and other benefits 薪金及其他福利 RMB'000 人民幣千元	Bonus 花紅 RMB'000 人民幣千元 (note) (附註)	Retirement benefit scheme contributions 退休福利計劃供款 RMB'000 人民幣千元	Share award 股份獎勵 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
A) EXECUTIVE DIRECTORS 執行董事						
Ye Liaoning 葉遼寧	-	1,440	419	88	2,050	3,997
Sun Yang 孫泱	-	1,265	419	60	2,383	4,127
Wang Wenjie 王文杰	-	1,064	419	60	2,006	3,549
Sub-total 小計	-	3,769	1,257	208	6,439	11,673

14. 董事、主要行政人員及五名最高薪酬僱員酬金

董事及行政人員年內酬金按適用上市規則及香港公司條例披露如下：

截至二零二三年十二月三十一日止年度

	Fees 袍金 RMB'000 人民幣千元	Salaries and other benefits 薪金及其他福利 RMB'000 人民幣千元	Bonus 花紅 RMB'000 人民幣千元 (note) (附註)	Retirement benefit scheme contributions 退休福利計劃供款 RMB'000 人民幣千元	Share award 股份獎勵 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
B) NON-EXECUTIVE DIRECTOR 非執行董事						
Wang Wenjian 王文鑒	1,440	-	419	-	2,006	3,865

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14. DIRECTORS', CHIEF EXECUTIVES' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (Continued)

14. 董事、主要行政人員及五名最高薪酬僱員酬金(續)

	Fees 袍金 RMB'000 人民幣千元	Salaries and other benefits 薪金及其他福利 RMB'000 人民幣千元	Bonus 花紅 RMB'000 人民幣千元	Retirement benefit scheme contributions 退休福利計劃供款 RMB'000 人民幣千元	Share award 股份獎勵 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
C) INDEPENDENT NON-EXECUTIVE DIRECTORS						
獨立非執行董事						
Jia Lina (appointed on 1 January 2023) 賈麗娜(於二零二三年一月一日獲委任)	136	-	-	-	-	136
Zhang Yuqing (resigned on 1 January 2024) 張余慶(於二零二四年一月一日辭任)	136	-	-	-	-	136
Feng Hua Jun 馮華君	136	-	-	-	-	136
Shao Yang Dong 邵仰東	136	-	-	-	-	136
Sub-total 小計	544	-	-	-	-	544
Total 總額						16,082

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14. DIRECTORS', CHIEF EXECUTIVES' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (Continued)

14. 董事、主要行政人員及五名最高薪酬僱員酬金(續)

For the year ended 31 December 2022

截至二零二二年十二月三十一日止年度

	Fees	Salaries and other benefits	Bonus	Retirement benefit scheme contributions	Share award	Total
	袍金	薪金及其他福利	花紅	退休福利計劃供款	股份獎勵	總額
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
			(note)			
			(附註)			

A) EXECUTIVE DIRECTORS

執行董事

Ye Liaoning 葉遼寧	-	1,440	297	97	2,133	3,967
Sun Yang 孫泐	-	1,265	300	52	2,383	4,000
Wang Wenjie 王文杰	-	1,064	299	64	2,133	3,560
Sub-total 小計	-	3,769	896	213	6,649	11,527

	Fees	Salaries and other benefits	Bonus	Retirement benefit scheme contributions	Share award	Total
	袍金	薪金及其他福利	花紅	退休福利計劃供款	股份獎勵	總額
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
			(note)			
			(附註)			

B) NON-EXECUTIVE DIRECTOR

非執行董事

Wang Wenjian 王文鑒	1,440	-	297	-	2,133	3,870
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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

14. DIRECTORS', CHIEF EXECUTIVES' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (Continued)

14. 董事、主要行政人員及五名最高薪酬僱員酬金(續)

	Fees	Salaries and other benefits	Bonus	Retirement benefit scheme contributions	Share award	Total
	袍金	薪金及其他福利	花紅	退休福利計劃供款	股份獎勵	總額
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元

C) INDEPENDENT NON-EXECUTIVE DIRECTORS

獨立非執行董事

Zhang Yuqing 張余慶	134	-	-	-	-	134
Feng Hua Jun 馮華君	134	-	-	-	-	134
Shao Yang Dong 邵仰東	134	-	-	-	-	134
Sub-total 小計	402	-	-	-	-	402
Total 總額						15,799

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

上列執行董事酬金為彼等有關管理本公司及本集團事務的服務報酬。

The non-executive director's emoluments shown above were for the services as a director of the Company.

上列非執行董事的酬金為擔任本公司董事的服務報酬。

The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

上列獨立非執行董事的酬金為彼等擔任本公司董事的服務報酬。

Mr. Ye Liaoning, Mr. Sun Yang and Mr. Wang Wenjie are also the executive directors of the Company and their emoluments disclosed above include those for services rendered by them as the Chief Executives.

葉遼寧先生、孫泱先生及王文杰先生亦為本公司的執行董事，且上文所披露之彼等的酬金包括就彼等擔任主要行政人員所提供服務的酬金。

During both years, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

於兩年內，本集團並無向本公司董事支付酬金，作為邀請其加入或加入本集團後的獎金或作為離職補償。於本年度，並無董事及主要行政人員放棄或同意放棄任何酬金的安排。

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14. DIRECTORS', CHIEF EXECUTIVES' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (Continued)

The five highest paid individuals of the Group included three (2022: four) directors for the year. Details of their emoluments are set out above. The emoluments of the remaining two (2022: one) highest paid individual were as follows:

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Salaries and other benefits 薪金及其他福利	1,789	956
Bonus (note) 花紅(附註)	1,004	492
Retirement benefit scheme contributions 退休福利計劃供款	118	78
Share award 股份獎勵	4,585	2,088
	7,496	3,614

Their emoluments are within the following band:

	2023 二零二三年 No. of employee 員工人數	2022 二零二二年 No. of employee 員工人數
HKD4,000,001 to HKD4,500,000 4,000,001港元至4,500,000港元	2	1

Note: The bonus is determined by remuneration committees based on the Group's performance for each financial year and subject to a maximum of 5% of consolidated profit attributable to owners of the Company.

During both years, certain directors, non-director and non-chief executive highest paid employees were granted restricted shares, in respect of their services to the Group under the share award scheme of the Group. Details of the share award scheme are set out in Note 43.

14. 董事、主要行政人員及五名最高薪酬僱員酬金(續)

本集團於本年度的五名最高薪酬人士包括三名(二零二二年:四名)董事,其酬金詳情載於上文。其餘兩名(二零二二年:一名)最高薪酬人士的酬金如下:

彼等的酬金範圍如下:

附註: 花紅乃由薪酬委員會根據本集團於各財政年度的表現釐定,惟不可高於本公司股東應佔綜合溢利的5%。

於兩年內,根據本集團的股份獎勵計劃,若干董事,非董事及非主要行政人員最高薪酬僱員就彼等為本集團提供的服務而獲授限制性股份。股份獎勵計劃的詳情載於附註43。

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15. PROPERTY, PLANT AND EQUIPMENT 15. 物業、機器及設備

	Owned properties 自有物業 RMB'000 人民幣千元	Machinery and production equipment 機器及生產設備 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Fixtures and office equipment 傢俬及辦公設備 RMB'000 人民幣千元	Construction in progress 在建工程 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
COST 成本						
At 1 January 2022 於二零二二年一月一日	1,724,043	10,038,945	18,500	1,822,039	927,215	14,530,742
Additions 添置	6,678	2,701,395	1,309	607,844	369,432	3,686,658
Derecognised on disposal of a subsidiary 出售一家附屬公司時終止確認	–	(2,745)	–	(10,930)	–	(13,675)
Transfer 轉撥	191,360	376,335	–	22,563	(590,258)	–
Disposals 出售	–	(360,257)	(2,100)	(33,000)	–	(395,357)
Exchange realignment 外匯調整	6,922	2,600	110	5,319	2,640	17,591
At 31 December 2022 於二零二二年十二月三十一日	1,929,003	12,756,273	17,819	2,413,835	709,029	17,825,959
Additions 添置	142	1,090,484	1,627	228,756	565,787	1,886,796
Transfer 轉撥	223,762	266,257	–	125,913	(615,932)	–
Disposals 出售	(2,847)	(234,435)	(1,061)	(30,090)	(5,145)	(273,578)
Exchange realignment 外匯調整	(957)	(166)	37	(1,175)	(953)	(3,214)
At 31 December 2023 於二零二三年十二月三十一日	2,149,103	13,878,413	18,422	2,737,239	652,786	19,435,963
ACCUMULATED DEPRECIATION AND IMPAIRMENT 累計折舊及減值						
At 1 January 2022 於二零二二年一月一日	254,304	5,177,923	15,865	779,421	–	6,227,513
Charge for the year 年內支出	75,440	1,471,631	763	266,065	–	1,813,899
Derecognised on disposal of a subsidiary 出售一家附屬公司時終止確認	–	(2,626)	–	(7,267)	–	(9,893)
Eliminated on disposals 出售時對銷	–	(301,651)	(1,787)	(23,019)	–	(326,457)
Exchange realignment 外匯調整	159	616	80	196	–	1,051
At 31 December 2022 於二零二二年十二月三十一日	329,903	6,345,893	14,921	1,015,396	–	7,706,113
Charge for the year 年內支出	90,332	1,579,324	942	277,666	–	1,948,264
Eliminated on disposals 出售時對銷	(2,561)	(115,542)	(993)	(25,979)	–	(145,075)
Exchange realignment 外匯調整	(281)	(51)	–	(322)	–	(654)
At 31 December 2023 於二零二三年十二月三十一日	417,393	7,809,624	14,870	1,266,761	–	9,508,648
CARRYING VALUES 賬面值						
At 31 December 2023 於二零二三年十二月三十一日	1,731,710	6,068,789	3,552	1,470,478	652,786	9,927,315
At 31 December 2022 於二零二二年十二月三十一日	1,599,100	6,410,380	2,898	1,398,439	709,029	10,119,846

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over their estimated useful lives as follows:

Owned properties	20-25 years
Machinery and production equipment	3 to 10 years
Motor vehicles	4 to 5 years
Fixtures and office equipment	3 to 10 years

As at 31 December 2023 and 2022, the Group has obtained the ownership certificates for all buildings and no buildings of the Group were pledged to secure bank borrowings granted.

The directors of the Company considered no impairment loss on property, plant and equipment for both years ended 31 December 2023 and 2022.

15. 物業、機器及設備 (續)

上述物業、機器及設備項目(在建工程除外)按照直線法於其下列估計可用年內進行折舊：

自有物業	20至25年
機器及生產設備	3至10年
汽車	4至5年
傢俬及辦公設備	3至10年

於二零二三年及二零二二年十二月三十一日，本集團已取得所有樓宇的權屬證書，且本集團並未抵押樓宇作為擔保以獲授銀行借貸。

截至二零二三年及二零二二年十二月三十一日止兩個年度，本公司董事認為物業、機器及設備並無減值虧損。

16. RIGHT-OF-USE ASSETS

16. 使用權資產

	Leasehold lands 租賃土地 RMB'000 人民幣千元	Leased properties 租賃物業 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
As at 31 December 2023 於二零二三年十二月三十一日 Carrying amount 賬面值	567,659	201,294	768,953
As at 31 December 2022 於二零二二年十二月三十一日 Carrying amount 賬面值	374,918	237,144	612,062
For the year ended 31 December 2023 截至二零二三年十二月三十一日止年度 Depreciation charge 折舊費用	10,842	47,039	57,881
For the year ended 31 December 2022 截至二零二二年十二月三十一日止年度 Depreciation charge 折舊費用	9,431	56,160	65,591

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16. RIGHT-OF-USE ASSETS (Continued)

As at 31 December 2023 and 2022, the Group has obtained the land use right certificates for all leasehold lands and no leasehold lands of the Group were pledged to secure bank borrowings granted.

The directors of the Company considered no impairment loss on right-of-use assets for both years ended 31 December 2023 and 2022.

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Expense relating to short-term leases 短期租賃相關開支	29,102	25,695
Expense relating to leases of low-value assets, excluding short-term leases of low value assets 低價值資產租賃相關開支(不包括短期低價值資產租賃)	46	46
Total cash outflow for leases 租賃現金流出總值	280,483	120,744
Additions to right-of-use assets 使用權資產添置	245,860	176,902

For both years, the Group leases various offices, plants, staff dormitories and machines for its operations. Lease contracts are entered into for fixed term of 2 months to approximately 18 years (2022: 2 months to 15 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of each contract and determines the period for which the contract is enforceable.

16. 使用權資產(續)

於二零二三年及二零二二年十二月三十一日，本集團已取得所有租賃土地的土地使用權權屬證書，且本集團並未抵押租賃土地作為擔保以獲授銀行借貸。

截至二零二三年及二零二二年十二月三十一日止兩個年度，本公司董事認為使用權資產並無減值虧損。

於兩年內，本集團租賃多間辦公室、廠房、員工宿舍及機器用於其營運。所訂立租賃合約的固定期限為2個月至約18年(二零二二年：2個月至15年)。租期乃按個別基準磋商且包含各項不同的條款及條件。於釐定租期及評估不可撤銷期限長度時，本集團採用各合約的定義及釐定合約可執行的期限。

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16. RIGHT-OF-USE ASSETS (Continued)

In addition, the Group owns several office buildings and industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for staff dormitories and machines. As at 31 December 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases entered during the year.

Restrictions or covenants on leases

In addition, lease liabilities of RMB218,243,000 are recognised with related right-of-use assets of RMB201,294,000 as at 31 December 2023 (2022: lease liabilities of RMB239,316,000 are recognised with related right-of-use assets of RMB237,144,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. 使用權資產 (續)

此外，本集團擁有數棟辦公樓及工業樓宇（主要安置其生產設施）。本集團為該等物業權益（包括相關租賃土地）的登記擁有人。已提前一次性支付全部款項以收購該等物業權益。僅於能可靠分配付款時，方可將該等所擁有物業的租賃土地成份單獨呈列。

本集團定期就員工宿舍及機器訂立短期租賃。於二零二三年十二月三十一日，短期租賃組合與年內訂立的短期租賃組合類似。

租賃限制或契約

此外，於二零二三年十二月三十一日，租賃負債人民幣218,243,000元及相關的使用權資產人民幣201,294,000元獲確認（二零二二年：租賃負債人民幣239,316,000元及相關的使用權資產人民幣237,144,000元獲確認）。除出租人持有的租賃資產中的擔保權益外，租賃協議不施加任何其他契約。租賃資產不得用於借款擔保。

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17. INVESTMENT PROPERTIES

The Group leases out several offices under operating leases with rental receivables quarterly or semi-annually. The leases typically run for fixed period of 2 to 10 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of the group entities. The lease contracts do not contain residual value guarantee and lessee's option to purchase the property at the end of lease term.

17. 投資物業

本集團以每季度或半年度的應收租金出租數間經營租賃下的辦公室。固定租期通常為2至10年。

由於所有租賃均以集團實體的相關功能貨幣計值，故本集團不會面臨租賃安排引致的外匯風險。租賃合約不包括剩餘擔保價值及承租人於租期末購買物業的選擇權。

	RMB'000 人民幣千元
COST 成本	
At 1 January 2022, 31 December 2022 and 31 December 2023 於二零二二年一月一日、二零二二年十二月三十一日及二零二三年十二月三十一日	76,019
DEPRECIATION 折舊	
At 1 January 2022 於二零二二年一月一日	35,639
Charge for the year 年內支出	4,878
At 31 December 2022 於二零二二年十二月三十一日	40,517
Charge for the year 年內支出	4,876
At 31 December 2023 於二零二三年十二月三十一日	45,393
CARRYING VALUES 賬面值	
At 31 December 2023 於二零二三年十二月三十一日	30,626
At 31 December 2022 於二零二二年十二月三十一日	35,502

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17. INVESTMENT PROPERTIES (Continued)

All of the investment properties are measured using the cost model. The fair value of the Group's investment properties as at 31 December 2023 was RMB63,077,000 (31 December 2022: RMB100,659,000). The fair value has been determined by directors of the Company reference to recent price quotations of transaction prices for similar properties in the same locations and conditions.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2023 二零二三年		2022 二零二二年	
	Carrying amount 賬面值 RMB'000 人民幣千元	Fair value at Level 3 hierarchy 第三級的 公允值 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元	Fair value at Level 3 hierarchy 第三級的 公允值 RMB'000 人民幣千元
Commercial property units located in the PRC 位於中國的商業物業單位	30,626	63,077	35,502	100,659

The above investment properties are depreciated on a straight-line basis from 13 to 20 years.

As at 31 December 2023, no investment properties of the Group were pledged to secure bank borrowings granted.

The directors of the Company considered no impairment loss on investment properties for both years ended 31 December 2023 and 2022.

17. 投資物業 (續)

所有投資物業以成本模式計量。於二零二三年十二月三十一日，本集團投資物業的公允值為人民幣63,077,000元（二零二二年十二月三十一日：人民幣100,659,000元）。該公允值經本公司董事參考相同地區條件相同的同類物業的近期交易報價後釐定。

本集團投資物業的詳情及於報告期末有關公允值等級的資料如下：

上列投資物業於13至20年內按照直線法折舊。

於二零二三年十二月三十一日，本集團並未抵押投資物業作為擔保以獲授銀行借貸。

截至二零二三年及二零二二年十二月三十一日止兩個年度，本公司董事認為投資物業並無減值虧損。

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18. INTANGIBLE ASSETS

18. 無形資產

	Patents 專利權 RMB'000 人民幣千元
COST 成本	
At 1 January 2022, 31 December 2022 and 31 December 2023 於二零二二年一月一日、二零二二年十二月三十一日及二零二三年十二月三十一日	571,009
AMORTISATION AND IMPAIRMENT 攤銷及減值	
At 1 January 2022 於二零二二年一月一日	264,083
Charge for the year 年內支出	56,211
At 31 December 2022 於二零二二年十二月三十一日	320,294
Charge for the year 年內支出	56,210
At 31 December 2023 於二零二三年十二月三十一日	376,504
CARRYING VALUES 賬面值	
At 31 December 2023 於二零二三年十二月三十一日	194,505
At 31 December 2022 於二零二二年十二月三十一日	250,715

As at 31 December 2023, the Group held (i) licensing patent acquired from Konica Minolta, Inc. ("KMI"), an independent third party of the Group, which allows the Group to develop, produce and sell licensed products, (ii) patent and other intangible assets acquired from the acquisition of Sunny Mobility Technologies (Ningbo) Co., Ltd. to develop the advanced driving assistant system in automobile industry.

These intangible assets have finite useful lives and are amortised on a straight-line basis over 10 years.

The directors of the Company considered no impairment indicators on intangible assets for both years ended 31 December 2023 and 2022.

於二零二三年十二月三十一日，本集團於本年度持有(i)自本集團的一名獨立第三方柯尼卡美能達公司(「KMI」)購買的專利授權，允許本集團開發、生產及銷售授權產品，(ii)收購寧波舜宇智行傳感技術有限公司取得的專利及其他無形資產，於汽車行業開發高級駕駛輔助系統。

該等無形資產具有有限可使用年期，並以直線法按十年期攤銷。

截至二零二三年及二零二二年十二月三十一日止兩個年度，本公司董事認為無形資產並無減值跡象。

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19. INTERESTS IN ASSOCIATES

19. 於聯營公司的權益

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Cost of investment in unlisted associates 非上市聯營公司投資成本	1,699,659	256,115
Share of post-acquisition profit or loss and other comprehensive income or expenses, net of dividends received 分佔收購後損益及其他全面收益或開支，扣減已收股息	28,292 (63,068)	7,396 (62,866)
Impairment loss recognised 已確認減值虧損		
	1,664,883	200,645

Details of each of the Group's associates at the end of the reporting period are as follows:

於報告期末，本集團各聯營公司的詳情如下：

Name of associates 聯營公司名稱	Places of registration/ operation 註冊地點/ 營業地點	Proportion of ownership interests held by the Group 本集團持有的 所有權權益比例		Principal activities 主要業務
		2023 二零二三年	2022 二零二二年	
Jiangsu Sunny Medical Equipments Co., Ltd.* 江蘇舜宇醫療器械有限公司	The PRC 中國	31.00%	31.00%	Manufacture and sale of medical instrument business 生產及銷售醫療儀器業務
SCIVAX Co., Ltd*. ("SCIVAX") SCIVAX株式會社 ("SCIVAX")	Japan 日本	14.26%	14.26%	Research and development of advanced nanotechnology 研究及開發先進納米技術
浙江生一光學感知科技有限公司 ("生一光學") 浙江生一光學感知科技有限公司 ("生一光學")	The PRC 中國	25.00%	25.00%	Research and development of optical products 研究及開發光學產品
餘姚市陽明智行投資中心(有限合夥) ("V Fund") 餘姚市陽明智行投資中心(有限合夥) ("V基金")	The PRC 中國	16.41%	16.41%	Equity investment 股權投資
杭州九州舜創股權投資合夥企業(有限合夥) 杭州九州舜創股權投資合夥企業(有限合夥)	The PRC 中國	15.15%	15.15%	Equity investment 股權投資
杭州舜富股權投資合夥企業(有限合夥) 杭州舜富股權投資合夥企業(有限合夥)	The PRC 中國	52.00%	52.00%	Equity investment 股權投資
上海鯤游光電科技公司 ("鯤游") 上海鯤游光電科技公司 ("鯤游")	The PRC 中國	3.05%	N/A 不適用	Research and development of micro-optical Products 研究及開發微光學產品
Chongqing Ant Consumer Finance Co.,Ltd.,* ("Ant Consumer Finance") 重慶螞蟻消費金融有限公司 ("螞蟻消費金融")	The PRC 中國	6.00%	N/A 不適用	Financial technology platform 金融科技平台
舜風城安(上海)科技有限公司 舜風城安(上海)科技有限公司	The PRC 中國	15.00%	N/A 不適用	Manufacture and sale of home consumption equipment 生產及銷售家用電器

* The English names of the above entities established in the PRC and Japan are translated for identification purpose only.

* 於中國及日本成立的上述實體的英文名稱為翻譯名稱，僅供識別。

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19. INTERESTS IN ASSOCIATES (Continued)

Note:

On 11 January 2023, the Group has subscribed paid-in capital of Ant Consumer Finance amounting to RMB1,110,000,000, which represent 6% equity interests of Ant Consumer Finance. Pursuant to the subscription agreement, the Group has appointed a director of Ant Consumer Finance, therefore the Group has significant influence over the operation and this equity investment is accounted for interest in an associate. On 31 October 2023, the Group and other shareholders injected additional paid-in capital of Ant Consumer Finance amounting to RMB270,000,000 and RMB4,230,000,000, respectively. Upon the completion of capital injection, the shareholding of Ant Consume Finance held by the Group was remained unchanged.

20. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Deferred tax assets 遞延稅項資產	(204,024)	(257,178)
Deferred tax liabilities 遞延稅項負債	752,940	850,321
	548,916	593,143

19. 於聯營公司的權益 (續)

附註：

於二零二三年一月十一日，本集團已認繳螞蟻消費金融繳足資本人民幣1,110,000,000元，相當於螞蟻消費金融的6%股權。根據認購協議，本集團已委任一名螞蟻消費金融董事，故本集團對其營運擁有重大影響力及本項股權投資入賬列作於一間聯營公司的權益。於二零二三年十月三十一日，本集團及其他股東分別向螞蟻消費金融注入額外繳足資本人民幣270,000,000元及人民幣4,230,000,000。於注資完成後，本集團持有的螞蟻消費金融股權保持不變。

20. 遞延稅項

就呈列綜合財務狀況表而言，已抵銷若干遞延稅項資產及負債。就財務報告目的而對遞延稅項結餘的分析如下：

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20. DEFERRED TAXATION (Continued)

20. 遞延稅項 (續)

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

已確認的主要遞延稅項負債(資產)及於本年度和過往年度變動如下：

	Withholding tax on undistributed profit from the PRC 中國未分配利潤預繳稅 RMB'000 人民幣千元	Allowance for inventories and ECL provision 存貨撥備及預期信貸虧損撥備 RMB'000 人民幣千元	Deferred subsidy income 遞延補貼收入 RMB'000 人民幣千元	Accelerated depreciation 加速折舊 RMB'000 人民幣千元	Accrued bonus 應計獎金 RMB'000 人民幣千元	Right-of-use assets 使用權資產 RMB'000 人民幣千元	Lease liabilities 租賃負債 RMB'000 人民幣千元	Tax losses 稅項虧損 RMB'000 人民幣千元	Others 其他 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
At 1 January 2022 於二零二二年一月一日	157,371	(111,932)	(26,679)	810,002	(95,741)	-	-	-	27,218	760,239
Adjustment 調整	-	-	-	-	-	27,856	(27,856)	-	-	-
At 1 January 2022 (Restated) 於二零二二年一月一日(經重列)	157,371	(111,932)	(26,679)	810,002	(95,741)	27,856	(27,856)	-	27,218	760,239
(Credit) Charge to profit or loss (Note 9) 於損益中(扣除)計入(附註9)	(29,179)	17,694	(16,553)	106,432	(2,757)	8,145	(8,321)	(232,649)	(5,914)	(163,102)
Credit to other comprehensive income 於其他全面收益中扣除	-	-	-	-	-	-	-	-	(7,707)	(7,707)
Derecognised on disposal of a subsidiary 出售一家附屬公司時終止確認	-	1,399	2,314	-	-	-	-	-	-	3,713
At 31 December 2022 (Restated) 於二零二二年十二月三十一日(經重列)	128,192	(92,839)	(40,918)	916,434	(98,498)	36,001	(36,177)	(232,649)	13,597	593,143
(Credit) Charge to profit or loss (Note 9) 於損益中(扣除)計入(附註9)	(43,395)	3,926	14,400	(13,528)	31,868	(2,406)	2,563	(53,241)	19,572	(40,241)
Credit to other comprehensive income 於其他全面收益中扣除	-	-	-	-	-	-	-	-	(3,986)	(3,986)
At 31 December 2023 於二零二三年十二月三十一日	84,797	(88,913)	(26,518)	902,906	(66,630)	33,595	(33,614)	(285,890)	29,183	548,916

As at 31 December 2023, the deferred tax liabilities amounting to RMB84,797,000 (31 December 2022: RMB128,192,000) was provided in respect of the temporary differences attributed to the PRC undistributed profits to the extent exceeding the investment plan which the directors of the Company decided to distribute. The Group has determined that the remaining portion of the profits derived from those PRC operating subsidiaries will be retained by those subsidiaries and not distributed in the foreseeable future, since the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse nor be subject to withholding tax in the foreseeable future.

於二零二三年十二月三十一日，本集團就有關中國未分配利潤的暫時差額作出遞延稅項負債撥備人民幣84,797,000元(二零二二年十二月三十一日：人民幣128,192,000元)，該金額已超過本公司董事決定分配之投資計劃的金額。本集團已決定來自該等中國營運附屬公司的利潤之餘下部分將由該等附屬公司保留，且不會於可預見的將來分配，因為本集團已就控制撥回暫時差額的時間作好準備，且該等差額將不大可能於可預見的將來撥回或須預繳稅項。

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20. DEFERRED TAXATION (Continued)

At the end of the reporting period, the Group had unused tax losses of approximately RMB6,352,774,000 (2022: RMB4,766,689,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB1,902,891,000 (2022: RMB1,550,992,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB4,449,883,000 (2022: RMB3,215,697,000) either due to the unpredictability of future profit streams or because it is not probable that the unused tax losses will be available for utilisation before their expiry.

Among the unrecognised tax losses, the tax losses arising from the PRC non high-tech subsidiaries of RMB682,371,000 (2022: RMB335,983,000) can be carried forward for maximum of five years and will expire during 2024 to 2028 (2022: 2023 to 2027) while the tax losses arising from the PRC high-tech subsidiaries of RMB3,191,831,000 (2022: RMB2,486,801,000) can be carried forward for maximum of ten years and will expire during 2024 to 2033 (2022: 2023 to 2032) according to Caishui [2018] No. 76 which has extended the expiration period from five years to ten years. Other tax losses may be carried forward indefinitely.

By reference to financial budgets, the directors of the Company believe that there will be sufficient future taxable profits or taxable temporary differences available in the future for the realisation of deferred tax assets which have been recognised in respect of tax losses and other temporary differences.

At the end of the reporting period, the Group has deductible temporary differences of RMB1,356,000 (2022: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

21. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The deposits are paid for construction of factory buildings, acquisition of plants and equipment located in the PRC and other regions for the expansion of the Group's production plants.

During the year ended 31 December 2023, the Group paid an amount of approximately RMB477,210,000 (2022: RMB443,241,000) as the deposits for acquisition of property, plant and equipment and transferred an amount of approximately RMB234,865,000 (2022: RMB424,824,000) to property, plant and equipment.

20. 遞延稅項 (續)

於報告期末，本集團有未使用稅項虧損約人民幣6,352,774,000元(二零二二年：人民幣4,766,689,000元)可供用於抵銷未來溢利。已就其中虧損約人民幣1,902,891,000元(二零二二年：人民幣1,550,992,000元)確認遞延稅項資產。因未來溢利流不可預測或不可能在其屆滿前有可使用的未使用稅項虧損，概無就餘下稅項虧損人民幣4,449,883,000元(二零二二年：人民幣3,215,697,000元)確認遞延稅項資產。

在未確認稅項虧損中，中國非高新技術附屬公司產生的稅項虧損為人民幣682,371,000元(二零二二年：人民幣335,983,000元)可於最多五年內結轉，並將於二零二四年至二零二八年(二零二二年：二零二三年至二零二七年)到期。而中國高新技術附屬公司產生的稅項虧損為人民幣3,191,831,000元(二零二二年：人民幣2,486,801,000元)，可於最多十年內結轉，到期期限根據財稅[2018]76號文由五年增至十年，將於二零二四年至二零三三年(二零二二年：二零二三年至二零三二年)到期。其他稅項虧損可無限期結轉。

經參考財務預算，本公司董事相信，日後將有充足未來應課稅溢利或可動用應課稅暫時差額以變現已就稅項虧損及其他暫時差額確認的遞延稅項資產。

於報告期末，本集團可扣稅暫時差額為人民幣1,356,000元(二零二二年：無)。由於不大可能有應稅溢利可用來抵扣可扣稅暫時差額，故未就該可扣稅暫時差額確認遞延稅項資產。

21. 就收購物業、機器及設備已支付的按金

本集團就興建廠房樓宇以及收購位於中國及其他地區的機器及設備以供其生產機器擴張而支付按金。

截至二零二三年十二月三十一日止年度，本集團就收購物業、機器及設備已支付的按金額約為人民幣477,210,000元(二零二二年：人民幣443,241,000元)，並將金額約為人民幣234,865,000元(二零二二年：人民幣424,824,000元)的按金轉撥至物業、機器及設備。

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22. EQUITY INSTRUMENTS AT FVTOCI

22. 按公允值計入其他全面收益的權益工具

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Unlisted equity investments 非上市股權投資	116,790	168,160

The unlisted equity investments represent the Group's equity interests in private entities. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance in the long run.

No equity instrument at FVTOCI was disposed during the current year (2022: RMB108,000) and the Group made new equity investments measured as equity instruments at FVTOCI amounting to RMB200,000 (2022: RMB18,000,000).

The fair value loss of the equity instruments at FVTOCI in the amount of RMB22,584,000 (2022: loss of RMB20,810,000), net off with the recognition of related deferred tax assets of RMB3,986,000 (2022: deferred tax assets of RMB7,707,000) was recognised in FVTOCI reserve.

非上市股權投資代表本集團於私人實體的股本權益。本公司董事已選擇將該等投資指定為按公允值計入其他全面收益的權益工具，此乃由於彼等相信於損益確認該等投資公允值的短期波動不符合本集團就長期目的持有該等投資以及就長期而言實現該等投資效益的策略。

於本年度期間，並無出售按公允值計入其他全面收益的權益工具（二零二二年：人民幣108,000元），及本集團作出新的股權投資，以按公允值計入其他全面收益的權益工具計量為人民幣200,000元（二零二二年：人民幣18,000,000元）。

按公允值計入其他全面收益的權益工具的公允值虧損（扣除確認有關遞延稅項資產人民幣3,986,000元（二零二二年：遞延稅項資產為人民幣7,707,000元））人民幣22,584,000元（二零二二年：虧損人民幣20,810,000元）已於按公允值計入其他全面收益的儲備中確認。

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23. FINANCIAL ASSETS AT FVTPL

23. 按公允值計入損益的金融資產

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Current assets 流動資產		
Unlisted financial products (note a) 非上市金融產品(附註a)	7,113,261	10,086,415
Non-current assets 非流動資產		
Equity investments (note b) 股權投資(附註b)	19,518	19,518

Notes:

附註：

(a) Unlisted financial products

(a) 非上市金融產品

During the current year, the Group entered into several contracts of unlisted financial products with banks. The unlisted financial products are managed by related banks in the PRC to invest principally in certain financial assets including bonds, trusts and cash funds, etc. The unlisted financial products have been accounted for financial assets at FVTPL on initial recognition of which the return of the unlisted financial products was determined by reference to the performance of the underlying debt instruments and treasury notes and as at 31 December 2023, the expected return rate stated in the contracts ranges from 1.92% to 5.00% (31 December 2022: 1.80% to 5.00%) per annum.

於本年度期間，本集團與銀行簽訂若干非上市金融產品合約。該等非上市金融產品由中國的相關銀行管理，主要投資於債券、信託及現金基金等若干金融資產。非上市金融產品在初步確認時已列作按公允值計入損益的金融資產，該部分非上市金融產品的回報根據相關債務工具及國庫債券的表現釐定，於二零二三年十二月三十一日，合約中所載的預期年回報率介乎1.92%至5.00%之間（二零二二年十二月三十一日：1.80%至5.00%之間）。

(b) Equity investments

(b) 股權投資

The Group's equity investments in several partnership enterprises amounting to RMB19,518,000 (31 December 2022: RMB19,518,000) were classified as financial assets at FVTPL.

本集團於多家合夥企業金額為人民幣19,518,000元（二零二二年十二月三十一日：人民幣19,518,000元）的股權投資被分類為按公允值計入損益的金融資產。

In the opinion of the directors of the Company, the fair value change of the equity investments is insignificant as at 31 December 2023.

本公司董事認為，於二零二三年十二月三十一日，股權投資的公允值變動並不重大。

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24. INVENTORIES

24. 存貨

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Raw materials 原材料	794,317	1,061,132
Work in progress 半製品	210,705	202,428
Finished goods 製成品	4,131,919	3,457,353
	5,136,941	4,720,913

25. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

25. 貿易及其他應收款項及預付款項

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Trade receivables 貿易應收款項	6,907,066	6,428,554
Less: allowance for expected credit losses 減：預期信貸虧損撥備	(123,152)	(93,643)
	6,783,914	6,334,911
Loan receivables (note) 應收貸款(附註)	226,977	87,619
Other receivables and prepayment 其他應收款項及預付款項		
Value added tax and other tax receivables 應收增值稅及其他應收稅項	282,536	199,895
Advance to suppliers 墊付供應商款項	133,910	132,028
Prepaid expenses 預付開支	103,512	177,693
Utilities deposits and prepayment 公用事業按金及預付款項	125,260	76,712
Advances to employees 墊付僱員款項	134,835	124,890
Others 其他	63,843	71,362
	843,896	782,580
Total trade and other receivables and prepayment 貿易及其他應收款項及預付款項總額	7,854,787	7,205,110

Note: The Group provides fixed-rate loans with a term from one month to one year to local individuals and small enterprises in the PRC. All loans are either backed by guarantees and/or secured by collaterals.

附註：本集團向中國當地個體及小型企業提供期限為一個月至一年的固定利率貸款。所有貸款均由擔保支持及／或由抵押擔保。

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25. TRADE AND OTHER RECEIVABLES AND PREPAYMENT (Continued)

As at 1 January 2022, trade receivables amounted to RMB5,634,652,000.

The Group allows a credit period of average 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for credit loss presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Within 90 days 90天以內	6,541,100	6,082,252
91 to 180 days 91至180天	234,254	252,335
Over 180 days 180天以上	8,560	324
	6,783,914	6,334,911

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB151,218,000 (2022: RMB48,942,000) which are past due as at the reporting date. Out of the past due balances, RMB11,987,000 (2022: nil) has been past due 90 days or more.

Details of impairment assessment of trade and other receivables are set out in Note 37(b).

25. 貿易及其他應收款項及預付款項 (續)

於二零二二年一月一日，貿易應收款項金額為人民幣5,634,652,000元。

本集團給予其貿易客戶平均90天的信貸期。以下為於報告期末基於發票日（與各自的收益確認日期相若）呈列的貿易應收款項（扣除信貸虧損撥備）的賬齡分析。

於二零二三年十二月三十一日，本集團貿易應收款項結餘包括於報告日期已逾期的總賬面值為人民幣151,218,000元（二零二二年：人民幣48,942,000元）的債務人。於逾期結餘中，人民幣11,987,000元（二零二二年：無）逾期款項逾期90天或以上。

貿易及其他應收款項的減值評估詳情載於附註37(b)。

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26. RECEIVABLES AT FVTOCI

26. 按公允值計入其他全面收益的應收款項

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Receivables at FVTOCI comprise: 按公允值計入其他全面收益的應收款項包括： Bill receivables (note) 應收票據 (附註)	629,645	548,956

Note: The balance represents bills receivables held by the Group which is measured at FVTOCI since the bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group has discounted certain bills receivables to banks or endorsed certain bills receivables to its suppliers to settle its payables. These bills are issued or guaranteed by reputable PRC banks with high credit ratings. As the Group has transferred substantially all the risks of these bills to relevant banks/suppliers, it has derecognised these bills receivables.

The following table shows Group's bill receivables amounted to RMB44,455,000 (2022: RMB37,681,000) being endorsed to certain suppliers for settlement of trade payables or being discounted to certain banks to obtain the funding which the management considered that the Group has not transferred the significant risks and rewards relating to the bill receivables, it continues to recognise the full amount of bill receivables.

附註：結餘指本集團所持有的應收票據按公允值計入其他全面收益計量，原因為該等票據是在透過收取合約現金流量及出售金融資產達到目標的業務模式下持有，而該等合約現金流量僅為本金及尚未償還本金的利息的付款。

本集團已向銀行貼現若干應收票據或向其供應商背書若干應收票據以結清其應付款項。該等票據由聲譽良好及具高信貸評級之中國銀行發行或擔保。由於本集團已將該等票據實質上的所有風險轉讓予相關銀行／供應商，因此本集團已終止確認該等應收票據。

下表載列本集團就償付貿易應付款項背書予若干供應商以結清應付款項或為取得資金貼現予若干銀行的應收票據人民幣44,455,000元(二零二二年：人民幣37,681,000元)，管理層認為本集團並無轉讓應收票據的相關重大風險及回報，其繼續悉數確認應收票據的賬面值。

As at 31 December 2023

於二零二三年十二月三十一日

	Bills discounted to banks with full resources 全面追索貼現予銀行的票據 RMB'000 人民幣千元	Bills endorsed to suppliers with full resources 全面追索背書予供應商的票據 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
Carrying amount of transferred assets 已轉讓資產的賬面值	20,059	24,396	44,455
Carrying amount of associated liabilities 相關負債之賬面值	(20,059)	(24,396)	(44,455)
Net position 淨金額	-	-	-

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26. RECEIVABLES AT FVTOCI (Continued) 26. 按公允值計入其他全面收益的應收款項(續)

As at 31 December 2022

於二零二二年十二月三十一日

	Bills discounted to banks with full recourse 全面追索貼現予 銀行的票據 RMB'000 人民幣千元	Bills endorsed to suppliers with full recourse 全面追索背書予 供應商的票據 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
Carrying amount of transferred assets 已轉讓資產的賬面值	–	37,681	37,681
Carrying amount of associated liabilities 相關負債之賬面值	–	(37,681)	(37,681)
Net position 淨金額	–	–	–

The credit period of bill receivables is 90 to 180 days. Aging of bill receivables based on the issue date at the end of the reporting period is as follows:

應收票據的信貸期為90至180天。於報告期末基於發行日的應收票據賬齡如下：

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Within 90 days 90天以內	460,595	391,133
91 to 180 days 91至180天	169,050	157,823
	629,645	548,956

Details of impairment assessment of bill receivables are set out in Note 37(b).

應收票據的減值評估詳情載於附註37(b)。

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27. TIME DEPOSITS/PLEDGED BANK DEPOSITS/SHORT TERM FIXED DEPOSITS/CASH AND CASH EQUIVALENTS

As at 31 December 2023, the Group deposited RMB1,450,000,000 (2022: RMB700,000,000) time deposits with several banks in the PRC. These time deposits carry fixed interest rates ranging from 3.00% to 3.40% (2022: 3.15% to 4.18%) per annum. The original maturity period of these time deposits is three years. The time deposits with an amount of RMB1,250,000,000 will be matured within a period of more than two years.

As at 31 December 2023, the Group pledged certain of its bank deposits to banks as security for bank acceptance bills and the pledged bank deposits carry fixed interest rates ranging from 1.45% to 5.50% (2022: 0.25% to 3.75%) per annum. The pledged bank deposits will be released upon the maturity of relevant bills.

Short term fixed deposits carry fixed interest rates ranging from 0.20% to 6.90% (2022: 0.20% to 4.75%) per annum. Short term fixed deposits have original maturity dates more than three months but less than one year and therefore classified as current assets.

Cash and cash equivalents include demand deposits and short term deposits with original maturity dates less than three months for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.01% to 5.38% (2022: 0.01% to 1.70%) per annum.

Details of impairment assessment of time deposits, pledged bank deposits, short term fixed deposits and bank balances are set out in Note 37(b).

27. 定期存款／已抵押銀行存款／短期定期存款／現金及現金等值項目

於二零二三年十二月三十一日，本集團存入數家中國的銀行的定期存款為人民幣1,450,000,000元（二零二二年：人民幣700,000,000元）。該等定期存款固定年利率介乎3.00%至3.40%之間（二零二二年：3.15%至4.18%）。該等定期存款的原到期期限為三年。金額為人民幣1,250,000,000元將於兩年以上的期限內到期。

於二零二三年十二月三十一日，本集團已向銀行抵押其若干銀行存款作銀行承兌匯票的抵押品，已抵押銀行存款固定年利率為介乎1.45%至5.50%之間（二零二二年：0.25%至3.75%）。已抵押銀行存款將於相關票據到期後解除。

短期定期存款按介乎0.20%至6.90%之間（二零二二年：0.20%至4.75%）的固定年利率計息。短期定期存款原到期日超過三個月但少於一年，因而被分類為流動資產。

現金及現金等值項目包括活期存款及原到期日於三個月內的短期存款，用於滿足本集團的短期現金承擔，按介乎0.01%至5.38%之間（二零二二年：0.01%至1.70%）的市場年利率計息。

定期存款、已抵押銀行存款、短期定期存款及銀行結餘的減值評估詳情載於附註37(b)。

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28. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

At the end of the reporting period, the Group held certain derivatives classified as held for trading and not under hedge accounting as follows:

	Assets 資產		Liabilities 負債	
	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Current portion 即期部分				
Foreign currency forward contracts 遠期外匯合約	-	29,681	31,724	508
Foreign currency options contracts 外匯期權合約	-	-	5,206	17,147
Foreign exchange swap contracts 外匯掉期合約	114	-	4,346	-
	114	29,681	41,276	17,655

As at 31 December 2023, the Group had entered into the following foreign currency forward contracts, foreign currency options contracts and foreign exchange swap contracts:

Foreign currency forward contracts

The Group entered into several United States dollar ("USD")/RMB foreign currency forward contracts with banks in the PRC in order to manage the Group's foreign currency risk.

	Receiving currency 收取貨幣	Selling currency 賣出貨幣	Maturity date 到期日	Weighted average forward exchange rate 加權平均遠期匯率
Contract 26 合約26	RMB269,148,000 人民幣269,148,000元	USD40,000,000 40,000,000美元	24 April 2024 二零二四年四月二十四日	USD:RMB: 6.73 美元兌人民幣：6.73
Contract 27 合約27	RMB403,764,000 人民幣403,764,000元	USD60,000,000 60,000,000美元	24 April 2024 二零二四年四月二十四日	USD:RMB: 6.73 美元兌人民幣：6.73

28. 衍生金融資產及負債

於報告期末，本集團持有若干分類為持作買賣及未按對沖會計法處理的衍生工具如下：

於二零二三年十二月三十一日，本集團已訂立以下遠期外匯合約、外匯期權合約及外匯掉期合約：

遠期外匯合約

本集團已與中國的銀行訂立若干美元（「美元」）／人民幣的遠期外匯合約，以管理本集團的外匯風險。

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28. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Foreign currency options contracts

The Group entered into several USD/RMB foreign currency options contracts with banks in the PRC in order to manage the Group's foreign currency risk.

The Group is required to transact with the banks for designated notional amount on each of the valuation dates specified within the respective contracts ("Valuation Date").

At each Valuation Date, the reference rate which represents the spot rate as specified within the respective contracts shall be compared against the strike rates (upper and lower)/barrier rate as specified within the respective contracts, and the Group may receive from/pay to the bank an amount as specified in the contracts if certain conditions specified within the respective contracts are met.

Extracts of details of foreign currency options contracts from the respective contracts outstanding as at 31 December 2023 are as follows:

	Notional amount 名義金額 USD'000 美元千元	Strike/barrier rates 行使／門檻匯率	Ending settlement date 結束結算日期
Contract H 合約H	25,000	USD:RMB at 1: 7.3095 美元兌人民幣1:7.3095	16 January 2024 二零二四年一月十六日
Contract I 合約I	50,000	USD:RMB at 1: 7.2178 美元兌人民幣1:7.2178	29 January 2024 二零二四年一月二十九日
Contract J 合約J	43,000	USD:RMB at 1: 7.2678 美元兌人民幣1:7.2678	29 January 2024 二零二四年一月二十九日
Contract K 合約K	40,000	USD:RMB at 1: 7.0462 美元兌人民幣1:7.0462	27 February 2024 二零二四年二月二十七日
Contract L 合約L	59,000	USD:RMB at 1: 7.0995 美元兌人民幣1:7.0995	26 March 2024 二零二四年三月二十六日

28. 衍生金融資產及負債 (續)

外匯期權合約

本集團已與中國的銀行訂立若干美元／人民幣的外匯期權合約，以管理本集團的外匯風險。

本集團須於各合約所指定的各估值日期（「估值日期」）就指定名義金額與該等銀行進行交易。

於各估值日期，參考匯率（指各合約所指定的現貨匯率）須與各合約所指定的行使匯率（上限及下限）／門檻匯率作比較，且在達致各合約所指定若干條件的情況下，本集團可向相關銀行收取／支付該等合約所指定的金額。

於二零二三年十二月三十一日，各項未平倉合約的外匯期權合約的詳情摘要如下：

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28. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Foreign exchange swap contracts

The Group entered into several VND/USD and RMB/USD foreign exchange swap contracts with banks in the Vietnam and PRC in order to manage the Group's foreign currency risk.

	Receiving currency 收取貨幣	Selling currency 賣出貨幣	Maturity date 到期日	Strike Rate 行使匯率
Contract A 合約A	USD1,500,000 1,500,000美元	VND 36,405,000,000 36,405,000,000越南盾	5 January 2024 二零二四年一月五日	USD:VND 24,270 美元兌越南盾24,270
Contract B 合約B	USD1,500,000 1,500,000美元	VND 36,237,000,000 36,237,000,000越南盾	5 February 2024 二零二四年二月五日	USD:VND 24,158 美元兌越南盾24,158
Contract C 合約C	USD1,500,000 1,500,000美元	VND 36,204,000,000 36,204,000,000越南盾	5 March 2024 二零二四年三月五日	USD:VND 24,136 美元兌越南盾24,136
Contract D 合約D	USD2,000,000 2,000,000美元	VND 48,522,000,000 48,522,000,000越南盾	15 January 2024 二零二四年一月十五日	USD:VND 24,261 美元兌越南盾24,261
Contract E 合約E	USD150,000,000 150,000,000美元	RMB1,071,315,000 人民幣1,071,315,000元	3 January 2024 二零二四年一月三日	USD:RMB 7.1421 美元兌人民幣7.1421

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with a bank. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amount.

28. 衍生金融資產及負債(續)

外匯掉期合約

本集團已與越南及中國的銀行訂立若干越南盾／美元及人民幣／美元的外匯掉期合約，以管理本集團的外匯風險。

本集團已訂立若干衍生工具交易，與銀行簽訂的國際掉期及衍生工具協會總協議（「國際掉期及衍生工具協會總協議」）涉及該等交易。由於國際掉期及衍生工具協會總協議規定，僅可於出現拖欠款項、無力償債或破產的情況下行使抵銷權，故本集團目前並無可抵銷已確認款項的依法可強制執行權利，因此，該等衍生工具並未於綜合財務狀況表內抵銷。

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29. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date and note payables presented based on the issue date at the end of reporting period.

29. 貿易及其他應付款項

以下為於報告期末基於發票日的貿易應付款項及基於發行日的應付票據的賬齡分析。

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Current liabilities 流動負債		
Trade payables 貿易應付款項		
Within 90 days 90天以內	5,877,594	4,193,511
91 to 180 days 91至180天	761,254	625,453
Over 180 days 180天以上	13,142	12,387
Accrued purchases 應計採購額	680,401	554,152
Total trade payables and accrued purchases 貿易應付款項及應計採購額總額	7,332,391	5,385,503
Note payables (note) 應付票據(附註)		
Within 90 days 90天以內	5,036,931	3,663,957
91 to 180 days 91至180天	3,734,324	680,441
Over 180 days 180天以上	1,652,849	22,566
	10,424,104	4,366,964

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Advance deposits from a customer 來自一名客戶的預收按金	268,360	555,456
Payables for purchase of property, plant and equipment 購置物業、機器及設備應付款項	258,432	410,958
Staff salaries and welfare payables 員工薪金及福利應付款項	1,258,817	1,378,175
Labour outsourcing payables 勞務外包應付款項	122,099	194,150
Payables for acquisition of patents 收購專利應付款項	38,775	39,534
Value added tax payables and other tax payables 應付增值稅及其他應付稅項	217,291	214,476
Interest payables 應付利息	2,032	76,738
Rental and utilities payables 應付租金及公用事業費用	52,426	61,367
Others 其他	350,156	233,965
	2,568,388	3,164,819
	20,324,883	12,917,286

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29. TRADE AND OTHER PAYABLES (Continued)

Note:

During the year ended 31 December 2023, certain of the Company's subsidiaries received bills from the other certain subsidiaries and discounted the certain bills to bank. The cash flows of such transactions have been presented in cash flow statement as financing activities.

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Non-current liabilities 非流動負債		
Long term payables 長期應付款項		
Payables for acquisition of patents 收購專利應付款項	79,200	122,777
Accrued employee expense 應計僱員開支	22,155	-
Government relocation compensation received (note) 取得的政府拆遷補償款(附註)	36,490	-
	137,845	122,777

The credit period on purchases of goods is up to 180 days (2022: 180 days) and the credit period for note payables is 90 days to 365 days (2022: 90 days to 365 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

Note:

During the year ended 31 December 2023, certain subsidiaries of the Group entered into the relocation compensation agreement with local government to transfer certain leasehold lands and owned properties due to the urban planning adjustment of Yuyao People's Government. As the completion of asset transfer is under the administration process of the relevant regulatory authorities and expected to complete more than 12 months, the amount received is classified as "Government relocation compensation received" as non-current liability.

30. CONTRACT LIABILITIES

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Advance from customers 客戶墊付款項	136,316	166,096

29. 貿易及其他應付款項(續)

附註：

截至二零二三年十二月三十一日止年度，本公司若干附屬公司自其他若干附屬公司取得有關票據，並將若干票據貼現予銀行。該等交易的現金流量於現金流量表中入賬列為融資活動。

貨品採購的信貸期最多為180天(二零二二年：180天)及應付票據的信貸期為90天至365天(二零二二年：90天至365天)。本集團已實施財務風險管理政策，以確保所有應付款項於信貸期內支付。

附註：

截至二零二三年十二月三十一日止年度，由於餘姚市人民政府的城市規劃調整，本集團的若干附屬公司與當地政府訂立拆遷補償協議以轉讓若干租賃土地及自有物業。由於資產轉讓須根據相關監管部門的管理程序完成且預計於12個月以上完成，已收款項分類為非流動負債項下的「取得的政府拆遷補償款」。

30. 合約負債

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30. CONTRACT LIABILITIES (Continued)

As at 1 January 2022, contract liabilities amounted to RMB178,101,000.

The contract liability is the consideration received from the customers which represents the Group's remaining obligation to transfer goods to customers. Contract liabilities that are not expected to be settled within the Group's normal operating cycle are classified as current and non-current liabilities based on the Group's earliest obligation to transfer goods to the customers.

Revenue of RMB142,399,000 was recognised during the year ended December 31 2023 (December 31 2022: RMB 178,101,000) that was included in the contract liabilities at the beginning of the relevant year.

30. 合約負債 (續)

於二零二二年一月一日，合約負債為人民幣178,101,000元。

合約負債指本集團已從客戶收取有關尚未履行向客戶轉移貨品義務的代價。根據本集團向客戶轉移貨品的最早義務，於本集團正常經營期內結算的合約負債預期不會分類為流動及非流動負債。

二零二三年年初計入合約負債的款項於截至二零二三年十二月三十一日止年度確認為收益人民幣142,399,000元(二零二二年十二月三十一日：人民幣178,101,000元)。

31. BANK BORROWINGS

31. 銀行借貸

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Unsecured and guaranteed 無抵押但有擔保	2,664,313	1,393,051
Unsecured and unguaranteed 無抵押及無擔保	-	626,930
	2,664,313	2,019,981

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
The carrying amounts of the above borrowings are repayable*: 上述銀行借貸的賬面值須於下列時間內償還*：		
Within one year 一年內	699,000	1,989,981
Within a period of more than one year but not exceeding two years 於一年以上但不超過兩年的期間內	254,977	30,000
Within a period of more than two years but not exceeding five years 於兩年以上但不超過五年的期間內	1,710,336	-
	2,664,313	2,019,981

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

* 應付款項乃根據貸款協議所載計劃還款日期釐定。

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31. BANK BORROWINGS (Continued)

The exposure of the Group's bank borrowings are as follows:

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Fixed-rate borrowings 固定利率借貸	1,212,360	975,000
Variable-rate borrowings 可變利率借貸	1,451,953	1,044,981
	2,664,313	2,019,981

The range of effective interest rates per annum (which are equal to contractual interest rates) on the Group's bank borrowings are as follows:

	Year ended 31/12/2023 截至二零二三年 十二月三十一日 止年度	Year ended 31/12/2022 截至二零二二年 十二月三十一日 止年度
Fixed-rate borrowings 固定利率借貸	2.10% to 3.97% 2.10%至3.97%	2.30% to 3.20% 2.30%至3.20%
Variable-rate borrowings 可變利率借貸	3.00% 3.00%	3.60% to 3.70% 3.60%至3.70%

The variable-rate borrowings as at 31 December 2023 were denominated in USD (2022: USD and HKD) which carried the floating-rates at Secured Overnight Financing Rate ("SOFR") (2022: SOFR and Hong Kong Inter-Bank Offer Rate ("HIBOR") plus a premium).

The Group's bank borrowings that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
USD 美元	1,961,200	348,230
HKD 港元	-	696,751
	1,961,200	1,044,981

31. 銀行借貸 (續)

本集團的銀行借貸風險如下：

本集團銀行借貸的實際年利率(相等於合約利率)範圍如下：

於二零二三年十二月三十一日的可變利率借貸以美元(二零二二年：美元及港元)計值，其浮動利率按有擔保隔夜融資利率(「有擔保隔夜融資利率」)(二零二二年：有擔保隔夜融資利率及香港銀行同業拆息利率(「香港銀行同業拆息利率」)加溢價)計算。

本集團以相關集團實體功能貨幣以外的貨幣計值的銀行借貸載列如下：

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32. LEASE LIABILITIES

32. 租賃負債

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Lease Liabilities payable: 應付租賃負債：		
Within one year 一年內	35,861	51,378
Within a period of more than one year but not more than two years 超過一年但不超過兩年的期間內	34,219	40,735
Within a period of more than two years but not more than five years 超過兩年但不超過五年的期間內	95,163	104,072
Within a period of more than five years 超過五年的期間內	53,000	43,131
	218,243	239,316
Less: Amount due for settlement with 12 months shown under current liabilities 減：流動負債下所列於12個月內結算的到期款項	(35,861)	(51,378)
Amount due for settlement after 12 months shown under non-current liabilities 非流動負債下所列於12個月後結算的到期款項	182,382	187,938

The weighted average incremental borrowing rates applied to lease liabilities range from 3.45% to 4.90% (2022: from 4.75% to 4.90%).

應用於租賃負債的加權平均增量借款利率介乎3.45%至4.90%之間(二零二二年：4.75%至4.90%)。

33. DEFERRED INCOME

33. 遞延收入

Government grants of RMB53,781,000 (2022: RMB200,887,000) have been received in the current year related to assets and research and development projects. The amount has been treated as deferred income and amortised over the useful lives of the relevant assets and periods of the respective research and development projects.

本年度已收取與資產及研發項目有關的政府補助金人民幣53,781,000元(二零二二年：人民幣200,887,000元)。該金額被視為遞延收入並於有關資產可使用年期及各研發項目期間攤銷。

During the current year, RMB149,779,000 (2022: RMB90,532,000) of deferred income has been released to profit or loss.

於本年度期間，人民幣149,779,000元(二零二二年：人民幣90,532,000元)的遞延收入已計入損益。

As at 31 December 2023, an amount of RMB201,398,000 (2022: RMB297,396,000) deferred income remains to be amortised, among which RMB8,548,000 (2022: RMB6,446,000) will be amortised within one year and therefore classified as current liabilities.

於二零二三年十二月三十一日，人民幣201,398,000元(二零二二年：人民幣297,396,000元)的遞延收入尚未攤銷，其中人民幣8,548,000元(二零二二年：人民幣6,446,000元)將於一年內攤銷，因此分類為流動負債。

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34. BONDS PAYABLE

On 16 January 2018, the Company issued unsecured bonds in the amount of USD600 million at the rate of 3.75% per annum to professional investors outside of the United States in accordance with Regulation S under the U.S. Securities Act. The issuance had been completed on 23 January 2018 and the listing of the bonds in the Hong Kong Stock Exchange became effective on 24 January 2018. In January 2023, the bonds payable were repaid in line with the relevant repayment terms.

On 9 January 2023, the Company issued unsecured sustainability linked bonds in the amount of USD400 million at the rate of 5.95% per annum which will be due by year 2026 to professional investors outside of the United States in accordance with Regulation S under the U.S. Securities Act. The issuance had been successfully completed on 17 January 2023 and the listing of the bonds in the Hong Kong Stock Exchange became effective on 18 January 2023.

The Company had fully used the net proceeds from the bonds for refinancing existing indebtedness.

During the current year, interest expense of approximately RMB175,393,000 (2022: RMB161,768,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

34. 應付債券

於二零一八年一月十六日，本公司根據美國《證券法》S條例向美國境外專業投資者發行600,000,000美元年利率3.75厘的無抵押債券。該發行已於二零一八年一月二十三日完成，且債券於二零一八年一月二十四日起於香港聯交所上市。於二零二三年一月，應付債券已按照有關還款條款償還。

於二零二三年一月九日，本公司根據美國《證券法》S條例向美國境外專業投資者發行於二零二六年到期之400,000,000美元年利率5.95厘的無抵押可持續發展掛鈎債券。該發行已於二零二三年一月十七日成功完成，且債券於二零二三年一月十八日於香港聯交所上市。

本公司已將全部債券所得款項淨額用於現有債務再融資。

於本年度期間，約人民幣175,393,000元（二零二二年：人民幣161,768,000元）的利息開支於綜合損益及其他全面收益表確認。

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35. SHARE CAPITAL

35. 股本

	Number of shares 股份數目	Amount 金額 HKD'000 千港元	Equivalent to 相等於 RMB'000 人民幣千元
Authorised: 法定：			
Ordinary shares of HKD0.10 each at 1 January 2022, 31 December 2022 and 31 December 2023 於二零二二年一月一日、二零二二年十二月三十一日及二零二三年 十二月三十一日每股面值0.10港元的普通股	100,000,000,000	10,000,000	
Issued & fully paid: 已發行及繳足：			
Ordinary shares of HKD0.10 each at 1 January 2022 and 31 December 2022 於二零二二年一月一日及二零二二年十二月三十一日 每股面值0.10港元的普通股	1,096,849,700	109,685	105,163
Share repurchased and cancelled 股份購回及註銷 At 31 December 2023 於二零二三年十二月三十一日	(74,900)	(7)	(7)
	1,096,774,800	109,678	105,156

During the year, 74,900 ordinary shares of the Company were repurchased at prices ranging from HK\$53.1 to HK\$54.95 per share. All such repurchased shares were cancelled accordingly.

年內，本公司以介乎每股53.1港元至54.95港元的價格購回74,900股本公司普通股。所有該等購回股份已相應註銷。

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

年內，概無本公司附屬公司購買、出售或贖回本公司上市證券。

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36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings, lease liabilities and bonds payable disclosed in Note 31, 32, 34 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the repayment of existing debts.

37. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
<i>Financial assets</i> 金融資產		
Financial assets at FVTPL 按公允值計入損益的金融資產	7,132,779	10,105,933
Derivative financial assets 衍生金融資產	114	29,681
Financial assets at amortised cost 按攤銷成本計量的金融資產	22,975,938	14,720,114
Equity instruments at FVTOCI 按公允值計入其他全面收益的權益工具	116,790	168,160
Receivables at FVTOCI 按公允值計入其他全面收益的應收款項	629,645	548,956
	30,855,266	25,572,844
<i>Financial liabilities</i> 金融負債		
Liabilities measured at amortised cost 按攤銷成本計量的負債	23,552,548	16,545,859
Derivative financial liabilities 衍生金融負債	41,276	17,655
	23,593,824	16,563,514

36. 資本風險管理

本集團管理其資本，以確保本集團轄下實體能夠持續經營，同時通過優化債務及權益結構，實現股東回報最大化。本集團的整體策略與去年相同。

本集團的資本架構由負債淨額（包括分別於附註31、32及34中披露的銀行借貸、租賃負債及應付債券（扣除現金及現金等值項目））及本公司股東應佔權益（包括已發行股本、保留盈利及其他儲備）組成。

本公司董事每半年檢討一次資本架構。作為檢討的一部分，本公司董事考慮資本成本及各類資本相關風險。根據本公司董事的建議，本集團將透過支付股息、發行新股及股份回購以及發行新債或償還現有債務來平衡其整體資本架構。

37. 金融工具

a. 金融工具分類

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37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies

The Group's financial instruments include derivative financial assets/liabilities, trade and other receivables, amounts due from related parties, amounts due to related parties, financial assets at FVTPL, receivables at FVTOCI, equity instruments at FVTOCI, time deposits, short term fixed deposits, pledged bank deposits, cash and cash equivalents, trade and other payables, bank borrowings, long term payables and bonds payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the market risks of currency risk, interest rate risk and other price risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

(i) Currency risk

The Group undertakes certain foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain of the Group's cash and cash equivalents, short term fixed deposits, pledged bank deposits, trade and other receivables, trade and other payables, bonds payable and bank borrowings are denominated in currencies other than the functional currency of the relevant group entities and expose to such foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and utilising foreign currency forward contracts and foreign currency option contracts.

b. 財務風險管理目標及政策

本集團的金融工具包括衍生金融資產／負債、貿易及其他應收款項、應收關連人士款項、應付關連人士款項、按公允值計入損益的金融資產、按公允值計入其他全面收益的應收款項、按公允值計入其他全面收益的權益工具、定期存款、短期定期存款、已抵押銀行存款、現金及現金等值項目、貿易及其他應付款項、銀行借貸、長期應付款項及應付債券。金融工具的詳情載於相關附註。與此等金融工具相關的風險包括市場風險(外匯風險、利率風險及其他價格風險)、信貸風險及流動資金風險。減輕此等風險的政策載列於下文。本公司董事負責管理及監控此等風險，確保及時有效地採取適當措施。

市場風險

本集團業務面臨的主要市場風險為外匯風險、利率風險及其他價格風險。市場風險進一步按敏感度分析界定。以下為各類市場風險的詳情：

(i) 外匯風險

本集團進行若干外幣買賣，因而面對外匯風險。本集團若干現金及現金等值項目、短期定期存款、已抵押銀行存款、貿易及其他應收款項、貿易及其他應付款項、應付債券以及銀行借貸均以相關集團實體功能貨幣以外的貨幣計值且均面臨有關外匯風險。本集團密切監控匯率變動及使用遠期外匯合約及外匯期權合約以管理外匯風險。

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37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets 資產		Liabilities 負債	
	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
USD 美元	4,899,269	7,286,817	7,941,499	6,345,879
HKD 港元	4,174	13,497	27,669	711,095
Japanese Yen ("JPY") 日元 (「日元」)	98,339	108,547	154,970	233,699
Indian Rupee ("INR") 印度盧比 (「印度盧比」)	113,183	406,447	29,177	29,552
Vietnamese Dong ("VND") 越南盾 (「越南盾」)	199,954	22,693	46,795	57,357
Korean Won ("KRW") 韓元 (「韓元」)	23,612	6,782	55,751	123,860

Sensitivity analysis

The Group is mainly exposed to fluctuation in USD, HKD, JPY, INR, VND, and KRW against RMB.

The following table details the Group's sensitivity to a 5% (2022: 5%) change in respective foreign currencies against RMB. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the year end date for a 5% change in foreign currency rates.

A positive (negative) number below indicates an increase (decrease) in post-tax profit where the respective functional currencies strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant currencies, there would be an equal and opposite impact on the post-tax profit.

b. 財務風險管理目標及政策 (續)

市場風險 (續)

(i) 外匯風險 (續)

以下為本集團於報告期末以外幣計值貨幣資產及貨幣負債的賬面值：

敏感度分析

本集團的主要風險來自美元、港元、日元、印度盧比、越南盾及韓元兌人民幣的匯率波動。

下表詳述本集團於各外幣兌人民幣變動5% (二零二二年：5%) 時的敏感度。敏感度分析僅包括尚未結算的外幣計值貨幣項目，以及有關換算因年結日匯率變動5%而作出的調整。

下列正數 (負數) 代表各功能貨幣兌相關外幣升值5%而導致除稅後溢利增加 (減少) 情況。倘各功能貨幣兌相關貨幣貶值5%，則會對除稅後溢利有等額相反的影響。

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37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	Profit for the year 年內溢利	
	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
	USD 美元	129,295
HKD 港元	999	29,648
JPY 日元	2,407	5,319
INR 印度盧比	(3,570)	(16,018)
VND 越南盾	(6,509)	1,473
KRW 韓元	1,366	4,976

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 31 for details of these bank borrowings), lease liabilities (see Note 32 for details of lease liabilities), time deposits, short term fixed deposits and pledged bank deposits (see Note 27 for details of these deposits) and bonds payable (see Note 34 for details of the bonds payable). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

b. 財務風險管理目標及政策 (續)

市場風險 (續)

(i) 外匯風險 (續)

敏感度分析 (續)

(ii) 利率風險

本集團因固定利率銀行借貸 (該等銀行借貸詳情見附註31)、租賃負債 (租賃負債詳情見附註32)、定期存款、短期定期存款及已抵押銀行存款 (該等存款詳情見附註27) 以及應付債券 (應付債券詳情見附註34) 而面臨公允值利率風險。本集團目前沒有任何利率對沖政策。然而，本集團會監控利率風險並會在有需要時考慮對沖重大利率風險。

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37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Note 31 for details of these bank borrowings). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and the SOFR or HIBOR arising from the Group's bank borrowings. The directors of the Company will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The Group's exposures to interest rates on financial liabilities and lease liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points (2022: 50 basis points) increase or decrease in variable-rate bank borrowings are used represents management's assessment of the reasonably possible change in interest rates.

b. 財務風險管理目標及政策 (續)

市場風險 (續)

(ii) 利率風險 (續)

本集團亦因可變利率銀行結餘和銀行借貸 (該等銀行借貸詳情見附註 31) 而面臨現金流量利率風險。本集團的現金流量利率風險主要集中於銀行結餘及本集團的銀行借貸產生的有擔保隔夜融資利率或香港銀行同業拆息利率波動。本公司董事將檢討固定及浮動利率的借貸比例並確保其處於合理範圍內。

本集團金融負債及租賃負債的利率風險已在本附註流動資金風險管理一節中作詳細說明。

以下敏感度分析乃根據報告期末衍生工具及非衍生工具的利率風險釐定。該分析乃假設於報告期末未償還的金融工具在全年均未償還而編製。可變利率銀行借貸增加或減少 50 個基準點 (二零二二年：50 個基準點) 用來代表管理層對利率的合理可能變化的評估。

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37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

If interest rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would have decreased/increased by RMB7,260,000 (2022: RMB5,225,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(iii) Other price risk

The Group is exposed to other price risk through its investments in unlisted financial products and equity investments as financial assets at FVTPL. The directors of the Company consider alternative tools to mitigate other price risk and manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group also invested in certain unquoted equity securities for investees operating in several industry sectors for long term strategic purposes which had been designated as FVTOCI. The directors of the Company closely monitor such exposure and considers hedging such exposure should the need arise.

The sensitivity analyses have been determined based on the exposure to the price risk at the reporting date. For the sensitivity analysis of those financial assets at FVTPL, increase (decrease) in the prices of the respective financial assets would result in an increase (decrease) in the post-tax profit for the year ended 31 December 2023. Sensitivity analyses for unquoted equity securities at FVTOCI with fair value measurement categorised within Level 3 were disclosed in Note 37(c).

b. 財務風險管理目標及政策 (續)

市場風險 (續)

(ii) 利率風險 (續)

倘利率增加／減少50個基準點(二零二二年：50個基準點)且其他所有變量保持不變，本集團於截至二零二三年十二月三十一日止年度的除稅後溢利將減少／增加人民幣7,260,000元(二零二二年：人民幣5,225,000元)，主要是因為本集團面臨可變利率銀行借貸的利率風險。

(iii) 其他價格風險

本集團因其按公允值計入損益的金融資產(非上市金融產品及股權投資)的投資，面臨其他價格風險。本公司董事考慮用替代工具降低其他價格風險，並且以維持具有各種風險的投資組合管理該等所面臨的風險。此外，本集團亦因長遠策略目的投資若干無報價股權證券，被投資者營運於數個行業，該等證券指定為按公允值計入其他全面收益。本公司董事密切監察該等風險，並在有需要時考慮對沖該等風險。

敏感度分析乃根據報告日期價格風險釐定。有關按公允值計入損益的金融資產的敏感度分析，倘相應金融資產的價格增加(減少)，截至二零二三年十二月三十一日止年度除稅後溢利將相應增加(減少)。公允值計量分類為第三級的按公允值計入其他全面收益的無報價股本證券敏感度分析於附註37(c)中披露。

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37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

If the prices of those financial assets at FVTPL had been 5% (2022: 5%) higher/lower, the Group's post-tax profit for the year ended 31 December 2023 would increase/decrease by RMB303,143,000 (2022: RMB429,502,000).

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances and amounts due from related parties individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risks on derivative financial assets are limited because the counterparties are banks with high credit ratings.

As at 31 December 2023 and 2022, the Group has concentration of credit risk on its unlisted financial products at FVTPL. The credit risk on unlisted financial products at FVTPL is limited by the underlying assets invested by the unlisted financial products being the PRC government related debt instruments and treasury notes and the counterparties who issued these unlisted financial products are banks with good reputations.

b. 財務風險管理目標及政策 (續)

市場風險 (續)

(iii) 其他價格風險 (續)

倘該等按公允值計入損益的金融資產價格高出／低出5% (二零二二年：5%)，本集團截至二零二三年十二月三十一日止年度的除稅後溢利將增加／減少人民幣303,143,000元 (二零二二年：人民幣429,502,000元)。

信貸風險及減值評估

本集團承受財務虧損的最大信貸風險來自綜合財務狀況表所列各項已確認金融資產的賬面值。

為盡量減低信貸風險，本公司董事已委派專責隊伍，負責釐定信貸限額、審批信貸及其他監控程序，以確保採取跟進行動收回過期債務。此外，本集團按預期信貸虧損模式對貿易應收款項及應收關連人士款項個別地或根據撥備矩陣進行減值評估。因此，本公司董事認為本集團的信貸風險已大大降低。

由於交易對手均為信貸評級良好的銀行，故有關衍生金融資產的信貸風險有限。

於二零二三年及二零二二年十二月三十一日，本集團的信貸風險集中於按公允值計入損益的非上市金融產品。按公允值計入損益的非上市金融產品的信貸風險有限，此乃由於非上市金融產品投資的相關資產為中國政府有關債務工具及國庫券，且發行該等非上市金融產品的對手方為聲譽良好的銀行。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group has concentration of credit risk on receivables at FVTOCI. The credit risk on receivables at FVTOCI is limited as the related acceptors are several banks with high credit ratings.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group has concentration of credit risk as 18% (2022: 10%) and 40% (2022: 45%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. Revenue from the top five trade debtors represent over 47% (2022: 48%) of the Group's revenue for the year ended 31 December 2023. The directors of the Company, the associates and the shareholders have no interest in the customers mentioned above. The largest five customers' principal manufacturing facilities are located in the PRC, Vietnam and India, and their principal activities are manufacturing of smartphones and optical related products.

The Group also has concentration of credit risk on its deposits for acquisition of property, plant and equipment as 30% (2022: 45%) of the total deposits for acquisition of property, plant and equipment was paid to the Group's largest three suppliers of property, plant and equipment. The credit risk on the deposits paid is limited as these suppliers are large construction enterprises and equipment suppliers in the PRC and Japan.

Other than the above, the Group has no other significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

37. 金融工具 (續)

b. 財務風險管理目標及政策 (續)

信貸風險及減值評估 (續)

本集團面臨按公允值計入其他全面收益的應收款項的信貸集中風險。按公允值計入其他全面收益的應收款項的信貸風險有限，因其有關收款人為信貸評級良好的若干銀行。

除於若干信貸評級良好的銀行存放的流動資金存在信貸集中風險外，本集團另有信貸集中風險，皆因本集團總貿易應收款項中，最大客戶與前五大客戶分別佔18% (二零二二年：10%) 及40% (二零二二年：45%)。截至二零二三年十二月三十一日止年度，來自前五大貿易債務人的收入佔本集團收入逾47% (二零二二年：48%)。本公司董事、聯繫人及股東於上述客戶中並無任何權益。前五大客戶的主要生產設施位於中國、越南及印度，且其主要業務為製造智能手機及光學相關產品。

本集團因購置物業、機器及設備的按金而承受信貸集中風險，皆因本集團已向前三大物業、機器及設備供應商支付購置物業、機器及設備總按金的30% (二零二二年：45%)。已付按金的信貸風險有限，因為該等供應商為中國及日本的大型建築企業及設備供應商。

除上文所述者外，本集團並無其他重大信貸集中風險，皆因有關風險乃分散於多名對手方及客戶之中。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

b. 財務風險管理目標及政策 (續)

信貸風險及減值評估 (續)

本集團的內部信貸評級評估包括以下類別：

Internal credit rating 內部信貸評級	Description 描述	Trade receivables 貿易應收款項	Other financial assets 其他金融資產
Low risk 低風險	The counterparty has a low risk of default and does not have any past-due amounts 對手方的違約風險低，且無任何逾期款項	Lifetime ECL-not credit-impaired 全期預期信貸虧損－無信貸減值	12m ECL 12個月預期信貸虧損
Watch list 觀察名單	Debtor frequently repays after due dates but usually settle in full 債務人經常於到期日後還款，但通常於到期日後結清	Lifetime ECL-not credit-impaired 全期預期信貸虧損－無信貸減值	12m ECL 12個月預期信貸虧損
Doubtful 不確定的	There have been significant increases in credit risk since initial recognition through information developed internally or external resources 自經內部或外部資源建立的資料初步確認以來，信貸風險大幅上升	Lifetime ECL-not credit-impaired 全期預期信貸虧損－無信貸減值	Lifetime ECL-not credit-impaired 全期預期信貸虧損－無信貸減值
Loss 虧損	There is evidence indicating the asset is credit-impaired 證據顯示資產出現信貸減值	Lifetime ECL-credit-impaired 全期預期信貸虧損－信貸減值	Lifetime ECL-credit-impaired 全期預期信貸虧損－信貸減值
Write-off 撇銷	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery 證據顯示債務人處於嚴重財務困難，本集團對收回欠款無實際期望	Amount is written off 款額已撇銷	Amount is written off 款額已撇銷

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

b. 財務風險管理目標及政策 (續)

信貸風險及減值評估 (續)

下表詳列本集團受限於預期信貸虧損評估的金融資產所面臨的信貸風險：

	Notes 附註	External credit rating 外部信貸 評級	Internal credit rating 內部信貸 評級	12-month or lifetime ECL 12個月或全期預期 信貸虧損	2023 Gross carrying amount 二零二三年 總賬面值		2022 Gross carrying amount 二零二二年 總賬面值	
					RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Receivables at FVTOCI								
按公允值計入其他全面收益的應收款項								
Bill receivables 應收票據	26	N/A 不適用	note a 附註a	12m ECL 12個月預期信貸虧損	629,645		548,956	
Financial assets at amortised cost								
按攤銷成本計量的金融資產								
Trade receivables 貿易應收款項	25	N/A 不適用	note b 附註b	Lifetime ECL (not credit-impaired) 全期預期信貸虧損 (無信貸減值)	6,778,328		6,340,303	
			Loss 虧損	Lifetime ECL (Credit-impaired) 全期預期信貸虧損 (信貸減值)	128,738	6,907,066	88,251	6,428,554
Amounts due from related parties 應收關連人士款項	42(c)	N/A 不適用	note a 附註a	12m ECL 12個月預期信貸虧損	807		-	
			note a 附註a	Lifetime ECL (not credit-impaired) 全期預期信貸虧損 (無信貸減值)	-		14,935	
Loan receivables 應收貸款	25	N/A 不適用	note c 附註c	12m ECL 12個月預期信貸虧損	226,977		87,619	
Other receivables 其他應收款項	25	N/A 不適用	note a 附註a	12m ECL 12個月預期信貸虧損	63,843		71,362	
Time deposits 定期存款	27	BBB-A-	N/A 不適用	12m ECL 12個月預期信貸虧損	1,492,091		700,000	
Short term fixed deposits 短期定期存款	27	BB-A-	N/A 不適用	12m ECL 12個月預期信貸虧損	1,310,245		475,176	
Pledged bank deposits 已抵押銀行存款	27	BB-AA+	N/A 不適用	12m ECL 12個月預期信貸虧損	13,641		9,775	
Bank balance 銀行結餘	27	BB-AAA+	N/A 不適用	12m ECL 12個月預期信貸虧損	13,084,420		7,033,015	

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綜合財務報表附註

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37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

- (a) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2023 二零二三年	Past due 逾期款項 RMB'000 人民幣千元	Not past due/ No fixed repayment term 無逾期/ 無固定還款期 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
Amounts due from related parties 應收關連人士款項	368	439	807
Bill receivables 應收票據	-	629,645	629,645
Other receivables 其他應收款項	-	63,843	63,843
	368	693,927	694,295

b. 財務風險管理目標及政策 (續)

信貸風險及減值評估 (續)

附註：

- (a) 出於內部信貸風險管理的目的，本集團採用逾期資料評估信貸風險自初始確認以來有否大幅上升。

2022 二零二二年	Past due 逾期款項 RMB'000 人民幣千元	Not past due/ No fixed repayment term 無逾期/ 無固定還款期 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
Amount due from a related party 應收一名關連人士款項	14,837	98	14,935
Bill receivables 應收票據	-	548,956	548,956
Other receivables 其他應收款項	-	71,362	71,362
	14,837	620,416	635,253

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

- (b) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the expected credit loss on these items by using a provision matrix, grouped by debtor's aging.
- (c) The Group provides fixed-rate loans with a term from one month to one year to local individuals and small enterprises in the PRC. All loans are either backed by guarantees and/or secured by collaterals. The credit risk of loan receivables is low.

As part of the Group's credit risk management, except for the debtors with credit-impaired the Group uses debtors' aging to assess the impairment for its customers which are with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix with lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amount of RMB128,738,000 as at 31 December 2023 (2022: RMB88,251,000) were assessed individually.

b. 財務風險管理目標及政策 (續)

信貸風險及減值評估 (續)

附註：(續)

- (b) 就貿易應收款項而言，本集團應用了香港財務報告準則第9號的簡單方法以計量全期預期信貸虧損的虧損撥備。除出現信貸減值的債務人外，本集團使用撥備矩陣（按債務人賬齡分組）釐定該等項目的預期信貸虧損。
- (c) 本集團向中國當地個體及小型企業提供期限為一個月至一年的固定利率貸款。所有貸款均由擔保支持及／或由抵押擔保。應收貸款的信貸風險不高。

作為本集團信貸風險管理的一部分，除出現信貸減值的應收款項外，本集團使用債務人的賬齡評估其客戶的減值，因該等客戶具有相同風險特徵（反映客戶根據合約條款支付所有到期款項的能力）。下表提供有關所面臨的信貸風險及基於撥備矩陣於全期預期信貸虧損（無信貸減值）內作出整體評估的貿易應收款項的預期信貸虧損的資料。於二零二三年十二月三十一日，總賬面值為人民幣128,738,000元（二零二二年：人民幣88,251,000元）的信貸減值債務人則作獨立評估。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

b. 財務風險管理目標及政策 (續)

Credit risk and impairment assessment (Continued)

信貸風險及減值評估 (續)

2023 二零二三年	Average loss rate 平均虧損率	Gross carrying amount 總賬面值 RMB'000 人民幣千元	Impairment loss allowance 減值虧損撥備 RMB'000 人民幣千元
1 – 90 days 1至90天	0.01%	6,542,021	921
91 – 120 days 91至120天	0.36%	208,193	759
121 – 180 days 121至180天	2.46%	24,404	600
More than 180 days 180天以上	97.09%	3,710	3,602
		6,778,328	5,882

2022 二零二二年	Average loss rate 平均虧損率	Gross carrying amount 總賬面值 RMB'000 人民幣千元	Impairment loss allowance 減值虧損撥備 RMB'000 人民幣千元
1 – 90 days 1至90天	0.01%	6,082,586	334
91 – 120 days 91至120天	0.18%	233,957	411
121 – 180 days 121至180天	2.85%	19,340	551
More than 180 days 180天以上	92.67%	4,420	4,096
		6,340,303	5,392

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2023, the Group reversed RMB29,000 (2022: reversal of RMB3,571,000, excluding the elimination on disposal of a subsidiary) impairment allowance for trade receivables based on the provision matrix and recognised RMB29,019,000 (2022: reversal of RMB7,462,000) impairment allowance for credit impaired debtors, respectively.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

b. 財務風險管理目標及政策 (續)

信貸風險及減值評估 (續)

估計虧損率乃基於債務人的預期壽命內的歷史觀察違約率及無需付出不必要的成本或努力而獲得的前瞻性資料進行評估。分類由管理層定期檢討，以確保有關特定債務人的相關資料是最新的。

截至二零二三年十二月三十一日止年度，本集團基於撥備矩陣對應收貿易款項撥回人民幣29,000元（二零二二年：撥回人民幣3,571,000元，不包括出售一間附屬公司時對銷）的減值撥備，並確認人民幣29,019,000元（二零二二年：撥回人民幣7,462,000元）的信貸減值債務人減值撥備。

下表載列採用簡單方法確認的貿易應收款項全期預期信貸虧損變動。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

b. 財務風險管理目標及政策 (續)

Credit risk and impairment assessment (Continued)

信貸風險及減值評估 (續)

	Lifetime ECL (not credit- impaired) 全期預期 信貸虧損 (無信貸減值) RMB'000 人民幣千元	Lifetime ECL (credit- impaired) 全期預期 信貸虧損 (信貸減值) RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
As at 1 January 2022 於二零二二年一月一日	14,836	80,789	95,625
Changes due to financial assets recognised at 1 January 2022: 因於二零二二年一月一日確認的金融資產的變動：			
– Impairment losses recognised – 確認減值虧損	–	7,462	7,462
– Impairment losses reversed – 撥回減值虧損	(8,275)	–	(8,275)
– Elimination on disposal of a subsidiary – 出售一間附屬公司時對銷	(5,926)	–	(5,926)
New financial assets originated 產生新金融資產	4,704	–	4,704
Exchange realignment 匯率調整	53	–	53
As at 31 December 2022 於二零二二年十二月三十一日	5,392	88,251	93,643
Changes due to financial assets recognised at 1 January 2023: 因於二零二三年一月一日確認的金融資產的變動：			
– Impairment losses recognised – 確認減值虧損	–	1,496	1,496
– Impairment losses reversed – 撥回減值虧損	(4,997)	–	(4,997)
– Write-offs – 撤銷	(129)	–	(129)
New financial assets originated 產生新金融資產	19,429	13,062	32,491
Transfer to credit-impaired 轉為信貸減值	(14,461)	14,461	–
Exchange realignment 匯率調整	648	–	648
As at 31 December 2023 於二零二三年十二月三十一日	5,882	117,270	123,152

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

As at 31 December 2022, the credit risk of amount due from a related party was significantly increased since initial recognition as the major amount was past due. The impairment of amount due from a related party was assessed individually based on lifetime ECL. The Group reversed loss allowance amounting to RMB6,679,000 during the year ended 31 December 2023.

2022 二零二二年	Loss rate 虧損率	Gross carrying amount 總賬面值 RMB'000 人民幣千元	Impairment loss allowance 減值虧損撥備 RMB'000 人民幣千元
Amount due from a related party 應收一名關連人士款項	44.72%	14,935	6,679

The following table shows reconciliation of loss allowance that has been recognised for amount due from a related party.

b. 財務風險管理目標及政策 (續)

信貸風險及減值評估 (續)

於二零二二年十二月三十一日，應收一名關連人士款項的信貸風險自初始確認起顯著增加，原因為主要金額已逾期。應收一名關連人士款項的減值乃根據全期預期信貸虧損獨立評估。截至二零二三年十二月三十一日止年度，本集團撥回虧損撥備人民幣6,679,000元。

下表列示已就應收一名關連人士款項確認的虧損撥備之對賬。

	Lifetime ECL (not credit-impaired) 全期預期 信貸虧損 (無信貸減值) RMB'000 人民幣千元
As at 1 January 2022 於二零二二年一月一日	-
New financial assets originated 產生新金融資產	6,679
As at 31 December 2022 於二零二二年十二月三十一日	6,679
Changes due to financial assets recognised at 1 January 2023: 因於二零二三年一月一日確認的金融資產的變動：	
- Impairment losses reversed - 撥回減值虧損	(6,679)
As at 31 December 2023 於二零二三年十二月三十一日	-

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

The Group has net current assets amounting to approximately RMB13,857,329,000 at 31 December 2023 (31 December 2022: RMB11,308,680,000) and has low exposure to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the year end date to their maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on floating interest rate or exchange rates (where applicable) prevailing at the year end date.

b. 財務風險管理目標及政策 (續)

流動資金風險

本集團於二零二三年十二月三十一日的流動資產淨值約人民幣13,857,329,000元(二零二二年十二月三十一日：人民幣11,308,680,000元)，故因未能籌募足夠資金清償到期金融負債的流動資金風險相當低。

為管理流動資金風險，本集團監控及維持本公司董事認為足夠的現金及現金等值項目，用作本集團的營運資金及減輕現金流量不穩定的影響。

下表載列基於年終日至到期日的剩餘期間按有關到期組別對本集團金融負債及以淨額結算的衍生金融負債的分析。表格所披露金額為基於年結日的浮動利率或匯率(如適用)的未貼現合約現金流量。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables

	Weighted average effective interest rate 加權平均實際利率	On demand or less than 3 months 即期或三個月內 RMB'000 人民幣千元	3 months to 1 year 三個月至一年 RMB'000 人民幣千元	1 year to 2 years 一年至兩年 RMB'000 人民幣千元	2 years to 5 years 兩年至五年 RMB'000 人民幣千元	>5 years 五年以上 RMB'000 人民幣千元	Total undiscounted amount 未貼現總額 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
<i>2023 二零二三年</i>								
Trade and other payables 貿易及其他應付款項		17,900,014	-	-	-	-	17,900,014	17,900,014
Amounts due to related parties 應付關連人士款項		11,536	-	-	-	-	11,536	11,536
Bank borrowings – fixed rate 銀行借貸 – 固定利率	2.94%	170,137	539,968	266,163	277,503	-	1,253,771	1,212,360
Bank borrowings – variable rate 銀行借貸 – 可變利率	3.00%	-	-	-	1,541,219	-	1,541,219	1,451,953
Bonds payable 應付債券	6.14%	84,284	84,284	168,568	3,001,648	-	3,338,784	2,897,485
Payables for acquisition of patents 收購專利應付款項	2.27%	-	-	41,476	41,476	-	82,952	79,200
		18,165,971	624,252	476,207	4,861,846	-	24,128,276	23,552,548
Lease liabilities 租賃負債	4.47%	11,145	33,434	41,414	107,889	55,412	249,294	218,243
Derivative financial liabilities – net settled								
衍生金融負債 – 淨額結算								
Foreign currency options contracts 外匯期權合約		5,206	-	-	-	-	5,206	5,206
Foreign currency forward contracts 遠期外匯合約		-	31,724	-	-	-	31,724	31,724
Foreign exchange swap contracts 外匯掉期合約		4,346	-	-	-	-	4,346	4,346
Total 總額		18,186,668	689,410	517,621	4,969,735	55,412	24,418,846	23,812,067

流動資金風險 (續)

流動資金表

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FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average effective interest rate 加權平均實際利率	On demand or less than 3 months 即期或三個月內 RMB'000 人民幣千元	3 months to 1 year 三個月至一年 RMB'000 人民幣千元	1 year to 2 years 一年至兩年 RMB'000 人民幣千元	2 years to 5 years 兩年至五年 RMB'000 人民幣千元	>5 years 五年以上 RMB'000 人民幣千元	Total undiscounted amount 未貼現總額 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
<i>2022 二零二二年</i>								
Trade and other payables 貿易及其他應付款項		8,638,395	1,576,632	-	-	-	10,215,027	10,215,027
Amounts due to related parties 應付關連人士款項		8,181	1,811	-	-	-	9,992	9,992
Bank borrowings – fixed rate 銀行借貸 – 固定利率	2.50%	15,031	946,155	31,410	-	-	992,596	975,000
Bank borrowings – variable rate 銀行借貸 – 可變利率	3.63%	-	1,062,640	-	-	-	1,062,640	1,044,981
Bonds payable 應付債券	4.00%	4,413,816	-	-	-	-	4,413,816	4,178,082
Payables for acquisition of patents 收購專利應付款項	2.27%	-	-	43,248	86,495	-	129,743	122,777
		13,075,423	3,587,238	74,658	86,495	-	16,823,814	16,545,859
Lease liabilities 租賃負債	4.80%	15,378	46,133	48,706	117,368	45,039	272,624	239,316
Derivative financial liabilities – net settled								
衍生金融負債 – 淨額結算								
Foreign currency options contracts 外匯期權合約		17,147	-	-	-	-	17,147	17,147
Foreign currency forward contracts 遠期外匯合約		508	-	-	-	-	508	508
Total 總額		13,108,456	3,633,371	123,364	203,863	45,039	17,114,093	16,802,830

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from the estimates of interest rates determined at the end of the reporting period.

流動資金風險 (續)

流動資金表 (續)

倘可變利率變動與在報告期末釐定的利率估計值不同，則上表所列非衍生金融負債的可變利率工具金額也隨之變動。

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綜合財務報表附註

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37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates (“IBORs”) with alternative nearly risk-free rates. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average (“HONIA”) has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group’s bank borrowings linked to HIBOR will continue till maturity and hence, not subject to transition.

c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

37. 金融工具 (續)

b. 財務風險管理目標及政策 (續)

流動資金風險 (續)

流動資金表 (續)

利率基準改革

主要利率基準已於全球範圍內進行根本性改革，以近乎無風險利率替代若干銀行同業拆息（「銀行同業拆息」）。本集團正在密切監察市場及設法向新基準利率（包括相關銀行同業拆息監管者公佈的利率）過渡。

香港銀行同業拆息利率

儘管港元隔夜平均指數（「港元隔夜平均指數」）已獲識別為香港銀行同業拆息利率的替代方案，惟並無終止香港銀行同業拆息利率的計劃。香港一直採納多利率方針，據此，香港銀行同業拆息利率及港元隔夜平均指數將會共存。本集團與香港銀行同業拆息利率掛鈎的銀行借貸於到期後方會終止，因此不會受到過渡的影響。

c. 金融工具的公允值計量

本附註提供有關本集團如何釐定不同金融資產及金融負債公允值的資料。

本公司董事認為，在綜合財務報表中按攤銷成本計量的金融資產及金融負債的賬面值與其公允值相若。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

c. Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

c. 金融工具的公允值計量 (續)

按經常性基準以公允值計量的本集團金融資產及金融負債的公允值

Financial assets/liabilities 金融資產/負債	Fair value as at 於以下日期的公允值		Fair value hierarchy 公允值等級	Valuation technique and key inputs 估值法及主要輸入數據
	31 December 2023 二零二三年十二月三十一日	31 December 2022 二零二二年十二月三十一日		
Foreign currency forward contracts classified as derivative financial assets and liabilities	Current derivative financial assets: nil Current derivative financial liabilities: RMB31,724,000	Current derivative financial assets: RMB29,681,000 Current derivative financial liabilities: RMB508,000	Level 2	Discounted cash flows Key inputs: (1) A discount rate that reflects the credit risk of the banks (2) Observable forward exchange rate
分類為衍生金融資產及負債的遠期外匯合約	流動衍生金融資產：無 流動衍生金融負債：人民幣31,724,000元	流動衍生金融資產：人民幣29,681,000元 流動衍生金融負債：人民幣508,000元	第二級	貼現現金流量 主要輸入數據： (1) 反映銀行信貸風險的貼現率 (2) 可觀察遠期匯率
Foreign exchange swap contracts classified as derivative financial assets and liabilities	Current derivative financial assets: RMB114,000 Current derivative financial liabilities: RMB4,346,000	Current derivative financial assets: nil Current derivative financial liabilities: nil	Level 2	Discounted cash flows Key inputs: (1) A discount rate that reflects the credit risk of the banks (2) Observable forward exchange rate
分類為衍生金融資產及負債的外匯掉期合約	流動衍生金融資產：人民幣114,000元 流動衍生金融負債：人民幣4,346,000元	流動衍生金融資產：無 流動衍生金融負債：無	第二級	貼現現金流量 主要輸入數據： (1) 反映銀行信貸風險的貼現率 (2) 可觀察遠期匯率
Financial assets at FVTPL	Unlisted financial products: RMB7,113,261,000	Unlisted financial products: RMB10,086,415,000	Level 2	Discounted cash flows Key inputs are: (1) Expected yields of debt instruments invested by banks (2) A discount rate that reflects the credit risk of the banks
按公允值計入損益的金融資產	非上市金融產品：人民幣7,113,261,000元	非上市金融產品：人民幣10,086,415,000元	第二級	貼現現金流量 主要輸入數據： (1) 銀行投資債務工具的預期收益 (2) 反映銀行信貸風險的貼現率

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綜合財務報表附註

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37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

c. Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

c. 金融工具的公允值計量 (續)

按經常性基準以公允值計量的本集團金融資產及金融負債的公允值 (續)

Financial assets/liabilities 金融資產／負債	Fair value as at 於以下日期的公允值		Fair value hierarchy 公允值等級	Valuation technique and key inputs 估值法及主要輸入數據
	31 December 2023 二零二三年十二月三十一日	31 December 2022 二零二二年十二月三十一日		
Receivables at FVTOCI	Bill receivables: RMB629,645,000	Bill receivables: RMB548,956,000	Level 2	Income approach (1) A discount rate that reflects the credit risk of the corresponding banks (2) Cash flows are derived from the receivables
按公允值計入其他全面收益的 應收款項	應收票據： 人民幣629,645,000元	應收票據： 人民幣548,956,000元	第二級	收入法 (1) 反映相關銀行信貸風險的貼現率 (2) 產生自應收款項的現金流量
Foreign currency options contracts classified as derivative financial assets and liabilities	Current derivative financial liabilities: RMB5,206,000	Current derivative financial liabilities: RMB17,147,000	Level 3	Black-Scholes model Key unobservable inputs: Volatility of the foreign exchange rate (note a)
分類為衍生金融資產及負債的 外匯期權合約	流動衍生金融負債： 人民幣5,206,000元	流動衍生金融負債： 人民幣17,147,000元	第三級	柏力克－舒爾斯模式 主要不可觀察輸入數據： 匯率波動 (附註a)

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FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

c. Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

c. 金融工具的公允值計量 (續)

按經常性基準以公允值計量的本集團金融資產及金融負債的公允值 (續)

Financial assets/liabilities 金融資產/負債	Fair value as at 於以下日期的公允值		Fair value hierarchy 公允值等級	Valuation technique and key inputs 估值法及主要輸入數據
	31 December 2023 二零二三年十二月三十一日	31 December 2022 二零二二年十二月三十一日		
Unlisted equity investments	Equity instruments at FVTOCI: RMB12,335,000	Equity instruments at FVTOCI: RMB78,832,000	Level 3	Market approach Key unobservable inputs: (1) Revenue growth rate; (2) P/S multiples of selected comparable companies (note b)
非上市股權投資	按公允值計入其他全面 收益的權益工具: 人民幣12,335,000元	按公允值計入其他全面 收益的權益工具: 人民幣78,832,000元	第三級	市場法 主要不可觀察輸入數據: (1) 收入增長率; (2) 選定可資比較公司的市銷率倍數 (附註b)
	按公允值計入 損益的權益工具: 人民幣19,518,000元	按公允值計入 損益的權益工具: 人民幣19,518,000元		
	Equity instruments at FVTOCI: nil	Equity instruments at FVTOCI: RMB89,328,000	Level 3	Backsolve from recent transaction price
	按公允值計入其他全面 收益的權益工具: 無	按公允值計入其他全面 收益的權益工具: 人民幣89,328,000元	第三級	從近期交易價的倒推
	Equity instruments at FVTOCI: RMB104,455,000	Equity instruments at FVTOCI: nil	Level 2	Recent transaction price
	按公允值計入其他全面收益的 權益工具: 人民幣104,455,000元	按公允值計入其他全面收益的 權益工具: 無	第二級	近期交易價

Notes:

- (a) The higher the volatility of the foreign exchange rate, the higher the fair value.
- (b) The higher the revenue growth rate, the higher the fair value. The higher the P/S multiples, the higher the fair value.

附註:

- (a) 匯率愈波動，公允值愈高。
- (b) 收入增長率愈高，公允值愈高。市銷率倍數愈高，公允值愈高。

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綜合財務報表附註

FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

37. FINANCIAL INSTRUMENTS (Continued) 37. 金融工具 (續)

c. Fair value measurements of financial instruments (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

c. 金融工具的公允值計量 (續)

金融資產的第三級公允值計量的對賬

	Foreign currency options contracts classified as derivative financial assets and liabilities 分類為衍生金融資產及負債的外匯期權合約 RMB'000 人民幣千元	Equity instruments at FVTOCI 按公允值計入其他全面收益的權益工具 RMB'000 人民幣千元	Equity instruments at FVTPL 按公允值計入損益的權益工具 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
At 1 January 2022 於二零二二年一月一日	(4,087)	178,762	19,518	194,193
Total losses 虧損總額	(13,060)	(28,494)	-	(41,554)
- in profit or loss - 於損益	(13,060)	-	-	(13,060)
- in other comprehensive expense - 於其他全面開支	-	(28,494)	-	(28,494)
Purchased 購買	-	18,000	-	18,000
Settlements 結算	-	(108)	-	(108)
At 31 December 2022 於二零二二年十二月三十一日	(17,147)	168,160	19,518	170,531
At 1 January 2023 於二零二三年一月一日	(17,147)	168,160	19,518	170,531
Total gain (losses) 收益 (虧損) 總額	11,941	(46,980)	-	(35,039)
- in profit or loss - 於損益	11,941	-	-	11,941
- in other comprehensive expense - 於其他全面開支	-	(46,980)	-	(46,980)
Reclassification 重新分類	-	(25,000)	-	(25,000)
Transfers out of level 3 (note) 自第三級轉出 (附註)	-	(83,845)	-	(83,845)
At 31 December 2023 於二零二三年十二月三十一日	(5,206)	12,335	19,518	26,647

Note:

During the year ended 31 December 2023, the Group transferred its equity instruments amounting to RMB83,845,000 from level 3 into level 2 as the valuation technique of the investment is changed from market approach which include revenue growth rate and P/S multiples of selected comparable companies as the unobservable input to recent transaction price.

附註：

截至二零二三年十二月三十一日止年度，本集團已將金額為人民幣83,845,000元的權益工具由第三級轉撥至第二級，原因為投資的估值方法由市場法（其中包括收入增長率及選定可資比較公司的市銷率倍數作為不可觀察輸入數據）變更為近期交易價。

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38. CAPITAL COMMITMENTS

38. 資本承擔

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements 已訂約但未於綜合財務報表提供的 有關收購物業、機器及設備的資本開支	690,753	1,257,523

39. OPERATING LEASING ARRANGEMENTS

39. 經營租賃安排

The Group as lessor

本集團作為出租人

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

於報告期末，本集團已就下列未來最低租賃付款與承租人訂約：

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Within one year 一年內	2,525	2,784
In the second year 第二年	1,690	1,682
In the third year 第三年	1,169	1,675
In the fourth year 第四年	167	1,154
In the fifth year 第五年	12	154
After five years 五年後	3	-
	5,566	7,449

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40. RETIREMENT BENEFIT SCHEME

40. 退休福利計劃

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Retirement benefit scheme contribution made during the year 年內退休福利計劃供款	452,227	396,208

The employees of the Group's PRC subsidiaries are members of a state-managed retirement benefit scheme operated by the local government. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

本集團中國附屬公司的僱員已參加地方政府經營的國家管理退休福利計劃。該等附屬公司須自薪金成本撥出特定百分比的款項作為退休福利計劃的供款。本集團於該退休福利計劃的唯一責任為向該計劃作出定額供款。

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41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

41. 融資活動產生的負債對賬

下表為本集團融資活動產生的負債變動詳情，包括現金及非現金變動。融資活動產生的負債乃為現金流量或將來現金流量於本集團綜合現金流量表分類為融資活動現金流量的負債。

	Bank borrowings 銀行借貸 (Note 31) RMB'000 人民幣千元	Interest payables 應付利息 (Note 29) RMB'000 人民幣千元	Bonds payable 應付債券 (Note 34) RMB'000 人民幣千元	Dividend payables 應付股息 RMB'000 人民幣千元	Lease liabilities 租賃負債 (Note 32) RMB'000 人民幣千元	Note payable* 應付票據* RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元
At 1 January 2022 於二零二二年一月一日	2,238,897	64,473	3,815,623	-	154,270	-	6,273,263
Financing cash flows 融資現金流量	(398,281)	(261,044)	-	(1,058,671)	(69,232)	-	(1,787,228)
New leases entered 訂立之新租賃	-	-	-	-	149,513	-	149,513
Termination of leases 終止租賃	-	-	-	-	(6,527)	-	(6,527)
Interests on lease liabilities 租賃負債利息	-	-	-	-	11,292	-	11,292
Interests on bank borrowings 銀行借貸利息	-	114,651	-	-	-	-	114,651
Interests on bonds payable 應付債券利息	-	152,042	9,726	-	-	-	161,768
Interests on long term payables 長期應付款項利息	-	5,226	-	-	-	-	5,226
Foreign exchange translation 外幣換算	179,365	1,390	352,733	-	-	-	533,488
Dividends recognised as distribution 確認為分派之股息	-	-	-	1,058,671	-	-	1,058,671
At 31 December 2022 於二零二二年十二月三十一日	2,019,981	76,738	4,178,082	-	239,316	-	6,514,117
Financing cash flows 融資現金流量	512,925	(348,552)	(1,474,128)	(517,188)	(47,323)	6,919,036	5,044,770
New leases entered 訂立之新租賃	-	-	-	-	41,151	-	41,151
Termination of leases 終止租賃	-	-	-	-	(24,541)	-	(24,541)
Interests on lease liabilities 租賃負債利息	-	-	-	-	9,640	-	9,640
Interests on bank borrowings 銀行借貸利息	-	259,886	-	-	-	-	259,886
Interests on bonds payable 應付債券利息	-	9,732	165,661	-	-	-	175,393
Interests on long term payables 長期應付款項利息	-	4,228	-	-	-	-	4,228
Foreign exchange translation 外幣換算	131,407	-	27,870	-	-	-	159,277
Dividends recognised as distribution 確認為分派之股息	-	-	-	517,188	-	-	517,188
At 31 December 2023 於二零二三年十二月三十一日	2,664,313	2,032	2,897,485	-	218,243	6,919,036	12,701,109

* The amount represented the outstanding balance of the bills issued by the Company's certain subsidiaries to fellow subsidiaries which were discounted to banks, the details are set out as Note 29.

* 該款項指本公司若干附屬公司向同系附屬公司發行的已貼現予銀行的已發行票據的未償還結餘，詳情載於附註29。

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42. RELATED PARTY TRANSACTIONS

42. 關連人士交易

(a) Names and relationships with related parties during the years are as follows:

(a) 年內關連人士名稱及與關連人士的關係如下：

Names 名稱	Principal activities 主要業務	Relationships 關係
寧波舜宇精工股份有限公司(「舜宇精工」)	Manufacture and sale of various precision moulds for cars	Company controlled by a family member of the Company's director and ultimate controlling shareholder, Mr. Wang Wenjian
寧波舜宇精工股份有限公司(「舜宇精工」)	生產及銷售各種汽車精密模具	本公司董事及最終控股股東王文鑒先生親屬所控制的公司
餘姚市舜藝光學儀器有限公司(「舜藝光學」)	Manufacture and sale of parts for optical instruments	Company controlled by a close family member of the Company's chairman, Mr. Ye Liaoning
餘姚市舜藝光學儀器有限公司(「舜藝光學」)	生產及銷售光學儀器部件	本公司主席葉遼寧先生近親所控制的公司
寧波市益康國際貿易有限公司(「益康」)	Sale of electronic devices	Company controlled by a close family member of Company's senior management, Mr. Zhang Guoxian
寧波市益康國際貿易有限公司(「益康」)	銷售電子設備	本公司高級管理人員張國賢先生近親所控制的公司
餘姚市博科貿易有限公司(「博科」)	Sale of electronic devices	Company controlled by a close family member of Company's senior management, Mr. Zhang Guoxian
餘姚市博科貿易有限公司(「博科」)	銷售電子設備	本公司高級管理人員張國賢先生近親所控制的公司
餘姚市康優寶電器經營部(「康優寶」)	Sale of electronic devices	Company controlled by a close family member of Company's senior management, Mr. Zhang Guoxian
餘姚市康優寶電器經營部(「康優寶」)	銷售電子設備	本公司高級管理人員張國賢先生近親所控制的公司
餘姚市百恒電器經營部(「百恒」)	Sale of electronic devices	Company controlled by a close family member of Company's senior management, Mr. Zhang Guoxian
餘姚市百恒電器經營部(「百恒」)	銷售電子設備	本公司高級管理人員張國賢先生近親所控制的公司
寧波舜宇貝爾機器人有限公司(「貝爾」)	Sale of electronic devices	Company controlled by a family member of the Company's director and ultimate controlling shareholder, Mr. Wang Wenjian
寧波舜宇貝爾機器人有限公司(「貝爾」)	銷售電子設備	本公司董事及最終控股股東王文鑒先生親屬所控制的公司
鯤游	Research and development of micro-optical Products	An associate of the Group
鯤游	研究及開發微光學產品	本集團的聯營公司
生一光學	Software development	An associate of the Group
生一光學	軟件開發	本集團的聯營公司

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42. RELATED PARTY TRANSACTIONS (Continued)

42. 關連人士交易 (續)

(b) Transactions with related parties:

(b) 與關連人士交易：

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Sales of goods 銷售產品		
舜宇精工 舜宇精工	5,062	26,015
舜藝光學 舜藝光學	3,547	1,728
生一光學 生一光學	837	-
貝爾 貝爾	18	-
鯤游 鯤游	15	-
	9,479	27,743
Purchase of raw materials 購買原材料		
舜藝光學 舜藝光學	11,760	12,317
鯤游 鯤游	3,372	-
康優寶 康優寶	3,362	2,986
舜宇精工 舜宇精工	2,995	467
博科 博科	2,410	3,283
百恒 百恒	1,395	20
益康 益康	436	715
貝爾 貝爾	224	-
	25,954	19,788

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42. RELATED PARTY TRANSACTIONS (Continued)

42. 關連人士交易（續）

(c) At the end of reporting period, the Group has the following significant balances with related parties:

(c) 於報告期末，本集團與關連人士的重大結餘如下：

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Current asset: 流動資產：		
Amounts due from related parties 應收關連人士款項		
舜宇精工 舜宇精工	758	14,935
生一光學 生一光學	49	-
Less: allowance for expected credit losses 減：預期信貸虧損撥備	-	(6,679)
	807	8,256
Current liabilities: 流動負債：		
Amounts due to related parties 應付關連人士款項		
舜藝光學 舜藝光學	2,968	6,730
鯤游 鯤游	2,705	-
舜宇精工 舜宇精工	1,571	135
康優寶 康優寶	1,506	1,195
百恒 百恒	1,421	20
博科 博科	1,076	1,751
益康 益康	263	161
貝爾 貝爾	26	-
	11,536	9,992

All of the above amounts are of trade nature, unsecured, interest free and repayable on demand.

所有以上數額均為貿易性質、無擔保、免利息及按要求償還。

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42. RELATED PARTY TRANSACTIONS (Continued)

(c) At the end of reporting period, the Group has the following significant balances with related parties: (Continued)

The following is an aged analysis of related parties balance of trade nature at the end of reporting period.

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
Current asset: 流動資產：		
Within 90 days 90天內	758	98
91-120 days 91至120天	-	1,838
Over 120 days 120天以上	49	6,320
	807	8,256
Current liabilities: 流動負債：		
Within 90 days 90天內	9,379	8,181
91-120 days 91至120天	1,315	1,811
Over 120 days 120天以上	842	-
	11,536	9,992

The Group allows a credit period of 90 days to related party trade receivables (2022: 90 days). The average credit period on purchases of goods from related parties is 90 days (2022: 90 days).

As at 31 December 2023, nil (31 December 2022: RMB14,837,000) among the Group's amount due from a related party is past due. Out of the past due balances, nil (31 December 2022: nil) has been past due 90 days or more.

Details of impairment assessment of amount due from a related party are set out in Note 37(b).

42. 關連人士交易 (續)

(c) 於報告期末，本集團與關連人士的重大結餘如下：(續)

於報告期末，有關貿易性質的關連人士結餘賬齡分析如下。

本集團給予關連人士貿易應收款項90天的信貸期(二零二二年：90天)。採購關連人士貨品的平均信貸期為90天(二零二二年：90天)。

於二零二三年十二月三十一日，本集團概無(二零二二年十二月三十一日：人民幣14,837,000元)應收一名關連人士款項已逾期。於逾期結餘中，概無(二零二二年十二月三十一日：無)款項逾期90天或以上。

應收一名關連人士款項的減值評估詳情載於附註37(b)。

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42. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel

The remuneration of key management during the year is as follows:

	2023 二零二三年 RMB'000 人民幣千元	2022 二零二二年 RMB'000 人民幣千元
Short-term employee benefits 短期僱員福利	22,714	22,494
Share award scheme 股份獎勵計劃	25,838	26,123
Post-employment benefits 離職後福利	930	1,091
	49,482	49,708

42. 關連人士交易 (續)

(d) 主要管理人員薪酬

年內，主要管理人員薪酬如下：

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43. SHARE AWARD SCHEME

The Company adopted The Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme (the “**Restricted Share Award Scheme**”) on 22 March 2010 (“**Adoption Date**”) with a duration of 10 years commencing from the Adoption Date. The objective of the Restricted Share Award Scheme is to provide the selected participants including directors of the Company, employees, agents or consultants of the Company and its subsidiaries (the “**Selected Participants**”) with an opportunity to acquire a proprietary interest in the Company; to encourage and retain such individuals to work with the Group; and to provide additional incentive for them to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Selected Participants directly to be the owners of the Company through ownership of shares. The Group has set up The Sunny Optical Technology (Group) Company Limited Restricted Share Award Scheme Trust (the “**Trust**”) to administrate and hold the Company’s shares before they are vested and transferred to Selected Participants. Upon granting of shares to Selected Participants, the Trust purchases the Company’s shares being awarded from the open market with funds provided by the Company by way of contributions. Restricted Shares granted under the Restricted Share Award Scheme are subject to a vesting scale in tranches of one-third to one-fifth each (as the case may be) on every anniversary date of the grant date starting from the first anniversary date until the third to the fifth anniversary (as the case may be). The vested shares are transferred to Selected Participants at no cost except that the expenses attributable or payable in respect of the transfer of such shares of the Company shall be borne by the Selected Participants.

43. 股份獎勵計劃

本公司已於二零一零年三月二十二日（「**採納日期**」）採納了舜宇光學科技（集團）有限公司限制性股份獎勵計劃（「**限制性股份獎勵計劃**」），該計劃自採納日期起持續十年有效。限制性股份獎勵計劃旨在為特選參與者（包括本公司董事、僱員、本公司及其附屬公司的代理或顧問）（「**特選參與者**」）提供一個購買本公司所有人權益的機會；鼓勵及挽留於本集團工作的個別人士；及額外推動彼等爭取達到業績目標，以實現提升本公司價值，並且透過擁有股份，使特選參與者的權益與本公司股東的權益直接掛鈎的目標。本集團已成立舜宇光學科技（集團）有限公司限制性股份獎勵計劃信託（「**信託**」）以管理及持有本公司股份直至股份歸屬及轉讓予特選參與者。在向特選參與者授出股份時，信託在公開市場上購買將予授出之本公司股份，並由本公司以供款方式提供資金。根據限制性股份獎勵計劃授出的限制性股份由授出日期第一週年當日起計至第三到第五（視情況而定）個週年日期間，每個週年日分批歸屬三分之一至五分之一（視情況而定）。已歸屬的股份無償轉讓予特選參與者，惟特選參與者須承擔轉讓本公司該等股份應佔或應付的開支。

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43. SHARE AWARD SCHEME (Continued)

The grant of Restricted Shares is subject to acceptance by the Selected Participants. The Restricted Shares granted to but not accepted by the Selected Participants shall become unaccepted shares. The Trustee may use any remainder of cash and non-cash income received by the Trust in respect of the shares held upon trust to purchase additional shares after defraying all expenses incurred by the Trust prior to the purchase of additional shares. The selected participants have no rights to receive dividend income and cannot exercise any voting rights in respect of the Restricted Shares granted to them during the vesting period. The Trust shall hold the additional shares, unaccepted shares and unvested shares upon trust and may make any grant to existing or new Selected Participants after receiving instructions from the Administration Committee of the Company. The fair value of the Restricted Shares awarded was determined based on the market value of the Company's shares at the grant date.

During the year ended 31 December 2015, pursuant to the original Restricted Share Award Scheme dated 22 March 2010, the directors of the Company resolved to change (i) the vesting period under the Restricted Share Award Scheme from three to five years to two to five years; and (ii) the circumstances when the Company's shares would lapse, with immediate effect. The details of the amendments have been disclosed in the announcement of the Company dated 26 May 2015. The directors of the Company considered that the above amendments have had no material impact on the recognition and measurement of those shares granted before 26 May 2015.

43. 股份獎勵計劃(續)

授出限制性股份須待特選參與者接納方可作實。授予特選參與者但不獲接納的限制性股份為不獲接納股份。受託人可動用信託就以信託方式持有的股份所收取的任何現金及非現金收入餘額購買額外股份，惟在購買額外股份前須已支付信託的所有開支。特選參與者並無收取股息收入的權利，亦不能在歸屬期內就彼等獲授予的限制性股份行使任何投票權。信託須以信託方式持有額外股份、不獲接納股份及未歸屬股份，並在本公司管理委員會的指示下向現有或新的特選參與者授出該等股份。作為獎勵的限制性股份的公允值按本公司股份於授出日期的市價釐定。

截至二零一五年十二月三十一日止年度，根據日期為二零一零年三月二十二日的原定限制性股份獎勵計劃，本公司董事議決修訂(i)限制性股份獎勵計劃項下之歸屬期，由三至五年變更為二至五年；及(ii)本公司股份失效之情況，即時有效。有關修訂的詳情於本公司日期為二零一五年五月二十六日之公告內披露。本公司董事認為，上述修訂對該等於二零一五年五月二十六日前授出的股份的確認及計量並無重大影響。

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43. SHARE AWARD SCHEME (Continued)

On 16 March 2020, the board of directors resolved to amend the existing scheme rules and adopted the further amended and restated scheme rules with effect from 22 March 2020 to extend the share award scheme period for ten years. Under the further amended and restated scheme rules, the scheme shall (unless previously terminated by a resolution of the board of directors) terminate on the revised expiry date, being 21 March 2030.

Movements in the number of restricted shares granted and related fair value are as follows:

	Weighted average fair value (per share) 加權平均公允 值 (每股) HKD 港元	Number of Restricted Shares granted 已授出 限制性股份數目 (‘000) (千股)
At 1 January 2022 於二零二二年一月一日	187.090	2,486
Forfeited 已失效	146.271	(205)
Vested 已歸屬	151.230	(1,626)
Granted (note a) 已授出(附註a)	104.976	4,300
At 31 December 2022 and 1 January 2023 於二零二二年十二月三十一日及二零二三年一月一日	129.288	4,955
Forfeited 已失效	99.423	(309)
Vested 已歸屬	128.469	(2,532)
Granted (note b) 已授出(附註b)	78.626	4,414
At 31 December 2023 於二零二三年十二月三十一日	96.764	6,528

Notes:

- (a) The restricted shares granted in 2022 were vested on every anniversary date of the grant date of each batch of restricted shares in tranches on the following scales:

Restricted shares	Fair value (per share) HKD	Scales
1,888,073 shares	105.20	One-half
938,012 shares	105.20	One-third
87,054 shares	119.50	One-half
366,525 shares	119.50	One-third
1,020,293 shares	97.90	One-half

43. 股份獎勵計劃(續)

於二零二零年三月十六日，董事會議決修訂現有計劃規則，並採納經進一步修訂及重列之計劃規則，自二零二零年三月二十二日起生效，以將股份獎勵計劃的期限延長十年。根據經進一步修訂及重列之計劃規則，計劃應在經修訂屆滿日期(即二零二零年三月三十一日)終止(除非經董事會決議案提前終止)。

已授出限制性股份的數目及其相關公允值的變動如下：

附註：

- (a) 於二零二二年已授出限制性股份於各批限制性股份授出日期的每個週年日按以下規模分批歸屬：

限制性股份	公允值(每股) 港元	規模
1,888,073股	105.20	二分之一
938,012股	105.20	三分之一
87,054股	119.50	二分之一
366,525股	119.50	三分之一
1,020,293股	97.90	二分之一

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43. SHARE AWARD SCHEME (Continued)

Notes: (Continued)

- (b) The restricted shares granted in 2023 were vested on every anniversary date of the grant date of each batch of restricted shares in tranches on the following scales:

Restricted shares	Fair value (per share) HKD	Scales
2,340,173 shares	81.70	One-half
126,593 shares	81.70	One-fourth
510,291 shares	79.05	One-third
1,421,001 shares	73.20	One-half
16,361 shares	73.20	One-fourth

The fair value of restricted shares granted is measured on the basis of an observable market price.

The following table discloses details of the shares granted under restricted shares held by employees (including the directors of the Company) of the Group and movements in such holdings during the year:

	Number of restricted shares 限制性股份數目	
	2023 二零二三年 '000 千股	2022 二零二二年 '000 千股
At 1 January 於一月一日	4,955	2,486
Granted during the year 於年內授出	4,414	4,300
Forfeited during the year 於年內失效	(309)	(205)
Vested during the year 於年內歸屬	(2,532)	(1,626)
At 31 December 於十二月三十一日	6,528	4,955

43. 股份獎勵計劃 (續)

附註：(續)

- (b) 於二零二三年已授出限制性股份於各批限制性股份授出日期的每個週年日按以下規模分批歸屬：

限制性股份	公允值(每股) 港元	規模
2,340,173股	81.70	二分之一
126,593股	81.70	四分之一
510,291股	79.05	三分之一
1,421,001股	73.20	二分之一
16,361股	73.20	四分之一

已授出限制性股份的公允值乃基於可觀察的市場價格計量。

下表披露本集團僱員(包括本公司董事)所持有的根據限制性股份已授出股份的詳情及年內該等股份變動的詳情：

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43. SHARE AWARD SCHEME (Continued)

Details of the shares held by the directors of the Company included in the above table are as follows:

	Number of restricted shares 限制性股份數目	
	2023 二零二三年 '000 千股	2022 二零二二年 '000 千股
At 1 January 於一月一日	213	104
Granted during the year 於年內授出	60	201
Vested during the year 於年內歸屬	(87)	(92)
At 31 December 於十二月三十一日	186	213

The Group recognised the total expense of RMB280,396,000 for the year ended 31 December 2023 (2022: RMB243,399,000) in related to restricted share granted by the Company.

43. 股份獎勵計劃(續)

上表所載本公司董事所持股份的詳情如下：

截至二零二三年十二月三十一日止年度，本集團確認與本公司授出的限制性股份有關的開支總額人民幣280,396,000元（二零二二年：人民幣243,399,000元）。

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44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries indirectly held by the Company at 31 December 2023 and 2022 are as follows:

44. 主要附屬公司詳情

本公司於二零二三年及二零二二年十二月三十一日間接持有的主要附屬公司詳情如下：

Name of subsidiaries 附屬公司名稱	Place of incorporation/ registration/ operation 成立地點/ 註冊地點/ 營運地點	Issued and fully paid up share capital/ registered capital 已發行及繳足股本/ 註冊資本	Attributable equity interest held by the Group 本集團持有的應佔權益		Principal activities 主要業務
			2023 二零二三年	2022 二零二二年	
Summit Optical Investment Limited	Hong Kong	Ordinary share HKD1	100%	100%	Investment holding
Summit Optical Investment Limited	香港	普通股1港元			投資控股
* Zhejiang Sunny Optics Co., Ltd.	The PRC	Registered and contributed capital RMB430,000,000	100%	100%	Manufacture and sale of optical components
* 浙江舜宇光學有限公司	中國	註冊及實繳股本 人民幣430,000,000元			生產及銷售光學零件
* Ningbo Sunny Instruments Co., Ltd.	The PRC	Registered and contributed capital RMB82,500,000	100%	100%	Manufacture and sale of optical instruments
* 寧波舜宇儀器有限公司	中國	註冊及實繳股本 人民幣82,500,000元			生產及銷售光學儀器
* Sunny Optics (Zhongshan) Co., Ltd.	The PRC	Registered and contributed capital USD14,990,000	100%	100%	Manufacture and sale of optical components
* 舜宇光學(中山)有限公司	中國	註冊及實繳股本 14,990,000美元			生產及銷售光學零件
* Ningbo Sunny Opotech Co., Ltd.	The PRC	Registered and contributed capital USD38,831,600	100%	100%	Manufacture and sale of optoelectronics products
* 寧波舜宇光電信息有限公司	中國	註冊及實繳股本 38,831,600美元			生產及銷售光電產品
# Ningbo Sunny Automotive Optech Co., Ltd.	The PRC	Registered and contributed capital RMB50,000,000	100%	100%	Manufacture and sale of optical components
# 寧波舜宇車載光學技術有限公司	中國	註冊及實繳股本 人民幣50,000,000元			生產及銷售光學零件
# Xinyang Sunny Optics Co., Ltd.	The PRC	Registered and contributed capital RMB100,000,000	100%	100%	Manufacture and sale of optical components
# 信陽舜宇光學有限公司	中國	註冊及實繳股本 人民幣100,000,000元			生產及銷售光學零件
# Ningbo Sunny Infrared Optics Co., Ltd.	The PRC	Registered and contributed capital RMB11,481,481	68.10%	68.10%	Research and development of infrared technologies
# 寧波舜宇紅外光學技術有限公司	中國	註冊及實繳股本 人民幣11,481,481元			研發紅外技術
# Yuyao Sunny Optical Intelligence Technology Co., Ltd.	The PRC	Registered and contributed capital RMB20,000,000	100%	100%	Provide optical technology service
# 餘姚舜宇智能光學技術有限公司	中國	註冊及實繳股本 人民幣20,000,000元			提供光學技術服務

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44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of principal subsidiaries indirectly held by the Company at 31 December 2023 and 2022 are as follows: (Continued)

44. 主要附屬公司詳情 (續)

本公司於二零二三年及二零二二年十二月三十一日間接持有的主要附屬公司詳情如下：(續)

Name of subsidiaries 附屬公司名稱	Place of incorporation/ registration/ operation 成立地點/ 註冊地點/ 營運地點	Issued and fully paid up share capital/ registered capital 已發行及繳足股本/ 註冊資本	Attributable equity interest held by the Group 本集團持有的應佔權益		Principal activities 主要業務
			2023 二零二三年	2022 二零二二年	
Sunny Opotech Vietnam Co., Ltd. 舜宇光電越南有限公司	Vietnam 越南	Registered and contributed capital USD3,000,000 註冊及實繳股本 3,000,000美元	100%	100%	Manufacture and sale of optical components 生產及銷售光學零件
Sunny Opotech India Private Limited 舜宇光電信息印度有限公司	India 印度	Registered and contributed capital INR183,701,000 註冊及實繳股本 183,701,000印度盧比	100%	100%	Manufacture and sale of optoelectronics components 生產及銷售光電零件
* Zhejiang Sunny SmartLead Technologies Co., Ltd. * 浙江舜宇智領技術有限公司	The PRC 中國	Registered and contributed capital RMB83,514,500 註冊及實繳股本 人民幣83,514,500元	77%	68.67%	Sales and development of optoelectronics products 銷售及開發光電產品
* Ningbo Yuanheng Supply Chain Management Co., Ltd. * 寧波元恒供應鏈管理有限公司	The PRC 中國	Registered and contributed capital RMB1,000,000 註冊及實繳股本 人民幣1,000,000元	100%	100%	Import and export agent 進出口代理
* Sunny OmniLight NanoOptics Technology Co., Ltd. * 舜宇奧來微納光學(上海)有限公司	The PRC 中國	Registered and contributed capital RMB250,000,000 註冊及實繳股本 人民幣250,000,000元	100%	N/A 不適用	Manufacture and sale of optical components 生產及銷售光學零件
Sunny Automotive Opotech Vina Co., Ltd. 舜宇車載光學(越南)有限公司	Vietnam 越南	Registered and contributed capital USD22,500,000 註冊及實繳股本 22,500,000美元	100%	N/A 不適用	Manufacture and sale of optical components 生產及銷售光學零件

* companies are sino-foreign equity joint venture enterprises

companies are domestic invested enterprises

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of both years.

* 該等公司為中外合資企業

該等公司為內資企業

上表列示本公司董事認為主要影響本集團業績或資產的本公司附屬公司。詳列其他附屬公司在本公司董事看來，會導致詳情過於冗長。

於該兩年末，附屬公司並無發行任何債務證券。

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45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY 45. 本公司財務狀況表及儲備

	31/12/2023 二零二三年 十二月三十一日 RMB'000 人民幣千元	31/12/2022 二零二二年 十二月三十一日 RMB'000 人民幣千元
NON-CURRENT ASSETS 非流動資產		
Property, plant and equipment 物業、機器及設備	4	–
Financial assets at FVTOCI 按公允值計入其他全面收益的金融資產	55,212	55,212
Unlisted interests in subsidiaries 非上市附屬公司權益	253,850	253,850
Amounts due from subsidiaries 應收附屬公司款項	2,200,208	2,126,852
Loans to subsidiaries 附屬公司貸款	993,978	2,831,782
	3,503,252	5,267,696
CURRENT ASSETS 流動資產		
Other receivables and prepayment 其他應收款項及預付款項	117,911	48,295
Amounts due from subsidiaries 應收附屬公司款項	290,697	561,559
Cash and cash equivalents 現金及現金等值項目	38,671	50,500
	447,279	660,354
CURRENT LIABILITIES 流動負債		
Bank borrowings 銀行借貸	254,977	1,044,981
Amounts due to subsidiaries 應付附屬公司款項	17,689	17,587
Other payables 其他應付款項	34,691	94,776
Bonds payable 應付債券	–	4,178,082
	307,357	5,335,426
NET CURRENT ASSETS (LIABILITIES) 流動資產(負債)淨值	139,922	(4,675,072)
TOTAL ASSETS LESS CURRENT LIABILITIES 總資產減流動負債	3,643,174	592,624
NON-CURRENT LIABILITY 非流動負債		
Bonds payable 應付債券	2,897,485	–
	2,897,485	–
NET ASSETS 資產淨值	745,689	592,624
CAPITAL AND RESERVES 資本及儲備		
Share capital 股本	105,156	105,163
Reserves 儲備	640,533	487,461
TOTAL EQUITY 權益總額	745,689	592,624

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FOR THE YEAR ENDED 31 DECEMBER 2023 截至二零二三年十二月三十一日止年度

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

45. 本公司財務狀況表及儲備 (續)

Movements of the Company's reserves

本公司儲備變動

	Special reserve 特別儲備 RMB'000 人民幣千元 (note) (附註)	Shares held under share award scheme 根據股份獎勵計劃持有的股份 RMB'000 人民幣千元	Share award scheme reserve 股份獎勵計劃儲備 RMB'000 人民幣千元	FVTOCI reserve 按公允值計入其他全面收益的儲備 RMB'000 人民幣千元	Retained profits 保留盈利 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2022 於二零二二年一月一日	166,973	(9,541)	(586)	-	1,022,943	1,179,789
Profit for the year 年內溢利	-	-	-	-	330,923	330,923
Other comprehensive income for the year 年內其他全面收益	-	-	-	22,864	-	22,864
Total comprehensive income for the year 年內全面收益總額	-	-	-	22,864	330,923	353,787
Purchase of shares under share award scheme 根據股份獎勵計劃購買的股份	-	(8,524)	-	-	-	(8,524)
Recognition of equity-settled share-based payments 確認以權益結算股份支付的款項	-	-	6,114	-	-	6,114
Shares vested under share award scheme 根據股份獎勵計劃歸屬的股份	-	4,875	(5,238)	-	363	-
Dividends received under share award scheme 根據股份獎勵計劃收取的股息	-	-	-	-	4,010	4,010
Dividends paid 已付股息	-	-	-	-	(1,047,715)	(1,047,715)
At 31 December 2022 於二零二二年十二月三十一日	166,973	(13,190)	290	22,864	310,524	487,461
Profit for the year 年內溢利	-	-	-	-	667,493	667,493
Total comprehensive income for the year 年內全面收益總額	166,973	(13,190)	290	22,864	978,017	1,154,954
Purchase of shares under share award scheme 根據股份獎勵計劃購買的股份	-	(15,444)	-	-	-	(15,444)
Recognition of equity-settled share-based payments 確認以權益結算股份支付的款項	-	-	8,080	-	-	8,080
Shares vested under share award scheme 根據股份獎勵計劃歸屬的股份	-	6,541	(6,565)	-	24	-
Dividends received under share award scheme 根據股份獎勵計劃收取的股息	-	-	-	-	1,552	1,552
Dividends paid 已付股息	-	-	-	-	(504,852)	(504,852)
Repurchase of ordinary shares 購回普通股	(3,757)	-	-	-	-	(3,757)
At 31 December 2023 於二零二三年十二月三十一日	163,216	(22,093)	1,805	22,864	474,741	640,533

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45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movements of the Company's reserves (Continued)

Notes:

The amount recorded in the special reserve was resulted from:

- (i) the capital contribution by/distribution to the Company in relation to the acquisitions/disposals of equity interests in subsidiaries; and
- (ii) the difference between the net carrying amounts of equity interests in subsidiaries and the nominal value of the shares of their respective holding companies arisen in share exchange transactions during the group reorganisation.

45. 本公司財務狀況表及儲備 (續)

本公司儲備變動 (續)

附註：

計入特別儲備的款項來自：

- (i) 本公司就收購／出售附屬公司股權所作注資／所得分派；及
- (ii) 附屬公司股權的賬面淨值與彼等各自控股公司股份面值之間於集團重組換股交易中產生的差額。

APPENDIX II

REPRODUCTION OF THE GUARANTOR'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The information set out below is a reproduction of the Guarantor's audited consolidated financial statements for the year ended 31 December 2023.

6.1 CONSOLIDATED FINANCIAL STATEMENTS

The amounts for 2022 have been restated (identified by a "R") following the first retrospective application of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" by the insurance subsidiaries (see Note 1).

6.1.1 CONSOLIDATED BALANCE SHEET - ASSETS

<i>(In EUR m)</i>		31.12.2023	31.12.2022 R	01.01.2022 R
Cash, due from central banks		223,048	207,013	179,969
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	495,882	427,151	446,717
Hedging derivatives	Notes 3.2 and 3.4	10,585	32,971	13,592
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	90,894	92,960	112,695
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	28,147	26,143	24,149
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	77,879	68,171	57,204
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	485,449	506,635	497,233
Revaluation differences on portfolios hedged against interest rate risk	Note 3.2	(433)	(2,262)	131
Insurance and reinsurance contracts assets	Note 4.3	459	353	380
Tax assets	Note 6	4,717	4,484	4,747
Other assets	Note 4.4	69,765	82,315	90,045
Non-current assets held for sale	Note 2.5	1,763	1,081	27
Investments accounted for using the equity method		227	146	95
Tangible and intangible fixed assets	Note 8.3	60,714	33,958	32,848
Goodwill	Note 2.2	4,949	3,781	3,741
TOTAL		1,554,045	1,484,900	1,463,573

6.1.2 CONSOLIDATED BALANCE SHEET - LIABILITIES

(In EUR m)

		31.12.2023	31.12.2022 R	01.01.2022 R
Due to central banks		9,718	8,361	5,152
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	375,584	304,175	311,703
Hedging derivatives	Notes 3.2 and 3.4	18,708	46,164	10,425
Debt securities issued	Notes 3.6 and 3.9	160,506	133,176	135,324
Due to banks	Notes 3.6 and 3.9	117,847	133,011	139,177
Customer deposits	Notes 3.6 and 3.9	541,677	530,764	509,133
Revaluation differences on portfolios hedged against interest rate risk	Note 3.2	(5,857)	(9,659)	2,832
Tax liabilities	Note 6	2,402	1,645	1,573
Other liabilities	Note 4.4	93,658	107,315	105,973
Non-current liabilities held for sale	Note 2.5	1,703	220	1
Insurance contracts related liabilities	Note 4.3	141,723	135,875	150,562
Provisions	Note 8.2	4,235	4,579	4,850
Subordinated debts	Note 3.9	15,894	15,948	15,959
TOTAL LIABILITIES		1,477,798	1,411,574	1,392,664
SHAREHOLDER'S EQUITY				
Shareholders' equity, Group share				
Issued common stocks and capital reserves	Note 7.1	21,186	21,248	21,913
Other equity instruments		8,924	9,136	7,534
Retained earnings		32,891	33,816	36,624
Net income		2,493	1,825	-
SUB-TOTAL		65,494	66,025	66,071
Unrealised or deferred capital gains and losses	Note 7.3	481	945	(973)
SUB-TOTAL EQUITY, GROUP SHARE		65,975	66,970	65,098
Non-controlling interests		10,272	6,356	5,811
TOTAL EQUITY		76,247	73,326	70,909
TOTAL		1,554,045	1,484,900	1,463,573

6.1.3 CONSOLIDATED INCOME STATEMENT

<i>(In EUR m)</i>		2023	2022 R
Interest and similar income ⁽¹⁾	Note 3.7	53,087	30,738
Interest and similar expense	Note 3.7	(42,777)	(17,897)
Fee income	Note 4.1	10,063	9,400
Fee expense	Note 4.1	(4,475)	(4,183)
Net gains and losses on financial transactions ⁽¹⁾		10,290	866
<i>o/w net gains and losses on financial instruments at fair value through profit or loss</i>	Note 3.1	10,327	1,044
<i>o/w net gains and losses on financial instruments at fair value through other comprehensive income</i>		(9)	(152)
<i>o/w net gains and losses from the derecognition of financial instruments at amortised cost</i>		(28)	(26)
Income from insurance activities	Note 4.3	3,539	3,104
Expenses from insurance services	Note 4.3	(1,978)	(1,606)
Income and expenses from reinsurance held	Note 4.3	17	(19)
Net Finance income or expenses from insurance contracts issued ⁽¹⁾	Note 4.3	(6,285)	4,030
Net Finance income or expenses from reinsurance contracts held	Note 4.3	5	45
Cost of credit risk of financial assets from insurance activities	Note 3.8	7	1
Income from other activities	Note 4.2	21,005	13,301
Expenses from other activities	Note 4.2	(17,394)	(10,625)
Net banking income		25,104	27,155
Other operating expenses	Note 5	(16,849)	(16,425)
Amortisation, depreciation and impairment of tangible and intangible fixed assets		(1,675)	(1,569)
Gross operating income		6,580	9,161
Cost of risk	Note 3.8	(1,025)	(1,647)
Operating income		5,555	7,514
Net income from investments accounted for using the equity method		24	15
Net income/expense from other assets		(113)	(3,290)
Value adjustments on goodwill	Note 2.2	(338)	-
Earnings before tax		5,128	4,239
Income tax	Note 6	(1,679)	(1,483)
Consolidated net income		3,449	2,756
Non-controlling interests	Note 2.3	956	931
Net income, Group share		2,493	1,825
Earnings per ordinary share	Note 7.2	2.17	1.50
Diluted earnings per ordinary share	Note 7.2	2.17	1.50

(1) The Interest and similar income and Net gains and losses on financial transactions lines include in particular the gains and losses on the investments of insurance activities. These amounts must be assessed by taking into account the financial gains and losses arising from the measurement of the insurance and reinsurance contracts associated with these investments, which are presented in the Net financial income or expenses of the insurance contracts issued (see Note 4.3).

6.1.4 STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

<i>(In EUR m)</i>	2023	2022 R
Consolidated net income	3,449	2,756
Unrealised or deferred gains and losses that will be reclassified subsequently into income	(166)	578
Translation differences	(356)	1,820
<i>Revaluation differences for the period</i>	(429)	1,278
<i>Reclassified into income</i>	73	542
Revaluation of debt instruments at fair value through other comprehensive income ⁽¹⁾	2,402	(10,849)
<i>Revaluation differences for the period</i>	2,374	(11,029)
<i>Reclassified into income</i>	28	180
Revaluation of insurance contracts at fair value through other comprehensive income ⁽¹⁾	(2,134)	10,050
Revaluation of hedging derivatives	(68)	(610)
<i>Revaluation differences of the period</i>	(36)	(482)
<i>Reclassified into income</i>	(32)	(128)
Related tax	10	167
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	(177)	539
Actuarial gains and losses on defined benefit plans	12	92
Revaluation of own credit risk of financial liabilities at fair value through profit or loss	(257)	671
Revaluation of equity instruments at fair value through other comprehensive income	1	(26)
Related tax	(67)	(198)
Total unrealised or deferred gains and losses	(343)	1,117
Net income and unrealised or deferred gains and losses	3,106	3,873
<i>o/w Group share</i>	2,085	3,080
<i>o/w non-controlling interests</i>	1,021	793

(1) The Revaluation of the debt instruments at fair value through other comprehensive income" line includes the revaluation gains and losses on the investments of the insurance activities measured at fair value through other comprehensive income. Their net amounts must be perceived taking into account the financial gains and losses from the revaluation of the insurances contracts associated with these investments; these gains and losses are presented in the line Revaluation of insurance contracts at fair value through other comprehensive income (see Note 4.3).

6.1.5 CHANGES IN SHAREHOLDERS' EQUITY

	Shareholders' equity, Group share							
	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
<i>(In EUR m)</i>								
At 1 January 2022	21,913	7,534	36,412	-	(792)	65,067	5,796	70,863
Effect of the application of IFRS 17 and IFRS 9 for insurance subsidiaries (see Note 1)	-	-	212	-	(181)	31	15	46
At 1 January 2022 R	21,913	7,534	36,624	-	(973)	65,098	5,811	70,909
Increase in common stock and issuance/redemption and remuneration of equity instruments	(233)	1,602	(590)	-	-	779	(33)	746
Elimination of treasury stock	(524)	-	(66)	-	-	(590)	-	(590)
Equity component of share-based payment plans	92	-	-	-	-	92	-	92
2022 R Dividends paid (see Note 7.2)	-	-	(1,371)	-	-	(1,371)	(754)	(2,125)
Effect of changes of the consolidation scope	-	-	(88)	-	-	(88)	543	455
Sub-total of changes linked to relations with shareholders	(665)	1,602	(2,115)	-	-	(1,178)	(244)	(1,422)
2022 R Net income	-	-	-	1,825	-	1,825	931	2,756
Change in unrealised or deferred gains and losses	-	-	-	-	1,255	1,255	(138)	1,117
Other changes*	-	-	(693)	-	663	(30)	(4)	(34)
Sub-total	-	-	(693)	1,825	1,918	3,050	789	3,839
At 31 December 2022 R	21,248	9,136	33,816	1,825	945	66,970	6,356	73,326
Allocation to retained earnings								
At 1 January 2023	21,248	9,136	33,816	1,825	945	66,970	6,356	73,326
Increase in common stock and issuance/redemption and remuneration of equity instruments (see Note 7.1)	(1,133)	(212)	(1,143)	-	-	(2,488)	(70)	(2,558)
Elimination of treasury stock (see Note 7.1)	961	-	(62)	-	-	899	-	899
Equity component of share-based payment plans	110	-	-	-	-	110	-	110
2023 Dividends paid (see Note 7.2)	-	-	1,362	-	-	1,362	499	1,861
Effect of changes of the consolidation scope (see Note 7.1)	-	-	(34)	-	-	(34)	3,523	3,489
Sub-total of changes linked to relations with shareholders	(62)	(212)	(2,601)	-	-	(2,875)	2,954	79
2023 Net income	-	-	-	2,493	-	2,493	956	3,449
Change in unrealised or deferred gains and losses	-	-	-	-	(408)	(408)	65	(343)
Other changes	-	-	(205)	-	-	(205)	(59)	(264)
Sub-total	-	-	(205)	2,493	(408)	1,880	962	2,842
At 31 December 2023	21,186	8,924	32,891	2,493	481	65,975	10,272	76,247

* Includes the reallocation to Unrealised and deferred gains and losses recognised directly in equity of the currency translation adjustment on US dollar financial assets classified as net investment in a foreign operation.

6.1.6 CASH FLOW STATEMENT

<i>(In EUR m)</i>	2023	2022 R
Consolidated net income (I)	3,449	2,756
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	7,710	5,342
Depreciation and net allocation to provisions	(346)	(18)
Net income/loss from investments accounted for using the equity method	(24)	(15)
Change in deferred taxes	209	209
Net income from the sale of long-term assets and subsidiaries	(101)	(168)
Other changes	4,748	5,368
Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)	12,196	10,718
Income on financial instruments at fair value through profit or loss	(379)	11,739
Interbank transactions	(18,239)	(11,795)
Customers transactions	23,841	3,632
Transactions related to other financial assets and liabilities	9,753	28,161
Transactions related to other non-financial assets and liabilities	6,802	(6,130)
Net increase/decrease in cash related to operating assets and liabilities (III)	21,778	25,607
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	37,423	39,081
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments	(206)	578
Net cash inflow (outflow) related to tangible and intangible fixed assets	(11,867)	(9,579)
Net cash inflow (outflow) related to investment activities (B)	(12,073)	(9,001)
Cash flow from/to shareholders	(3,928)	(712)
Other net cash flow arising from financing activities	26	498
Net cash inflow (outflow) related to financing activities (C)	(3,902)	(214)
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	(2,320)	2,354
Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C) + (D)	19,128	32,220
Cash, due from central banks (assets)	207,013	179,969
Due to central banks (liabilities)	(8,361)	(5,152)
Current accounts with banks (see Note 3.5)	34,672	28,205
Demand deposits and current accounts with banks (see Note 3.6)	(10,455)	(12,373)
Cash and cash equivalents at the start of the year	222,869	190,649
Cash, due from central banks (assets)	223,048	207,013
Due to central banks (liabilities)	(9,718)	(8,361)
Current accounts with banks (see Note 3.5)	39,798	34,672
Demand deposits and current accounts with banks (see Note 3.6)	(11,131)	10,455
Cash and cash equivalents at the end of the year	241,997	(222,869)
Net inflow (outflow) in cash and cash equivalents	19,128	32,220

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6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 7 February 2024.

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

NOTE 1.1 Introduction



ACCOUNTING STANDARDS

Under 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 2023 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date. The Group includes the Societe Generale parent company (including the Societe Generale foreign branches) and all 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 continue accounting for hedging transactions under IAS 39 as adopted by the European Union, including the provisions related to macro-fair value hedge accounting (IAS 39 “carve-out”).



FINANCIAL STATEMENTS PRESENTATION

As the IFRS framework does not specify a standard model, the format of the primary financial statements used is consistent with the format proposed by the French Accounting Standard Setter, the *Autorité des Normes Comptables* (ANC), under Recommendation No. 2022-01 of 8 April 2022.

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 during the period under review.

The Group publishes its Annual Financial Report 2023 using the European Single Electronic Format (ESEF) as defined by the amended Delegated Regulation (EU) 2019/815.



PRESENTATION CURRENCY

The presentation currency of the consolidated financial statements is the euro.

The figures reported in the financial statements and in the notes are expressed in millions of euros, unless otherwise specified. The effect of rounding may generate discrepancies between the figures reported in the financial statements and those reported in the Notes.

NOTE 1.2 New accounting standards applied by the Group as of 1 January 2023

IFRS 17 “Insurance Contracts”

Amendments to IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments”

Amendments to IAS 1 “Disclosure of Accounting Policies”

Amendments to IAS 8 “Definition of Accounting Estimates”

Amendments to IAS 12 “Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

Amendments to IAS 12 “International Tax Reform – Pillar 2 Model Rules”

Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback” (early application)

IFRS 17 “INSURANCE CONTRACTS” – AMENDMENTS TO IFRS 17 PUBLISHED ON 25 JUNE 2020 AND AMENDMENTS TO IFRS 17 AND IFRS 9 PUBLISHED ON 9 DECEMBER 2021

The impacts of the first application of IFRS 17 and IFRS 9 by the insurance subsidiaries are presented in paragraph 4 below.

AMENDMENTS TO IAS 1 “DISCLOSURE OF ACCOUNTING POLICIES”

The aim of these amendments is to help companies improve the materiality of the information on accounting policies disclosed in the Notes to the financial statements and the usefulness of that information to investors and financial statement users.

The Group takes into account these amendments for the preparation of its consolidated financial statements.

AMENDMENTS TO IAS 8 “DEFINITION OF ACCOUNTING ESTIMATES”

The aim of these amendments is to facilitate distinguishing between changes in accounting methods and changes in accounting estimates.

The Group takes into account these amendments for the preparation of its consolidated financial statements.

AMENDMENTS TO IAS 12 “INCOME TAXES – DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION”

These amendments clarify and narrow the scope of the exemption provided by the IAS 12 “Income Tax” standard allowing institutions not to recognise any deferred tax at the initial recognition of an asset or a liability. Are excluded from the exemption scope all leases and decommissioning obligations for which companies recognise both an asset and a liability and will now have to recognise deferred taxes.

The aim of these amendments is to reduce heterogeneity in the recognition of the deferred taxes related to leases and to decommissioning obligations.

Since the date of first application of IFRS 16 “Leases”, the Group has been considering the rights of use and the lease-related debt as a single transaction. Consequently, on the initial recognition date, the amount of deferred tax asset offsets the amount of deferred tax liability. The net temporary differences arising from later variations in the right of use and lease debt subsequently result in the recognition of a deferred tax. This amendment thus has no impact on the Group’s consolidated financial statements.

AMENDMENTS TO IAS 12 “INTERNATIONAL TAX REFORM – PILLAR 2 MODEL RULES”

These amendments introduce a mandatory temporary exemption from the recognition of deferred income tax assets and liabilities stemming from the OECD Pillar 2 rules and apply retrospectively for the financial years beginning on or after 1 January 2023.

This exemption involves specific reporting requirements for the consolidated financial statements.

The Group has put in place a project structure in order to identify the impacts of these amendments to conform with the new obligations imposed by the latter in relation to the OECD’s Pillar 2 global tax reform (see Note 6).

AMENDMENTS TO IFRS 16 “LEASE LIABILITY IN A SALE AND LEASEBACK”

These amendments provide clarifications on the subsequent measurement of leaseback transactions when the initial sale of the asset meets the criteria of IFRS 15 (“Revenue from contract with customers”) to be recognised as a sale. These amendments specify in particular how to subsequently assess the lease liability resulting from these leaseback transactions, made of variable lease payments that do not depend on an index or a rate.

These amendments have no impact on the Group’s consolidated financial statements.

NOTE 1.3 Accounting standards, amendments or interpretations to be applied by the Group in the future

The IASB published accounting standards and amendments, some of which have not yet been adopted by the European Union as at 31 December 2023. Their application is required for the financial years

beginning on or after 1 January 2024 at the earliest or on the date of their adoption by the European Union. They have thus not been applied by the Group as at 31 December 2023.

The provisional timetable for the application of these standards is as follows:

2025	<ul style="list-style-type: none"> • Amendments to IAS 21 “Lack of Exchangeability”
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AMENDMENTS TO IAS 21 “LACK OF EXCHANGEABILITY”

Published on 15 August 2023.

These amendments specify the situations in which a currency is considered convertible, and the procedure for assessing the exchange rate of a non-convertible currency. They also detail the supplementary information to provide in the Notes to the financial statements for non-convertible currencies.

These amendments will be consolidated in IAS 21 “The Effects of Changes in Foreign Exchange Rates” and IFRS 1 “First-time Adoption of IFRS” in March 2024.

The impact of these amendments is currently being analysed.

NOTE 1.4 Initial application of IFRS 17 “Insurance contracts” and of IFRS 9 “Financial instruments” to insurance subsidiaries

IFRS 17 “Insurance Contracts”, issued on 18 May 2017 and modified by the 25 June 2020 and 9 December 2021 Amendments, replaces IFRS 4 “Insurance Contracts” which allowed, in particular, insurance contracts to be recognised using methods set out by the local accounting regulations.

On 23 November 2021, the European Commission (EC) published in the Official Journal, Commission Regulation (EU) 2021/2036 of 19 November 2021 adopting IFRS 17 “Insurance Contracts”. This adoption included the possibility for European companies not to apply the requirement laid out in the standard to group some insurance contracts by annual cohort for their measurement; this exemption will be reassessed by the European Commission by 31 December 2027 at the latest.

Since 1 January 2023, the Group has been applying IFRS 17. On that same date, the Group’ insurance subsidiaries started applying IFRS 9 “Financial Instruments” for the first time; this application had been delayed as a result of the possibilities offered by the Amendments to IFRS 17 and to IFRS 4 issued by the IASB on 25 June 2020 and extended by Regulations (EU) 2017/1988 and 2020/2097 of the European Commission.

On 8 September 2022, the European Union adopted the amendments to IFRS 17 published by the IASB on 9 December 2021 with the aim of improving the usefulness of the comparative information about financial assets presented on the initial application of IFRS 17 and IFRS 9.

The main consequences of the application of IFRS 17 concern:

- the measurement of insurance contracts, materialised mainly as liabilities on the balance sheet: their value will be updated on each closing date based on a re-estimate of the future cash flows related to their fulfilment. This re-estimate will take account, in particular, of market data in relation to financial elements and the behaviour of policyholders;
- the recognition of the margin: although the profitability of the insurance contracts remains unchanged, the pace of recognition of the margin in the income statement is modified. Any expected profit is deferred in the balance sheet and spread in the income statement over the coverage period of the insurance contracts. Conversely, any expected loss is immediately recognised in the income statement upon its initial recognition or in subsequent measurements; and
- the presentation of the income statement: the operating expenses attributable to the fulfilment of insurance contracts is hence presented in reduction of the net banking income as Insurance service expenses and thus does not impact the total operating expenses on the consolidated income statement anymore.

TRANSITIONAL AND INITIAL APPLICATION REQUIREMENTS

IFRS 17 standard

The initial application of IFRS 17 on 1 January 2023 is retrospective and the comparative data of the 2022 financial year have been restated.

The differences in measurement of the insurance assets and liabilities resulting from the retrospective application of IFRS 17 as at 1 January 2022 are presented directly in equity.

The retrospective measurement of these assets and liabilities, and in particular of the different insurance contract portfolios, may be subject to simplified alternate approaches when the necessary data are not all available. The standard then allows for the use of:

- either a modified retrospective approach that provides, based on reasonable information available at no cost or undue effort, measurements that are as close as possible to those that would result from the retrospective application of the standard;
- or an approach based on the fair value of the insurance contracts portfolios as at 1 January 2022.

The Group has applied a modified retrospective approach for the savings life insurance contracts and savings retirement contracts which represent the large majority of its contracts. Protection-Property and casualty contracts were subject to a full retrospective approach. For Protection-Provident contracts a retrospective approach, either full or modified, has been applied on a case-by-case basis.

The measurement of the insurance contracts made on a current basis, taking into account the time value of money and the financial risks related to future cash flows, required to adjust the measurement of some assets held to back the contracts in order to reduce the possible accounting mismatches.

Since 1 January 2023, initial application date of IFRS 17, the Group is measuring at fair value the investment properties held by insurance companies to back the insurance contracts issued. These are investment properties held as part of the management of insurance contracts with direct participations features.

IFRS 17 requires to include in the measurement of the insurance contracts general operating expenses (personnel expenses, amortisation expenses for fixed assets and other operating expenses) directly attributable to the fulfilment of contracts and to present them as Insurance service expenses in the net banking income.

The Group's insurance subsidiaries systematically identify in the fulfilment cash flows of their contracts the amount of administrative costs they expect to bear. These administrative costs are presented under Insurance service expenses in the net banking income. Consequently, the administrative costs presented by nature on the consolidated income statement are reduced by the amounts allocated to the fulfilment of the insurance contracts.

Furthermore, the Group's banking entities sell, through their retail networks, the insurance contracts issued by the Group's insurance subsidiaries and thus invoice fees to these entities. These fees cover the costs incurred by the banking entities plus a margin. As this invoicing takes place between

Group-controlled entities, the internal margin received by the banking entity and incurred by the insurance entity is eliminated in the consolidated accounts. The administrative costs incurred by the banking entities for the distribution of contracts are regarded as expenses directly attributable to the fulfilment of the contracts and are thus incorporated into the measurement of the contracts and presented under the "Insurance service expenses" heading. The contractual service margin of the insurance contracts distributed by the Group's banking entities is thus determined by taking into account both the costs incurred by the distributing banking entity (excl. internal margin) and the other directly attributable costs incurred by the insurance entity.

IFRS 9 standard

The initial application of IFRS 9 by the Group's insurance subsidiaries as at 1 January 2023 is retrospective.

For the sake of consistency with the IFRS 17 transition arrangements, and in order to provide more relevant and useful information, the Group has restated the comparative figures of the 2022 financial year related to the relevant financial instruments of its insurance subsidiaries (including the financial instruments derecognised during the 2022 financial year in accordance with IFRS 17 amendment which allows the presentation of comparative information concerning a financial asset as if IFRS 9 had previously been applied to that asset).

Following the retrospective application of IFRS 9 as at 1 January 2022, the differences in measurement (including the impairment for credit risk) of the financial assets and liabilities impacted are recognised directly in equity.

New presentation of the financial statements

On the balance sheet, the accounting outstanding amounts related to insurance contracts, previously booked under Other assets, Insurance contracts related liabilities and Other liabilities are now presented under Insurance and reinsurance contracts assets and Insurance and reinsurance contracts liabilities.

The accounting outstanding amounts related to the financial instruments and investments properties of insurance activities, previously booked on the assets side under Investments of insurance companies and on the liabilities side under Insurance contracts related liabilities, are now presented under the different headings of the balance sheet according to their classification and valuation technique.

In the consolidated income statement, in the net banking income, the income and expenses related to the insurance contracts issued and the reinsurance contracts were previously grouped under Net income from insurance activities. These income and expenses are now measured and recognised according to IFRS 17, and presented in the net banking income under the following headings:

- income from insurance contracts issued;
- insurance service expenses;
- income and expenses from reinsurance contracts held;
- net finance income or expenses from insurance contracts issued; and
- net finance income or expenses from reinsurance contracts held.

The incomes and expenses related to the financial instruments of insurance activities, previously presented under Net income from insurance activities, are now presented under the consolidated income statement headings dedicated to the valuation of financial instruments, with the exception of the expenses and incomes related to credit risk which are presented in the net banking income under Cost of credit risk of the financial assets related to insurance activities.

Furthermore, in the context of the application of IFRS 17, the Group has modified the presentation of the general operating expenses in the consolidated income statement to improve the readability of the Group's performance. The Other general operating expenses heading now includes the amounts previously presented under Personnel expenses and Other operating expenses, from which are deducted the

general operating expenses related to insurance contracts that will henceforth be presented under the Insurance service expenses heading in the net banking income.

IMPACTS ON THE GROUP'S BALANCE SHEET AND PERFORMANCE

The following tables reconcile the balance sheet as at 31 December 2021, presented taking into account the application of IAS 39 and IFRS 4 by the insurance subsidiaries, and the balance sheet as at 1 January 2022, presented taking into account the application of IFRS 9 and IFRS 17. The tables also include the balance sheet as at 31 December 2022 restated as a result of the application of IFRS 9 and IFRS 17.

	Balances as at 31.12.2021	IFRS 9 reclassifications			Other reclassifications		Reclassified balances
		of available for-sale financial assets	of loans and receivables regarding their business model	of non-SPPI loans and receivables	Others		
<i>(In EUR m)</i>							
Cash, due from central banks	179,969	-	-	-	-	-	179,969
Financial assets at fair value through profit or loss	342,714	15,879	-	2,085	85,826	446,504	
Hedging derivatives	13,239	-	-	-	353	13,592	
Financial assets at fair value through other comprehensive income	43,450	67,632	1,454	-	-	112,536	
Securities at amortised cost	19,371	4,975	-	-	22	24,368	
Due from banks at amortised cost	55,972	-	-	-	1,232	57,204	
Customer loans at amortised cost	497,164	-	-	-	69	497,233	
Revaluation differences on portfolios hedged against interest rate risk	131	-	-	-	-	131	
Investments of insurance companies	178,898	(88,486)	(1,454)	(2,085)	(86,873)	-	
<i>Financial assets at fair value through profit or loss (trading portfolio)</i>	211	-	-	-	(211)		
<i>Financial assets at fair value through profit or loss (fair value option)</i>	84,448	-	-	-	(84,448)		
<i>Hedging derivatives</i>	353	-	-	-	(353)		
<i>Available-for-sale financial assets</i>	88,486	(88,486)	-	-	-		
<i>Due from banks</i>	4,771	-	(1,454)	(2,085)	(1,232)		
<i>Customer loans</i>	69	-	-	-	(69)		
<i>Held-to-maturity financial assets</i>	22	-	-	-	(22)		
<i>Real estate investments</i>	538	-	-	-	(538)		
Insurance and reinsurance contracts assets							
Tax assets	4,812	-	-	-	-	4,812	
Other assets	92,898	-	-	-	(1,167)	91,731	
Non-current assets held for sale	27	-	-	-	-	27	
Deferred profit-sharing	-	-	-	-	-	-	
Investments accounted for using the equity method	95	-	-	-	-	95	
Tangible and intangible fixed assets	31,968	-	-	-	538	32,506	
Goodwill	3,741	-	-	-	-	3,741	
TOTAL ASSETS	1,464,449	-	-	-	-	1,464,449	

	E			F			G		H	Balances as at 01.01.2022 R	Balances as at 31.12.2022 R
	Adjustment of book value related to investments			Adjustment of book value related to insurance contracts			Deferred taxes				
	Reclassi- fied balances	Reclassifi- cation effects	Impair- ment and provisions for credit risk	IFRS 4 derecogni- tion	IFRS 17 insurance contracts accounting						
			Total	through reserves	Through OCI	Total					
(In EUR m)											
Cash, due from central banks	179,969	-	-	-	-	-	-	-	-	179,969	207,013
Financial assets at fair value through profit or loss	446,504	213	-	213	-	-	-	-	-	446,717	427,151
Hedging derivatives	13,592	-	-	-	-	-	-	-	-	13,592	32,971
Financial assets at fair value through other comprehensive income	112,536	159	-	159	-	-	-	-	-	112,695	92,960
Securities at amortised cost	24,368	(218)	(1)	(219)	-	-	-	-	-	24,149	26,143
Due from banks at amortised cost	57,204	-	-	-	-	-	-	-	-	57,204	68,171
Customer loans at amortised cost	497,233	-	-	-	-	-	-	-	-	497,233	506,635
Revaluation differences on portfolios hedged against interest rate risk	131	-	-	-	-	-	-	-	-	131	(2,262)
Investments of insurance companies	-	-	-	-	-	-	-	-	-	-	-
Insurance and reinsurance contracts assets	-	-	-	-	355	25	380	-	-	380	353
Tax assets	4,812	-	-	-	-	-	-	(65)	-	4,747	4,484
Other assets	91,731	-	(0)	-	(1,702)	16	-	16	-	90,045	82,315
Non-current assets held for sale	27	-	-	-	-	-	-	-	-	27	1,081
Deferred profit-sharing	-	-	-	-	-	-	-	-	-	-	-
Investments accounted for using the equity method	95	-	-	-	-	-	-	-	-	95	146
Tangible and intangible fixed assets	32,506	356	-	356	(14)	-	-	-	-	32,848	33,958
Goodwill	3,741	-	-	-	-	-	-	-	-	3,741	3,781
TOTAL ASSETS	1,464,449	510	(1)	509	(1,716)	371	25	396	(65)	1,463,573	1,484,900

											Balances as at 01.01.2022 R	Balances as at 31.12.2022 R
	I	J			K			L		M		
	Reclassifi- cations ⁽¹⁾	Adjustment of book value related to investments			Adjustment of book value related to insurance contracts			Deferred taxes				
(In EUR m)	Balances at 31.12.2021	Reclassifi- cation effects	Impair- ment and provisions for credit risk	Total	IFRS 4 derecogni- tion	IFRS 17 insurance contracts accounting	through reserves	through OCI	Total			
Due to central banks	5,152	-	-	-	-	-	-	-	-	-	5,152	8,361
Financial liabilities at fair value through profit or loss	307,563	4,140	-	-	-	-	-	-	-	-	311,703	304,175
Hedging derivatives	10,425	-	-	-	-	-	-	-	-	-	10,425	46,164
Debt securities issued	135,324	-	-	-	-	-	-	-	-	-	135,324	133,176
Due to bank	139,177	-	-	-	-	-	-	-	-	-	139,177	133,011
Customer deposits	509,133	-	-	-	-	-	-	-	-	-	509,133	530,764
Revaluation differences on portfolio hedged against interest rate risk	2,832	-	-	-	-	-	-	-	-	-	2,832	(9,659)
Tax liabilities	1,577	-	-	-	-	-	-	-	-	(4)	1,573	1,645
Other liabilities	106,305	-	-	-	-	(360)	28	-	28	-	105,973	107,315
Non-current liabilities held for sale	1	-	-	-	-	-	-	-	-	-	1	220
Insurance contracts related liabilities	155,288	(4,140)	-	-	-	(151,148)	-	-	-	-	-	-
<i>Underwriting reserves of insurance companies</i>	151,148	-	-	-	-	(151,148)	-	-	-	-	-	-
<i>Financial liabilities of insurance companies</i>	4,140	(4,140)	-	-	-	-	-	-	-	-	-	-
Insurance and reinsurance contracts liabilities	-	-	-	-	-	-	144,936	5,626	150,562	-	150,562	135,875
Provisions	4,850	-	-	-	-	-	-	-	-	-	4,850	4,579
Subordinated debts	15,959	-	-	-	-	-	-	-	-	-	15,959	15,948
TOTAL LIABILITIES	1,393,586	-	-	-	-	(151,508)	144,964	5,626	150,590	(4)	1,392,664	1,411,574
Shareholders' equity												
Shareholders' equity, Group share												
Issued common stocks and capital reserves	21,913	-	-	-	-	-	-	-	-	-	21,913	21,248
Other equity instruments	7,534	-	-	-	-	-	-	-	-	-	7,534	9,136
Retained earnings	30,631	5,781	3,318	(20)	3,298	140,983	(143,944)	-	(143,944)	(125)	36,624	33,816
Net income	5,641	(5,641)	-	-	-	-	-	-	-	-	-	1,825
SUB-TOTAL	65,719	140	3,318	(20)	3,298	140,983	(143,944)	-	(143,944)	(125)	66,071	66,025
Unrealised or deferred capital gains and losses	(652)	(140)	(2,810)	19	(2,791)	8,143	-	(5,600)	(5,600)	67	(973)	945
SUB-TOTAL EQUITY, GROUP SHARE	65,067	-	508	(1)	507	149,126	(143,944)	(5,600)	(149,544)	(58)	65,098	66,970
Non-controlling interests	5,796	-	2	(0)	2	666	(649)	(1)	(650)	(3)	5,811	6,356
TOTAL EQUITY	70,863	-	510	(1)	509	149,792	(144,593)	(5,601)	(150,194)	(61)	70,909	73,326
TOTAL	1,464,449	-	510	(1)	509	(1,716)	371	25	396	(65)	1,463,573	1,484,900

(1) This column includes the allocation to retained earnings of 2021 net income and gains and losses recognised directly in equity that will not be reclassified subsequently to income.

DESCRIPTION OF THE RECLASSIFICATIONS MADE FOR THE FINANCIAL INSTRUMENTS AND OTHER INVESTMENT ASSETS AS AT 1 JANUARY 2022 (COLUMNS A, B, C, D AND I)

Reclassification of available-for-sale financial assets (column A)

Applying IFRS 9 causes the disappearance of the Available-for-sale financial assets accounting category. Consequently, the instruments previously included in this category have been reclassified under IFRS 9 accounting headings according to the characteristics of their contractual cash flows and their business model.

The Available-for-sale assets of insurance companies included, as at 31 December 2021, debt securities (bonds and equivalent securities) for EUR 74,084 million and equity securities (shares and equivalent securities) for EUR 14,402 million.

Basic debt securities (financial instruments, whose contractual cash flows are solely payments of principal and interests) were reclassified as follows:

- debt securities held as part of a business model whose objective is to hold assets in order to collect contractual cash flows business model were reclassified as Financial assets at amortised cost for EUR 4,975 million. These are mainly debt securities acquired for the purpose of reinvesting the own funds of insurance subsidiaries;
- debt securities held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets business model were reclassified as Financial assets at fair value through other comprehensive income for EUR 67,632 million. These debt securities are mainly acquired for the management of insurance contracts.

Non-basic debt securities and equity securities were reclassified into Financial assets at fair value through profit or loss for EUR 15,879 million. These securities are held for the purpose of managing insurance contracts.

Reclassification of loans and receivables (columns B, C and D)

Basic loans and receivables (financial instruments whose contractual cash flows are Solely Payments of Principal and Interests) were reclassified as follows:

- loans and receivables held as part of a business model whose objective is to hold assets in order "to collect contractual cash flows" business model were reclassified as Due from banks at amortised cost for EUR 1,232 million and as Customer loans at amortised cost for EUR 69 million (column D);
- loans and receivables held as part of a business model whose objective is achieved by both "collecting contractual cash flows and selling financial assets" business model were reclassified as Financial assets at fair value through other comprehensive income for an amount of EUR 1,454 million. These loans and receivables are Due from banks (column B).

Non-basic loans and receivables were reclassified as Financial assets at fair value through profit or loss for EUR 2,085 million (column C).

Financial instruments reclassified as Financial assets at fair value through other comprehensive income or as Financial assets at fair value through profit or loss are mainly bonds recognised at amortised cost following the amendment of IAS 39 in 2008. This amendment provided, under certain conditions, the option to reclassify Available-for-sale Financial Assets into the Loans and Receivables category.

Other reclassifications (columns D and I)

In addition to the reclassifications described above, the other reclassifications are intended to reallocate the remaining outstanding amounts related to insurance activities to the accounting items commonly used by the rest of the Group.

The financial assets at fair value through profit or loss of the trading portfolio of the insurance subsidiaries (EUR 211 million) on the one hand, the financial assets measured at fair value through profit or loss under the fair value option (EUR 84,448 million) on the other hand, and an asset resulting from a indexed co-insurance agreement, previously shown under other assets (EUR 1,167 million), have been reclassified under Financial assets at fair value through profit or loss. Included in these financial assets, EUR 69,383 million of non-basic instruments have thus been transferred under Financial assets measured mandatorily at fair value through profit or loss; they mainly consist in underlying financial assets of unit-linked contracts previously measured at fair value using the fair value option under IAS 39 to eliminate accounting mismatches with the related insurance liabilities.

Hedging derivatives were reclassified into the corresponding heading for EUR 353 million.

Real estate investments were reclassified as Tangible and intangible fixed assets for EUR 538 million.

Financial liabilities of insurance companies were reclassified as Financial liabilities at fair value through profit and loss for an amount of EUR 4,140 million. These include investments contracts (outside the scope of IFRS 17) and trading derivatives in the scope of IFRS 9.

Description of the book value adjustments made for the financial instruments and other investments assets as at 1 January 2022 (columns E and J)

The Balance sheet value of the Investments of insurance companies whose valuation method was modified, was adjusted in equity as at 1 January 2022 for a total amount of EUR 509 million before tax effects. This amount includes:

- the revaluation at fair value of investment properties for an amount of EUR 356 million in application of IAS 40 "Investment property", in order to avoid an accounting mismatch between the measurement method applied to the properties and the insurance contracts they are backing;
- the adjustment of the book value of financial assets for a net amount of EUR 153 million as a result of their new measurement method in application of IFRS 9. This amount includes the recognition of additional expected credit losses for EUR 1 million for the Securities at amortised cost.

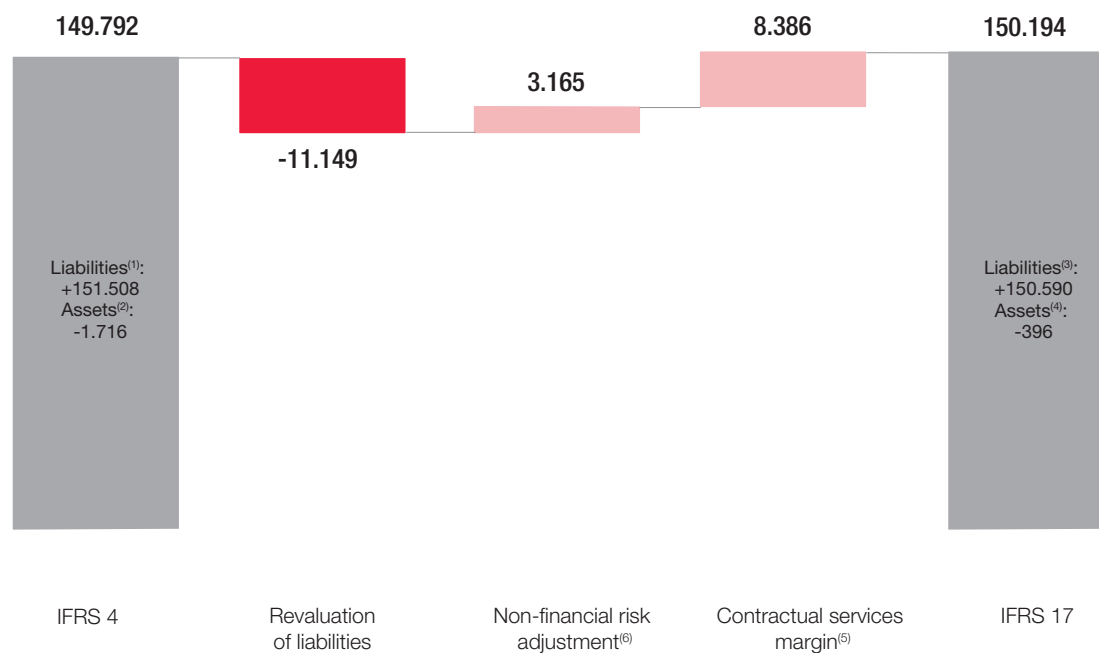
Gains and losses recognised directly in equity for Financial assets at fair value through other comprehensive income relating to credit risk were reclassified at 1 January 2022 to retained earnings for an amount of EUR 19 million. This refers to the expected credit loss related to the impairment of loans in Stage 1 or Stage 2.

Description of the derecognition of IFRS 4 insurance contracts and the recognition of insurance contracts under IFRS 17 as at 1 January 2022 (columns F, G, K and L)

The adjustment of the book value of the insurance contracts assets and liabilities, resulting from the replacement of IFRS 4 (prudent valuation)

by IFRS 17 (economic valuation), was recorded as at 1 January 2022 in equity for a negative amount of EUR 402 million before tax effects.

This amount is broken down as follows:



(1) This amount is composed of Underwriting reserves for EUR 151,148 million and of Other Liabilities for EUR 360 million.

(2) This amount is composed of other assets for EUR 1,702 million and of tangible and intangible fixed assets for EUR 14 million.

(3) This amount is composed of Insurance contracts liabilities for EUR 150,562 million and of Other Liabilities for EUR 28 million.

(4) This amount is composed of Insurance contracts assets for EUR 380 million and of other assets for EUR 16 million.

(5) The contractual service margin (CSM) represents the unearned profit that the entity will recognise in the income statement as the insurance services are provided in the future.

(6) The non-financial risk adjustment corrects the present value of future cash flows in insurance contracts to reflect uncertainty about the amount and timing of these flows.

Marginal total impact on the Total equity as at 1 January 2022

As at the transition date (1 January 2022), the retrospective application of IFRS 17 and IFRS 9 by the Group's insurance subsidiaries resulted in a EUR 46 million increase in the Total consolidated equity.

This impact is broken down as follows: a decrease of EUR 402 million related to the transition from IFRS 4 to IFRS 17, an increase of EUR 509 million related to the transition to IFRS 9 and the revaluation of investment properties according to IAS 40, and a decrease of EUR 61 million related to the adjustment of deferred tax assets and liabilities.

Positive total impact on the Total equity as at 1 January 2023

The retrospective application of IFRS 9 and IFRS 17 by the Group's insurance subsidiaries resulted in an adjustment of the comparative data for the financial year 2022 for an amount of EUR -191 million on the consolidated net income and an amount of EUR +689 million on the unrealised or deferred gains and losses recognised directly in equity.

As at the date of initial application (1 January 2023), the cumulative impact on the Total equity amounted to EUR +544 million.

The table below shows the Group's consolidated income statement for 2022 as published in the last Annual Financial Report and then the restated income statement (2022 R) following the application of IFRS 17 and IFRS 9 by the Group's insurance subsidiaries.

In the Notes to the financial statements, the restated data are identified with "R".

(In EUR m)	2022 R	2022
Interest and similar income ⁽¹⁾⁽²⁾	30,738	28,838
Interest and similar expense ⁽¹⁾⁽²⁾	(17,897)	(17,552)
Fee income	9,400	9,335
Fee expense	(4,183)	(4,161)
Net gains and losses on financial transactions ⁽¹⁾⁽²⁾	866	6,691
<i>o/w net gains and losses on financial instruments at fair value through profit or loss</i>	1,044	6,715
<i>o/w net gains and losses on financial instruments at fair value through other comprehensive income</i>	(152)	(10)
<i>o/w net gains and losses from the derecognition of financial instruments at amortised cost</i>	(26)	(14)
Net income from insurance activities		2,211
Income from insurance contracts issued	3,104	
Insurance service expenses ⁽³⁾	(1,606)	
Income and expenses from reinsurance contracts held	(19)	
Net finance income or expenses from insurance contracts issued ⁽²⁾	4,030	
Net finance income or expenses from reinsurance contracts held ⁽²⁾	45	
Cost of credit risk from financial assets related to insurance activities	1	
Income from other activities ⁽¹⁾⁽²⁾	13,301	13,221
Expenses from other activities	(10,625)	(10,524)
Net banking income	27,155	28,059
Other general operating expenses ⁽³⁾	(16,425)	(17,061)
Amortisation, depreciation and impairment of tangible and intangible fixed assets	(1,569)	(1,569)
Gross operating income	9,161	9,429
Cost of credit risk	(1,647)	(1,647)
Operating income	7,514	7,782
Net income from investments accounted for using the equity method	15	15
Net income/expense from other assets	(3,290)	(3,290)
Value adjustments on goodwill	-	-
Earnings before tax	4,239	4,507
Income tax	(1,483)	(1,560)
Consolidated net income	2,756	2,947
Non-controlling interests	931	929
Net income, Group share	1,825	2,018

(1) The variations between the 2022 financial year published and the 2022 financial year restated are linked to the new presentation and measurement of insurance companies' investments, now including in the same headings used by the rest of the Group, previously recorded as Net income from insurance activities.

(2) The financial performance of insurance companies must be analysed by taking into account on one hand the income and expenses from the investments backing in the insurance contracts and on the other hand the net finance income or expenses from insurance contracts measured according to IFRS 17. Both components of expenses and income mentioned above partly offset each other (see Note 4.3, table Detail of liabilities).

(3) The change in Other general operating expenses between the 2022 financial year published and the 2022 financial year restated is related to the allocation within Insurance service expenses of general operating expenses attributable to the fulfilment of insurance contracts.

The table below presents the statement of net income and unrealised or deferred gains and losses published in 2022 and the one restated (2022 R) following the application of IFRS 17 and IFRS 9 by the Group's insurance subsidiaries.

(In EUR m)	2022 R	2022
Consolidated net income	2,756	2,947
Unrealised or deferred gains and losses that will be reclassified subsequently into income	578	(111)
Translation differences	1,820	1,820
Revaluation of debt instruments at fair value through other comprehensive income ⁽¹⁾⁽²⁾	(10,849)	(731)
Revaluation of available-for-sale financial assets ⁽³⁾		(1,223)
Revaluation of insurance and reinsurance contracts through other comprehensive income ⁽²⁾	10,050	
Revaluation of hedging derivatives	(610)	(380)
Related tax	167	403
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	539	539
Total unrealised or deferred gains and losses	1,117	428
Net income and unrealised or deferred gains and losses	3,873	3,375
<i>o/w Group share</i>	<i>3,080</i>	<i>2,592</i>
<i>o/w non-controlling interests</i>	<i>793</i>	<i>783</i>

(1) The variations between the 2022 financial year published and the 2022 financial year restated are linked to the new presentation and measurement of insurance companies' investments, under the same headings used by the rest of the Group.

(2) The financial performance of insurance companies must be analysed by taking into account on one hand the gains and losses of the investments backing the insurance contracts (now presented according to the nature of the investment considered) and on the other hand the net finance gains and losses from insurance contracts measured according to IFRS 17. Both components of losses and gains mentioned above partly offset each other.

(3) This amount of EUR -1,223 million included, pursuant to the application of IAS 39 and IFRS 4, the re-measurement of the Available-for-sale assets for EUR -11,297 million, and the related Deferred profit-sharing for EUR 10,074 million.

NOTE 1.5 Use of estimates and judgement

To prepare the Group's consolidated financial statements, in application of the accounting principles described in the Notes, the Management makes assumptions and estimates that may impact the amounts recognised in the income statement or as Unrealised or deferred capital gains and losses, on the valuation of assets and liabilities on the balance sheet, and on the information disclosed in the related notes to the consolidated financial statements.

In order to make these assumptions and estimates, the Management uses the information available when the consolidated financial statements are prepared and may exercise its judgment. Valuations based on estimates intrinsically involve risks and uncertainties relating to their occurrence in the future. Consequently, the actual future results may differ from these estimates and then have a significant impact on the financial statements.

The assumptions and estimates made for the preparation of these consolidated financial statements take account of the uncertainties related to the economic consequences of geopolitics crisis and to the current macroeconomic context. The effects of these events on the assumptions and estimates used are specified in paragraph 6 of this Note.

Estimates and judgment are applied in particular with regard to the following items:

- the fair value on the balance sheet of the financial instruments not listed on an active market that are recognised as Financial assets and liabilities at fair value through profit or loss, Hedging derivatives, Financial assets at fair value through other comprehensive income (described in Notes 3.1, 3.2, 3.3 and 3.4), as well as the fair value of the instruments measured at amortised cost for which this information is disclosed in the Notes to the financial statements (see Note 3.9);
- the impairment and provisions for credit risk related to financial assets measured at amortised cost or at fair value through other comprehensive income and loan commitments and guarantee commitments granted measured using models or internal assumptions based on historical, current and prospective data (see Note 3.8). The use 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;
- the assumptions and amortisation conventions used to determine the maturities of financial assets and liabilities for the purpose of measuring and monitoring structural interest rate risk and documenting the related macro fair value hedge accounting (see Note 3.2);
- the impairment of Goodwill (see Note 2.2);
- the provisions recorded under liabilities on the balance sheet (see Notes 5.2 and 8.2);
- the estimates related to the valuation of insurance contracts assets and liabilities and of the implementation of the transition methods in the context of the initial application of IFRS 17 (see Note 4.3);
- the tax assets and liabilities recognised on balance sheet (see Note 6);
- an analysis of the characteristics of the contractual cash flows of financial assets in order to determine the appropriate accounting classification (see Note 3);
- the assessment of the degree of control for the determination of the scope of consolidated entities, especially with regard to structured entities (see Note 2.4);
- the determination of the lease period to be applied for recognising the right-of-use assets and lease liabilities (see Note 8.3).

CLIMATE RISK

The Group continues its work to gradually integrate climate risks in the preparation of its consolidated accounts. Climate change-related risks are not a new risk category but rather an aggravating factor for categories already covered by the Group's risk management system. In this regard, the impact of transitional risk on the credit risk of the corporate customers of Societe Generale remains one of the major climate risks for the Group.

As at 31 December 2023, the determination of the expected credit losses includes the possible impact of climate risks considered when assessing individual risks and sectoral risks, provided it is compatible

with the provisioning horizon. The impact of the Group's commitments in favour of the energy and environmental transition and the development of the territories are still taken into account in the estimated budgets to determine the recoverable amount of the cash-generating units and the recoverability of the deferred tax assets.

Furthermore, the Group is currently analysing the provisions in the European Sustainability Reporting Standards (ESRS) adopted by the European Commission on 31 July 2023, notably those related to the connections between the future Sustainability reports and the consolidated financial statements.

NOTE 1.6 Geopolitical crises and macroeconomic context

2023 was a year of cumulative uncertainties with, in particular, the continuing conflict in Ukraine but also tensions in the banking sector in the United States and Europe at the beginning of the year, as well as the situation in the Middle East at the end of the year. Monetary policies were clearly restrictive. Focusing on inflation control, central banks increased interest rates rapidly and significantly. In the euro area:

- the slowdown in economic activity observed during the first half of 2023 continued and was accentuated during the second half of the year;
- inflation remained high in 2023; it is expected to ease to around 3% in 2024 and fall back to the target in the midterm.

In the US, the economy performed better than expected by most forecasters. Warning signs point to an already apparent sharper slowdown towards the end of the year.

In this context, the Group updated the macroeconomic scenarios chosen for the preparation of the consolidated financial statements.

These macroeconomic scenarios are taken into account in the credit loss measurement models including forward-looking data (see Note 3.8) and are also used in some goodwill impairment tests (see Note 2.2) and tests of the recoverability of deferred tax assets (see Note 6).

NOTE 1.6.1 MACROECONOMIC SCENARIOS

As at 31 December 2023, the Group selected three macroeconomic scenarios to help understand the uncertainties related to the current macroeconomic context.

The assumptions selected to build these scenarios are described below:

- the central scenario ("SG Central") predicts a continuing economic slowdown in the euro area in 2024 with only a modest rebound in 2025. The fall in inflation, to around 2.5%, will be accompanied by an increase in the unemployment rate. The ECB would lower its interest rates starting in Spring 2024, but would continue scaling down its balance sheet at least until 2025 (reducing its direct purchases on the market). Economic growth is also expected to decelerate in 2024, interest rates are likely to decrease and inflation should remain on a downward trend while the unemployment rate increases;

- the favourable scenario ("SG Favourable") describes an accelerated economic growth compared to the trajectory projected in the central scenario; this growth may result from improved supply conditions owing to a positive shock on productivity or from unexpectedly improved demand conditions. In both cases, stronger growth will have a positive impact on employment and the profitability of companies;

- the stressed scenario ("SG Stress") corresponds to a crisis situation leading to a negative deviation in GDP compared to the central scenario. This scenario may result from a financial crisis (like the 2008 crisis, euro area crisis, etc.), an exogenous crisis (Covid-19-like pandemic) or a combination of both.

These scenarios are developed by the Economic and Sector Research Division of Societe Generale for all the entities in the Group based, in particular, on the information published by the statistical institutes in each country.

Institutional forecasts produced by organisations like the IMF, the World Bank, the ECB and the OECD and the consensus among market economists serve as a reference to challenge the Group's forecasts.

NOTE 1.6.2 FINANCIAL INSTRUMENTS: EXPECTED CREDIT LOSSES

The scenarios provided by the Group economists are incorporated into the expected credit loss provisioning models over a three-year horizon, followed by a two-year period to gradually return by the fifth year to the average probability of default observed during the calibration period. The assumptions made by the Group with a view to developing these macroeconomic scenarios have been updated during the fourth quarter 2023 to account for uncertainties about the macroeconomic context.

Variables

The GDP growth rate, the profit margin of companies in France, the unemployment rates, the inflation rate in France and the yield on France 10-year government bonds are the main variables used in the expected credit losses measurement models.

The variables with the stronger impact on the determination of expected credit losses (GDP growth percentage for the major countries in which the Group operates and corporate profit margin in France) for each scenario are detailed hereinafter:

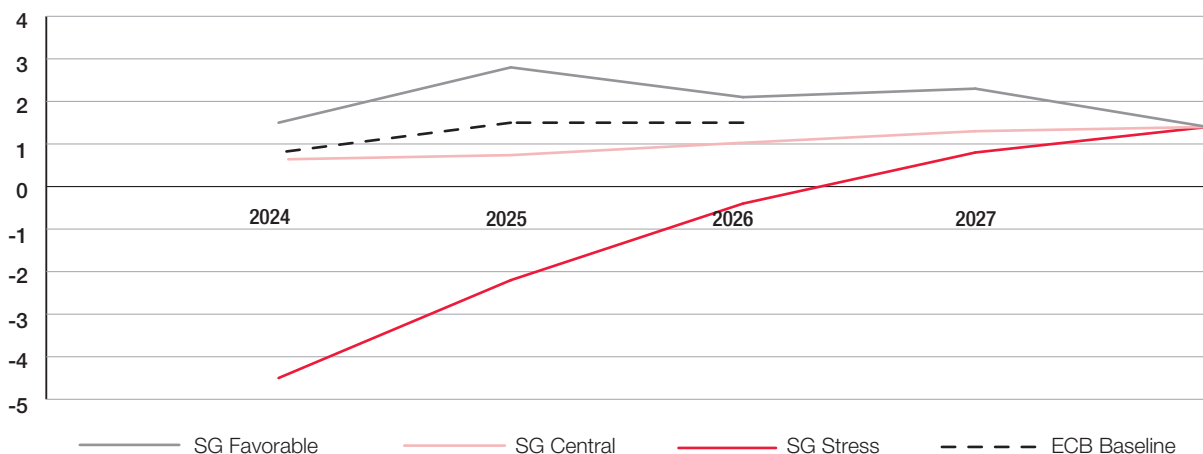
“SG Favourable” scenario	2024	2025	2026	2027	2028
France GDP	1.5	2.7	2.1	2.3	1.5
Corporate profit margin in France	33.0	32.7	32.9	32.9	32.4
Euro area GDP	1.5	2.8	2.1	2.3	1.4
United States GDP	1.9	3.5	2.8	3.0	2.2
China GDP	5.4	6.0	4.8	4.8	3.8
Czech Republic GDP	3.0	4.0	3.1	3.3	2.3
Romania GDP	3.8	4.8	3.8	4.2	3.2

“SG Central” scenario	2024	2025	2026	2027	2028
France GDP	0.5	0.7	1.1	1.3	1.5
Corporate profit margin in France	32.4	32.4	32.4	32.3	32.4
Euro area GDP	0.5	0.8	1.1	1.3	1.4
United States GDP	0.9	1.5	1.8	2.0	2.2
China GDP	4.4	4.0	3.8	3.8	3.8
Czech Republic GDP	2.0	2.0	2.1	2.3	2.3
Romania GDP	2.8	2.8	2.8	3.2	3.2

“SG Stress” scenario	2024	2025	2026	2027	2028
France GDP	(4.5)	(2.3)	(0.4)	0.8	1.5
Corporate profit margin in France	30.2	30.2	30.2	30.1	32.4
Euro area GDP	(4.5)	(2.2)	(0.4)	0.8	1.4
United States GDP	(4.1)	(1.5)	0.3	1.5	2.2
China GDP	(0.6)	1.0	2.3	3.3	3.8
Czech Republic GDP	(3.0)	(1.0)	0.6	1.8	2.3
Romania GDP	(2.2)	(0.2)	1.3	2.7	3.2

These simulations assume that the historical relationships between the key economic variables and the risk parameters remain unchanged. In reality, these correlations may be impacted by geopolitical or climatic events, or changes in behaviour, legal environment or credit granting policy.

The graph below compares the GDP forecasts in the euro area used by the Group for each scenario with the scenarios published by the ECB in December 2023.



WEIGHTING OF THE MACROECONOMIC SCENARIOS

The probabilities used are based on the differences observed over the past 25 years between the forecasts made by a consensus of economists regarding the US GDP and the actual scenario that occurred (forecast similar to the actual scenario, significantly optimistic or pessimistic).

In order to better account for a possible reversal in the cycle, the Group applies a weighting methodology to its scenarios (mainly based on the observed output gaps for the USA and the euro area) and assigns a higher weight to the SG Central scenario when the economy is depressed. Conversely, the methodology provides for a higher weight to be assigned to the SG Stress scenario when the economy moves towards the peak of the cycle. Accordingly, the weighting applied to the SG Central scenario was set at 62% at 31 December 2023.

PRESENTATION OF THE CHANGES IN WEIGHTS

	31.12.2023	30.06.2023	31.12.2022
SG Central	62%	62%	60%
SG Stress	28%	28%	30%
SG Favourable	10%	10%	10%

CALCULATION OF EXPECTED CREDIT LOSSES AND SENSITIVITY ANALYSIS

Credit risk costs as at 31 December 2023, insurance subsidiaries excluded, amount to a net expense of EUR 1,025 million, decreasing by EUR 622 million (38%) compared to 31 December 2022 (EUR 1,647 million).

Sensitivity tests have been performed to measure the impact of the changes in weights on the models. The sectoral adjustments (see Note 3.8) have been taken into account in these sensitivity tests. The scope of these tests includes the Stage 1 and Stage 2 outstanding loans subject to a statistical modelling of the impacts of the macroeconomic variables (which accounts for 88% of the expected credit losses on the outstanding loans concerned compared to 72% as at 31 December 2022).

The results of these tests, taking into account of the effect on the classification of 67% of the total outstanding loans concerned, show that, in the event of a 100% weighting:

- of the SG Stress scenario, the impact would be an additional allocation of EUR 570 million;
- of the SG Favourable scenario, the impact would be a reversal of EUR 378 million;
- of the SG Central scenario, the impact would be a reversal of EUR 248 million.

COVID-19 CRISIS: STATE GUARANTEED LOANS ("PGE")

Until 30 June 2022, the Group offered its crisis-impacted clients (professionals and corporate clients) the allocation of State Guaranteed Loan facilities ("PGE"). Within the framework of the 2020 French Amending Finance Act and the conditions set by the French decree of 23 March 2020, these are financings granted at cost price and guaranteed by the government for a share of the borrowed amount between 70% to 90% depending on the size of the borrowing enterprise (with a waiting period of two months after 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 tax, these loans came with a one-year repayment exemption. At the end of that year, the customer could either repay the loan or amortise it over one to five more years, with the possibility of extending the grace period for the repayment of

principal for one year (in line with the announcements made by the French Ministry of Economics, Finance and Industrial and Digital Sovereignty on 14 January 2021) without extending the total duration of the loan. The remuneration conditions of the guarantee have been set by the State and applied by all French banking institutions: the Bank keeps only a 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, 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 borrowing company). A French decree published on 19 January 2022, amending the decree published on 23 March 2020, allows some companies to benefit, under certain conditions, from an extension of their PGE repayment deadlines from 6 to 10 years.

The contractual characteristics of the PGE are those of basic loans (SPPI criterion) and these loans are held by the Group within the framework of a business model whose objective is to collect their 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 2023, after the first repayments made in 2022 and in 2023 at the end of the moratorium period, the amount outstanding corresponding to the State Guaranteed Loans (PGE) granted by the Group is approximately EUR 8.8 billion (of which EUR 1.8 billion classified as Stage 2 and EUR 1.1 billion as Stage 3). The portion of PGE granted by the French Retail networks amounts, as at 31 December 2023, to EUR 7.8 billion (of which EUR 1.6 billion classified as Stage 2 and EUR 0.9 billion as Stage 3); the State guarantee for these loans covers, on average, 90% of their amount.

The expected credit losses recognised as at 31 December 2023 for PGE (French state guaranteed loans) amount to some EUR 240 million of which EUR 171 million booked by the French Retail networks (including EUR 28 million in Stage 2 and EUR 124 million in Stage 3).

CONSEQUENCES OF THE WAR IN UKRAINE

The table below shows the changes in balance sheet and off-balance sheet exposures (measured at amortised cost or at fair value through OCI) booked by the Group's entities in Russia, on one side, and by the Group's entities outside Russia for Russian counterparties or subsidiaries of Russian groups, on the other side.

(In EUR billion)	31.12.2023		30.06.2023		31.12.2022	
	Exposure at default	Gross outstanding/ commitments	Exposure at default	Gross outstanding/ commitments	Exposure at default	Gross outstanding/ commitments
Onshore exposures on consolidated subsidiaries	0	0	0	0	0.3	0.3
Offshore exposures ⁽¹⁾	0.9	1	1.6	1.7	1.8	2
Rosbank residual exposures	0.1	0.1	0.1	0.1	0.1	0.1
TOTAL	1	1.1	1.7	1.8	2.2	2.4

(1) Offshore exposures (exc. Private Banking and residual exposures linked to the disposal of Rosbank) correspond to the exposures on Russian counterparties or subsidiaries of Russian groups booked outside Russia.

Exposures in Russia and Ukraine

On 11 April 2022, ALD had announced that it would not engage in any new commercial transactions in Russia, Kazakhstan and Belarus without challenging the going concern status over the next twelve months of ALD Automotive OOO in Russia and ALD Automotive LLC in Belarus; the two entities continuing to serve their clients and manage the existing vehicle fleet without encountering any specific difficulties in relation to business activities.

On 27 April 2023, ALD announced the completion of the sale of its ALD Automotive OOO subsidiary in Russia.

ALD Automotive LLC in Belarus was sold on 30 October 2023.

As at 31 December 2023, the Group operates in Russia through its LeasePlan subsidiary with very low residual exposures.

The Group also operates in Ukraine through its ALD Automotive Ukraine Limited Liability Company subsidiary the total balance sheet of which amounts to EUR 82 million as at 31 December 2023.

Offshore exposures

The Group also holds assets on Russian counterparties the volume of which dropped significantly between 31 December 2022 and 31 December 2023 (owing in particular to the disposal of assets but also to customer reimbursements completed without incident). These outstanding loans including the residual exposures on Rosbank (EUR 1.1 billion against EUR 2.1 billion in 2022) have been classified as “sensitive” from the very beginning of the conflict (see Note 3.8) and declassified to Stage 2 of impairment for credit risk or to Stage 3 when necessary.

The consequences of these classifications, as well as the account taken of the new macroeconomic scenarios to determine expected credit losses as at 31 December 2023 are described in Note 3.8.

Furthermore, to take account of these specific risk exposures the Group supplemented the expected credit losses through a post-model adjustment, as described in Note 3.8.

NOTE 1.7 Hyperinflation in Turkey and Ghana

Publications from the Centre for Audit Quality’s International Practices Task Force, the usual reference for identifying countries in hyperinflation, show that Turkey and Ghana have been considered hyperinflationary economies since 2022 and 2023 respectively.

Accordingly, the Group applies the provisions of IAS 29 (“Financial Reporting in Hyperinflationary Economies”) to prepare the individual financial statements presented in Turkish liras of the ALD Group entities located in Turkey (including the Turkish subsidiary LeasePlan Otomotiv Servis ve Ticaret A.S acquired in the first half of 2023) and the individual financial statements in cedis of the entity Societe Generale Ghana PLC located in Ghana (before their conversion into euro in the frame of the consolidation process) since 1st January 2022 and 1st January 2023 respectively.

The accounts of the SG Istanbul branch have, however, not been restated, their impact being non-material.

Under IAS 29, the accounting value of some balance sheet items measured at cost is adjusted, on the closing date, for the inflation effects observed over the period. In the financial statements of the entities concerned, these adjustments are mainly applied to the tangible assets (including in particular the rented car fleet, buildings), as well as to the different components of equity.

On the date of first application of this hyperinflation treatment, the consideration for these adjustments is recognised in the Group retains earnings and Non-Controlling Investments; on that date, the translation differences on the entities concerned are reclassified to the same balance sheets items. At subsequent closing dates, inflation adjustments for the assets concerned and equity items, as well as for income and expenses for the period, are recognised as income or expenses on foreign exchange transactions under Net gains and losses on financial transactions.

Thus restated, the financial statements are converted to euro based on the exchange rate applicable on the closing date.

On 1 January 2023, in the context of the first implementation of the accounting requirements of IAS 29 for the Societe Generale Ghana PLC entity, the total consolidated shareholders’ equity was increased by EUR 21 million, including a reduction in the consolidated reserves of EUR -121.5 million before tax for the different adjustments and the reclassification of the translation differences recorded at that date.

On 31 December 2023, a gain of EUR 122.1 million was recognised in the Net gains and losses on financial transactions from financial adjustments for the period. After taking into account the adjustments of the other income and expense lines of the period, the impact of the restatements for hyperinflation of the consolidated accounting result before tax is EUR 76.9 million.

NOTE 2 CONSOLIDATION



MAKING 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 accounts bring together the accounts of Societe Generale, its foreign branches and the French and foreign entities over which the Group exercises control, joint control or significant influence.

Consolidated entities

SUBSIDIARIES

Subsidiaries are the entities over which the Group has exclusive control. The Group controls an entity if and only if the 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.

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 with that has the current ability to direct the activities that most significantly affect the variable returns of the investee is presumed to have power over the investee.

Exposure to variable returns

Control exists only if the Group is significantly exposed to the variability of variable returns generated by its investment or its involvement in the entity. These returns, which could be dividends, interest, fees, etc., can be only positive, only negative or both positive and negative.

Link between power and 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 designed so that voting rights are not the determining factor in identifying who controls the entity. Such is the case, for example, when any voting rights relate to administrative tasks only and 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 in the consolidated income statement.

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 Retained earnings, Group share.

Also, in the event of a reduction in the Group's ownership interest in a subsidiary over which it keeps control, the difference between the selling price and the carrying amount of the share of interests sold is recorded under Retained earnings, Group share.

The costs related to these transactions are recognised directly in equity.

When the Group loses control of a consolidated subsidiary, any investment retained in the former subsidiary is remeasured at fair value through profit or loss, at the same time the capital gain or loss is recorded under Net income/expense from assets in the consolidated income statement. The gains or losses on disposals include a share of goodwill previously allocated to the cash-generating units to which the subsidiary belongs. This share's determination is based on a normative capital allocated to the subsidiary that is sold and to the portion of cash-generating unit that is retained.

Commitments to buy out minority shareholders in fully consolidated subsidiaries

In some fully consolidated Group subsidiaries, the Group has awarded minority shareholders commitments to buy out their stakes. For the Group, these buyout commitments are put option sales (put options without transfer of the risks and advantages associated with the ownership interest before the option's exercise). The exercise price for these options can be established using a formula agreed upon at the time of the acquisition of the shares in the subsidiary that takes into account its future performance. It can also be set as the fair value of these shares at the exercise date of the options.

The commitments are recorded as follows:

- in accordance with IAS 32, the Group records a financial liability for the put options granted to minority shareholders of the subsidiaries over which it exercises control. This liability is initially recognised at the present value of the estimated exercise price of the put options under Other liabilities;
- the obligation to recognise a liability even though the put options have not been exercised means that, in order to be consistent, the Group must use the same accounting treatment as the one applied to transactions in Non-controlling interests. As a result, the counterpart of this liability is a write-down in value of non-controlling interests underlying the options, with any balance deducted from Retained earnings, Group share;
- subsequent variations in this liability (linked to changes in the estimated exercise price of the options and the carrying value of Non-controlling interests) are recorded in full in Retained earnings, Group share;
- if the buy-out takes place, the liability is settled by the cash payment linked to the acquisition of non-controlling interests in the subsidiary. However if, when the commitment reaches its term, the buy-out has not occurred, the liability is written off against Non-controlling interests and Retained earnings, Group share for their respective portions;
- as long as the options have not been exercised, the results linked to Non-controlling interests with a put option are recorded under Non-controlling interests on the Group's consolidated income statement.

NOTE 2.1 Consolidation scope

The consolidation scope includes subsidiaries and structured entities under the Group's exclusive control, joint arrangements (joint ventures and joint operations) and associates whose financial statements are significant relative to the Group's consolidated financial statements, notably regarding Group consolidated total assets and gross operating income.

The main changes to the consolidation scope as at 31 December 2023, compared with the scope applicable at the closing date of 31 December 2022, are as follow:

SALE OF SOCIETE GENERALE CONGO

The Group sold the totality of its holding in SG Congo, its Congolese subsidiary. This sale led to a reduction of EUR 0.3 billion in the total Group's balance sheet.

LEASEPLAN ACQUISITION BY ALD

On 22 May 2023, following the approval of ALD's Board of Directors and relevant regulatory authorities' approvals, ALD acquired 100% of LeasePlan for a consideration of EUR 4,897 million. This amount is subject to a contingent additional consideration of an amount up to EUR 235 million in cash, according to the achievements of objectives related to LeasePlan's regulatory ratios particularly.

The consideration includes:

- a cash component: EUR 1,828 million mainly financed *via* a capital increase of EUR 1,212 million in 2022. Societe Generale held 79.82% of ALD's capital prior to this increase. In accordance with its commitment to remain ALD's majority shareholder in the long term, Societe Generale subscribed to new shares for an amount of EUR 803 million representing 66.26% of the capital increase and held, at the end of 2022, 75.94% of ALD;
- a share component: 251,215,332 new ALD shares have been issued, representing 30.75% of ALD capital after the completion of the acquisition, and before the exercise of the attached warrants. The value of this share component amounts to EUR 2,871 million, based on the fair value of ALD's shares of EUR 11.43 at the completion date;

- a warrant component: ALD has issued 26,310,039 warrants attached to ALD's share for the benefit of LeasePlan's selling shareholders, so that their total shareholding could reach 32.91% in case of full exercise of warrants. Their main characteristics are as follows: exercise price of EUR 2.00 per share; parity of 1 warrant for 1 share; and exercisable one to three years after their issuance, if the ALD share price reaches EUR 14.07 per share in the exercise period. The fair value of these warrants' amounted, as at 22 May 2023, EUR 128 million. This value was determined based on a Black & Scholes mathematical valuation model, taking as main assumptions the exercise possible at any time between one and three years; a euro area risk-free interest rate and an assumed historical volatility of the observed ALD share of around 30%. In the Group's financial statements, the warrants attached to shares are recorded in Retained earnings;

- a contingent consideration: estimated by the Group at its fair value of EUR 70 million, as at 31 December 2023. The earn-out mechanism will last until 31 December 2024, subject to an additional 6-month period in certain limited circumstances, with potential payments every quarter. In the Group's financial statements, the contingent consideration is recorded as Other liabilities.

After the completion of the LeasePlan acquisition, Societe Generale remains the majority shareholder of the new combined entity, named Ayvens since 16 October 2023, with a stake of 52.59% (the Group voting interest is 68.97% as at 31 December 2023 due to double voting rights). This stake may be reduced to 50.95% in the event of the exercise of the shares with warrants attached that have been granted to LeasePlan shareholders to allow them to increase their stake up to 32.91% of Ayvens' social capital. As of 31 December 2023, the former LeasePlan shareholders consortium led by TDR Capital holds 30.75% of the combined entity, while the free float represents 16.6%.

Following the completion of the whole transaction, the Ayvens group will remain fully consolidated by the Group.

Details of the purchase price are set out in the table below:

(In EUR m)

Purchase price paid in ALD shares ⁽¹⁾	2,871
Fair value of warrants attached to shares	128
Acquisition price paid in ALD equity instruments	2,999
Acquisition price paid in cash	1,828
Total acquisition price	4,827
Contingent consideration	70
Total acquisition price including contingent consideration	4,897

(1) o/w 26,310,039 shares with warrants attached.

As at 31 December 2023, subject to any purchase price allocation and/or acquisition price adjustment within one year from closing, the Group has recognised a goodwill of EUR 1,396 million (see Note 2.2).

As a result of the allocation of LeasePlan's purchase price, the assessment of the entity's identifiable assets acquired and liabilities assumed at fair value led the Group to revise upwards the value of LeasePlan's net assets by EUR 230 million.

(In EUR m)	Certified balance sheet at acquisition date	Fair value adjustment	Allocation as at 31 December 2023
Cash, due from central banks	3,812	-	3,812
Customer loans at amortised cost	615	-	615
Net non-current assets and liabilities held for sale ⁽¹⁾	617	33	650
Tangible and intangible fixed assets	23,891	330	24,221
<i>o/w Assets under operating leases</i>	20,983	429	21,412
Debts securities issued	(9,327)	7	(9,320)
Due to bank	(2,687)	(7)	(2,694)
Customer deposits	(11,334)	33	(11,301)
Net tax assets/liabilities	(505)	(64)	(569)
Net other assets and liabilities	(1,298)	(102)	(1,400)
Fair value of assets and liabilities acquired (C)	3,784	230	4,014
Non-controlling interests ⁽²⁾ (B)	513	-	513
Total purchase price (A)	4,897	-	4,897
GOODWILL (A) + (B) - (C)	1,626	(230)	1,396

(1) Amount after elimination of intra-group transactions.

(2) Other equity instruments issued.

As part of the purchase price allocation update, the table above includes mainly the following adjustments to the assets acquired and liabilities assumed disclosed as at 31 December 2023:

Assets/liabilities of LeasePlan	Description of the valuation approach
Asset under operating leases – rental fleet	Fair value of the fleet is obtained by adding the sum of the future discounted cash flows of lease and additional services with the discounted terminal value (residual value of the vehicle which is its expected sales price). The implemented valuation relies on DCF model for each contract and considers regional parameters such as specific tax rates and country risk premia.
Intangible assets – customer relationships of Business to Business segment of LeasePlan	Customer relationships intangible asset has been recognised separately from goodwill and it materialises the loyalty of Business to Business fleet customers to LeasePlan. The valuation is based on Multi-period excess earnings method (M.P.E.E.M.).
Intangibles assets – softwares	In the framework of the valuation, the Group has estimated the cost that would be incurred to develop each domains needed to have a fully functional technology multiplied by a completion rate by domain.

The combined entity is well-positioned to deliver profitable growth drawing on a fleet of around 3.4 million vehicles, including worldwide biggest multi-brand electric vehicle fleet, and a direct presence in 44 countries covering all customers categories.

ALD and LeasePlan serve the same three client segments (large corporates, SMEs, individual consumers), but each of them has specific areas of leadership. LeasePlan has a network of large and very large blue-chip international and national corporate clients and has been particularly strong in this segment in which a customer overlap with ALD is limited. ALD has developed a strong network of partnerships with more than 200 partners across a large spectrum of sectors. It allowed the Company to rapidly develop its presence in the SME and individual consumers segments. This complementarity must offer to the combined entity the best footprint across all segments.

ALD benefits a financing structure and strong credit ratings facilitating efficient access to external funding. LeasePlan relies on its deposit collection platforms in Germany and the Netherlands. The combined entity would therefore have an enlarged funding source base.

The consolidated income of the Group includes the income of LeasePlan's activities from 22 May 2023. As at 31 December 2023, the contribution of LeasePlan's activities amounts to EUR 693 million in net banking income and EUR 24 million in Consolidated net income.

On 22 March 2023, the Group announced that ALD entered into a share agreement to sell its subsidiaries in Ireland, Portugal and Norway, as well as LeasePlan's subsidiaries in Luxembourg, Finland and Czech Republic. These disposals have been initiated to fulfil the commitments made by ALD in the context of the clearance by the European Commission of the acquisition of LeasePlan by ALD, to address concentration risk in the involved countries. As at 31 December 2023, the Group has completed these disposals.

CREATION OF A JOINT VENTURE BY SOCIETE GENERALE AND ALLIANCEBERNSTEIN

On 6 February 2023, Societe Generale and AllianceBernstein signed a *Memorandum of Understanding* for the creation of a joint venture combining their cash equities and equity research businesses.

On the date of completion of the transaction, scheduled in the first half of 2024 the joint venture will be organised under two separate legal entities, one focusing on North America and the other on Europe and Asia.

The Group assesses that, in the consolidated statements, the entity responsible for the Europe and Asia activities should be fully consolidated and the entity responsible for the North America activities should be accounted for using the equity method.

Subject to the relevant regulatory approvals, some options might allow Societe Generale to eventually reach 100% ownership in both entities.

NOTE 2.2 Goodwill

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 12 months as from the acquisition date, as must any corrections to the value based on new information related to facts and circumstances existing at the acquisition date. 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 (CGU) 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 2023, goodwill is split into the following nine CGUs:

Pillars	Activities
French Retail Banking, Private Banking and Insurances	
French Retail Banking and Private Banking	Societe Generale's retail banking network, Boursorama online banking activities, wealth Management Solutions
Insurances	Life and non-life insurance activities in France and abroad (including Sogécap, Sogessur, Oradéa Vie and Antarius)
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
International Retail Banking, Mobility and Leasing Services	
Europe	Retail banking in Europe, notably in Czech Republic (KB) and Romania (BRD)
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)
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 (Ayvens)
Consumer finance	Consumer finance in Europe including Germany (Hanseatic Bank, BDK), Italy (Fiditalia), and France (CGL)

PERIMETER OF CGUS AS OF 31 DECEMBER 2023

As part of the change in the Group's governance in the second half of 2023, the organisation of the perimeter of CGUs has evolved:

- the CGU Insurances is now attached to the RPBI Pillar (Retail and Private Banking and Insurance);
- the former CGU Europe consisted of the retail banking activities in Europe (KB and BRD) and the consumer finance activities in France

(CGL), Germany (Hanseatic Bank and BDK) and Italy (Fiditalia). From now on, two separate CGUs are presented:

- the CGU Consumer Finance brings together consumer credit activities in France, Germany and Italy. This CGU is now part of the Mobility and Leasing Services operating segment,
- and the residual CGU Europe including KB and BRD. This CGU remains integrated in the International Retail Banking operating segment.

The table below shows by CGU and by operating segment (Note 8.1) the changes over the year 2023 in the values of goodwill:

<i>(In EUR m)</i>	Value as at 31.12.2022	Acquisitions and other increases	Disposals and other decreases	Transfers	Impairment	Value as at 31.12.2023
French Retail and Private Banking	1,068	81	-	-	-	1,149
French Retail and Private Banking	1,068	81	-	-	-	1,149
Insurances	334	14	-	-	-	348
Insurances	334	14	-	-	-	348
International Banking	1,473	-	(4)	(528)	(110)	831
Europe	1,359	-	-	(528)	-	831
Africa, Mediterranean Basin and Overseas	114	-	(4)	-	(110)	-
Mobility and Leasing Services	849	1,415	-	528	(228)	2,564
Equipment and Vendor Finance	228	-	-	-	(228)	-
Auto Leasing Financial Services ⁽¹⁾	621	1,398	-	-	-	2,019
Consumer finance	-	17	-	528	-	545
Global Markets and Investor Services	-	-	-	-	-	-
Global Markets and Investor Services	-	-	-	-	-	-
Financing and Advisory	57	-	-	-	-	57
Financing and Advisory	57	-	-	-	-	57
TOTAL	3,781	1,510	(4)	-	(338)	4,949

(1) The increase is almost completely related to the acquisition of LeasePlan (see Note 2.1).

IMPAIRMENT TEST OF CGU

The Group performed an annual impairment test on 31 December 2023 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 flow (DCF) method applied to the entire CGU.

The key principles retained for the implementation of annual tests for the assessment of the recoverable value of CGUs are as follows:

- for each CGU, estimates of future distributable dividends are determined over a five-year period, based on a four-year budget trajectory (2024-2027) extrapolated to 2028, the latter year being used as a "normative" year to calculate the terminal value;

- these estimates consider the equity target allocated to each CGU, in increase compared to 31 December 2022 (12% of the risk-weighted assets of each CGU versus 11% for 2022);
- 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 provide 2027 or 2028 forecasts;
- the projected dividends are then discounted based on 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 around 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.

As of 31 December 2023, the specific discount rates and long-term growth rates to the CGUs of the Group's three pillars are as follows:

Assumptions as at 31 December 2023	Discount rate	Long-term growth rate
French Retail Banking and Private Banking	9.6%	2.0%
Insurances	10.2%	2.5%
Global Markets and Investor Services	11.7%	2.0%
Financial Services	10,3%	2.0%
International Retail Banking	11.9% to 13.7%	2.0% to 3.0%
Mobility and Leasing Services	10.5% to 10.6%	2.0%



The budget trajectories take into account in particular the impacts of the commitments in favor of the energy and environmental transition and the development of the territories detailed in the Declaration of Non-Financial Performance.

These budgets are based on the following main business and macroeconomic assumptions:

Pillars

French Retail Banking, Private Banking and Insurances

French Retail Banking and Private Banking	<ul style="list-style-type: none"> ▪ Ongoing efforts to shift operations and relationship banking at Societe Generale towards a digital model
	<ul style="list-style-type: none"> ▪ Consolidation of commercial and operational efficiency in Wealth Management and continued development of synergies with retail banking network
	<ul style="list-style-type: none"> ▪ Confirmation of Boursorama's customer acquisition plan to reach more than 8 millions clients in 2026
Insurances	<ul style="list-style-type: none"> ▪ Reinforcement of integrated bank insurance model and continued dynamic growth in France and abroad in synergy with the retail banking network, Private Banking and financial services to businesses

Global Banking and Investor Solutions

Global Markets and Investor Services	<ul style="list-style-type: none"> ▪ Thanks to the restructuring initiated, better balance of the portfolio of businesses securing future revenues and enabling an optimisation of the use of resources in a standardised market context
	<ul style="list-style-type: none"> ▪ Consolidation of market-leading franchises (equities) and growth mainly supported by financing and investment solutions activities
	<ul style="list-style-type: none"> ▪ Continued of optimisation measures and investments in information systems
Financing and Advisory	<ul style="list-style-type: none"> ▪ Consolidation of origination momentum of financing activities oriented towards capital consumption optimisation
	<ul style="list-style-type: none"> ▪ Consolidation of market-leading franchises (commodity and structured financing) and continued RSE business development

International Retail Banking, Mobility and Leasing Services

Europe	<ul style="list-style-type: none"> ▪ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations
	<ul style="list-style-type: none"> ▪ Strict discipline applied to operating expenses and normalisation of cost of risk
Africa, Mediterranean Basin and Overseas	<ul style="list-style-type: none"> ▪ Continued development of Societe Generale's sales network
	<ul style="list-style-type: none"> ▪ Continued focus on operating efficiency (automatisation, dematerialisation, digitalisation and mutualisation initiatives) and gradual reduction cost of risk
Equipment and Vendor Finance	<ul style="list-style-type: none"> ▪ Consolidation of leadership in these corporate financing businesses
	<ul style="list-style-type: none"> ▪ Strict discipline applied to operating expenses and scarce resources
Auto Leasing Financial Services	<ul style="list-style-type: none"> ▪ Creation of a leading global player in mobility with the integration of LeasePlan
	<ul style="list-style-type: none"> ▪ New strategic plan articulated around four priorities: clients, operational efficiency, responsibility and profitability
Consumer Finance	<ul style="list-style-type: none"> ▪ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations
	<ul style="list-style-type: none"> ▪ Strict discipline applied to operating expenses and normalisation of cost of risk

The goodwill on Africa, Mediterranean Basin and Overseas and Equipment and Vendor Finance CGUs was fully written down on 30 September 2023 as a result of the appearance of indications of impairment.

As of 31 December 2023, the CGU impairment tests were carried out on both the old and the new CGUs, to neutralise any structural effect related to the splitting of the CGU Europe into two CGUs (Europe: KB and BRD and Consumer Credit: Fiditalia, Hanseatic Bank, BDK and CGL).

The tests carried out in this way show that the recoverable amount of these CGUs remains higher than their carrying value.

For CGUs, the tests carried out on 31 December 2023 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 6.5% without requiring additional impairment of any CGU;
- a 50 basis point reduction in long-term growth rates would result in a 2.4% 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 8.4% 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; and
- 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.

The Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2023, 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 at 31 December 2023, the amount of outstanding loans thus guaranteed is EUR 55.4 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 28.3 billion as at 31 December 2023.

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 10,272 million as at 31 December 2023 (versus EUR 6,356 million as at 31 December 2022) and account for 13% of total shareholders' equity as at 31 December 2023 (versus 9% as at 31 December 2022).

INFORMATION ON SHAREHOLDER'S EQUITY OF NON-CONTROLLING INTERESTS

<i>(In EURm)</i>	31.12.2023	31.12.2022 R
Capital and reserves	9,095	5,733
Other equity instruments issued by subsidiaries (see Note 7.1)	1,300	800
Unrealised or deferred gains and losses	(123)	(177)
TOTAL	10,272	6,356

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 S.A. and SG Marocaine de Banques;

- ALD and Leaseplan, whose data presented here correspond to those of the AYVENS group;
- Sogécap, fully owned, with the subordinated notes issued in December 2014.

	31.12.2023				
(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%	247	1,881	(185)
BRD – GROUPE SOCIETE GENERALE S.A.	60.17%	60.17%	126	681	(48)
GROUPE AYVENS	68.97%	52.59%	353	5,324	(186)
SG MAROCAINE DE BANQUES	57.67%	57.67%	49	545	(14)
SOGÉCAP	100.00%	100.00%	33	829	(33)
Other entities			148	1,012	(103)
TOTAL			956	10,272	(569)

	31.12.2022 R				
(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%	276	1,875	(297)
BRD – GROUPE SOCIETE GENERALE S.A.	60.17%	60.17%	107	530	(205)
GROUPE ALD	75.94%	75.94%	251	1,681	(97)
SG MAROCAINE DE BANQUES	57.67%	57.67%	41	500	(12)
SOGÉCAP	100.00%	100.00%	33	829	(33)
Other entities			223	941	(143)
TOTAL			931	6,356	(787)

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.

	31.12.2023			
(In EURm)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S.	1,448	640	489	60,369
BRD – GROUPE SOCIETE GENERALE S.A.	752	332	502	16,361
GROUPE AYVENS	3,317	1,907	1,921	80,488
SG MAROCAINE DE BANQUES	475	120	144	10,425

	31.12.2022 R			
(In EURm)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S.	1,523	715	793	53,209
BRD – GROUPE SOCIETE GENERALE S.A.	667	272	(64)	14,449
GROUPE ALD	2,632	1,268	1,350	57,881
SG MAROCAINE DE BANQUES	445	102	39	10,169

NOTE 2.3.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES AND JOINT VENTURES)**SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATES AND JOINT VENTURES**

(In EURm)	Joint ventures		Associates		Total investments accounted for using the equity method	
	2023	2022	2023	2022	2023	2022
Group share:						
Net income	7	6	16	9	24	15
Unrealised or deferred gains and losses (net of tax)	-	-	-	-	-	-
NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES	7	6	16	9	24	15

COMMITMENTS TO RELATED PARTIES FOR ASSOCIATES AND JOINT VENTURES

As at 31 December 2023, the Group has no commitments with related parties linked to associates and joint ventures.

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). Since May 2022, Russia published legislation providing for temporary restrictions and a special procedure on cash and capital movements initiated by Russian limited companies in favour of their foreign stakeholders related to "unfriendly countries".

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 policyholders;
- assets held by consolidated structured entities for the benefit of the third-party investors that have bought the notes or securities issued by the entity;
- mandatory deposits placed with central banks.

NOTE 2.4 Unconsolidated structured entities

The information provided hereafter concerns entities structured but not controlled by the Group. This information is grouped by main type of similar entities, such as Financing activities, Asset management and Others (including Securitisation and Issuing vehicles).

Asset financing includes lease finance partnerships and similar vehicles that provide aircraft, rail, shipping or real estate finance facilities.

Asset management includes mutual funds managed by the Group's asset management subsidiaries.

Securitisation includes securitisation funds or similar vehicles issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches.

The Group's interests in unconsolidated entities that have been structured by third parties are classified among financial instruments in the consolidated balance sheet according to their nature.

NOTE 2.4.1 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group's interests in an unconsolidated structured entity refer to contractual and non-contractual involvements that expose the Group to the variability of returns from the performance of this structured entity.

Such interests can be evidenced by:

- the holding of equity or debt instruments regardless of their rank of subordination;
- other funding (loans, cash facilities, loan commitments, liquidity facilities);
- credit enhancement (guarantees, subordinated instruments, credit derivatives...);
- issuance of guarantees (guarantee commitments);
- derivatives that absorb all or part of the risk of variability of the structured entity's returns, except Credit Default Swap (CDS) and options purchased by the Group;
- contracts remunerated by fees indexed to the structured entity's performance;
- tax consolidation agreements.

	Asset financing		Asset management		Others	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
<i>(In EUR m)</i>						
Total balance sheet⁽¹⁾ of the entity	4,799	5,898	19,509	18,090	11,740	23,085
Net carrying amount of Group interests in unconsolidated structured entities						
Assets	2,664	2,646	769	2,579	8,044	8,719
Financial assets at fair value through profit or loss	156	138	647	2,377	557	1,181
Financial assets at fair value through other comprehensive income	-	-	-	-	-	51
Financial assets at amortised cost	2,505	2,503	122	43	7,487	7,486
Others	3	5	-	159	-	1
Liabilities	1,356	1,419	784	2,941	2,147	1,410
Financial liabilities at fair value through profit or loss	105	99	422	2,530	456	175
Due to banks and customer deposits	1,159	1,257	294	384	1,635	1,235
Others	92	63	68	27	56	-

(1) For Asset management: NAV (Net Asset Value) of funds.

The Group may grant to these entities repayable advances related to the establishment of working capital, which remain insignificant.

However, this year, the Group has not provided any financial support to these entities, except if bound to by contract, and, as of 31 December 2023, does not intend to provide such support.

The maximum exposure to loss related to interests in unconsolidated structured entities is measured as:

(In EUR m)	Asset financing		Asset management		Others	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Amortised cost or fair value (according to the measurement of the financial instrument) of non-derivative financial assets entered into with the structured entity	2,633	2,538	2,395	4,340	514	1,932
Fair value of derivative financial assets recognised in the balance sheet	42	59	484	620	69	346
Notional amount of CDS sold (maximum amount to be paid)	-	-	-	-	-	-
Notional amount of loan or guarantee commitments granted	574	367	734	112	1,382	1,498
Maximum exposure to loss	3,249	2,964	3,613	5,072	1,965	3,776

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 1,006 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 2023, 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 4,356 million.

In 2023, no significant revenue has been recognised for these structured entities.

NOTE 2.5 Non-current assets held for sale and related debt

ACCOUNTING PRINCIPLES

A non-current asset or group of assets and liabilities is deemed to be "held for sale" if its carrying value will primarily be recovered through a sale and not through its continuing use. For this classification to apply, the asset or group of assets and liabilities must then be immediately available-for-sale in its present condition and it must be highly probable that the sale will occur within twelve months.

For this to be the case, the Group must be committed to a plan to sell the asset (or disposal group of assets and liabilities) and have begun actively searching for a buyer. Furthermore, the asset or group of assets and liabilities must be measured at a price that is reasonable in relation to its current fair value.

Assets and liabilities into this category are classified as Non-current assets held for sale and Non-current liabilities held for sale, with no netting.

If the fair value less selling costs of non-current assets and groups of assets and liabilities held for sale is less than their net carrying value, an impairment is then recognised in profit or loss. Moreover, Non-current assets held for sale are no longer amortised or depreciated.

(In EUR m)

	31.12.2023	31.12.2022
Assets	1,763	1,081
Fixed assets and Goodwill	122	839
Financial assets	1,335	95
<i>Financial assets at fair value through profit or loss</i>	4	-
<i>Securities at the amortised cost</i>	350	-
<i>Due from banks</i>	20	93
<i>Customer loans</i>	961	2
Other assets	306	147
Liabilities	1,703	220
Allowances	44	-
Financial liabilities	1,609	57
<i>Financial liabilities at fair value through profit or loss</i>	-	1
<i>Due to banks</i>	42	56
<i>Customer deposits</i>	1,542	-
<i>Subordinated debt</i>	25	-
Other liabilities	50	163

As on 31 December 2023, the Non-current assets held for sale and Non-current liabilities held for sale items encompass the assets and liabilities related to subsidiaries Societe Generale de Banques en Guinée Équatoriale, Societe Generale Mauritanie, Societe Generale Tchad and Societe Generale Burkina Faso.

NOTE 3 FINANCIAL INSTRUMENTS



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.).

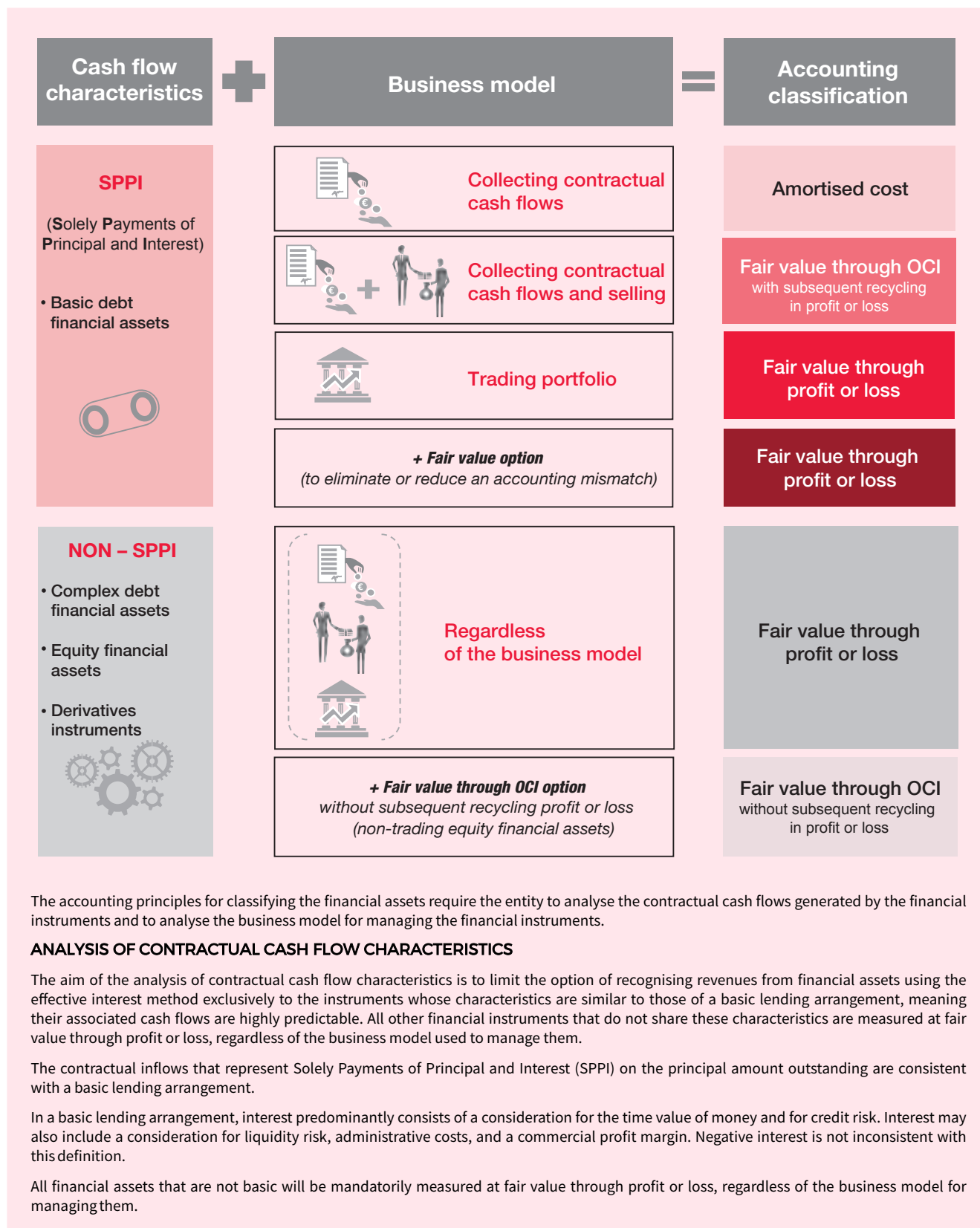
In the financial statements, the classification and valuation of financial assets and liabilities depend on their contractual characteristics and the way the entity manages those financial instruments.

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 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.

These reclassifications are applied prospectively (no restatement of previously recognised profits, losses or interests).

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 exchange 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/liabilities.

At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies measured at historical cost are translated into the entity's functional currency at the historical exchange rate on initial recognition.

TREATMENTS OF THE CHANGES IN THE BASIS FOR DETERMINING THE CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS AND LIABILITIES – IBOR REFORM

In the context of the reference interest rates reform (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);
- either by applying the appropriate external disposals without requiring a change in contractual terms (example: the adoption of European regulations requiring the migration of all contracts still indexed to Libor CHF and Eonia in the European Union respectively on 1 January and 3 January 2022);
- 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 modification is considered a simple forward-looking update of the interest rate applied to determine the 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) and the addition of a fixed spread necessary to compensate for the difference in basis between the existing reference interest rate and the alternative one;
- 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;
- 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...).

Changes to a financial asset or liability, in addition to those deriving directly from the application of the IBOR reform, are treated according to the principles usually applicable to changes in financial instruments.

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 (*de minimis* character of their variability).



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.);
- structured instruments whose cash flows are indexed, in part or in whole, to a benchmark index.



The Basic financial assets (SPPI) held by the Group include the financing of sustainable development projects (labelled Environment Social and Governance) in the form of Sustainability-linked bonds, social bonds and Green bonds with SPPI-compliant contractual cash flows.

Non-basic financial assets (non-SPPI) include the structured instruments whose cash flows are indexed, in whole or in part, to an index that is not specific to the issuer, such as an ESG market index.

Impact loans have been granted by the Group to support enterprises in their Sustainability approach through an incentive mechanism that reviews the margin according to ESG criteria specific to the borrower or to the achievement by the latter of sustainable development goals (Sustainability-linked loans). At the end of 2023, the outstanding amount of impact loans valued at amortised cost reached approximately EUR 6 billion and came jointly with financing commitments of EUR 24 billion. The Sustainability objectives set can be, for example, the reduction of greenhouse gas emissions, the development of cultivated areas with alternatives to synthetic plant protection products, the increase in the representation of women in management bodies, the reduction of water use. As a result of their analysis, these loans have been classified as basic financial assets (SPPI) provided that their flows meet the SPPI criteria and the ESG component fulfills the *de minimis* criterion.

During the second half of 2022, the IASB decided to propose amendments to the IFRS 9 "Implementation Guidance" regarding classification as SPPI as well as new information to be disclosed for the financial instruments whose contractual conditions may change the timetable or the amount of contractual cash flows depending on a potential event. The objective of the project is to clarify how the SPPI qualification criteria apply to financial assets with ESG factors or similar characteristics. Societe Generale followed the IASB proposals included in the exposure draft published in 2023. To date, these proposals will not significantly change the classification of the assets concerned.

When the time value component of interest can be modified according to the contractual term of the instrument, it may be necessary to compare the contractual cash flow with the cash flow that would arise from a benchmark instrument. For instance, that is the case when an interest rate is periodically reset, but the frequency of that reset does not match the tenor of the interest rate (such as an interest rate reset every month to a one-year rate), or when the interest rate is periodically reset to an average of short- and long-term interest rates.

If the difference between the undiscounted contractual cash flows and the undiscounted benchmark cash flows is or may become significant, then the instrument is not considered basic.

Depending on the contractual terms, the comparison with benchmark cash flow may be performed through a qualitative assessment; but in other cases, a quantitative test is required. The difference between contractual and benchmark cash flows has to be considered in each reporting period and cumulatively over the life of the instrument. When performing this benchmark test, the entity considers factors that could affect future undiscounted contractual cash flows: using the yield curve at the date of the initial assessment is not enough, and the entity also has to consider whether the curve could change over the life of the instrument according to reasonably possible scenarios.

Within the Group, the financial instruments concerned by a benchmark test include, for instance, variable-rate housing loans for which interest rates are reset every year based on the twelve-month Euribor average observed over the two months previous to the reset. Another example is loans granted to real estate professionals for which interest is revised quarterly based on the one-month Euribor average observed over the three months previous to the reset. Following the benchmark analysis performed by the Group, it has been concluded that these loans are basic.

Furthermore, a specific analysis of contractual cash flow is required when financial assets are instruments issued by a securitisation vehicle or a similar entity that prioritises payments to holders using multiple contractually-linked instruments that create concentrations of credit risk (tranches). When assessing whether contractual cash flows are SPPI or not, the entity must analyse the contractual terms, as well as the credit risk of each tranche and the exposure to credit risk in the underlying pool of financial instruments. To that end, the entity must apply a “look-through approach” to identify the underlying instruments that are creating the cash flows.

Following the initial application of IFRS 9 by insurance subsidiaries (see. Note 1), the data shown in Note 3 include those relating to the financial instruments entered into by these subsidiaries.

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

IMPACT ON GROUP FINANCIAL ASSETS AND LIABILITIES OF THE FIRST IFRS 9 APPLICATION BY INSURANCE SUBSIDIARIES (SEE NOTE 1)

(In EURm)	31.12.2021	Reclassifications			Reclassified balances	Adjustment of book value related to investments	Reclassification effects	01.01.2022 R	31.12.2022 R
		of available for-sale financial assets	of non-SPPI loans and receivables	others					
Financial assets at fair value through profit or loss									
Trading portfolio	319,789			211	320,000	61		320,061	310,945
Financial assets measured mandatorily at fair value through profit or loss	21,356	15,879	2,085	70,550	109,870	152		110,022	101,602
Financial instruments measured at fair value through profit or loss using the fair value option	1,569			15,065	16,634			16,634	14,604
TOTAL	342,714	15,879	2,085	85,826	-	446,504	213	446,717	427,151
Financial liabilities at fair value through profit or loss									
Trading portfolio	243,112				520	243,632		243,632	235,433
Financial liabilities measured mandatorily at fair value through profit or loss	64,451				3,620	68,071		68,071	68,742
TOTAL	307,563	-	-	-	4,140	311,703	-	311,703	304,175

OVERVIEW

(In EURm)	31.12.2023		31.12.2022 R	
	Assets	Liabilities	Assets	Liabilities
Trading portfolio	366,087	281,335	310,945	235,433
Financial assets measured mandatorily at fair value through profit or loss	114,651		101,602	
Financial instruments measured at fair value through profit or loss using the fair value option	15,144	94,249	14,604	68,742
TOTAL	495,882	375,584	427,151	304,175
<i>o/w securities purchased/sold under resale/repurchase agreements</i>	<i>159,119</i>	<i>139,145</i>	<i>122,786</i>	<i>103,365</i>

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 stocks of raw materials that the Group might hold a market-maker on commodity derivatives.

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)

	31.12.2023	31.12.2022 R
Bonds and other debt securities	39,427	26,022
Shares and other equity securities	71,694	74,404
Securities purchased under resale agreements	159,073	122,752
Trading derivatives ⁽¹⁾	83,535	76,775
Loans, receivables and other trading assets	12,358	10,992
TOTAL	366,087	310,945
<i>o/w securities lent</i>	<i>14,509</i>	<i>12,455</i>

(1) See Note 3.2 Financial derivatives.

LIABILITIES

(In EURm)	31.12.2023	31.12.2022 R
Amounts payable on borrowed securities	42,483	51,101
Bonds and other debt instruments sold short	7,306	5,186
Shares and other equity instruments sold short	2,091	1,244
Securities sold under repurchase agreements	137,019	102,673
Trading derivatives ⁽¹⁾	89,803	72,656
Borrowings and other trading liabilities	2,633	2,573
TOTAL	281,335	235,433

(1) See Note 3.2 Financial derivatives.

NOTE 3.1.2 FINANCIAL INSTRUMENTS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING PRINCIPLES

Financial assets measured mandatorily at fair value through profit or loss include:

- loans, bonds and bond equivalents that are not held for trading purposes and do not pass the SPPI test (non-basic or non-SPPI instruments);
- shares and share equivalents that are not classified in any other sub-category: trading book at fair value through profit or loss, instruments designated by the Group at fair value through other comprehensive income without subsequent reclassification to profit or loss.

These assets are recorded at fair value in the balance sheet under Financial assets at fair value through profit or loss and changes in the fair value of these instruments (excluding interest income) are recorded in profit or loss under Net gains or losses on financial instruments at fair value through profit or loss.

(In EURm)	31.12.2023	31.12.2022 R
Bonds and other debt securities	30,677	22,413
Shares and other equity securities	68,691	62,756
Loans, receivables and securities purchased under resale agreements	15,283	16,433
TOTAL	114,651	101,602

BREAKDOWN OF LOANS AND RECEIVABLES AND SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(In EURm)	31.12.2023	31.12.2022 R
Short-term loans	1,360	1,897
Equipment loans	10,052	11,338
Other loans	3,871	3,198
TOTAL	15,283	16,433

The loans, 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 with indexation clauses that do not qualify them as basic loans (SPPI).

NOTE 3.1.3 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS USING FAIR VALUE OPTION

ACCOUNTING PRINCIPLES

In addition to 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)	31.12.2023	31.12.2022 R
Bonds and other debt securities	13,821	13,369
Loans, receivables and securities purchased under resale agreements	68	55
Separate assets for employee benefits plans ⁽¹⁾	1,255	1,180
TOTAL	15,144	14,604

(1) Including, as at 31 December 2023, EUR 1,076 million of separate assets for defined post-employment benefits compared to EUR 1,002 million as at 31 December 2022 (see Note 5.1.2).

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.

(In EURm)	31.12.2023		31.12.2022 R	
	Fair value	Amount redeemable at maturity	Fair value	Amount redeemable at maturity
Financial instruments measured using fair value option through profit or loss	94,249	99,500	68,742	70,288

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 an equity loss of EUR 257 million before tax. As at 31 December 2023, the total amount of changes in fair value attributable to own credit risk represents a total gain of EUR 68 million before tax.

NOTE 3.1.4 NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>(In EURm)</i>	2023	2022 R
Net gain/loss on trading portfolio (excluding derivatives)	8,844	(5,644)
Net gain/loss on financial instruments at fair value through profit or loss ⁽¹⁾	6,272	(9,135)
Net gain/loss on financial instruments measured using fair value option	(4,793)	3,715
Net gain/loss on derivative instruments	(1,310)	12,353
Net gains/loss on hedging instruments ⁽²⁾	169	(237)
<i>Net gain/loss on fair value hedging derivatives</i>	3,141	(16,246)
<i>Revaluation of hedged items attributable to hedged risks⁽³⁾</i>	(2,973)	16,019
<i>Ineffective cut of the cash flow hedges</i>	1	(10)
Net gain/loss on foreign exchange transactions	1,145	(8)
TOTAL⁽⁴⁾	10,327	1,044
<i>o/w gains on financial instruments at fair value through other comprehensive income</i>	1,148	1,181

(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.

(4) Including EUR +5,638 million for insurance subsidiaries in 2023 (EUR -5,683 million in 2022). This amount shall be understood taking into account the financial income and expenses of the insurance contracts (see Note 4.3, Detail of performance of insurance activities).

Insofar as income and expenses recorded in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole. It should be noted that the

income shown here does not include the refinancing cost of these financial instruments, which is shown under interest expense and interest income.

NOTE 3.2 Financial derivatives

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 hedge accounting method allows for the linking of the fair value adjustment of hedging derivatives with the accounting treatment of the transactions and hedged instruments in order to eliminate or reduce volatility in the income statement.

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 financial derivatives are recognised at fair value in the balance sheet as financial assets or financial liabilities. They are considered to be trading derivatives, unless they are designated as hedging instruments for accounting purposes.

Special case - derivatives having Societe Generale shares as their underlying instrument

Financial derivatives having Societe Generale shares as their underlying instrument or shares in Group subsidiaries and whose liquidation entails the payment of a fixed amount in cash (or another financial asset) against a fixed number of Societe Generale shares (other than derivatives) are equity instruments. These instruments, and any related premiums paid or received, are recognised directly in equity, and any changes in the fair value of these derivatives are not recorded. For sales of put options on Societe Generale shares and forward purchases of Societe Generale shares, a debt is recognised for the value of the notional amount with a contra entry in equity.

Other financial derivatives having Societe Generale shares as their underlying instrument are recorded in the balance sheet at fair value in the same manner as derivatives with other underlying instruments.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host instrument.

Where the host contract is a financial asset, the entire hybrid contract is measured at fair value through profit or loss because its contractual cash flows do not pass the SPPI test.

Where the host contract is a financial liability and is not measured at fair value through profit or loss, the embedded derivative is separated from the host contract if:

- at acquisition, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; and
- it would meet the definition of a derivative.

Once separated, the derivative is recognised at fair value in the balance sheet under Financial assets or Financial liabilities at fair value through profit or loss under the aforementioned conditions. The host contract is classified 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 financial derivatives 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 credit risk in the income statement.

FAIR VALUE

(In EURm)	31.12.2023		31.12.2022 R	
	Assets	Liabilities	Assets	Liabilities
Interest rate instruments	42,479	38,681	35,004	23,784
Foreign exchange instruments	18,805	20,025	24,272	25,324
Equities and index Instruments	19,772	28,612	15,517	21,209
Commodities Instruments	84	208	199	154
Credit derivatives	1,986	963	1,756	1,404
Other forward financial instruments	409	1,314	27	781
TOTAL	83,535	89,803	76,775	72,656

The Group uses credit derivatives in the management of its corporate credit portfolio, primarily to reduce individual, sectorial and geographical 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)	31.12.2023	31.12.2022 R
Interest rate instruments	10,688,510	9,804,009
Firm instruments	8,733,370	8,002,813
<i>Swaps</i>	6,927,744	6,416,536
<i>FRAs</i>	1,805,626	1,586,277
Options	1,955,140	1,801,196
Foreign exchange instruments	4,515,280	4,163,080
Firm instruments	3,389,444	3,047,062
Options	1,125,836	1,116,018
Equity and index instruments	924,940	794,584
Firm instruments	143,886	138,533
Options	781,054	656,051
Commodities instruments	19,471	20,714
Firm instruments	13,723	20,472
Options	5,748	242
Credit derivatives	133,748	170,225
Other forward financial instruments	25,456	28,066
TOTAL	16,307,405	14,980,678

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 held (shares and other equity securities) do not qualify for hedge accounting regardless of their accounting category.

ACCOUNTING PRINCIPLES

In order to be hedged against certain market risks, the Group sets up hedging derivatives. From an accounting standpoint, the Group designates the hedging transaction as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation, depending on the risk and on the instruments 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 the hedged risk component 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 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 the hedged risk component 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.

The changes in fair value of the hedging financial instruments are recorded directly as Unrealised or deferred gains and losses for their effective portion, while the ineffective portion is recognised under Net gains and losses on financial instruments at fair value through profit or loss. With regard to interest rate derivatives, the portion corresponding to the rediscount of the derivative financial instrument is recorded in the income statement under Interest and similar income/Interest and similar expense symmetrically to the interest income or expense related to the hedged item.

The gains or losses, realised or unrealised, accumulated directly in equity for the effective portion of these changes in value, are carried in equity to be recycled in the income statement when the expected hedged cash flows impact the income statement. With regard to the hedging flows related to a variable-rate financial instrument recorded on the balance sheet, recycling is done as and when the hedged interest income or expenses are recognised in the income statement. In the case of hedging of future transactions, if it is the future sale of a financial instrument, recycling takes place on the date when the sold instrument is derecognised; if the transaction is settled through the recognition on the balance sheet of a financial instrument, the gains or losses accumulated in equity are carried in it, before being recycled in the income statement at the same pace as the hedged cash flows generated by the instrument then recognised on the balance sheet.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold or if the future transaction hedged is no more probable, 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 expected, 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 under Gains and losses on financial instruments at fair value through profit or loss.

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.

The accounting treatment of the financial derivatives designated as macro fair value hedges is similar to that of other fair value hedging instruments. Changes in the fair value of the portfolio of macro-hedged instruments 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 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 hedged items and/or of the hedging instruments.

These updates resulting from the IBOR reform do not cause the discontinuation of the hedging relationship nor the designation of a new accounting hedge as long as they meet the following conditions:

- the 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.

When those conditions are met, the update of the hedging documentation only consist in:

- 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 but before the end of the reporting period during which the change was made; 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.

With regard to hedged cash flows, when the benchmark rate on which the future hedged cash flows were based changes, the amounts of gains or losses recorded for the hedging instrument are carried in equity until the recording in the income statement of the adjusted hedged cash flows as long as the transaction remains highly probable.

An alternative reference interest rate used as a risk component not specified by an agreement (example, a three 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

(In EURm)	31.12.2023		31.12.2022 R	
	Assets	Liabilities	Assets	Liabilities
Fair value hedge	10,113	18,182	32,272	45,539
Interest rate instruments	10,112	18,181	32,252	45,538
Foreign exchange instruments	1	1	20	1
Equity and index Instruments	-	-	-	-
Cash flow hedge	321	475	469	511
Interest rate instruments	309	394	420	443
Foreign exchange instruments	5	56	43	51
Equity and index Instruments	7	25	6	17
Net investment hedge	151	51	230	114
Foreign exchange instruments	151	51	230	114
TOTAL	10,585	18,708	32,971	46,164

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.

As part of its structural interest rate risk management, the Group has adjusted the level of hedging of the fixed rate liabilities (*i.e.*, customer deposits). While fixed-rate receiver swaps were contracted to hedge the interest rate risk, fixed-rate payer swaps were used to reduce the hedge. Under IAS 39, these instruments were designated as portfolio hedging instruments (macro hedge accounting). In 2023, the Group transferred to a trading portfolio both the swaps taken out to reduce the macro-hedge and the corresponding initial hedging swaps (receiver interest rate). The tables in this note include the effect of this reclassification. The remaining negative cumulative remeasurement adjustment to be amortised over the residual life of the hedged instruments as at 31 December 2023, resulting from discontinued hedges corresponding to the swaps transferred to the trading portfolio, reduces liabilities by EUR 1,858 million.

As at 31 December 2023, the revaluation differences on macro-hedged fixed-rate assets portfolios and fixed-rate liabilities portfolios are still negative as a result of the high interest rate environment. On the asset side of the balance sheet, the revaluation difference on portfolios hedged against interest rate risk amounts to EUR -433 million as at 31 December 2023 (compared to EUR -2,262 million as at 31 December 2022); and on the liabilities side, the revaluation differences on portfolios hedged against interest rate risk amounts to EUR -5,857 million as at 31 December 2023 (against EUR -9,659 million as at 31 December 2022).

COMMITMENTS (NOTIONAL AMOUNTS)

(In EURm)	31.12.2023	31.12.2022 R
Interest rate instruments	668,657	862,372
Firm instruments	668,657	862,030
<i>Swaps</i>	523,652	729,222
<i>FRAs</i>	145,005	132,808
Options	-	342
Foreign exchange instruments	8,355	8,333
Firm instruments	8,355	8,333
Equity and index instruments	226	179
Firm instruments	226	179
TOTAL	677,238	870,884

MATURITIES OF HEDGING FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

These items are presented according to the contractual maturity of the financial instruments.

<i>(In EURm)</i>	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2023
Interest rate instruments	69,087	203,984	264,416	131,170	668,657
Foreign exchange instruments	1,865	5,148	1,328	14	8,355
Equity and index instruments	65	35	125	1	226
TOTAL	71,017	209,167	265,869	131,185	677,238

FAIR VALUE HEDGE: BREAKDOWN OF HEDGED ITEMS

<i>(In EURm)</i>	31.12.2023		
	Carrying amount	Cumulative change in the fair value ⁽²⁾	Change in the fair value booked during the period ⁽³⁾
Hedge of interest rate risk			(2,973)
Hedged assets	97,107	(189)	3,111
<i>Due from banks, at amortised cost</i>	1,382	(56)	45
<i>Customer loans, at amortised cost</i>	8,016	(145)	160
<i>Securities at amortised cost</i>	2,391	(59)	202
<i>Financial assets at fair value through other comprehensive income</i>	26,455	504	971
<i>Customer loans (macro hedged)⁽¹⁾</i>	58,863	(433)	1,733
Hedged liabilities	166,359	(10,743)	(6,084)
<i>Debt securities issued</i>	41,632	(2,666)	(1,756)
<i>Due to banks</i>	20,426	(1,082)	(850)
<i>Customer deposits</i>	13,856	(3)	(83)
<i>Subordinated debts</i>	10,815	(1,135)	(280)
<i>Customer deposits (macro hedged)⁽¹⁾</i>	79,630	(5,857)	(3,115)
Hedge of currency risk			1
Hedged liabilities	195	1	1
<i>Subordinated debts</i>	195	1	1
Hedge of equity risk			(0)
Hedged liabilities	2	(0)	(0)
<i>Other liabilities</i>	2	(0)	(0)
TOTAL			(2,972)

31.12.2022 R

<i>(In EURm)</i>	Carrying amount	Cumulative change in the fair value ⁽²⁾	Change in the fair value booked during the period ⁽³⁾
Hedge of interest rate risk			16,019
Hedged assets	86,051	(3,613)	(4,637)
<i>Due from banks, at amortised cost</i>	1,282	(100)	(102)
<i>Customer loans, at amortised cost</i>	8,074	(316)	(638)
<i>Securities at amortised cost</i>	1,827	(257)	(100)
<i>Financial assets at fair value through other comprehensive income</i>	27,502	(678)	(1,654)
<i>Customer loans (macro hedged)⁽¹⁾</i>	47,366	(2,262)	(2,143)
Hedged liabilities	201,845	(17,353)	20,656
<i>Debt securities issued</i>	43,501	(4,195)	4,354
<i>Due to banks</i>	18,744	(1,933)	2,034
<i>Customer deposits</i>	10,341	(90)	197
<i>Subordinated debts</i>	13,434	(1,476)	1,760
<i>Customer deposits (macro hedged)⁽¹⁾</i>	115,825	(9,659)	12,311
Hedge of currency risk			(1)
Hedged liabilities	192	2	(1)
<i>Subordinated debts</i>	192	2	(1)
Hedge of equity risk			(0)
Hedged liabilities	4	(0)	(0)
<i>Other liabilities</i>	4	(0)	(0)
TOTAL			16,018

(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) The cumulative change in fair value is taken into account excluding accrued interest for the items hedged against interest rate risk. The amount shown also includes the fair value adjustment remaining to be amortised on the items for which the hedging relationship has been derecognised.

(3) 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 2023, EUR 1,773 million of cumulative fair value change remains to be amortised following the termination of hedging relationships, including €1,858 million of cumulative fair value remaining to be amortised relating to the transfer of swaps to the transaction portfolio as at 31 December 2023 presented above.

BREAKDOWN OF HEDGING INSTRUMENTS

(In EURm)	31.12.2023				
	Commitments (notional amounts)	Fair value ⁽²⁾		Change in fair value booked during the period	Ineffectiveness recognised during the period
		Asset	Liabilities		
Hedge of interest rate risk	274,565	10,112	18,181	3,141	168
Firm instruments – Swaps	274,565	10,112	18,181	3,141	168
For hedged assets	36,665	1,538	1,794	(1,351)	27
For hedged portfolios of assets (macro hedge) ⁽¹⁾	56,723	1,585	1,041	(1,807)	(75)
For hedged liabilities	96,289	1,360	5,822	3,096	128
For hedged portfolios of liabilities (macro hedge) ⁽¹⁾	84,888	5,629	9,524	3,203	88
Options	-	-	-	-	-
For hedged portfolios of assets (macro hedge) ⁽¹⁾	-	-	-	-	-
Hedge of currency risk	195	1	1	(1)	-
Firm instruments	195	1	1	(1)	-
For hedged liabilities	195	1	1	(1)	-
Hedge of equity risk	4	0	0	0	(0)
Options	4	0	0	0	(0)
For hedged liabilities	4	0	0	0	(0)
TOTAL	274,764	10,113	18,182	3,140	168

(In EURm)	31.12.2022 R				
	Commitments (notional amounts)	Fair value ⁽²⁾		Change in fair value booked during the period	Ineffectiveness recognised during the period
		Asset	Liabilities		
Hedge of interest rate risk	314,235	32,252	45,538	(16,246)	(227)
Firm instruments – Swaps	313,893	32,215	45,538	(16,251)	(227)
For hedged assets	37,495	2,187	1,259	2,432	(62)
For hedged portfolios of assets (macro hedge) ⁽¹⁾	45,575	2,811	712	2,200	61
For hedged liabilities	105,049	825	8,235	(8,621)	(274)
For hedged portfolios of liabilities (macro hedge) ⁽¹⁾	125,774	26,392	35,332	(12,262)	48
Options	342	37	-	5	-
For hedged portfolios of assets (macro hedge) ⁽¹⁾	342	37	-	5	-
Hedge of currency risk	192	20	1	1	-
Firm instruments	192	20	1	1	-
For hedged liabilities	192	20	1	1	-
Hedge of equity risk	4	0	0	(1)	(1)
Options	4	0	0	(1)	(1)
For hedged liabilities	4	0	0	(1)	(1)
TOTAL	314,431	32,272	45,539	(16,246)	(228)

(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.

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.

<i>(In EURm)</i>	31.12.2023	31.12.2022 R
	Change in the fair value	Change in the fair value
Hedge of interest rate risk	2	550
Hedged assets	33	135
<i>Due from banks, at amortised cost</i>	30	-
<i>Financial assets at fair value through other comprehensive income</i>	(22)	135
<i>Customer loans (macro hedged)</i>	25	-
Hedged liabilities	(31)	415
<i>Debt securities issued</i>	80	(110)
<i>Due to banks</i>	(20)	(51)
<i>Customer deposits</i>	(91)	576
Hedge of currency risk	40	(55)
Hedged assets	(16)	-
<i>Financial assets at fair value through other comprehensive income</i>	(16)	-
Hedged liabilities	41	(54)
<i>Debt securities issued</i>	41	-
<i>Subordinated debts</i>	-	(54)
Forecast transactions	15	(1)
Hedge of equity risk	6	43
Forecast transactions	6	43
TOTAL	48	538

CASH FLOW HEDGE: BREAKDOWN OF HEDGING INSTRUMENTS

	31.12.2023					
	Commitments (notional amounts)	Fair value		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains and losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
(In EURm)						
Hedge of interest rate risk	13,592	309	394	(2)	1	(432)
Firm instruments – Swaps	13,587	309	394	(2)	1	(432)
For hedged assets	1,726	156	10	(9)	16	(121)
For hedged portfolios of assets (macro hedge) ⁽¹⁾	1,120	57	1	(24)	(16)	24
For hedged liabilities	10,741	96	383	31	1	(335)
Firm instruments – FRAs	5	-	-	-	-	-
For hedged liabilities	5	-	-	-	-	-
Hedge of currency risk	2,356	5	56	(40)	-	(3)
Firm instruments	2,356	5	56	(40)	-	(3)
For hedged assets	-	-	-	-	-	-
For hedged liabilities	1,602	5	46	(25)	-	(5)
For hedged future transactions	754	-	10	(15)	-	2
Options	-	-	-	-	-	-
For hedged future transactions	-	-	-	-	-	-
Non-derivative financial instruments	-	-	-	-	-	-
For hedged future transactions	-	-	-	-	-	-
Hedge of equity risk	222	7	25	(6)	-	(8)
Options	222	7	25	(6)	-	(8)
For hedged future transactions	222	7	25	(6)	-	(8)
TOTAL	16,170	321	475	(48)	1	(443)

(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.

	31.12.2022 R					
	Commitments (notional amounts)	Fair value		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains and losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
(In EURm)						
Hedge of interest rate risk	12,302	420	444	(551)	(10)	(374)
Firm instruments – Swaps	12,294	420	444	(551)	(10)	(374)
For hedged assets	849	121	-	(188)	-	(170)
For hedged portfolios of assets (macro hedge) ⁽¹⁾	1,185	39	-	52	(8)	46
For hedged liabilities	10,260	260	444	(415)	(2)	(250)
Firm instruments – FRAs	8	-	-	-	-	-
For hedged liabilities	8	-	-	-	-	-
Hedge of currency risk	1,827	44	50	55	9	(1)
Firm instruments	1,827	36	41	55	10	-
For hedged assets	1,008	12	19	-	-	-
For hedged liabilities	213	17	3	54	-	-
For hedged future transactions	606	7	19	1	10	-
Options	-	-	-	-	(1)	-
For hedged future transactions	-	-	-	-	(1)	-
Non-derivative financial instruments	-	8	9	-	-	-
For hedged future transactions	-	8	9	-	-	-
Hedge of equity risk	175	6	17	(43)	-	(6)
Options	175	6	17	(43)	-	(6)
For hedged future transactions	175	6	17	(43)	-	(6)
TOTAL	14,304	470	511	(539)	(1)	(381)

(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.

NET INVESTMENT HEDGE: BREAKDOWN OF HEDGED ITEMS

	31.12.2023		31.12.2022 R	
	Change in the fair value of the hedged item during the period ⁽¹⁾	Cumulative translations differences related to the hedged items	Change in the fair value of the hedged item during the period ⁽¹⁾	Cumulative translations differences related to the hedged items
(In EURm)				
Hedge of currency risk	(156)	(454)	(77)	(298)
Hedged net investment in GBP	60	(208)	(170)	(268)
Hedged net investment in CZK	(46)	293	76	339
Hedged net investment in RUB	-	-	106	-
Hedged net investment in RON	(4)	(71)	5	(66)
Hedged net investment in USD	(23)	(16)	(21)	6
Hedged net investment (other currencies)	(143)	(452)	(73)	(309)

(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. A positive amount corresponds to an unrealised gain recorded directly in shareholders' equity in respect of the foreign exchange variation recorded on the hedged item.

NET INVESTMENT HEDGE: BREAKDOWN OF HEDGE INSTRUMENTS

	31.12.2023					
	Commitments (notional amounts)	Carrying amount ⁽¹⁾		Changes in fair value recorded during the period ⁽²⁾		Cumulative change in fair value recorded in unrealised or deferred gains or losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss ⁽³⁾	
<i>(In EURm)</i>						
Hedge of currency risk	5,804	151	2,817	156	72	454
Firm instruments	5,804	151	51	166	72	265
<i>Hedged net investment in GBP</i>	<i>1,149</i>	<i>18</i>	<i>10</i>	<i>(21)</i>	<i>5</i>	<i>(151)</i>
<i>Hedged net investment in CZK</i>	<i>1,258</i>	<i>43</i>	<i>6</i>	<i>29</i>	<i>30</i>	<i>(89)</i>
<i>Hedged net investment in RUB</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Hedged net investment in RON</i>	<i>599</i>	<i>2</i>	<i>-</i>	<i>4</i>	<i>6</i>	<i>55</i>
<i>Hedged net investment in USD</i>	<i>249</i>	<i>14</i>	<i>7</i>	<i>23</i>	<i>11</i>	<i>50</i>
<i>Hedged net investment (other currencies)</i>	<i>2,549</i>	<i>74</i>	<i>28</i>	<i>131</i>	<i>20</i>	<i>400</i>
Non derivatives instruments	-	-	2,766	(10)	-	189
<i>Hedged net investment in GBP</i>	<i>-</i>	<i>-</i>	<i>1,867</i>	<i>(39)</i>	<i>-</i>	<i>359</i>
<i>Hedged net investment in CZK</i>	<i>-</i>	<i>-</i>	<i>720</i>	<i>17</i>	<i>-</i>	<i>(204)</i>
<i>Hedged net investment in RUB</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Hedged net investment in RON</i>	<i>-</i>	<i>-</i>	<i>34</i>	<i>-</i>	<i>-</i>	<i>16</i>
<i>Hedged net investment in USD</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(33)</i>
<i>Hedged net investment (other currencies)</i>	<i>-</i>	<i>-</i>	<i>145</i>	<i>12</i>	<i>-</i>	<i>51</i>

	31.12.2022 R					
	Commitments (notional amounts)	Carrying amount ⁽¹⁾		Changes in fair value recorded during the period ⁽²⁾		Cumulative change in fair value recorded in unrealised or deferred gains or losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss ⁽³⁾	
<i>(In EURm)</i>						
Hedge of currency risk	6,314	229	2,975	76	(81)	298
Firm instruments	6,314	229	114	17	(81)	99
<i>Hedged net investment in GBP</i>	1,320	58	9	48	(6)	(130)
<i>Hedged net investment in CZK</i>	1,352	4	43	(51)	(52)	(118)
<i>Hedged net investment in RUB</i>	-	-	-	(57)	20	-
<i>Hedged net investment in RON</i>	470	2	5	(5)	(5)	51
<i>Hedged net investment in USD</i>	732	49	11	21	(12)	27
<i>Hedged net investment (other currencies)</i>	2,440	116	46	61	(26)	269
Non derivatives instruments	-	-	2,861	59	-	199
<i>Hedged net investment in GBP</i>	-	-	1,761	124	-	398
<i>Hedged net investment in CZK</i>	-	-	837	(25)	-	(221)
<i>Hedged net investment in RUB</i>	-	-	-	(50)	-	-
<i>Hedged net investment in RON</i>	-	-	38	-	-	15
<i>Hedged net investment in USD</i>	-	-	-	-	-	(33)
<i>Hedged net investment (other currencies)</i>	-	-	225	10	-	40

(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.

(2) A positive change in value reflects a gain.

(3) In the case of foreign exchange risk hedging using derivative, the change in fair value attributable to the hedged foreign exchange risk is presented under the Portion booked in unrealised or deferred gains and losses heading and perfectly offsets the foreign exchange difference recognised on the hedged item. The amounts presented under Ineffective portion recognised in profit or loss correspond to the effects relating to risks other than foreign exchange risk.

NOTE 3.3 Financial assets at fair value through other comprehensive income**IMPACT ON GROUP FINANCIAL ASSETS AND LIABILITIES OF THE APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES (SEE NOTE 1)**

(In EURm)	31.12.2021	Reclassifications		Reclassified balances	Reclassification effects	01.01.2022 R	31.12.2022 R
		of available for-sale financial assets	of loans and receivables regarding their business model				
Debt instruments	43,180	67,632	1,454	112,266	159	112,425	92,696
<i>Bonds and other debt securities</i>	43,081	67,632	1,417	112,130	159	112,289	92,655
<i>Loans and receivables and securities purchased under resale agreements</i>	99		37	136		136	41
Shares and other equity securities	270			270		270	264
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	43,450	67,632	1,454	112,536	159	112,695	92,960

OVERVIEW

(In EURm)	31.12.2023	31.12.2022 R
Debt instruments	90,630	92,696
<i>Bonds and other debt securities</i>	90,614	92,655
<i>Loans and receivables and securities purchased under resale agreements</i>	16	41
Shares and other equity securities	264	264
TOTAL	90,894	92,960
<i>o/w securities lent</i>	228	249

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 when their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a “Collect and Sell business model”. At the time of original recognition, these financial assets are measured at fair value including the costs directly attributable to their acquisition or subscription.

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 credit 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)

2023

Balance as at 1 January	92,696
Acquisitions/disbursements	37,720
Disposals/redemptions	(42,448)
Transfers towards (or from) another accounting category	30
Change in scope and others	(132)
Changes in fair value during the period	3,607
Change in related receivables	(60)
Translation differences	(783)
Balance as at 31 December	90,630

CUMULATIVE UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

(In EURm)

31.12.2023**31.12.2022 R**

Unrealised gains	993	798
Unrealised losses	(3,666)	(5,873)
TOTAL⁽¹⁾	(2,673)	(5,075)

(1) Including EUR -2,298 million for insurance sector subsidiaries as at 31 December 2023 (EUR -4,479 million as at 31 December 2022). This amount must be read together with the financial income and expenses recorded directly in equity as part of the measurement of the associated insurance contracts for EUR +2,314 million as at 31 December 2023 (EUR +4,448 million as at 31 December 2022).

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

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 Nth default, which are exposed to the credit quality of the issuers comprising the basket and to their correlation, or CDO Bespoke products, which are Collateralised Debt Obligations created specifically for a group of investors and structured according to their needs), as well as products subject to credit spread volatility;
- commodity derivatives: this category includes products involving unobservable volatility or correlation inputs (i.e. options on commodity swaps or instruments based on baskets of underlyings).

NOTE 3.4.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE

(In EURm)

	31.12.2023				31.12.2022 R			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio (excluding derivatives)	104,493	171,245	6,814	282,552	96,221	131,547	6,402	234,170
Bonds and other debt securities*	32,843	6,275	308	39,426	22,857	3,007	158	26,022
Shares and other equity securities*	71,524	170	-	71,694	73,362	1,042	-	74,404
Securities purchased under resale agreements	-	152,944	6,130	159,074	-	116,586	6,166	122,752
Loans, receivables and other trading assets	126	11,856	376	12,358	2	10,912	78	10,992
Trading derivatives	6	81,276	2,253	83,535	-	73,393	3,382	76,775
Interest rate instruments*	5	40,806	1,668	42,479	-	32,527	2,477	35,004
Foreign exchange instruments*	-	18,575	230	18,805	-	23,826	446	24,272
Equity and index instruments	1	19,581	189	19,771	-	15,411	106	15,517
Commodity instruments	-	84	-	84	-	199	-	199
Credit derivatives	-	1,820	166	1,986	-	1,403	353	1,756
Other forward financial instruments	-	410	-	410	-	27	-	27
Financial assets measured mandatorily at fair value through profit or loss	72,451	23,683	18,517	114,651	60,538	25,183	15,881	101,602
Bonds and other debt securities	26,750	2,579	1,347	30,676	19,645	1,904	864	22,413
Shares and other equity securities*	45,701	9,169	13,822	68,692	40,893	11,934	9,929	62,756
Loans, receivables and securities purchased under resale agreements*	-	11,935	3,348	15,283	-	11,345	5,088	16,433
Financial assets measured using fair value option through profit or loss	13,732	1,412	-	15,144	13,277	1,327	-	14,604
Bonds and other debt securities	13,732	89	-	13,821	13,277	92	-	13,369
Loans, receivables and securities purchased under resale agreements	-	68	-	68	-	55	-	55
Separate assets for employee benefit plans	-	1,255	-	1,255	-	1,180	-	1,180
Hedging derivatives	-	10,585	-	10,585	-	32,971	-	32,971
Interest rate instruments	-	10,421	-	10,421	-	32,672	-	32,672
Foreign exchange instruments	-	157	-	157	-	293	-	293
Equity and index instruments	-	7	-	7	-	6	-	6
Financial assets measured at fair value through other comprehensive income	88,231	2,384	279	90,894	91,430	1,250	280	92,960
Bonds and other debt securities*	88,231	2,382	-	90,613	91,404	1,250	1	92,655
Shares and other equity securities	-	-	265	265	-	-	264	264
Loans and receivables	-	2	14	16	26	-	15	41
TOTAL	278,913	290,585	27,863	597,361	261,466	265,671	25,945	553,082

* The restatement of amounts as at 31 December 2022 includes some adjustments of the classification among levels in order to reflect the observability level of the inputs used to carry out the valuation of the considered financial instruments. They mainly concern a transfer within Shares and other equity securities of the trading portfolio from Level 2 to Level 1 (EUR 3,780 million).

NOTE 3.4.2 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

(In EURm)

	31.12.2023				31.12.2022 R			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio (excluding derivatives)	9,396	177,622	4,514	191,532	6,424	152,967	3,386	162,777
Amounts payable on borrowed securities	-	42,461	22	42,483	8	51,037	56	51,101
Bonds and other debt instruments sold short	7,305	1	-	7,306	5,172	-	14	5,186
Shares and other equity instruments sold short	2,091	-	-	2,091	1,244	-	-	1,244
Securities sold under repurchase agreements	-	132,532	4,487	137,019	-	99,366	3,307	102,673
Borrowings and other trading liabilities	-	2,628	5	2,633	-	2,564	9	2,573
Trading derivatives	12	85,741	4,050	89,803	14	68,701	3,941	72,656
Interest rate instruments*	11	36,343	2,327	38,681	-	21,122	2,662	23,784
Foreign exchange instruments*	1	19,563	461	20,025	6	25,046	272	25,324
Equity and index instruments	-	27,555	1,056	28,611	7	20,464	738	21,209
Commodity instruments	-	208	-	208	-	154	-	154
Credit derivatives	-	757	206	963	-	1,135	269	1,404
Other forward financial instruments	-	1,315	-	1,315	1	780	-	781
Financial liabilities measured using fair value option through profit or loss	657	56,503	37,089	94,249	-	32,071	36,671	68,742
Hedging derivatives	-	18,708	-	18,708	-	46,164	-	46,164
Interest rate instruments	-	18,575	-	18,575	-	45,981	-	45,981
Foreign exchange instruments	-	108	-	108	-	166	-	166
Equity and index instruments	-	25	-	25	-	17	-	17
TOTAL	10,065	338,574	45,653	394,292	6,438	299,903	43,998	350,339

* The restatement of amounts as at 31 December 2022 includes some adjustments of the classification among levels in accordance with the financial instruments observability. They mainly concern a transfer within Foreign exchange instruments of the trading derivatives portfolio from Level 1 to Level 2 (EUR 336 million).

NOTE 3.4.3 VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

(In EURm)	Balance as at 31.12.2022 R	Acquisitions	Disposals/ redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 31.12.2023
Trading portfolio (excluding derivatives)	6,402	5,829	(3,368)	(1,451)	5	(589)	(14)	-	6,814
Bonds and other debt securities	158	724	(570)	(65)	5	60	(4)	-	308
Securities purchased under resale agreements	6,166	4,802	(2,798)	(1,386)	-	(653)	(1)	-	6,130
Loans, receivables and other trading assets	78	303	-	-	-	4	(9)	-	376
Trading derivatives	3,382	76	(4)	(382)	84	(809)	(94)	-	2,253
Interest rate instruments	2,477	-	-	(348)	59	(451)	(69)	-	1,668
Foreign exchange instruments	446	-	-	-	3	(200)	(19)	-	230
Equity and index instruments	106	76	(4)	(5)	1	16	(1)	-	189
Credit derivatives	353	-	-	(29)	21	(174)	(5)	-	166
Financial assets measured mandatorily at fair value through profit or loss	15,881	5,844	(5,078)	(1,256)	2,559	(293)	(69)	929	18,517
Bonds and other debt securities	864	1,606	(1,523)	-	38	14	-	348	1,347
Shares and other equity securities	9,929	4,238	(2,897)	(472)	2,480	(37)	-	581	13,822
Loans, receivables and securities purchased under resale agreements	5,088	-	(658)	(784)	41	(270)	(69)	-	3,348
Financial assets measured at fair value through other comprehensive income	280	4	(5)	-	-	-	-	-	279
Debt instruments	1	4	(4)	-	-	(1)	-	-	-
Equity instruments	264	-	-	-	-	1	-	-	265
Loans and receivables	15	-	(1)	-	-	-	-	-	14
TOTAL	25,945	11,753	(8,455)	(3,089)	2,648	(1,691)	(177)	929	27,863

FINANCIAL LIABILITIES

(In EURm)	Balance as at 31.12.2022 R	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 31.12.2023
Trading portfolio (excluding derivatives)	3,386	3,810	(1,488)	(295)	-	(818)	(81)	-	4,514
Amounts payable on borrowed securities	56	-	-	-	-	(34)	-	-	22
Bonds and other debt instruments sold short	14	-	-	-	-	(14)	-	-	-
Securities sold under repurchase agreements	3,307	3,810	(1,488)	(295)	-	(766)	(81)	-	4,487
Borrowings and other trading liabilities	9	-	-	-	-	(4)	-	-	5
Trading derivatives	3,941	1,382	(458)	(527)	274	(236)	(326)	-	4,050
Interest rate instruments	2,662	-	-	(399)	246	119	(301)	-	2,327
Foreign exchange instruments	272	856	(403)	(1)	1	(263)	(1)	-	461
Equity and index instruments	738	526	(55)	(84)	18	(70)	(17)	-	1,056
Credit derivatives	269	-	-	(43)	9	(22)	(7)	-	206
Financial liabilities measured using fair value option through profit or loss	36,671	13,184	(12,866)	(1,793)	188	2,397	(692)	-	37,089
TOTAL	43,998	18,376	(14,812)	(2,615)	462	1,343	(1,099)	-	45,653

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 may be adjusted, if they are not available at the balance sheet date in order to incorporate the events that have an impact on prices and occurred after the closing of the stock markets but before the measurement date or in the event of an inactive market.

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 or 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 based on 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. Since 2021, a system has been in place to identify the new transactions for which CVA/DVA adjustments are significant. These transactions are then classified in Level 3.

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 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.

The significant unlisted securities and the significant securities listed on an illiquid market will be valued primarily by using a developed valuation method: Discounted Cash Flows (DCF) or Discounted Dividend Model (DDM) and/or Market multiples.

For non-significant unlisted shares, fair value is determined depending on the type of financial instrument and according to one of the following methods:

- proportion of net asset value held;
- 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.).

DEBT INSTRUMENTS HELD IN PORTFOLIO, ISSUES OF STRUCTURED SECURITIES MEASURED AT FAIR VALUE AND FINANCIAL 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, for Level 3 instruments, the ranges of values of the most significant unobservable inputs by main product type.

(In EURm)

Cash instruments and derivatives	Main products	Valuation techniques used	Significant unobservable inputs	Range of inputs	
				min.	max.
Equities/funds	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	1.00%	623.30%
			Equity dividends	0.00%	16.00%
			Correlations	-80.10%	99.90%
			Hedge fund volatilities	7.60%	7.60%
			Mutual fund volatilities	1.70%	26.80%
Interest rates and Forex	Hybrid forex/interest rate or credit/interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-80.00%	85.00%
	Forex derivatives	Forex option pricing models	Forex volatilities	1.00%	31.00%
	Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools	Prepayment modelling	Constant prepayment rates	0.00%	20.00%
	Inflation instruments and derivatives	Inflation pricing models	Correlations	72.00%	90.00%
Credit	Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0.00%	100.00%
			Recovery rate variance for single name underlyings	0.00%	100.00%
			Time to default correlations	0.00%	100.00%
	Other credit derivatives	Credit default models	Quanto correlations	0.00%	100.00%
			Credit spreads	0,0 bps	82,4 bps
Commodities	Derivatives on commodities baskets	Option models on commodities	Correlations	NA	NA
Long term equity investments	Securities held for strategic purposes	Net Book Value/Recent transactions	Not applicable	-	-

The table below shows the valuation of cash and derivative instruments on the balance sheet. When it comes to hybrid instruments, they are broken down according to the main unobservable inputs.

	31.12.2023	
	Assets	Liabilities
(In EURm)		
Equities/funds	12,833	22,771
Rates and Forex	13,031	22,676
Credit	166	206
Long term equity investments	1,833	-
TOTAL	27,863	45,653

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 2023 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 corresponds to the standard deviation of consensus prices (TOTEM...) used to measure an input nevertheless considered as unobservable. In cases of unavailability of these data, the standard deviation of historical data is then used to assess the input.

SENSITIVITY OF LEVEL 3 FAIR VALUE TO A “STANDARDISED” VARIATION IN UNOBSERVABLE INPUTS

(In EURm)	31.12.2023		31.12.2022	
	Negative impact	Positive impact	Negative impact	Positive impact
Shares and other equity instruments and derivatives	(31)	52	(30)	82
Equity volatilities	(16)	16	-	5
Dividends	(10)	10	-	20
Correlations	(5)	25	(30)	56
Hedge Fund volatilities	-	0	-	-
Mutual Fund volatilities	(0)	1	(0)	1
Rates or Forex instruments and derivatives	(13)	25	(15)	28
Correlations between exchange rates and/or interest rates	(13)	24	(14)	27
Forex volatilities	(0)	0	(1)	1
Constant prepayment rates	-	-	-	-
Inflation/inflation correlations	(0)	0	(0)	0
Credit instruments and derivatives	(4)	4	-	5
Time to default correlations	(0)	0	-	0
Quanto correlations	(0)	0	-	3
Credit spreads	(3)	3	-	2
Commodity derivatives	NA	NA	NA	NA
Commodities correlations	NA	NA	NA	NA
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 based on 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, that is to say 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.

<i>(In EURm)</i>	2023	2022
Deferred margin as at 1 January	1,248	1,191
Deferred margin on new transactions during the period	470	794
Margin recorded in the income statement during the period	(638)	(737)
<i>o/w amortisation</i>	(390)	(497)
<i>o/w switch to observable inputs</i>	(20)	(12)
<i>o/w disposed, expired or terminated</i>	(228)	(228)
Deferred margin as at 31 December	1,080	1,248

NOTE 3.5 Loans, receivables and securities at amortised cost**IMPACT ON GROUP FINANCIAL ASSETS AND LIABILITIES OF THE APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES (SEE NOTE 1)**

<i>(In EURm)</i>	31.12.2021	Reclassifications			Adjustment of book value related to investments			Total	01.01.2022 R	31.12.2022 R
		of available for-sale financial assets	others	Reclassified balances	Reclassification effects	Impairment and provisions for credit risk				
Securities at amortised cost	19,371	4,975	22	24,368	(218)	(1)	(219)	24,149	26,143	
Due from banks at amortised cost	55,972	-	1,232	57,204	-	-	-	57,204	68,171	
Customer loans and receivables at amortised cost	497,164	-	69	497,233	-	-	-	497,233	506,635	
TOTAL	572,507	4,975	1,323	578,805	(218)	(1)	(219)	578,586	600,949	

OVERVIEW

<i>(In EURm)</i>	31.12.2023		31.12.2022 R	
	Carrying amount	o/w impairment	Carrying amount	o/w impairment
Due from banks	77,879	(23)	68,171	(39)
Customer loans	485,449	(10,070)	506,635	(10,634)
Securities	28,147	(84)	26,143	(63)
TOTAL	591,475	(10,177)	600,949	(10,736)

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 credit 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 (see 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 at the new market conditions 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 contracted 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 handling and implementation fees associated with the new transaction 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)	31.12.2023	31.12.2022 R
Current accounts	39,798	34,672
Deposits and loans	12,939	15,053
Securities purchased under resale agreements	24,622	17,669
Subordinated and participating loans	200	237
Related receivables	383	655
Due from banks before impairments⁽¹⁾	77,942	68,286
Credit loss impairments	(23)	(39)
Revaluation of hedged items	(40)	(76)
TOTAL	77,879	68,171

(1) As at 31 December 2023, the amount due from banks classified as Stage 3 impairment (credit impaired) is EUR 37 million compared to EUR 68 million as at 31 December 2022. 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)	31.12.2023	31.12.2022 R
Overdrafts	21,629	29,244
Other customer loans	428,614	444,612
Lease financing agreements	31,165	29,499
Securities purchased under resale agreements	9,413	10,159
Related receivables	4,845	4,071
Customer loans before impairments⁽¹⁾	495,666	517,585
Credit loss impairment	(10,070)	(10,634)
Revaluation of hedged items	(147)	(316)
TOTAL	485,449	506,635

(1) As at 31 December 2023, the amount due from banks classified as Stage 3 impairment (credit impaired) is EUR 15,711 million compared to EUR 15,687 million as at 31 December 2022. 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).

BREAKDOWN OF OTHER CUSTOMER LOANS

(In EURm)	31.12.2023	31.12.2022 R
Trade notes	7,736	7,547
Short-term loans	138,568	146,274
Export loans	13,030	13,801
Equipment loans	74,205	70,293
Housing loans	145,076	152,282
Loans secured by notes and securities	84	246
Other loans	49,915	54,169
TOTAL	428,614	444,612

ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

<i>(In EURm)</i>	31.12.2023	31.12.2022
Gross investments	33,438	31,339
Amount for the next five years	28,206	26,129
<i>Less than one year</i>	9,866	9,657
<i>From one to two years</i>	6,987	6,418
<i>From two to three years</i>	5,407	4,855
<i>From three to four years</i>	3,629	3,190
<i>From four to five years</i>	2,317	2,009
More than five years	5,232	5,210
Present value of minimum payments receivable	29,153	27,846
Rental receivables due for the next five years	25,231	23,799
<i>Less than one year</i>	9,098	8,982
<i>From one to two years</i>	6,361	5,926
<i>From two to three years</i>	4,780	4,403
<i>From three to four years</i>	3,140	2,831
<i>From four to five years</i>	1,852	1,657
Rental receivables due for more than five years	3,922	4,047
Unearned financial income	2,273	1,840
Unguaranteed residual values receivable by the lessor	2,012	1,653

NOTE 3.5.3 SECURITIES

<i>(In EURm)</i>	31.12.2023	31.12.2022 R
Government securities	14,303	13,480
Negotiable certificates, bonds and other debt securities	13,731	12,742
Related receivables	256	242
Securities before impairments	28,290	26,464
Impairment	(84)	(63)
Revaluation of hedged items	(59)	(258)
TOTAL	28,147	26,143

NOTE 3.6 Debts**ACCOUNTING PRINCIPLES**

Debts include the non-derivative financial liabilities that are not measured at fair value through profit or loss (these instruments are described in Note 3.1.3).

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)

	31.12.2023	31.12.2022 R
Demand deposits and current accounts	11,131	10,455
Overnight deposits and borrowings	1,049	392
Term deposits ⁽¹⁾	100,307	120,163
Related payables	1,464	301
Revaluation of hedged items	(1,082)	(1,933)
Securities sold under repurchase agreements	4,978	3,633
TOTAL	117,847	133,011

(1) Including term-deposits linked to central banks, and in particular long-term refinancing operations set up by the ECB (Targeted Longer-Term Refinancing Operations – TLTRO).

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. As in the two previous systems, the return on these loans depended on the performance of the borrowing banking institutions in terms of loans granted to their household customers (excluding real estate loans) and business customers (excluding financial institutions); depending on these performances, it was possible for the borrowing institutions to benefit from a reduced interest rate and an additional temporary bonus applicable from 24 June 2020 to 23 June 2021 (reduction by 50 basis points of the average deposit facility rate with a floor rate set at -1%). These TLTRO III operations were conducted on a quarterly basis between September 2019 and December 2021, for a possible total of 10 drawdowns. Each such operation has a three-year maturity and includes an early repayment option. Some 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 at the outset of the Covid-19 crisis. In January 2021, the ECB decided to extend the additional temporary bonus over the period from 24 June 2021 to 23 June 2022 subject to performance in terms of number of granted loans observed over a new reference period from 1 October 2020 to 31 December 2021.

The Group, *via* Societe Generale and Crédit du Nord, subscribed to TLTRO III loans through quarterly drawdowns staggered between December 2019 and December 2021. The residual amount of TLTRO loans on the liability side of the balance sheet is 24 billion euros as at 31 December 2023, following the early repayments made in the 2023 financial year for an amount of 28.7 billion euros.

As at 31 December 2021, the Group had already achieved the stability objectives for outstanding loans allowing it to benefit from the reduced interest rate as well as from the two temporary additional bonuses applied respectively over the periods from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022. The additional bonuses were qualified for accounting purposes as subsidies according to IAS 20 and the loans as liabilities at adjustable rates under IFRS 9.

On 27 October 2022, the ECB changed the methods for calculating the interest rate relating to the last period of TLTRO III. These new calculation methods have been applied since 23 November 2022.

As at 31 December 2023, the total cost of TLTRO borrowings including interest and bonuses is therefore between 1.40% and 3.10% depending on the drawdown dates. For the financial year 2023, the total amount of interests and bonuses on the TLTRO borrowings recorded under Interest and similar expense is EUR 1.2 billion.

NOTE 3.6.2 CUSTOMER DEPOSITS

<i>(In EURm)</i>	31.12.2023	31.12.2022
Regulated savings accounts	122,172	111,496
<i>Demand</i>	99,105	86,368
<i>Term</i>	23,067	25,128
Other demand deposits ⁽¹⁾	262,954	295,933
Other term deposits ⁽¹⁾	146,878	115,651
Related payables	1,841	876
Revaluation of hedged items	(3)	(89)
TOTAL CUSTOMER DEPOSITS	533,842	523,867
Securities sold to customers under repurchase agreements	7,835	6,897
TOTAL	541,677	530,764

(1) Including term-deposits linked to governments and central administrations.

BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE

<i>(In EURm)</i>	31.12.2023	31.12.2022
Professionals and corporates	107,168	151,687
Individual customers	83,449	88,450
Financial customers	55,842	42,982
Others ⁽¹⁾	16,495	12,814
TOTAL	262,954	295,933

(1) Including term-deposits linked to governments and central administrations.

NOTE 3.6.3 DEBT SECURITIES ISSUED

<i>(In EURm)</i>	31.12.2023	31.12.2022
Term savings certificates	173	230
Bond borrowings	31,285	25,974
Interbank certificates and negotiable debt instruments	130,393	110,543
Related payables	1,321	635
Revaluation of hedged items	(2,666)	(4,206)
TOTAL	160,506	133,176
<i>o/w floating-rate securities</i>	95,247	77,220

NOTE 3.7 Interest income and expense

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 update 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)	2023			2022 R		
	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	32,266	(24,720)	7,546	17,546	(8,845)	8,701
<i>Central banks</i>	6,698	(368)	6,330	1,255	(306)	949
<i>Bonds and other debt securities</i>	1,188	(4,096)	(2,908)	620	(1,690)	(1,070)
<i>Due from/to banks⁽¹⁾</i>	4,038	(6,375)	(2,337)	1,935	(1,737)	198
<i>Customer loans and deposits</i>	17,931	(12,133)	5,798	12,172	(3,917)	8,255
<i>Subordinated debt</i>	-	(700)	(700)	-	(641)	(641)
<i>Securities lending/borrowing</i>	9	(13)	(4)	42	(14)	28
<i>Repo transactions</i>	2,402	(1,035)	1,367	1,522	(540)	982
Hedging derivatives	15,919	(17,748)	(1,829)	9,739	(8,737)	1,002
Financial instruments at fair value through other comprehensive income ⁽²⁾	2,779	(260)	2,519	2,208	(277)	1,931
Lease agreements	1,258	(47)	1,211	852	(37)	815
<i>Real estate lease agreements</i>	295	(45)	250	181	(37)	144
<i>Non-real estate lease agreements</i>	963	(2)	961	671	-	671
Subtotal interest income/expense on financial instruments using the effective interest method	52,222	(42,775)	9,447	30,345	(17,896)	12,449
Financial instruments mandatorily at fair value through profit or loss	865	(2)	863	393	(1)	392
TOTAL INTEREST INCOME AND EXPENSE	53,087	(42,777)	10,310	30,738	(17,897)	12,841
<i>o/w interest income from impaired financial assets</i>	273	-	273	250	-	250

(1) In 2022, the interest, then negative, on TLTRO loans was recorded among the products of Loans/borrowings from credit institutions. In 2023, interest on TLTRO loans is recorded among the expenses of Due from/to banks. (see Note 3.6).

(2) Including EUR 1,237 million for insurance subsidiaries in 2023 (EUR 1,411 million in 2022). This amount must be read together with the financial income and expenses of insurance contracts (see Note 4.3, Detail of performance of insurance activities).

These interest expenses include the refinancing cost of financial instruments at fair value through profit or loss, the results of which are classified in net gains or losses on these instruments (see Note 3.1). Given that income and expenses booked in the income statement are

classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole.

BREAKDOWN OF INCOME OF CUSTOMER LOANS AT AMORTISED COST

(In EURm)	2023	2022 R
Trade notes	786	507
Other customer loans	15,189	10,433
<i>Short-term loans</i>	7,132	4,490
<i>Export loans</i>	576	366
<i>Equipment loans</i>	2,647	1,751
<i>Housing loans</i>	2,878	2,694
<i>Other customer loans</i>	1,956	1,132
Overdrafts	1,692	989
Doubtful outstanding (stage 3)	264	243
TOTAL	17,931	12,172

NOTE 3.8 Impairment and provisions

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 compensate for this risk, the Bank receives a portion of the contractual interest on those assets, called credit margin, compensates it.

For loans, receivables and debt securities measured at amortised cost or fair value through other comprehensive income, this potential loss, or expected credit loss, as estimated by the Group, is recognised in profit or loss without waiting for a payment default individually impacting the counterparty; the expenses partly offset the interest income and thus avoid overestimating the income during the periods prior to the counterparty default. 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 (loans, debt securities and bonds and similar) 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:

Credit risk category	Observed deterioration in credit risk since initial recognition of the financial asset 		
	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 ► <i>Maintained if the credit risk has not increased significantly</i>	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, sector analyses, cash flow projections for some counterparties, 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 impairment or provisions are adjusted accordingly. Furthermore, the Group does not apply the exemption for low credit risk; it thus carries out an assessment of a significant increase in credit risk for all loans and debt securities.

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 which may also be indicative of a deterioration in credit risk.

If, after a review, a counterparty is deemed "sensitive", 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 credit quality at the time of granting of 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. These thresholds may be expressed as an absolute or relative increase in the probability of default. For example, the threshold is set at +50 bp for sovereign debt, +100 bp for the Very Large Enterprises (turnover exceeding EUR 500 million), +200 bp for SME and +10 bp for the French mortgages of the Societe Generale retail network.

In addition and in line with the recommendations issued by the EBA and the ECB, loans for which the probability of default has been multiplied by three between the date of first recognition and the balance sheet date are transferred to Stage 2.

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 no credit rating is 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 placement on the watch list or 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 leads to applying the following criteria to classify exposures as Stage 3:

- 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 if the counterparty wasn't experiencing financial difficulties (restructured loans) and which result in a decrease in the present value of the loan cash flows of more than 1% of its initial value,
 - the existence of 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 six months to two years according to the nature of the risk portfolio to which the exposures belong.

Measurement of depreciation and provision

Stage 1 exposures are impaired for the amount of credit losses that the Group expects to incur within 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 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, 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 credit risk".

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 credit risk.

The expected credit losses on the financing commitments and financial collateral given are determined using a similar approach applied to the estimated amount of Group exposure in case of default (amount drawn from the financing commitment as at the default date, amount of collateral called up as at the default date). The credit loss amounts thus calculated at one year (Stage 1) or over the life of the commitments (Stages 2 and 3) are recognised as liabilities on the balance sheet under Provisions.

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 macroeconomic 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 restructuring loss. This discount is equal to the difference between the present value of the new contractual cash flows resulting from the restructuring of the loan and the amortised cost before credit risk allowance less any partial debt forgiveness; it is booked to Cost of credit risk in the income statement. As a result, the amount of interest income subsequently recognised into income is still computed using the initial effective interest rate of the loan and based on the net carrying amount of the asset after impairment during at least the first year following the restructuring.

Post-restructuring, these financial assets are 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 restructuring, 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 assets are recognised as Financial assets measured at fair value through profit or loss; On the date of recognition, the difference between the present value of the new cash flows and the net carrying amount of the initial asset is recorded under Cost of credit Risk in the income statement. 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. The accounting treatment of renegotiations is detailed in Note 3.5.

Total or partial recovery by activating the guarantee

A claim may be recovered in the form of an asset (financial or tangible) that passes into the ownership of the Group as a result of the activation of a guarantee. This asset substitutes for the guaranteed claim on the date when the Group becomes its owner and is initially recognised at fair value as an asset on the balance sheet. Its classification and subsequent valuation method depend on the management intent.

METHOD FOR ESTIMATING EXPECTED CREDIT LOSSES

The calculation method for the impairments and provisions for expected credit losses in Stage 1 and Stage 2 was developed in the Basel framework which served as a basis for selecting the assessment methods for the calculation parameters (probability of default and credit loss rate on the outstanding loans under an advanced Basel approach – IRBA and IRBF – and provisioning rate for the outstanding loans under the standardised Basel approach).

The Group's portfolios have been segmented in order to ensure homogeneity of the risk characteristics and a better correlation with the macroeconomic variables, both global and local. This segmentation allows for all the specificities of the Group to be addressed. It is consistent with or similar to the one specified in the Basel framework in order to ensure the uniqueness of the historical records of defaults and losses.

The nature of the variables used in the expected credit loss assessment models is presented in Chapter 4 of the present Universal Registration Document. The measurement of expected credit losses is performed based on the parameters mentioned below, supplemented with the internal analyses relating to the credit quality of each counterparty, individually or statistically.

GEOPOLITICAL CRISES AND MACROECONOMIC CONTEXT

In 2023, the Group revised the parameters used in the models based on the updated macroeconomic scenarios which take account of the recent economic developments and macroeconomic impacts related to the current geopolitical environment (see Note 1).

To account for the uncertainties related to the macroeconomic and geopolitical environment, the Group updated the model and post-model adjustments in 2023.

The effects of these adjustments in the determination of expected credit losses are described hereinafter.

Update of the models and impact on the estimation of expected credit losses

As at 31 December 2023, the updates of macroeconomic variables and probabilities of default as well as the updated weighting of the scenarios have resulted in a EUR 77 million decrease in the amount of impairment and provisions for credit risk:

- the impact of the revision of the macroeconomic variables and probabilities of default is a EUR 62 million decrease;
- the impact of the updated weighting of the macroeconomic scenarios described in Note 1 is a EUR 15 million decrease.

Furthermore, owing to the geopolitical context related to the war in Ukraine, all our Russian counterparties including residual exposures on Rosbank (EUR 2.1 billion as at 31 December 2022) have been classified as “sensitive” (concept of watch list) from the beginning of the conflict and the associated outstanding loans have been transferred to Stage 2. As at 31 December 2023, they amount to EUR 1.1 billion. Further analysis has resulted in the identification amidst this population of the outstanding loans that have to be transferred to Stage 3, and this from the beginning of the war in Ukraine (EUR 0.3 billion for 2023). The impact of these transfers on the calculation of the expected credit losses amounts to EUR 167 million as at 31 December 2023 (including the additional adjustment detailed in the “Other adjustments” sub-section).

Adjustments supplementing the application of the models

As at 31 December 2023, the adjustment regarding the additional criterion for classification in Stage 2 set in 2020 following the Covid-19 crisis, has been removed (EUR 17 million as at 31 December 2022).

Sectoral adjustments

The Group may supplement the models with sectoral adjustments relating to the possible revision of the expected credit loss estimates (with no impact on the classification of the outstanding loans) for some sectors.

These adjustments allow for better anticipation of the default/recovery cycle in some sectors that have a cyclical business, have been subject to peaks of default in the past or are most exposed to the current crises and on which the Group's exposure exceeds a threshold that is annually reviewed and set by the Risk Division.

These sectoral adjustments are examined and updated quarterly by the Risk Division and validated according to materiality thresholds by the General Management.



Along the revision of these adjustments, whenever compatible with the provisioning horizon, a qualitative analysis of the possible impact of climate risks on the calculation of expected credit losses has been introduced (see the “Incorporating the environment in the risk management framework” section of Chapter 4 in the Universal Registration Document).

The main sectors concerned as at 31 December 2023 are commercial real-estate, non-food retail, construction and the hotel, restaurant and leisure industry.

The total sectoral adjustments (excluding the additional sectoral adjustments described in the “Other adjustments” paragraph below) thus amount to EUR 667 million as at 31 December 2023 (EUR 570 million as at 31 December 2022). This increase is mainly due to an increase on the commercial real-estate and non-food retail sectors, the future circumstances of which are deteriorating owing to multiple factors, such as the difficult situation on the real estate market, the effects of inflation and the changes in purchasing behaviours. An increase of lesser magnitude has been observed on the construction sector. These increases are partly offset by a decrease on the oil and gas sector, and to a lesser extent on the hotel sector the situation of which has improved.

Other adjustments

Adjustments based on expert opinion and with no impact on the classification, have also been made to reflect the deterioration in credit risk on some portfolios when this deterioration has not been observed through a line-by-line analysis of the outstanding stock:

- for the scope of entities that have not developed models enabling them to estimate the correlations between macroeconomic variables and default rate; and
- for the scopes on which models have been developed but cannot reflect future risks not observed in the past.

These adjustments amount to EUR 699 million as at 31 December 2023 (EUR 967 million as at 31 December 2022). This change results from the account taken of:

- the specific risk on the portfolio of offshore loans to Russian corporate customers resulting from the geopolitical situation; this adjustment is estimated by applying to the expected credit losses of this portfolio degraded scenarios (weighted by a probability of occurrence) for which probabilities of default and recovery prospects take account of the uncertainty relating to this environment;
- the risks arising from the specific economic environment, such as the higher inflation and interest rates, regarding fragile customers and the more specifically exposed portfolios, as such risks are not taken into account in the models.

The Group uses two main methods to estimate these adjustments:

- application, to the parameters of the expected credit loss models, of more severe probabilities of default reflecting the economic shock expected according to the Group's economic scenarios;
- application of sectoral adjustments according to the methodology described above to the sectors identified by the Group's Department of Economic and sectoral studies as particularly exposed in case of occurrence of a lasting stagflation scenario.

NOTE 3.8.1 OVERVIEW

In accordance with the application of IFRS 9 "Financial instruments" by the insurance subsidiaries (see Note 1), the impairments and provisions of these subsidiaries are included in the tables below.

PRESENTATION OF BALANCE SHEET AND OFF-BALANCE SHEET OUTSTANDING AMOUNTS

(In EURm)

		31.12.2023	31.12.2022 R
Debt instruments at fair value through other comprehensive income	Note 3.3	90,630	92,696
Securities at amortised cost	Note 3.5	28,147	26,143
Due from banks at amortised cost	Note 3.5	77,879	68,171
Due from central banks ⁽¹⁾		220,725	204,553
Customer loans at amortised cost	Note 3.5	485,449	506,635
Guarantee deposits paid	Note 4.4	51,611	67,768
Others		6,239	4,175
<i>o/w other miscellaneous receivables bearing credit risk</i>	Note 4.4	6,076	3,913
<i>o/w due from clearing houses bearing credit risk</i>	Note 4.4	163	262
NET VALUE OF ACCOUNTING OUTSTANDING AMOUNTS (BALANCE SHEET)		960,680	970,141
Impairment of loans at amortised cost	Note 3.8	10,505	11,031
GROSS VALUE OF ACCOUNTING OUTSTANDING AMOUNTS (BALANCE SHEET)		971,185	981,172
Financing commitments		210,511	216,573
Guarantee commitments		80,560	94,727
GROSS VALUE OF OFF BALANCE-SHEET ACCOUNTING AMOUNTS		291,071	311,300
TOTAL OF ACCOUNTING AMOUNTS (BALANCE-SHEET AND OFF BALANCE-SHEET)		1,262,256	1,292,472

(1) Included in line Cash, due from central banks.

OUTSTANDING AMOUNTS SUBJECT TO IMPAIRMENT AND PROVISIONS BY IMPAIRMENT STAGE AND BY ACCOUNTING CATEGORY

	31.12.2023				31.12.2022 R			
	Group without Insurance activities		Insurance		Group without Insurance activities		Insurance	
	Outstanding amounts	Impairment/provisions	Outstanding amounts	Impairment/provisions	Outstanding amounts	Impairment/provisions	Outstanding amounts	Impairment/provisions
<i>(In EURm)</i>								
Financial assets at fair value through other comprehensive income	37,729	3	52,901	13	37,199	8	55,497	20
Performing assets outstanding (Stage 1)	37,727	1	51,704	4	37,192	1	54,445	5
Underperforming assets outstanding (Stage 2)	2	2	1,197	9	1	1	1,046	15
Doubtful assets outstanding (Stage 3)	-	-	-	-	6	6	6	-
Financial assets at amortised cost⁽¹⁾	873,390	10,505	7,165	-	881,771	11,031	6,705	-
Performing assets outstanding (Stage 1)	812,925	1,048	7,085	-	820,736	1,042	6,634	-
Underperforming assets outstanding (Stage 2)	44,063	1,973	80	-	44,689	2,134	71	-
Doubtful assets outstanding (Stage 3)	16,402	7,484	-	-	16,346	7,855	-	-
<i>o/w lease financing</i>	31,165	883	-	-	29,500	896	-	-
<i>Performing assets outstanding (Stage 1)</i>	<i>24,798</i>	<i>127</i>	<i>-</i>	<i>-</i>	<i>24,340</i>	<i>110</i>	<i>-</i>	<i>-</i>
<i>Underperforming assets outstanding (Stage 2)</i>	<i>4,668</i>	<i>163</i>	<i>-</i>	<i>-</i>	<i>3,536</i>	<i>169</i>	<i>-</i>	<i>-</i>
<i>Doubtful assets outstanding (Stage 3)</i>	<i>1,699</i>	<i>593</i>	<i>-</i>	<i>-</i>	<i>1,624</i>	<i>617</i>	<i>-</i>	<i>-</i>
Financing commitments	210,511	447	-	-	216,571	467	2	-
Performing assets outstanding (Stage 1)	195,733	154	-	-	204,724	166	2	-
Underperforming assets outstanding (Stage 2)	14,540	235	-	-	11,564	251	-	-
Doubtful assets outstanding (Stage 3)	238	58	-	-	283	50	-	-
Guarantee commitments	80,560	372	-	-	94,727	431	-	-
Performing assets outstanding (Stage 1)	76,503	59	-	-	90,332	57	-	-
Underperforming assets outstanding (Stage 2)	3,370	84	-	-	3,716	116	-	-
Doubtful assets outstanding (Stage 3)	687	229	-	-	679	258	-	-
TOTAL OF ACCOUNTING AMOUNTS (BALANCE-SHEET AND OFF BALANCE-SHEET)	1,202,190	11,327	60,066	13	1,230,268	11,937	62,204	20

(1) Including Central Banks for EUR 220,725 million as at 31 December 2023 (versus EUR 204,553 million as at 31 December 2022).

In order to disclose its exposure to credit risk, the Group has decided to tabulate its assets outstanding and impairment by stage of impairment of the financial assets at amortised cost by Basel category, by geographical area, and by rating of the counterparty. Due to the

absence of significant exposure to credit risk for insurance activities, assets measured at fair value through other comprehensive income as well as for financing and guarantee commitments, this information is not presented below.

GROUP ASSETS AT AMORTISED COST WITHOUT INSURANCE ACTIVITIES: OUTSTANDING AMOUNTS AND IMPAIRMENTS BY BASEL PORTFOLIO

(In EURm)	31.12.2023							
	Assets at amortised cost				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	255,852	4,492	73	260,417	5	3	59	67
Institutions	142,862	542	88	143,492	7	1	21	29
Corporates	227,438	20,608	8,663	256,709	622	1,312	3,709	5,643
o/w SME	41,869	6,212	3,560	51,641	213	364	1,825	2,402
Retail	185,088	18,373	7,564	211,025	411	655	3,688	4,754
o/w VSB	24,447	2,911	2,690	30,048	104	236	1,412	1,752
Others	1,685	48	14	1,747	3	2	7	12
TOTAL	812,925	44,063	16,402	873,390	1,048	1,973	7,484	10,505

(In EURm)	31.12.2022							
	Assets at amortised cost				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign*	232,527	291	215	233,033	6	2	77	85
Institutions*	161,523	592	53	162,168	8	2	24	34
Corporates*	234,572	20,367	9,221	264,160	619	1,399	4,260	6,278
o/w SME*	42,271	5,666	3,581	51,518	226	318	1,829	2,373
Retail	190,709	23,391	6,841	220,941	406	728	3,488	4,622
o/w VSB	23,972	4,746	2,343	31,061	95	271	1,306	1,672
Others*	1,405	48	16	1,469	3	3	6	12
TOTAL	820,736	44,689	16,346	881,771	1,042	2,134	7,855	11,031

(1) Amounts restated compared to the financial statements published for 2022.

The financial assets measured at fair value through other comprehensive income mainly correspond to cash management for own account and to the management of the portfolio of HQLA (High Quality Liquid Assets) securities included in the liquidity reserves. These assets mainly correspond to Sovereigns classified in Stage 1.

The financing and guarantee commitments mainly correspond to outstanding amounts not drawn by corporate customers. These assets are mainly classified in Stage 1.

GROUP ASSETS AT AMORTISED COST WITHOUT INSURANCE ACTIVITIES: OUTSTANDING AMOUNTS AND IMPAIRMENTS BY GEOGRAPHICAL ZONE

The geographic area chosen corresponds to the country of the counterparty. When this information is unavailable, it is the country of the issuing entity that is used.

<i>(In EURm)</i>	31.12.2023							
	Assets at amortised cost				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	443,958	20,646	9,026	473,630	511	1,042	3,431	4,984
Western European countries (excl. France)	134,142	10,521	1,717	146,380	201	259	754	1,214
Eastern European countries EU	62,572	6,670	919	70,161	154	276	518	948
Eastern Europe excluding EU	3,503	1,173	206	4,882	2	103	32	137
North America	93,778	1,775	537	96,090	18	106	127	251
Latin America and Caribbean	5,582	468	367	6,417	2	8	106	116
Asia-Pacific	33,894	301	288	34,483	13	3	125	141
Africa and Middle East	35,496	2,509	3,342	41,347	147	176	2,391	2,714
TOTAL	812,925	44,063	16,402	873,390	1,048	1,973	7,484	10,505

Over 80% of all financing and guarantee commitments have Western Europe, North America or France as their country of counterparty.

<i>(In EURm)</i>	31.12.2022							
	Assets at amortised cost				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	442,513	26,042	8,054	476,609	480	1,166	3,240	4,886
Western European countries (excl. France)	157,496	5,569	1,695	164,760	220	273	767	1,260
Eastern European countries EU	51,781	6,455	1,088	59,324	144	256	640	1,040
Eastern Europe excluding EU	2,945	2,032	524	5,501	2	149	121	272
North America	82,014	1,479	165	83,658	21	113	43	177
Latin America and Caribbean	5,757	472	319	6,548	5	11	88	104
Asia-Pacific	37,999	616	572	39,187	14	6	258	278
Africa and Middle East	40,231	2,024	3,929	46,184	156	160	2,698	3,014
TOTAL	820,736	44,689	16,346	881,771	1,042	2,134	7,855	11,031

GROUP ASSETS AT AMORTISED COST WITHOUT INSURANCE ACTIVITIES: SUBJECT TO IMPAIRMENT AND PROVISIONS BY RATING OF COUNTERPARTY⁽¹⁾

Classification in Stage 1 or Stage 2 does not depend on the absolute probability of default but on the elements that make it possible to assess the significant increase in credit risk (see accounting principles), including the relative change in the probability of default

since initial recognition. Therefore, there is no direct relationship between the counterparty rating, presented in the table below, and the classification by stage of impairment.

(In EURm)	31.12.2023							
	Assets at amortised cost				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	67,873	888	-	68,761	1	3	-	4
2	189,026	3,834	-	192,860	2	1	-	3
3	53,862	1,409	-	55,271	9	6	-	15
4	85,123	505	-	85,628	68	7	-	75
5	85,404	4,486	-	89,890	282	103	-	385
6	23,247	9,546	-	32,793	195	536	-	731
7	3,162	5,432	-	8,594	20	477	-	497
Default (8, 9, 10)	-	-	8,522	8,522	-	-	3,646	3,646
Other method	305,228	17,963	7,880	331,071	471	840	3,838	5,149
TOTAL	812,925	44,063	16,402	873,390	1,048	1,973	7,484	10,505

(1) The indicative corresponding between the Societe Generale's internal rating scale and the scales of rating agencies is presented in Chapter 4 of the present Universal Registration Document.

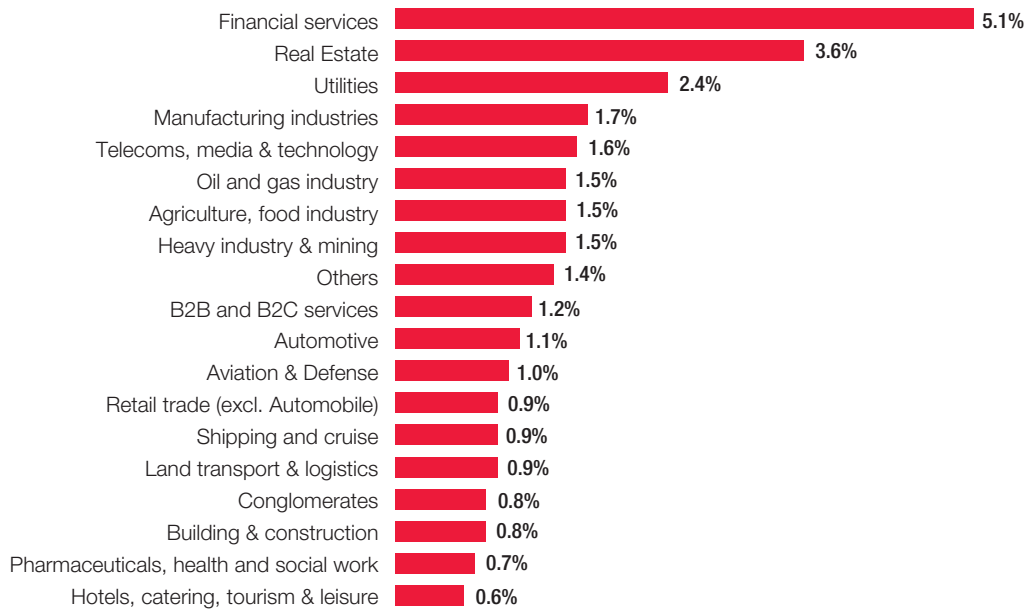
(In EURm)	31.12.2022							
	Outstanding amounts				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	59,826	874	-	60,700	1	3	-	4
2	186,818	889	-	187,707	4	5	-	9
3	50,465	622	-	51,087	8	5	-	13
4	85,773	1,431	-	87,204	69	15	-	84
5	84,343	4,322	-	88,665	246	146	-	392
6	22,694	10,044	-	32,738	186	532	-	718
7	2,832	7,082	-	9,914	21	445	-	466
Default (8, 9, 10)	-	-	9,378	9,378	-	-	4,071	4,071
Other method	327,985	19,425	6,968	354,378	507	983	3,784	5,274
TOTAL	820,736	44,689	16,346	881,771	1,042	2,134	7,855	11,031

(1) The indicative corresponding between the Societe Generale's internal rating scale and the scales of rating agencies is presented in Chapter 4 of the present Universal Registration Document.

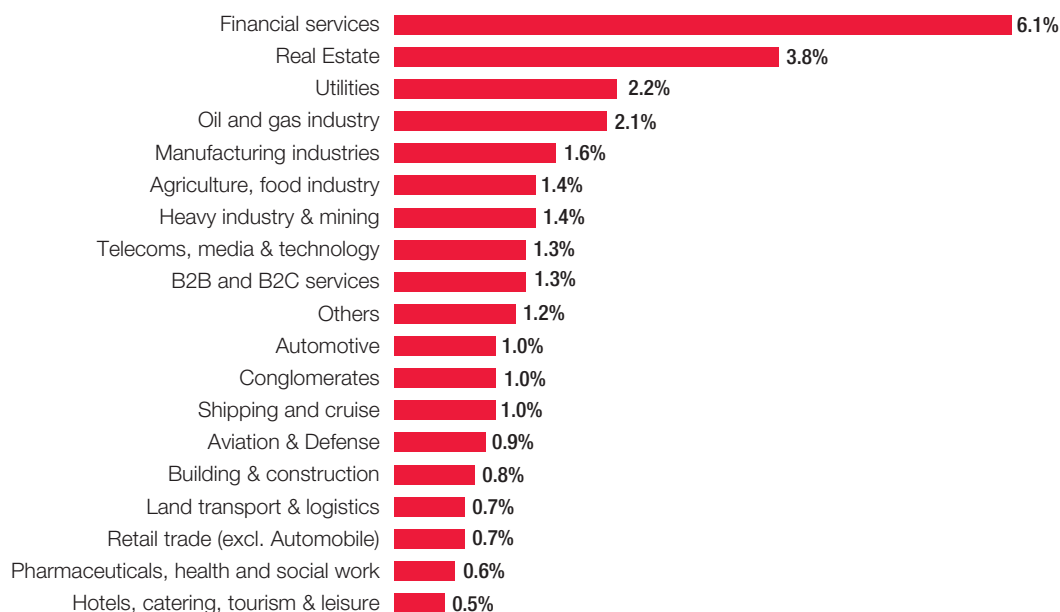
ASSETS AT AMORTISED COST (INSURANCE ACTIVITIES EXCLUDED): SECTORAL BREAKDOWN OF CORPORATE EXPOSURES ON THE TOTAL GROUP EXPOSURE OF FINANCIAL ASSETS AT AMORTISED COST (ALL BASEL CATEGORIES)

The graphs below show the sectoral breakdown of the "Corporate" Basel portfolio (see Tables "Group assets at amortised cost without insurance activities: outstanding amounts and impairments by Basel portfolio" presented above). The percentages presented correspond to the net amounts (gross amounts reduced by the corresponding impairment).

SECTOR BREAKDOWN OF GROUP CORPORATE NET EXPOSURE OVER TOTAL NET EXPOSURE OF FINANCIAL ASSETS AT AMORTISED COST AS AT 31 DECEMBER 2023



SECTOR BREAKDOWN OF GROUP CORPORATE NET EXPOSURE OVER TOTAL NET EXPOSURE OF FINANCIAL ASSETS AT AMORTISED COST AS AT 31 DECEMBER 2022



NOTE 3.8.2 IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN

In accordance with the application of IFRS 9 “Financial instruments” by the insurance subsidiaries (see Note 1), the impairment booked in these subsidiaries is presented below.

(In EURm)	Amount as at 31.12.2022 R	Allocations	Write-backs available	Net impairment losses	Write-backs used	Currency and scope effects	Amount as at 31.12.2023
Financial assets at fair value through other comprehensive income							
Impairment on performing outstanding (Stage 1)	6	45	(46)	(1)		-	5
Impairment on underperforming outstanding (Stage 2)	16	1	(6)	(5)		-	11
Impairment on doubtful outstanding (Stage 3)	6	-	(6)	(6)	-	-	-
TOTAL	28	46	(58)	(12)	-	-	16
Financial assets measured at amortised cost							
Impairment on performing assets outstanding (Stage 1)	1,042	719	(715)	4		2	1,048
Impairment on underperforming assets outstanding (Stage 2)	2,134	1,372	(1,510)	(138)		(23)	1,973
Impairment on doubtful assets outstanding (Stage 3)	7,855	3,389	(2,303)	1,086	(1,188)	(269)	7,484
TOTAL	11,031	5,480	(4,528)	952	(1,188)	(290)	10,505
o/w lease financing and similar agreements	896	377	(315)	62	(101)	26	883
Impairment on performing assets outstanding (Stage 1)	110	64	(51)	13		4	127
Impairment on underperforming assets outstanding (Stage 2)	169	90	(106)	(16)		10	163
Impairment on doubtful assets outstanding (Stage 3)	617	223	(158)	65	(101)	12	593

GROUP VARIATIONS OF DEPRECIATION WITHOUT INSURANCE ACTIVITIES ACCORDING TO CHANGES IN THE AMOUNT OF FINANCIAL ASSETS AT AMORTISED COST

Due to lack of significant variations of depreciations on financial assets measured at fair value through other comprehensive income and on financial assets at amortised cost of insurance activities, this information is not presented in the table below.

(In EURm)	Stage 1	Of which lease financing receivables	Stage 2	Of which lease financing receivables	Stage 3	Of which lease financing receivables	Total
Amount as at 31.12.2022	1,042	110	2,134	169	7,855	617	11,031
Production and Acquisition ⁽¹⁾	353	39	149	15	180	14	682
Derecognition ⁽²⁾	(175)	(12)	(160)	-	(807)	(106)	(1,142)
Transfer from stage 1 to stage 2 ⁽³⁾	(48)	(6)	519	47	-	-	471
Transfer from stage 2 to stage 1 ⁽³⁾	29	3	(329)	(30)	-	-	(300)
Transfer to stage 3 ⁽³⁾	(16)	(2)	(154)	(16)	988	110	818
Transfer from stage 3 ⁽³⁾	2	-	41	3	(190)	(19)	(147)
Allocations and Write-backs without stage transfer ⁽³⁾	(114)	(5)	(209)	(25)	(219)	(33)	(542)
Currency effect	(4)	-	(11)	-	(13)	4	(28)
Scope effect	(17)	-	(9)	-	(318)	-	(344)
Other variations	(4)	-	2	-	8	6	6
Amount as at 31.12.2023	1,048	127	1,973	163	7,484	593	10,505

(1) The amounts of impairment presented in the line Production and Acquisition in Stage 2/Stage 3 could include contracts originated in Stage 1 and reclassified in Stage 2/Stage 3 during the period.

(2) Including repayments, disposals and debt waivers.

(3) The amounts presented in the 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.

BREAKDOWN OF TRANSFERS BETWEEN STAGES FOR FINANCIAL ASSETS AT AMORTISED COST OF THE GROUP WITHOUT INSURANCE ACTIVITIES AS AT 30 JUNE 2023

The amounts presented in the transfers below include variations due to amortisation and new drawdowns on the contracts active during the financial year.

To describe the transfers between steps:

- the starting stage corresponds to the stage of the outstanding balance as at 31 December of the previous year;
- the end stage corresponds to the stage of the outstanding balance at the end of the financial year (even in the event of several changes during the financial year).

(In EURm)	Stage 1		Stage 2		Stage 3		Stock of outstanding amounts transferred as at 31 December	Stock of impairment associated with transferred outstanding amounts
	Outstanding amounts	Impairment	Outstanding amounts	Impairment	Outstanding amounts	Impairment		
Transfer from Stage 1 to Stage 2	(17,225)	(48)	13,051	519	-	-	13,051	519
Transfer from Stage 2 to Stage 1	11,315	29	(13,872)	(329)	-	-	11,315	29
Transfer from Stage 3 to Stage 1	240	2	-	-	(314)	(52)	240	2
Transfer from Stage 3 to Stage 2	-	-	726	41	(863)	(138)	726	41
Transfer from Stage 1 to Stage 3	(2,355)	(16)	-	-	2,214	554	2,214	554
Transfer from Stage 2 to Stage 3	-	-	(2,167)	(154)	1,928	434	1,928	434
Currency effect on contracts that change Stage	(114)	-	(48)	(2)	(5)	-	(167)	(2)

NOTE 3.8.3 CREDIT RISK PROVISIONS

BREAKDOWN

In accordance with the application of IFRS 9 “Financial instruments” by the insurance subsidiaries (see Note 1), the provisions of these subsidiaries are presented below.

(In EURm)	Amount as at 31.12.2022	Allocations	Write-backs available	Net impairment losses	Currency and scope effects	Amount as at 31.12.2023
Financing commitments						
Provisions on performing assets outstanding (Stage 1)	166	133	(147)	(14)	2	154
Provisions on underperforming assets outstanding (Stage 2)	251	159	(173)	(14)	(2)	235
Provisions on doubtful assets outstanding (Stage 3)	50	54	(86)	(32)	40	58
TOTAL	467	346	(406)	(60)	40	447
Guarantee commitments						
Provisions on performing assets outstanding (Stage 1)	57	47	(41)	6	(4)	59
Provisions on underperforming assets outstanding (Stage 2)	116	43	(72)	(29)	(3)	84
Provisions on doubtful assets outstanding (Stage 3)	258	92	(66)	26	(55)	229
TOTAL	431	182	(179)	3	(62)	372

GROUP VARIATIONS OF PROVISIONS WITHOUT INSURANCE ACTIVITIES ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

Due to the absence of significant variations in the provisions on financing and guarantee commitments for insurance activities, this information is not presented in the table below.

(In EURm)	Provisions								
	On financing commitments				On guarantee commitments				Total
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Amount as at 31.12.2022	166	251	50	467	57	116	258	431	898
Production and Acquisition ⁽¹⁾	51	14	10	75	23	17	36	76	151
Derecognition ⁽²⁾	(50)	(59)	(3)	(112)	(19)	(20)	(67)	(106)	(218)
Transfer from Stage 1 to Stage 2 ⁽³⁾	(7)	56	-	49	(1)	11	-	10	59
Transfer from Stage 2 to Stage 1 ⁽³⁾	5	(29)	-	(24)	3	(14)	-	(11)	(35)
Transfer to Stage 3 ⁽³⁾	(1)	(2)	8	5	-	(2)	18	16	21
Transfer from Stage 3 ⁽³⁾	-	-	(1)	(1)	-	1	(6)	(5)	(6)
Allocations and Write-backs without stage transfer ⁽³⁾	(9)	6	(11)	(14)	(3)	(22)	(10)	(35)	(49)
Currency effect	(1)	(2)	-	(3)	-	-	(1)	(1)	(4)
Scope effect	-	-	-	-	(1)	-	(1)	(2)	(2)
Other variations	-	-	5	5	-	(3)	2	(1)	4
Amount as at 31.12.2023	154	235	58	447	59	84	229	372	819

(1) The amounts of impairment presented in the Production and Acquisition line in Stage 2/Stage 3 May include originated contracts in Stage 1 reclassified in Stage 2/Stage 3 during the period.

(2) Including repayments, disposals and debt waivers.

(3) The 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.

DETAILS OF TRANSFERS BETWEEN STAGES FOR THE GROUP'S OFF-BALANCE SHEET COMMITMENTS EXCLUDING INSURANCE ACTIVITIES FOR THE PERIOD

The amounts presented in the transfers hereinafter include the variations due to amortisation and new drawdowns on the contracts active during the financial year.

To describe the transfers between steps:

- the starting stage corresponds to the stage of the outstanding balance as on 31 December of the previous year;
- the end stage corresponds to the stage of the outstanding balance at the end of the financial year (even in the event of several changes during the financial year).

	Financing commitments						Stock of outstanding commitments transferred as at 31 December	Stock of provisions associated with transferred outstanding amounts
	Stage 1		Stage 2		Stage 3			
	Outstanding amounts subject to impairment and provisions	Provisions	Outstanding amounts subject to impairment and provisions	Provisions	Outstanding amounts subject to impairment and provisions	Provisions		
<i>(In EURm)</i>								
Transfer from Stage 1 to Stage 2	(2,856)	(7)	1,794	56	-	-	1,794	56
Transfer from Stage 2 to Stage 1	775	5	(892)	(29)	-	-	775	5
Transfer from Stage 3 to Stage 1	5	-	-	-	(6)	-	5	-
Transfer from Stage 3 to Stage 2	-	-	24	-	(26)	(1)	24	-
Transfer from Stage 1 to Stage 3	(110)	(1)	-	-	61	6	61	6
Transfer from Stage 2 to Stage 3	-	-	(36)	(2)	23	2	23	2
Currency effect on contracts that change Stage	(37)	-	(19)	-	-	-	(56)	-

	Guarantee commitments						Stock of outstanding commitments transferred as at 31 December	Stock of provisions associated with transferred outstanding amounts
	Stage 1		Stage 2		Stage 3			
	Outstanding amounts subject to impairment and provisions	Provisions	Outstanding amounts subject to impairment and provisions	Provisions	Outstanding amounts subject to impairment and provisions	Provisions		
<i>(In EURm)</i>								
Transfer from Stage 1 to Stage 2	(1,583)	(1)	1,261	11	-	-	1,261	11
Transfer from Stage 2 to Stage 1	1,472	3	(1,711)	(14)	-	-	1,472	3
Transfer from Stage 3 to Stage 1	5	-	-	-	(8)	(1)	5	-
Transfer from Stage 3 to Stage 2	-	-	18	1	(26)	(5)	18	1
Transfer from Stage 1 to Stage 3	(82)	-	-	-	65	8	65	8
Transfer from Stage 2 to Stage 3	-	-	(62)	(2)	53	10	53	10
Currency effect on contracts that change Stage	(13)	-	(10)	-	-	-	(23)	-

NOTE 3.8.4 QUALITATIVE INFORMATION OF CHANGES IN IMPAIRMENT/PROVISIONS ON CREDIT RISK

The variation in credit risk impairment and provisions since 31 December 2022 is mainly linked to:

- covered losses on Stage 3 loans (EUR 1,181 million) included in the line derecognition.

This is in line with the Group's strategy for managing non-performing loans (NPL), through write-offs and disposals of its defaulted exposure portfolios.

Uncovered losses amount to EUR 333 million;

- transfer of loans to Stage 3 due to default for EUR 4.3 billion of outstanding amounts. This transfer resulted in an increase in impairment and provisions of EUR 840 million.

Particularly, this variation concerns:

- EUR 2.3 billion of outstanding amounts for which the impairment and provisions amount to EUR 553 million as at 31 December 2023. These contracts were in Stage 1 as at 31 December 2022;
- EUR 2.0 billion of outstanding amounts for which the impairment and provisions amount to EUR 287 million as at 31 December 2023. These contracts were in Stage 2 as at 31 December 2022;
- transfer of loans to Stage 2 due to downgraded ratings, transfer to "sensitive" or 30 days overdue for EUR 16.1 billion. This transfer resulted in an increase in impairment and provisions of EUR 530 million;
- the acquisition of LeasePlan resulted an increase in impairment and provisions of EUR 51 million, included in the line Scope effect;
- IFRS 5 entities classified as held for sale. This classification resulted a decrease in impairment and provisions of EUR 346 million, included in the line Scope effect.

NOTE 3.8.5 COST OF RISK**ACCOUNTING PRINCIPLES**

Cost of credit 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 credit 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 irrecoverables loans on the year of collection.

SYNTHESIS

(In EURm)

	31.12.2023	31.12.2022 R
Cost of credit risk of financial assets from insurance activities	7	1
Cost of credit risk	(1,025)	(1,647)
TOTAL	(1,018)	(1,646)

Following the application of IFRS 9 “Financial instruments” by the insurance subsidiaries (see Note 1), the cost of credit risk for these subsidiaries is also presented below.

<i>(In EURm)</i>	31.12.2023	31.12.2022 R
Net allocation to impairment losses	(940)	(1,464)
<i>On financial assets at fair value through other comprehensive income</i>	12	-
<i>On financial assets at amortised cost</i>	(952)	(1,464)
Net allocations to provisions	57	(23)
<i>On financing commitments</i>	60	(10)
<i>On guarantee commitments</i>	(3)	(13)
Losses not covered on irrecoverable loans	(333)	(318)
Amounts recovered on irrecoverable loans	200	132
Effect from guarantee not taken into account for the calculation of impairment	(2)	27
TOTAL	(1,018)	(1,646)
<i>o/w cost of risk on sound outstanding classified in Stage 1</i>	0	(58)
<i>o/w cost of risk on doubtful loans classified in Stage 2</i>	176	(618)
<i>o/w cost of risk on doubtful loans classified in Stage 3</i>	(1,194)	(970)

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.

The fair value of financial instruments includes accrued interest if applicable.

For financial instruments that are not recognised at fair value on the balance sheet, the figures disclosed in this note are estimates of their fair value broken down according to the fair value hierarchy as described in Note 3.4.

These estimates are disclosed for information purpose only, they are not used for the management of the Group’s activities, and should not be taken as an estimate of the amount that would be realised if all such financial instruments were to be settled immediately.

NOTE 3.9.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST

<i>(In EURm)</i>	31.12.2023				
	Carrying amount⁽²⁾	Fair value	Level 1	Level 2	Level 3
Due from banks	77,879	77,853	-	60,577	17,276
Customer loans ⁽¹⁾	485,449	466,421	-	171,898	294,523
Debt securities	28,147	27,801	12,477	12,010	3,314
TOTAL	591,475	572,075	12,477	244,485	315,113

(1) Carrying amount consists of EUR 158,237 million of assets floating rate and EUR 327,212 million of assets fixed rate (including EUR 69,811 million fixed rate less than one year).

(2) Carrying amount does not include the revaluation differences on portfolios hedged against interest rate risk for an amount of EUR -433 million.

31.12.2022 R

(In EURm)	Carrying amount ⁽²⁾	Fair value	Level 1	Level 2	Level 3
Due from banks	68,171	67,964	-	54,582	13,382
Customer loans ⁽¹⁾	506,635	480,914	-	196,255	284,659
Debt Securities	26,143	25,285	10,572	10,581	4,132
TOTAL	600,949	574,163	10,572	261,418	302,173

(1) Carrying amount consists of EUR 157,180 million of assets floating rate and EUR 349,455 million of assets fixed rate (including EUR 101,969 million fixed rate less than one year).

(2) Carrying amount does not include the revaluation differences on portfolios hedged against interest rate risk for an amount of EUR -2,262 million.

NOTE 3.9.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

31.12.2023

(In EURm)	Carrying amount ⁽²⁾	Fair value	Level 1	Level 2	Level 3
Due to banks	117,847	117,793	189	114,909	2,695
Customer deposits ⁽¹⁾	541,677	540,624	-	524,565	16,059
Debt securities issued	160,506	159,282	31,590	124,590	3,102
Subordinated debt	15,894	15,129	1,014	14,115	-
TOTAL	835,924	832,828	32,793	778,179	21,856

(1) Carrying amount consists of EUR 148,887 million of liabilities floating rate and EUR 392,790 million of liabilities fixed rate (including EUR 359,618 million fixed rate less than one year).

(2) Carrying amount does not include the revaluation differences on portfolios hedged against interest rate risk for an amount of EUR -5,857 million.

31.12.2022 R

(In EURm)	Carrying amount ⁽²⁾	Fair value	Level 1	Level 2	Level 3
Due to banks	133,011	133,009	255	118,331	14,423
Customer deposits ⁽¹⁾	530,764	529,099	-	457,003	72,096
Debt securities issued	133,176	131,290	22,838	106,619	1,833
Subordinated debt	15,948	15,949	-	15,949	-
TOTAL	812,899	809,347	23,093	697,902	88,352

(1) Carrying amount consists of EUR 188,638 million of liabilities floating rate and EUR 342,126 million of liabilities fixed rate (including EUR 304,070 million fixed rate less than one year).

(2) Carrying amount does not include the revaluation differences on portfolios hedged against interest rate risk for an amount of EUR -9,659 million.

In a context of rising interest rates, financial assets, unlike financial liabilities, have a fair value significantly lower than their book value. This asymmetry can be explained in particular by the fact that debts to customers are mainly composed of demand deposits whose fair value is equal to their nominal value due to their immediate contractual maturity. This asymmetry is partially reduced by taking into account the interest rate hedges applicable to these deposits.

Since the contractual maturity of these deposits is immediate, the discounting effect is nil and their fair value is equal to their nominal amount.

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 actuarial rate published by 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 with similar maturities.

For fixed-rate loans with an initial maturity less than or equal to one year and for variable-rate financial assets (loans, receivables, finance lease agreements), the fair value is assumed equal to the net book value of the impairments, assuming there has been no significant change in credit spreads on the counterparties in question since they were recognised in the balance sheet.

DEBTS

In the absence of an active debt market, the fair value of debts is assumed to be equal to the value of the future flows discounted according to the available market rates applicable to the product concerned on the closing date.

When the debt is a listed instrument, its fair value is its market value.

For debts with a floating-rate and debts with an initial maturity of less than or equal to one year, fair value is taken to be the same as the carrying amount. Similarly, the individual fair value of demand deposit accounts is equal to their carrying amount.

SECURITIES

Provided that the security is an instrument traded on an active market, its fair value is equal to the market price.

In the absence of an active market, the fair value of the securities is calculated taking into account the value of future cash flows discounted according to the interest rate parameters available on the market and applicable to the product concerned as at closing date. For variable-rate debt securities and fixed-rate debt securities with an agreed duration of up to one year, the fair value is assumed to be the gross carrying amount adjusted for any allowance provided there have been no significant change in credit spreads on the counterparties in question since they were recognised in the balance sheet.

NOTE 3.10 Commitments and assets pledged and received as securities**ACCOUNTING PRINCIPLES****Loan commitments**

The nominal amount of loan commitments is detailed in the table below. Loan commitments that are not considered as financial derivatives or that are not measured at fair value through profit or loss for trading purpose are initially recognised at fair value in the balance sheet. Thereafter, they are provisioned as necessary in accordance with the accounting principles for impairment and provisions (see Note 3.8).

Guarantee commitments

The nominal amount of guarantee commitments is detailed in the table below. 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.

Assets pledged as and received as collateral

The financial assets pledged as collateral are carried in the balance sheet whenever the Group has not transferred to the recipients of collateral the contractual rights to receive asset cash flows or substantially all the risks inherent to their ownership.

Likewise, the Group does not recognise on its balance sheet the assets received as collateral if the contractual rights to receive these asset cash flows and substantially all the risks and rewards inherent to their ownership have not been transferred to it.

NOTE 3.10.1 COMMITMENTS

COMMITMENTS GRANTED

(In EURm)	31.12.2023	31.12.2022 R
Loan commitments		
To banks	97,092	84,882
To customers	224,548	228,036
<i>Issuance facilities</i>	83	83
<i>Confirmed credit lines</i>	210,499	202,401
<i>Others</i>	13,966	25,552
Guarantee commitments		
On behalf of banks	5,733	6,598
On behalf of customers ⁽¹⁾	75,685	88,779
Securities commitments		
Securities to be delivered	41,083	38,199
Acquisition of tangible assets commitments		
Purchase of vehicles and underlying assets subject to an operating lease	9,191	6,344

(1) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.

COMMITMENTS RECEIVED

(In EURm)	31.12.2023	31.12.2022 R
Loan commitments		
From banks	66,312	86,440
Guarantee commitments		
From banks	117,694	127,233
Other commitments ⁽¹⁾	199,747	178,486
Securities commitments		
Securities to be received	38,522	38,563

(1) These commitments include the guarantee granted by French government related to the State Guaranteed Loans (see Note 1.6).

NOTE 3.10.2 FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSETS PLEDGED

(In EURm)	31.12.2023	31.12.2022 R
Book value of assets pledged as security for liabilities ⁽¹⁾	337,037	357,694
Book value of assets pledged as security for transactions in financial instruments ⁽²⁾	69,447	85,717
Book value of assets pledged as security for off-balance sheet commitments	2,209	2,547
TOTAL	408,693	445,958

(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

<i>(In EURm)</i>	31.12.2023	31.12.2022 R
Fair value of securities purchased under resale agreements	193,154	150,614

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**

<i>(In EURm)</i>	31.12.2023		31.12.2022 R	
	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	13,402	11,098	14,992	11,876
Securities at fair value through other comprehensive income	13,457	11,159	13,427	11,163
Securities at amortised cost	187	182	249	239
TOTAL	27,046	22,439	28,668	23,278

SECURITIES LENDING

	31.12.2023		31.12.2022 R	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
(In EURm)				
Securities at fair value through profit or loss	14,509	-	12,455	-
Securities at fair value through other comprehensive income	228	-	249	-
Securities at amortised cost	8	-	8	-
TOTAL	14,745	-	12,712	-

SECURITISATION ASSETS FOR WHICH THE COUNTERPARTIES TO THE ASSOCIATED LIABILITIES HAVE RECOURSE ONLY TO THE TRANSFERRED ASSETS

	31.12.2023	31.12.2022
(In EURm)		
Customers loans		
Carrying amount of transferred assets	8,663	4,613
Carrying amount of associated liabilities	6,869	4,188
Fair value of transferred assets (A)	8,857	4,750
Fair value of associated liabilities (B)	6,872	4,188
Net position (A)-(B)	1,985	562

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 2023, 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 2023

ASSETS

	Amount of assets not subject to offsetting	Impact of offsetting on the balance sheet		Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments received as collateral	
<i>(In EURm)</i>								
Derivative financial instruments ⁽²⁾ (see Notes 3.1 and 3.2)	14,871	207,534	(128,285)	94,120	(59,842)	(8,762)	1	25,517
Securities lent	1,165	13,580	-	14,745	(12,560)	(28)	-	2,157
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	39,578	240,706	(87,130)	193,154	(17,786)	(551)	(92,883)	81,934
Guarantee deposits pledged (see Note 4.4)	38,854	12,757	-	51,611	-	(12,757)	-	38,854
Other assets not subject to offsetting	1,200,415	-	-	1,200,415	-	-	-	1,200,415
TOTAL	1,294,883	474,577	(215,415)	1,554,045	(90,188)	(22,098)	(92,882)	1,348,877

(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.

(2) At 31 December 2023, the amount offset within the "Derivative financial instruments" section includes EUR 60,964 million of cash margin received.

LIABILITIES

	Amount of liabilities not subject to offsetting	Impact of offsetting on the balance sheet		Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	
<i>(In EURm)</i>								
Derivative financial instruments ⁽²⁾ (see Notes 3.1 and 3.2)	20,358	216,438	(128,285)	108,511	(59,842)	(12,757)	-	35,912
Amount payable on borrowed securities (see Note 3.1)	27,419	15,064	-	42,483	(12,559)	-	-	29,924
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	48,124	190,964	(87,130)	151,958	(17,787)	-	(81,541)	52,630
Guarantee deposits received (see Note 4.4)	43,912	9,341	-	53,253	-	(9,341)	-	43,912
Other liabilities not subject to offsetting	1,121,593	-	-	1,121,593	-	-	-	1,121,593
TOTAL	1,261,406	431,807	(215,415)	1,477,798	(90,188)	(22,098)	(81,541)	1,283,971

(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.

(2) At 31 December 2023, the amount offset within the "Derivative financial instruments" section includes EUR 63,797 million of cash margin paid.

NOTE 3.12.2 AT 31 DECEMBER 2022 R

ASSETS

(In EURm)	Amount of assets not subject to offsetting	Impact of offsetting on the balance sheet		Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments received as collateral	
Derivative financial instruments* ⁽²⁾ (see Notes 3.1 and 3.2)	12,359	229,575	(132,188)	109,746	(70,657)	(9,292)	-	29,797
Securities lent	3,951	8,809	-	12,760	(6,996)	(39)	-	5,725
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	50,097	200,497	(99,980)	150,614	(7,927)	(1,634)	(61,768)	79,285
Guarantee deposits pledged (see Note 4.4)	53,614	14,154	-	67,768	-	(14,154)	-	53,614
Other assets not subject to offsetting	1,144,012	-	-	1,144,012	-	-	-	1,144,012
TOTAL	1,264,033	453,035	(232,168)	1,484,900	(85,580)	(25,119)	(61,768)	1,312,433

(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.

(2) At 31 December 2022, the amount offset within the "Derivative financial instruments" section includes EUR 62,652 million of cash margin received.

LIABILITIES

(In EURm)	Amount of assets not subject to offsetting	Impact of offsetting on the balance sheet		Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	
Derivative financial instrument* ⁽²⁾ (see Notes 3.1 and 3.2)	15,365	235,643	(132,188)	118,820	(70,657)	(14,154)	-	34,009
Amount payable on borrowed securities (see Note 3.1)	32,235	18,866	-	51,101	(6,996)	-	-	44,105
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	43,652	170,223	(99,980)	113,895	(7,927)	-	(51,400)	54,568
Guarantee deposits received (see Note 4.4)	63,341	10,965	-	74,306	-	(10,965)	-	63,341
Other liabilities not subject to offsetting	1,053,452	-	-	1,053,452	-	-	-	1,053,452
TOTAL	1,208,045	435,697	(232,168)	1,411,574	(85,580)	(25,119)	(51,400)	1,249,475

* 2022 amounts restated to present the effects of offsetting on OTC derivative financial instruments and associated margin calls, in application of Collateralized-To-Market model by clearing houses.

(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.

(2) At 31 December 2022, the amount offset within the "Derivative financial instruments" section includes EUR 65,574 million of cash margin paid.

NOTE 3.13 Contractual maturities of financial liabilities

<i>(In EURm)</i>	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2023
Due to central banks	9,718	-	-	-	9,718
Financial liabilities at fair value through profit or loss	239,500	35,406	56,145	44,533	375,584
Due to banks	62,587	43,357	10,724	1,179	117,847
Customer deposits	481,894	36,166	19,976	3,641	541,667
Debts securities issued	35,963	27,977	67,755	28,811	160,506
Subordinated debt	213	76	6,594	9,011	15,894
Other liabilities	84,028	2,548	3,822	3,260	93,658
TOTAL LIABILITIES	913,903	145,530	165,016	90,435	1,314,884
Loan commitments granted and others ⁽¹⁾	145,084	50,230	117,341	18,176	330,831
Guarantee commitments granted	40,697	16,653	15,861	8,207	81,418
TOTAL COMMITMENTS GRANTED	185,781	66,883	133,202	26,383	412,249

(1) This line includes commitments relating to the purchase of vehicles and underlying equipment subject to an operating lease.

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 are no contractual terms, as well as for trading financial instruments (e.g.: derivatives), maturities are presented in the first column (up to three months).

The guarantee commitments given are scheduled on the basis of the best possible estimate of flow; if not available, they are presented in the first column (up to three months).

NOTE 4 OTHER ACTIVITIES

NOTE 4.1 Fee income and expense

ACCOUNTING PRINCIPLES

Fee income and Fee expense combine fees on services rendered and received, as well as fees on commitments, that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under Interest and similar income and Interest and similar expense (see Note 3.7).

Transactions with customers include the fees from retail customers from the Group retail banking activities (in particular credit card fees, account management fees or application fees outside the effective interest rate).

Sundry services provided include the fees from customers from the other Group activities (in particular, interchange fees, funds management fees or fees on insurance products sold within the network).

The Group recognises fee income or expense for an amount equivalent to the remuneration for the service provided and depending on the progress transferring control of these services:

- fees for ongoing services, such as some payment services, custody fees, or digital service subscriptions are recognised as income over the life of the service;
- fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties on payment incidents are recognised as income when the service is provided.

The amount equivalent to the remuneration for the service provided is composed of fixed and variable contractual compensation whether they are paid in kind or in cash, less any payments due to customers (for example, in case of promotional offers). The variable compensation (for example, discounts based on the provided services volume over a period of time or fees payable subject to the achievement of a performance target, etc.) are included in the amount equivalent to the remuneration for the service provided if and only if this compensation is highly probable not to be subsequently reduced significantly.

The possible mismatch between the payment date of the service provided and the date of execution of the service gives assets and liabilities depending on the type of contract and mismatch which are recognised under Other Assets and Other Liabilities (see Note 4.4):

- customer contracts generate trade receivables, accrued income or prepaid income;
- supplier contracts generate trade payables, accrued expenses or prepaid expenses.

In syndication deals, the effective interest rate for the share of the issuance retained on the Group's balance sheet is comparable to that applied to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees for services rendered is then recorded under Fee income at the end of the syndication period. Arrangement fees are recorded as income when the placement is legally complete.

(In EURm)	2023			2022 R		
	Income	Expense	Net	Income	Expense	Net
Transactions with banks	134	(125)	9	133	(110)	23
Transactions with customers	2,979		2,979	3,088		3,088
Financial instruments operations	3,366	(2,976)	390	2,475	(2,447)	28
Securities transactions	717	(1,268)	(551)	495	(1,008)	(513)
Primary market transactions	547		547	162		162
Foreign exchange transactions and derivatives instruments	2,102	(1,708)	394	1,818	(1,439)	379
Loan and guarantee commitments	1,004	(429)	575	974	(424)	550
Various services	2,580	(945)	1,635	2,730	(1,202)	1,528
Asset management fees	316		316	329		329
Means of payment fees	1,018		1,018	1,072		1,072
Insurance product fees	208		208	236		236
Underwriting fees of UCITS	82		82	75		75
Other fees	956	(945)	11	1,018	(1,202)	(184)
TOTAL	10,063	(4,475)	5,588	9,400	(4,183)	5,217

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 8.3).

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 8.3). 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.

(In EURm)	2023			2022 R		
	Income	Expense	Net	Income	Expense	Net
Real estate development	60	(4)	56	69	-	69
Real estate leasing	87	(174)	(87)	80	(151)	(71)
Equipment leasing ⁽¹⁾	20,107	(15,992)	4,115	12,490	(9,466)	3,024
Other activities	751	(1,224)	(473)	662	(1,008)	(346)
TOTAL	21,005	(17,394)	3,611	13,301	(10,625)	2,676

(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

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Insurance activities (life insurance 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. Based on a current estimate of the future cash flows from the insurance contracts issued (premiums, indemnification, benefits, associated costs...), the main objective of these rules is to recognise the expected profit progressively over the period during which the insurance services are provided.

ACCOUNTING PRINCIPLES

Insurance contracts subject to IFRS 17 “Insurance Contracts” are insurance contracts issued, reinsurance contracts issued (reinsurance assumed) or held (reinsurance ceded), as well as investment contracts issued including a discretionary participation clause provided that they are issued by an entity which also issues insurance contracts.

The accounting principles below do not apply to the insurance contracts for which the Group is the insured beneficiary except for the contracts identified as reinsurance treaties.

Investment contracts without discretionary participation features and with no insurance component (pure unit-linked contracts) do not meet the IFRS 17 definition of an insurance contract and are recognised as Financial liabilities measured at fair value through profit or loss (see Note 3.1 paragraph 3). These are financial liabilities indexed on the performance of underlying assets for which the Group has elected to exercise the option to measure the instruments at fair value without requiring the separation of the embedded derivatives.

Grouping of contracts

For their assessment, insurance contracts are grouped into homogeneous portfolios to take account of the pooling of risks specific to the insurance activity. These portfolios include insurance contracts that are exposed to similar risks and managed together.

Within each portfolio, three groups of contracts shall be distinguished on initial recognition of the later: onerous contracts, contracts with no significant possibility of becoming subsequently onerous, and other contracts.

Lastly, contracts issued more than one year apart cannot be included in the same group. Consequently, each group of contracts shall be subdivided into annual cohorts. However, while adopting IFRS 17, the European Union has provided European undertakings with an option not to implement this provision to contracts benefiting from an intergenerational mutualisation of returns on the underlying assets in countries where these undertakings market insurance contracts.

The Group uses this optional exemption on the life-insurance savings and retirement savings contracts issued (for instance, contracts invested in euro-denominated funds) as they include direct or discretionary profit-sharing items for which both risks and cashflows are shared between different generations of policyholders. These savings life-insurance contracts are also managed on an intergenerational basis in order to mitigate interest rate risk and longevity risk exposures.

The portfolios of contracts are determined by the Group, using (i) the product line to identify the insurance contracts exposed to similar risks and (ii) the country of issuance of the contract and/or the distribution entity.

When the materiality of the outstanding amounts of the contracts concerned is not significant in the context of the aggregates of the Group's consolidated balance sheet, some of these portfolios may be grouped together.

The major portfolios identified by the Group are as follows:

Scope of products	Product line
Savings	Life Insurance Savings with accumulation of capital paid out upon surrender or death (investments in euro funds, unit-linked funds, multivehicle contracts).
Retirement	Individual and group insurance contracts such as Retirement savings plans (French <i>Plan Épargne Retraite – PER</i>) with payout in annuities and/or capital (single or multiple unit-linked investments).
Protection – Provident	Borrower insurance; Individual protection; Group protection; Individual health insurance; Group health insurance; Funeral insurance; Nursing care insurance.
Protection – Non-life insurance (property and casualty)	Personal injury accident; Insurance of the Means of payment; Multi-risk home insurance; Land motor vehicle insurance; Miscellaneous Risk Insurance.

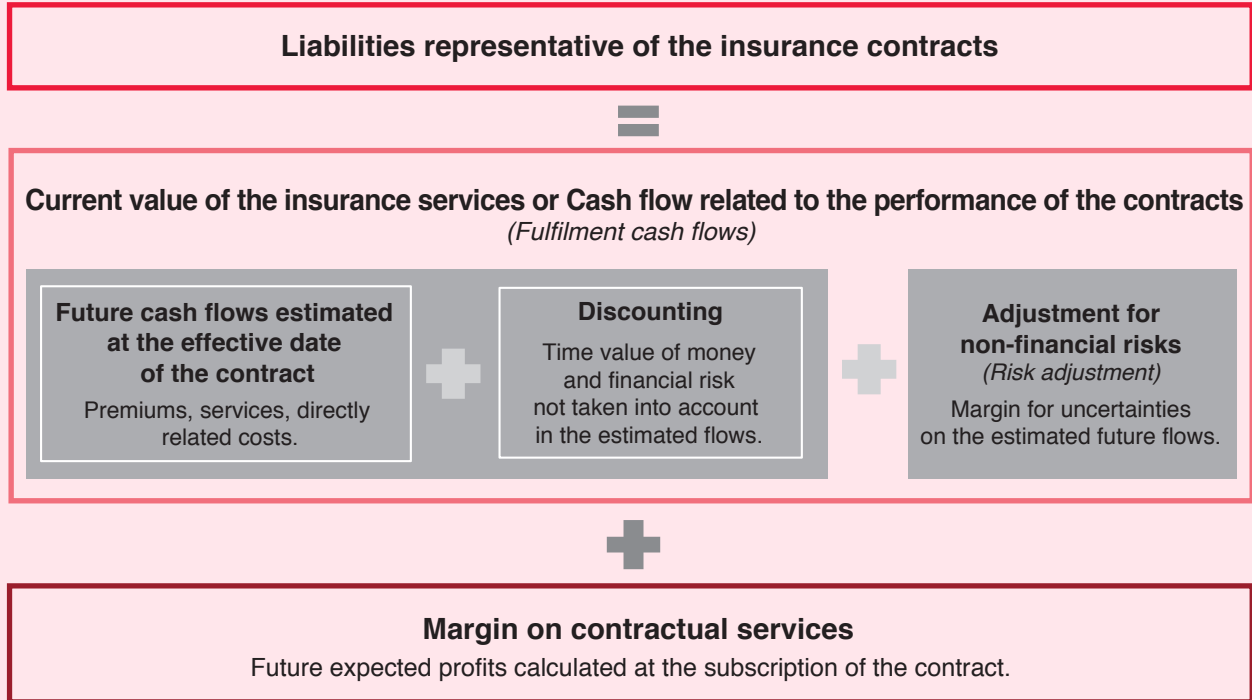
Measurement models

Each group of insurance contracts is measured separately, and its value is presented in the balance sheet either under Insurance and reinsurance contract assets or under Insurance and reinsurance contract liabilities.

GENERAL MODEL APPLICABLE TO THE INSURANCE CONTRACTS ISSUED

Initial measurement

Upon initial recognition, the value of a group of insurance contracts issued corresponds to the sum of the following items:



Future estimated cash flows

These cash flows are the current estimates of all the amounts that the insurer expects to receive (for premiums...) or pay to the benefit of insurance policyholders (in relation to life insurance, claims to be compensated, guaranteed benefits and other directly attributable expenses) as part of the fulfilment of insurance contracts, until their settlement.

These amounts are adjusted to reflect:

- the present value of the future cash flows taking into account the time value of money and the financial risks related to the future cash flows (see Discounting);
- the uncertainties about the amount and frequency of the cash flows (see Adjustment for non-financial risk).

Discounting

The future cash flows estimated are discounted using a risk-free yield curve (swap rate curve) adjusted for an illiquidity premium to represent the differences in characteristics between the liquid, risk-free financial instruments and the financial instruments backed insurance contracts (bottom-up approach).

Adjustment for non-financial risk

The discounted cash flows are adjusted to reflect the uncertainties about the amount and frequency of the future cash flows. This adjustment for non-financial risks is determined using a quantile approach based on a confidence level of 80% for the Retirement Savings business. Thus, the technical provisions supplemented with this risk adjustment will allow these estimated future cash flows to be covered in 80% of probable cases, a level of caution deemed appropriate. For the Protection business, this quantile level is between 80% and 90%.

The calculation method of the adjustment for non-financial risks does not take into account the diversification effect between the different insurance activities and between the different entities; however, it includes a diversification by products.

Contractual service margin (CSM)

The contractual service margin (CSM) represents the unearned profit that the entity will recognise in the income statement as the insurance services are provided in the future. Its amount is determined at the time of initial recognition of the group of insurance contracts so that, at that date, neither income nor expense is recorded in the income statement. In the event of onerous contracts, the expected loss shall immediately be recognised in profit or loss. This initial loss will later be reversed in profit or loss to offset the expense for incurred claims.

Subsequent measurement

On each closing date, the carrying amount in the balance sheet of the group of insurance contracts issued is remeasured. It is then equal to the sum of the following amounts:

- the liability for remaining coverage (LRC), for an amount equal to the reestimated value as at the date of the fulfilment cash flows related to future services (discounted value of the amounts receivable and payable related to the supply of insurance services on the remaining coverage period and the deposit components) and, when appropriate, the contractual service margin reestimated on the same date as described below;
- the liability for incurred claims (LIC), for an amount equal to the reestimated value as at the date of the fulfilment cash flows related to past services (discounted value of the amounts payable in relation to services on already incurred claims).

Income and expense are recognised for the changes in liabilities for remaining coverage and for incurred claims, as summarised below:

	Changes in liability for remaining coverage	Changes in liability for incurred claims
Insurance products	<ul style="list-style-type: none"> ■ Reversals related to the insurance services provided during the period 	
Insurance services expenses	<ul style="list-style-type: none"> ■ Losses recognised on onerous contracts and reversal of these losses 	<ul style="list-style-type: none"> ■ Allocations of liabilities for the incurred claims and the unfunded expenses incurred during the period ■ Subsequent changes in the fulfilment cash flows relating to the incurred claims and the unfunded expenses incurred
Insurance financial expenses and income	<ul style="list-style-type: none"> ■ Account taken of the impacts of the time value of money 	<ul style="list-style-type: none"> ■ Account taken of the impacts of the time value of money

On this same closing date, the amount of contractual service margin is adjusted to take notably account, for all contracts, of:

- the impact of the new contracts added to the Group;
- the interest capitalised on the carrying amount of the margin at the discounting rate used to determine the initial margin value;
- the reestimate of the fulfilment cash flows (discounted value of the amounts receivable and payable related to the insurance services provided during the remaining coverage period, excl. estimated amounts to be paid for already incurred claims that are subject to separate measurement);
- the amount recognised as insurance revenue because of the transfer of insurance contract services in the period.

Moreover, the contractual service margin is recognised in profit or loss according to coverage units that reflect the amount of service provided and the expected coverage period for the contracts remaining in the group of contracts.

The contractual service margin is not adjusted for the following changes in cash flows as they are not related to future services:

- inclusion of the impacts (and changes in them) of the time value of money and the financial risk (for example, the impact of a change in the discounting rate);
- changes in estimates of the fulfilment cash flows of liabilities for incurred claims;
- adjustments related to experience (difference between the estimate of the amounts expected for the period and the actual cash flows of the period).

Protection-Provident business

The Group mainly applies the General Model to measure its Protection-Provident contracts (borrower insurance, funeral, dependency contracts...).

For the Protection – Provident business, the insured value (for example the outstanding capital of the loan in the context of a borrower contract) is used to measure the quantity of service (or coverage units) provided or to be provided, in order to recognise a portion of the contractual service margin in the net income of the period.

GENERAL MODEL ADAPTED TO THE INSURANCE CONTRACTS ISSUED WITH DIRECT PARTICIPATION FEATURES (VARIABLE FEE APPROACH)

Insurance contracts issued with direct participation features may be regarded as creating an obligation to pay to policyholders an amount equal to the fair value of the underlying items (for example, investments in units of funds), minus a variable fee for the service.

The variable fee:

- a) represents the counterparty that a company receives to provide investment services;
- b) is based on the portion of the performance of the underlying items that varies over time. Consequently, the variable fee reflects the performance of the underlying items and the other cash flows necessary for the fulfilment of the contracts.

The general accounting model is adapted to reflect that the consideration received for this type of contract is a variable fee (Variable Fee Approach – VFA).

This adaptation of the general accounting model is used to measure the groups of insurance contracts for which:

- the contractual clauses specify that the policy holder is entitled to a portion of a clearly defined portfolio of underlying items;
- the entity expects to pay to the policyholder an amount equal to a substantial share of the yield on the fair value of the underlying items; and
- the entity expects any change in the amounts payable to the shareholder to be attributable, substantially, to a change in fair value of the underlying items.

Eligibility to this measurement model is analysed on the issuance date of the contracts and may subsequently be reassessed only in case of changes in the contract.

This measurement model is in line with the general model with regards to the following items:

- the fulfilment cash flows are measured the same way;
- during the initial measurement, the contractual service margin is identical;
- the subsequent changes in the fulfilment cash flows associated with the future services adjust the contractual service margin while the other changes, related to the services provided during the period or before impact the net income.

There are however several differences:

	General model	Tailored General model – VFA
<i>Recognition of the changes in fulfilment cash flows in relation to the changes in discounting rates and other financial variables</i>	■ in full in the Statement of net income and unrealised or deferred gains and losses	■ as an adjustment of the contractual service margin for the portion of this change associated with the insurer's share of underlying items
<i>Determination of the interest expense for the capitalisation of interest on the contractual service margin</i>	■ explicitly applying the discount rate used during the initial measurement	■ implicitly when taking account of the insurer's share in the change in fair value of the underlying items for the determination of the contractual service margin

Savings and Retirement business

The Group determined that the majority of life savings insurance contracts and individual and collective retirement savings contracts issued by its insurance subsidiaries meet the definition of contracts with direct participation features. These contracts, which make up the Group's predominant insurance activity (some 99% of the discounted estimated cash flows), are measured using the adapted General model known as Variable Fee Approach (VFA). The other contracts in these categories are measured based on the General Model or under IFRS 9 if they meet the definition of an investment contract.

For the Savings and Retirement business, the quantity of service (or coverage units) used for the amortisation of the contractual service margin (CSM) is intended to reflect, from an economic standpoint, the asset management service provided by the insurer during the period. This quantity is determined based on the future cash flows estimated over the ongoing and future periods. An adjustment is made in order to recognise the CSM at an appropriate pace, taking account of the financial performance of the underlying assets.

GENERAL MODEL ADAPTED TO THE REINSURANCE CONTRACTS HELD

Following the issuance of insurance contracts, some risks may be ceded to another insurance company through reinsurance contracts.

The general accounting model is adapted to take account of the specificities of the reinsurance contracts held. These reinsurance contracts held are booked under the General Model, modified on the following features:

Estimate of the fulfilment cash flows	The fulfilment cash flows take into account the risk of non-fulfilment by the issuer of the reinsurance contract (<i>i.e.</i> the risk of not recovering the expected compensation in the event of default of the reinsurer).
<i>Measurement of the contractual service margin during initial recognition</i>	Any net cost or profit determined at initial recognition (determined based on the estimated amount of premiums payable, expenses to be paid and compensations to be received) is recognised as a contractual service margin.
<i>Measurement of the contractual service margin in the context of onerous underlying contracts</i>	The contractual service margin is adjusted and an income is recognised accordingly, when a loss is recognised at initial recognition of a group of onerous underlying insurance contracts or when onerous underlying insurance contracts are added to the Group.

SIMPLIFIED MODEL (PREMIUM ALLOCATION APPROACH)

The standard also allows, under some conditions, for the application of a simplified accounting model for the contracts whose insurance coverage is lower or equal to 12 months, or for which the measurement of the Group's remaining coverage liabilities determined using this approach is not significantly different from the one that would result from the application of the general model.

The remaining coverage liabilities presented on the balance sheet corresponds to:

- the amount of premium received under the contract adjusted for the amounts recognised as insurance contracts income as the Company provides the insurance coverage;
- minus the remaining depreciable acquisition costs paid.

If a group of contracts is onerous, the remaining coverage liability is increased up to the estimated future fulfilment cash flows and a loss is recognised in the income statement.

The incurred claim liability is measured based on the general model. The Group does not discount the liability when it expects the claims to be settled within one year.

The simplified approach does not require:

- an explicit measurement of the contractual service margin;
- an update of the remaining coverage liability for the changes in discount rate and financial variables.

Protection – non-life insurance activity

The Group mostly applies the simplified approach to measure its non-life insurance contracts (personal injuries, means of payment, multi-risk home insurance...).

Presentation of the financial performance of insurance contracts

Expenses and income relating to insurance contracts are presented in the income statement, distinguishing between:

- the income arising from insurance services which includes:
 - income from insurance contracts issued,
 - insurance services expenses,
 - net income or expenses from the reinsurance contracts held;
- the financial result of the insurance and reinsurance contracts.

INCOME FROM INSURANCE CONTRACTS ISSUED

The revenues from insurance contracts represent the consideration that the insurance subsidiary expects to receive (representative of the premium received) against the services provided under the contracts.

The revenues recognised for the period include the amount representative of the premium received as coverage of the insurance service expenses and the margin expected in relation to the services provided during the period.

Many insurance contracts providing investment services include a deposit component, which is an amount paid by the policyholder and repaid by the insurer even when the insured event does not take place. These deposit components are excluded from the income statement, as the collection and repayment of a deposit are not, respectively, an income and an expense.

INSURANCE SERVICES EXPENSES

Insurance services expenses reflect the costs incurred to provide services over the period, including those associated with the claims incurred, and excluding the deposit component.

The expenses recorded over the period include the insurance services expenses related to the services provided for the incurred claims during the current or past periods and other amounts such as the amortisation of the insurance acquisition costs, the costs on onerous contracts and their reversals.

INCOME AND EXPENSES OF THE REINSURANCE CONTRACTS HELD.

Income and expenses are representative of the amounts recovered from reinsurers and of the allocation of the premiums paid for this coverage.

FINANCIAL INCOME AND EXPENSES OF INSURANCE CONTRACTS

The fulfilment cash flows and contractual service margin are booked on a discounted basis reflecting the frequency of cash flows. Over time, the effect of the time value of money decreases, which is reflected in the income statement as an insurance financial expense (the present value of future disbursements increases). Indeed, the financing costs (financial expenses of the contracts) of insurance are similar to the interest paid by the insurer on an early payment (in the form of a premium) and reflect the fact that the insurer usually receives the premiums in advance and pays benefits at a later date.

Finance income or expenses from insurance also include the effects on the carrying amount of insurance contracts of some changes in financial assumptions (namely discount rate and other financial variables).

The effect of the changes in discount rates and other financial variables is recognised over the period during which the changes occurred. The Group has elected, for most of its groups of contracts, to present the effect of these changes in a disaggregated manner between the income statement and equity. The aim of this choice is to minimise accounting mismatch between the investments of the insurance activity (associated to the financial assets held to cover the insurance contracts) and the financial expenses of the insurance contracts. This choice is made for each group of insurance contracts.

The Group decided to present the Notes detailing the financial data of the insurance subsidiaries distinguishing between the data attributed to the insurance contracts within the scope of IFRS 17 (columns headed Insurance contracts) including the measurement of these contracts and the investments backing them. These data also distinguish between the insurance contracts issued with direct participation features measured using the VFA model and their underlying investments.

The financial data of the investment contracts without participation features and without insurance component (contracts within the scope of IFRS 9) as well as all financial instruments that are not backing insurance contracts within the scope of IFRS 17 (ex: financial

instruments negotiated in the context of the investment of equity) are presented separately from the other financial data in the Others column.

As a reminder, on the transition date of 1 January 2022, the Group applied a modified retrospective approach for the measurement of savings life insurance contracts and retirement savings contracts which represent the vast majority of its contracts. Damage Protection contracts were subject to a complete retrospective approach. For Personal protection contracts, a complete or modified retrospective approach has been implemented on a case-by-case basis.

The future cash flows of the assets and liabilities of the insurance contract assets and liabilities are discounted using a risk-free rate curve (swap rate curve) modified by an illiquidity premium per entity and per activity. The following table shows the average discount rates used:

Average discount rate for the euro	31.12.2023						31.12.2022 R					
	1 year	5 years	10 years	15 years	20 years	40 years	1 year	5 years	10 years	15 years	20 years	40 years
Savings and retirement	4.27%	3.24%	3.31%	3.39%	3.34%	3.27%	3.73%	3.69%	3.66%	3.58%	3.32%	3.12%
Protection	3.74%	2.74%	2.77%	2.83%	2.74%	2.82%	3.21%	3.17%	3.14%	3.06%	2.80%	2.74%

NOTE 4.3.1 EXCERPT FROM THE BALANCE SHEET OF THE INSURANCE ACTIVITY

The tables below present the carrying amount of the assets and liabilities recognised on the balance sheet of the Group's insurance subsidiaries for:

- Insurance contracts or investment contracts;
- Investments made (whether or not backed by insurance contracts).

DETAIL OF ASSETS

(In EURm)	31.12.2023				31.12.2022 R			
	Insurance contracts			Total	Insurance contracts			Total
	With direct participations features	Other	Other		With direct participations features	Other	Other	
Financial assets at fair value through profit or loss	107,864	211	3,794	111,869	92,759	216	4,739	97,714
Trading portfolio	547	-	20	567	833	-	25	858
<i>Shares and other equity securities</i>	-	-	-	-	-	-	17	17
<i>Trading derivatives</i>	547	-	20	567	833	-	8	841
Financial assets measured mandatorily at fair value through profit or loss	93,912	205	3,725	97,842	78,677	210	4,712	83,599
<i>Bonds and other debt securities</i>	30,332	14	117	30,463	21,968	21	229	22,218
<i>Shares and other equity securities</i>	62,563	186	3,304	66,053	55,671	184	4,086	59,941
<i>Loans, receivables and securities purchased under resale agreements</i>	1,017	5	304	1,326	1,038	5	397	1,440
Financial instruments measured using fair value option through profit or loss	13,405	6	49	13,460	13,249	6	2	13,257
<i>Bonds and other debt securities</i>	13,405	6	49	13,460	13,249	6	2	13,257
Hedging derivatives	140	-	-	140	121	-	-	121
Financial assets at fair value through other comprehensive income	51,257	1,417	226	52,900	53,971	1,326	200	55,497
Debt instruments	51,257	1,417	226	52,900	53,971	1,326	200	55,497
<i>Bonds and other debt securities</i>	51,243	1,415	226	52,884	53,930	1,326	200	55,456
<i>Loans, receivables and securities purchased under resale agreements</i>	14	2	-	16	41	-	-	41
Financial assets at amortised cost⁽¹⁾	718	614	5,368	6,700	1,155	263	4,670	6,088
Investment Property	729	-	1	730	876	-	1	877
TOTAL INVESTMENTS OF INSURANCE ACTIVITIES⁽²⁾	160,708	2,242	9,389	172,339	148,882	1,805	9,610	160,297
Deferred acquisition costs	-	-	-	-	6	-	-	6
Insurance contracts issued assets	-	81	-	81	-	42	-	42
Reinsurance contracts held assets	-	378	-	378	-	305	-	305
TOTAL INSURANCE AND REINSURANCE CONTRACTS ASSETS	-	459	-	459	6	347	-	353

(1) The financial assets at amortised cost are mainly related to Debt securities at amortised cost and Loans and receivables due from banks at amortised cost.

(2) The Group has chosen to keep in the consolidated accounts investments made with Group companies measured at fair value through profit or loss in representation of unit-linked life insurance contracts.

DETAIL OF LIABILITIES

	31.12.2023				31.12.2022 R			
	Insurance contracts			Total	Insurance contracts			Total
	With direct participations features	Other	Other		With direct participations features	Other	Other	
<i>(In EURm)</i>								
Financial liabilities at fair value through profit or loss	82	-	4,017	4,099	78	-	3,520	3,598
Trading portfolio	82	-	503	585	47	-	572	619
<i>Borrowings and securities sold under repurchase agreements</i>	-	-	-	-	-	-	33	33
Trading derivatives	82	-	503	585	47	-	539	586
Financial instruments measured using fair value option through profit or loss ⁽¹⁾	-	-	3,514	3,514	31	-	2,946	2,977
Hedging derivatives	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-
Due to banks	2,442	6	84	2,532	2,116	74	45	2,235
Customer deposits	-	-	4	4	-	-	3	3
TOTAL OF FINANCIAL LIABILITIES FROM INSURANCE ACTIVITIES	2,524	6	4,105	6,635	2,194	74	3,568	5,836
Insurance contracts issued liabilities	138,976	2,746	-	141,722	133,795	2,079	-	135,874
Reinsurance contracts held liabilities	-	1	-	1	-	1	-	1
TOTAL INSURANCE AND REINSURANCE CONTRACTS LIABILITIES	138,976	2,747	-	141,723	133,795	2,080	-	135,875

(1) The financial instruments measured using the fair value option correspond to the unit-linked contracts without participation features.

NOTE 4.3.2 PERFORMANCE OF INSURANCE ACTIVITIES

The tables below show the details of the income and expenses recognised in the income statement or in the gains and losses directly recognised in equity by the Group's insurance subsidiaries for:

- the commercial performance of insurance services presented within the Net income of insurance services;
- the financial performance related to the management of contracts resulting from:
 - the financial income and expenses recognised on insurance contracts,
 - the financial income and expenses recognised on the investments backed on contracts;
- the financial performance of the other investments.

NOTE 4.3.2.1 DETAIL OF PERFORMANCE OF INSURANCE ACTIVITIES

	2023				2022 R			
	Insurance contracts			Total	Insurance contracts			Total
	With direct participations features	Other	Other		With direct participations features	Other	Other	
<i>(In EURm)</i>								
Financial result of investments and other transactions from insurance activities	6,527	110	124	6,761	(4,208)	(7)	(36)	(4,251)
Interest and similar income	1,477	33	168	1,678	1,738	39	119	1,896
Interest and similar expense	(261)	(11)	(113)	(385)	(238)	(19)	(87)	(344)
Fee income	10	-	1	11	9	12	-	21
Fee expense	(16)	(3)	(3)	(22)	(16)	(1)	(1)	(18)
Net gains and losses on financial transactions	5,411	92	74	5,577	(5,723)	(23)	(91)	(5,837)
<i>o/w gains and losses on financial instruments at fair value through profit or loss</i>	5,467	97	74	5,638	(5,581)	(20)	(82)	(5,683)
<i>o/w gains and losses on financial instruments at fair value through other comprehensive income</i>	(56)	-	-	(56)	(142)	-	-	(142)
<i>o/w gains and losses from the derecognition of financial instruments at amortised cost</i>	-	(5)	-	(5)	-	(3)	(9)	(12)
Cost of credit risk from financial assets related to insurance activities	7	-	-	7	1	-	-	1
Net income from other activities ⁽¹⁾	(101)	(1)	(3)	(105)	21	(15)	24	30
Insurance service result	958	620		1,578	930	549		1,479
Income from insurance contracts issued	1,259	2,280		3,539	1,120	1,984		3,104
Insurance service expenses	(301)	(1,677)		(1,978)	(190)	(1,416)		(1,606)
Income and expenses from reinsurance contracts held	-	17		17	-	(19)		(19)
Financial result of insurance services	(6,245)	(35)		(6,280)	4,053	22		4,075
Net finance income or expenses from insurance contracts issued	(6,245)	(40)		(6,285)	4,053	(23)		4,030
Net finance income or expenses from reinsurance contracts held	-	5		5	-	45		45
Unrealised or deferred gains and losses from investments that will be reclassified subsequently into income	2,137	72	10	2,219	(10,032)	(259)	(17)	(10,308)
Revaluation of debt instruments at fair value through other comprehensive income	2,099	72	10	2,181	(9,843)	(259)	(17)	(10,119)
Revaluation of hedging derivatives	38	-	-	38	(189)	-	-	(189)
Unrealised or deferred gains and losses from insurance contracts that will be reclassified subsequently into income	(2,150)	16		(2,134)	10,025	25		10,050
Revaluation of insurance contracts issued	(2,147)	17		(2,130)	10,025	42		10,067
Revaluation of the reinsurance contracts held	(3)	(1)		(4)	-	(17)		(17)

(1) The item Net income from other activities corresponds to Income from other activities and Expenses from other activities.

NOTE 4.3.2 MONITORING OF THE AMOUNT OF THE GAINS AND LOSSES DIRECTLY RECOGNISED IN EQUITY FOR DEBTS INSTRUMENTS UNDERLYING PARTICIPATION CONTRACTS WITH DIRECT PARTICIPATION FEATURES PRESENT AS AT THE TRANSITION DATE

The Group elected, for the groups of contracts with direct participation features, to recognise in the Net income of the period the financial income or expenses that eliminate accounting mismatches with the income or expenses recognised in the Net income for the underlying items held. Consequently, insurance subsidiaries directly recognise in equity the difference between the total financial income or expenses to be booked for the period for the contracts with direct participation features and the amount recognised in the Net income to eliminate an accounting mismatch.

The table below shows the changes in cumulative amount of the financial income and expenses related to insurance activities recognised directly in equity in relation to the contracts with direct participation features identified as at 1 January 2022 (date of transition to the new measurement method of contracts provided by IFRS 17).

	2023	2022 R
	Cumulative amounts included in OCI for debt instruments underlying direct participation contracts present on the date of transition	Cumulative amounts included in OCI for debt instruments underlying direct participation contracts present on the date of transition
Opening balance	(4,308)	5,577
Unrealised or deferred gains and losses for the period and Unrealised or deferred gains and losses reclassified in profit or loss	1,942	(9,885)
Closing balance	(2,366)	(4,308)

NOTE 4.3.3 DETAILS RELATING TO OUTSTANDING INSURANCE CONTRACTS

The Group elected not to show detailed information regarding the reinsurance contracts held owing to their low materiality Group-wide.

SUMMARY OF THE OUTSTANDING STOCK

	2023				2022 R			
	Insurance contracts			Total	Insurance contracts			Total
	With direct participations features	Other	Other		With direct participations features	Other	Other	
<i>(In EURm)</i>								
Insurance contracts issued assets	-	81	-	81	-	42	-	42
<i>o/w insurance contracts measured under the general model</i>	-	46	-	46	-	40	-	40
Insurance contracts issued liabilities	138,976	2,746	-	141,722	133,795	2,079	-	135,874
<i>o/w insurance contracts measured under the general model</i>	138,976	1,474	-	140,450	133,795	1,072	-	134,867
Reinsurance contracts held assets	-	378	-	378	-	305	-	305
<i>o/w reinsurance contracts measured under the general model</i>	-	137	-	137	-	110	-	110
Reinsurance contracts held liabilities	-	1	-	1	-	1	-	1
<i>o/w reinsurance contracts measured under the general model</i>	-	-	-	-	-	-	-	-
Investment contracts ⁽¹⁾	-	-	3,514	3,514	-	-	2,976	2,976

(1) Investment contracts with no discretionary participation features measured at fair value through profit or loss using the fair value option.

DETAILED NET INCOME FROM INSURANCE SERVICES

The table below shows the Net income from insurance services. The way in which the Insurance income and expenses are recognised are detailed in the accounting principles under the “Presentation of the financial performance of insurance contracts heading”.

	2023			2022 R		
	Insurance contracts			Insurance contracts		
	with direct participations features	Other	Total	with direct participations features	Other	Total
(In EURm)						
Income from insurance contracts issued	1,259	2,280	3,539	1,120	1,984	3,104
Contracts measured under the general model	1,259	1,040	2,299	1,120	998	2,118
<i>Income of premiums (relating to changes in Liabilities for Remaining Coverage) relative to:</i>						
<i>Deferred acquisition costs</i>	25	170	195	45	175	220
<i>Expected claims and handling costs</i>	147	441	588	156	437	593
<i>Expected non financial risk adjustment</i>	272	115	387	145	123	268
<i>Expected contractual services margin</i>	815	314	1,129	774	263	1,037
Contracts measured under the PAA	-	1,240	1,240	-	986	986
Insurance service expenses	(301)	(1,677)	(1,978)	(190)	(1,416)	(1,606)
Amortisation of acquisition costs	(25)	(288)	(313)	(45)	(304)	(349)
Net expenses for expected costs of claims, handling costs and non-financial risk adjustment (changes in Liabilities Incurred Claims) – Incurred in the period	(276)	(1,645)	(1,921)	(148)	(1,344)	(1,492)
Changes in net expenses for expected costs of claims and handling costs (changes in Liabilities Incurred Claims) – Past services	-	265	265	3	255	258
Losses and reversals of losses on onerous contracts (changes in Liabilities for Remaining Coverage)	-	(9)	(9)	-	(23)	(23)
Net income or expenses from reinsurance contracts held	-	17	17	-	(19)	(19)
INSURANCE SERVICE RESULT	958	620	1,578	930	549	1,479

NOTE 4.3.3.1 INSURANCE CONTRACTS MEASURED UNDER THE GENERAL MODEL (INCLUDING INSURANCE CONTRACTS ISSUED WITH DIRECT PARTICIPATION FEATURES) AND THE SIMPLIFIED MODEL
TABLE OF RECONCILIATION OF THE INSURANCE CONTRACTS LIABILITIES BY TYPE OF COVERAGE (REMAINING COVERAGE AND CLAIMS INCURRED)

	2023						Total
	Remaining coverage		Incurred claims (measured under the general model)	Incurred claims (measured under the PAA)		Total	
	Excluding the loss component	Loss component		Present value of the future cash flows	Non financial risk adjustment		
<i>(In EURm)</i>							
Insurance contracts issued liabilities	134,009	21	944	820	80	135,874	
Insurance contracts issued assets	(39)	5	(10)	2	-	(42)	
NET BALANCE AS AT 1 JANUARY	133,970	26	934	822	80	135,832	
Income from insurance contracts issued⁽¹⁾	(3,539)	-	-	-	-	(3,539)	
Insurance service expenses	313	9	796	854	6	1,978	
Amortisation of acquisition costs	313	-	-	-	-	313	
Net expenses for expected costs of claims, handling costs and non-financial risk adjustment (changes in Liabilities Incurred Claims) – Incurred in the period	-	-	987	893	41	1,921	
Changes in net expenses for expected costs of claims and handling costs (changes in Liabilities Incurred Claims) – Past services	-	-	(191)	(39)	(35)	(265)	
Losses and reversals of losses on onerous contracts (changes in Liabilities for Remaining Coverage)	-	9	-	-	-	9	
Net finance income or expenses from insurance contracts issued⁽²⁾	8,394	1	(5)	23	2	8,415	
Changes relative to the deposits component including in the insurance contract	(14,635)	-	14,635	-	-	-	
Other changes	(328)	-	128	499	18	317	
Cash flows	14,893	-	(15,470)	(785)	-	(1,362)	
Premiums received (as a reduction of premiums to be received included in the remaining coverage)	15,348	-	-	-	-	15,348	
Costs of claims and handling costs (as a reduction of the incurred claims liabilities)	-	-	(15,470)	(785)	-	(16,255)	
Paid acquisition costs (as a net adjustment of the remaining coverage following the transfer of deferred amounts or amortisations)	(455)	-	-	-	-	(455)	
NET BALANCE AS AT 31 DECEMBER	139,068	36	1,018	1,413	106	141,641	
Insurance contracts issued liabilities	139,155	32	985	1,444	106	141,722	
Insurance contracts issued assets	(87)	4	33	(31)	-	(81)	

(1) Of which, for the insurance contracts present on the transition date (and measured under the general model excluding the VFA model): EUR 371 million using the modified retrospective approach. Products from insurance contracts issued with direct participation are not monitored because the Group does not subdivide these contracts into annual cohorts in accordance with the exemption adopted by the European Union.

(2) This heading includes the financial expenses and income that were recorded under the heading Revaluation of insurance contracts in equity within Gains and losses recognised directly in equity and which will be reclassified later in profit or loss.

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	Remaining coverage		Incurred claims (measured under the general model)	Incurred claims (measured under the PAA)		Total
	Excluding the loss component	Loss component		Present value of the future cash flows	Non financial risk adjustment	
<i>(In EURm)</i>						
Insurance contracts issued liabilities	148,665	4	1,060	780	56	150,565
Insurance contracts issued assets	(72)	-	27	2	-	(43)
NET BALANCE AS AT 1 JANUARY	148,593	4	1,087	782	56	150,522
Income from insurance contracts issued⁽¹⁾	(3,104)	-	-	-	-	(3,104)
Insurance service expenses	349	23	607	600	27	1,606
Amortisation of acquisition costs	349	-	-	-	-	349
Net expenses for expected costs of claims, handling costs and non-financial risk adjustment (changes in Liabilities Incurred Claims) – Incurred in the period	-	-	792	665	35	1,492
Changes in net expenses for expected costs of claims and handling costs (changes in Liabilities Incurred Claims) – Past services	-	-	(185)	(65)	(8)	(258)
Losses and reversals of losses on onerous contracts (changes in Liabilities for Remaining Coverage)	-	23	-	-	-	23
Net finance income or expenses from insurance contracts issued⁽²⁾	(14,043)	(1)	(16)	(31)	(4)	(14,095)
Changes relative to the deposits component including in the insurance contract	(14,132)	-	14,132	-	-	-
Other changes	293	-	(291)	(322)	1	(319)
Cash flows	16,014	-	(14,585)	(207)	-	1,222
Premiums received (as a reduction of premiums to be received included in the remaining coverage)	16,375	-	-	-	-	16,375
Costs of claims and handling costs (as a reduction of the incurred claims liabilities)	-	-	(14,585)	(207)	-	(14,792)
Paid acquisition costs (as a net adjustment of the remaining coverage following the transfer of deferred amounts or amortisations)	(361)	-	-	-	-	(361)
NET BALANCE AS AT 31 DECEMBER	133,970	26	934	822	80	135,832
Insurance contracts issued liabilities	134,009	21	944	820	80	135,874
Insurance contracts issued assets	(39)	5	(10)	2	-	(42)

(1) Of which, for the insurance contracts present on the transition date (and measured under the general model): EUR 634 million using the modified retrospective approach. Products from insurance contracts issued with direct participation are not monitored because the Group does not subdivide these contracts into annual cohorts in accordance with the exemption adopted by the European Union.

(2) This heading includes the financial expenses and income that were recorded under the heading Revaluation of insurance contracts in equity within Gains and losses recognised directly in equity and which will be reclassified later in profit or loss.

NOTE 4.3.3.2 CONTRACTS MEASURED UNDER THE GENERAL MODEL (INCLUDING INSURANCE CONTRACTS ISSUED WITH DIRECT PARTICIPATION)
TABLE OF RECONCILIATION OF THE INSURANCE CONTRACTS LIABILITIES ISSUED BY ESTIMATE COMPONENTS (DISCOUNTED FUTURE CASH FLOWS, ADJUSTMENT FOR NON-FINANCIAL RISK AND CONTRACTUAL SERVICE MARGIN)

	2023			Total
	Present value of the future cash flows	Non financial risk adjustment	Contractual services margin	
<i>(In EURm)</i>				
Insurance contracts issued liabilities	123,297	3,452	8,118	134,867
Insurance contracts issued assets	(214)	40	134	(40)
NET BALANCE AS AT 1 JANUARY	123,083	3,492	8,252	134,827
Changes that relate to future services	(3,018)	767	2,266	15
Changes in estimates that adjust the CSM	(2,582)	622	1,960	-
Changes in estimates that result in losses and reversals on onerous contracts (i.e., that do not adjust the CSM)	11	1	-	12
Effect of new contracts recognised in the year	(447)	144	306	3
Changes that relate to current services	311	(308)	(1,129)	(1,126)
Contractual services margin recognised in profit or loss for services provided	-	-	(1,129)	(1,129)
Change in non-financial risk adjustment for risk expired	-	(308)	-	(308)
Experiences adjustments	311	-	-	311
Changes that relate to past services (i.e., changes in fullfilment cash flows relative to incurred claims)	(137)	(54)	-	(191)
Net finance income or expenses from insurance contracts issued⁽¹⁾	8,370	1	18	8,389
Other changes	376	3	(39)	340
Cash flows	(1,850)	-	-	(1,850)
Premiums received (as a reduction of premiums to be received included in the remaining coverage)	13,954	-	-	13,954
Costs of claims and handling costs (as a reduction of the incurred claims liabilities)	(15,470)	-	-	(15,470)
Paid acquisition costs (as a net adjustment of the remaining coverage following the transfer of deferred amounts or amortisations)	(334)	-	-	(334)
NET BALANCE AS AT 31 DECEMBER	127,135	3,901	9,368	140,404
Insurance contracts issued liabilities ⁽²⁾	127,374	3,844	9,232	140,450
Insurance contracts issued assets ⁽²⁾	(239)	57	136	(46)

(1) This heading includes the financial income and expenses that were recorded under the heading Revaluation of insurance contracts in equity within Gains and losses recognised directly in equity and which will be reclassified later in profit or loss.

(2) Of which, for the contractual service margin of the insurance contracts present on the transition date (and measured under the general model excluding the VFA model): EUR 255 million using the modified retrospective approach. The stock of contractual service margin of the insurance contracts present on the transition date is not monitored on the VFA model because the Group does not distinguish between annual cohorts on this scope (see exemption on annual cohorts in the Accounting Principles on contract groupings).

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<i>(In EURm)</i>	Present value of the future cash flows	Non financial risk adjustment	Contractual services margin	Total
Insurance contracts issued liabilities	138,337	3,064	8,269	149,670
Insurance contracts issued assets	(229)	52	135	(42)
NET BALANCE AS AT 1 JANUARY⁽¹⁾	138,108	3,116	8,404	149,628
Changes that relate to future services	(1,586)	667	945	26
Changes in estimates that adjust the CSM	(1,157)	439	718	-
Changes in estimates that result in losses and reversals on onerous contracts (<i>i.e.</i> , that do not adjust the CSM)	18	2	-	20
Effect of new contracts recognised in the year	(447)	226	227	6
Changes that relate to current services	115	(194)	(1,036)	(1,115)
Contractual services margin recognised in profit or loss for services provided	-	-	(1,036)	(1,036)
Change in non-financial risk adjustment for risk expired	-	(194)	-	(194)
Experiences adjustments	115	-	-	115
Changes that relate to past services (<i>i.e.</i>, changes in fullfilment cash flows relative to incurred claims)	(108)	(77)	-	(185)
Net finance income or expenses from insurance contracts issued⁽²⁾	(14,037)	(39)	16	(14,060)
Other changes	254	19	(77)	196
Cash flows	337	-	-	337
Premiums received (as a reduction of premiums to be received included in the remaining coverage)	15,261	-	-	15,261
Costs of claims and handling costs (as a reduction of the incurred claims liabilities)	(14,585)	-	-	(14,585)
Paid acquisition costs (as a net adjustment of the remaining coverage following the transfer of deferred amounts or amortisations)	(339)	-	-	(339)
NET BALANCE AS AT 31 DECEMBER	123,083	3,492	8,252	134,827
Insurance contracts issued liabilities ⁽³⁾	123,297	3,452	8,118	134,867
Insurance contracts issued assets ⁽³⁾	(214)	40	134	(40)

(1) Of which, for the contractual service margin of the insurance contracts and measured under the BBA general model: EUR 808 million using the modified retrospective approach and measured under the VFA model EUR 7,590 million using the modified retrospective approach.

(2) This heading includes the financial income and expenses that were recorded under the heading Revaluation of insurance contracts in equity within Gains and losses recognised directly in equity and which will be reclassified later in profit or loss.

(3) Of which, for the contractual service margin of the insurance contracts present on the transition date (and measured under the general model): EUR 390 million using the modified retrospective approach. The stock of contractual service margin of the insurance contracts present on the transition date is not monitored on the VFA model because the Group does not distinguish between annual cohorts on this scope (see exemption on annual cohorts in the Accounting Principles on contract groupings).

DETAILED EFFECT OF THE NEW CONTRACTS RECOGNISED DURING THE PERIOD

(In EURm)	2023		2022 R	
	Insurance contracts issued	o/w transfer of contracts	Insurance contracts issued	o/w transfer of contracts
Present value of:				
Estimated cash outflows	6,846	-	7,245	-
o/w acquisitions costs	334	-	339	-
o/w costs of claims and handling costs	6,512	-	6,906	-
Estimated cash inflows	(7,296)	-	(7,698)	-
Non-financial risk adjustment	144	-	226	-
Contractual services margin	306	-	227	-
Loss component on onerous contracts	3	-	6	-
TOTAL	3	-	6	-

NOTE 4.3.3.3 DETAILS ON THE PROJECTED ITEMS RELATING TO THE MEASUREMENT OF CONTRACTS

SCHEDULING OF THE CASH FLOWS RELATED TO THE INSURANCE AND REINSURANCE CONTRACTS LIABILITIES

(In EURm)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2023
Insurance and reinsurance contracts liabilities	3,571	9,188	36,538	92,426	141,723

EXPECTED RECOGNITION IN THE INCOME STATEMENT OF THE CONTRACTUAL SERVICE MARGIN DETERMINED AT THE END OF THE PERIOD⁽¹⁾

(In EURm)	31.12.2023	31.12.2022 R
Expected years before recognising CSM in profit or loss	Insurance contracts issued	Insurance contracts issued
1 to 5 years	3,901	3,520
6 to 10 years	1,913	1,973
> 10 years	3,554	2,759
TOTAL	9,368	8,252

(1) The contractual service margin determined at the end of the period does not include future new insurance contracts, and insurance contracts valued according to the simplified model. Furthermore, this contractual service margin includes the discounting effect and the adjustment taking into account the financial performance of the underlying assets.

NOTE 4.3.4 INSURANCE RISK MANAGEMENT

Insurance risk is the risk of loss inherent in the insurance business; the Group is exposed to it through its insurance subsidiaries. In addition to asset and liability risk management (interest rate, valuation, counterparty and exchange rate risk), this covers the risks related to premium pricing, mortality and increase in the number of claims.

NOTE 4.3.4.1 MANAGEMENT OF INSURANCE RISK

There are two main types of insurance risk:

- **technical risks**, and particularly underwriting risk in life insurance, individual personal protection and non-life insurance. These risks may be biometric: disability, longevity, mortality, or related to policyholders' behaviour (risk of surrender). To a lesser extent, in non-life and health insurance, such risks may also arise from claims pricing, selection and management, or from disaster risk;
- **risks associated with financial markets and asset-liability management**: the Insurance business line, mainly through life insurance on the French market, is exposed to hazards in financial markets (changes in interest rates and stock market fluctuations). These market hazards can be aggravated by policyholder behaviour (particularly in the case of surrender of savings life insurance policies) insofar as the amount of benefits on savings life insurance policies depends on the financial performance of the assets. This interaction between assets and liabilities is considered in the valuation of future cash flows.

The savings life insurance portfolio constitutes the majority of commitments for an amount of EUR 138,976 million as at 31 December 2023 recognised as Insurance contracts issued liabilities with direct participation features (EUR 133,795 million as at 31 December 2022). In addition, the commitments of the protection portfolio recognised in Insurance contracts issued liabilities excluding direct participation feature amounted to EUR 2,746 million as at 31 December 2023 (EUR 2,079 million as at 31 December 2022).

Managing these risks is at the core of the Insurance business line activity. It is carried out by qualified and experienced teams, with significant and appropriate IT resources. Risks are regularly monitored and reported within the framework of risk policies validated by the Board of Directors of the entities.

Technical risk management

Technical risk management are based on the following:

- heightened security for the risk acceptance process, with the aim of ensuring that the *ab initio* pricing matches the policyholder's risk profile and underwritten guarantees;
- regular monitoring of claim indicators in order to adjust some product parameters, such as the pricing or the level of coverage, if necessary;
- implementation of a reinsurance plan to protect the business line against major/serial claims;
- establishment of committees to monitor portfolio risks and decide on the launch of significant new products;
- implementation of the policies on subscription, provisioning and reinsurance risks.

RISK CONCENTRATION

The most material exposures in the portfolio are diversified on the French territory and do not show any specific concentration with regard to the French insurance market. The ALM and Risk Management Committee of the Insurance business line sets concentration limits per issuer and for certain sectors. This committee is regularly informed of the exposures and possible exceedances.

Risk management related to financial markets and asset-liability management

The management of the risks linked to the financial markets and asset-liability management is an integral part of the investment strategy just like long-term performance objectives. The optimisation of these two factors is highly influenced by the asset/liability balances. Liability commitments (guarantees offered to customers, policies length of detention), as well as the amounts booked under the major items on the accounting and prudential balance sheet (shareholders' equity, net income, provisions etc.) are analysed by the Finance, Investments and Risk Division of the Insurance business line.

The management of the risks related to financial markets (interest rate, credit and equity) and to asset-liability management is based on the following:

- monitoring short- and long-term cash flows (match between the duration of the liabilities and assets, liquidity risk management);
- particular monitoring of policyholder behaviour (surrender);
- close monitoring of financial markets;
- hedging against interest rate risks (both upside and downside);
- hedging against equity risk downside;
- determination of thresholds and limits per counterparty, per issuer rating and per asset class;
- performance of stress tests, the result of which are presented annually to the entities' Board of Directors, as part of the ORSA (*Own Risk and Solvency Assessment*), transferred to the ACPR after approval by the Board;
- organisation of committees to monitor the portfolio and to rule on investment decisions; implementation of the asset-liability management and investment risk policies.

CONCENTRATION OF MARKET RISK AND CREDIT RISK

The companies in the Insurance business line invest in the various types of financial products while respecting a prudent investment risk management policy. Within each type of securities, exposures are diversified in terms of geography, issuers and sectors. The implementation of this policy is characterised by the definition of thresholds, limits and constraints. The main concentrations are monitored within the framework of the ALM and Risk Management Committee. Similarly, the concentration of credit risk is subject to thresholds and limits. Any crossing of thresholds or limits is reported to the ALM and Risk Management Committee, an emanation of the Board of Directors.

Regulatory framework

The Sogecap group is subject to the European "Solvency 2" framework. The capital requirement is determined using the standard formula and the yield curve with the volatility adjustment provided by the European Insurance and Occupational Pensions Authority.

NOTE 4.3.4.2 INSURANCE RISK MODELING

In savings life insurance, the ALM stochastic model takes into account asset/liability interactions and integrates assumptions regarding policyholder behaviour (surrenders, death, arbitrage), the behaviour of the insurer (interest rate policy in line with the investment policy), the use of financial reserves, and the modelling of fees and commissions.

In protection, liabilities are projected based on adapted models that reflect the flows of premiums, claims and fees related to the management of these claims. They include assumptions and calculation parameters such as experience or mortality tables, fall or early repayment rates depending on the product, overhead rates, inflation, etc.

The models used in relation to Insurance activities are reviewed by the Risk and Actuarial Supervision Department, which is the second line of defence in the context of model risk management. The review work focuses on the theoretical robustness (evaluation of the quality of design and development) of the models, their use, the compliance of their implementation and the continuous monitoring of their relevance over time. The independent review process ends with (i) the publication of a report describing the scope of the review, tests performed, results, conclusions or recommendations and by (ii) Validation committees.

NOTE 4.3.4.3 INSURANCE RISK EXPOSURES AND SENSITIVITY ANALYSES**Technical insurance risks**

In life insurance, the Insurance business line is mainly exposed to surrender risks due to the preponderance of euro-denominated contracts in life insurance and borrower' insurance, and to a lesser extent, to mortality risk. The risk of surrender in life insurance is mitigated by the loss absorption capacity of the technical reserves (ability to reduce the level of discretionary profit-sharing attributed to policyholders). The Group implements a reinsurance program mainly to mitigate the mortality risks carried in the borrowers' insurance, individual personal protection and term life insurance contracts.

SENSITIVITY OF THE INSURANCE BUSINESS LINE TO UNDERWRITING RISK ON THE "SAVINGS" SCOPE (INSURANCE CONTRACTS WITH DIRECT PARTICIPATION FEATURES)

Risk factors	Shock used	31.12.2023	
		Impact On the Net Income	Impact on the capital
Increase in surrender	5% of outstanding 2023 year end	(13)	(13)

In property and casualty insurance, the Group is exposed to underwriting risk, *i.e.* the risk of loss of capital resulting from the difference between the costs related to the claims expected when pricing and the actual costs resulting from unfavourable changes in one or more risk factors (deviation in the frequency, the average costs, occurrence of atypical events).

Financial risks

Market risk: Given the preponderance of savings life insurance among its insurance business line, the Group is mainly exposed to market risk,

defined as the risk of loss of capital on the value of financial instruments resulting from variations in market parameters, the volatility of these parameters and correlations between these parameters. The parameters concerned are, in particular exchange rates, interest rates, as well as the prices of securities (shares, bonds), financial derivatives, real estate assets or any other assets.

Sensitivities have been identified in relation to the main financial risk factors analysed either alone or in combination. They take into account policyholder behaviours (in particular surrender) and are net of tax and net of the participation allocated to policyholders.

SENSITIVITY OF THE INSURANCE BUSINESS LINE TO MARKET RISKS IN THE SAVINGS SCOPE (INSURANCE CONTRACTS WITH DIRECT PARTICIPATION)

Risk factors	Shock used	31.12.2023	
		Impact On the Net Income	Impact on the capital
Rising rates	+50 bps	(8)	(8)
Lower rates	-50 bps	11	11
Decline in equities	-10%	(17)	(17)

Liquidity risk: In the context of insurance operations, liquidity risk corresponds to the inability of the Insurance business line to meet its contractual obligations and settle reported claims (potential losses incurred in the event of forced sales of assets or when financial assets are invested in illiquid markets). Liquidity risk is governed by the investment risk management policy and the risk management policy of the Insurance business line; The rules for allocating asset portfolios lead to a diversification of these portfolios and a limitation of investments in low liquidity assets (private equity, real estate, etc.).

ALM studies on liquidity risk ensure that the investment structure of

the Insurance business line is consistent with its insurance commitments. The framework for strategic asset allocation also makes it possible to limit this risk.

Credit risk: The implementation of thresholds and limits per counterparty makes it possible to limit this risk on financial assets. Information on the credit risk of the financial assets of the insurance business is detailed in Note 3.8. In addition, the default risk of reinsurers (representative of the claims receivable net of premiums to be paid) is mitigated by collateral received from reinsurers, mainly in the form of high-quality securities or cash.

NOTE 4.4 Other assets and liabilities

NOTE 4.4.1 OTHER ASSETS

<i>(In EURm)</i>	31.12.2023	31.12.2022 R
Guarantee deposits paid ⁽¹⁾	51,611	67,768
Settlement accounts on securities transactions	2,835	3,895
<i>o/w due from clearing houses bearing credit risk</i>	163	262
Prepaid expenses	1,680	1,387
Miscellaneous receivables ⁽²⁾	14,111	9,684
<i>o/w miscellaneous receivables bearing credit risk⁽³⁾</i>	6,404	4,208
GROSS AMOUNT	70,237	82,734
Impairments	(472)	(419)
<i>Credit risk⁽³⁾</i>	(328)	(295)
<i>Other risks</i>	(144)	(124)
NET AMOUNT	69,765	82,315

(1) *Mainly relates to guarantee deposits paid on financial instruments, their fair value is assumed 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 2,325 million as of 31 December 2023, compared to EUR 1,258 million as of 31 December 2022.*

(3) *Net value of miscellaneous receivables bearing credit risk amounts to EUR 6,076 million as of 31 December 2023, compared to EUR 3,913 million as of 31 December 2022 (see Note 3.8).*

NOTE 4.4.2 OTHER LIABILITIES

<i>(In EURm)</i>	31.12.2023	31.12.2022 R
Guarantee deposits received ⁽¹⁾	53,253	74,306
Settlement accounts on securities transactions	3,576	4,759
Expenses payable on employee benefits	2,566	2,610
Lease liability	2,065	2,104
Deferred income	1,643	1,297
Miscellaneous payables ⁽²⁾	30,555	22,239
TOTAL	93,658	107,315

(1) *Mainly relates to guarantee deposits received on financial instruments, their fair value is assumed 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 OTHER GENERAL OPERATING EXPENSES

(In EURm)		31.12.2023	31.12.2022 R
Personnel expenses ⁽¹⁾	Note 5.1	(10,645)	(10,052)
Other operating expenses ⁽¹⁾	Note 5.2	(6,887)	(7,009)
Other general operating expenses attributable to the insurance contracts ⁽²⁾		683	636
TOTAL		(16,849)	(16,425)

(1) The amount of Personnel expenses and Other administrative expenses detailed in Note 5.1 and Note 5.2 are presented in the income statement before reallocation in the net banking income of the expenses attributable to insurance contracts.

(2) The Other general operating expenses attributable to insurance contracts are recognised during the period as service expenses relating to the insurance and reinsurance contracts issued, except for acquisition costs which are recorded in the balance sheet to be recognised in profit or loss in subsequent periods.

Event after the reporting period

PLAN TO IMPLEMENT ORGANISATIONAL CHANGES IN SOCIETE GENERALE HEAD OFFICE IN FRANCE

On 5 February 2024, Societe Generale has announced a plan to implement organisational changes in its head office in France to simplify its operations and structurally improve its operational efficiency.

Several French head office entities are considering organisational changes that require specific social support measures. The objective is to group and pool certain activities and functions, remove hierarchical layers to streamline decision-making, and resize certain teams due to reviews of projects or processes.

This reorganisation project has been submitted for consultation with the staff representative bodies. Following the completion of the consultation scheduled for the second quarter of 2024, the implementation of these organisational changes would result in approximately 900 job cuts at head office without forced departures (i.e. approximately 5% of head office staff).

The cost of the social support measures that will be recorded as provision during the first quarter of 2024 is estimated to be around EUR 0.3 billion.

NOTE 5.1 Personnel expenses and employee benefits



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Employee benefits correspond to the compensation granted by the Group to its employees in exchange for work carried out during the annual reporting period.

All forms of compensation for work rendered are recorded in the expenses:

- whether it 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).

Information related to the Group headcount is presented in the Chapter 5 of the Universal Registration Document (Corporate Social Responsibility).

NOTE 5.1.1 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 5.1.2.

Personnel expenses include related party transactions, within the meaning of IAS 24.

The Group has selected as related parties:

- directors, corporate officers (the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officers) and spouses and children living in their households;
- the following subsidiaries: subsidiaries controlled exclusively or jointly and companies over which Societe Generale exercises significant influence;
- entities controlled exclusively or jointly by a related party that is an individual.

NOTE 5.1.1.1 PERSONNEL EXPENSES

<i>(In EURm)</i>	2023	2022
Employee compensation	(7,708)	(7,244)
Social security charges and payroll taxes	(1,749)	(1,655)
Net pension expenses – defined contribution plans	(772)	(709)
Net pension expenses – defined benefit plans	(69)	(61)
Employee profit-sharing and incentives	(347)	(383)
TOTAL	(10,645)	(10,052)
<i>Including net expenses from share – based payments</i>	<i>(254)</i>	<i>(196)</i>

NOTE 5.1.1.2 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 according to the nomenclature of IAS 24 – paragraph 17.

<i>(In EURm)</i>	2023	2022
Short-term benefits	13.2	10.0
Post-employment benefits	0.5	0.4
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	2.2	2.4
TOTAL	15.9	12.8

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 as at 31 December 2023 for a total amount of EUR 2.5 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 as at 31 December 2023 under IAS 19 for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Mr. Krupa, Mr. Aymerich, Mr. Palmieri et Ms. Lebot and the three staff-elected Directors) is EUR 7.4 million.

NOTE 5.1.2 EMPLOYEE BENEFITS**ACCOUNTING PRINCIPLES**

Employee benefits are divided into four categories:

- short-term employee benefits;
- 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.

Short-term employee benefits

Short-term employee benefits are recognised as Expenses payable on employee benefits. The settlement is 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

Post-employment benefits can be broken down into two categories: defined contribution pension plans or defined benefit pension plans.

POST-EMPLOYMENT 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.

POST-EMPLOYMENT DEFINED BENEFIT PLANS

Defined benefit plans commit the Group, either formally or constructively, to pay a certain amount or level of future benefits and therefore bear the associated medium or long-term risk.

Provisions are recognised on the liabilities side of the balance sheet under Provisions, to cover the whole of these retirement obligations. These provisions are assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

The 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. These items cannot be subsequently reclassified as income and are presented under Retained earnings on the liabilities side of the balance sheet and on a separate line under the Statement of net income and unrealised or deferred gains and losses.

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.

Termination benefits

Termination benefits refer to the benefits to be granted to an employee following the termination by the entity of the staff member's employment contract before the normal retirement age or the decision of the staff member to voluntarily leave in exchange for these benefits.

Termination benefits payable more than twelve months after the closing date shall be discounted.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In EURm)	Provisions as at 31.12.2022	Allocations	Write- backs available	Net allocation	Write- backs used	Actuarial gains and losses	Currency and scope effects	Provisions as at 31.12.2023
Post-employment benefits	1,171	92	(26)	66	(78)	46	12	1,217
Other long-term benefits	604	162	(54)	108	(45)	-	(21)	646
Termination benefits ⁽¹⁾	227	129	(50)	79	(96)	(33)	33	210
TOTAL⁽²⁾	2,002	383	(130)	253	(219)	13	24	2,073

(1) Termination benefits include mainly the expenses from the cost of voluntary redundancy related to the New French Retail Banking organisation project presented by the Group in the 4th quarter of 2021, which led to the legal merger of Crédit du Nord and Societe Generale on 1 January 2023. The accounting treatment of the expenses for these measures has been assimilated with the post-employment benefits.

(2) In France, the Group has taken into account the effects of the Amending Social Security Financing Act of 14 April 2023 to assess its employee retirement obligations (impact of EUR 13 million under Other general operating expenses).

A provision of EUR 12 million was recorded to take into account, in France, the judgments of the Court of Cassation regarding the acquisition of rights to paid leave in the event of absence due to illness; this provision was calculated with 3-year retroactivity.

NOTE 5.1.2.1 EMPLOYMENT 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.

NOTE 5.1.2.2 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. This allowance depends in particular on the beneficiary's seniority within Societe Generale as described in the Chapter 3 "Corporate Governance" of the present Universal Registration Document. 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 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

(In EURm)	31.12.2023			
	France	United Kingdom	Others	Total
A – Present value of defined benefit obligations	882	582	962	2,426
B – Fair value of plan assets	78	617	555	1,250
C – Fair value of separate assets	1,076	-	-	1,076
D – Change in asset ceiling	-	-	1	1
A - B - C + D = Net balance	(272)	(35)	408	101
ON THE LIABILITIES SIDE OF THE BALANCE SHEET	805	-	412	1,217
ON THE ASSETS SIDE⁽¹⁾ OF THE BALANCE SHEET	1,077	35	4	1,116

(1) o/w EUR 1,076 million of separate assets recorded under Financial assets at fair value through profit or loss and EUR 40 million linked to surplus assets under Other assets

(In EURm)	31.12.2022			
	France	United Kingdom	Others	Total
A – Present value of defined benefit obligations	875	576	847	2,298
B – Fair value of plan assets	72	604	506	1,182
C – Fair value of separate assets	1,002	-	-	1,002
D – Change in asset ceiling	-	-	22	22
A - B - C + D = Net balance	(199)	(28)	363	136
ON THE LIABILITIES SIDE OF THE BALANCE SHEET	805	-	367	1,171
ON THE ASSETS SIDE⁽¹⁾ OF THE BALANCE SHEET	1,004	28	4	1,036

(1) o/w EUR 1,002 million of separate assets recorded under Financial assets at fair value through profit or loss and EUR 33 million linked to surplus assets under Other assets.

COMPONENTS OF THE COST OF DEFINED BENEFITS

(In EURm)	2023	2022
Current service cost including social security contributions	58	90
Employee contributions	(7)	(5)
Past service cost/curtailments	(5)	(20)
Transfer via the expense	(0)	-
Net interest	3	2
A – Components recognised in income statement	49	67
Actuarial gains and losses on assets	(59)	802
Actuarial gains and losses due to changes in demographic assumptions	(14)	2
Actuarial gains and losses due to changes in economic and financial assumptions	60	(917)
Actuarial gains and losses due to experience	(0)	(1)
Change in asset ceiling	1	22
B – Components recognised in unrealised or deferred gains and losses	(12)	(92)
C = A + B TOTAL COMPONENTS OF THE COST OF DEFINED BENEFITS	37	(25)

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

<i>(In EURm)</i>	2023	2022
Balance as at 1 January	2,298	3,336
Current service cost including social security contributions	58	90
Past service cost/curtailments	(7)	(20)
Settlements	(0)	-
Net interest	91	43
Actuarial gains and losses due to changes in demographic assumptions	(14)	2
Actuarial gains and losses due to changes in economic and financial assumptions	60	(917)
Actuarial gains and losses due to experience	1	(1)
Foreign exchange adjustment	15	(10)
Benefit payments	(152)	(190)
Change in consolidation scope	(3)	(33)
Transfers and others	79	(2)
Balance as at 31 December	2,426	2,298

CHANGES IN THE FAIR VALUE OF FUNDING ASSETS

<i>(In EURm)</i>	Plan assets		Separate assets	
	2023	2022	2023	2022
Balance as at 1 January	1,160	1,699	1,002	1,331
Interest expenses on assets	50	29	38	12
Actuarial gains and losses on assets	23	(466)	36	(336)
Foreign exchange adjustment	16	(10)	-	-
Employee contributions	5	5	-	-
Employer contributions to plan assets	20	13	-	-
Benefit payments	(69)	(79)	(0)	(5)
Change in consolidation scope	-	(9)	-	-
Transfers and others	45	-	-	-
Change in asset ceiling	(1)	(22)	-	-
Balance as at 31 December	1,249	1,160	1,076	1,002

INFORMATION AND TERMS REGARDING FUNDING ASSETS

Funding assets include plan assets and separate assets.

Funding assets represent around 96% of Group obligations, with different rates depending on the country.

Accordingly defined benefit plan obligations in France and the United Kingdom are fully hedged and hedged at 97% for the United States, while they are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 63% bonds, 15% equities and 22% other investments. Directly held Societe Generale shares are not significant.

Funding assets excess is EUR 338 million.

Employer contributions to be paid to post-employment defined benefit plans for 2024 are estimated at EUR 17 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:

<i>(In EURm)</i>	2023	2022
Plan assets	73	(437)
Separate assets	74	(325)

MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2023	31.12.2022
Discount rate		
France	3.19%	3.62%
United-Kingdom	4.52%	4.80%
Others	3.64%	4.07%
Long-term inflation		
France	2.21%	2.45%
United-Kingdom	3.10%	3.30%
Others	2.11%	2.01%
Future salary increase		
France	1.91%	2.20%
United-Kingdom	N/A	N/A
Others	1.50%	1.40%
Average remaining working lifetime of employees <i>(in years)</i>		
France	7.56	7.84
United-Kingdom	2.52	3.07
Others	8.46	8.83
Duration <i>(in years)</i>		
France	11.69	11.63
United-Kingdom	12.06	12.69
Others	11.44	11.94

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 THE CHANGES IN MAIN ACTUARIAL ASSUMPTION

<i>(Percentage of item measured)</i>	31.12.2023	31.12.2022
Variation in discount rate		
Impact on the present value of defined benefit obligations at 31 December N	+0.5%	+0.5%
Variation in long-term inflation		
Impact on the present value of defined benefit obligations at 31 December N	-5%	-6%
Variation in future salary increase		
Impact on the present value of defined benefit obligations at 31 December N	+0.5%	+0.5%
	4%	4%
	1%	1%

Disclosed sensitivities are averages of the variations weighted by the present value of the defined benefit obligations.

BREAKDOWN OF FUTURE PAYMENTS OF BENEFITS

<i>(In EURm)</i>	2023	2022
N+1	161	166
N+2	147	150
N+3	154	163
N+4	163	165
N+5	172	152
N+6 to N+10	855	853

NOTE 5.1.3 SHARE-BASED PAYMENT PLANS**ACCOUNTING PRINCIPLES**

Societe Generale, and its subsidiaries, share-based payments include:

- payments in equity instruments;
- cash payments whose amount depends on the performance of equity instruments.

Share-based payments systematically give rise to an operating expense recognised as Personnel expenses in the amount of the fair value of the share-based payments granted to employees and according to their terms of settlement.

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these instruments, measured at the vesting date, is spread over the vesting period and recorded in shareholders' equity under Issued common stocks and capital reserves. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under Personnel expenses from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (compensation indexed on Societe Generale, or one of its subsidiaries, shares), the fair value of the amounts payable is recorded under Personnel expenses as an expense over the vesting period against a corresponding liabilities entry recognised in the balance sheet under Other liabilities – Expenses payable on employee benefits. This payables item is then remeasured to take into account performance and presence conditions, as well as changes in the value of the underlying shares. When the expense is hedged by an equity derivative instrument, the effective portion of the change in the fair value of the hedging derivative is recorded in 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 subsidiaries, 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.



The vesting conditions for beneficiaries of payments based on Societe Generale shares include conditions of presence and performance. The performance conditions may be indexed on the Group's financial

data (for instance, the Group's profitability, or the relative performance of the Societe Generale share) and/or on the Group's non-financial data (for instance, the achievement of the Group's objectives in terms of social and environmental responsibility – CSR).

EXPENSES RECORDED IN THE INCOME STATEMENT

(In EURm)	31.12.2023			31.12.2022 R		
	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	139	115	254	104	92	196

The description of Societe Generale stock-options plans and free share plans, which supplements this note, is presented in Chapter 3 of the present Universal Registration Document.

NOTE 5.2 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 8.3).

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 as 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)	2023	2022
Rentals	(449)	(348)
Taxes and levies	(1,126)	(1,359)
Data and telecom (excluding rentals)	(2,440)	(2,574)
Consulting fees	(1,319)	(1,351)
Other	(1,553)	(1,377)
TOTAL	(6,887)	(7,009)

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 no806/2014 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 SRF, 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.

In 2023, the Group's contributions to the SRF and the NRF were as follows:

- cash contributions (77.5%) for a total of EUR 658 million (versus EUR 863 million in 2022) of which EUR 603 million for the SRF and EUR 55 million for the NRF. These contributions are non-tax-deductible in France and have been recorded in the income statement in Other operating expenses, among Taxes and levies;

- irrevocable payment commitments (22.5%) backed by a cash collateral for EUR 175 million related to the SRF (versus EUR 142 million in 2022) recorded as an asset in the balance sheet, among Other assets.

As at 31 December 2023, the amount of cash collateral paid to the SRF and NRF and stated as balance sheet assets under "Other assets" are EUR 772 million and EUR 173 million respectively.

In its ruling of 25 October 2023, the General Court of the European Union dismissed the appeal of a French credit institution against the Single Resolution Board (SRB) following the rejection by the latter of the request for the return of collateral linked to *ex ante* contributions provided in the form of irrevocable payment commitments for the 2015 contribution period. The reimbursement of the collateral, requested by the institution after the withdrawal of its licence from the European Central Bank, had been refused by the SRB; the latter required, as a condition precedent to returning the collateral backing, the prior payment by the institution of an amount in cash corresponding to the amount committed under the irrevocable payment commitments entered into. The institution concerned decided to appeal to the European Court of Justice against the ruling of the General Court of the European Union. Societe Generale will keep informed of further developments in the matter and analyse the possible consequences for its financial statements.

NOTE 6 INCOME TAX



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Income tax expenses are presented separately from other taxes which are classified among Other operating expenses. They are calculated according to the rates and tax regulations applicable in the countries where each consolidated entity is located.

Income tax presented in the income statement includes current taxes and deferred taxes:

- current taxes correspond to the amount of taxes due (or refundable) as calculated according to the taxable profit base for the reporting period;
- deferred taxes correspond to the amount of taxes resulting from past transactions and that will be payable (or refundable) in a future reporting period.

ACCOUNTING PRINCIPLES

Current taxes

Current tax is based on the taxable profits of each consolidated taxable entity and determined in accordance with the rules established by the local taxation authorities, upon which income taxes are payable. This tax expense also includes net allowances for tax adjustments pertaining to income tax.

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account as they are applied in settlement of income taxes for the year. The related tax charge is included under Income tax in the 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

<i>(In EURm)</i>	2023	2022 R
Current taxes	(1,470)	(1,274)
Deferred taxes	(209)	(209)
TOTAL	(1,679)	(1,483)

RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE

<i>(In EURm)</i>	2023		2022 R	
	%	EURm	%	EURm
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill		5,442		4,224
Group effective tax rate	30.85%		35.11%	
Permanent differences	0.58%	31	0.92%	39
Differential on securities with tax exemption or taxed at reduced rate	-0.24%	(13)	-14.04%	(593)
Tax rate differential on profits taxed outside France	1.33%	72	2.56%	108
Changes in the measurement of deferred tax assets/liabilities	-6.69%	(364)	1.28%	54
Normal tax rate applicable to French companies (including 3.3% national contribution)	25.83%		25.83%	

In compliance with the French tax provisions that define the ordinary corporate tax rate, the latter is set to 25% in 2023 (article 219 of the French Tax Code), plus the existing national contribution (CSB) of 3.3% (article 235 *ter* ZC of the French Tax Code), *i.e.* a compound tax rate of 25.83%.

Long-term capital gains on affiliates are exempt from this corporate tax, except for a 12% fee on the gross amount in a net long term capital gains situation (article 219 I a *quinquies* of the French Tax Code).

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 (article 216 of the French Tax Code).

NOTE 6.2 Tax assets and liabilities**TAX ASSETS**

<i>(In EURm)</i>	31.12.2023	31.12.2022 R
Current tax assets	1,026	819
Deferred tax assets	3,691	3,665
<i>o/w deferred tax assets on tax loss carry-forwards</i>	1,832	1,662
<i>o/w deferred tax assets on temporary differences</i>	1,818	1,982
<i>o/w deferred tax on deferrable tax credits</i>	41	21
TOTAL	4,717	4,484

TAX LIABILITIES

(In EURm)	31.12.2023	31.12.2022 R
Current tax liabilities	933	735
Provisions for tax adjustments	41	72
Deferred tax liabilities	1,428	838
TOTAL	2,402	1,645

The Group performs an annual review of its capacity to use tax loss carry-forwards, 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 projected performance of the businesses. This performance corresponds to the estimated budget (scenario SG Central) over four years (from 2024 to 2027), extrapolated to 2028, which corresponds to a "normative" year.



These budgets notably take into account the impacts of the commitments to energy and environmental transition and regional development detailed in the Declaration of Non-Financial Performance.

The tax results also take into consideration the accounting and tax adjustments (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 on the Group's tax expertise. An extrapolation of the tax results is performed from 2028 on and over a timeframe considered reasonable and depending on the nature of the activities carried out within each tax entity.

On principle, the appreciation of the selected macroeconomic factors and the internal estimates used to determine the tax results involve risks and uncertainties about their materialisation over the estimated timeframe for the absorption of the losses. These risks and uncertainties are especially related to possible changes in the applicable tax rules (computation of the tax result, as well as allocation rules for tax loss carry-forwards) or materialisation of the assumptions selected. These uncertainties are mitigated by robustness checks of the budgetary and strategic assumptions.

As at 31 December 2023, discounted projections confirm the probability that the Group will be able to offset the tax losses covered by deferred tax assets against future profits.

NOTE 6.3 Deferred tax assets recognised on tax loss carry-forwards and deferred tax assets not recognised

As at 31 December 2023, based on the tax system of each entity and a realistic projection of their tax income, the projected period for deferred tax assets recovery is indicated in the table below:

(In EURm)	31.12.2023	Statutory time limit on carry-forwards	Expected recovery period
Total deferred tax assets relating to tax loss carry-forwards	1,832	-	-
o/w French tax group	1,572	Unlimited ⁽¹⁾	8 years
o/w US tax group	88	20 years ⁽²⁾	7 years
Others	172	-	-

(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.

The main deferred taxes not recognised as assets in the balance sheet by tax group are presented in the table below. They may be recognised in the balance sheet when it becomes probable that a future taxable profit will allow their recovery.

(In EURm)	31.12.2023	31.12.2022
French tax group	930	520
US tax groups	228	277
SG Singapore	80	82
SG de Banques en Guinée Équatoriale ⁽¹⁾	34	36

(1) Including EUR 10 million of tax carry forward and EUR 24 million temporary differences as at 31 December 2023, versus respectively EUR 10 million and EUR 26 million as at 31 December 2022.

The other deferred taxes on tax loss carryforwards and temporary differences not recognised as assets on the balance sheet amount, respectively, to EUR 122 million and EUR 1 million as at 31 December 2023.

For the France tax group, deferred tax assets of EUR 410 million could not be recognised at the end of December 2023, bringing the amount of unrecognised deferred tax assets in France to EUR 930 million. If tax projections improve, all or part of these deferred taxes may be recognised as deferred tax assets in future years.

In parallel, the unrecognised deferred tax assets of US tax groups decreased by EUR 49 million due to the recognition in the 2023 balance sheet of EUR 40 million deferred taxes and of EUR 9 million due to currency effects.

Regarding the tax treatment of the loss resulting from the actions of Jérôme Kerviel, Societe Generale considers that the judgment of the Versailles Court of Appeal of 23 September 2016 is not such as to call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law. Consequently, Societe Generale considers that the related tax loss remains recoverable against future taxable income (see Note 9).

PILLAR 2: TAX REFORM – GLOBAL MINIMUM CORPORATE TAX RATE (“GLOBE” RULES)

In October 2021, 137 of the 140 jurisdictions members of the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) committed to the principle of establishing a global minimum corporate income tax rate of 15%. A set rules, referred to as “Pillar 2”, published by the OECD on 20 December 2021, specifies the mechanism which will apply, in the states that will adopt it, to the profits by country of multinational groups with revenues exceeding EUR 750 million.

European Directive (EU) 2022/2523 incorporating the Pillar 2 rules was adopted and published in the Official Journal of the European Union on 22 December 2022.

Article 4 of the French Finance Act for 2024 incorporates the directive into French law. The minimum level of tax will take the form of an additional “top-up” tax determined according to rules compliant with the directive. Transitional Safe Harbour set out by the OECD for the first three fiscal years are also included in the law. These rules apply to the Group from 1 January 2024, in respect of any additional top-up tax due in France as well as of any qualified domestic top-up taxes implemented in jurisdictions where the Group operates.

Under the provisions introduced by the amendments to IAS 12, adopted by the European Union on 8 November 2023 with immediate and retrospective implementation (see Note 1), the Group applies, from 1 January 2023 on, the mandatory and temporary exception to the accounting recognition of the deferred taxes associated with the top-up taxes resulting from the Pillar 2 rules.

A project structure has been established at Group level to analyse the provisions of the Pillar 2 European directive and take the necessary measures to comply with them as soon as they enter into force. According to initial estimates based on the available data (in particular data from the country-by-country reports of years 2021 and 2022), the effective Pillar 2 tax rates would exceed 15% in most jurisdictions in which the Group operates. However, there is a limited number of jurisdictions in which a top-up tax would have to be paid. To date, the Group does not anticipate any material impact of this reform in respect of its current tax burden. Because of the calculation complexity resulting from these rules and the changes in the Group's consolidation scope, the effects of this reform are still being examined to refine the quantification in view of the first accounting recognition of any additional tax burden in the Group's consolidated accounts as at 30 June 2024.

NOTE 7 SHAREHOLDERS' EQUITY



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Equity are the resources contributed to the Group by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings). It also includes resources received when financial instruments are issued and for which the issuer has no contractual obligation to deliver cash to the holders of these instruments.

Equity has no contractual maturity, and when compensation is awarded to shareholders or holders of other equity instruments, it does not affect the income statement but directly reduces the retained earnings in the equity.

The statement "Changes in Shareholders' Equity" presents the various changes that affect the components of equity over the reporting period.

NOTE 7.1 Treasury shares and shareholders' equity issued by the Group

ACCOUNTING PRINCIPLES

Treasury shares

Societe Generale shares held by the Group are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is 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)	31.12.2023	31.12.2022
Issued capital	1,004	1,062
Issuing premiums and capital reserves	20,412	21,377
Elimination of treasury stock	(230)	(1,191)
TOTAL	21,186	21,248

ORDINARY SHARES ISSUED BY SOCIETE GENERALE SA

(Number of shares)	31.12.2023	31.12.2022
Ordinary shares	802,979,942	849,883,778
<i>Including treasury stock with voting rights⁽¹⁾</i>	<i>6,736,010</i>	<i>48,737,016</i>
<i>Including shares held by employees</i>	<i>90,162,610</i>	<i>79,097,967</i>

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

As at 31 December 2022, 41,674,813 Societe Generale shares were acquired on the market at a cost price of EUR 914 million, for the purpose of cancellation, in accordance with the decision of the General Meeting of 17 May 2022. The capital reduction by cancellation of securities was carried out on 1 February 2023.

On 24 July 2023, a capital increase, reserved for Group employees and retirees as part of the Global Employee Share Ownership Plan open in 40 countries, was carried out for a total amount of EUR 221 million, resulting in the issuance of 12,548,674 new Societe Generale shares.

From 7 August 2023 to 22 September 2023, 17,777,697 Societe Generale shares were acquired on the market at a cost price of EUR 441 million, for the purpose of cancellation, in accordance with the decision of the General Meeting of 17 May 2022. The capital reduction by cancellation of securities was carried out on 17 November 2023.

As at 31 December 2023, Societe Generale SA's fully paid up capital amounted to EUR 1,003,724,927.50 and was made up of 802,979,942 shares with a nominal value of EUR 1.25.

NOTE 7.1.2 TREASURY STOCK

As at 31 December 2023, the Group held 4,425,083 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 SA.

The amount deducted by the Group from its equity for treasury shares (and related derivatives) came to EUR 230 million, including EUR 36 million in shares held for trading activities.

The change in treasury stock over 2023 breaks down as follows:

(In EURm)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	-	31	930	961
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	0	(10)	(52)	(62)

The variation of EUR 930 million in treasury shares and active capital management is mainly due to EUR 914 million relating to the capital reduction on 1 February 2023 by cancellation of 41,674,813 Societe Generale shares acquired in 2022.

NOTE 7.1.3 SHAREHOLDERS' EQUITY ISSUED BY THE GROUP PERPETUAL DEEPLY SUBORDINATED NOTES

Given the discretionary nature of the decision to pay dividends to shareholders, the perpetual deeply subordinated notes have been classified as equity and recognised under Other equity instruments.

As at 31 December 2023, perpetual deeply subordinated notes issued by Societe Generale S.A. and recognised under Group shareholders'

equity in Other equity instruments totalled EUR 8,924 million, valued at historical rate.

The change in the amount of undated deeply subordinated notes issued by the Group is explained by two issuances and two redemptions at pair made over the year.

Issuance Date	Amount in local currency at 31.12.2022	Repurchases and redemptions in 2023	Amount in local currency at 31.12.2023	Amount in millions of euros at historical rate	Remuneration
18 December 2013	USD 1,750m	USD 1,750m			7.875%, from 18 December 2023 USD 5-year Mid Swap Rate +4.979%
29 September 2015	USD 1,250m		USD 1,250m	1,111	8%, from 29 September 2025 USD 5-year Mid Swap rate +5.873%
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			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 SGD 5-year Mid Swap rate +4.207%
12 September 2019	AUD 700m		AUD 700m	439	4.875%, from 12 September 2024 AUD 5-year Mid Swap rate +4.036%
18 November 2020	USD 1,500m		USD 1,500m	1,264	5.375%, from 18 November 2030 USD 5-year US Treasury rate +4.514%
26 May 2021	USD 1,000m		USD 1,000m	818	4.75%, from 26 May 2026 USD 5-year US Treasury rate +3.931%
15 July 2022	SGD 200m		SGD 200m	141	8.25%, from 15 December 2027 SGD 5-year SGD OIS rate +5.6%
22 November 2022	USD 1,500m		USD 1,500m	1,460	9.3750%, from 22 May 2028 USD 5-year US Treasury rate +5.385%
18 January 2023			EUR 1,000m	1,000	7.875%, from 18 July 2029 EUR 5-year Mid Swap rate +5.228%
14 November 2023			USD 1,250m	1,166	10%, from 14 May 2029 USD 5-year US Treasury rate +5.448%

OTHER EQUITY INSTRUMENTS ISSUED BY SUBSIDIARIES

The perpetual subordinated notes that are issued by the Group's subsidiaries and include discretionary clauses relating to the payment of interest are classified as equity instruments.

As at 31 December 2023, the nominal of other equity instruments issued by the Group's subsidiaries and recognised under Non-controlling interests totalled EUR 1,300 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%
29 May 2019	EUR 500m	7.375%, from 2024 5-year Mid swap rate +7.556%

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:

(In EURm)	2023			2022		
	Deeply subordinated notes	Perpetual subordinated notes	Total	Deeply subordinated notes	Perpetual subordinated notes	Total
Exchange rate effect on TSS/TSDI reimbursement	(404)	-	(404)	-	-	-
Remuneration paid booked under reserves	(734)	-	(734)	(581)	-	(581)
Changes in nominal values	(212)	-	(212)	1,602	-	1,602
Tax savings on remuneration payable to shareholders and recorded under profit or loss	190	-	190	150	-	150
Issuance fees relating to subordinated notes	(5)	-	(5)	(9)	-	(9)

NOTE 7.1.4 EFFECT OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

The impact of changes in the consolidation scope recognised in shareholders' equity (EUR -34 million in Group share and EUR 3,523 million in Non-controlling interests) is mainly explained by the acquisition of LeasePlan (see Note 2.1) with:

- the decrease in the ownership interest in ALD from 75.94% to 52.59% with EUR -4 million in Group share and EUR 3,003 million in Non-controlling interests;

- an impact of EUR 513 million on the Non-controlling interests linked to other equity instruments issued by LeasePlan.

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)	2023	2022 R
Net income, Group share	2,493	1,825
Attributable remuneration to subordinated and deeply subordinated notes	(753)	(587)
Premium and issuance fees related and deeply subordinated notes	(5)	(9)
Net income attributable to ordinary shareholders	1,735	1,229
Weighted average number of ordinary shares outstanding ⁽¹⁾	799,315,070	822,437,425
Earnings per ordinary share (in euros)	2.17	1.50
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	799,315,070	822,437,425
Diluted earnings per ordinary share (in euros)	2.17	1.50

(1) Excluding treasury shares.

NOTE 7.2.2 DIVIDENDS PAID

Dividends paid on ordinary shares by the Group in 2023 amounted to EUR 1,861 million and are detailed in the following table:

(In EURm)	2023			2022		
	Group Share	Non-controlling interests	Total	Group Share	Non-controlling interests	Total
Paid in shares	-	-	-	-	-	-
Paid in cash	(1,362)	(499)	(1,861)	(1,371)	(754)	(2,125)
TOTAL	(1,362)	(499)	(1,861)	(1,371)	(754)	(2,125)

NOTE 7.3 Unrealised or deferred gains and losses**BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES**

(In EURm)	31.12.2023				
	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
Translation differences	997	(24)	973	996	(23)
Revaluation of debt instruments at fair value through other comprehensive income ⁽³⁾	(2,673)	664	(2,009)	(1,907)	(102)
Revaluation of insurance contracts at fair value through other comprehensive income	2,315	(596)	1,719	1,708	11
Revaluation of hedging derivatives	(449)	30	(419)	(414)	(5)
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	190	74	264	383	(119)
Actuarial gains and losses on defined benefit plans ⁽¹⁾	12	(1)	11	14	(3)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss ⁽²⁾	68	(18)	50	51	(1)
Revaluation of equity instruments at fair value through other comprehensive income	35	(2)	33	33	-
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	115	(21)	94	98	(4)
TOTAL	305	53	358	481	(123)

(In EURm)	Changes of the period				
	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
Allocation to retained earnings					
Actuarial gains and losses on defined benefit plans	(93)	26	(67)	(56)	(11)
TOTAL	(93)	26	(67)	(56)	(11)
Translation differences	(356)	(12)	(368)	(389)	21
Revaluation of debt instruments at fair value through other comprehensive income ⁽³⁾	2,402	(593)	1,809	1,734	75
Revaluation of insurance contracts at fair value through other comprehensive income	(2,134)	545	(1,589)	(1,583)	(6)
Revaluation of hedging derivatives	(68)	50	(18)	5	(23)
Variation of unrealised gains and losses with subsequent recycling in the income statement	(156)	(10)	(166)	(233)	67
Actuarial gains and losses on defined benefit plans ⁽¹⁾	12	-	12	14	(2)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss ⁽²⁾	(257)	67	(190)	(191)	1
Revaluation of equity instruments at fair value through other comprehensive income	1	-	1	2	(1)
Variation of unrealised gains and losses without subsequent recycling in the income statement	(244)	67	(177)	(175)	(2)
TOTAL OF VARIATION	(400)	57	(343)	(408)	65
TOTAL OF CHANGES	(493)	83	(410)	(464)	54

(In EURm)	31.12.2022 R				
	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
Translation differences	1,353	(12)	1,341	1,385	(44)
Revaluation of debt instruments at fair value through other comprehensive income ⁽³⁾	(5,075)	1,257	(3,818)	(3,641)	(177)
Revaluation of insurance contracts at fair value through other comprehensive income	4,449	(1,141)	3,308	3,291	17
Revaluation of hedging derivatives	(381)	(20)	(401)	(419)	18
SUBTOTAL OF UNREALISED GAINS AND LOSSES WITH SUBSEQUENT RECYCLING IN THE INCOME STATEMENT	346	84	430	616	(186)
Actuarial gains and losses on defined benefit plans ⁽¹⁾	93	(27)	66	56	10
Revaluation of own credit risk of financial liabilities at fair value through profit or loss ⁽²⁾	325	(85)	240	242	(2)
Revaluation of equity instruments at fair value through other comprehensive income	34	(2)	32	31	1
SUBTOTAL OF UNREALISED GAINS AND LOSSES WITHOUT SUBSEQUENT RECYCLING IN THE INCOME STATEMENT	452	(114)	338	329	9
TOTAL	798	(30)	768	945	(177)

(1) Gains and losses presented in these items are transferred into Retained earnings for the next financial year opening.

(2) When a financial liability is derecognised, unrealised gains and losses are attributable to Group own credit risk are subject to transfer into Retained earnings for the next financial year opening.

(3) Including EUR -2,298 million for insurance sector subsidiaries as at 31 December 2023 (EUR -4,479 million as at 31 December 2022). This amount must be read together with the financial income and expenses recorded directly in equity as part of the measurement of the associated insurance contracts (see Note 4.3, Detail of performance of insurance activities).

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.

Following changes in the Group's governance during the second half of 2023, the Group's core businesses are now managed through the three following strategic pillars:

- French Retail Banking, Private Banking and Insurance which includes:
 - French Retail and Private Banking including Boursorama,
 - Insurance activities;
- International Retail, Mobility and Leasing Services, which consists of:
 - International Retail,
 - Mobility and Leasing Services which comprises Financial services to Corporates, operational vehicle leasing and fleet management, and consumer credit activities;
- Global Banking and Investor Solutions which comprises:
 - Global Markets and Investors Services,
 - Financing and Advisory.

In addition to the strategic pillars, the Corporate Centre acts as the Group's central funding department. As such, it recognises the carrying cost of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's Asset and Liability Management (ALM) and income from the Group's management of its assets (management of its industrial and bank equity portfolio and of its real estate assets). Income or expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Centre.

Segment income take intra-group transactions into account, while these transactions are eliminated from segment assets and liabilities.

The tax rate levied on each business line is based on the standard tax rate applicable in each country where the division makes profits. Any difference with respect to the Group's tax rate is allocated to the Corporate Centre.

For the purpose of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the booking entities.

NOTE 8.1.2 SEGMENT REPORTING BY DIVISION AND SUB-DIVISION

	2023										
	French Retail, Private Banking and Insurance			Global Banking and Investor Solutions			International Retail, Mobility and Leasing Services				Total Group Societe Generale
(In EURm)	French Retail and Private Banking	Insurance	Total	Global Markets and Investors Services	Financial and Advisory	Total	International Retail Banking ⁽⁴⁾	Mobility and Leasing Services	Total	Corporate Centre ⁽¹⁾	Total Group Societe Generale
Net banking income	7,403	620	8,023	6,299	3,341	9,640	4,191	4,316	8,507	(1,066)	25,104
Operating expenses ⁽²⁾	(6,577)	(131)	(6,708)	(4,755)	(2,032)	(6,787)	(2,374)	(2,391)	(4,765)	(264)	(18,524)
Gross operating income	826	489	1,315	1,544	1,309	2,853	1,817	1,925	3,742	(1,330)	6,580
Cost of risk	(505)	-	(505)	20	(50)	(30)	(185)	(301)	(486)	(4)	(1,025)
Operating income	321	489	810	1,564	1,259	2,823	1,632	1,624	3,256	(1,334)	5,555
Net income from investments accounted for using the equity method	7	-	7	7	-	7	-	10	10	-	24
Net income/expense from other assets ⁽⁴⁾	10	-	10	-	-	-	(8)	(3)	(11)	(112)	(113)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	(338)	(338)
Earnings before Tax	338	489	827	1,571	1,259	2,830	1,624	1,631	3,255	(1,784)	5,128
Income tax	(86)	(127)	(213)	(371)	(146)	(517)	(429)	(394)	(823)	(126)	(1,679)
Consolidated Net Income	252	362	614	1,200	1,113	2,313	1,195	1,237	2,432	(1,910)	3,449
Non controlling interests	-	4	4	34	(1)	33	465	361	826	93	956
Net income, Group Share	252	358	610	1,166	1,114	2,280	730	876	1,606	(2,003)	2,493
Segment assets	263,833	172,353	436,186	650,502	169,783	820,285	109,836	108,091	217,927	79,647	1,554,045
Segment liabilities⁽³⁾	289,846	158,076	447,922	670,821	80,101	750,922	88,969	53,760	142,729	136,225	1,477,798

(In EURm)	2022 R										
	French Retail, Private Banking and Insurance			Global Banking and Investor Solutions			International Retail, Mobility and Leasing Services			Corporate Centre ⁽¹⁾	Total Group Societe Generale
	French Retail and Private Banking	Insurance	Total	Global Markets and Investors Services	Financial and Advisory	Total	International Retail Banking ⁽⁴⁾	Mobility and Leasing Services	Total		
Net banking income	8,700	510	9,210	6,721	3,387	10,108	4,190	3,949	8,139	(302)	27,155
Operating expenses ⁽²⁾	(6,791)	(105)	(6,896)	(4,878)	(1,954)	(6,832)	(2,368)	(1,589)	(3,957)	(309)	(17,994)
Gross operating income	1,909	405	2,314	1,843	1,433	3,276	1,822	2,360	4,182	(611)	9,161
Cost of risk	(483)	-	(483)	5	(426)	(421)	(464)	(241)	(705)	(38)	(1,647)
Operating income	1,426	405	1,831	1,848	1,007	2,855	1,358	2,119	3,477	(649)	7,514
Net income from investments accounted for using the equity method	8	-	8	6	-	6	-	1	1	-	15
Net income/expense from other assets ⁽⁴⁾	57	-	57	3	3	6	11	-	11	(3,364)	(3,290)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	-	-
Earnings before Tax	1,491	405	1,896	1,857	1,010	2,867	1,369	2,120	3,489	(4,013)	4,239
Income tax	(383)	(106)	(489)	(420)	(118)	(538)	(360)	(478)	(838)	382	(1,483)
Consolidated Net Income	1,108	299	1,407	1,437	892	2,329	1,009	1,642	2,651	(3,631)	2,756
Non controlling interests	(1)	2	1	35	1	36	444	286	730	164	931
Net income, Group Share	1,109	297	1,406	1,402	891	2,293	565	1,356	1,921	(3,795)	1,825
Segment assets	300,473	160,817	461,290	591,685	172,360	764,045	99,571	70,861	170,432	89,133	1,484,900
Segment liabilities⁽³⁾	308,606	146,586	455,192	637,899	72,072	709,971	83,940	21,201	105,141	141,270	1,411,574

(1) Income and expenses, as well as assets and liabilities that are not directly related to business line activities are allocated to the Corporate Centre. Corporate Centre income includes, in particular, some consequences of the Group's centralised management of litigation and of transactions leading to changes in the consolidation scope. Management fees incurred by banking entities in connection with the distribution of insurance contracts are considered as costs directly related to the performance of the contracts and are therefore included in the valuation of the latter and presented under "Insurance services expense" (see Note 1); this restatement is allocated to the Corporate Centre.

(2) These amounts include Other operating expenses and Amortisation, depreciation and impairment of tangible and intangible fixed assets.

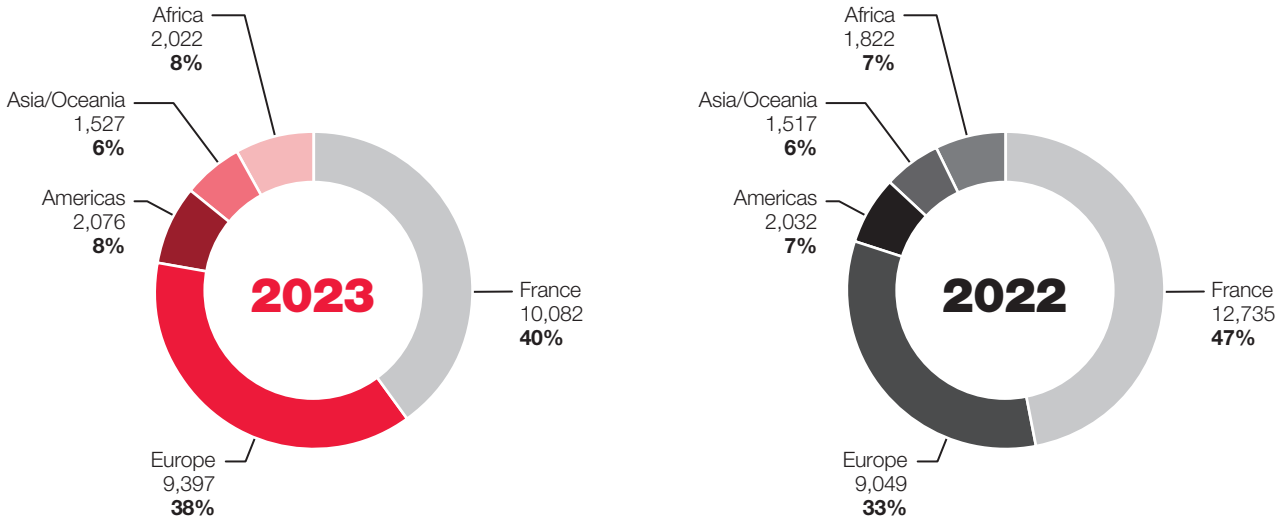
(3) Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

(4) The Net income/expense from other assets items as at 31 December 2022, mainly includes the impacts of the sale of Rosbank and the Group's insurance subsidiaries in Russia.

2022 figures restated in compliance with IFRS 17 and IFRS 9 for insurance entities, and in accordance with changes in performance reporting.

NOTE 8.1.3 SEGMENT REPORTING BY GEOGRAPHICAL REGION

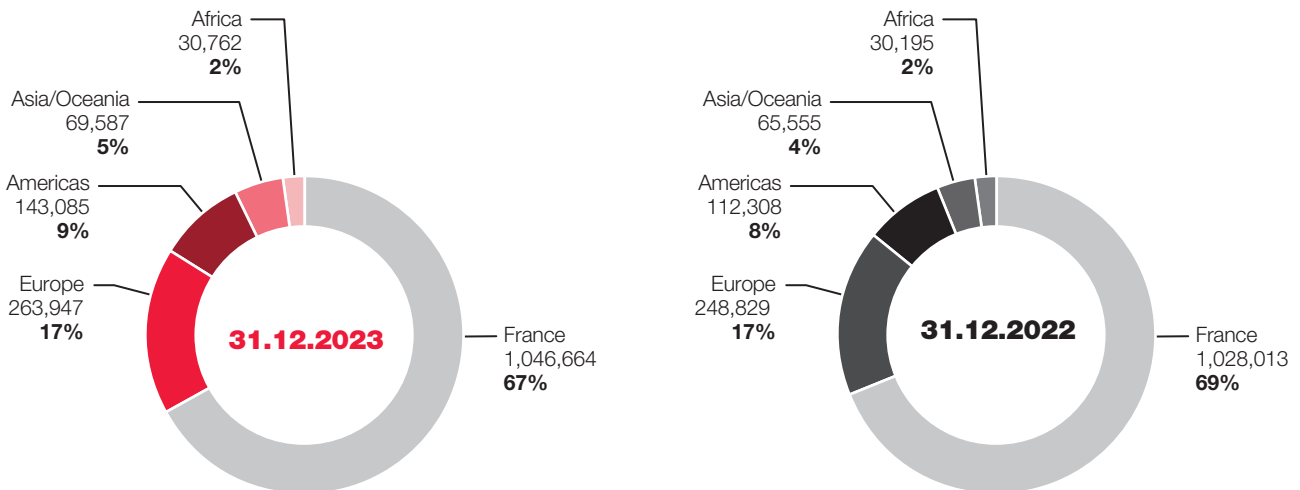
GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME (IN EURM)



As at 31 December 2023, the amount of net banking income is EUR 25,104 million compared to EUR 27,155 million as at 31 December 2022.

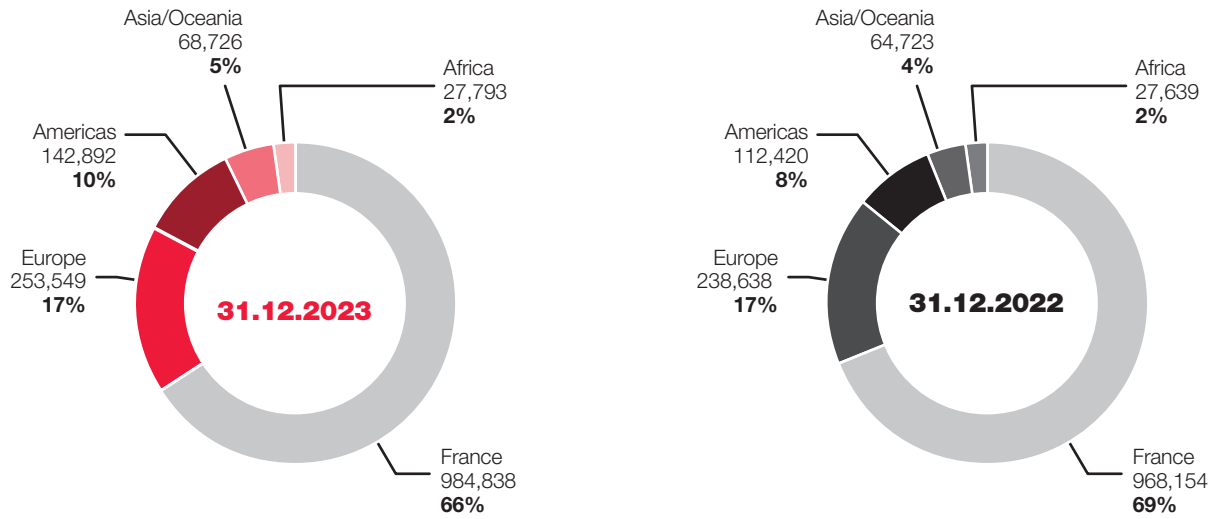
GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN EURM)

ASSETS



As at 31 December 2023, the amount of assets is EUR 1,554,045 million compared to EUR 1,484,900 million as at 31 December 2022.

LIABILITIES



As at 31 December 2023, the amount of liabilities (except shareholder equity) is EUR 1,477,798 million compared to EUR 1,411,574 million as at 31 December 2022.

Segment liabilities correspond to debts (total liabilities excluding equity).

NOTE 8.2 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 31.12.2022	Allocations	Write-backs available	Net allocation	Write-backs used	Currency and others	Provisions as at 31.12.2023
Provisions for credit risk on off balance sheet commitments (see Note 3.8)	898	528	(585)	(57)	-	(22)	819
Provisions for employee benefits (see Note 5.1)	2,002	383	(130)	253	(219)	37	2,073
Provisions for mortgage savings plans and accounts commitments	125	47	(51)	(4)	-	-	121
Other provisions ⁽¹⁾	1,554	313	(419)	(106)	(160)	(66)	1,222
TOTAL	4,579	1,271	(1,185)	86	(379)	(51)	4,235

(1) Including provisions for legal disputes, fines, penalties and commercial disputes.

NOTE 8.2.1 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

<i>(In EURm)</i>	31.12.2023	31.12.2022
PEL accounts	15,677	17,846
<i>Less than 4 years old</i>	907	773
<i>Between 4 and 10 years old</i>	5,852	8,774
<i>More than 10 years old</i>	8,918	8,299
CEL accounts	1,733	1,629
TOTAL	17,410	19,475

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

<i>(In EURm)</i>	31.12.2023	31.12.2022
Less than 4 years old	3	-
Between 4 and 10 years old	-	1
More than 10 years old	3	6
TOTAL	6	7

PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In EURm)	31.12.2022	Allocations	Write-backs	31.12.2023
PEL accounts	80	10	(51)	39
<i>Less than 4 years old</i>	3	1	-	4
<i>Between 4 and 10 years old</i>	2	9	-	11
<i>More than 10 years old</i>	75	-	(51)	24
CEL accounts	45	37	-	82
TOTAL	125	47	(51)	121

The increase in interest rates (to which the level of provisioning is sensitive) explains the sharp decrease in the provisions for mortgage savings accounts and plans observed in 2023. These provisions are still mainly related to the commitment to remunerate cash deposits. The level of provisions amounts to 0.7% of the total outstanding stock as at 31 December 2023.

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 by Societe Generale, 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 versus Euribor yield curve at the valuation date, averaged over a 12-month period.

NOTE 8.2.2 OTHER PROVISIONS

Other provisions include provisions for restructuring (except staff costs), provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

The Group is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, the Group and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of the Group's current business. In recent years, litigation with investors and the number of disputes involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Group entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

In preparing its financial statements, the Group assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgment and taking into account all information available when financial statements are prepared. In particular, the Group takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court decisions already taken, as well as its experience and the experiences of other companies dealing with similar cases (assuming that the Group has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter, the Group carries out a detailed examination of outstanding disputes that present a significant risk. The description of those disputes is presented in Note 9 "Information on risks and litigation".

NOTE 8.3 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, except investment property held by insurance entities to back insurance contracts measured at fair value. 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, insurance activities excluded, are depreciated using the component-based method. Each component is depreciated over its own useful life, ranging from 10 to 50 years.

Investment property held by insurance entities to back the insurance contracts issued, are measured at fair value through profit or loss, once a year, based on valuation reports by an independent expert. The fair value of investment property is based on unobservable inputs, thus corresponding to the level 3 category of fair value measurement (see Note 3.4).

Profits or losses on operating lease assets and on investment property, including amortisation, depreciation and revaluation are recognised under "Income from other activities" and "Expense from other activities" (see Note 4.2).

Operating lease assets

The cars leased by the Group in the context of fleet management are depreciated on a straight-line basis over the lease term for an average of 3 to 5 years. The depreciable amount of these cars is their acquisition cost less their residual value.

The acquisition cost of rental cars includes their acquisition cost plus the direct initial costs necessary for making them available to rental customers. Their residual value is an estimate of its resale value at the end of the contract. The estimate is based on statistical data and is reviewed at least once a year to take into account of price developments in the second-end car market. In case of increase or decrease in the residual value compared to its initial estimate, this change in estimate leads to adjust, vehicle by vehicle, its remaining depreciable value in order to modify its depreciation plan prospectively.

Profits or losses on the operating lease assets, including depreciation and impairment, are recognised under Income from other activities and Expense from other activities (see Note 4.2).

Rights-of-use for assets leased by the Group

LEASE

Definition of the lease

A contract is, or contains, a lease if it conveys to the lessor the right to control the use of an identified asset for a period of time in exchange for consideration:

- control is conveyed when the customer has both the right to direct the identified asset's use, and to obtain substantially all the economic benefits from that use throughout the lease period;
- the existence of an identified asset will depend on the absence, for the lessor, of substantive substitution rights for the leased asset; this condition is measured with regard to the facts and circumstances existing at the commencement of the contract. If the lessor has the option of freely substituting the leased asset, the contract can not be qualified as a lease, since its purpose is the provision of a capacity and not an asset;
- a capacity portion of an asset is still an identified asset if it is physically distinct (e.g. a floor of a building). Conversely, a portion of the capacity or of an asset that is not physically distinct does not constitute an identified asset (e.g. the lease of co-working area within a unit with no pre-defined location inside that unit).

Separation of lease and non-lease components

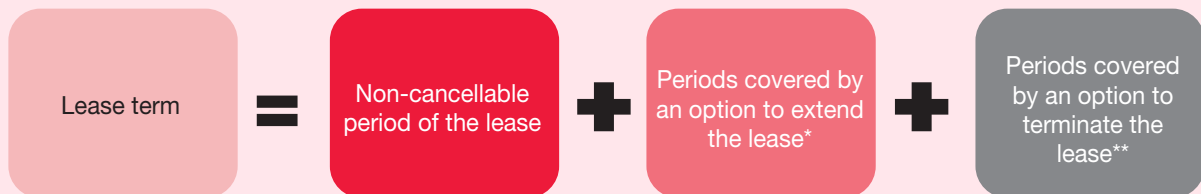
A contract may cover the lease of an asset by the lessor as well as the supply of additional services by that lessor. In this scenario, the lessee can separate the lease components from the non-lease components of the contract and treat them separately. The rental payments stipulated in the contract 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.



* 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 9-year leases with an early-termination option at the end of 3 and 6-year term (leases referred to as "3/6/9"); at the end of the 9-year term, if no new agreement is signed, the initial lease is renewed by tacit agreement for a 5-year term. This 5-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)	31.12.2022 R	Increases/ allowances	Disposals/ reversals	Revaluation	Other movements	31.12.2023
Intangible Assets	2,874	665	(155)	-	178	3,562
of which gross value	8,935	1,379	(728)	-	404	9,990
of which amortisation and impairments	(6,061)	(714)	573	-	(226)	(6,428)
Tangible Assets (w/o assets under operating leases)	4,289	96	(148)	-	(18)	4,219
of which gross value	11,031	652	(391)	-	(85)	11,207
of which amortisation and impairments	(6,742)	(556)	243	-	67	(6,988)
Assets under operating leases⁽¹⁾	24,071	16,411	(11,204)	-	21,143	50,421
of which gross value	32,933	22,463	(16,618)	-	28,628	67,406
of which amortisation and impairments	(8,862)	(6,052)	5,414	-	(7,485)	(16,985)
Investment Property (except insurancy activities)	11	(1)	-	-	2	12
of which gross value	30	-	(2)	-	7	35
of which amortisation and impairments	(19)	(1)	2	-	(5)	(23)
Investment Property (including insurancy activities)	877	1	-	(148)	-	730
Rights-of-use	1,836	(33)	(152)	-	119	1,770
of which gross value	3,221	417	(280)	-	239	3,597
of which amortisation and impairments	(1,385)	(450)	128	-	(120)	(1,827)
TOTAL	33,958	17,139	(11,659)	(148)	21,424	60,714




(1) The other movements are mainly explained by the acquisition of LeasePlan (cf. Note 2.1).

BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In EURm)	31.12.2023	31.12.2022*
Payments due in less than five years	21,555	7,426
Payments due in less than one year	5,115	966
Payments due from one to two years	5,125	1,766
Payments due from two to three years	5,615	2,408
Payments due from three to four years	4,376	1,809
Payments due from four to five years	1,324	477
Payments due in more than five years	146	27
TOTAL	21,701	7,453

* Amounts restated compared to the financial statements published for 2022.

INFORMATIONS RELATIVE TO LEASES ON TANGIBLE ASSETS USED BY THE GROUP

	<p>Property Leases</p> <p>Most of the leases (more than 90%) involve building leases contracted for the lease of commercial and office space:</p> <ul style="list-style-type: none"> the commercial spaces are branches in the Group's French and international retail banking networks. In France, the majority of property leases contracted are 9-year commercial leases with early termination options at 3 and 6 years (so-called "3/6/9" leases). If a new contract is not signed by the end of that 9-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... <p>Outside France, residual lease periods are generally below 10 years. In some countries, leases can be annual, with optional automatic renewal. In other locations, specifically London and New York, lease periods can be as long as 25 years.</p>
	
	
	<p>Equipment Leases</p> <p>Other leases (less than 10%) are mainly computer equipment leases and a very small percentage of vehicle leases.</p>

OVERVIEW TABLE OF LEASE TRANSACTION COSTS AND SUBLEASE INCOME

(In EURm)	31.12.2023			
	Real estate	IT	Others	Total
Lease	(458)	(47)	(9)	(514)
Interest expenses on lease liabilities	(45)	(1)	(1)	(47)
Depreciation charge for right-of-use assets	(378)	(41)	(4)	(423)
Expense relating to short-term leases	(22)	(1)	(4)	(27)
Expense relating to leases of low-value assets	(2)	(4)	-	(6)
Expense relating to variable lease payments	(11)	-	-	(11)
Sublease income	11	-	-	11

(In EURm)	31.12.2022			
	Real estate	IT	Others	Total
Lease	(440)	(47)	(8)	(495)
Interest expenses on lease liabilities	(37)	(0)	(0)	(37)
Depreciation charge for right-of-use assets	(361)	(42)	(4)	(407)
Expense relating to short-term leases	(29)	(1)	(3)	(33)
Expense relating to leases of low-value assets	(1)	(4)	(1)	(6)
Expense relating to variable lease payments	(12)	(0)	(0)	(12)
Sublease income	11	-	-	11

NOTE 8.4 Companies included in the consolidation scope

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
South Africa							
(1)	SG JOHANNESBURG	Bank	FULL	100	100	100	100
Algeria							
	ALD AUTOMOTIVE ALGERIE SPA	Specialist Financing	FULL	52.59	75.94	99.99	99.99
	SOCIETE GENERALE ALGERIE	Bank	FULL	100	100	100	100
Germany							
	ALD AUTOLEASING D GmbH	Specialist Financing	FULL	52.59	75.94	100	100
	ALD INTERNATIONAL GmbH	Specialist Financing	FULL	52.59	75.94	100	100
	ALD INTERNATIONAL GROUP HOLDINGS GmbH	Specialist Financing	FULL	52.59	75.94	100	100
	ALD LEASE FINANZ GmbH	Specialist Financing	FULL	100	100	100	100
	BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GmbH	Specialist Financing	FULL	99.94	99.94	90	90
	BDK LEASING UND SERVICE GmbH	Specialist Financing	FULL	100	100	100	100
	CAR PROFESSIONAL FUHRPARKMANAGEMENT UND BERATUNGSGESELLSCHAFT MBH & CO. KG	Specialist Financing	FULL	52.59	75.94	100	100
	CARPOOL GmbH	Specialist Financing	FULL	52.59	75.94	100	100
	FLEETPOOL GmbH	Specialist Financing	FULL	52.59	75.94	100	100
	GEFA BANK GmbH	Specialist Financing	FULL	100	100	100	100
	GEFA VERSICHERUNGSDIENST GmbH	Specialist Financing	EFB	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 G.M.B.H.	Specialist Financing	FULL	52.59	75.94	100	100
(6)	LEAN AUTOVERMIETUNG GmbH	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN DEUTSCHLAND GmbH	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN SERVICES GmbH	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN VERSICHERUNGSVERMITTLUNGS-GESELLSCHAFT MBH	Specialist Financing	FULL	52.59	0	100	0
(6)	PHILIPS MEDICAL CAPITAL GmbH	Specialist Financing	FULL	60	0	60	0
(6)	RED & BLACK AUTO GERMANY 10	Financial Company	FULL	100	0	100	0
	RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	100	100	100
(2)	RED & BLACK AUTO GERMANY 6 UG	Financial Company	FULL	0	100	0	100
	RED & BLACK AUTO GERMANY 7	Financial Company	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Germany	RED & BLACK AUTO GERMANY 8	Financial Company	FULL	100	100	100	100
	RED & BLACK AUTO GERMANY 9 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	100	100	100
	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
(1)	SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
(1)	SOGESSUR DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
Arabie Saoudite							
(6)	SOCIETE GENERALE SAUDI ARABIA JSC	Bank	FULL	100	0	100	0
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	52.59	75.94	100	100
(6)	FLOTTENMANAGEMENT GmbH	Specialist Financing	ESI	25.77	0	49	0
(6)	LEASEPLAN OSTERREICH FUHRPARKMANAGEMENT GmbH	Specialist Financing	FULL	52.59	0	100	0
(1)	SG VIENNE	Bank	FULL	100	100	100	100
Belarus							
(4)	ALD AUTOMOTIVE LLC	Specialist Financing	FULL	0	75.94	0	100
Belgium							
	AXUS FINANCE SRL	Specialist Financing	FULL	52.59	75.94	100	100
	AXUS SA/NV	Specialist Financing	FULL	52.59	75.94	100	100
	BASTION EUROPEAN INVESTMENTS SA	Financial Company	FULL	60.74	60.74	100	100
(6)	BUMPER BE	Financial Company	FULL	52.59	0	100	0
(6)	LEASEPLAN FLEET MANAGEMENT N.V.	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN PARTNERSHIPS & ALLIANCES	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN TRUCK N.V.	Specialist Financing	FULL	52.59	0	100	0
	PARCOURS BELGIUM	Real Estate and Real Estate Financing	FULL	52.59	75.94	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

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
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 SA	Specialist Financing	FULL	52.59	75.94	100	100
	ALD CORRETORA DE SEGUROS LTDA	Broker	FULL	52.59	75.94	100	100
	BANCO SOCIETE GENERALE BRASIL SA	Bank	FULL	100	100	100	100
(6)	LEASEPLAN ARRENDAMENTO MERCANTIL SA	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN BRASIL LTDA.	Specialist Financing	FULL	52.59	0	100	0
	SOCIETE GENERALE EQUIPMENT FINANCE S/A – ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100	100
Bulgaria							
	ALD AUTOMOTIVE EOOD	Specialist Financing	FULL	52.59	75.94	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
Cameroon							
	SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08
Canada							
(8)	13406300 CANADA INC.	Bank	FULL	100	100	100	100
(6)	SG MONTREAL SOLUTION CENTER 2 INC.	Services	FULL	100	0	100	0
(6)	SG MONTREAL SOLUTION CENTER INC.	Services	FULL	100	0	100	0
(1)	SOCIETE GENERALE (CANADA BRANCH)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE CAPITAL CANADA INC	Broker	FULL	100	100	100	100
Chile							
	ALD AUTOMOTIVE LIMITADA	Specialist Financing	FULL	52.59	75.94	100	100
China							
	SOCIETE GENERALE (CHINA) LIMITED	Bank	FULL	100	100	100	100
	SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	FULL	100	100	100	100
Colombia							
	ALD AUTOMOTIVE SAS	Specialist Financing	FULL	52.59	75.94	100	100
Congo							
(4)	SOCIETE GENERALE CONGO	Bank	FULL	0	93.47	0	93.47
South Korea							
	SG SECURITIES KOREA CO., LTD.	Broker	FULL	100	100	100	100
(1)	SG SEOUL	Bank	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Côte d'Ivoire							
(6)	SOCIETE GENERALE AFRICAN BUSINESS SERVICES ABIDJAN	Services	FULL	97.88	0	100	0
	SOCIETE GENERALE CAPITAL SECURITIES WEST AFRICA	Portfolio Management	FULL	71.27	71.25	100	99.98
	SOCIETE GENERALE COTE D'IVOIRE	Bank	FULL	73.25	73.25	73.25	73.25
Croatia							
	ALD AUTOMOTIVE D.O.O. ZA OPERATIVNI I FINANCIJSKI LEASING	Specialist Financing	FULL	52.59	75.94	100	100
	ALD FLEET SERVICES D.O.O ZA TRGOVINU I USLUGE	Specialist Financing	FULL	52.59	75.94	100	100
Denmark							
	ALD AUTOMOTIVE A/S	Specialist Financing	FULL	52.59	75.94	100	100
(6)	AUTO CLAIM HANDLING DANMARK A/S	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN DANMARK A/S	Specialist Financing	FULL	52.59	0	100	0
	NF FLEET A/S	Specialist Financing	FULL	42.07	60.75	80	80
United Arab Emirates							
(6)	LEASEPLAN EMIRATES FLEET MANAGEMENT – LEASEPLAN EMIRATES LLC, UAE	Specialist Financing	ESI	25.77	0	49	0
(1)	SOCIETE GENERALE, DIFC BRANCH	Bank	FULL	100	100	100	100
Spain							
	ALD AUTOMOTIVE SAU.	Specialist Financing	FULL	52.59	75.94	100	100
	ALTURA MARKETS, SOCIEDAD DE VALORES, SA	Broker	EJV	50	50	50	50
(6)	GARANTHIA PLAN S.L.	Broker	FULL	52.59	0	100	0
(1)	GENEFIM SUCURSAL EN ESPANA	Real Estate and Real Estate Financing	FULL	100	100	100	100
(6)	LEASE PLAN SERVICIOS SAU.	Specialist Financing	FULL	52.59	0	100	0
(6)	PAYXPERT SPAIN	Financial Company	FULL	60	0	100	0
(6)	PIRAMBU S.L.	Financial Company	FULL	100	0	100	0
	SG EQUIPMENT FINANCE IBERIA, E.F.C, SAU.	Specialist Financing	FULL	100	100	100	100
	SOCGEN FINANCIACIONES IBERIA, S.L.	Bank	FULL	100	100	100	100
	SOCGEN INVERSIONES FINANCIERAS S.L.	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
	SOLUCIONES DE RENTING Y MOVILIDAD, S.L. (SOCIEDAD UNIPERSONAL)	Specialist Financing	FULL	52.59	75.94	100	100
Estonia							
	ALD AUTOMOTIVE EESTI AS	Specialist Financing	FULL	39.45	56.96	75.01	75.01

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
United States of America							
	AEGIS HOLDINGS (ONSHORE) 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
(5)	SG CONSTELLATION, INC.	Financial Company	FULL	0	100	0	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
(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	52.59	75.94	100	100
	NF FLEET OY	Specialist Financing	FULL	42.07	60.75	80	80
France							
	29 HAUSSMANN EQUILIBRE	Financial Company	FULL	87.1	87.1	87.1	87.1
(6)	29 HAUSSMANN EURO CREDIT – PART-C	Financial Company	FULL	60.05	0	60.05	0
	29 HAUSSMANN EURO RDT	Financial Company	FULL	58.1	58.1	58.1	58.1
	29 HAUSSMANN SELECTION EUROPE – K	Financial Company	FULL	45.23	45.23	45.23	45.23
	29 HAUSSMANN SELECTION MONDE	Financial Company	FULL	68.7	68.7	68.7	68.7
	908 REPUBLIQUE	Real Estate and Real Estate Financing	ESI	40	40	40	40
(6)	ADMINISTRATIVE AND MANAGEMENT SERVICES	Specialist Financing	FULL	52.59	0	100	0
	AIR BAIL	Specialist Financing	FULL	100	100	100	100
	AIX – BORD DU LAC – 3	Financial Company	EJV	50	50	50	50
(2)	AIX – BORD DU LAC – 4	Real Estate and Real Estate Financing	EJV	0	50	0	50
	ALD	Specialist Financing	FULL	52.59	75.94	68.97	75.94
	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

Country		Activity	Method*	Group ownership interest		Group voting interest		
				As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	(4)	AMUNDI CREDIT EURO – P	Financial Company	FULL	0	57.43	0	57.43
		ANNEMASSE-ILOT BERNARD	Real Estate and Real Estate Financing	FULL	80	80	80	80
		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
	(5)	BANQUE COURTOIS	Bank	FULL	0	100	0	100
		BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN	Bank	FULL	50	50	50	50
	(5)	BANQUE KOLB	Bank	FULL	0	100	0	100
	(5)	BANQUE LAYDERNIER	Bank	FULL	0	100	0	100
	(5)	BANQUE NUGER	Bank	FULL	0	100	0	100
	(3)	BANQUE POUYANNE	Bank	ESI	0	35	0	35
	(5)	BANQUE RHONE ALPES	Bank	FULL	0	99.99	0	99.99
	(5)	BANQUE TARNEAUD	Bank	FULL	0	100	0	100
		BAUME LOUBIERE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(6)	BERCK RUE DE BOUVILLE	Real Estate and Real Estate Financing	ESI	25	0	25	0
		BERLIOZ	Financial Company	FULL	84.05	84.05	84.05	84.05
	(6)	BEZIERS-LA COURONDELLE	Real Estate and Real Estate Financing	EJV	50	0	50	0
		BOURSORAMA MASTER HOME LOANS FRANCE	Specialist Financing	FULL	100	100	100	100
		BOURSORAMA SA	Bank	FULL	100	100	100	100
		BREMANY LEASE SAS	Real Estate and Real Estate Financing	FULL	52.59	75.94	100	100
	(6)	BUMPER FR 2022-1	Financial Company	FULL	52.59	0	100	0
		CARBURAUTO	Group Real Estate Management Company	EJV	50	50	50	50
	(6)	CEGELEASE	Real Estate and Real Estate Financing	FULL	99.99	0	100	0
		CENTRE IMMO PROMOTION	Real Estate and Real Estate Financing	FULL	60	60	60	60
	(2)	CHARTREUX LOT A1	Real Estate and Real Estate Financing	ESI	0	100	0	100
		COMPAGNIE FINANCIERE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100	100
		COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)	Group Real Estate Management Company	FULL	100	100	100	100
		COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS	Specialist Financing	FULL	99.89	99.89	99.89	99.89

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	CONTE	Group Real Estate Management Company	EJV	50	50	50	50
(5)	CREDIT DU NORD	Bank	FULL	0	100	0	100
(3)	DARWIN DIVERSIFIE 0-20	Portfolio Management	FULL	0	89.94	0	89.94
	DARWIN DIVERSIFIE 40-60	Financial Company	FULL	79.78	79.78	79.78	79.78
	DARWIN DIVERSIFIE 80-100	Financial Company	FULL	78.34	78.34	78.34	78.34
	DISPONIS	Specialist Financing	FULL	99.99	99.99	100	100
	ECHIQUIER AGENOR EURO SRI MID CAP	Financial Company	FULL	40.85	40.85	40.85	40.85
(2)	ESNI – COMPARTIMENT SG-CREDIT CLAIMS – 1	Financial Company	FULL	0	100	0	100
	ETOILE CAPITAL	Financial Company	FULL	100	99.99	100	99.99
(3)	ETOILE MULTI GESTION EUROPE-C	Insurance	FULL	0	51.59	0	51.59
(3)	ETOILE MULTI GESTION USA – PART P	Insurance	FULL	0	35.18	0	35.18
	F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	FULL	100	100	100	100
(4)	FCC ALBATROS	Portfolio Management	ESI	0	100	0	51
	FCT LA ROCHE	Specialist Financing	FULL	100	100	100	100
	FEEDER LYX E ST50 D6	Financial Company	FULL	100	100	100	100
	FEEDER LYXOR CAC40 D2-EUR	Financial Company	FULL	100	100	100	100
	FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100
	FINASSURANCE SNC	Insurance	FULL	98.89	98.89	99	99
	FRANFINANCE	Specialist Financing	FULL	99.99	99.99	99.99	99.99
	FRANFINANCE LOCATION	Specialist Financing	FULL	99.99	99.99	100	100
	GALYBET	Real Estate and Real Estate Financing	FULL	100	100	100	100
	GENEBANQUE	Bank	FULL	100	100	100	100
	GENECAL FRANCE	Specialist Financing	FULL	100	100	100	100
	GENECAR – SOCIETE GENERALE DE COURTAGE D'ASSURANCE ET DE REASSURANCE	Insurance	FULL	100	100	100	100
	GENECOMI FRANCE	Specialist Financing	FULL	100	100	100	100
	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	60.34	56.56	60.34	56.56

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
(3)	HAGA NYGATA	Specialist Financing	FULL	0	100	0	100
	HIPPOLYTE	Specialist Financing	FULL	100	100	100	100
	HYUNDAI CAPITAL FRANCE (EX SEFIA)	Specialist Financing	ESI	49.95	49.95	50	50
	ILOT AB	Real Estate and Real Estate Financing	FULL	80	80	80	80
	IMMOBILIERE 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
(6)	IVRY CHAUSSINAND	Real Estate and Real Estate Financing	FULL	64	0	64	0
	JSJ PROMOTION	Real Estate and Real Estate Financing	ESI	45	45	45	45
	LA CORBEILLERIE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	LA FONCIERE DE LA DEFENSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
(6)	LEASEPLAN FRANCE SAS	Specialist Financing	FULL	52.59	0	100	0
	LES ALLEES DE L'EUROPE	Real Estate and Real Estate Financing	ESI	34	34	34	34
	LES JARDINS D'ALHAMBRA	Real Estate and Real Estate Financing	ESI	35	35	35	35
(2)	LES JARDINS DE L'ALCAZAR	Real Estate and Real Estate Financing	ESI	0	30	0	30
(6)	LES JARDINS DU VILLAGE	Real Estate and Real Estate Financing	FULL	80	0	80	0
	LES MESANGES	Real Estate and Real Estate Financing	FULL	55	55	55	55
	LES TROIS LUCS 13012	Real Estate and Real Estate Financing	FULL	100	100	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
	LYON LA FABRIC	Real Estate and Real Estate Financing	EJV	50	50	50	50

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	LYX ACT EURO CLIMAT-D3EUR	Financial Company	FULL	100	100	100	100
	LYX ACT EURO CLIMAT-DEUR	Financial Company	FULL	100	100	100	100
	LYXOR ACTIONS EURO CLIMAT D4 EUR	Financial Company	FULL	100	100	100	100
	LYXOR GL OVERLAY F	Financial Company	FULL	87.27	87.27	87.27	87.27
	LYXOR SKYFALL FUND	Financial Company	FULL	88.98	88.98	88.98	88.98
	MEDITERRANEE GRAND ARC	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(2) NORBAIL IMMOBILIER	Real Estate and Real Estate Financing	ESI	0	100	0	100
	NORBAIL SOFERGIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	NORMANDIE REALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	ONYX	Group Real Estate Management Company	EJV	50	50	50	50
	OPCI SOGECAPIMMO	Financial Company	FULL	100	100	100	100
	ORADEA VIE	Insurance	FULL	100	100	100	100
	ORPAVIMOB	Specialist Financing	FULL	100	100	100	100
	PARCOURS	Real Estate and Real Estate Financing	FULL	52.59	75.94	100	100
	PARCOURS ANNECY	Real Estate and Real Estate Financing	FULL	52.59	75.94	100	100
	PARCOURS BORDEAUX	Real Estate and Real Estate Financing	FULL	52.59	75.94	100	100
	PARCOURS NANTES	Real Estate and Real Estate Financing	FULL	52.59	75.94	100	100
	PARCOURS STRASBOURG	Real Estate and Real Estate Financing	FULL	52.59	75.94	100	100
	PARCOURS TOURS	Real Estate and Real Estate Financing	FULL	52.59	75.94	100	100
	(5) PAREL	Services	FULL	0	100	0	100
	(6) PAYXPERT FRANCE	Financial Company	FULL	60	0	100	0
	PHILIPS MEDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
	PIERRE PATRIMOINE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6) PLEASE	Specialist Financing	EJV	52.23	0	50	0
	PRAGMA	Real Estate and Real Estate Financing	FULL	100	100	100	100
	PRIMONIAL DOUBLE IMMO	Real Estate and Real Estate Financing	FULL	100	100	100	100
	PRIORIS	Specialist Financing	FULL	94.89	94.89	95	95

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	PROGEREAL	Real Estate and Real Estate Financing	ESI	25.01	25.01	25.01	25.01
	PROJECTIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	RED & BLACK AUTO LEASE FRANCE 1	Specialist Financing	FULL	52.59	75.94	100	100
(6)	RED & BLACK AUTO LEASE FRANCE 2	Financial Company	FULL	52.59	0	100	0
	RED & BLACK CONSUMER FRANCE 2013	Financial Company	FULL	100	100	100	100
	RED & BLACK HOME LOANS FRANCE 2	Financial Company	FULL	100	100	100	100
(6)	REEZOCORP	Specialist Financing	FULL	96.83	0	96.88	0
	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
	SAINTE-MARTHE ILOT C	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SAINTE-MARTHE ILOT D	Real Estate and Real Estate Financing	ESI	40	40	40	40
(2)	SAINT-MARTIN 3	Real Estate and Real Estate Financing	EJV	0	50	0	50
	SARL BORDEAUX-20-26 RUE DU COMMERCE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SARL D'AMENAGEMENT DU MARTINET	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SARL DE LA VECQUERIE	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
	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	100	100	100	100
	SAS BF3 NOGENT THIERS	Portfolio Management	ESI	20	20	20	20
	SAS BONDUES – COEUR DE BOURG	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SAS COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
(2)	SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	0	75	0	75

Country		Activity	Method*	Group ownership interest		Group voting interest		
				As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	(2)	SAS FOCH SULLY	Real Estate and Real Estate Financing	FULL	0	90	0	90
		SAS MERIGNAC OASIS URBAINE	Real Estate and Real Estate Financing	FULL	90	90	90	90
	(5)	SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SAS NORMANDIE RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(2)	SAS NOYALIS	Real Estate and Real Estate Financing	ESI	0	28	0	28
		SAS ODESSA DEVELOPPEMENT	Real Estate and Real Estate Financing	ESI	49	49	49	49
	(5)	SAS PARNASSE	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SAS PAYSAGES	Real Estate and Real Estate Financing	FULL	51	51	51	51
		SAS PROJECTIM IMMOBILIER	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(2)	SAS RESIDENCE AUSTRALIS	Real Estate and Real Estate Financing	FULL	0	77	0	77
	(2)	SAS RESIDENCIAL	Real Estate and Real Estate Financing	FULL	0	68.4	0	68.4
		SAS ROANNE LA TRILOGIE	Real Estate and Real Estate Financing	ESI	41	41	41	41
		SAS SCENES DE VIE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SAS SOAX PROMOTION	Real Estate and Real Estate Financing	FULL	58.5	58.5	58.5	58.5
	(5)	SAS SOGEBROWN POISSY	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SAS SOGEMYSJ	Real Estate and Real Estate Financing	FULL	51	51	51	51
		SAS SOJEPRIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS TIR A L'ARC AMENAGEMENT	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SAS TOUR D2	Real Estate and Real Estate Financing	JO	50	50	50	50
		SAS VILLENEUVE D'ASCQ – RUE DES TECHNIQUES BUREAUX	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	FULL	60	60	60	60	

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	ESI	49	49	49	49
	SCCV BAC GALLIENI	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 BOURG BROU	Real Estate and Real Estate Financing	FULL	60	60	60	60
	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
	SCCV CANNES JOURDAN	Real Estate and Real Estate Financing	EJV	50	50	50	50
	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
	(2) SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SCCV CHOISY LOGEMENT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV CLICHY BAC D'ASNIERES	Real Estate and Real Estate Financing	FULL	75	75	75	75
	SCCV CLICHY BRC	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV COLOMBES	Real Estate and Real Estate Financing	ESI	28.66	28.66	49	49
	(6) SCCV COMPIEGNE ROYALLIEU	Real Estate and Real Estate Financing	ESI	30	0	30	0
	SCCV COMPIEGNE – RUE DE L'EPARGNE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV CUGNAUX-LEO LAGRANGE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV DEVILLE-CARNOT	Real Estate and Real Estate Financing	FULL	60	60	60	60
	SCCV DUNKERQUE PATINOIRE DEVELOPPEMENT	Real Estate and Real Estate Financing	EJV	50	50	50	50

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	(4) SCCV EIFFEL FLOQUET	Real Estate and Real Estate Financing	FULL	0	51	0	51
	SCCV EPRON – ZAC L'OREE DU GOLF	Real Estate and Real Estate Financing	FULL	70	70	70	70
	(6) SCCV ERAGNY GUICHARD	Real Estate and Real Estate Financing	FULL	51	0	51	0
	SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV ETERVILLE 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	100	100	100
	SCCV GAMBETTA LA RICHE	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SCCV GIGNAC MOUSSELINE	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV GIVORS ROBICHON	Real Estate and Real Estate Financing	FULL	85	85	85	85
	(6) SCCV GOELETTES GRAND LARGE	Real Estate and Real Estate Financing	EJV	50	0	50	0
	SCCV HEROUVILLE ILOT A2	Real Estate and Real Estate Financing	ESI	33.33	33.33	33.33	33.33
	SCCV ISTRES PAPAILLE	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV JA LE HAVRE 22 COTY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV KYMA MERIGNAC	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCCV LA BAULE – LES JARDINS D'ESCOUBLAC	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SCCV LA MADELEINE – PRE CATELAN	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SCCV LA MADELEINE SAINT-CHARLES	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	EJV	50	50	50	50

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	ESI	49	49	49	49
(2)	SCCV LE BOUSCAT CARRE SOLARIS	Real Estate and Real Estate Financing	ESI	0	25	0	25
	SCCV LE CENTRAL C1.4	Real Estate and Real Estate Financing	ESI	33.4	33.4	33.4	33.4
(6)	SCCV LE CENTRAL C1.5A	Real Estate and Real Estate Financing	ESI	33.3	0	33.3	0
(6)	SCCV LE CENTRAL C1.7	Real Estate and Real Estate Financing	ESI	33.3	0	33.3	0
	SCCV LES BASTIDES FLEURIES	Real Estate and Real Estate Financing	FULL	64.29	64.29	64.29	64.29
	SCCV LES ECRIVAINS	Real Estate and Real Estate Financing	FULL	70	70	70	70
(6)	SCCV LES HAUTS VERGERS	Real Estate and Real Estate Financing	FULL	55	0	55	0
	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	50	50	50	50
	SCCV L'IDEAL – MODUS 1.0	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCCV LILLE – JEAN MACE	Real Estate and Real Estate Financing	ESI	33.4	33.4	33.4	33.4
	SCCV LOOS GAMBETTA	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV MARCQ EN BAROEUL GABRIEL PERI	Real Estate and Real Estate Financing	ESI	20	20	20	20
	SCCV MARQUETTE CALMETTE	Real Estate and Real Estate Financing	EJV	50	50	50	50
(6)	SCCV MASSY NOUAILLE	Real Estate and Real Estate Financing	FULL	80	0	80	0
	SCCV MEHUL 34000 (ex-SCCV MEHUL)	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV MONROC – LOT 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV MONS EQUATION	Real Estate and Real Estate Financing	EJV	50	50	50	50

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	SCCV NICE ARENAS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV NOGENT PLAISANCE	Real Estate and Real Estate Financing	FULL	60	60	60	60
	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 PRADES BLEU HORIZON	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SCCV QUAI NEUF BORDEAUX	Real Estate and Real Estate Financing	ESI	35	35	35	35
	(5) SCCV ROUEN 27 ANGLAIS	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SCCV ROUSSET – LOT 03	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV SAINT JUST DAUDET	Real Estate and Real Estate Financing	FULL	80	80	80	80
	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	50	50	50	50
	SCCV SENSORIUM LOGEMENT	Real Estate and Real Estate Financing	EJV	50	50	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 SOPRAB IDF	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV ST MARTIN DU TOUCH ILOT S9	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(2) SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	0	50	0	50
(2) SCCV TALENCE PUR	Real Estate and Real Estate Financing	FULL	0	95	0	95	

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	SCCV TOULOUSE LES IZARDS	Specialist Financing	FULL	51	51	51	51
	SCCV TRETZ CASSIN LOT 4	Real Estate and Real Estate Financing	FULL	70	70	70	70
(2)	SCCV VERNAISON – RAZAT	Real Estate and Real Estate Financing	EJV	0	50	0	50
	SCCV VERNONNET-FIESCHI	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SCCV VILLA CHANZY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCCV VILLA VALERIANE	Specialist Financing	ESI	30	30	30	30
	SCCV VILLAS URBAINES	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCCV VILLENAVE D'ORNON GARDEN VO	Real Estate and Real Estate Financing	ESI	25	25	25	25
(6)	SCCV VILLENEUVE BONGARDE T2	Real Estate and Real Estate Financing	FULL	51	0	51	0
	SCCV VILLENEUVE D'ASCQ-RUE DES TECHNIQUES	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV VILLENEUVE VILLAGE BONGARDE	Specialist Financing	FULL	51	51	51	51
	SCCV VILLEURBANNE TEMPO	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV WAMBRECHIES RESISTANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI 1134, AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	50	50	50	50
(2)	SCI 637 ROUTE DE FRANS	Real Estate and Real Estate Financing	ESI	0	30	0	30
	SCI AQPRIM PROMOTION	Real Estate and Real Estate Financing	FULL	79.8	79.8	50	50
(2)	SCI ASC LA BERGEONNERIE	Real Estate and Real Estate Financing	EJV	0	42	0	50
(2)	SCI AVARICUM	Real Estate and Real Estate Financing	FULL	0	99	0	99
	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
	SCI DU PARC SAINT ETIENNE	Real Estate and Real Estate Financing	ESI	40	40	40	40

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	SCI ETAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(5) SCI LA MANTILLA COMMERCES	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SCI L'ACTUEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI LAVOISIER	Real Estate and Real Estate Financing	FULL	80	80	80	80
	(2) SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	EJV	0	40	0	40
	(2) SCI LE MANOIR DE JEREMY	Real Estate and Real Estate Financing	ESI	0	40	0	40
	(2) SCI LES CASTELLINES	Real Estate and Real Estate Financing	ESI	0	30	0	30
	(2) SCI LES JARDINS DE LA BOURBRE	Real Estate and Real Estate Financing	ESI	0	40	0	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
	SCI LINAS COEUR DE VILLE 1	Real Estate and Real Estate Financing	FULL	70	71	70	71
	SCI LOCMINE- LAMENNAIS	Real Estate and Real Estate Financing	ESI	30	30	30	30
	(2) SCI L'OREE DES LACS	Real Estate and Real Estate Financing	FULL	0	70	0	70
	SCI MONTPELLIER JACQUES CŒUR	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI PRIMO E+	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI PRIMO N+	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI PRIMO N+2	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI PRIMO N+3	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(2) SCI PROJECTIM MARCQ COEUR DE VILLE	Real Estate and Real Estate Financing	FULL	0	60	0	60

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	(2) SCI PRONY	Real Estate and Real Estate Financing	EJV	0	50	0	50
	SCI QUINTEFEUILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	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 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
	(2) SCI SAINT OUEN L'AUMONE – L'OISE	Real Estate and Real Estate Financing	EJV	0	38	0	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	100	100	100	100
	SCI SOGEPROM LYON RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(2) SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	FULL	0	80	0	80
	SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	FULL	100	100	100	100
	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
	SERVIPAR	Specialist Financing	FULL	52.59	75.94	100	100
	SG 29 HAUSSMANN	Financial Company	FULL	100	100	100	100
	(3) SG ACTIONS EURO	Insurance	FULL	0	47.75	0	47.75
	SG ACTIONS EURO SELECTION	Financial Company	FULL	40.05	40.05	40.05	40.05
	SG ACTIONS FRANCE	Financial Company	FULL	38.14	38.14	38.14	38.14
	SG ACTIONS LUXE-C	Financial Company	FULL	84.25	84.25	84.25	84.25
	(3) SG ACTIONS MONDE	Insurance	FULL	0	67.59	0	67.59
	SG ACTIONS MONDE EMERGENT	Financial Company	FULL	60.05	60.05	60.05	60.05
	SG ACTIONS US	Financial Company	FULL	65.06	65.06	65.06	65.06
	(6) SG AMUNDI ACTIONS FRANCE ISR – PART-C	Financial Company	FULL	60.05	0	60.05	0

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	(6) SG AMUNDI ACTIONS MONDE EAU – PART-C	Financial Company	FULL	60.05	0	60.05	0
	SG AMUNDI MONETAIRE ISR	Financial Company	FULL	100	100	100	100
	(6) SG AMUNDI MONETAIRE ISR – PART P-C	Financial Company	FULL	60.05	0	60.05	0
	(6) SG AMUNDI OBLIG ENTREPRISES EURO ISR – PART-C	Financial Company	FULL	60.05	0	60.05	0
	SG BLACKROCK ACTIONS US ISR	Financial Company	FULL	100	100	100	100
	SG BLACKROCK FLEXIBLE ISR	Financial Company	FULL	100	100	100	100
	(6) SG BLACKROCK OBLIGATIONS EURO ISR – PART-C	Financial Company	FULL	60.05	0	60.05	0
	SG CAPITAL DEVELOPPEMENT	Portfolio Management	FULL	100	100	100	100
	(6) SG DNCA ACTIONS EURO ISR – PART-C	Financial Company	FULL	60.05	0	60.05	0
	SG FINANCIAL SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	SG FLEXIBLE	Financial Company	FULL	92.48	92.48	92.48	92.48
	(6) SG OBLIG ETAT EURO – PART P-C	Financial Company	FULL	60.05	0	60.05	0
	SG OBLIG ETAT EURO-R	Financial Company	FULL	79.94	79.94	79.94	79.94
	SG OBLIGATIONS	Financial Company	FULL	82.92	82.92	82.92	82.92
	SG OPCIMMO	Financial Company	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
	SGA 48-56 DESMOULINS	Real Estate and Real Estate Financing	FULL	99	99	99	99
	SGA AXA IM US CORE HY LOW CARBON	Financial Company	FULL	100	100	100	100
	SGA AXA IM US SD HY LOW CARBON	Financial Company	FULL	100	100	100	100
	SGA INFRASTRUCTURES	Financial Company	FULL	100	100	100	100
	SGB FINANCE SA	Specialist Financing	FULL	50.94	50.94	51	51
	SGEF SA	Specialist Financing	FULL	100	100	100	100
	SGI 10-16 VILLE L'EVEQUE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SGI 1-5 ASTORG	Financial Company	FULL	100	100	100	100
	SGI HOLDING SIS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SGI PACIFIC	Real Estate and Real Estate Financing	FULL	89.24	89.24	89.53	89.53
	SHINE	Financial Company	FULL	93.97	90.9	93.97	90.9
	SNC COEUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SNC D'AMENAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
(6) SNC HPL ARROMANCHES	Real Estate and Real Estate Financing	FULL	100	0	100	0	

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	SNC NEUILLY ILE DE LA JATTE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SNC PROMOSEINE	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SOCIETE ANONYME DE CREDIT A L'INDUSTRIE FRANCAISE (CALIF)	Bank	FULL	100	100	100	100
	SOCIETE CIVILE IMMOBILIERE CAP THALASSA	Real Estate and Real Estate Financing	ESI	45	45	45	45
	SOCIETE CIVILE IMMOBILIERE CAP VEYRE	Real Estate and Real Estate Financing	ESI	50	50	50	50
	SOCIETE CIVILE IMMOBILIERE DE DIANE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIETE CIVILE IMMOBILIERE DE PIERLAS	Real Estate and Real Estate Financing	ESI	28	28	28	28
	SOCIETE CIVILE IMMOBILIERE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE CIVILE IMMOBILIERE ESTEREL TANNERON	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIETE CIVILE IMMOBILIERE FONTENAY – ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIETE CIVILE IMMOBILIERE GAMBETTA DEFENSE V	Real Estate and Real Estate Financing	ESI	20	20	20	20
	(2) SOCIETE CIVILE IMMOBILIERE LE BOTERO	Real Estate and Real Estate Financing	ESI	0	30	0	30
	SOCIETE CIVILE IMMOBILIERE LES HAUTS DE L'ESTAQUE	Services	ESI	35	35	35	35
	SOCIETE CIVILE IMMOBILIERE LES HAUTS DE SEPTEMES	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SOCIETE CIVILE IMMOBILIERE MIRECRAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SOCIETE CIVILE IMMOBILIERE 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
	(6) SOCIETE DE COURTAGES D'ASSURANCES GROUPE	Broker	FULL	52.59	0	100	0
	SOCIETE DE LA RUE EDOUARD VII	Portfolio Management	FULL	100	100	100	100
	(6) SOCIETE DE SERVICES FIDUCIAIRES (2SF)	Financial Company	EJV	33.33	0	33.33	0
	SOCIETE DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	100	100	100	100
	(2) SOCIETE DU PARC D'ACTIVITE DE LA VALENTINE	Real Estate and Real Estate Financing	ESI	0	30	0	30
SOCIETE GENERALE	Bank	FULL	100	100	100	100	

Country		Activity	Method*	Group ownership interest		Group voting interest			
				As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022		
France	(6)	SOCIETE GENERALE – FORGE	Services	FULL	90.9	0	90.9	0	
		SOCIETE GENERALE CAPITAL FINANCE	Portfolio Management	FULL	100	100	100	100	
		SOCIETE GENERALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100	100	
		SOCIETE GENERALE FACTORING	Specialist Financing	FULL	100	100	100	100	
		SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER “SOGEBAIL”	Real Estate and Real Estate Financing	FULL	100	100	100	100	
		SOCIETE GENERALE REAL ESTATE	Real Estate and Real Estate Financing	FULL	100	100	100	100	
		SOCIETE GENERALE SCF	Financial Company	FULL	100	100	100	100	
		SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100	
		SOCIETE GENERALE SFH	Specialist Financing	FULL	100	100	100	100	
		SOCIETE GENERALE VENTURES	Portfolio Management	FULL	100	100	100	100	
		SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100	100	
		(5)	SOCIETE MARSEILLAISE DE CREDIT	Bank	FULL	0	100	0	100
		(3)	SOFIDY CONVICTIONS IMMOBILIERES	Insurance	FULL	0	35.1	0	35.1
			SOGE BEAUJOIRE	Group Real Estate Management Company	FULL	100	100	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
			SOGECT.SELEC.MON.	Financial Company	FULL	99.78	99.78	99.78	99.78
			SOGEX	Real Estate and Real Estate Financing	FULL	60	60	60	60
			SOGECAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
			SOGECAP	Insurance	FULL	100	100	100	100
			SOGECAP – DIVERSIFIED LOANS FUND	Financial Company	FULL	100	100	100	100
		(6)	SOGECAP ACTIONS PROTEGEES – PART-C/D	Financial Company	FULL	60.05	0	60.05	0
			SOGECAP DIVERSIFIE 1	Financial Company	FULL	100	100	100	100
			SOGECAP EQUITY OVERLAY (FEEDER)	Financial Company	FULL	100	100	100	100
			SOGECAP LONG TERME N°1	Financial Company	FULL	100	100	100	100
			SOGECAPIMMO 2	Financial Company	FULL	90.71	90.71	90.84	90.84
			SOGEFIM HOLDING	Portfolio Management	FULL	100	100	100	100
			SOGEFIMUR	Specialist Financing	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	SOGEFINANCEMENT	Specialist Financing	FULL	100	100	100	100
	SOGEFINERG FRANCE	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
	SOGEPIERRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM	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 COTE D'AZUR	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 LYON	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM LYON AMENAGEMENT (ex-SAS NOAHO AMENAGEMENT)	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 REALISATIONS	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	100	100	100
	SOGESSUR	Insurance	FULL	100	100	100	100
	SOGEVIMMO	Real Estate and Real Estate Financing	FULL	98.75	98.75	98.75	98.75
ST BARNABE 13004	Real Estate and Real Estate Financing	EJV	50	50	50	50	
STAR LEASE	Specialist Financing	FULL	100	100	100	100	

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
France	TEMSYS	Specialist Financing	FULL	52.59	75.94	100	100
	TRANSACTIS	Services	EJV	50	50	50	50
	TREEZOR SAS	Financial Company	FULL	95.35	95.12	95.35	95.12
	URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100	100
	VALMINCO	Portfolio Management	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
	VIENNE BON ACCUEIL	Real Estate and Real Estate Financing	EJV	50	50	50	50
	VILLA D'ARMONT	Real Estate and Real Estate Financing	ESI	40	40	40	40
Ghana							
	SOCIETE GENERALE GHANA PLC (ex-SOCIETE GENERAL GHANA PLC)	Bank	FULL	60.22	60.22	60.22	60.22
Gibraltar							
	HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	FULL	100	100	100	100
	SG KLEINWORT HAMBROS (GIBRALTAR) LIMITED (ex-SG KLEINWORT HAMBROS BANK (GIBRALTAR) LIMITED)	Bank	FULL	100	100	100	100
(1)	SG KLEINWORT HAMBROS BANK LIMITED GIBRALTAR BRANCH	Bank	FULL	100	100	100	100
Greece							
	ALD AUTOMOTIVE SA LEASE OF CARS	Bank	FULL	52.59	75.94	100	100
(6)	LEASEPLAN HELLAS COMMERCIAL VEHICLE LEASING AND FLEET MANAGEMENT SERVICES SINGLE-MEMBER SOCIETE ANON	Specialist Financing	FULL	52.59	0	100	0
Guinea							
	SOCIETE GENERALE GUINEE	Bank	FULL	57.93	57.93	57.93	57.93
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 CAPITAL FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
	SG CAPITAL FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Hong Kong	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
	SG LEASING (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
	SG SECURITIES (HK) LIMITED	Broker	FULL	100	100	100	100
	SG SECURITIES ASIA INTERNATIONAL HOLDINGS LIMITED	Broker	FULL	100	100	100	100
	(1) SGL ASIA HK	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE ASIA LTD	Financial Company	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 5 LIMITED	Financial Company	FULL	100	100	100	100
Hungary							
	ALD AUTOMOTIVE MAGYARORSZAG AUTOPARK-KEZELO ES FINANSZIROZO KORLATOLT FELELOSSEGU TARSASAG	Specialist Financing	FULL	52.59	75.94	100	100
(6)	LEASEPLAN HUNGARIA GEPJARMU KEZELO ES FIANSZIROZO RESZVENYTARSASAG	Specialist Financing	FULL	52.59	0	100	0
(6)	SG EQUIPMENT FINANCE HUNGARY ZRT	Specialist Financing	FULL	100	0	100	0
Jersey Island							
	ELMFORD LIMITED	Services	FULL	100	100	100	100
	HANOM I LIMITED	Financial Company	FULL	100	100	100	100
(5)	HANOM II LIMITED	Financial Company	ESI	0	100	0	100
(5)	HANOM III LIMITED	Financial Company	ESI	0	100	0	100
	J D CORPORATE SERVICES LIMITED	Services	FULL	100	100	100	100
(5)	KLEINWORT BENSON CUSTODIAN SERVICES LIMITED	Bank	ESI	0	100	0	100
(5)	SG HAMBROS NOMINEES (JERSEY) LIMITED	Financial Company	ESI	0	100	0	100
(2)	SG HAUSSMANN FUND	Financial Company	FULL	0	100	0	100
	SG KLEINWORT HAMBROS (CI) LIMITED (ex-SG KLEINWORT HAMBROS BANK (CI) LIMITED)	Bank	FULL	100	100	100	100
(1)	SG KLEINWORT HAMBROS BANK LIMITED, JERSEY BRANCH	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

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Isle of Man							
	KBBIOM LIMITED	Bank	FULL	100	100	100	100
(2)	KBTIOM LIMITED	Bank	FULL	0	100	0	100
Guernsey Island							
	CDS INTERNATIONAL LIMITED	Services	FULL	100	100	100	100
	HAMBROS (GUERNSEY NOMINEES) LTD	Services	FULL	100	100	100	100
(5)	HTG LIMITED	Services	ESI	0	100	0	100
	KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	FULL	100	100	100	100
(1) (2)	SG KLEINWORT HAMBROS BANK (CI) LIMITED, GUERNSEY BRANCH	Bank	FULL	0	100	0	100
(1)	SG KLEINWORT HAMBROS BANK LIMITED GUERNSEY BRANCH	Bank	FULL	100	100	100	100
India							
	ALD AUTOMOTIVE PRIVATE LIMITED	Specialist Financing	FULL	52.59	75.94	100	100
(6)	LEASE PLAN INDIA PRIVATE LTD.	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN FLEET MANAGEMENT INDIA PVT. LTD.	Specialist Financing	FULL	52.59	0	100	0
(1)	SG MUMBAI	Bank	FULL	100	100	100	100
	SOCIETE GENERALE GLOBAL SOLUTION CENTRE INDIA	Services	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	Broker	FULL	100	100	100	100
Ireland							
	ALD RE PUBLIC LIMITED COMPANY (ex-ALD RE DESIGNATED ACTIVITY COMPANY)	Insurance	FULL	52.59	75.94	100	100
(6)	EURO INSURANCES DESIGNATED ACTIVITY COMPANY	Insurance	FULL	52.59	0	100	0
	IRIS SPV PLC SERIES MARK	Financial Company	FULL	100	100	100	100
	IRIS SPV PLC SERIES SOGECAP	Financial Company	FULL	100	100	100	100
(1) (6)	LEASEPLAN DIGITAL B.V. (DUBLIN BRANCH)	Services	FULL	52.59	0	100	0
(1) (6)	LEASEPLAN FINANCE B.V. (DUBLIN BRANCH OF LEASEPLAN FINANCE B.V.)	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN FLEET MANAGEMENT SERVICES IRELAND LTD.	Specialist Financing	FULL	52.59	0	100	0
(4)	MERRION FLEET MANAGEMENT LIMITED	Specialist Financing	FULL	0	75.94	0	100
	NB SOG EMER EUR – I	Financial Company	FULL	100	100	100	100
(1)	SG DUBLIN	Bank	FULL	100	100	100	100
(2)	SG KLEINWORT HAMBROS PRIVATE INVESTMENT OFFICE SERVICES LIMITED	Bank	FULL	0	100	0	100
	SGBT FINANCE IRELAND DESIGNATED ACTIVITY COMPANY	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES, SGSS (IRELAND) LIMITED	Financial Company	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Italy							
	ALD AUTOMOTIVE ITALIA S.R.L.	Specialist Financing	FULL	52.59	75.94	100	100
	FIDITALIA S.P.A.	Specialist Financing	FULL	100	100	100	100
	FRAER LEASING SPA	Specialist Financing	FULL	86.91	74.99	86.91	74.99
(6)	LEASEPLAN ITALIA S.P.A.	Specialist Financing	FULL	52.59	0	100	0
	MORIGI FINANCE S.R.L.	Specialist Financing	FULL	100	100	100	100
	RED & BLACK AUTO ITALY S.R.L.	Financial Company	FULL	100	100	100	100
	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 LUXEMBOURG ITALIAN BRANCH	Bank	FULL	100	100	100	100
(1)	SG MILAN	Bank	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES S.P.A.	Bank	FULL	100	100	100	100
(1)	SOGECAP SA RAPPRESENTANZA GENERALE PER L'ITALIA (ex-SOCECAP SA RAPPRESENTANZA GENERALE PER L'ITALIA)	Insurance	FULL	100	100	100	100
(1)	SOGESSUR SA RAPPRESENTANZA GENERALE PER L'ITALIA (ex-SOGESSUR SA)	Insurance	FULL	100	100	100	100
Japan							
(1)	SG TOKYO	Bank	FULL	100	100	100	100
	SOCIETE GENERALE HAUSSMANN MANAGEMENT JAPAN LIMITED	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100
Latvia							
	ALD AUTOMOTIVE SIA	Specialist Financing	FULL	39.44	56.96	75	75
Lithuania							
	UAB ALD AUTOMOTIVE	Specialist Financing	FULL	39.44	56.96	75	75
Luxembourg							
	ALD INTERNATIONAL SERVICES SA	Specialist Financing	FULL	52.59	75.94	100	100
	AXUS LUXEMBOURG SA	Specialist Financing	FULL	52.59	75.94	100	100
	BARTON CAPITAL SA	Financial Company	FULL	100	100	100	100
(6)	BUMPER DE SA	Financial Company	FULL	52.59	0	100	0
	CODEIS COMPARTIMENT A0084	Financial Company	FULL	100	100	100	100
	CODEIS COMPARTIMENT A0076	Financial Company	FULL	100	100	100	100
	CODEIS SECURITIES SA	Financial Company	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Luxembourg	COVALBA	Financial Company	FULL	100	100	100	100
(4)	GOLDMAN SACHS 2 G EM M DBP ID	Financial Company	FULL	0	100	0	100
(6)	INFRAMEWA CO-INVEST SCSP	Financial Company	FULL	60.05	0	60.05	0
	IVEFI SA	Financial Company	FULL	100	100	100	100
(1) (6)	LEASEPLAN GLOBAL PROCUREMENT (A LUXEMBOURGISH BRANCH OF LEASEPLAN GLOBAL B.V.)	Specialist Financing	FULL	52.59	0	100	0
(6)	MERIBOU INVESTMENTS SA	Specialist Financing	FULL	100	0	100	0
(6)	MOOREA FUND SG CREDIT MILLESIME 2028 RE (EUR CAP)	Financial Company	FULL	60.05	0	60.05	0
	MOOREA GLB BALANCED	Financial Company	FULL	68.08	68.08	68.08	68.08
(6)	MOOREA SUSTAINABLE US EQUITY RE	Financial Company	FULL	60.05	0	60.05	0
	PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Financial Company	FULL	100	100	100	100
(6)	RED & BLACK AUTO LEASE GERMANY 3 SA	Financial Company	FULL	52.59	0	100	0
	RED & BLACK AUTO LEASE GERMANY SA	Financial Company	FULL	52.59	75.94	100	100
	SALINGER SA	Bank	FULL	100	100	100	100
	SG ISSUER	Financial Company	FULL	100	100	100	100
(6)	SG LUCI	Insurance	FULL	100	0	100	0
	SGBT ASSET BASED FUNDING SA	Financial Company	FULL	100	100	100	100
	SGBT CI	Financial Company	FULL	100	100	100	100
	SGL ASIA	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SGL RE	Insurance	FULL	100	100	100	100
	SOCIETE GENERALE CAPITAL MARKET FINANCE	Bank	FULL	100	100	100	100
	SOCIETE GENERALE FINANCING AND DISTRIBUTION	Bank	FULL	100	100	100	100
	SOCIETE GENERALE LIFE INSURANCE BROKER SA	Insurance	FULL	100	100	100	100
	SOCIETE GENERALE LUXEMBOURG	Bank	FULL	100	100	100	100
	SOCIETE GENERALE LUXEMBOURG LEASING	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE PRIVATE WEALTH MANAGEMENT SA	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE RE SA	Insurance	FULL	100	100	100	100
	SOCIETE IMMOBILIERE DE L'ARSENAL	Group Real Estate Management Company	FULL	100	100	100	100
	SOGLIFE	Insurance	FULL	100	100	100	100
(2)	SOLYS	Financial Company	FULL	0	100	0	100
	SPIRE SA – COMPARTIMENT 2021-51	Financial Company	FULL	100	100	100	100
	SURYA INVESTMENTS SA	Specialist Financing	FULL	100	100	100	100
	ZEUS FINANCE LEASING SA	Specialist Financing	FULL	52.59	75.94	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Madagascar							
	BFV – SOCIETE GENERALE	Bank	FULL	70	70	70	70
Malaysia							
	ALD MHC MOBILITY SERVICES MALAYSIA SDN BHD	Specialist Financing	FULL	31.55	45.56	60	60
Morocco							
	ALD AUTOMOTIVE SA (ex-ALD AUTOMOTIVE SA MAROC)	Specialist Financing	FULL	27.06	35.23	50	50
	ATHENA COURTAGE	Insurance	FULL	58.26	58.28	99.9	99.93
	FONCIMMO	Group Real Estate Management Company	FULL	57.67	57.67	100	100
(6)	INVESTIMA SA	Bank	FULL	38.14	0	58.48	0
	LA MAROCAINE VIE	Insurance	FULL	79.24	79.24	99.98	99.98
	SG MAROCAINE DE BANQUES	Bank	FULL	57.67	57.67	57.67	57.67
	SOCIETE D'EQUIPEMENT DOMESTIQUE ET MENAGER "EQDOM"	Specialist Financing	FULL	32.37	31.19	57.09	53.98
(6)	SOCIETE GENERALE AFRICAN BUSINESS SERVICES SAS	Services	FULL	97.88	0	100	0
	SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.67	57.67	100	100
	SOCIETE GENERALE OFFSHORE	Financial Company	FULL	57.64	57.64	99.94	99.94
	SOGECAPITAL GESTION	Financial Company	FULL	57.65	57.64	99.95	99.94
	SOGECAPITAL PLACEMENT	Portfolio Management	FULL	57.66	57.66	99.97	99.98
(8)	SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.67	57.67	100	100
Mauritius							
	SG SECURITIES BROKING (M) LIMITED	Broker	FULL	100	100	100	100
Mauritania							
	SOCIETE GENERALE MAURITANIE	Bank	FULL	100	95.5	100	95.5
Mexico							
	ALD AUTOMOTIVE SA DE C.V.	Specialist Financing	FULL	52.59	75.94	100	100
	ALD FLEET SA DE CV SOFOM ENR	Specialist Financing	FULL	52.59	75.94	100	100
(6)	LEASEPLAN MEXICO SA DE C.V.	Specialist Financing	FULL	52.59	0	100	0
	SGFP MEXICO, SA DE C.V.	Financial Company	FULL	100	100	100	100
Monaco							
(5)	SOCIETE DE BANQUE MONACO	Bank	FULL	0	100	0	100
	SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	99.99	100	99.99	100
(1)	SOCIETE GENERALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Norway							
(4)	ALD AUTOMOTIVE AS	Specialist Financing	FULL	0	75.94	0	100
(6)	LEASEPLAN NORGE AS	Specialist Financing	FULL	52.59	0	100	0
	NF FLEET AS	Specialist Financing	FULL	42.07	60.75	80	80
New Caledonia							
	CREDICAL	Specialist Financing	FULL	88.34	88.34	98.05	98.05
(6)	SOCALFI	Financial Company	FULL	88.34	0	100	0
	SOCIETE GENERALE CALEDONIENNE DE BANQUE	Bank	FULL	90.09	90.09	90.09	90.09
Netherlands							
(6)	AALH PARTICIPATIES B.V.	Specialist Financing	FULL	52.59	0	100	0
(6)	ACCIDENT MANAGEMENT SERVICES (AMS) B.V.	Specialist Financing	FULL	52.59	0	100	0
	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	52.59	75.94	100	100
	AXUS NEDERLAND BV	Specialist Financing	FULL	52.59	75.94	100	100
	BRIGANTIA INVESTMENTS B.V.	Financial Company	FULL	100	100	100	100
(6)	BUMPER NL 2020-1 B.V.	Financial Company	FULL	52.59	0	100	0
(6)	BUMPER NL 2022-1 B.V.	Financial Company	FULL	52.59	0	100	0
	CAPEREA B.V.	Specialist Financing	FULL	100	100	100	100
(6)	FIRENTA B.V.	Specialist Financing	FULL	52.59	0	100	0
	FORD FLEET MANAGEMENT B.V.	Real Estate and Real Estate Financing	FULL	26.35	38.05	50.1	50.1
	HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
	HORDLE FINANCE B.V.	Financial Company	FULL	100	100	100	100
(6)	LEASE BEHEER HOLDING B.V.	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASE BEHEER VASTGOED B.V.	Real Estate and Real Estate Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN CN HOLDING B.V.	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN CORPORATION N.V.	Financial Company	FULL	52.59	0	100	0
(6)	LEASEPLAN DIGITAL B.V.	Services	FULL	52.59	0	100	0
(6)	LEASEPLAN FINANCE B.V.	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN GLOBAL B.V.	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN NEDERLAND N.V.	Specialist Financing	FULL	52.59	0	100	0

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Netherlands	(6) LEASEPLAN RECHTSHULP B.V.	Specialist Financing	FULL	52.59	0	100	0
	(6) LP GROUP B.V.	Specialist Financing	FULL	52.59	0	100	0
	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
	(6) TRANSPORT PLAN B.V.	Specialist Financing	FULL	52.59	0	100	0
	TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
Peru	ALD AUTOMOTIVE PERU SAC.	Specialist Financing	FULL	52.59	75.94	100	100
Poland	ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	52.59	75.94	100	100
	(6) FLEET ACCIDENT MANAGEMENT SERVICES SP Z O.O.	Broker	FULL	52.59	0	100	0
	(6) LEASEPLAN FLEET MANAGEMENT (POLSKA) SP Z O.O.	Specialist Financing	FULL	52.59	0	100	0
	SG EQUIPMENT LEASING POLSKA SP Z O.O.	Specialist Financing	FULL	100	100	100	100
	(1) SOCIETE GENERALE SA ODDZIAL W POLSCE	Bank	FULL	100	100	100	100
	(1) SOGECAP 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	(6) FLEET COVER-SOCIEDADE MEDIACAO DE SEGUROS, LDA.	Broker	FULL	52.59	0	100	0
	(6) LEASEPLAN PORTUGAL COMERCIO E ALUGUER DE AUTOMÓVEIS E EQUIPAMENTOS UNIPessoal LDA.	Specialist Financing	FULL	52.59	0	100	0
	(4) SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENS SA	Specialist Financing	FULL	0	75.94	0	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Czech Republic							
	ALD AUTOMOTIVE S.R.O.	Specialist Financing	FULL	52.59	75.94	100	100
	ESSEX 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
	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, S.R.O.	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	0.06	40	40
Romania							
(6)	ACCIDENT MANAGEMENT SERVICES S.R.L.	Specialist Financing	FULL	52.59	0	100	0
	ALD AUTOMOTIVE SRL	Specialist Financing	FULL	52.59	72.79	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	60.17	60.17	100	100
	BRD FINANCE IFN SA	Financial Company	FULL	80.48	80.48	100	100
	BRD SOGELEASE IFN SA	Portfolio Management	FULL	60.17	60.17	100	100
(6)	LEASEPLAN ROMANIA S.R.L.	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN SERVICE CENTER S.R.L.	Specialist Financing	FULL	52.59	0	100	0
	S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	FULL	75	75	75	75
	SOCIETE GENERALE GLOBAL SOLUTION CENTRE ROMANIA	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

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
United Kingdom							
	ACR	Financial Company	FULL	100	100	100	100
	ALD AUTOMOTIVE GROUP LIMITED	Specialist Financing	FULL	52.59	75.94	100	100
	ALD AUTOMOTIVE LIMITED	Specialist Financing	FULL	52.59	75.94	100	100
(6)	AUTOMOTIVE LEASING LIMITED	Specialist Financing	FULL	52.59	0	100	0
(1)	BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
(6)	BUMPER UK 2019-1 FINANCE PLC	Financial Company	FULL	52.59	0	100	0
(6)	BUMPER UK 2021-1 FINANCE PLC	Financial Company	FULL	52.59	0	100	0
(1) (6)	COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS UK	Specialist Financing	FULL	99.89	0	100	0
(6)	DIAL CONTRACTS LIMITED	Specialist Financing	FULL	52.59	0	100	0
(6)	DIAL VEHICLE MANAGEMENT SERVICES LTD	Specialist Financing	FULL	52.38	0	99.6	0
	FENCHURCH NOMINEES LIMITED	Bank	FULL	100	100	100	100
	FORD FLEET MANAGEMENT UK LIMITED	Specialist Financing	FULL	26.35	38.05	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
(6)	INTERNAL FLEET PURCHASING LIMITED	Specialist Financing	FULL	52.59	0	100	0
(6)	INULA HOLDING UK LIMITED	Specialist Financing	FULL	52.59	0	100	0
	JWB LEASING LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
	KBIM STANDBY NOMINEES LIMITED	Bank	FULL	100	100	100	100
	KBPB NOMINEES LIMITED	Bank	FULL	100	100	100	100
	KH COMPANY SECRETARIES LIMITED	Bank	FULL	100	100	100	100
	KLEINWORT BENSON FARMLAND TRUST (MANAGERS) LIMITED	Bank	FULL	75	75	75	75
	LANGBOURN NOMINEES LIMITED	Bank	FULL	100	100	100	100
(6)	LEASEPLAN UK LIMITED	Specialist Financing	FULL	52.59	0	100	0
(6)	PAYXPRT SERVICES LTD	Financial Company	FULL	60	0	60	0
	RED & BLACK AUTO LEASE UK 1 PLC	Financial Company	FULL	52.59	75.94	100	100
	ROBERT BENSON, LONSDALE & CO. (CANADA) LIMITED	Bank	FULL	100	100	100	100
	SG (MARITIME) LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
	SG EQUIPMENT FINANCE (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG FINANCIAL SERVICES LIMITED	Financial Company	FULL	100	100	100	100
	SG HAMBROS TRUST COMPANY LIMITED	Financial Company	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
United Kingdom	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	Financial Company	FULL	100	100	100	100
	SG KLEINWORT HAMBROS LIMITED	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS NOMINEES LIMITED (ex-SG HAMBROS (LONDON) NOMINEES LIMITED)	Financial Company	FULL	100	100	100	100
	SG KLEINWORT HAMBROS TRUST COMPANY (UK) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (ASSETS) 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 IX	Specialist Financing	FULL	100	100	100	100
(1)	SG LONDRES	Bank	FULL	100	100	100	100
	SG TITANIUM LIMITED (ex-SG LEASING (CENTRAL 3) LIMITED)	Specialist Financing	FULL	100	100	100	100
	SOCGEN NOMINEES (UK) LIMITED	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE EQUIPMENT FINANCE LIMITED	Specialist Financing	FULL	100	100	100	100
	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)	TYNEVOR B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
Russian Federation							
(4)	ALD AUTOMOTIVE OOO	Specialist Financing	ESI	0	75.94	0	100
(6)	LEASEPLAN RUS LLC	Specialist Financing	FULL	52.59	0	100	0
Senegal							
	SOCIETE GENERALE SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
Serbia							
	ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	FULL	52.59	75.94	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		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
Slovakia							
	ALD AUTOMOTIVE SLOVAKIA S.R.O.	Specialist Financing	FULL	52.59	75.94	100	100
	ESSOX FINANCE S.R.O.	Specialist Financing	FULL	80	80	100	100
(6)	INSURANCEPLAN S.R.O.	Specialist Financing	FULL	52.59	0	100	0
(1)	KOMERCNI BANKA SLOVAKIA	Bank	FULL	60.73	60.73	100	100
(6)	LEASEPLAN SLOVAKIA S.R.O.	Specialist Financing	FULL	52.59	0	100	0
(1)	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK REPUBLIC BRANCH)	Specialist Financing	FULL	80.33	80.33	100	100
Slovenia							
	ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	52.59	75.94	100	100
Sweden							
	ALD AUTOMOTIVE AB	Specialist Financing	FULL	52.59	75.94	100	100
(6)	CLAIMS MANAGEMENT SVERIGE AB	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN SVERIGE AB	Specialist Financing	FULL	52.59	0	100	0
	NF FLEET AB	Specialist Financing	FULL	42.07	60.75	80	80
(1)	SOCIETE GENERALE SA BANKFILIAL SVERIGE	Bank	FULL	100	100	100	100
Switzerland							
	ALD AUTOMOTIVE AG	Specialist Financing	FULL	52.59	75.94	100	100
(6)	ALL-IN A.G.	Specialist Financing	FULL	52.59	0	100	0
(6)	LEASEPLAN (SCHWEIZ) A.G.	Specialist Financing	FULL	52.59	0	100	0
	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) SA	Bank	FULL	100	100	100	100
Taiwan							
(1)	SG SECURITIES (HONG KONG) LIMITED TAIPEI BRANCH	Broker	FULL	100	100	100	100
(1)	SG TAIPEI	Bank	FULL	100	100	100	100
Chad							
	SOCIETE GENERALE TCHAD	Bank	FULL	56.91	56.91	67.92	67.92
Thailand							
	SOCIETE GENERALE (THAILAND) LIMITED (ex-SOCIETE GENERALE SECURITIES (THAILAND) LTD.)	Broker	FULL	100	100	100	100
Togo							
(1)	SOCIETE GENERALE TOGO	Bank	FULL	93.43	93.43	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2023	As at 31.12.2022	As at 31.12.2023	As at 31.12.2022	
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	52.59	75.94	100	100
(6)	LEASEPLAN OTOMOTIV SERVIS VE TICARET A.S.	Specialist Financing	FULL	52.59	0	100	0
(1)	SG ISTANBUL	Bank	FULL	100	100	100	100
Ukraine							
	ALD AUTOMOTIVE UKRAINE LIMITED LIABILITY COMPANY	Specialist Financing	FULL	52.59	75.94	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.
- (4) Entities sold.
- (5) Merged.
- (6) Newly consolidated.

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 Societe Generale Group website at: <https://investors.societegenerale.com/en/publications-documents>.

NOTE 8.5 Fees paid to Statutory Auditors

The consolidated financial statements of the Societe Generale Group are jointly certified by Ernst & Young et Autres, represented by Micha Missakian and Vincent Roty, on the one hand, and Deloitte et Associés, represented by Jean-Marc Mickeler and Maud Monin, on the other.

On the proposal of the Board of Directors and following the recommendation of the Audit and Internal Control Committee (CACI) of Societe Generale, the General Meeting of 23 May 2018 renewed the mandates of Ernst & Young et Autres and Deloitte et Associés for a period of six years. Their terms of office will expire at the General Meeting approving the 2023 financial statements.

In accordance with European audit regulations, the CACI implements a specific policy for the approval of services other than the certification of accounts (SACC) provided by the Statutory Auditors and their networks in order to verify the compliance of the mission with these regulations prior to the launch of the mission.

A summary of the SACCs (approved or rejected) is presented at each meeting of the CACI.

Lastly, the Finance Departments of the entities or business lines make annual decisions on the quality of the audits of Deloitte et Associés and Ernst & Young et Autres. The findings of this investigation are also presented to the CACI.

The table below presents the fees invoiced by Ernst & Young et Autres, on the one hand, and Deloitte et Associés on the other hand, as well as by their respective networks, to Societe Generale S.A. and its subsidiaries.

		Ernst & Young et Autres		Deloitte et Associés		Total	
		2023	2022 R	2023	2022 R	2023	2022 R
<i>(In EURm excluded VAT)</i>							
Statutory audit, certification, examination of parent company and consolidated accounts	Issuer	5	4	4	4	9	8
	Fully consolidated subsidiaries	15	15	16	16	31	31
SUB-TOTAL AUDIT		20	19	20	20	40	39
Non-audit services (SACC)	Issuer	1	1	1	1	2	2
	Fully consolidated subsidiaries	1	2	3	2	4	4
TOTAL		22	22	24	23	46	45

Services other than the certification of accounts mainly consist of missions to review compliance with regulatory requirements, internal control reviews in the context of compliance with ISAE (International Standard on Assurance Engagements) standards and extended audit procedures (agreed procedures). They also include services expressly and exclusively entrusted to the Statutory Auditors for EUR 0.3 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 J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion in damages to Societe Generale. On 19 March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, on 23 September 2016, the Versailles Court of Appeal rejected J. Kerviel's request for an expert determination of the damage suffered by the Bank, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale will be in a position to deduct the tax loss carry forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the Bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on 20 September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.
- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of Societe Generale 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 London Court of Appeal discharged entirely the inquiry into damages granted by the London 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, which has therefore become definitive. On 16 February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against the Paris Commercial Court's decision. On 1 February 2023, the Paris Court of Appeals confirmed this decision. Societe Generale filed an appeal before the Supreme Court against this decision.
- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – *Échange d'Images Chèques*), which has contributed to the improvement of cheque payments security and to the fight against fraud, the Banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.
 - On 20 September 2010, 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 of penalties. On 2 December 2021, after several years of proceedings and two decisions of the Supreme Court, the Paris Court of Appeal overturned the decision of the French competition authority and ruled that (i) it was not proven that the establishment of the CEIC and the fees for related services on AOCT (cancellation of wrongly cleared transactions) as well as their collection had infringed the provisions of Article L. 420-1 of the French Commercial Code and of Article 101 of the Treaty on the Functioning of the European Union and, (ii) that its decision was giving rise to a right of restitution of the sums paid in execution of the overturned decision, namely approximately EUR 53.5 million for Societe Generale and approximately EUR 7 million for Crédit du Nord, together with interests at the legal rate. On 31 December 2021, the French competition authority filed an appeal before the Supreme court against this decision. The Supreme Court dismissed this appeal by a decision of 28 June 2023, putting a definitive end to this litigation.
 - On 3 January 2023, Societe Generale Private Banking (Switzerland) ("SGPBS") entered into an agreement to settle litigation in the United States stemming from the Ponzi scheme of Robert Allen Stanford and his affiliates. On 21 February 2023, the US Receiver and the Official Stanford Investors Committee ("OSIC") filed a motion in US District Court for the Northern District of Texas seeking approval of the settlement. The settlement provides for the payment by SGPBS of USD 157 million in exchange for the release of all claims. During the 7 June 2023 hearing, the Court granted the US Receiver's motion to approve the settlement. This order is now subject to an appeal. The settlement amount that SGPBS must pay is fully covered by reserves in the accounts of Societe Generale SA following a financial guarantee provided by Societe Generale S.A. to SGPBS. Each of the other defendant banks in this litigation also announced settlements in the first quarter of 2023 with the US Receiver and OSIC resolving their claims. These settlements were reached in advance of a jury trial that had been scheduled to start on 27 February 2023 (which ultimately did not take place).

In the same matter, a pre-contentious claim (*requête en conciliation*) was initiated in Geneva in November 2022 by the Joint Liquidators of Stanford International Bank Limited (“SIBL”), appointed by the courts in Antigua, representing the same investors as those represented by the US plaintiffs. SGPBS was served with the statement of claim on 20 June 2023 and will defend itself against the claims in this proceeding.

- Notwithstanding the agreements reached in 2018 with the US authorities regarding certain London Interbank Offered Rates and the Euro Interbank Offered Rate (“the IBOR matter”) and the dismissal on 30 November 2021 of the legal proceedings brought by the DOJ in this matter (see Chapter 4 of the present Universal Registration Document), 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 were dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that were effectively stayed. The class plaintiffs and a number of individual plaintiffs appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit (“Second Circuit”). On 30 December 2021, the Second Circuit reversed the dismissal and reinstated the antitrust claims. These reinstated claims which have been returned to the District Court include those asserted by a proposed class of over-the-counter (OTC) plaintiffs and by OTC plaintiffs that have filed individual actions. On 21 June 2022, the U.S. Supreme Court denied a petition filed by Societe Generale and other defendants that sought review of the Second Circuit’s ruling. Discovery is ongoing. The stayed putative class actions were voluntarily dismissed by plaintiffs on 10 August 2022 and 26 October 2023. On 9 January 2023, the claims against Societe Generale by one of the individual plaintiffs, National Credit Union Administration (as Liquidating Agent for certain credit unions) which included the stayed individual action referred to above, were voluntarily dismissed with prejudice. On 12 May 2023, Societe Generale and two other financial institutions entered into a settlement agreement to resolve the OTC class action for a combined USD 90 million. Societe Generale’s portion of this settlement was fully covered by reserves. On 17 October 2023, the District Court granted final settlement approval.

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 Second Circuit reversed the dismissal and reinstated the claims. On 30 September 2021, the District Court dismissed certain plaintiffs and all Racketeer Influenced and Corrupt Organizations Act claims but upheld certain federal antitrust and New York state law claims against Societe Generale. On 16 February 2024, plaintiffs and Societe Generale entered into a settlement agreement, which is covered by reserves. The settlement received preliminary approval from the Court on 20 February 2024. Discovery in that action is ongoing. 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 plaintiff’s remaining claims. Plaintiff appealed to the Second Circuit. On 18 October 2022, as amended on 8 December 2022, the Second Circuit affirmed the District Court’s dismissal of plaintiff’s claims. On 2 October 2023, the U.S. Supreme Court denied a petition filed by plaintiff that sought review of the Second Circuit’s ruling. As a result, the action is now concluded.

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 Second Circuit. Societe Generale reached a settlement of this action in an amount covered by reserves. Shortly thereafter, on 21 November 2022, the Second Circuit stayed plaintiffs’ appeal as to Societe Generale and remanded that portion of the case to the District Court for consideration of the proposed settlement. On 31 October 2023, the District Court granted final settlement approval. As a result, this action is now concluded.

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.

- 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 Commodities Exchange Act (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. On 7 November 2018, a group of individual entities that elected to opt out of the settlement filed a lawsuit against Societe Generale, SG Americas Securities, LLC and several other financial institutions. SG Americas Securities, LLC was dismissed by order dated 28 May 2020.

On 11 November 2020, Societe Generale was named, along with several other banks, in a UK action alleging collusion in the market for FX instruments. The action was subsequently transferred to the Competition Appeal Tribunal. By orders dated 17 May 2023 and 23 May 2023 respectively, the US and UK actions were dismissed. These actions are now concluded.

- On 10 December 2012, the French Supreme Administrative Court (*Conseil d’État*) rendered two decisions confirming that the “*précompte tax*” which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the “*précompte tax*” claims of two companies (Rhodia and Suez, now Engie) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts.

- Several French companies applied to the European Commission, which considered that the decisions handed down by the *Conseil d'État* on 10 December 2012, which were supposed to implement the decision rendered by the European Union Court of Justice (EUCJ) on 15 September 2011, breached 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 referring the matter to the EUCJ on 8 December 2016. The EUCJ rendered its judgement on 4 October 2018 and sentenced France on the basis that the *Conseil d'État* disregarded the tax on EU sub-subsidiaries in order to secure the *précompte* paid erroneously and failed to raise a preliminary question before the EUCJ. 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. On 23 June 2020, the Administrative Court of Appeal of Versailles issued a ruling in favour of Engie on our 2002 and 2003 Suez claims, and ordered a financial enforcement in our favour. The Court held that the advance payment (*précompte*) did not comply with the Parent-Subsidiary Directive. Further to proceedings brought before the *Conseil d'État*, the latter ruled that a question should be raised before the EUCJ in order to obtain a preliminary ruling on this issue. The EUCJ has confirmed on 12 May 2022 that the *précompte* did not comply with the Parent-Subsidiary Directive. The *Conseil d'État*, by an Engie judgment of 30 June 2023 took note of this incompatibility and confirmed the decision held by the Administrative Court of Appeal of Versailles with respect to the 2002 year, but referred the examination of the 2003 year to this same Court, which confirmed on 9 January 2024 the partial relief granted by the administration in the course of the proceedings. In parallel, a compensation litigation in relation to the Rhodia claim and the Suez claims (between 1999 and 2001) was brought in March 2023 before the European Commission and the Paris Administrative Court of Appeal, further to the negative judgements issued by the *Conseil d'État* in 2012 (Rhodia) and 2016 (Suez).
 - Societe Generale, along with 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 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. Societe Generale, along with three other defendants, has reached a settlement to resolve this action for USD 50 million. By order dated 13 January 2022, the Court granted preliminary approval of the settlement. The final fairness hearing was held on 5 August 2022, and the settlement received final approval by order dated 8 August 2022. This matter is now concluded. Although Societe Generale's share of the settlement is not public, it was not material from a financial perspective. 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. Societe Generale is defending the 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.
- Societe Generale Group entities may also be exposed to claims by third parties, including German tax offices, and become party to legal disputes initiated by clients involved in proceedings against the German tax administration.
- 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). On 16 June 2020, SGAS and twelve other bank defendants reached a final settlement with plaintiffs. Although SGAS's share of the settlement is not public, the amount was not material from a financial statement perspective. SGAS was also 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 asserted antitrust claims (and in some cases other related claims) against SGAS and multiple other bank defendants based on these plaintiffs' purchases of GSE bonds. As to the opt-out litigations, a settlement was reached involving all defendants in June 2021, of which SGAS's share was immaterial, and these actions have been dismissed. SGAS also received a subpoena from the US Department of Justice (DOJ) in connection with its US agency bond business. SGAS responded 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 Societe Generale entities indirectly from BLMIS through so-called "feeder funds" that were invested in BLMIS and from which the Societe Generale entities received redemptions. The suit alleges that the amounts that the Societe Generale 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 Societe Generale entities. The Societe Generale 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 is now before the Bankruptcy Court for further proceedings. The Societe Generale defendants filed a motion to dismiss on 29 April 2022. The motion was denied by order dated 7 October 2022. Discovery is proceeding.
 - 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 compensation under the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (known as the Helms-Burton Act) 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, in which it dropped the three other banks as defendants, added a different bank as an additional defendant, and added as additional plaintiffs who purport to be heirs of the founders of Banco Nunez. The court granted Societe Generale's motion to dismiss on 22 December 2021 but permitted plaintiffs to replead their claims. On 25 February 2022, plaintiffs filed an amended complaint, and on 11 April 2022, Societe Generale filed its motion to dismiss. By order entered 30 March 2023, the court granted Societe Generale's motion to dismiss. Plaintiffs have appealed.

- On 9 November 2020, Societe Generale was named as a defendant, together with another bank, in a similar Helms-Burton litigation filed in the US District Court in Manhattan (Pujol I) by the purported heirs of former owners, and personal representatives of estates of heirs or former owners, of Banco Pujol, a Cuban bank alleged to have been confiscated by the Cuban government in 1960. On 27 January 2021, Societe Generale filed a motion to dismiss. In response, as permitted by the judge's rules, plaintiffs chose to file an amended complaint and did so on 26 February 2021. Societe Generale filed a motion to dismiss the amended complaint on 19 March 2021, which was granted by the court on 24 November 2021. The court permitted plaintiffs to replead their claims. On 4 February 2022, plaintiffs filed an amended complaint, and on 14 March 2022, Societe Generale filed its motion to dismiss, which was granted by the court on 23 January 2023. Plaintiffs have appealed.

On 16 March 2021, Societe Generale was named as a defendant, together with another bank, in a nearly identical Helms-Burton litigation filed in the US District Court in Manhattan (Pujol II) by the personal representative of one of the purported heirs to Banco Pujol who is also a plaintiff in Pujol I. The case was stayed pending developments in Pujol I. At the parties' request, following dismissal of Pujol I, the court lifted the stay on Pujol II and entered an order dismissing the case for the same reasons it dismissed Pujol I. Plaintiff has appealed.

- In the context of the sale of its Polish subsidiary Euro Bank to Bank Millennium on 31 May 2019 and of the indemnity granted to the latter against certain risks, Societe Generale continues to monitor the evolution of court cases related to CHF-denominated or CHF-indexed loans issued by Euro Bank. The reserve in this matter in Societe Generale SA's accounts takes into consideration the increase in the number of court cases regarding the loans subject of the sale and the substance of the decisions handed down by Polish courts.

- Like other financial institutions, Societe Generale is subject to audits by the tax authorities regarding its securities lending/borrowing activities as well as equity and index derivatives activities. The 2017, 2018, 2019 and 2020 audited years are subject to notifications of proposals of tax adjustments in respect of the application of a withholding tax. These proposals are contested by the Group. Given the significance of the matter, on 30 March 2023, the French Banking Federation has brought proceedings against the tax administration's doctrine. In this respect, on 8 December 2023, the French *Conseil d'État* ruled that the tax authorities may not extend the dividend withholding tax beyond its statutory scope, except if taxpayers engaged in an abusive behavior (*abus de droit*), thereby characterising the tax administration's position based on the concept of beneficial owner as illegal. In addition, further to raids conducted by the "*parquet national financier*" at the end of March 2023 at the premises of five banks in Paris, among which Societe Generale, the latter has been informed that it was subject to a preliminary investigation pertaining to the same issue. Societe Generale is defending the action.
- On 19 August 2022, a Russian fertiliser company, EuroChem North West-2 ("EuroChem"), a wholly owned subsidiary of EuroChem AG, filed a claim against Societe Generale SA and its Milan branch ("Societe Generale") before English courts. This claim relates to five on-demand bonds that Societe Generale issued to EuroChem in connection with a construction project in Kingisepp, Russia. On 4 August 2022, EuroChem made demands under the guarantees. Societe Generale explained it was unable to honour the claims due to international sanctions directly impacting the transactions, an assessment which EuroChem disputes. Societe Generale filed its defence submissions on 1 November 2022, to which EuroChem replied on 19 December 2022. A case management conference ("CMC") was held on 26 September 2023, in the course of which the court set the procedural timetable. As of the date of this update, the Parties' disclosures are due by the end of April 2024 and the trial (if any) is expected to take place in June 2025.
- SG Americas Securities, LLC ("SGAS") received a request for information in December 2022 from the US Securities and Exchange Commission ("SEC") focused on compliance with record-keeping requirements in connection with business-related communications on messaging platforms that were not approved by the firm. On 28 March 2023, SGAS and Societe Generale received a similar request from the US Commodity Futures Trading Commission ("CFTC"). These inquiries follow a number of regulatory settlements in 2022 with other firms covering similar matters. SGAS reached a settlement with the SEC, announced on 8 August 2023, and agreed to pay a penalty of USD 35 million, take certain remedial actions, and engage an independent compliance consultant. Societe Generale and SGAS reached a settlement with the CFTC, also announced on 8 August 2023, and agreed to pay a penalty of USD 75 million and take certain remedial actions.

NOTE 10 RISK MANAGEMENT LINKED WITH FINANCIAL INSTRUMENTS

Note 10 of published financial statements	Chapter 4 of URD (the audited parts of Note 10 are indicated as "Audited" in Chapter 4)	Page numbers – Chapter 4
10.1 Risk management	Part 4.2.3 Risk management organisation	211
10.2 Capital management and adequacy	Part 4.4 Capital management and adequacy	225
10.3 Credit risk	Part 4.5 Credit risk	236
10.4 Counterparty credit risk	Part 4.6 Counterparty credit risk	257
10.5 Market risk	Part 4.7 Market risk	265
10.6 Structural interest rate and exchange rate risks	Part 4.8 Structural risks – Interest rate and exchange rate risks	277
10.7 Liquidity risk	Part 4.9 Structural risk – Liquidity risk	

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 issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information specifically required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Société Générale 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.

Year ended December 31, 2023

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 consolidated financial statements of Société Générale for the year ended December 31, 2023.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations of the Société Générale Group for the year then ended and of its financial position and of its assets and liabilities as at December 31, 2023 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 for statutory auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from January 1, 2023 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

Without qualifying the above opinion, we draw your attention to paragraph 4 of Notes 1 "Main valuation and presentation rules for the consolidated financial statements" and 4.3 "Insurance activities" to the consolidated financial statements, which outline the impacts relating to the first-time application of IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by insurance sector subsidiaries.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 821-53 and R. 821-180 of the French Commercial Code 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 consolidated financial statements.

ASSESSMENT OF THE IMPAIRMENT OF CUSTOMER LOANS

Risk identified

Customer loans and receivables carry a credit risk which exposes your Group to a potential loss if its client or counterparty is unable to meet its financial commitments. Your Group recognizes impairment to cover this risk.

Such impairment is calculated according to IFRS 9, "Financial instruments" and the expected credit loss principle.

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 geopolitical and economic situation, notably to:

- prepare, in an uncertain environment, macro-economic projections which are embedded in the deterioration criteria and in the expected credit losses measurement;
- determine the loan classification criteria under stages 1, 2 or 3, taking account of the material increase in credit risk at loan portfolio level and the impact of measures to support the economy;
- estimate the amount of expected credit losses depending on the different stages;
- determine the adjustments to models and parameters, as well as 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 information concerning in particular the procedures used to estimate and recognize expected credit losses are mainly described in Notes 3.5 "Loans, receivables and securities at amortized cost" and 3.8 "Impairment and provisions" to the consolidated financial statements.

As at December 31, 2023, total customer loan outstandings exposed to credit risk totaled M€ 485,449; impairment totaled M€ 10,070.

We consider the assessment of the impairment of customer loans to be a key audit matter as they require Management to exercise judgment and make estimates, particularly concerning the economic sectors and geographic areas most affected by the crisis.

Our response

Our work focused on the most significant loans and customer loan portfolios, as well as the most vulnerable economic sectors and geographical areas, in particular, loans linked to Russia and sectors weakened by inflation and rising interest rates.

After including credit risk modeling specialists in our audit team, our audit work notably consisted in:

- obtaining an understanding of your Group's governance and internal control system relating to credit risk assessment and the measurement of expected losses, and testing key manual and IT controls;
- 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, with the help of economists from our firms, the relevance of the macro-economic projections and the scenario weightings applied by your Group;
- examining the main parameters adopted by your Group to classify the loans and assess impairment in stages 1, 2 and 3 as at December 31, 2023;
- assessing the ability of adjustments to models and parameters, as well as 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 valuation of expected credit losses for a sample of stage 1 and 2 loan portfolios;
- testing 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 analyzed the disclosures in Notes 1.5 "Use of estimates and judgment", 3.5 "Loans, receivables and securities at amortized cost", 3.8 "Impairment and provisions" and 10.3 "Credit and counterparty risk" to the consolidated financial statements relating to credit risk and, in particular, the information required by IFRS 7, Financial instruments: Disclosures, on credit risk.

RECOVERABILITY OF DEFERRED TAX ASSETS IN FRANCE

Risk identified

As at December 31, 2023, deferred tax assets on loss carryforwards were recorded in the amount of M€ 1,832, including M€ 1,572 for the tax group in France.

As stated in Note 6 "Income taxes" to the consolidated financial statements, your Group calculates deferred taxes at the level of each tax entity and recognizes deferred tax assets 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, 2023, this timeframe is eight years for the tax group in France.

In addition, as stated in Notes 6 "Income taxes" 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, notably on future taxable profits, and of 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 your 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.

After including tax experts in our audit team, our work notably consisted in:

- comparing 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;
- obtaining an understanding of the 2024 budget drawn up by Management and approved by the Board of Directors, as well as of the assumptions underlying projections for the 2024-2027 period, which take into account the expected impacts of operations known at the closing;
- assessing the relevance of tax profit extrapolation methods after the 2024-2027 period;
- reviewing the assumptions underlying sensitivity tests in the event of adverse scenarios defined by your Group;
- analyzing the sensitivity of the tax loss recovery period under a range of assumptions determined by us;
- analyzing the situation of your 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.

We have also examined the information provided by your Group concerning deferred tax assets disclosed in Notes 1.5 "Use of estimates and judgment", 6 "Income tax" and 9 "Information on risks and litigation" to the consolidated financial statements.

PORTFOLIO-BASED INTEREST RATE RISK FAIR VALUE HEDGING OF OUTSTANDINGS OF THE RETAIL BANKING NETWORKS IN FRANCE

Risk identified

To manage the interest rate risk generated by its retail banking activities in France in particular, your 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;
- 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, 2023, the amount of hedged portfolio remeasurement differences was -M€ 443 in assets and -M€ 5,857 in liabilities. The fair value of the corresponding financial instruments is included under "Hedging derivative instruments" in assets and liabilities.

Given 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.

After including financial modeling experts in our audit team, our work mainly consisted in:

- familiarizing ourselves with the accounting documentation of the hedging relationships;
- testing the eligibility of the financial assets and liabilities used by the Société Générale 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;
- assessing the procedures used to prepare and control the criteria adopted to schedule the maturities of the hedged financial instruments, particularly with regard to the adopted maturities of the eligible financial liabilities;
- assessing the procedures used to determine the effectiveness of these hedging relationships, as well as the related governance;
- analyzing the market 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.

We also assessed the information disclosed in Notes 1.5 "Use of estimates and judgment", 3.2 "Derivative financial instruments" and 3.4 "Fair value of financial instruments measured at fair value" and 10.5 "Structural interest rate and currency risks" to the consolidated financial statements and their compliance with IFRS 7 "Financial instruments: Disclosures" with regard to hedge accounting.

VALUATION OF COMPLEX FINANCIAL INSTRUMENTS

Risk identified

Within the scope of its market activities, your Group holds financial instruments for trading purposes. As at December 31, 2023, a total amount of M€ 305,200 is recognized in fair value levels 2 and 3 in assets and M€ 365,519 in liabilities on the Société Générale consolidated balance sheet, i.e. 51% and 93%, respectively, of financial assets and liabilities measured at fair value.

To determine the fair value of complex instruments, your 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 for transactions in the income statement, 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 judgments and estimates, in the absence of available market data or a market valuation model.

Given the complexity of the modeling in determining the fair value, the multiplicity of models used, and the use of Management's judgment in determining these fair values, we consider the valuation of complex financial instruments to be a key audit matter.

Our response

Our audit approach was based on a mixed approach using both tests on internal control processes relating to the valuation of complex financial instruments and substantive procedures.

After including financial instrument valuation specialists in our audit team, our procedures consisted in:

- obtaining 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;
- reviewing the governance of value adjustments and reserves;
- analyzing the valuation methodologies for certain categories of complex instruments and the related reserves or value adjustments;
- testing the key controls relating to the independent verification of the valuation parameters, and evaluating the reliability of the market parameters used to provide input for the valuation models with reference to external data;
- as regards the process used to explain the changes in fair value, obtaining an understanding of the bank's analysis principles and performing tests of controls on a sample basis;
- performing "analytical" IT procedures on the control data relating to certain activities;
- obtaining the quarterly results of the model independent validation process;
- obtaining the quarterly results of the valuation adjustment process based on external market data, and analyzing the differences in parameters with the market data in the event of a significant impact, and the accounting treatment of such differences. Where external data is absent, we assessed the existence of reserves or the non-materiality of the associated issues;
- performing counter-valuations of a selection of complex derivative financial instruments using our tools;
- analyzing the observability criteria, among others, used to determine the fair value hierarchy of such instruments, and to estimate deferred margin amounts and comparing the methods adopted by your Group to recognize these margins over time with the information presented in point 7 of Note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements.

We also analyzed 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 financial statements.

IT RISK RELATING TO MARKET ACTIVITIES

Risk identified

The Market Activities of the Global Banking & Investor Solutions division (GBIS) constitute an important activity, as illustrated by the significance of the financial instruments positions described in Note 3.4 "Fair value of financial instruments measured at fair value" 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.

Furthermore, in a context of widespread home working, your Group is exposed to risks, relating to the opening up of information systems to allow remote access to transaction processing applications.

To ensure the reliability of the accounts, it is therefore essential for your Group to master the controls relating to the management of the information systems.

In this context, the IT risk relating to the Market Activities of the GBIS division constitutes 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 your Group. With the support of information system specialists 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 mainly consisted in assessing:

- the controls set up by your 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;
- the management of changes made 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);
- the 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.

In addition, our tests on the general IT and application controls were supplemented by data analytics procedures on certain IT applications.

We also evaluated the governance implemented by your Group to ensure the resilience of information systems faced with cyber risks. Our procedures consisted in discussions with the Société Générale Group's security teams and obtaining an understanding of the reports prepared by the cybersecurity committee meetings as well as any incidents during the year.

ASSESSMENT OF THE LEGAL AND TAX RISK RELATING TO REGULATORY OR ARBITRATION PROCEEDINGS INVOLVING THE GROUP

Risk identified

Your Group is a party to a number of legal or tax disputes and proceedings as indicated in Note 8.2.2 "Other provisions". Other provisions amounted to M€ 1,222 at December 31, 2023 and include provisions for litigation.

As indicated in Note 9 "Information on risks and disputes" to the consolidated financial statements, the situation and development of the various legal or administrative disputes and proceedings in progress are analyzed on a quarterly basis to assess the need to record provisions or adjust the amount of raised provisions.

Given the complexity of certain proceedings and the significant amount of management judgment in assessing the risks and financial repercussions for your Group, we consider the accounting treatment of disputes to be a key audit matter.

Our response

After including tax experts in our audit team, our procedures consisted in:

- obtaining an understanding of the litigation provision assessment process set up by your Group to assess litigation provisions;
- conducting interviews with your Group's legal and tax departments and the functions affected by the ongoing proceedings to monitor the development of the main legal proceedings and ongoing investigations by legal and tax authorities and regulators;
- obtaining and analyzing available documentation such as: management's position and the memos of the Group's legal and tax advisors;
- requesting confirmation from the lawyers in charge of the most significant proceedings;
- assessing the reasonableness of the assumptions used to determine the need for and the amount of provisions raised, in particular on the basis of information gathered from your Group's external advisers involved in the relevant cases;
- assessing the suitability of the information provided in the notes to the consolidated financial statements.

REASSESSMENT OF THE RESIDUAL VALUES OF VEHICLES LEASED BY YOUR GROUP**Risk identified**

Long-term rental fleet vehicles are depreciated on a straight-line basis as described in the "Operating lease assets" paragraph of Note 8.3 "Property, plant and equipment and intangible assets" to the consolidated financial statements. The depreciation period used is the lease term; the residual value corresponds to the estimated resale value of the vehicles on expiry of the lease. These residual values are determined for each vehicle at the beginning of the lease and are reviewed at least once annually. The methods of calculating these residual values are determined by the group.

The calculations are based on statistical data and are frequently reviewed to take into account changes in the market prices of used vehicles.

The residual value that is re-estimated during the fleet revaluation process may differ from the initial residual value. The difference, if any, represents a change in estimate and is amortized on a straight-line basis over the remaining lease term.

As of December 31, 2023, the total amount of depreciation determined for the fleet amounted to M€ 16,985, see table in Note 8.3 "Property, plant and equipment and intangible assets".

We consider the estimation of vehicle residual values to be a key audit matter since

- it results from a complex statistical approach;
- it incorporates assumptions and requires management judgment, particularly in the current context of the used vehicle market and uncertainties relating to the price of used electric vehicles, which represent a growing percentage of the fleet.

Our response

In response to this risk, we reviewed the residual value revaluation process set up by your Group. We analyzed the effectiveness of the key controls implemented by local and head office management, including those relating to the determination of assumptions and parameters that were used for this reassessment.

By integrating IT system experts into the team, we tested the general IT controls of the applications used in the fleet reassessment process.

Our work also consisted in:

- assessing the relevance of the statistical model adopted as well as the main parameters and assumptions used at the end of December 2023;
- conducting tests to ensure that data from the fleet management systems were correctly entered into the residual value calculation tool and testing key data security controls;
- comparing the data from the calculations with the amounts recorded in the accounts;
- checking, on a sampling basis, the accounting translation of changes in the estimation of residual values;
- checking that the estimates selected were based on documented methods that comply with the principles described in the notes to the consolidated financial statements.

MEASUREMENT OF THE IMPACT OF THE FIRST-TIME APPLICATION OF IFRS 17 "INSURANCE CONTRACTS" ON OPENING BALANCES AND TECHNICAL PROVISIONS FOR RETIREMENT SAVINGS INSURANCE CONTRACTS

Risk identified

The adoption of IFRS 17 "Insurance contracts" from January 1, 2023 gave rise to major changes in accounting policies and measurement rules for insurance contracts as well as financial statement presentation. It was adopted retrospectively as of January 1, 2022 for insurance contracts in effect on the transition date.

Note 1.4 to the consolidated financial statements presents in particular the required qualitative and quantitative information regarding the impact of IFRS 17 as well as the main accounting method choices applied to the transition. According to this note, the adoption of this new accounting standard increased consolidated equity by M€ 46 as of January 1, 2022 and generated an opening margin for contractual services in the pre-tax gross amount of M€ 8,386 as well as an adjustment for non-financial risks in the pre-tax gross amount of M€ 3,165.

Furthermore, as shown in table 4.3.F of Note 4.3 "Insurance activities" to the consolidated financial statements, your Group recognized as of December 31, 2023 liabilities relating to direct participating insurance contracts for M€ 138,976.

The application of IFRS 17 resulted in estimates requiring greater management judgment in choosing appropriate accounting and actuarial methods and determining key assumptions and criteria to reflect the most probable estimated future situation.

- On the transition date, this involved determining the transition approach applicable for each group of insurance contracts and the simplifying methodologies and assumptions used to calculate the opening margin for contractual services. In particular, its amount was mostly estimated using the modified retrospective approach for Savings and Retirement contracts, and on a case-by-case basis according to a full or modified retrospective approach for the scope of retirement benefits
- At the year-end, Savings and Retirement insurance contracts were measured using the Variable Fee Approach. As stated in Note 4.3 "Insurance activities" to the consolidated financial statements, this measurement accounting model draws on the following principles:
 - The best estimate of the discounted cash flows relating to the execution of contractual obligations for insured individuals determined using complex actuarial models involving data and assumptions relating to future periods, such as the determination of the discount rate, laws on the behavior of insured individuals and the future management decisions which may significantly affect the amount and schedule of future cash flows,
 - An adjustment for non-financial risks, intended to cover the uncertainty surrounding the amount and schedule of future cash flows as and when insurance contracts are fulfilled and whose level was estimated according to a level of confidence adopted by your Group taking into account risk diversification,
 - A contractual services margin representing the non-vested income that will be recognized as and when services are rendered and whose release to insurance revenue takes into account the difference between the actual return from underlying investments and the actuarial projection as a neutral risk.

The materiality of the changes in the measurement and recognition of insurance contract liabilities, the choice of accounting methods, the materiality of management's judgment to determine certain key valuation assumptions as well as the use of complex modeling techniques for retirement savings insurance contracts to assess the most probable estimated future situation led us to consider the impact of the first-time application of IFRS 17 on retirement savings insurance contract opening balances and liabilities to be a key audit matter.

Our response

After including actuarial modeling specialists in our audit team, we conducted the following audit procedures:

- Obtaining an understanding of the procedure deployed by your Group to implement IFRS 17, particularly the processes defined by management to determine the impact of the adoption of IFRS 17 on the consolidated accounts as of January 1, 2022 as well as on the comparative financial statements for the year ended December 31, 2022;
- Measuring compliance with IFRS 17 for the first-time application of the actuarial principles and methodologies adopted for the opening balance sheet;
- Assessing the criteria and assumptions used in the transition methods applied to calculate the contractual services margin;
- Assessing the key methodologies and judgments used to define actuarial valuation models (mainly including those relating to the determination of the contractual services margin, the adjustment for non-financial risks and the key discount rate criteria adopted by management) with regard to IFRS 17;
- Performing tests, based on surveys and our risk assessment, on the key modeling data, assumptions and criteria and the adjustments made and used in calculating the opening balances and the comparative financial statements;
- Assessing the eligibility of "Retirement Savings" insurance contracts with the "variable fee" model and assessing the proper application by management of these Retirement Savings insurance contract valuation methods in accordance with IFRS 17;
- Performing work on the internal control environment of the information systems used to calculate the insurance assets and liabilities of the "Retirement Savings" activity;
- Assessing the new model governance process and testing the key controls in place;
- Testing, on a sampling basis, the main assumptions, data and criteria used to calculate the insurance assets and liabilities of the Retirement Savings activity and assessing the reasonableness of such estimates;
- Assessing the appropriateness of the disclosure in the notes to the consolidated financial statements relating to the transition to the new IFRS 17.

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 presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial performance statement required by Article L.225-102-1 of the French Commercial Code is included in Société Générale Group management report, it being specified that, in accordance with the provisions of Article L. 823-10 of said 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 INCLUDED IN THE ANNUAL FINANCIAL REPORT

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements 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*), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No. 2019/815 of December 17, 2018.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limits inherent to the macro-tagging of consolidated financial statements in accordance with the European single electronic format, it is possible that the content of certain tags in the notes to the consolidated financial statements are not presented in an identical manner to the accompanying consolidated financial statements.

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, 2023, Deloitte & Associés and Ernst & Young et Autres were in their twenty-first and twelfth year of total uninterrupted engagement, respectively.

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.821-55 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 Société Générale 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. 821-27 to L. 821-34 of the French Commercial Code and in the French Code of Ethics 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 11, 2024

The Statutory Auditors

DELOITTE & ASSOCIES

Jean-Marc Mickeler

Maud Monin

ERNST & YOUNG et Autres

Micha Missakian

Vincent Roty

6.4 SOCIETE GENERALE MANAGEMENT REPORT

BALANCE SHEET ANALYSIS

(In EURbn at 31 December)	31.12.2023	31.12.2022	Change
Interbank and money market assets	288	267	21
Customer loans	373	363	10
Securities transactions	565	508	57
<i>o.w. securities purchased under repurchase agreements</i>	279	248	31
Other assets	159	189	(30)
<i>o.w. option premiums</i>	56	69	(13)
Tangible and intangible assets	4	3	1
TOTAL ASSETS	1,389	1,330	59

(In EURbn at 31 December)	31.12.2023	31.12.2022	Change
Interbank and cash liabilities ⁽¹⁾	372	363	9
Customer deposits	470	434	37
Bonds and subordinated debt ⁽²⁾	27	30	(4)
Securities transactions	330	295	35
<i>o.w. securities sold under repurchase agreements</i>	246	219	27
Other liabilities and provisions	153	172	(19)
<i>o.w. option premiums</i>	65	76	(11)
Shareholders' equity	37	36	1
TOTAL LIABILITIES	1,389	1,330	59

(1) Including negotiable debt instruments.

(2) Including undated subordinated capital notes.

Prevailing uncertainty over inflation and monetary tightening exacerbated fears that developed economies would enter recession in 2023. However, the global economy proved resilient as energy and food prices normalised, supply chain pressures faded and household consumption held up. The US economy showed surprising vigour, beating expectations by recording 2.5% annual growth in 2023. The eurozone managed to dodge recession, but the economy put up a lacklustre performance with growth stagnating from the start of the year.

Central banks supported the economy and pursued their inflation-fighting policies. Both the Fed and the ECB lifted their key rates over the first three quarters. As inflation fell faster than expected in the fourth quarter, central banks held rates steady with no new rate hikes announced.

Societe Generale posted a solid performance and kept a tight rein on costs, risk and capital in a complex geopolitical and economic environment dogged by uncertainty.

At 31 December 2023, the balance sheet total stood at EUR 1,389 billion, up EUR 59 billion from the position at 31 December 2022.

The positive EUR 21.3 billion change in the Interbank and money market assets line was due in large part to the increase in central bank receivables for EUR 31.9 billion, of which EUR 30 billion from the French Central Bank (*Banque de France*) to meet regulatory requirements. Amounts due from banks declined to the tune of EUR 10.7 billion and were predominantly directed to Group subsidiaries.

Interbank and cash liabilities increased EUR 9.1 billion, driven in the main by higher issuance of euro medium-term notes (EMTN) debt securities for EUR 18.5 billion and lower borrowings from the *Banque de France*, in essence to repay a drawdown from the ECB's TLTRO support programme as a result of the central bank's key rate increases in 2023.

Loans to customers rose by EUR 10.1 billion. Stripping out the effect of the merger with *Crédit du Nord*, current accounts and cash credits fell. Mortgage loans were down EUR 8.8 billion on fewer loan approvals and an additional securitisation transaction for EUR 3.3 billion.

Client deposits increased by EUR 36.6 billion. Excluding the impact of the merger with *Crédit du Nord*, ordinary accounts payable declined by EUR 30.2 billion as clients switched their deposits to interest-bearing accounts. By contrast, term deposit accounts and regulated savings accounts increased by EUR 18.1 billion.

When rates are trending higher, securitised money market transactions offer more attractive liquidity conditions. Accordingly, securities purchased and sold under repurchase agreements rose by EUR 31 billion and EUR 26.8 billion, respectively. Other amounts due for securities increased EUR 18.9 billion. After their worst-ever year in 2022, bond markets rallied in 2023 to deliver sustained growth. Bonds and treasuries were up EUR 30.3 billion. By contrast, equity securities transactions contracted by EUR 3.6 billion and amounts payable for borrowed securities fell by EUR 10.6 million.

The decline in other bank assets, which are inherently volatile, on both the assets and liabilities side, stemmed from the valuation of derivatives and the fall in guarantee deposits paid and received on market transactions.

Societe Generale has a diversified range of funding sources and channels including:

- stable resources consisting of equity and subordinated debt (EUR 64 billion);
- customer deposits, up EUR 37 billion, which make up a significant share (34%) of total balance sheet resources;
- resources (EUR 222 billion) in the form of interbank deposits and borrowings;
- capital raised on the market through a proactive diversification policy, making use of various types of debt (secured and unsecured bonds, etc.), issuance vehicles (EMTNs, Certificates of Deposit), currencies and investor pools (EUR 141 billion);
- resources from securities sold under repurchase agreements to customers and banks (EUR 246 billion), which rose vs. 2022.

INCOME STATEMENT ANALYSIS

(In EURm)	2023			2022			Changes 2023-2022 (%)		
	France	Outside France	Societe Generale	France	Outside France	Societe Generale	France	Outside France	Societe Generale
Net banking income	9,523	2,869	12,392	9,678	3,068	12,746	(2)	(6)	(3)
Total operating expenses	(9,583)	(1,844)	(11,427)	(8,584)	(1,826)	(10,410)	12	1	10
Gross operating income	(60)	1,025	965	1,094	1,242	2,336	(105)	(17)	(59)
Cost of risk	(333)	(148)	(481)	(424)	(175)	(599)	(21)	(15)	(20)
Operating income	(393)	877	484	670	1,067	1,737	(159)	(18)	(72)
Income/(loss) on long-term investments	2,862	51	2,913	(1,828)	(251)	(2,079)	n/s	n/s	n/s
Operating income before tax	2,469	928	3,397	(1,158)	816	(342)	n/s	14	n/s
Income tax	372	(419)	(47)	390	(308)	82	(5)	36	(157)
Net income attributable to ordinary shareholders	2,841	509	3,350	(768)	508	(260)	n/s	0	n/s

In 2023, Societe Generale generated gross operating income of EUR 1 billion, down EUR 1.4 billion (or 59%) on 2022:

- **net banking income (NBI)** came to EUR 12.4 billion, down by a slight EUR 0.4 billion (-3%) compared to 2022:
 - **French Retail Banking's net banking income** grew by EUR 0.4 billion year-on-year, which can be attributed to the integration of Crédit du Nord's revenues since 1 January 2023.

In 2023, Retail Banking's revenues were dented by the impact of short-term hedging transactions executed before the period of interest rate hikes in 2022. Fee income adjusted for the perimeter effect contracted slightly relative to 2022.

- **income generated by Global Banking and Investor Solutions** continued to be solid, although it fell EUR 1.1 billion compared to the very robust activity in 2022:

- Equity and Equity Derivatives income fell 29% after an exceptional year in 2022,
- Fixed Income and Currencies rose 4% over the year, with good growth momentum amid rising rates and high volatility,
- Financing and Advisory income fell 48% from the record performance in 2022;
- **the Corporate Centre**, which includes management of the Group's investment portfolio, saw a EUR 0.3 billion increase in its net banking income year-on-year, essentially from a higher net interest margin and higher dividends received from subsidiaries, despite the fall in financial transaction income;

- **general operating expenses** increased EUR 1 billion (+10%) year-on-year:
 - **management overheads** came out at EUR 5.4 billion at 31 December 2023, an increase of EUR 0.4 billion (+7%) relative to 2022. The increase in this item in 2023 relates primarily to higher amortisation expenses on French Retail Banking's fixed assets (tied to the Crédit du Nord merger) for EUR 0.1 billion, as well as the reduction in internal re-invoicing income for EUR 0.3 billion, partially offset by the lower contribution to the Single Resolution Fund in the amount of EUR 0.2 billion,
 - **payroll expense** totalled EUR 6 billion, which is EUR 0.6 billion more (+12%) than in 2022. In 2023, payroll expenses included EUR 0.5 billion in costs for taking over the Crédit du Nord group's employees (fixed compensation and related social charges). Expenses relating to defined contribution pension plans increased EUR 0.1 billion;
- **the net cost of risk** totalled EUR 0.5 billion at 31 December 2022, a decrease of EUR 0.1 billion year-on-year, which can be attributed to a EUR 0.3 billion reduction in the charge of performing loans and offset by a EUR 0.2 billion rise in provisions for doubtful loans.

The combined effect of all these factors pushed down operating income by EUR 1.1 billion vs. 2022 to EUR 0.6 billion at 31 December 2023;

- **gains on fixed assets** came out at EUR 2.9 billion at 31 December 2023, an increase of EUR 5 billion, which stemmed from the recognition of a EUR 2.9 billion favourable merger variance after the tie-up between Societe Generale and Crédit du Nord's banking entities.

To recap, in 2022, Societe Generale posted a EUR 2.1 billion loss on fixed assets, primarily on the disposal of the Russian subsidiary Rosbank for EUR 1.8 billion and the EUR 0.3 billion impairment booked on the Societe Generale Securities Services SPA equity investment;

- **income tax** came to EUR -0.05 billion, reflecting the contrasted results posted between international subsidiaries and the result in France, excluding the favourable merger variance generated by the tie-up of banking entities belonging to the Crédit du Nord Group.

Net loss after tax was EUR 3.4 billion at end-2023 vs. a loss of EUR 0.3 billion at the 2022 year-end.

TRADE PAYABLES PAYMENT SCHEDULE

(In EURm)	31.12.2023						31.12.2022					
	Payables not yet due						Payables not yet due					
	1-30 days	31-60 days	> 60 days	> 90 days	Payables due	Total	1-30 days	31-60 days	> 60 days	> 90 days	Payables due	Total
Trade Payables	30	67	-	-	-	97	41	90	-	-	-	131

The due dates are according to conditions calculated at 60 days from invoice date.

In France, Societe Generale's supplier invoices are for the most part processed centrally. The relevant department books and settles invoices for services requested by all Societe Generale France's Corporate and Business Divisions.

In accordance with the Group's internal control procedures, invoices are only paid after they have been approved by the departments that

signed for the services. Once approved, they are paid on average between three and seven days.

In accordance with Article D. 441-6 of the French Commercial Code, as worded pursuant to French Decree No. 2021-11 of 26 February 2021, the information on supplier payment times is given in the table below:

- the banking, insurance and financial services businesses (loans, financing and commissions) are excluded from the scope.

	31.12.2023					
	Payables due					Total (1 day and more)
	0 day (indicative)	1-30 days	31-60 days	61-90 days	91 days and more	
(A) PAYMENT DELAY TRANCHES						
Number of invoices concerned	39	1,045	720	431	9,666	11,901
Total amount of invoices (incl. tax) concerned (in EURm)	2	5	4	2	24	37
Percentage of total purchases (excl. tax) for the year	-	-	-	-	-	-
(B) INVOICES EXCLUDED FROM (A) PERTAINING TO DISPUTED PAYABLES AND RECEIVABLES, NOT RECORDED						
Number of invoices excluded	-	-	-	-	-	-
Total amount (excl. tax) of invoices excluded	-	-	-	-	-	-
(C) REFERENCE PAYMENT TERMS USED WHEN CALCULATING DELAYS (ARTICLE L. 441-6 OR L. 443-1 OF THE FRENCH COMMERCIAL CODE)						
<input checked="" type="checkbox"/> Statutory payment terms (60 days from invoice date or 45 days end of month)						
<input type="checkbox"/> Contractual payment terms						

Payment terms on accounts receivable

The payment schedules for accounts receivable are set by contract in respect of financing granted or services invoiced. The initial payment terms set for loan repayments may be amended by means of contractual options (such as prepayment or payment deferral options). Compliance with contractual payment terms is monitored as part of the Bank's risk management process (see Chapter 4 of this URD: "Risks and Capital Adequacy"), particularly in respect of credit risk, structural

interest rate risk, and liquidity risk. The residual maturities of accounts receivable are indicated in Note 7.3 to the parent company financial statements.

The due dates are according to conditions calculated at 60 days from invoice date.

	31.12.2023					
	Receivables due					Total (1 day and more)
	0 day (indicative)	1-30 days	31-60 days	61-90 days	91 days and more	
(A) PAYMENT DELAY TRANCHES						
Number of invoices concerned	-	174	147	133	2,275	2729
Total amount (incl. tax) of invoices concerned (in EURm) ⁽¹⁾	-	22	10	-32	232	232
Percentage of total purchases (excl. tax) for the year	-	-	-	-	-	-
(B) INVOICES EXCLUDED FROM (A) PERTAINING TO DISPUTED PAYABLES AND RECEIVABLES, NOT RECORDED						
Number of invoices excluded	-	-	-	-	-	-
Total amount (excl. tax) of invoices excluded	-	-	-	-	-	-
(C) REFERENCE PAYMENT TERMS USED WHEN CALCULATING DELAYS (ARTICLE L. 441-6 OR L. 443-1 OF THE FRENCH COMMERCIAL CODE)						
<input type="checkbox"/> Contractual payment terms (to be specified)						
<input checked="" type="checkbox"/> Statutory payment terms						

(1) Including EUR 71 million of disputed payables.

SOCIETE GENERALE FINANCIAL RESULTS: FIVE-YEAR SUMMARY

(In EURm)	2023	2022	2021	2020	2019
Financial position at year end					
Share capital (in EURm) ⁽¹⁾	1,004	1,062	1,067	1,067	1,067
Number of shares outstanding ⁽¹⁾	802,979,942	849,883,778	853,371,494	853,371,494	853,371,494
Total income from operations (in EURm)					
Revenue excluding tax ⁽²⁾	54,857	32,519	27,128	27,026	34,300
Earnings before tax, depreciation, amortisation, provisions, employee profit sharing and general reserve for banking risks	4,385	292	2,470	365	3,881
Employee profit sharing during the year	4	12	15	6	11
Income tax	47	(82)	(25)	141	(581)
Earnings after tax, depreciation, amortisation and provisions	3,350	(260)	1,995	(1,568)	3,695
Dividends paid ⁽³⁾	1,870	1,877	1,877	0	1,777
Adjusted earnings per share (in EUR)					
Earnings after tax but before depreciation, amortisation and provisions	5.40	0.43	2.91	0.24	5.16
Net income	4.17	(0.31)	2.34	(1.84)	4.33
Dividend paid per share	0.90	1.70	1.65	0.55	2.20
Employees					
Headcount ⁽⁴⁾	49,592	42,450	43,162	44,544	46,177
Total payroll (in EURm)	4,121	3,938	3,554	3,408	3,754
Employee benefits (Social Security and other) (in EURm)	1,817	1,535	1,655	1,475	1,554

(1) At 31 December 2023, Societe Generale's fully paid-up capital amounted to EUR 1,003,724,927.50 and comprised 802,979,942 shares with a nominal value of EUR 1.25.

(2) Revenue consists of interest income, dividend income, fee income, income from financial transactions and other operating income.

(3) In accordance with the European Central Bank's recommendation issued on 27 March 2020 regarding the payment of dividends during the Covid-19 pandemic, Societe Generale did not pay dividends on ordinary shares in respect of the 2019 financial year.

(4) (4) Average headcount restated compared to the financial statements published in 2021 and 2020.

Main changes in the investment portfolio in 2023

In 2023, Societe Generale carried out the following transactions:

Outside France	France
Creation	Creation
-	-
Acquisition of interest	Acquisition of interest
-	Antarius – Etoile Capital – Star Lease
Vesting	Vesting
-	-
Increase of interest	Increase of interest
-	Crédit Logement – SICOVAM Holding
Subscription to capital increases	Subscription to capital increases
SG Capital Canada Inc.	Sogéfinancement
Full disposal	Full disposal
SG Congo	-
Reduction of interest⁽¹⁾	Reduction of interest⁽¹⁾
-	Parel – Crédit du Nord - Caisse de Refinancement de l'Habitat

(1) Including capital reductions, dissolution by transfer of assets, mergers and liquidations.

The table below summarises Societe Generale's investments that crossed a threshold (as a percentage of direct ownership) in 2023:

Threshold	Companies	Crossing above the threshold		Threshold	Companies	Crossing below the threshold	
		% of capital at 31.12.2023	% of capital at 31.12.2022			% of capital at 31.12.2023	% of capital 31.12.2022
5%	Wematch	6%	2.58%	5%	Liquidshare	0%	8%
10%	Fonds régional de garantie Hauts de France	12.71%	4.22%	10%			
	Nord Croissance	13.12%	0%				
	Sud-Ouest télésurveillance	15.53%	0%				
20%	SICOVAM Holding	17.90%	9.76%	20%			
	SCI du 4 allée Rebsomen	20%	0%				
	HLM du foyer du toit familial	20%	0%				
33.33%	IRD Entrepreneur	20%	0%	33.33%			
	Banque Pouyanne	35%	0%				
50%	Antarius	50%	0%	50%	Euro Secured Notes Issuer	0%	50%
	Sogéfimur	54.04%	0%				
	PayXpert Services LTD	60%	0%				
66.66%	BSG France SA	99.97%	0%	66.66%	SG Congo	0%	93.47%
	Provençale de participations	100%	0%		Crédit du Nord	0%	100%
	Massilia participations immobilières	100%	0%		PAREL	0%	100%
	Etoile Capital	100%	0%		PEERS	0%	100%
	Société de Bourse Gilbert Dupont	100%	0%				
	Norbail Sofergie	100%	0%				
	Star Lease	100%	0%				

(1) Ownership in the French entities, in accordance with Article L. 233.6 of the French Commercial Code.

6.4.1 INFORMATION REQUIRED PURSUANT TO ARTICLE L. 511-4 OF THE FRENCH MONETARY AND FINANCIAL CODE RELATED TO SOCIETE GENERALE SA

As part of its long-established presence in the commodities markets, Societe Generale offers agricultural commodity derivatives. These products meet a range of customer needs, including the risk management needs of business customers (producers, consumers), and provide exposure to the commodities markets for investors (asset managers, funds and insurance companies).

Societe Generale's offering covers a broad range of underlyings, including sugar, cocoa, coffee, cotton, orange juice, corn, wheat, rapeseed, soybean, oats, cattle, lean hogs, milk and rice. Within this scope, Societe Generale offers vanilla products on organised markets and in index-based products. Exposure to agricultural commodities can be provided through a single-commodity product or through multi-commodity products. Multi-commodity products are primarily used by investor clients through index-based products.

Societe Generale manages the risks associated with these positions on organised markets, for example:

- NYSE LIFFE (including Euronext Paris) for cocoa, corn, wheat, rapeseed oil, sugar and coffee;
- ICE FUTURES US for cocoa, coffee, cotton, orange juice, sugar and wheat, le Canola;
- CME group for corn, soybean, soybean oil, soybean meal, wheat, oats, cattle, lean hogs, milk and rice;
- SGX for rubber.

This list is subject to change.

A number of measures are in place to prevent or detect any material impact on the price of agricultural commodities as a result of Societe Generale's activities described above:

- the trading activity is governed by the MiFID II regulatory framework in Europe, in force since 3 January 2018: it sets limits for positions on certain agricultural commodities, introduces the obligation to report on positions to the trading platform, as well as systematic reporting of all transactions to the appropriate regulatory body; the business also operates within internal limits, set by teams tracking risks independently of the operators;
- these teams constantly monitor compliance with these various limits;
- moreover, Societe Generale's trading activity on organised markets follows limits set by the Societe Generale clearing broker;
- to prevent any inappropriate behaviour, mandates and manuals setting out their scope are provided to Societe Generale traders;
- they also attend regular training on business standards and market conduct;
- daily controls are run to detect any inappropriate trading. These controls include monitoring compliance with the US Commodity Futures Trading Commission (CFTC) and market rules on position limits, designed to ensure that no operator can adopt a market position that poses a danger to market equilibrium.

6.4.2 DISCLOSURE ON DORMANT ACCOUNTS

All credit institutions are required to publish information on dormant bank accounts on an annual basis under Articles L. 312-19 and L.312-20 of the French Monetary and Financial Code, as introduced by French Act No. 2014-617 of 13 June 2014 on dormant bank accounts and unclaimed life insurance accounts. Also known as the Eckert Act, it entered into force on 1 January 2016.

In 2023, 25,719 dormant bank accounts were closed. The total amount deposited with the *Caisse des Dépôts et Consignations* was EUR 44,268,707.

Some 471,264 bank accounts were identified as dormant at the end of December 2023, representing an estimated total of EUR 837,222,933.

6.5 FINANCIAL STATEMENTS

6.5.1 PARENT COMPANY BALANCE SHEET

ASSETS

<i>(In EURm)</i>		31.12.2023	31.12.2022
Cash, due from central banks and post office accounts		197,369	165,341
Treasury notes and similar securities	Note 2.1	73,667	51,946
Due from banks	Note 2.3	219,601	216,750
Customer loans	Note 2.3	523,169	495,642
Bonds and other debt securities	Note 2.1	118,168	109,607
Shares and other equity securities	Note 2.1	71,151	74,833
Affiliates and other long-term securities	Note 2.1	948	812
Investments in related parties	Note 2.1	22,732	22,188
Tangible and intangible fixed assets	Note 7.2	3,562	2,980
Treasury stock	Note 2.1	273	1,130
Accruals, other accounts receivables and other assets	Note 3.2	158,747	188,731
TOTAL		1,389,387	1,329,960

OFF-BALANCE SHEET ITEMS

<i>(In EURm)</i>		31.12.2023	31.12.2022
Loan commitments granted	Note 2.3	326,102	306,565
Guarantee commitments granted	Note 2.3	223,514	233,347
Commitments made on securities		39,803	30,204

LIABILITIES AND SHAREHOLDERS' EQUITY

<i>(In EURm)</i>		31.12.2023	31.12.2022
Due to central banks and post office accounts		9,573	8,230
Due to banks	Note 2.4	335,675	340,748
Customer deposits	Note 2.4	603,260	550,236
Liabilities in the form of securities issued	Note 2.4	142,308	119,613
Accruals, other accounts payables and other liabilities	Note 3.2	226,613	236,525
Provisions	Note 2.6	9,723	10,205
Long-term subordinated debt and notes	Note 6.4	25,290	28,311
Shareholders' equity			
Common stock	Note 6.1	1,004	1,062
Additional paid-in capital	Note 6.1	20,260	21,330
Retained earnings	Note 6.1	12,331	13,960
Net income	Note 6.1	3,350	(260)
SUB-TOTAL		36,945	36,092
TOTAL		1,389,387	1,329,960

OFF-BALANCE SHEET ITEMS

(In EURm)		31.12.2023	31.12.2022
Loan commitments received from banks	Note 2.4	68,683	85,354
Guarantee commitments received from banks	Note 2.4	74,541	62,807
Commitments received on securities		42,367	33,928

6.5.2 INCOME STATEMENT

(In EURm)		31.12.2023	31.12.2022
Interest and similar income	Note 2.5	43,733	18,373
Interest and similar expense	Note 2.5	(41,493)	(17,164)
Dividend income	Note 2.1	3,557	2,816
Fee income	Note 3.1	6,645	5,320
Fee expense	Note 3.1	(2,693)	(2,388)
Net income from the trading portfolio ⁽²⁾	Note 2.1	3,137	6,176
Net income from short-term investment securities	Note 2.1	(166)	(190)
Income from other activities		513	423
Expense from other activities		(841)	(620)
Net banking income	Note 7.1	12,392	12,746
Personnel expenses	Note 4.1	(6,019)	(5,360)
Other operating expenses ⁽¹⁾		(4,775)	(4,548)
Impairment, amortisation and depreciation		(633)	(502)
Gross operating income		965	2,336
Cost of risk	Note 2.6	(481)	(599)
Operating income		484	1,737
Net income from long-term investments	Notes 2.1	2,913	(2,079)
Operating income before tax		3,397	(342)
Income tax	Note 5	(47)	82
Net Income		3,350	(260)
Earnings per ordinary share	Note 6.3	4.19	(0.32)
Diluted earnings per ordinary share		4.19	(0.32)

(1) o/w. EUR 567 million related to the 2023 contribution to the Single Resolution Fund (SRF) (EUR 732 million as at 31 December 2022).

(2) o/w. a correction of a prior period error for EUR 139 million detailed in Note 2.1.5.

Information about fees paid to Statutory Auditors is disclosed in the notes to the consolidated financial statements of Societe Generale Group; consequently, this information is not provided in the notes to the parent company financial statements of Societe Generale.

6.6 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements were approved by the Board of Directors on 7 February 2024.

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

1. Introduction

The preparation and presentation of the parent company financial statements for Societe Generale comply with the provisions of Regulation 2014-07 of the French Accounting Standards Board (*Autorité des Normes Comptables*, ANC), relating to the annual accounts for the banking sector.

As the financial statements of foreign branches were prepared using accounting principles generally accepted in their respective countries, they have been adjusted to comply with the accounting principles applicable in France.

The disclosures provided in the notes to the parent company financial statements focus on information that is both relevant and material to the financial statements of Societe Generale, its activities and the circumstances in which it conducted its operations over the period. This information focuses on significant events and transactions to understand the changes in circumstances and financial performance of Societe Generale during the financial year 2023, in particular the impact of the merger with Crédit du Nord and its subsidiaries as of 1 January 2023.

2. Accounting policies and valuation methods

In accordance with the accounting principles applicable to French credit institutions, the majority of transactions are recorded using valuation methods that take account of the purpose for which they were completed.

In financial intermediation transactions, assets and liabilities are generally maintained at their historical cost and impairment is recognised where counterparty risk arises. Revenues and expenses arising from these transactions are recorded *prorata temporis* over the life of the transaction in accordance with the accounting cut-off principle. The same applies for transactions on forward financial instruments carried out for hedging purposes or to manage the Bank's overall interest rate risk.

Transactions performed in the Global Markets activity are generally marked to market at year-end, except for loans, borrowings and short-term investment securities which are recorded at nominal value. When these financial instruments are not quoted in an active market, the market value used is adjusted to take into account the liquidity risk, future management fees and, if any, the counterparty risk.

3. Translation of foreign currency financial statement

The on- and off-balance sheet items of branches reporting in foreign currencies are translated at the official exchange rate prevailing at year-end. The income statement items of these branches are translated at the average quarter-end exchange rate. Translation gains and losses arising from the translation of the capital contribution, reserves, retained earnings and net income of foreign branches, which result from changes in exchange rates, are included in the balance sheet under "Accruals, other accounts payable/receivable and other liabilities/assets".

4. Use of estimates and judgment

In compliance with the accounting principles and methods applicable to the preparation of the financial statements and stated in the notes to the present document, the Management makes assumptions and estimates that may have an impact on the figures recorded in the income statement, the valuation of assets and liabilities on the balance sheet, and the information disclosed in the notes to the parent company financial statements.

In order to make these assumptions and estimates, the Management uses the information available as at the date of preparation of the financial statements and can exercise its own judgment. By nature, valuations based on these estimates involve risks and uncertainties about their materialization in the future. Consequently, the actual future results may differ from these estimates and may then have a significant impact on the financial statements.

The assumptions and estimates made in preparing these annual financial statements take account of the uncertainties related to the economic consequences of geopolitics crisis and of the current macroeconomic context. The impacts of these events on the assumptions and estimates used are detailed in part 5 of the present note.

The use of estimates mainly concerns the following accounting topics:

- fair value in the balance sheet of financial instruments (securities portfolio and forward financial instruments) not quoted in an active market and held for trading activities (see Notes 2.1, 2.2 and 3.2);
- impairment of financial assets (see Note 2.6);
- provisions recognised as liabilities (see Notes 2.6, 4.2 and 5.2);
- deferred tax assets recognised in the balance sheet (see Note 5).

CLIMATE RISK



Societe Generale continues its work to gradually integrate climate risk in the preparation of its statutory financial statements. Climate change-related risks are not a new risk category but rather an aggravating factor for categories already covered by the risk management system of Societe Generale. In this regard, the impact of transitional risk on the credit risk of the corporate customers of Societe Generale remains the primary climate risk for the Bank.

As at 31 December 2023, the determination of impairment and provisions for credit losses includes the possible impact of climate risks as taken into account in the assessment of individual risks and sectoral risks whenever it is compatible with the provisioning horizon. The impact of Societe Generale's commitments in favour of energy and environmental transition and the development of the territories are still taken into account in the budget trajectories used to assess the recoverability of the deferred tax assets.

5. Geopolitical crises and macroeconomic context

2023 was a year of cumulative uncertainties with, in particular, the continuing conflict in Ukraine but also tensions in the banking sector in the United States of America and Europe at the beginning of the year, as well as the situation in the Middle East at the end of the year. Monetary policies were clearly restrictive. Focusing on inflation control, central banks increased interest rates rapidly and significantly.

In the euro area:

- the slowdown in economic activity observed during the first half of 2023 continued and was accentuated during the second half of the year;
- inflation remained high in 2023; it is expected to drop down under 3% in 2024 and fall back to the target in the mid-term.

In the U.S.A., the economy performed better than expected by most forecasters. Warning signs point to a sharper slowdown already apparent towards the end of the year.

In this context, Societe Generale updated the macroeconomic scenarios chosen for the preparation of its statutory statements as at 31 December 2023. These macroeconomic scenarios are taken into account in the measurement models for credit risk impairment and provisions (see Note 2.6) and in tests regarding deferred tax assets recovery (see Note 5).

MACROECONOMIC SCENARIOS AND WEIGHTING

As at 31 December 2023, Societe Generale has selected three macroeconomic scenarios to help understand the uncertainties related to the current macroeconomic context.

The assumptions selected to draw up the scenarios are listed below:

- the central scenario ("SG Central"), weighted at 62%, predicts a continued economic slowdown in the euro area in 2024, and only a modest rebound in 2025. A fall in inflation, down to 2.5% approximately, will be accompanied by an increase in unemployment rate. The ECB might lower its interest rates starting in Spring 2024, but would continue scaling down its balance sheet at least until 2025 (reducing its direct purchases on the market). In the U.S.A, in 2024, economic growth is expected to decelerate, interest rates will likely decrease, inflation should remain on a downward trend while the unemployment rate increases;
- the favourable scenario ("SG Favourable"), weighted at 10%, describes an accelerated economic growth compared to the trajectory projected in the central scenario; this growth may result from improved supply conditions owing to a positive shock on productivity or from unexpectedly improved demand conditions. In both cases, stronger growth will have a positive impact on employment and the profitability of companies;
- the stressed scenario ("SG Stress"), weighted at 28%, corresponds to a crisis situation leading to a negative deviation in GDP compared to the central scenario. This scenario may result from a financial crisis (2008 crisis, euro area crisis...), an exogenous crisis (Covid-19-like pandemic) or a combination of both.

These scenarios are developed by the Economic and Sector Research Department of Societe Generale based, in particular, on information published by statistical institutes.

Forecasts from institutions (IMF, Global Bank, ECB, OECD...) and the consensus among market economists serves as a reference to challenge Societe Generale's forecasts.

COVID-19 CRISIS: STATE GUARANTEED LOANS (PGE)

Until 30 June 2022, Societe Generale offered to its crisis-impacted customers (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 French decree of 23 March 2020. These are financings granted at cost price and guaranteed by the government for a share of the borrowed amount between 70 to 90% depending on the size of the borrowing enterprise (with a waiting period of two months after 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 tax, these loans came with a one-year repayment exemption. At the end of that year, the customer could either repay the loan or amortise it over one to five more years, with the possibility of extending the grace period for the repayment of principal for one year (in line with the announcements made by the French *Ministre de l'Économie, des Finances et de la Relance* on 14 January 2021) without extending the total duration of the loan.

The remuneration conditions of the guarantee have been set by the State and applied by all French banking institutions: the Bank keeps only a 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, 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 borrowing company). A French decree published on 19 January 2022, amending the decree published on 23 March 2020, allows some companies to benefit, under certain conditions, from an extension of their PGE repayment deadlines from 6 to 10 years.

These State Guaranteed Loan facilities (PGE) have been recorded among Customer loans. The share of the guarantee premium received from the borrowers and kept by the Bank to compensate the share of risk not guaranteed by the French State is assimilated to interest income. It is spread and recognised over the effective lifetime of the loans in net income amongst Interest and similar income, along with the recording of the contractual interest.

At 31 December 2023, after the first repayments made in 2022 and in 2023 at the end of the moratorium period, the outstanding amount corresponding to the State Guaranteed Loans (PGE) granted by Societe Generale is approximately EUR 7.8 billion (including EUR 1.6 billion of underperforming loans and EUR 0.9 billion of doubtful loans). The State guarantee for these loans covers, on average, 90% of their amount. The amount of credit risk impairment and provisions recorded as at 31 December 2023 related to these State Guaranteed Loan facilities represents approximately EUR 171 million (including EUR 28 million of underperforming loans and EUR 124 million of doubtful loans).

CONSEQUENCES OF THE WAR IN UKRAINE

Societe Generale holds assets on Russian counterparties (including the residual exposures on Rosbank) the volume of which dropped between 31 December 2022 and 31 December 2023 owing in particular to the disposal of assets but also to customer reimbursements completed without incident (EUR 0.8 billion against EUR 1.1 billion in 2022). As a result of an assessment of the changes in these credit exposures, Societe Generale has classified them from the very beginning of the conflict as “underperforming loans” or “doubtful loans” when necessary (see Note 2.6.2).

6. Merger of the retail banking network with Crédit du Nord and its subsidiaries

On 1 January 2023, Societe Generale achieved the legal merger of its two retail banking networks in France, Societe Generale and the Crédit du Nord group. SG is, from now on, the new retail bank of Societe Generale in France.

The legal merger was achieved in several stages:

- absorption by Crédit du Nord of its seven banking subsidiaries in France;

- merger of Crédit du Nord with Societe Generale SA;
- transfer of all the assets (French *Transmission Universelle de Patrimoine* (TUP) of Société de Banque de Monaco to Societe Generale SA.

During the first stage, Crédit du Nord recognised a merger bonus of EUR 544 million for the differences between the net assets absorbed and the book value of the derecognised interests (Banque Kolb, Banque Courtois, Banque Laydernier, Banque Nuger, Banque Rhône-Alpes, Banque Tarneaud), as well as a merger malus of EUR 397 million for the negative difference between the net assets absorbed and the book value of Société Marseillaise de Crédit. This amount is called a “technical malus” and has been allocated as follows:

- EUR 49 million to the revaluation of the buildings of Société Marseillaise de Crédit; and
- EUR 348 million to the recognition of a business goodwill.

After completion of this operation, the net book assets of Crédit du Nord used as a calculation basis for the merger bonus of the next stage increased by EUR 544 million.

During the second stage, Societe Generale SA recognised a merger bonus of EUR 2,848 million for the differences observed between the net assets absorbed and the book value of Crédit du Nord, after absorption of its seven subsidiaries. The amount of this merger bonus has been fully recognised under the “Net gains on other assets” of the financial year. Under the merger preferential treatment provided for in the provisions of Article 210 A of the French General Tax Code, this bonus is not taxable.

Lastly, during the transfer of all assets (TUP) of Société de Banque de Monaco, Societe Generale SA recognised a merger bonus of EUR 3.5 million.

After completion of these legal mergers, the total outstanding consumer loans from the Crédit du Nord group was transferred by Societe Generale SA to its Sogefinancement subsidiary. This transfer in kind was made in two stages (in March and in May 2023); it was paid for by the issuance of new shares through two capital increases of Sogefinancement amounting to EUR 1,429 million. In the financial statements of Societe Generale as at 31 December 2023, the sale of these outstanding loans amounts to a loss of EUR 71 million, recognised under “Net banking income”.

The impacts of these operations on the balance sheet and income statement items are shown in the tables below:

BALANCE SHEET

The amounts which are negative in the “Effects of the merger” column result from the elimination of intra-group transactions between Societe Generale and Crédit du Nord which, after the merger, are considered in-house and thus derecognised from the balance sheet of Societe Generale.

TOTAL ASSETS

<i>(In EURm)</i>		31.12.2023	01.01.2023	Effects of the merger	31.12.2022
Cash, due from central banks and post office accounts		197,369	184,853	19,512	165,341
Treasury notes and similar securities	Note 2.1	73,667	52,072	126	51,946
Due from banks	Note 2.3	219,601	201,324	(15,426)	216,750
Customer loans	Note 2.3	523,169	547,801	52,159	495,642
Bonds and other debt securities	Note 2.1	118,168	109,610	3	109,607
Shares and other equity securities	Note 2.1	71,151	74,834	1	74,833
Affiliates and other long-term securities	Note 2.1	948	812		812
Investments in related parties	Note 2.1	22,732	21,324	(864)	22,188
Tangible and intangible fixed assets	Note 7.2	3,562	3,654	674	2,980
Treasury stock	Note 2.1	273	1,130		1,130
Accruals, other accounts receivables and other assets	Note 3.2	158,747	184,305	(4,426)	188,731
TOTAL		1,389,387	1,381,719	51,759	1,329,960

TOTAL LIABILITIES

<i>(In EURm)</i>		31.12.2023	01.01.2023	Effects of the merger	31.12.2022
Due to central banks and post office accounts		9,573	8,230		8,230
Due to banks	Note 2.4	335,675	341,211	463	340,748
Customer deposits	Note 2.4	603,260	602,881	52,645	550,236
Liabilities in the form of securities issued	Note 2.4	142,308	119,831	218	119,613
Accruals, other accounts payables and other liabilities	Note 3.2	226,613	231,592	(4,933)	236,525
Provisions	Note 2.6	9,723	10,720	515	10,205
Long-term subordinated debt and notes	Note 6.4	25,290	28,311		28,311
Shareholders' equity					
Common stock	Note 6.1	1,004	1,062		1,062
Additional paid-in capital	Note 6.1	20,260	21,330		21,330
Retained earnings	Note 6.1	12,331	13,700		13,960
Net income	Note 6.1	3,350	2,851	2,851	(260)
SUB-TOTAL		36,945	38,943	2,851	36,092
TOTAL		1,389,387	1,381,719	51,759	1,329,960

INCOME STATEMENT

The combined accounts below have been prepared in order to provide comparative information in respect of the main items of the income statement between the 2022 financial year and the 2023 financial year.

These combined accounts have been prepared on the basis of the Company financial statements published by Crédit du Nord and Societe Generale as at 31 December 2022.

The information shown below thus corresponds to the best possible estimate of the reconstitution, for the 2022 financial year, of the activities integrated at the time of the merger, taking into account the flows with Societe Generale SA. They have been adjusted for the main transactions between the two entities.

<i>(In EURm)</i>	31.12.2023	31.12.2022 Societe Generale and Crédit du Nord (combined accounts)	31.12.2022 Published
Net banking income	12,392	14,560	12,746
Gross operating income	965	2,899	2,336
Operating income	484	2,211	1,737
Operating income before tax	3,397	198	(342)
Net income	3,350	162	(260)

7. Acquisition of LeasePlan by ALD

The acquisition of 100% of LeasePlan by ALD, for which Societe Generale and ALD had signed two Memorandums of Understanding on 6 January 2022, was completed on 22 May 2023, following approval by the ALD Board of Directors and the relevant regulatory authorities.

As part of the financing of this acquisition, ALD completed in 2022 a EUR 1,212 million capital increase with shareholders' preferential subscription rights, subscribed for EUR 803 million by Societe Generale (66.26% of the capital increase). Societe Generale held 79.82% of ALD's share capital prior to this increase, and 75.94% after its completion on 31 December 2022, in accordance with its commitment to remain ALD's long-term majority shareholder.

In 2023, the cost of this acquisition, totalling EUR 4,897 million, was financed by ALD in cash and shares.

In this context, ALD carried out, in 2023, a capital increase in favour of LeasePlan shareholders. As a result, Societe Generale remains majority shareholder of the new combined entity, named Ayvens since 16 October 2023, with a controlling interest of 52.59%. This share may be reduced to 50.95% in case of exercise of the warrants attached to the shares ("ABSA" - *Actions à Bons de Souscription d'Actions*) attributed to LeasePlan shareholders to provide them with the means to increase their minority interest up to 32.91% of Ayvens' share capital.

8. Creation of a joint venture by Societe Generale and AllianceBernstein

On 6 February 2023, Societe Generale and AllianceBernstein signed a Memorandum of Understanding for the creation of a joint venture combining their cash equities and equity research businesses.

On the date of completion of the transaction, scheduled in the first half of 2024, the joint venture will be organised under two separate legal entities focusing on North America and Europe & Asia, respectively. Subject to the relevant regulatory approvals, some options might allow Societe Generale to eventually reach 100% ownership in both entities.

9. Event after the reporting period

PLAN TO IMPLEMENT ORGANISATIONAL CHANGES IN SOCIETE GENERALE HEAD OFFICE IN FRANCE

On 5 February 2024, Societe Generale has announced a plan to implement organisational changes in its head office in France to simplify its operations and structurally improve its operational efficiency.

Several French head office entities are considering organisational changes that require specific social support measures. The objective is to group and pool certain activities and functions, remove hierarchical layers to streamline decision-making, and resize certain teams due to reviews of projects or processes.

This reorganisation project has been submitted for consultation with the staff representative bodies. Following the completion of the consultation scheduled for the second quarter of 2024, the implementation of these organisational changes would result in approximately 900 job cuts at head office without forced departures (i.e. approximately 5% of head office staff).

The cost of the social support measures that will be recorded as provision during the first quarter of 2024 is estimated to be around EUR 0.3 billion.

NOTE 2 FINANCIAL INSTRUMENTS

NOTE 2.1 Securities portfolio

ACCOUNTING PRINCIPLES

Securities are classified according to:

- their type: government securities (Treasury notes and similar securities), bonds and other debt securities (negotiable debt instruments, interbank securities), shares and other equity securities;
- the purpose for which they were acquired: trading, short-term and long-term investment, shares intended for portfolio activity, investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments.

Purchases and sales of securities are recorded in the balance sheet at the date of settlement-delivery.

The classification and valuation rules applied for each portfolio category are as follows and the impairment rules applied are described in Note 2.6.5.

Trading Securities

Trading securities are securities acquired or incurred with the intention of selling or repurchasing them in the near term or held for the purpose of market-making activities. These securities are traded in active markets, and the available market price reflects actual and regularly occurring market transactions on an arm's length basis. Trading securities also include the securities covered by a sale commitment in the context of an arbitrage on a regulated market or similar, and the securities purchased or sold as part of the specialised management of a trading portfolio containing forward 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.

Trading securities are recognised in the balance sheet at acquisition price, excluding acquisition expenses.

They are marked to market at the end of the financial year.

The net unrealised gains or losses thus recognised, together with the net gains or losses on disposals, are recorded on the income statement under "Net income" from the trading portfolio, or, from short-term investment securities. The coupons received on the fixed-income securities in the trading portfolio are recorded on the income statement under "Net interest income" from bonds, or other debt securities.

The trading securities that are no longer held with the intention of selling them in the near term, or no longer held for the purpose of market-making activities, or held as part of the specialised management of a trading portfolio for which there is no longer evidence of a recent pattern of short-term profit-taking, may be reclassified into the Short-term investment securities category or into the Long-term investment securities category if:

- exceptional market situations generate a change in holding strategy; or
- if debt securities become no longer negotiable in an active market after their acquisition, and Societe Generale has the intention and ability to hold them for the foreseeable future or until maturity.

Securities which are then reclassified are recorded in their new category at their fair market value on the date of reclassification.

Long-Term Investment Securities

Long-term investment securities are debt securities acquired or reclassified from Trading securities and Short-term investment securities which Societe Generale intends and has the capacity to hold until maturity.

Societe Generale must therefore have, in particular, the necessary financing capacity to continue holding these securities until their expiry date. These long-term investment securities shall not be subject to any legal or other form of constraint that might call into question its intention to hold it until maturity.

Long-term investment securities also include trading and short-term investment securities which have been reclassified by Societe Generale following the particular conditions described here before (facing exceptional market situations or when debt securities are no longer negotiable in an active market). These reclassified securities are identified within the long-term investment securities portfolio.

Societe Generale may have to dispose of long-term investment securities or transfer them to another accounting category only in the specific following cases:

- the sale or transfer is made at a date close to the maturity of the security; or
- the sale or transfer is due to an isolated event independent of Societe Generale control.

These instruments may be designated as hedged items when forward financial instruments are used to hedge interest rate risk on identifiable items or groups of similar items.

Long-term investments securities are recorded in the balance sheet at their purchase cost excluding acquisition expenses.

Affiliates, Investments in related parties and Other Long-Term Securities

This category of securities covers on the one hand affiliates and investments in related parties, when it is deemed useful to Societe Generale's business to hold said shares in the long term. This notably covers the investments that meet the following criteria:

- shares in fully integrated companies or issued by companies accounted for using the equity method;
- shares in companies that share Directors or senior managers with Societe Generale and where influence can be exercised over the company whose shares are held;
- shares in companies that belong to the same group controlled by individuals or legal entities, where the said persons or entities exercise control over the Group and ensure that decisions are taken in unison;
- shares representing more than 10% of the voting rights in the capital issued by a bank or a company whose business is directly linked to that of Societe Generale.

This category also includes the other long-term securities. These are equity investments made by Societe Generale with the aim of developing special professional relations with a company over the long term but without exercising any influence on its management due to the low proportion of attached voting rights.

Affiliates, investments in related parties and other long-term securities are recorded at their purchase price net of acquisition costs. Dividend income earned on these securities is recognised in the income statement under "Dividend income".

Short-Term Investment Securities

Short-term investment securities are all the securities that are not classified as trading securities, long-term investment securities, or investments in consolidated subsidiaries and affiliates.

SHARES AND OTHER EQUITY SECURITIES

Equity securities are initially recognised on the balance sheet at cost excluding acquisition expenses, or at contribution value. At year-end, cost is compared to realisable value. Only the unrealised losses are recorded with the recognition of a depreciation of the securities portfolio. Income from these securities is recorded in Dividend income.

BONDS AND OTHER DEBT SECURITIES

These securities are initially recognised on the balance sheet at cost excluding the acquisition expenses, and excluding interest accrued not due at the date of purchase. The positive or negative differences between the cost and redemption values are recognised as premiums (if positive) or discounts (if negative) in the income statement over the life of the securities concerned and spread using the actuarial method. The accrued interest on bonds and other short-term investment securities is recorded as related receivables with a counterpart entry under "Interest and similar income" in the income statement.

Short-term investment securities may be reclassified into Long-term investment securities category provided that:

- exceptional market situations generate a change in holding strategy; or
- if after their acquisition debt securities become no longer negotiable in an active market and if Societe Generale has the intention and ability to hold them for the foreseeable future or until maturity.

NOTE 2.1.1 TREASURY NOTES, BONDS AND OTHER DEBT SECURITIES, SHARES AND OTHER EQUITY SECURITIES

(In EURm)	31.12.2023				31.12.2022			
	Treasury notes and similar securities	Shares and other equity securities	Bonds and other debt securities ⁽¹⁾	Total	Treasury notes and similar securities	Shares and other equity securities	Bonds and other debt securities ⁽²⁾	Total
Trading securities	55,019	70,944	48,771	174,734	32,051	74,610	42,851	149,512
Short-term investment securities	18,487	186	16,748	35,421	19,747	197	13,119	33,063
Gross book value	18,771	214	16,943	35,928	20,260	217	13,193	33,670
Impairment	(284)	(28)	(195)	(507)	(513)	(20)	(74)	(607)
Long-term investment securities	63	-	52,381	52,444	53	-	53,475	53,528
Gross book value	63	-	52,381	52,444	53	-	53,475	53,528
Impairment	-	-	-	-	-	-	-	-
Related receivables	98	21	268	387	95	26	162	283
TOTAL	73,667	71,151	118,168	262,986	51,946	74,833	109,607	236,386

(1) As at 31 December 2023, the amount of bonds and other debt securities includes EUR 961 million of securities issued by public organizations.

(2) As at 31 December 2022, the amount of bonds and other debt securities includes EUR 1,454 million of securities issued by public organizations.

ADDITIONAL INFORMATION ON SECURITIES

(In EURm)	31.12.2023	31.12.2022
Estimated market value of short-term investment securities		
Unrealised capital gains ⁽¹⁾	717	104
Estimated value of long-term investment securities		
Premiums and discounts relating to short-term and long-term investment securities	26	292
Investments in mutual funds:	9,736	15,310
▪ French mutual funds	1,352	8,527
▪ Foreign mutual funds	8,384	6,783
<i>of which mutual funds which reinvest all their income</i>	5	5
Listed securities ⁽²⁾	389,839	361,737
Subordinated securities	-	110
Securities lent	79,745	71,453

(1) The amount does not include unrealised gains or losses on forward financial instruments, if any, used to hedge short-term investment securities.

(2) As at 31 December 2023, the amount of listed trading securities is EUR 301,065 million (274,544 million as at 31 December 2022).

NOTE 2.1.2 AFFILIATES, INVESTMENTS IN RELATED PARTIES AND OTHER LONG-TERM SECURITIES**AFFILIATES AND OTHER LONG TERM SECURITIES**

(In EURm)	31.12.2023	31.12.2022
Banks	335	332
Others	732	585
Affiliates and other long-term securities before impairment	1,067	917
Impairment	(119)	(105)
TOTAL	948	812

The main changes are:

- the inclusion of “Affiliates and other long-term securities” held by Crédit du Nord, following its merger into Societe Generale Paris: EUR +139 million in net book value (o.w. the associates’ certificates of the French deposit insurance and resolution fund (*Fonds de Garantie des Dépôts et de Résolution* – FGDR) for EUR +48 million, *Crédit Logement* for EUR +39 million and Sicovam Holding for EUR +35 million);
- the acquisition of Payxpert Services Limited shares for EUR +34 million and the participation in the creation of Inno Energy for EUR +30 million;
- the increase of the associates’ certificates of the French deposit insurance and resolution fund: EUR +18 million;
- the partial disposal of CRH shares following the annual adjustment of the subsidiary’s shareholding: EUR -32 million;
- the reclassification of investments in Payxpert Services Limited, SG Saudi, Société Services Fiduciaires and Investima, in the frame of their inclusion in the consolidation scope during the year, from the category “Affiliates and other long term securities” to “Investments in related parties” for EUR -48 million.

INVESTMENTS IN RELATED PARTIES

<i>(In EURm)</i>	31.12.2023	31.12.2022
Banks	8,805	8,843
Listed	1,821	1,862
Unlisted	6,984	6,981
Others	16,977	16,487
Listed	1,948	1,948
Unlisted	15,029	14,539
Investments in related parties before impairment	25,782	25,330
Impairment	(3,050)	(3,142)
TOTAL	22,732	22,188

All transactions with the related parties were concluded under normal market conditions.

On 1 January 2023, the merger of Crédit du Nord into Societe Generale Paris led to:

- the cancelation of shares of Crédit du Nord: EUR -1,410 million;
- the inclusion of shares held by Crédit du Nord in the category "Investments in related parties": EUR +475 million in net book value (o.w. Antarius for EUR +257 million, Société de Banque de Monaco for EUR +82 million, Etoile Capital for EUR +58 million and Starlease for EUR +55 million).

The merger was followed by:

- the asset contribution to Sogefinancement of the consumer loan portfolio recognised following the merger. The contributions were remunerated in shares by Sogefinancement *via* two capital increases leading to the increase in the share of Societe Generale in Sogefinancement's capital for EUR +1,430 million;

- the transfer of all the assets (*Tantmission Universelle de Patrimoine*) of Société de Banque de Monaco to the SG Monaco branch: EUR -82 million.

The other main changes are:

- the merger of Parel into Societe Generale Paris: EUR -61 million;
- the capital increase of Societe Generale Capital Canada Inc. with the restructuring of the Group's Canadian entities: EUR +135 million.

The main changes in the impairment are as follow:

- the impairment of SG Securities Singapore Pte Ltd.: EUR -15 million;
- the impairment recovery of Societe Generale Securities Services SPA (held by the SG Milan branch): EUR +51 million;
- the impairment recovery of SG Americas Inc.: EUR +32 million;
- the impairment recovery of Societe Generale Mauritania: EUR +20 million.

NOTE 2.1.3 TREASURY STOCK

ACCOUNTING PRINCIPLES

Societe Generale's shares acquired for allocation to employees are recorded as Short-term investment securities and presented under "Treasury stock" on the assets side of the balance sheet.

Societe Generale's shares held with a view to underpinning the share price or as part of arbitrage transactions on the CAC 40 index are recorded as Trading securities and presented under "Treasury stock" on the assets side of the balance sheet.

Societe Generale's shares acquired with the intend to cancel them are recorded as Long-term equity investments and presented under "Treasury stock" on the assets side of the balance sheet.

(In EURm)	31.12.2023			31.12.2022		
	Quantity	Book value ⁽²⁾	Market value	Quantity	Book value ⁽²⁾	Market value
Trading securities ⁽¹⁾	3,321,132	80	80	282,892	7	7
Short-term investment securities	6,735,519	193	162	7,061,203	209	166
Long-term equity investments ⁽³⁾	-	-	-	41,674,813	914	979
TOTAL	10,056,651	273	242	49,018,908	1,130	1,151

Nominal value : EUR 1.25.

Market value per share : EUR 24.03 as at 31 December 2023.

- (1) Societe Generale set up on 22 August 2011 a liquidity contract which was endowed with EUR 170 million for carrying out transactions on the Societe Generale share. As at 31 December 2023, no Societe Generale shares were held under this contract, which has EUR 5 million to intervene on this share.
- (2) The accounting value is assessed according to the notice of the CNC N° 2008-17 approved on 6 November 2008 concerning stock-options and bonus issues of shares.
- (3) As at 31 December 2022, 41,674,813 Societe Generale shares were purchased on the market at a cost price of EUR 914 million, for the purpose of cancellation on 01 February 2023 in accordance with the decision of the General Meeting of 17 May 2022.

NOTE 2.1.4 DIVIDEND INCOME

(In EURm)	2023	2022
Dividends from shares and other equity securities	14	17
Dividends from affiliates and other long-term securities	3,543	2,799
TOTAL	3,557	2,816

Dividends received from investments in the trading portfolio have been classified under “Net income from the trading portfolio and short-term investment securities.”

NOTE 2.1.5 NET INCOME FROM THE TRADING PORTFOLIO AND SHORT-TERM INVESTMENT SECURITIES

(In EURm)	2023	2022
Net income from the trading portfolio:	3,137	6,176
Net income from operations on trading securities ⁽¹⁾	11,119	(11,130)
Net income from forward financial instruments ⁽²⁾	(8,696)	18,538
Net income from foreign exchange transactions	714	(1,232)
Net income from short-term investment securities:	(166)	(190)
Gains on sale	135	500
Losses on sale	(407)	(427)
Allocation of impairment	(164)	(531)
Reversal of impairment	270	268
TOTAL	2,971	5,986

(1) Of which EUR 1,906 million of received dividends on trading portfolio.

(2) Of which EUR 139 million of expenses in 2023 related to the correction of the amount of management fees on forward financial instruments which had not been correctly valued in 2022

NOTE 2.1.6 NET INCOME FROM LONG-TERM INVESTMENTS**ACCOUNTING PRINCIPLES**

This item includes capital gains or losses realised on disposals, as well as the net allocation to depreciation for investments in subsidiaries and affiliates, long-term investment securities.

<i>(In EURm)</i>	2023	2022
Long-term investment securities:	3	-
Net capital gains (or losses) on sale	3	-
Net allocation to impairment	-	-
Investments in subsidiaries and affiliates:	2,908	(2,093)
Gains on sale ⁽¹⁾	2,879	59
Losses on sale ⁽¹⁾	(64)	(2,686)
Allocation to impairment ⁽²⁾	(38)	(356)
Reversal of impairment ⁽²⁾	131	890
Subsidies granted to affiliates (subsidiaries)	-	-
Net income from long term investment (see Note 7.2)	2	14
TOTAL	2,913	(2,079)

(1) As at 31 December 2023, the main change is related to the merger of Crédit du Nord into Societe Generale Paris for EUR +2,848 million.

(2) Allocations and reversals mainly concern subsidiaries (See Note 2.1.2 - Investments in subsidiaries).

NOTE 2.2 Transactions on forward financial instruments

ACCOUNTING PRINCIPLES

Transactions on forward financial instruments on interest rates, foreign exchange rates or equities are used for trading or hedging purposes.

Nominal commitments on forward financial instruments are recorded as a separate off-balance sheet item. This amount represents the volume of current transactions and does not reflect the potential gain or loss associated with the market or counterparty risk on these transactions. Credit derivatives purchased to hedge credit risks on financial assets which are not valued at market value are classified and treated as guarantee commitments received.

The accounting treatment of income or expense on these forward financial instruments depends on the purpose of the transaction, as follows:

Hedging transactions

Income and expense on forward financial instruments used as hedge assigned from the beginning to an identifiable item or group of similar items are recognised in the income statement symmetrically to the income and expense on the hedged items. Income and expense on interest rate instruments are recorded as net interest income in the same interest income or expense account as the items hedged. Income and expense on other instruments such as equity instruments, stock market indexes or currencies are recognised under "Net income" from short-term investment securities.

Income and expense on forward financial instruments used to hedge or manage an overall interest rate risk are recognised in the income statement over the life of the instrument under "Net income" from the trading portfolio.

Market transactions

Market transactions include:

- the instruments traded on organised or similar markets and other instruments, such as credit derivatives and composite option products, which are included in the trading portfolio although they are traded over-the-counter on less liquid markets;
- some debt securities with a forward financial instrument component for which this classification in the accounts most appropriately reflects the results and associated risks.

These transactions are measured at their market value as at the closing date. When financial instruments are not quoted in an active market, this value is generally determined based on internal models. Where necessary, these valuations are adjusted for reasons of prudence by applying a discount (Reserve Policy). This discount is determined on the basis of the instruments concerned and the associated risks, and takes into account:

- a conservative valuation of all the instruments, regardless of the liquidity of the corresponding market;
- a reserve calculated based on the size of the exposure and intended to cover the risk that Societe Generale will be unable to liquidate the investment in one go due its size;
- an adjustment for the reduced liquidity of the instruments and for model risk in the case of complex products as well as transactions on less liquid markets (less liquid since they have been developed recently or are more specialised).

Furthermore, for over-the-counter transactions on forward interest rate instruments, these valuations also take into account counterparty risk and the present value of the future management fees.

The corresponding gains or losses are directly recognised as income or expense for the period, regardless of whether they are realised or unrealised. They are recognised in the income statement as Net income from the trading portfolio.

The gains or losses corresponding to the contracts concluded as part of the cash management activities managed by the trading room in order to benefit from any interest rate fluctuations, are recorded when these contracts are settled or *pro rata temporis* over the life of the contracts, depending on the type of instrument. Any unrealised losses are provisioned at year-end and the corresponding amounts are recorded under "Net income" from the trading portfolio.

NOTE 2.2.1 FORWARD FINANCIAL INSTRUMENTS COMMITMENTS (NOTIONAL)

(In EURm)	Fair Value Trading transactions	Hedging transactions	Total at	
			31.12.2023	31.12.2022
Firm transactions	12,805,395	19,158	12,824,553	12,161,938
Transactions on organised markets	3,178,572	123	3,178,695	3,036,439
Interest rate futures	765,381	-	765,381	776,802
Foreign exchange futures	2,122,505	-	2,122,505	1,932,872
Other futures contracts	290,686	123	290,809	326,765
OTC agreements	9,626,823	19,035	9,645,858	9,125,499
Interest rate swaps	7,354,732	18,840	7,373,572	7,169,836
Currency financing swaps	1,277,267	195	1,277,462	1,144,067
Forward Rate Agreements (FRA)	972,883	-	972,883	787,632
Other	21,941	-	21,941	23,964
Optional transactions	3,868,559	706	3,869,265	3,687,488
Interest rate options	1,941,993	-	1,941,993	1,781,146
Foreign exchange options	585,157	706	585,863	565,846
Equity and index options	1,239,147	-	1,239,147	1,096,715
Other options	102,262	-	102,262	243,781
TOTAL	16,673,954	19,864	16,693,818	15,849,426

NOTE 2.2.2 FAIR-VALUE OF THE TRANSACTIONS QUALIFIED AS HEDGING

(In EURm)	31.12.2023	31.12.2022
Firm transactions	(3,719)	(5,079)
Transactions on organised markets	(24)	(14)
Interest rate futures	-	-
Foreign exchange futures	-	-
Other forward contracts	(24)	(14)
OTC agreements	(3,695)	(5,065)
Interest rate swaps	(3,785)	(5,165)
Currency financing swaps	90	100
Forward Rate Agreements (FRA)	-	-
Other	-	-
Optional transactions	-	-
TOTAL⁽¹⁾	(3,719)	(5,079)

(1) A positive value represents a net receivable and a negative value represents a net debt.

NOTE 2.2.3 MATURITIES OF FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

(In EURm)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
Firm transactions	2,362,011	3,084,504	3,712,338	3,665,700	12,824,553
Transactions on organised markets	1,525,681	970,578	247,454	434,982	3,178,695
OTC agreements	836,330	2,113,926	3,464,884	3,230,718	9,645,858
Optional transactions	886,270	984,481	1,266,950	731,564	3,869,265
TOTAL	3,248,281	4,068,985	4,979,288	4,397,264	16,693,818

NOTE 2.3 Loans and receivables

ACCOUNTING PRINCIPLES

Amounts due from banks and customer loans are classified according to their initial duration and type: demand deposits (current accounts and overnight transactions) and term deposits for credit institutions, commercial loans, overdrafts and other loans to customers. They also include the securities purchased from banks or customers under resale agreements, and the loans secured by notes and securities.

Only the amounts due and customer loans that meet the following criteria are offset on the balance sheet: those with the same counterparty, maturity, currency and accounting entity, and those for which an agreement exists with the counterparty allowing the Bank to combine the accounts and exercise the right of offset.

The interest accrued on these receivables is recorded as Related receivables and recognised in the income statement under “Interest income and expenses”.

The fees and commissions received and the incremental transaction costs related to the granting of a loan (finder’s and handling fees) are comparable to interest and spread over the effective life of the loan.

The loan commitments recorded on the off-balance sheet reflect transactions that have not yet resulted in cash flows, such as the irrevocable commitments for the undrawn portion of facilities made available to banks and customers or guarantees given on their behalf.

If a commitment bears a proven credit risk that makes it probable that Societe Generale will not recover all or part of the amounts due under the counterparty’s commitment in accordance with the original terms of the contract, the corresponding outstanding loan is classified as a doubtful loan, despite the existence of a guarantee. Moreover, any loan will be classified as doubtful if one or more repayments are more than three months overdue (six months for mortgage loans and nine months for loans to local authorities), or if, regardless of any missed payments, it can be assumed that there is a proven risk, or if legal proceedings have been started.

If a loan to a given debtor is classified as doubtful, all the outstanding loans and commitments to that debtor are reclassified as doubtful, regardless of whether or not they are backed by a guarantee.

Impairment for unrealised losses and for doubtful loans is recorded for the amount of probable loss (see Note 2.6).

Restructuring of loans and receivables

When an asset recorded under “Due from banks” or “Customer loans” is restructured, contractual changes that would not have been considered in other circumstances are made to the amount, term or financial conditions of the initial transaction approved by Societe Generale, due to the financial difficulties or insolvency of the borrower (whether this insolvency is proven or will definitely occur unless the debt is restructured). The restructured financial assets are classified as impaired and the borrowers are considered to be in default.

These classifications are maintained for at least one year and for as long as some uncertainty remains for Societe Generale as to the borrowers’ ability to meet their commitments. At the restructuring date, the carrying amount of the restructured financial asset is decreased to the present amount of the estimated new future recoverable cash flows discounted using the initial effective interest rate. This loss is booked in the income statement under “Cost of risk”. The restructured financial assets do not include the loans and receivables subject to commercial renegotiations.

Loans and receivables may be subject to commercial renegotiations provided that the borrowing customer is not experiencing financial difficulties and is not insolvent. Such transactions thus involve customers whose debt Societe Generale is willing to renegotiate in the interest of maintaining or developing a commercial relationship, in accordance with the credit granting rules, and without relinquishing any principal or accrued interest.

These renegotiated loans and receivables are derecognised as at the renegotiation date and replaced as at the same date on the balance sheet by the new loans, contractualised under the renegotiated conditions. These new loans are subsequently measured at amortised cost, based on the effective interest rate arising from the new contractual conditions and taking into account the renegotiation fees billed to the customer.

NOTE 2.3.1 DUE FROM BANKS

<i>(In EURm)</i>	31.12.2023	31.12.2022
Demand deposits and loans	5,259	5,448
Current accounts	4,652	4,571
Overnight deposits and loans	607	877
Loans secured by notes-overnight	-	-
Term accounts and loans	214,360	211,336
Term deposits and loans	84,078	94,231
Securities purchased under resale agreements	129,032	115,479
Subordinated and participating loans	548	989
Loans secured by notes and securities	-	-
Related receivables	702	637
Due from banks before impairment	219,619	216,784
Impairment	(18)	(34)
TOTAL ⁽¹⁾⁽²⁾	219,601	216,750

(1) As at 31 December 2023 doubtful loans amounted to EUR 37 million (of which EUR 10 million were non-performing loans) against EUR 64 million as at 31 December 2022 (of which EUR 27 million were non-performing loans as at 31 December 2022).

(2) Including amounts receivable from subsidiaries: EUR 81,410 million as at 31 December 2023 against EUR 92,322 million as at 31 December 2022.

NOTE 2.3.2 CUSTOMER LOANS

<i>(In EURm)</i>	31.12.2023	01.01.2023	Effect of the merger	31.12.2022
Overdrafts	26,634	48,507	1,733	46,774
Discount of trade notes	1,469	1,659	227	1,432
Other loans ⁽¹⁾⁽²⁾⁽³⁾	346,106	366,205	50,670	315,535
Loans secured by notes and securities	84	246	-	246
Securities purchased under resale agreements	149,495	132,082	-	132,082
Related receivables	1,937	1,730	145	1,585
Customer loans before impairment	525,725	550,429	52,775	497,654
Impairment	(2,556)	(2,628)	(616)	(2,012)
TOTAL ⁽⁴⁾⁽⁵⁾	523,169	547,801	52,159	495,642

(1) Including pledged loans: EUR 89,869 million (EUR 89,132 million as at 31 December 2022) of which amounts eligible for refinancing with Banque de France: EUR 12,087 million as at 31 December 2023 (EUR 8,529 million as at 31 December 2022).

(2) Of which participating loans: EUR 3,703 million as at 31 December 2023 (EUR 2,241 million as at 31 December 2022).

(3) As at 31 December 2023 doubtful loans amounted to EUR 7,404 million (of which EUR 3,240 million were doubtful compromised loans) against EUR 5,517 million (of which EUR 2,097 million were doubtful compromised loans) as at 31 December 2022.

(4) Of which amounts receivable from affiliates: EUR 131,772 million as at 31 December 2023 (EUR 136,988 million as at 31 December 2022).

(5) Including restructured loans: EUR 4,346 million as at 31 December 2023 (EUR 4,138 million as at 31 December 2022).

The detail of other loans is composed of:

<i>(In EURm)</i>	31.12.2023	01.01.2023	Effects of the merger	31.12.2022
Short-term loans	100,030	109,332	10,599	98,733
Export loans	11,661	12,929	9	12,920
Equipment loans	64,043	61,866	10,197	51,669
Housing loans	92,003	100,809	28,297	72,512
Lease financing agreements	-	-	-	-
Other loans	78,369	81,269	1,568	79,701
TOTAL	346,106	366,205	50,670	315,535

NOTE 2.3.3 COMMITMENTS GRANTED

<i>(In EURm)</i>	31.12.2023	31.12.2022
Loan commitments	326,102	306,565
To banks	99,370	84,295
To customers	226,732	222,270
Guarantee commitments	223,514	233,347
On behalf of banks	118,778	110,203
On behalf of customers	104,736	123,144

Commitments granted are those granted to affiliates for EUR 84,803 million as at 31 December 2023 (EUR 85,489 million as at 31 December 2022).

NOTE 2.3.4 SECURITISATION

ACCOUNTING PRINCIPLES

Loans and receivables transferred by Societe Generale to a securitisation undertaking (securitisation fund, securitisation vehicle or equivalent foreign undertaking) are derecognised and the gain or loss on sale calculated as the difference between the selling price and the carrying amount of the transferred loans or receivables is recognised in profit or loss.

If the transfer agreement contains an overcollateralisation clause, Societe Generale records on the assets side of its balance sheet, among the loans and receivables, a receivable for the part of the amount of transferred loans and receivables exceeding the selling price.

Ordinary units issued by a gaining securitisation undertaking and acquired or subscribed by Societe Generale are recorded as trading securities or as short-term investment securities according to their purpose.

Specific units, subordinated units and other financial instruments issued by the gaining securitisation undertaking and acquired or subscribed by Societe Generale as collateral for the benefit of the undertaking are recorded as short-term investment securities (see Note 2.1).

If Societe Generale makes a cash security deposit with the gaining securitisation undertaking to bear the losses resulting from the default of debtors of the loans and receivables transferred, it records such deposit on the assets side of its balance sheet under "Accruals"; other accounts receivable and other assets as a receivable from the securitisation undertaking, provided that the possible balance of the deposit will be allocated to it upon the liquidation of the securitisation undertaking.

If the guarantee granted by Societe Generale takes the form of a commitment by signature, it is recorded in the off-balance sheet as a guarantee commitment granted to customers or to banks, as the case may be.

On 24 February 2022, Societe Generale proceeded to a new securitization in order to substitute in the assets, housing loans against bonds which are eligible to the Euro system refinancing operations.

In this context, Societe Generale has transferred EUR 10,625 million of housing loans to a securitization mutual fund. To capitalize the acquisition, the fund has issued bonds which were fully subscribed by Societe Generale.

As at 27 January 2023, an additional purchase of bonds amounting to EUR 3,410 million has been performed.

As at 31 December 2023, the bonds are recognised in the assets on the balance sheet for a total amount of EUR 11,605 million as a result of the underlying housing loans partial amortization.

NOTE 2.4 Debts**ACCOUNTING PRINCIPLES**

Amounts due to banks and customer deposits are classified according to their initial duration and type: demand debt (demand deposits, current accounts) and term deposits due to banks, regulated savings accounts and other deposits due to customers. They also include the securities sold to banks and customers under repurchase agreements.

The interest accrued on these deposits is recorded as related payables with a counterpart entry in the income statement.

NOTE 2.4.1 DUE TO BANKS

<i>(In EURm)</i>	31.12.2023	31.12.2022
Demand deposits	26,541	24,327
Demand deposits and current accounts	26,541	24,327
Borrowings secured by notes - overnight	-	-
Term deposits	192,989	212,249
Term deposits and borrowings	192,989	212,249
Borrowings secured by notes and securities	-	-
Related payables	2,285	732
Securities sold under repurchase agreements	113,860	103,440
TOTAL	335,675	340,748

Related parties payables amount to EUR 121,121 million as at 31 December 2023 (EUR 125,274 million as at 31 December 2022).

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. As with the two previous mechanisms, the level of remuneration of these borrowings depends on the performance of the borrowing banking institutions in granting credit facilities to their household customers (excl. real estate loans) and business customers (excl. financial institutions); depending on these performances, the borrowing institutions may benefit from a reduced interest rate and a temporary additional bonus applicable for the period from 24 June 2020 to 23 June 2021 (decrease by 50 basis points in the average interest rate of the deposit facility with a floor at -1%). These TLTRO III have been performed on a quarterly basis from September 2019 and December 2021, for a total of 10 potential draws. Each operation has a three-year term, with an early repayment option. Certain conditions have been modified in March 2020, in particular the loan production targets, interest rate conditions and drawdown limit, in order to further strengthen the support to credit granting at the time at the start of the Covid-19 crisis. In January 2021, the ECB decided to renew the temporary additional bonus for the period from 24 June 2021 to 23 June 2022 subject to the credit granting performance observed during a new reference period from 1 October 2020 to 31 December 2021.

Societe Generale subscribed to TLTRO III through quarterly drawdowns staggered between December 2019 and December 2021. As a result of the early repayments in the financial year 2023 amounting to EUR 28.7 billion, the residual amount of TLTRO loans on the liabilities side of the balance sheet amounted to EUR 24 billion at 31 December 2023, including EUR 4 billion provided by Crédit du Nord.

As at 31 December 2021, Societe Generale had already reached the objective of stability of the outstanding amount of eligible loans enabling it to benefit from the reduced interest rate as well as from two additional temporary bonuses applied respectively from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022. The additional bonuses have been considered to determine the amount of interest recognised in the profit or loss for the TLTRO loans.

On 27 October 2022, the ECB modified the calculation method of the interest rate applying to the last period of TLTRO III. These new calculation procedures were applied as of 23 November 2022. As at 31 December 2023, the total cost of the TLTRO borrowings including interests and bonuses is between 1.40% and 3.10% depending on the draw dates. For the financial year 2023, the total amount of interests and bonuses on the TLTRO borrowings recorded as a deduction from Interest and similar expense amounts to EUR 1.2 billion.

NOTE 2.4.2 CUSTOMER DEPOSITS

<i>(In EURm)</i>	31.12.2023	01.01.2023	Effects of the merger	31.12.2022
Regulated savings accounts	62,958	67,040	12,003	55,037
Demand	46,166	47,900	9,293	38,607
Term	16,792	19,140	2,710	16,430
Other demand customer deposits	187,650	216,802	35,267	181,535
Businesses and sole proprietors	82,326	133,680	21,527	112,153
Individual customers	49,482	53,899	11,292	42,607
Financial customers	44,925	21,060	14	21,046
Others	10,917	8,163	2,434	5,729
Other term customer deposits	218,204	201,894	5,364	196,530
Businesses and sole proprietors	90,255	75,739	4,834	70,905
Individual customers	4,633	1,119	311	808
Financial customers	113,176	113,413	33	113,380
Others	10,140	11,623	186	11,437
Related payables	2,057	1,130	11	1,119
Securities sold to customers under repurchase agreements	132,391	116,015	-	116,015
TOTAL	603,260	602,881	52,645	550,236

Related parties due to customers amount EUR 125,533 million as at 31 December 2023 (EUR 137,465 million as at 31 December 2022).

NOTE 2.4.3 LIABILITIES IN THE FORM OF SECURITIES ISSUED

ACCOUNTING PRINCIPLES

The liabilities in the form of securities issued are classified by type of security: loan notes, interbank market certificates and negotiable debt instruments, bonds and other debt securities, but exclude subordinated notes which are classified under "Subordinated debt".

The interest accrued is recorded as related payables with a counterpart entry in the income statement. Bond issuance and redemption premiums are amortised on a straight-line or actuarial basis over the life of the related borrowings. The resulting expense is recorded in the income statement under "Interest and similar expense".

Bond issuance costs accrued over the period are all recorded as expenses for the period under "Interest and similar expense" in the income statement.

<i>(In EURm)</i>	31.12.2023	31.12.2022
Loan notes	-	-
Bond borrowings	-	-
Interbank market certificates and negotiable debt instruments	141,030	119,023
Related payables	1,278	590
TOTAL	142,308	119,613

Related parties payables amount for EUR 321 million as at 31 December 2023 (EUR 341 million as at 31 December 2022).

NOTE 2.4.4 COMMITMENTS RECEIVED

<i>(In EURm)</i>	31.12.2023	31.12.2022
Loan commitments received from banks	68,683	85,354
Guarantee commitments received from banks	74,541	62,807

Related parties commitments amount for EUR 8,042 million as at 31 December 2023 (EUR 10,517 million as at 31 December 2022).

NOTE 2.5 Interest income and expenses**ACCOUNTING PRINCIPLES**

Interest income and expense are recognised in the income statement under “Interest and similar income” or “Interest and similar expense” for all the financial instruments measured at amortised cost using the effective interest rate method. The negative interest is deducted from the interest income and expense accounts related to these instruments.

The effective interest rate is the rate used to discount exactly the future cash inflows and outflows over the expected life of the instrument in order to establish the book value of the financial asset or liability. The calculation of this rate considers the future cash flows based on the contractual provisions of the financial instrument without taking account of possible future loan losses, and it also includes the commissions paid or received between the parties to the contract where they may be assimilated to interest, the directly linked transaction costs, and all types of premiums and discounts.

When a financial asset or group of similar financial assets has been impaired following an impairment loss, the subsequent interest income is recorded based on the effective interest rate used to discount the future cash flows when measuring the impairment loss.

Moreover, except for those related to employee benefits, the provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same interest rate used to discount the expected outflow of resources.

<i>(In EURm)</i>	2023			2022		
	Income	Expense	Net	Income	Expense	Net
Transactions with banks	14,885	(12,790)	2,095	3,136	(3,143)	(7)
Transactions with central banks, post office accounts and banks ⁽¹⁾	10,147	(8,328)	1,819	2,178	(1,934)	244
Securities sold under repurchase agreements and borrowings secured by notes and securities	4,738	(4,462)	276	958	(1,209)	(251)
Transactions with customers	20,929	(17,647)	3,282	10,429	(7,127)	3,302
Trade notes	20	-	20	16	-	16
Other customer loans	13,984	-	13,984	8,428	-	8,428
Overdrafts	1,549	-	1,549	479	-	479
Regulated savings accounts	-	(1,293)	(1,293)	-	(469)	(469)
Other customer deposits	-	(10,535)	(10,535)	-	(5,131)	(5,131)
Securities sold/bought under repurchase agreements and borrowings secured by notes and securities	5,376	(5,819)	(443)	1,506	(1,527)	(21)
Bonds and other debt securities	5,453	(7,416)	(1,963)	2,401	(3,576)	(1,175)
Other interest expenses and related income	2,466	(3,640)	(1,174)	2,407	(3,318)	(911)
TOTAL	43,733	(41,493)	2,240	18,373	(17,164)	1,209

(1) In 2022, the interests, then negative on TLTRO borrowing were deducted from expenses under “Transactions with central banks, post office accounts and banks”. (see Note 2.4).

The detail of other customer loans is composed of:

<i>(In EURm)</i>	2023	2022
Short-term loans	4,895	2,364
Export loans	536	323
Equipment loans	1,823	935
Housing loans	1,561	1,097
Other customer loans	5,169	3,709
TOTAL	13,984	8,428

NOTE 2.6 Impairment and provisions

NOTE 2.6.1 DETAILS OF THE PROVISIONS

ACCOUNTING PRINCIPLES

On the liabilities side of the balance sheet, the section entitled “Provisions comprises provisions on credit risk”, on commitments related to mortgage savings accounts/plans (CEL/PEL), on forward financial instruments, on employee benefits, on tax adjustments and on risks and expenses.

<i>(In EURm)</i>	Amount as at 31.12.2022	Effects of the merger	Allocations	Reversals	Change in scope and reclassifying	Amount as at 31.12.2023
Provisions on credit risk (See Note 2.6.2.2)	1,864	297	1,088	(1,229)	(2)	2,018
Provision on commitments related to mortgage saving agreements (PEL/CEL)	108	12	-	(8)	-	112
Provisions on forward financial instruments (See Note 2.6.4)	5,282	27	1,594	(1,886)	(340)	4,677
Provisions on employee benefits	1,717	135	462	(384)	8	1,939
Provisions for tax adjustments (See Note 5.2)	12	-	-	(1)	-	11
Other provisions on risks and expenses ⁽¹⁾	1,222	43	240	(530)	(8)	967
TOTAL	10,205	514	3,384	(4,038)	(342)	9,723

⁽¹⁾ Including provisions for legal disputes, fines, penalties and commercial disputes.

NOTE 2.6.2 IMPAIRMENT AND PROVISIONS FOR CREDIT RISK

GEOPOLITICAL CRISIS AND MACROECONOMIC CONTEXT

In 2023, Societe Generale revised the parameters used in the models of determination of the impairment and provisions for credit risk, based on the updated macroeconomic scenarios which take account of the recent economic developments and macroeconomic impacts related to the current geopolitical environment (see Note 1). To account for the uncertainties related to the macroeconomic and geopolitical environment, Societe Générale updated the model and post-model adjustments in 2023.

Furthermore, owing to the geopolitical context related to the war in Ukraine, all Russian counterparties (EUR 1.1 billion as at 31 December 2022) have been classified as underperforming assets from the beginning of the conflict. As at 31 December 2023, they amount to EUR 0.8 billion. An additional analysis has also made it possible to identify within this population, and this has been the case since the beginning of the war in Ukraine, the outstanding amounts requiring a transfer to doubtful outstanding amounts (EUR 0.2 billion). The amount of provisions and impairments for credit risk on these outstanding amounts to EUR 131 million as at 31 December 2023, of which EUR 28 million on outstanding amounts transferred to doubtful loans (EUR 259 million as at 31 December 2022, of which EUR 73 million on outstanding amounts transferred to doubtful outstandings).

ADJUSTMENTS SUPPLEMENTING THE APPLICATION OF MODELS

To better reflect the deterioration of credit risk on certain portfolios or business segments, Societe Generale has updated existing adjustments in addition to the application of the models, such as sector adjustments and adjustments when using simplified models.

Sectoral adjustments make it possible to better anticipate the default or recovery cycle of certain sectors whose activity is cyclical and which have been subject to default peaks in the past or which are particularly exposed to current crises and whose exposure to the Bank exceeds a threshold reviewed and set each year by the Risk Direction.



Along the revision of these adjustments, whenever compatible with the provisioning horizon, a qualitative analysis of the possible impact of climate risks on the determination of the impairment and provisions for credit risks has been integrated (see the “Incorporating the environment in the risk management framework” section of Chapter 4 in the Universal Registration Document).

As at 31 December 2023, the adjustment regarding the additional criterion for transfer to underperforming loans set in 2020 following the Covid-19 crisis, has been removed.

NOTE 2.6.2.1 IMPAIRMENT FOR CREDIT RISK

ACCOUNTING PRINCIPLES

The value of impairment allowance for doubtful outstandings is equal to the difference between the gross carrying amount of the asset and the present value of the estimated future recoverable cash flows, taking into account any guarantees, discounted at the original effective interest rate. Furthermore, the amount of this impairment may not be less than the full amount of the interest not collected on the doubtful loan.

The effects of financial guarantees received to compensate losses on a portfolio of loans are recorded among assets impairment.

The impairment allowances, impairment reversals, losses on bad debts and recoveries of impaired debts are recognised under “Cost of risk”, along with write-backs of impairment linked to the passage of time.

Doubtful loans can be reclassified as performing loans once the proven credit risk has been definitively eliminated and regular payments have resumed according to the original terms of the contract. Similarly, the doubtful loans that have been restructured can be reclassified as performing loans. When a loan is restructured, any difference between the cash flows expected to be received under the initial terms of the contract and the present value of the future flows of capital and interest expected to be received under the new terms, is discounted at the original effective interest rate.

The amount deducted is recognised under “Cost of risk”. If the restructured loan is subsequently reclassified as a performing loan, this deduction is reincorporated into net interest income over the remaining term of the loan.

When a borrower’s solvency is such that after the loan has been classified as doubtful for a reasonable period, it is not foreseeable that it will be reclassified as a performing loan, this loan is identified as a non-performing loan. A loan is classified as non-performing once the Bank has formally demanded payment, or when the contract is terminated and in any case one year after it was classified as doubtful, except where the original terms of the contract have been respected or where the loan is covered by guarantees which ensure its recovery. Loans that have been restructured and for which the borrower has not respected the new conditions are also classified as non-performing.

(In EURm)	Amount as at 31.12.2022	Effect of the merger	Net cost of risk	Other income statement	Used Reversals	Change in scope and reclassifying	Amount as at 31.12.2023
Banks	34	-	-	-	(17)	-	17
Customer loans	2,012	616	446	-	(432)	(86)	2,556
Other	84	-	14	-	-	(2)	96
TOTAL⁽¹⁾	2,130	616	460	-	(449)	(88)	2,669

(1) Of which impairment for non-performing loans: EUR 2,081 million.

NOTE 2.6.2.2 PROVISIONS FOR CREDIT RISK**ACCOUNTING PRINCIPLES****Provisions for off-balance sheet commitments (provisions for commitments by signature)**

Provisions for off-balance sheet commitments represent the Societe Generale's probable losses incurred by Societe Generale following the identification of a proven credit risk on an off-balance sheet financing or guarantee commitment that would not be considered as a derivative instrument or designated as financial assets at fair value through profit or loss.

Collective provisions for credit risk

Without waiting for the incurred credit risk to individually affect one or more receivables or commitments and in order to provide a better information regarding its activity, a provision is recognised by Societe Generale for the amount of credit losses that are expected to incur on performing outstandings over the next year.

12-month expected credit losses are calculated taking into consideration past data and the current situation. Accordingly, the amount of impairment equals to the present value of the expected credit losses, taking into account the probability of a default event occurring within the next 12 months and if any, the impact of collateral called up or liable to be called up.

Moreover, identification, amongst homogeneous portfolios, of a significant deterioration of the credit risk leads to the recognition of a provision for the amount of credit losses that are expected to incur on those underperforming outstandings over the life of the exposures (lifetime expected credit loss).

Lifetime expected credit losses are calculated taking into consideration past data, the present situation and reasonable forecasts of changes in economic conditions and relevant macroeconomic factors through to maturity. Accordingly, the amount of impairment is equal to the present value of the expected credit losses, taking into account the probability of a default event occurring through to maturity, and, if need be, the impact of collateral called up or liable to be called up.

Changes in collective provisions for credit risk are recorded under "Cost of risk".

Comments related to the identification of the downgrading of credit risk:

To identify the exposures covered by the collective provision for credit risk, Societe Generale determines whether or not there is a significant increase in credit risk based on the available historical and prospective information (behaviour scoring, loan to value indicators, macroeconomic scenarios, etc.).

The assessment of changes in credit risk takes account of the following criteria:

- 1st criterion: changes in the counterparty's credit rating (where it is the subject of an internal analysis) as well as 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;
- 2nd criterion: changes in the default probability contract by contract, from origination date to closing date;
- 3rd criterion: the existence of amounts past due of more than 30 days.

As soon as one of these criteria is met, the relative contract is impaired as described before.

(In EURm)	Amount as at 31.12.2022	Net cost of risk	Change in scope and reclassifying	Amount as at 31.12.2023
Provisions for off-balance sheet commitments to banks	7	(4)	-	3
Provisions for off-balance sheet commitments to customers	119	(25)	46	140
Collective provisions for credit risk on performing loans	436	25	97	558
Collective provisions for credit risk on under performing loans	1,302	(137)	152	1,317
TOTAL	1,864	(141)	295	2,018

NOTE 2.6.2.3 COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk includes allocations, net of reversals, to provisions and to impairment for credit risk, the bad debt losses and the amount of recoveries on loans written off.

(In EURm)	2023	2022
Net allocations to impairment and provisions for receivable and off-balance sheet commitments	(315)	(438)
Losses not covered and amounts of recoveries on loans written off	(166)	(161)
TOTAL	(481)	(599)
<i>of which gain on revaluation of currency hedge of provisions</i>	3	1

NOTE 2.6.3 COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS/PLANS (CEL/PEL)

ACCOUNTING PRINCIPLES

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 under French Law 65-554 of 10th July 1965. These saving schemes combine an initial phase when deposits are made in specific interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans to the depositors, on regulated terms and conditions, both phases being inseparable. Both the savings deposits collected and the loans granted are recognised at amortised cost.

These instruments create two types of commitments for Societe Generale: the obligation to subsequently lend to the customer at an interest rate established at the inception of the savings agreement and the obligation to remunerate customer savings for an indeterminate future period at an interest rate also established at the inception of the mortgage savings agreement.

As if it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Company: a provision is recorded on the liabilities side of the balance sheet. Any change in these provisions is 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 the different PEL generations, and for all mortgage saving accounts (CEL) which constitute a single generation.

During the deposits 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 historical observed 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 based on the amount of balance sheet deposits at the date of calculation on one side and on the historical observed past customer behaviour on the other.

A provision is recorded if the discounted value of the expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated based on the interest rates offered to individual customers for equivalent savings and loan instruments (with similar estimated life and date of inception).

OUTSTANDING DEPOSITS IN MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

<i>(In EURm)</i>	31.12.2023	31.12.2022
Mortgage savings plans (PEL)	14,726	14,687
Less than 4 years old	638	458
Between 4 and 10 years old	5,407	6,988
More than 10 years old	8,681	7,241
Mortgage savings accounts (CEL)	1,542	1,248
TOTAL	16,268	15,935

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

<i>(In EURm)</i>	31.12.2023	31.12.2022
Less than 4 years old	3	-
Between 4 and 10 years old	-	1
More than 10 years old	3	4
TOTAL	6	5

PROVISIONS FOR COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

<i>(In EURm)</i>	31.12.2022	Allocations	Reversals	31.12.2023
Mortgage savings plans (PEL)	73	8	(45)	36
less than 4 years old	1	-	-	1
between 4 and 10 years old	2	8	-	10
more than 10 years old	70	-	(45)	25
Mortgage savings accounts (CEL)	35	-	41	76
TOTAL	108	8	(4)	112

The level of provisions is sensitive to the long-term interest rates. The provisions of PEL and CEL mortgage savings accounts are linked to the risks attached to the commitment to remunerate the deposits. Since the long-term rates were increasing during 2023, the provisioning of PEL/CEL decreased. The provisioning for PEL/CEL savings amounted to 0.7% of the total outstandings as at the 31 December 2023.

METHODS USED TO ESTABLISH THE PARAMETERS FOR VALUING PROVISIONS

The parameters used for estimating the future behaviour of customers are derived from historical observations of customer behaviour patterns over a long period (more than 10 years). The values of these parameters 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 various market parameters 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 periods 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 on valuation date, averaged over a 12-month period.

NOTE 2.6.4 PROVISIONS FOR FORWARD FINANCIAL INSTRUMENTS**ACCOUNTING PRINCIPLES**

Provisions on forward financial instruments are related to the unrealised losses calculated on homogeneous sets of forward financial contracts recognised in the balance sheet as isolated open positions

They are determined as the difference between the market value estimated as at the balance sheet closing date and that determined as at the previous balance sheet closing date. They are recognised in the balance sheet as provisions for probable risks and expenses. The changes in provisions thus calculated are recorded in net income under "Net income" from the trading portfolio.

<i>(In EURm)</i>	Amount as at 31.12.2022	Net allocations	Reversals	Change in scope and reclassifying	Amount as at 31.12.2023
Provisions for forward financial instruments	5,282	1,594	(1,886)	(313)	4,677

NOTE 2.6.5 IMPAIRMENT ON SECURITIES**ACCOUNTING PRINCIPLES****Short-term investment securities****SHARES AND OTHER EQUITY SECURITIES**

At year-end, cost is compared to realisable value. For listed securities, the realisable value is defined as the most recent market price. Unrealised capital gains are not recognised in the accounts but an impairment of portfolio securities is recorded to cover unrealised capital losses, without this impairment being offset against any unrealised capital gains.

BONDS AND OTHER DEBT SECURITIES

At year-end, cost is compared to realisable value or, in the case of listed securities, to their most recent market price. Unrealised capital gains are not recognised in the accounts but a impairment of portfolio securities is recorded to cover unrealised capital losses, after consideration of any gains made on any related hedging transactions.

Allocations to and reversals of impairment for losses on short-term investment securities together with gains and losses on sales of these securities are recorded under "Net income" from short-term investment securities in the income statement.

Long-term investment securities

At year-end, no impairment is made for unrealised losses, unless there is a strong probability that the securities will be sold in the short term, or unless there is a risk that the issuer will be unable to redeem them.

Allocations to and reversals of impairment for losses on long-term investment securities, together with gains and losses on sales of these securities, are recorded in the income statement under "Net income" from long-term investments.

Affiliates, other long-term securities and investments in related parties

At year-end, affiliates, other long-term securities and investments in related parties are valued at their value in use, namely the price the Company would accept to pay to obtain the said securities if it had to acquire them in view of its investment objective. This value is estimated on the basis of various criteria, such as shareholders' equity, profitability (based on the business plans defined by the entities), and the average share price over the last three months. Unrealised capital gains are not recognised in the accounts but an impairment on portfolio securities is recorded to cover unrealised capital losses. Allocations to and reversals of impairment as well as any capital gains or losses realised on the disposal of these securities, including any profit or loss generated when tendering these securities to public share exchange offers, are recognised under "Net income" from long-term investments.

<i>(In EURm)</i>	31.12.2023	31.12.2022
Short-term investment securities	507	607
Long-term investment securities	-	-
Affiliates and other long-term securities	119	105
Investments in related parties	3,050	3,142
TOTAL	3,676	3,854

NOTE 2.6.6 OTHER PROVISIONS FOR RISKS AND EXPENSES**ACCOUNTING PRINCIPLES**

The other provisions for risks and expenses are defined as liabilities with no precisely defined amount or due date.

They are only recorded if the Company has an obligation to a third party that will probably or necessarily lead to a transfer of funds to this third party, without compensation for at least an equivalent amount being expected from it.

Net allocations to provisions are classified by type of risk in the corresponding sections of the income statement.

A description of the risks and disputes is provided in the Risk Management Report.

Information on the nature and the amount of the risks involved is not disclosed if Societe Generale estimates that such disclosure could seriously prejudice its position in a dispute with other parties on the subject matter of the provision.

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.

Societe Generale is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, Societe Generale 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 Societe Generale'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 Societe Generale 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, Societe Generale 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 judgement and taking into account all information available when financial statements are prepared. In particular, Societe Generale takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court rulings already handed down, as well as its experience and the experiences of other companies dealing with similar cases (assuming that Societe Generale has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter, Societe Generale carries out a detailed examination of pending disputes that present a significant risk. These disputes are described in the Note 8 "Information on risks and litigation".

NOTE 3 OTHER ACTIVITIES

NOTE 3.1 Net fees for services

ACCOUNTING PRINCIPLES

Societe Generale recognises fee income and expense for services provided and received in different ways depending on the type of service.

Fees for ongoing services, such as some payment services, custody fees, or web-service subscriptions are recorded as income over the lifetime of the service. Fees for one-off services, such as fees on movements of fund, finder's fees received, arbitrage fees, or non-payment penalties are fully recognised in income when the service is provided.

In syndication deals, the effective interest rate for the portion of the funding retained on the asset side of the Societe Generale balance sheet is comparable to that applying to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees is recorded in the income statement at the end of the syndication period. Arrangement fees are recorded in income when the placement is legally complete.

(In EURm)	2023			2022		
	Income	Expense	Net	Income	Expense	Net
Transactions with banks	98	(44)	54	77	(38)	39
Transactions with customers	1,910	(40)	1,870	1,693	(33)	1,660
Securities transactions	616	(1,120)	(504)	453	(869)	(416)
Primary market transactions	417	-	417	55	-	55
Foreign exchange transactions and forward financial instruments	498	(578)	(80)	343	(470)	(127)
Loan and guarantee commitments	980	(526)	454	914	(554)	360
Services	2,126	-	2,126	1,785	-	1,785
Other	-	(385)	(385)	-	(424)	(424)
TOTAL	6,645	(2,693)	3,952	5,320	(2,388)	2,932

NOTE 3.2 Accruals, other assets and liabilities

NOTE 3.2.1 ACCRUALS, OTHER ACCOUNTS RECEIVABLES AND OTHER ASSETS

(In EURm)	31.12.2023	31.12.2022
Other assets	110,357	130,051
Guarantee deposits paid ⁽¹⁾	49,848	56,599
Miscellaneous receivables	3,207	2,578
Premiums on options purchased	56,144	69,484
Settlement accounts on securities transactions	1,042	1,282
Other	116	108
Accruals and similar	48,485	58,764
Prepaid expenses	515	523
Deferred taxes	3,081	2,969
Accrued income	3,064	1,828
Others ⁽²⁾	41,825	53,444
Accruals, other accounts receivables and other assets before impairment	158,842	188,815
Impairment	(95)	(84)
TOTAL	158,747	188,731

(1) Mainly relates to guarantee deposits paid on financial instruments.

(2) Including derivative instruments valuation for EUR 32,832 million as at 31 December 2023 (EUR 44,005 million as at 31 December 2022).

NOTE 3.2.2 ACCRUALS, OTHER ACCOUNTS PAYABLES AND OTHER LIABILITIES

<i>(In EURm)</i>	31.12.2023	31.12.2022
Securities transactions	83,533	75,213
Amounts payable for borrowed securities	15,202	25,792
Other amounts due for securities	68,331	49,421
Other liabilities	106,412	125,733
Guarantee deposits received ⁽¹⁾	38,608	47,359
Miscellaneous payables	1,415	184
Premiums on options sold	64,872	76,100
Settlement accounts on securities transactions	1,344	1,806
Other securities transactions	-	19
Related payables	173	265
Accruals and similar	36,668	35,579
Accrued expenses	5,310	4,118
Deferred taxes	26	18
Deferred income	2,395	2,104
Other ⁽²⁾	28,937	29,339
TOTAL	226,613	236,525

(1) Mainly relates to guarantee deposits received on financial instruments.

(2) Including derivative instruments valuation for EUR 14,248 million as at 31 December 2023 (EUR 14,081 million as at 31 December 2022).

BREAKDOWN OF AMOUNTS PAYABLE FOR BORROWED SECURITIES

<i>(In EURm)</i>	31.12.2023	31.12.2022
GROSS BOOK VALUE OF AMOUNTS PAYABLE FOR BORROWED SECURITIES	188,790	200,349
Borrowed securities from trading securities deducted from related payables⁽¹⁾	173,588	174,557
Treasury notes and similar securities	120,752	123,136
Shares and other equity securities	39,116	41,410
Bonds and other debt securities	13,720	10,011
NET TOTAL	15,202	25,792

(1) Including relent securities for EUR 31,465 million as at 31 December 2023 (EUR 39,358 million as at 31 December 2022).

NOTE 4 EXPENSES AND EMPLOYEE BENEFITS

NOTE 4.1 Personnel expenses and remuneration of members of the Board of Directors and Chief Executive Officers

ACCOUNTING PRINCIPLES

The Personnel expenses include all expenses related to the staff, notably the cost of the legal employee profit-sharing as well as the cost of internal restructuring plans.

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 4.2; those related to share-based payments are described in Note 4.3.

NOTE 4.1.1 PERSONNEL EXPENSES

(In EURm)	2023	2022
Employee compensation	4,020	3,616
Social security benefits and payroll taxes	1,772	1,522
Employer contribution, profit sharing and incentives	227	222
TOTAL	6,019	5,360
Average staff	49,592	42,450
In France	45,302	38,107
Outside France	4,290	4,343

A provision of 12 million euros was recorded to take into account, in France, the judgments of the Court of Cassation regarding the acquisition of rights to paid leave in the event of absence due to illness; this provision was calculated with three-year retroactivity.

In France, the Group has taken into account the effects of the Amending Social Security Financing Act of 14 April 2023 to assess its employee retirement obligations (impact of EUR 13 million under "Other general operating expenses").

Analysis of employer contribution, profit sharing and incentives for the last five years:

(In EURm)	2023	2022	2021	2020	2019
Societe Generale	225	220	219	71	168
Profit sharing	4	12	15	6	11
Incentives	146	144	163	22	99
Employer contribution	75	64	41	43	58
Branches	2	2	-	-	-
TOTAL	227	222	219	71	168

NOTE 4.1.2 REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICERS

Total attendance fees paid in 2023 to the Company's Directors amounted to EUR 1.7 million. The remuneration paid in 2023 to the senior management (Chairman of the Board, the Chief Executive Officer and his Deputies) amounted to EUR 8.8 million (including

EUR 3.6 million of variable pay paid in cash or in shares for 2016, and 2018 to 2021 fiscal years and EUR 0.44 million of long-term incentives paid in cash or in shares for 2017, 2019, 2020, 2021 and 2022 fiscal years).

NOTE 4.2 Employee benefits**ACCOUNTING PRINCIPLES**

Employee benefits are divided into four categories:

- short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled within twelve months of 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;
- other long-term employee benefits are employee benefits that are not expected to be fully settled within twelve months, such as deferred variable compensation paid in cash and not indexed, long service awards and time saving accounts;
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

<i>(In EURm)</i>	Amount 31.12.2022	Effects of the merger	Net allowances	Used Reversals	Change at scope	Amount at 31 December 2023
Post-employment benefits	841	46	96	(82)	7	908
Other long-term benefits	728	34	96	(1)	(2)	855
Termination benefits	148	46	65	(96)	13	176
TOTAL	1,717	126	257	(179)	18	1,939

ACCOUNTING PRINCIPLES

Pension plans may be defined contribution or defined benefit plans.

Defined contribution plans

Defined contribution plans limit the liability of Societe Generale to contributions paid into the plan but do not commit the bank to a specific level of future benefits. The contributions paid are recorded as an expense for the current year.

Defined benefit plans

Defined benefit plans commit Societe Generale, either formally or constructively, to pay a certain amount or level of future benefits and therefore bear the medium- or long-term risk. The present value of defined benefit obligations is valued by independent qualified actuaries.

Provisions are recognised on the liability side of the balance sheet under "Provisions" to cover all of these retirement obligations. They are regularly assessed 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.

Societe Generale can choose to finance defined benefit plans by assets held in a long-term employee benefit fund or by qualifying insurance policies.

Funding assets are classified as plan assets if these assets are held by an entity (a fund) that is legally separate from the reporting entity and are only intended 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 benefit obligations.

When these plans are financed from funds not classified as plan assets, these funds, classified as separate assets, are displayed separately on the asset side of the balance sheet.

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance (return on plan assets) are recognised as actuarial gains or losses. They are recorded immediately and in full in the income statement.

Where a new or amended plan comes into force the cost of past services is recorded immediately and in full in the income statement.

An annual expense is recorded under “Personnel expenses” for defined benefit plans, consisting of:

- the additional entitlements vested by each employee (current service cost);
- the financial expense resulting from the discount rate;
- the expected return on plan assets (gross return);
- the actuarial gains and losses and past service cost;
- the settlement or curtailment of plans.

Other long-term benefits

Other long-term employee benefits are those that are payable to employees for services rendered during their employment, but which are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Other long-term benefits are measured in the same way as post-employment benefits.

NOTE 4.2.1 DEFINED CONTRIBUTION PLANS

Main defined contribution plans provided to employees of Societe Generale are located in France. They include state pension plans and other national pension plan such as AGIRC-ARRCO, as well as pension

schemes put in place by some branches of the Societe Generale for which the only commitment is to pay annual contributions (PERCO).

NOTE 4.2.2 POST-EMPLOYMENT BENEFIT PLANS (DEFINED BENEFIT PLANS)

Pension plans include pension benefit as annuities and end of career payments. Pension benefit annuities are paid in addition to pensions state plans.

In France, 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*, the supplementary pension plan for executive managers, set up in 1991, is closed to new employees and the rights of beneficiaries were frozen on 31 December 2019.

RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

<i>(En M EUR)</i>	31.12.2023	31.12.2022
A – Present value of defined benefit obligations	1,796	1,705
B – Fair value of plan assets	924	893
C – Fair value of separate assets	1,076	903
D – Change in assets ceiling	-	-
E – Unrecognised items	-	-
A - B - C + D - E = Net balance	(204)	(91)
On the liabilities side of the balance sheet	907	841
On the asset side of the balance sheet ⁽¹⁾	(1,111)	(932)

(1) This item includes excess in plan assets for EUR 35 million and separate assets for EUR 1,076 million as at 31 December 2023 against EUR 29 million and EUR 903 million as at 31 December 2022.

NOTE 4.2.3 INFORMATION REGARDING PLAN ASSETS

Funding assets include plan assets and separate assets.

The breakdown of the fair value of plan assets is as follows: 78% bonds, 10% equities and 12% other investments. Societe Generale's own financial instruments directly held are not significant.

Excess in funding assets amounted to EUR 333 million.

Employer contributions to be paid to post-employment defined benefit plans for 2024 are estimated at EUR 3.1 million.

MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

<i>(In percentage)</i>	31.12.2023	31.12.2022
Discount rate		
France	3.15%	3.61%
United Kingdom	4.52%	4.80%
Other	3.85%	4.31%
Long-term inflation		
France	2.20%	2.45%
United Kingdom	3.10%	3.30%
Other	2.02%	2.07%
Future salary increase net of inflation		
France	1.93%	1.60%
United Kingdom	N/A	N/A
Other	1.15%	0.60%
Average remaining working lifetime of employees <i>(in years)</i>		
France	7.26	7.09
United Kingdom	2.36	2.93
Other	7.51	7.90
Duration <i>(in years)</i>		
France	11.64	11.70
United Kingdom	12.11	12.74
Other	12.58	13.52

The assumptions by geographical area are averages weighted by the present value of the Defined Benefit Obligation (DBO) with the exception of the expected returns on plan assets, which are averages weighted by the fair value of assets.

The yield curves used to discount the liabilities are corporate AA yield curves (source: Merrill Lynch) observed in the end of October for USD, GBP and EUR, and corrected at the end of December if the variation in discount rates had a significant impact.

Inflation rates used for EUR and GBP monetary areas are market rates observed in the end of October and corrected at the end of December if the variation 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 turn over assumptions.

The assumptions described above have been applied on post-employment benefit plans.

NOTE 4.3 Free share plans**ACCOUNTING PRINCIPLES**

In the case of share purchase options and free shares plans granted to employees without issuance of new shares, a provision must be recorded for the loss that the entity expects to incur when it will deliver treasury shares to the employees.

This provision is recorded under “Personnel expenses” for an amount equal to the difference:

- between the closing market price of the treasury shares and the exercise price (zero in the case of free shares) if the entity has not already purchased its treasury shares in order to give them to the employees;
- between the acquisition cost of the treasury shares already held and the exercise price (zero in the case of free shares) if the entity has already purchased the treasury shares in order to be allocated to employees.

If vesting conditions such as service or performance conditions must be satisfied for Societe Generale employees to become entitled to shares, the expense shall be accounted for the services as they are rendered by the employees during the vesting period.

In the case of stock option plans, no expense shall be recorded for the treasury shares to be issued.

NOTE 4.3.1 MAIN TERMS OF THE FREE SHARE PLANS OF THE YEAR

The plans for employees for the year ended 31 December 2023 are briefly described below:

Issuer	Societe Generale
Year of grant	2023
Type of plan	Performance shares
Number of free shares granted	3,110,116
Shares delivered	445
Shares forfeited as at 31.12.2023	37,309
Shares outstanding as at 31.12.2023	3,072,362
Number of shares reserved as at 31.12.2023	3,072,362

The performance conditions are described in the “Corporate Governance” section of the present document.

NOTE 4.3.2 AMOUNT OF THE DEBT RECORDED IN THE BALANCE SHEET AND THE EXPENSE OF THE YEAR

The amount of the debt recorded in the balance sheet for on-going plans is EUR 171 million as at 31 December 2023, and yearly expense is EUR 61 million.

NOTE 4.3.3 INFORMATION RELATED TO TREASURY SHARES FOR 2023 PLANS

The number of treasury shares acquired in relation to the 2022 plans is 1,724,707 for a cost of EUR 45 million.

Plans 2023 were partially covered during the year. At the end of December 2023, 553,611 treasury shares were acquired out of a total of 3,518,416 treasury shares.

NOTE 5 TAXES

ACCOUNTING PRINCIPLES

Current taxes

In the financial year 1989, Societe Generale opted to apply a tax consolidation regime. As at 31 December 2023, 190 subsidiaries had signed a tax consolidation agreement with Societe Generale.

Each of the integrated companies shall record in its accounts the tax debt to Societe Generale, determined in accordance with the application of the tax consolidation agreement.

Deferred taxes

Societe Generale applies the option allowing it to recognise deferred taxes in its annual financial statements.

Deferred taxes are recognised whenever Societe Generale identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities. They are calculated using the liability method, whereby the deferred taxes from previous years are adjusted to account for a change in tax rates. The impact of such change is recorded in the income statement under deferred taxes. Net deferred tax assets are recorded only if the entity concerned is likely to recover these assets within a set timeframe.

Deferred taxes are determined separately for each taxable entity (parent company and foreign branches) and are never discounted to present value.

NOTE 5.1 Income tax

<i>(In EURm)</i>	2023	2022
Current taxes	(60)	224
Deferred taxes	13	(142)
TOTAL	(47)	82

In compliance with the French tax provisions that define the ordinary corporate tax rate, the latter is set to 25% in 2023 (article 219 of the French Tax Code) plus the existing national contribution (CSB) of 3.3% (article 235 *ter* ZC of French Tax Code), *i.e.*, a compound tax rate of 25,83%.

Long-term capital gains on affiliates are exempt from this corporate tax, except for a 12% fee on the gross amount in a net long term capital gains situation (article 219 I a *quinquies* of the French Tax Code).

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 the taxation of a portion of fees and expenses of 1% or 5% at the full statutory tax rate (article 216 of the French Tax Code).

NOTE 5.2 Provisions for tax adjustments**ACCOUNTING PRINCIPLES**

Provisions for tax adjustment represent liabilities whose timing or amount cannot be determined precisely.

Provisions may be recorded only:

- when, by virtue of an obligation related to the corporate income tax toward a tax authority, Societe Generale will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange;
- and when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision, when this discounting has a significant impact. Charge to and reversals of provisions for tax adjustments are booked to current taxes in the income statement "Tax expenses/income".

Information on the nature and the amount of the associated risks is not disclosed when Societe Generale considers that such disclosure could seriously undermine its position in a dispute with other parties on the subject matter of the provision.

<i>(In EURm)</i>	Amount as at 31.12.2022	Net allocations	Used reversals	Change in scope and reclassifying	Amount as at 31.12.2023
PROVISIONS FOR TAX ADJUSTMENTS	12	-	(1)	-	11

NOTE 5.3 Deferred tax assets

<i>(In EURm)</i>	31.12.2023	31.12.2022
Tax loss carryforwards	1,676	1,603
Gains on sales of assets to companies included in the tax consolidation, in France	(83)	(120)
Other (primarily relating to other reserves)	1,487	1,486
TOTAL	3,080	2,969

Societe Generale performs an annual review of its capacity to use tax loss carry-forwards, taking into account the tax system applicable to each tax entity concerned and a realistic forecast of its tax results. For this purpose, the tax results are determined based on the projected performance of the businesses. This performance corresponds to the estimated budget (scenario SG Central) over three years (from 2024 to 2027) extrapolated to 2028, which corresponds to a "normative" year.



These budgets notably take into account the impacts of the commitments to energy and environmental transition and regional development which are detailed in the Declaration of Non-Financial Performance.

The tax results also take into consideration the accounting and tax adjustments (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 on the entity's tax expertise. An extrapolation of the tax result is performed from 2028 on and over a timeframe considered reasonable and 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 the losses. These risks and uncertainties are in particular related to possible changes in applicable tax rules (computation of the tax result, as well as allocation rules for tax loss carry-forwards) or materialization of the assumptions selected. These uncertainties are mitigated by robustness checks of the budgetary and strategic assumptions.

At 31 December 2023, the updated projections confirm the probability that Societe Generale will be able to offset the tax losses subject to deferred tax assets against future profits.

NOTE 5.4 Deferred tax assets recognised on tax loss carry-forwards and deferred tax assets not recognised

As at 31 December 2023, based on the tax system of each franchise and a realistic projection of their tax income, the projected period for deferred tax asset recovery is indicated in the table below:

(In EURm)	31.12.2023	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets relating to tax loss carryforwards	1,676		
o.w. French tax group	1,572	Unlimited ⁽¹⁾	8 years
o.w. US tax group	88	20 years ⁽²⁾	7 years
others	16		

(1) In accordance with the 2013 Finance Law, 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 December 2011.

As at 31 December 2023, deferred tax assets and liabilities not recognised on the asset side of the balance sheet concerned in particular:

(In EURm)	31.12.2023	31.12.2022
French tax group	930	520
Franchises in the United States of America	273	287
SG Singapore	80	82

For the France tax group, deferred tax assets of EUR 410 million could not be recognised at the end of December 2023, bringing the amount of unrecognised deferred tax assets in France to EUR 930 million. If tax projections improve, all or part of these deferred taxes may be recognised as deferred tax assets in future years.

In parallel, the unrecognised deferred tax assets of the US tax group decreased by EUR 49 million due to the recognition in the 2023 balance sheet of EUR 40 million deferred tax assets and a EUR -9 million foreign exchange effect.

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'État*) 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 (see Note 8).

“Pillar 2”: tax reform – global minimum corporate tax rate (“globe” rules)

In October 2021, 137 of the 140 jurisdictions members of the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) committed to the principle of establishing a global minimum corporate income tax rate of 15%. A set of rules, referred to as “Pillar 2” (or “globe rules”), published by the OECD on 20 December 2021, specifies the mechanism which will apply, in the states that will adopt it, to the profits by country of multinational groups with revenues exceeding EUR 750 million.

European Directive (EU) 2022/2523 incorporating the Pillar 2 rules was adopted and published in the Official Journal of the European Union on 22 December 2022. Article 4 of the French Finance act for 2024 incorporates the directive into French law. The minimum level of tax will take the form of an additional “top-up” tax determined according

to rules compliant with the directive. Transitional Safe Harbour set out by the OECD for the first three fiscal years are also included in the law. These rules apply from 1 January 2024 to Societe Generale, as parent company of the Societe Generale group, in respect of jurisdictions where the Group operates which would present an effective tax rate calculated according the rules of Pillar 2, lower than the minimum rate of 15%.

On 7 July 2023, the French Accounting Standards Board (*Autorité des Normes Comptables, ANC*), published Regulation No. 2023-02, approved by decree of 26 December 2023, amending ANC Regulation No. 2020-01 of 6 March 2020 relating to consolidated financial statements. This regulation, which is mandatory from 31 December 2023 with prospective effect, introduces an exemption from recognition of deferred tax assets and liabilities related to the application of the OECD Pillar 2 rules. For the preparation of its annual accounts at 31 December 2023, Societe Generale applies this exemption to the recognition of deferred taxes associated with additional taxes arising from Pillar 2 rules.

A project structure has been established to analyse the provisions of the Pillar 2 European Directive and take the necessary measures to comply with them as soon as they enter into force. According to initial estimates based on the available data (in particular data from the country-by-country reports of years 2021 and 2022), the effective Pillar 2 tax rates would exceed 15% in most jurisdictions in which the Societe Generale group operates. However, there is a limited number of jurisdictions in which a top-up tax would have to be paid. To date, Societe Generale does not anticipate any material impact of this reform. Because of the calculation complexity resulting from these rules and the changes in the Societe Generale group’s consolidation scope, the effects of this reform are still being examined to refine the quantification in view of the first accounting recognition of any additional tax burden in Societe Generale’s financial statements in 2024.

NOTE 6 SHAREHOLDER'S EQUITY

NOTE 6.1 Changes in shareholders' equity

(In EURm)	Capital Stock	Additional paid-in-capital	Legal reserve	Retained earnings			Net income of the period	Shareholders' equity
				Special reserves	Other reserves	Retained earnings		
As at 31 December 2021	1,067	21,556	107	2,097	1,435	9,699	1,995	37,956
2021 Income Allocation	-	-	-	-	-	1,995	(1,995)	-
Increase/Decrease in capital stock	(5)	(226)	(2)	-	-	-	-	(233)
Net income of the period	-	-	-	-	-	-	(260)	(260)
Dividends paid	-	-	-	-	-	(1,371)	-	(1,371)
Other movements	-	-	-	-	-	-	-	-
As at 31 December 2022	1,062	21,330	105	2,097	1,435	10,323	(260)	36,092
2022 Income Allocation	-	-	-	-	-	(260)	260	-
Increase/Decrease in capital stock	(58)	(1,069)	(6)	-	-	-	-	(1,133)
Net income of the period	-	-	-	-	-	-	3,350	3,350
Dividends paid	-	-	-	-	-	(1,363)	-	(1,363)
Other movements	-	(1)	-	1	-	(1)	-	(1)
As at 31 December 2023	1,004	20,260	99	2,098	1,435	8,699	3,350	36,35045

During the first semester of 2023 Societe Generale proceeded a capital reduction of EUR 52 million by cancelling 41,674,813 shares, with an impact on the issue premium of EUR 858.4 million and on the legal reserve of EUR 3.6 million.

During the second semester of 2023 Societe Generale proceeded:

- a capital increase reserved for employees of EUR 15.7 million, with a EUR 205.6 million issuing premium;
- a capital reduction of EUR 22 million by cancelling 17,777,697 shares, with an impact on the issue premium of EUR 416 million and on the legal reserve of EUR 2.2 million.

As at 31 December 2023, Societe Generale's fully paid-up capital amounts to EUR 1,003,724,927.50 and comprises 802,979,942 shares with a nominal value of EUR 1.25.

The dividends distribution performed by Societe Generale in 2023 amounted to EUR 1,363 million after elimination of treasury stock dividend for EUR 11 million.

NOTE 6.2 Proposed distribution of income

At the Annual General Meeting of 22 May 2024, the Board of Directors will propose an allocation of income for the year ended 31 December 2023 and dividend distribution under the following terms:

<i>(In EURm)</i>	2023
Net income	3,350
Unappropriated retained earnings	8,699
TOTAL INCOME TO BE APPROPRIATED	12,049
Dividend	723
Retained earnings	11,326
TOTAL APPROPRIATED INCOME	12,049

The dividend corresponds to EUR 0.90 per share with a par value of EUR 1.25.

The amount of dividend of EUR 723 million to be paid to shareholders is calculated on the basis of an existing number of shares as at 31 December 2023.

NOTE 6.3 Net earnings per share

<i>(In EURm)</i>	31.12.2023	31.12.2022
Net income attributable to ordinary shareholders	3,350	(260)
Weighted average number of ordinary shares outstanding	799,315,070	822,437,425
Earnings per ordinary share (in EUR)	4.19	(0.32)
Average number of ordinary shares used in the dilution calculation ⁽¹⁾	-	-
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	799,315,070	822,437,425
Diluted earnings per ordinary share (in EUR)	4.37	(0.32)

⁽¹⁾ The number of shares used in the dilution calculation is computed using the "share buy-back" method and takes into account free shares issues and stock-option plans.

NOTE 6.4 Subordinated debt**ACCOUNTING PRINCIPLES**

This item includes borrowings, whether or not in the form of securitised debt, with fixed-term or undetermined duration, which in the event of liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Any accrued interest payable in respect of subordinated debt is recorded as related payables and as an expense in the income statement.

<i>(In million)</i>					
Issuance date	Currency	Amount issued	Maturity date	31.12.2023	31.12.2022
Undated deeply subordinated capital notes					
18 December 2013	USD	1750	Undetermined duration	-	1,641
29 September 2015	USD	1250	Undetermined duration	1,131	1,172
6 April 2018	USD	1250	Undetermined duration	1,131	1,172
4 October 2018	USD	1250	Undetermined duration	-	1,172
16 April 2019	SGD	750	Undetermined duration	514	524
12 September 2019	AUD	700	Undetermined duration	430	446
18 November 2020	USD	1500	Undetermined duration	1,358	1,406
26 May 2021	USD	1000	Undetermined duration	905	938
15 July 2022	SGD	200	Undetermined duration	137	140
22 November 2022	USD	1500	Undetermined duration	1,358	1,406
18 January 2023	EUR	1000	Undetermined duration	1,000	-
14 November 2023	USD	1250	Undetermined duration	1,131	-
SUB-TOTAL				9,095	10,017
Subordinated long-term debts and notes					
21 July 2000	EUR	78	31 July 2030	5	6
16 August 2005	EUR	226	18 August 2025	216	216
07 April 2008	EUR	250	6 April 2023	-	155
15 April 2008	EUR	321	15 April 2023	-	321
28 April 2008	EUR	50	6 April 2023	-	50
14 May 2008	EUR	90	6 April 2023	-	90
14 May 2008	EUR	50	6 April 2023	-	50
14 May 2008	EUR	150	6 April 2023	-	150
30 May 2008	EUR	79	15 April 2023	-	79
10 June 2008	EUR	300	12 June 2023	-	260
30 June 2008	EUR	40	30 June 2023	-	40
07 June 2013	EUR	1000	7 June 2023	-	1000
17 January 2014	USD	1000	17 January 2024	905	938
23 February 2018	EUR	1000	23 February 2028	-	1000
27 February 2015	EUR	1250	27 February 2025	1,250	1250
14 April 2015	USD	1500	14 April 2025	1,358	1406
15 April 2015	EUR	150	7 April 2026	150	150
10 June 2015	AUD	50	10 June 2025	31	32
12 June 2015	JPY	27800	12 June 2025	178	198
12 June 2015	JPY	2500	12 June 2025	16	18
22 July 2015	USD	50	23 July 2035	45	47
30 September 2015	JPY	20000	30 September 2025	128	142
21 October 2015	EUR	70	21 October 2026	70	70
24 November 2015	USD	1000	24 November 2025	905	938
24 November 2015	USD	500	24 November 2045	452	469

(In million)

Issuance date	Currency	Amount issued	Maturity date	31.12.2023	31.12.2022
03 June 2016	JPY	15000	03 June 2026	96	107
27 June 2016	USD	500	27 June 2036	452	469
20 July 2016	AUD	325	20 July 2028	-	207
19 August 2016	USD	1000	19 August 2026	905	938
13 October 2016	AUD	150	13 October 2026	92	96
16 December 2016	JPY	10000	16 December 2026	64	71
24 January 2017	AUD	200	24 January 2029	123	127
19 May 2017	AUD	500	19 May 2027	400	414
7 March 2018	JPY	6500	7 March 2028	-	46
13 April 2018	JPY	6500	13 April 2028	-	46
17 April 2018	JPY	6500	17 April 2028	-	46
24 October 2018	JPY	13100	24 October 2028	-	93
18 April 2019	AUD	300	18 April 2034	184	191
8 July 2020	USD	500	08 July 2035	452	469
24 November 2020	EUR	1000	24 November 2030	1,000	1000
1 March 2021	USD	1000	1 March 2041	905	938
1 April 2021	EUR	1000	30 June 2031	1,000	1000
30 June 2021	JPY	7000	30 June 2031	45	49
19 July 2021	JPY	7000	12 July 2032	45	49
9 December 2021	AUD	80	9 December 2036	49	51
19 January 2022	USD	750	21 January 2043	679	703
15 June 2022	USD	1250	15 June 2033	1,131	1172
5 September 2022	EUR	500	6 September 2032	500	500
20 October 2022	JPY	10000	20 October 2032	64	71
10 January 2023	USD	1000	10 January 2053	905	0
2 June 2023	EUR	1000	2 June 2033	1,000	0
19 October 2023	JPY	5100	19 October 2033	34	0
SUB-TOTAL⁽¹⁾				15,834	17,928
Related payables				361	366
TOTAL⁽¹⁾⁽²⁾				25,290	28,311

(1) The Bank's global subordinated debt expense, net of tax and of the repurchase impact, amounted to EUR 1,441 million in 2023 (compared with EUR 1,326 million in 2022).

(2) Debt with related parties has been reimbursed as at 31 December 2023 (EUR 43 million as at 31 December 2022).

Societe Generale is entitled to cancel the remuneration of the perpetual subordinated debt issued.

As a general rule, subordinated debt may include an early repayment clause at the option of Societe Generale, which may take place no earlier than in its fifth year.

NOTE 7 OTHER INFORMATION

NOTE 7.1 Geographical breakdown of net banking income⁽¹⁾

(In EURm)	France		Europe		Americas	
	2023	2022	2023	2022	2023	2022
Net interest and similar income ⁽²⁾	4,975	2,951	294	446	463	460
Net fee income	3,407	2,407	293	322	146	114
Net income from financial transactions	1,543	4,566	1,120	1,163	(120)	(2)
Other net operating income	(402)	(246)	74	47	(2)	1
NET BANKING INCOME	9,523	9,678	1,781	1,978	487	573

(In EURm)	Asia/Oceania		Total	
	2023	2022	2023	2022
Net interest and similar income ⁽²⁾	65	168	5,797	4,025
Net fee income	106	89	3,952	2,932
Net income from financial transactions	428	259	2,971	5,986
Other net operating income	2	1	(328)	(197)
NET BANKING INCOME	601	517	12,392	12,746

(1) Geographical regions in which companies recording income is located.

(2) Including dividend income and net income from lease financing and similar agreements.

NOTE 7.2 Tangible and intangible fixed assets

ACCOUNTING PRINCIPLES

Tangible or intangible fixed assets include operating premises, investment property, software, etc.

Tangible and intangible fixed assets are carried at their purchase price on the asset side of the balance sheet, less depreciation, amortization and impairment. The purchase price of fixed assets include borrowing costs incurred to fund a lengthy construction period, along with all other directly attributable expenses. Software created in-house is recognised for its direct cost of development, that includes external expenditure on hardware and services and personnel costs directly attributable to the production and the preparation of the asset for use.

As soon as they are ready for use, tangible assets are depreciated using a component-based approach. Each component is depreciated over its own useful life.

For operating premises and investment property, the depreciation periods of the different components are between 10 to 50 years.

Infrastructures	Major structures	50 years
	Doors and windows, roofing	20 years
	Façades	30 years
Technical installations	Elevators	10-30 years
	Electrical installations	
	Electrical generators	
	Air conditioning, extractors	10-30 years
	Technical wiring	
	Securities and surveillance installations	
Fixtures and fittings	Plumbing	
	Fire and safety equipment	
	Finishing, surroundings	10 years

For the other fixed assets, depreciation periods have been defined based on the useful life of the assets considered which is generally estimated between three to twenty years.

Plant and equipment	5 years
Transport	4 years
Furniture	10-20 years
Office equipment	5-10 years
IT equipment	3-5 years
Software, developed or acquired	3-8 years
Concessions, patents, licences, etc.	5-20 years

If any, the depreciable value of each asset or component is reduced for its residual value. In the event of a subsequent decrease or increase of the residual value initially retained, the adjustment of the depreciable base shall affect the depreciation or amortisation plan of the asset prospectively.

Depreciation or amortisation allowances are recognised in the income statement under “Impairment, amortisation and depreciation”.

Gains or losses on disposal of operating assets are recorded in Net gains or losses on other assets.

NOTE 7.2.1 CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

<i>(In EURm)</i>	31.12.2022	Effects of the merger	01.01.23	Acquisition/ Allocations	Disposals/ Reversals	Scope variation and other movements	31.12.2023
Intangible assets							
Gross book value	5,403	1,013	6,416	381	(530)	(55)	6,212
Impairment and amortisation	(3,518)	(538)	(4,056)	(364)	519	3	(3,898)
Tangible operating assets							
Gross book value	3,694	727	4,421	187	(145)	44	4,507
Impairment and depreciation	(2,601)	(532)	(3,133)	(272)	139	3	(3,263)
Tangible non-operating assets							
Gross book value	9	13	22	-	(1)	(4)	17
Impairment and depreciation	(7)	(9)	(16)	-	-	3	(13)
TOTAL	2,980	674	3,654	(68)	(18)	(6)	3,562

NOTE 7.2.2 NET INCOME FROM LONG-TERM INVESTMENTS

ACCOUNTING PRINCIPLES

The Net income from long-term investments items cover the capital gains or losses realised on disposals, as well as the net allocation to impairment of operating fixed assets. Income from non-operating assets is recorded under net banking income.

<i>(In EURm)</i>	31.12.2023	31.12.2022
Operating fixed assets:		
Gains on sale	4	17
Losses on sale	(2)	(3)
TOTAL	2	14

NOTE 7.3 Breakdown of assets and liabilities by term of maturity

(In EURm)	Outstanding as at 31 December 2023					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Intercompany eliminations: Societe Generale Paris/branches	Total
Assets	432,730	176,364	299,929	167,448	(215,533)	860,938
Due from banks	234,975	68,789	105,982	24,862	(215,007)	219,601
Customer loans	178,151	62,387	178,427	104,730	(526)	523,169
Bonds and other debt securities:	19,604	45,188	15,520	37,856	-	118,168
<i>Trading securities</i>	11,729	33,010	3,954	80	-	48,773
<i>Short-term investment securities</i>	7,491	9,074	119	72	-	16,756
<i>Long-term investment securities</i>	384	3,104	11,447	37,704	-	52,639
Liabilities	734,697	190,950	248,012	123,116	(215,532)	1,081,243
Due to banks	242,194	85,154	158,382	64,839	(214,894)	335,675
Customer deposits	468,379	77,172	33,391	24,955	(637)	603,260
Liabilities in the form of securities issued	24,124	28,624	56,239	33,322	(1)	142,308

NOTE 7.4 Transactions in foreign currencies**ACCOUNTING PRINCIPLES**

Gains and losses arising from ordinary activities in foreign currencies are recognised in the income statement. Outright forward foreign exchange transactions and those used to hedge other forward foreign exchange transactions are valued on the basis of the forward foreign exchange rate of the relevant currency for the remaining maturity. Spot and other forward foreign exchange positions are revalued on a monthly basis using official month-end spot rates. Unrealized gains and losses are recognised in the income statement. Premiums and discounts resulting from hedged forward foreign exchange transactions are amortized to the income statement on a straight-line basis over the remaining maturity of these transactions.

(In EURm)	31.12.2023				31.12.2022			
	Assets	Liabilities	Foreign exchange bought, not yet received	Foreign exchange sold, not yet delivered	Assets	Liabilities	Foreign exchange bought, not yet received	Foreign exchange sold, not yet delivered
EUR	669,433	672,297	409,749	412,511	653,595	656,457	316,771	342,021
USD	487,942	486,300	877,179	843,198	420,317	418,187	785,562	734,925
GBP	56,194	55,818	154,087	147,493	79,238	79,213	201,577	201,147
JPY	80,104	79,589	112,298	143,530	69,360	68,777	98,327	123,035
Other currencies	95,714	95,383	511,992	529,395	107,450	107,326	472,245	477,458
TOTAL	1,389,387	1,389,387	2,065,305	2,076,127	1,329,960	1,329,960	1,874,482	1,878,586

NOTE 7.5 Establishments in non-cooperative states or territories

Since 2013, Societe Generale has defined strict internal rules to prevent developing any establishment in an extended list of countries that could become non cooperative states or territories or generate a reputational risk. Any establishment or development of new activities as part of existing operations, may only be authorised by decision of the General Management after approval by the Corporate Secretariat and the Compliance and Risk Divisions.

Since 2010, Societe Generale has decided to close (and has therefore taken the necessary steps to do so) all the Societe Generale's operations in countries and territories deemed non-cooperative by France that do not meet the criteria of the strict policy regarding tax havens established in the tax Code of Conduct. The list was updated by the Ministerial order of 3 February 2023 (published on 5 February 2023).

As of 31 December 2023, Societe Generale did not directly or indirectly own any business in the States and territories concerned.

NOTE 7.6 Table of subsidiaries and affiliates**TABLE OF SUBSIDIARIES AND AFFILIATES**

2023

(In EURk or local currency)

Company/Head Office or Establishment	Activity/Division		Registered capital (local currency) ⁽¹⁾	Shareholders' equity other than capital (local currency) ⁽¹⁾	Share of capital held (in %)
I - INFORMATION ON INVESTMENTS WITH A BOOK VALUE IN EXCESS OF 1% OF SOCIETE GENERALE'S SHARE CAPITAL					
A) Subsidiaries (more than 50 % owned by Societe Generale)					
SG AMERICAS SECURITIES HOLDINGS, LLC	Brokerage				
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington – Delaware – USA	Global Banking and Investor Solutions	USD	1,430,976	1,803,368	100.00
SG FINANCIAL SERVICES HOLDING	Portfolio management				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	1,641,835	214,175	100.00
SOCIETE GENERALE INTERNATIONAL LIMITED	Brokerage and clearing				
One Bank Street – Canary Wharf – London E14 4SG – United Kingdom	Global Banking and Investor Solutions	GBP	1,150,000	178,306	100.00
GENEFINANCE	Portfolio management				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	1,000,000	237,567	100.00
SG KLEINWORT HAMBROS LIMITED	Asset management				
One Bank Street - Canary Wharf - London E14 4SG - United Kingdom	Global Banking and Investor Solutions	GBP	466,651	(74,961)	100.00
SOCIETE GENERALE REAL ESTATE	Real estate and real estate financing				
29, boulevard Haussmann – 75009 Paris – France	French Retail Banking	EUR	327,112	32,745	100.00
SOCIETE GENERALE SECURITIES JAPAN LIMITED	Brokerage				
1-1, Marunouchi 1-chome, Chiyoda-ku – Tokyo – Japan	Global Banking and Investor Solutions	JPY	35,765,000	40,276,000	100.00
SOGEMARCHE	Real estate				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	440,000	192	100.00
SOCIETE GENERALE SECURITIES SERVICES SPA	Credit institution				
Via Benigno Crespi, 19 A (MAC2) – 20159 Milan – Italy	Global Banking and Investor Solutions	EUR	111,309	257,406	100.00
FIDITALIA SPA	Consumer finance				
Via Guglielmo Silva n°34 – 20149 Milan – Italy	International Retail Banking and Financial Services	EUR	130,000	289,919	100.00
SALINGER S.A.	Portfolio management				
2, rue Hildegard von Bingen – Luxembourg – Luxembourg	Global Banking and Investor Solutions	EUR	100	313,552	100.00
BANCO SOCIETE GENERALE BRASIL S/A	Investment banking				
Avenida Paulista, 2300 – Cerqueira Cesar – 01310-300 – São Paulo – SP – Brasil	Global Banking and Investor Solutions	BRL	2,956,929	(1,264,558)	100.00
SOCIETE GENERALE (CHINA) LIMITED	International retail banking				
F15, West Tower Genesis, 8 Xinyuannan Street – Chaoyang District – 100027 Beijing – China	Global Banking and Investor Solutions	CNY	4,000,000	355,598	100.00

*(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.**(2) For banking and finance subsidiaries, revenue refers to net banking income.**(3) Financial statements not yet audited for French companies.*

2023

Book value of shares held		Unreimbursed loans and advances made by the Company (in EUR)	Guarantees given by the Company (in EUR)	Revenue excluding tax for the last financial year (local currency) (1)(2)(3)	Net income (gain or loss) for the last financial year (local currency) (1)(3)	Dividends received by the Company during the year (in EUR)	Remarks
Gross (in EUR)	Net (in EUR)						Revaluation differences
2,970,450	2,970,450	0	0	631,132	238,845	0	1 EUR = 1.105 USD
2,136,144	2,136,144	2,078,521	0	879,221	876,162	1,135,269	
1,606,373	1,606,373	3,727,963	1,562,927	310,884	156,870	224,437	1 EUR = 0.86905 GBP
1,076,025	1,076,025	416,075	0	111,237	156,458	246,000	
605,985	605,985	0	0	184,653	43,021	138,656	1 EUR = 0.86905 GBP
586,505	586,505	0	0	45,342	44,903	34,445	
496,958	496,958	291,070	382	26,663,000	5,220,000	24,945	1 EUR = 156.33 JPY
460,400	460,400	0	0	27,277	6,025	2,300	
745,062	419,691	0	100,000	157,843	42,822	0	
340,974	340,974	3,929,320	0	251,901	78,489	36,002	
315,184	315,184	0	0	5,222	5,120	0	
915,615	283,251	0	2,859	232,033	27,682	0	1 EUR = 5.3618 BRL
414,836	255,570	196,947	0	406,249	122,840	0	1 EUR = 7.8509 CNY

2023

(In EURk or local currency)

Company/Head Office or Establishment	Activity/Division		Registered capital (local currency) ⁽¹⁾	Shareholders' equity other than capital (local currency) ⁽¹⁾	Share of capital held (in %)
SOGECAMPUS	Real estate				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	241,284	45,199	100.00
SOCIETE GENERALE CAPITAL CANADA INC.	Brokerage				
1501 Avenue McGill College – Suite 1800 H3A 3M8 – Montreal -Canada	Global Banking and Investor Solutions	CAD	345,042	94,172	100.00
GENEGIS I	Office space				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	192,900	14,309	100.00
SOCIETE GENERALE ALGERIE	International retail banking				
Residence EL KERMA – Gue de Constantine, Wilaya d'Alger – 16105 – Algeria	International Retail Banking and Financial Services	DZD	20,000,000	33,405,656	100.00
COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)	Office space				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	76,627	3,228	100.00
SG SECURITIES KOREA CO, LTD	Business consulting				
24 th Floor, D1 D-Tower, 17 Jong-ro 3-gil, Jongno-gu – Seoul – South Korea	Global Banking and Investor Solutions	KRW	205,500,000	157,275,930	100.00
SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Office space				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	120,030	216,051	100.00
SG AMERICAS, INC.	Investment banking				
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington – Delaware – USA	Global Banking and Investor Solutions	USD	0	396,759	100.00
SG VENTURES	Portfolio management				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	94,421	(2,626)	100.00
SG SECURITIES (SINGAPORE) PTE. LTD.	Brokerage				
8 Marina Boulevard – #12-01 – Marina Bay financial Centre Tower 1 – 018981 – Singapore – Singapore	Global Banking and Investor Solutions	SGD	99,156	6,403	100.00
ETOILE CAPITAL	Portfolio management				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	50,400	12,672	100.00
STAR LEASE	Rental and Real Estate Lease				
59, boulevard Haussmann – 75008 Parris – France	French Retail Banking	EUR	55,000	96,767	100.00
SG FACTORING SPA	Factoring				
Via Trivulzio n. 7 – 20146 Milan – Italy	Global Banking and Investor Solutions	EUR	11,801	37,323	100.00
ORPAVIMOB	Real estate and real estate financing				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	44,253	6,588	100.00

*(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.**(2) For banking and finance subsidiaries, revenue refers to net banking income.**(3) Financial statements not yet audited for French companies.*

2023

Book value of shares held		Unreimbursed loans and advances made by the Company (in EUR)	Guarantees given by the Company (in EUR)	Revenue excluding tax for the last financial year (local currency) (1)(2)(3)	Net income (gain or loss) for the last financial year (local currency) (1)(3)	Dividends received by the Company during the year (in EUR)	Remarks
Gross (in EUR)	Net (in EUR)						Revaluation differences
241,284	241,284	72,707	0	23,310	2,697	0	
235,156	235,156	0	0	58,457	19,251	0	1 EUR = 1.4642 CAD
196,061	196,061	14,335	0	222,135	(5,019)	3,086	
180,626	180,626	0	42,535	26,524,526	8,597,476	36,992	1 EUR = 148.4472 DZD
155,837	155,837	0	0	390	400	1,622	
143,489	143,489	0	0	89,698,100	22,868,510	0	1 EUR = 1433.66 KRW
119,992	119,992	55,000	0	10,508	(43,865)	0	
1,573,453	111,633	0	0	(2,929)	(2,824)	0	capital = 1 USD 1 EUR = 1.105 USD
94,421	94,421	0	0	(6,679)	(6,984)	0	
103,058	72,479	0	0	28,769	13,354	22,493	1 EUR = 1.4591 SGD
57,977	57,977	0	0	(3,127)	(4,024)	5,320	
55,000	55,000	1,566,409	119,869	0	10,991	0	
46,100	46,100	1,271,594	2,350,000	14,366	5,054	0	
44,253	44,253	0	0	12,218	2,528	4,155	

2023

(In EURk or local currency)

Company/Head Office or Establishment	Activity/Division		Registered capital (local currency) ⁽¹⁾	Shareholders' equity other than capital (local currency) ⁽¹⁾	Share of capital held (in %)
SG AMERICAS OPERATIONAL SERVICES LLC (SGAOS)	Transversal services company				
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington – Delaware – USA	Global Banking and Investor Solutions	USD	716	68,757	100.00
SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Brokerage on equity markets				
Level 25, 1-7 Bligh Street – NSW 2000 – Sydney – Australia	Global Banking and Investor Solutions	AUD	100,000	(42,723)	100.00
SG AUSTRALIA HOLDINGS LTD	Portfolio management				
Level 25, 1-7 Bligh street – NSW 2000 – Sydney – Australia	Global Banking and Investor Solutions	AUD	19,500	695	100.00
SOGELEASE B.V.	Leasing and financing				
Amstelplein 1 – 1096 HA Amsterdam – 1090 GB – Amsterdam – Netherland	Global Banking and Investor Solutions	EUR	2,269	7,966	100.00
SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD (HONG KONG)	Investment banking				
Level 38, Three Pacific Place, 1 Queen's Road East, Hong-Kong	Global Banking and Investor Solutions	USD	154,972	148,394	100.00
SOCIETE GENERALE EQUIPMENT FINANCE SA	Portfolio management				
17, cours Valmy – 92800 Puteaux – France	International Retail Banking and Financial Services	EUR	201,397	12,520	100.00
SOCIETE GENERALE SFH	Credit institution				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	375,000	355,373	100.00
BOURSORAMA SA	Online banking				
44, rue Traversiere – 92100 Boulogne-Billancourt – France	French Retail Banking	EUR	51,171	759,428	100.00
SOCIETE GENERALE IMMOBEL	Online banking				
Rue des Colonies 11 – 1000 Bruxelles – Belgique	French Retail Banking	EUR	18,562	2,005	100.00
SOCIETE GENERALE SCF	Mortgages				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	150,000	160,701	100.00
VALMINVEST	Office space				
29 boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	248,877	13,535	100.00
SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio management				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	12,487	66	100.00
SOCIETE DE LA RUE EDOUARD VII	Office space				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	11,396	1,733	100.00

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.

(2) For banking and finance subsidiaries, revenue refers to net banking income.

(3) Financial statements not yet audited for French companies.

2023

Book value of shares held		Unreimbursed loans and advances made by the Company (in EUR)	Guarantees given by the Company (in EUR)	Revenue excluding tax for the last financial year (local currency) (1)(2)(3)	Net income (gain or loss) for the last financial year (local currency) (1)(3)	Dividends received by the Company during the year (in EUR)	Remarks
Gross (in EUR)	Net (in EUR)						Revaluation differences
42,365	42,365	0	0	7,209	38,827	0	1 EUR = 1.105 USD
62,745	31,218	101,457	245,957	10,546	(4,714)	0	1 EUR = 1.6263 AUD
12,033	11,872	0	0	35,767	28,913	16,450	1 EUR = 1.6263 AUD
18,000	10,301	508,664	0	(579)	(892)	0	
146,513	146,513	219,028	0	438,240	133,509	153,514	1 EUR = 1.105 USD
281,549	281,549	603,146	0	23,895	37,543	58,800	
375,000	375,000	107,151	54,889,499	648,603	73,988	0	
1,468,841	1,468,841	10,193,432	0	387,997	35,362	0	
18,561	18,561	0	0	970	602	1,103	
150,000	150,000	0	16,711,845	35,874	21,851	0	
249,427	249,427	0	0	16,972	10,185	9,303	
237,555	12,553	355	0	0	-37	0	
59,634	23,698	0	0	0	152	0	

2023

(In EURk or local currency)

Company/Head Office or Establishment	Activity/Division		Registered capital (local currency) ⁽¹⁾	Shareholders' equity other than capital (local currency) ⁽¹⁾	Share of capital held (in %)
PAYXPRT SERVICES LIMITED	Enterprise Support Services Delivery				
30, Churchill place – E14 5RE – London – United Kingdom	International Retail Banking and Financial Services	EUR	0	12,181	99.72
SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED	Investment banking				
One Bank Street - Canary Wharf - London E14 4SG - United Kingdom	Global Banking and Investor Solutions	GBP	157,819	117,410	98.96
SOGEFINANCEMENT	Retail banking				
53, rue du Port – CS 90201 – 92724 Nanterre Cedex – France	French Retail Banking	EUR	13,966	1,418,538	95.96
SOCIETE GENERALE MAURITANIE	International retail banking				
Ilot A N°652 – Nouakchott – Mauritania	International Retail Banking and Financial Services	MRU	1,000,000	(401,015)	95.50
TREEZOR	Electronic money institution				
33, Avenue de Wagram – 75017 Paris – France	Corporate Centre	EUR	5,308	0	95.35
SHINE	Online banking				
5, rue Charlot - 75003 Paris - France	French Retail Banking	EUR	4	(33,050)	93.97
BANQUE DE POLYNESIE	Retail banking				
355, boulevard Pomare, BP 530, 98713 Papeete – Ile de Tahiti – French Polynesia	International Retail Banking and Financial Services	XPF	1,380,000	9,463,934	72.10
SOCIETE GENERALE DE BANQUES EN COTE D'IVOIRE	International retail banking				
5/7, avenue Joseph Anoma – Abidjan – Ivory Coast	International Retail Banking and Financial Services	XOF	15,555,555	283,038,430	71.84
ALD	Automobile leasing and financing				
1-3, rue Eugene et Armand Peugeot – Le Corosa – 92500 Rueil Malmaison- France	International Retail Banking and Financial Services	EUR	1,225,441	5,842,755	68.97
KOMERCNI BANKA A.S	International retail banking				
Na Prikope 33 – Building Register number 969 – Prague 1 – Czech Republic	International Retail Banking and Financial Services	CZK	19,004,926	89,277,295	60.35
BRD – GROUPE SOCIETE GENERALE	International retail banking				
B-dul Ion Mihalache Nr 17 – Sector 1 – Bucarest – Roumania	International Retail Banking and Financial Services	RON	696,902	7,312,744	60.17
SOCIETE GENERALE CAMEROUN	International retail banking				
78, Avenue Joss – Douala – Cameroon	International Retail Banking and Financial Services	XAF	12,500,000	101,473,250	58.08
SG MAROCAINE DE BANQUES	International retail banking				
55 boulevard Abdelmoumen – 20100 – Casablanca – Morocco	International Retail Banking and Financial Services	MAD	2,152,500	10,914,075	57.67

⁽¹⁾ For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.⁽²⁾ For banking and finance subsidiaries, revenue refers to net banking income.⁽³⁾ Financial statements not yet audited for French companies.

2023

Book value of shares held		Unreimbursed loans and advances made by the Company (in EUR)	Guarantees given by the Company (in EUR)	Revenue excluding tax for the last financial year (local currency) (1)(2)(3)	Net income (gain or loss) for the last financial year (local currency) (1)(3)	Dividends received by the Company during the year (in EUR)	Remarks
Gross (in EUR)	Net (in EUR)						Revaluation differences
33,600	33,600	0	0	182	(934)	0	
190,995	190,995	2,684,164	0	6,199	3,410	0	1 EUR = 0.86905 GBP
1,434,258	1,434,258	7,462,418	0	327,833	66,028	277,309	
20,361	20,361	0	0	1,424,958	260,089	0	1 EUR = 43.42265 MRU
72,925	72,925	0	0	0	0	0	
131,311	131,311	0	0	31,993	(12,913)	0	
46,100	46,100	376	162,688	8,200,015	2,094,445	3,754	1 EUR = 119.33174 XPF
30,504	30,504	64,179	39,926	243,815,157	100,376,305	37,904	1 EUR = 655.957 XOF
1,947,662	1,947,662	2,299,365	0	1,557,583	1,437,697	455,428	
1,421,255	1,421,255	5,369,618	484,168	34,739,343	15,336,814	292,724	1 EUR = 24.724 CZK
216,023	216,023	1,227,138	32,387	3,721,322	1,643,004	77,751	1 EUR = 4.9756 RON
16,940	16,940	0	29,813	98,676,393	25,750,257	10,307	1 EUR = 655.957 XAF
143,847	143,847	365,332	75,800	5,207,316	1,317,768	18,307	1 EUR = 10.91095 MAD

2023

(In EURk or local currency)

Company/Head Office or Establishment	Activity/Division		Registered capital (local currency) ⁽¹⁾	Shareholders' equity other than capital (local currency) ⁽¹⁾	Share of capital held (in %)
GENEFIM	Real estate lease finance				
29, boulevard Haussmann – 75009 Paris – France	French Retail Banking	EUR	72,779	20,547	57.62
UNION INTERNATIONALE DE BANQUES	International retail banking				
65, avenue Habib Bourguiba – Tunis – Tunisia	International Retail Banking and Financial Services	TND	172,800	504,097	52.34
B) Affiliates (10% to 50% owned by Societe Generale)					
ANTARIUS	Insurance company				
Tour D2 – 17, bis place des Reflets – 92919 Paris la Defense Cedex – France	International Retail Banking and Financial Services	EUR	514,060	40,868	50.00
TRANSACTIS	Payment				
1, Boulevard des Bouvets – 92000 – Nanterre – France	Global Banking and Investor Solutions	EUR	46,498	861	50.00
SOCIETE SERVICES FIDUCIAIRES	Pooling of connected machines				
3, rue du Général Compans – 93500 Pantin – France	International Retail Banking and Financial Services	EUR	39,000	0	33.33
SA SOGEPARTICIPATIONS	Portfolio management				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	411,267	307,101	24.58
SOCIETE GENERALE CALEDONIENNE DE BANQUE	Retail banking				
44, rue de l'Alma 98848 Noumea cedex – New Caledonia	International Retail Banking and Financial Services	XPF	1,068,375	17,425,448	20.60
SICOVAM HOLDING	Portfolio management				
18, rue Lafayette – 75009 – Paris – France	Corporate Centre	EUR	10,264	885,624	17.90
CREDIT LOGEMENT	Credit institution				
50, boulevard Sebastopol – 75003 Paris – France	Corporate Centre	EUR	1,259,850	216,337	16.50
CAISSE DE REFINANCEMENT DE L'HABITAT	Housing loan refinancing				
3, rue de la Boetie – 75008 Paris – France	Corporate Centre	EUR	578,384	25,450	16.19

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(3) Financial statements not yet audited for French companies.

2023

Book value of shares held		Unreimbursed loans and advances made by the Company (in EUR)	Guarantees given by the Company (in EUR)	Revenue excluding tax for the last financial year (local currency) (1)(2)(3)	Net income (gain or loss) for the last financial year (local currency) (1)(3)	Dividends received by the Company during the year (in EUR)	Remarks
Gross (in EUR)	Net (in EUR)						Revaluation differences
89,846	89,846	2,874,353	0	37,762	26,138	0	
153,211	153,211	0	69,716	537,781	119,779	4,074	1 EUR = 3.39375 TND
257,407	257,407	0	0	925,972	65,208	69,719	
23,474	23,474	66,999	0	164,406	(133)	0	
13,000	13,000	0	0	0	0	0	
234,000	234,000	766,931	0	218,168	219,509	6,065	
16,266	16,266	110,162	0	9,642,194	2,571,851	4,497	1 EUR = 119.33174 XPF
46,100	46,100	0	0	41,123	40,600	19,863	
209,888	209,888	219,920	0	457,650	103,746	18,886	
62,703	62,703	0	0	423,496	3,521	0	

TABLE OF SUBSIDIARIES AND AFFILIATES (CONTINUED)

(In EURk)	Book value of shares held		Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Dividends received during the year	Remarks
	Gross	Net				
II - INFORMATION CONCERNING OTHER SUBSIDIARIES AND AFFILIATES						
A) Subsidiaries not included in paragraph 1:						
1°) French subsidiaries	98,619	63,770	8,270,359	952,338	5,760	Revaluation difference: 0
2°) Foreign subsidiaries	266,440	60,231	1,363,211	227,915	23,447	Revaluation difference: 1,447
B) Affiliates not included in paragraph 1:						
1°) French companies	19,963	15,024	0	0	2,043	Revaluation difference: 0
2°) Foreign companies	9,794	6,687	0	67,032	2,662	Revaluation difference: 0

NOTE 8 INFORMATION ON RISKS AND LITIGATION

Every quarter, Societe Generale 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 J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion in damages to Societe Generale. On 19 March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, on 23 September 2016, the Versailles Court of Appeal rejected J. Kerviel's request for an expert determination of the damage suffered by the Bank, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale will be in a position to deduct the tax loss carry forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the Bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale 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 J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.
- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of Societe Generale 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 London Court of Appeal discharged entirely the inquiry into damages granted by the London 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, which has therefore become definitive. On 16 February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against the Paris Commercial Court's decision. On 1 February 2023, the Paris Court of Appeals confirmed this decision. Societe Generale filed an appeal before the Supreme Court against this decision.
- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – *Échange d'Images Chèques*), which has contributed to the improvement of cheque payments security and to the fight against fraud, the Banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.
 - On 20 September 2010, 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 of penalties. On 2 December 2021, after several years of proceedings and two decisions of the Supreme Court, the Paris Court of Appeal overturned the decision of the French competition authority and ruled that (i) it was not proven that the establishment of the CEIC and the fees for related services on AOCT (cancellation of wrongly cleared transactions) as well as their collection had infringed the provisions of Article L. 420-1 of the French Commercial Code and of Article 101 of the Treaty on the Functioning of the European Union and, (ii) that its decision was giving rise to a right of restitution of the sums paid in execution of the overturned decision, namely approximately EUR 53.5 million for Societe Generale and approximately EUR 7 million for Crédit du Nord, together with interests at the legal rate. On 31 December 2021, the French competition authority filed an appeal before the Supreme court against this decision. The Supreme Court dismissed this appeal by a decision of 28 June 2023, putting a definitive end to this litigation.
 - On 3 January 2023, Societe Generale Private Banking (Switzerland) ("SGPBS") entered into an agreement to settle litigation in the United States stemming from the Ponzi scheme of Robert Allen Stanford and his affiliates. On 21 February 2023, the Receiver and the Official Stanford Investors Committee ("OSIC") filed a motion in US District Court for the Northern District of Texas seeking approval of the settlement. The settlement provides for the payment by SGPBS of USD 157 million in exchange for the release of all claims. During the 7 June 2023 hearing, the Court granted the Receiver's motion to approve the settlement. This order is now subject to an appeal. The settlement amount that SGPBS must pay is fully covered by reserves in the accounts of Societe Generale S.A. following a financial guarantee provided by Societe Generale S.A. to SGPBS. Each of the other defendant banks in this litigation also announced settlements in the first quarter of 2023 with the US Receiver and OSIC resolving their claims. These settlements were reached in advance of a jury trial that had been scheduled to start on 27 February 2023 (which ultimately did not take place).

In the same matter, a pre-contentious claim (*requête en conciliation*) was initiated in Geneva in November 2022 by the Joint Liquidators of Stanford International Bank Limited (“SIBL”), appointed by the courts in Antigua, representing the same investors as those represented by the US plaintiffs. SGPBS was served with the statement of claim on 20 June 2023 and will defend itself against the claims in this proceeding.

- Notwithstanding the agreements reached in 2018 with the US authorities regarding certain London Interbank Offered Rates and the Euro Interbank Offered Rate (“the IBOR matter”) and the dismissal on 30 November 2021 of the legal proceedings brought by the DOJ in this 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 were dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that were effectively stayed. The class plaintiffs and a number of individual plaintiffs appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit (“Second Circuit”). On 30 December 2021, the Second Circuit reversed the dismissal and reinstated the antitrust claims. These reinstated claims which have been returned to the District Court include those asserted by a proposed class of over-the-counter (OTC) plaintiffs and by OTC plaintiffs that have filed individual actions. On 21 June 2022, the US Supreme Court denied a petition filed by Societe Generale and other defendants that sought review of the Second Circuit’s ruling. Discovery is ongoing. The stayed putative class actions were voluntarily dismissed by plaintiffs on 10 August 2022 and 26 October 2023. On 9 January 2023, the claims against Societe Generale by one of the individual plaintiffs, National Credit Union Administration (as Liquidating Agent for certain credit unions) which included the stayed individual action referred to above, were voluntarily dismissed with prejudice. On 12 May 2023, Societe Generale and two other financial institutions entered into a settlement agreement to resolve the OTC class action for a combined USD 90 million. Societe Generale’s portion of this settlement was fully covered by reserves. On 17 October 2023, the District Court granted final settlement approval.

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 Second Circuit reversed the dismissal and reinstated the claims. On 30 September 2021, the District Court

dismissed certain plaintiffs and all Racketeer Influenced and Corrupt Organizations Act claims but upheld certain federal antitrust and New York state law claims against Societe Generale. On 11 January 2024, plaintiffs and Societe Generale entered into a binding settlement term sheet. The settlement is covered by reserves. The settlement remains subject to Court approval. Discovery in that action is ongoing. 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 plaintiff’s remaining claims. Plaintiff appealed to the Second Circuit. On 18 October 2022, as amended on 8 December 2022, the Second Circuit affirmed the District Court’s dismissal of plaintiff’s claims. On 2 October 2023, the US Supreme Court denied a petition filed by plaintiff that sought review of the Second Circuit’s ruling. As a result, the action is now concluded.

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 Second Circuit. Societe Generale reached a settlement of this action in an amount covered by reserves. Shortly thereafter, on 21 November 2022, the Second Circuit stayed plaintiffs’ appeal as to Societe Generale and remanded that portion of the case to the District Court for consideration of the proposed settlement. On 31 October 2023, the District Court granted final settlement approval. As a result, this action is now concluded.

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.

- 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 Commodities Exchange Act (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. On 7 November 2018, a group of individual entities that elected to opt out of the settlement filed a lawsuit against Societe Generale, and several other financial institutions. The discovery phase is ongoing for Societe Generale and the remaining co-defendants. On 11 November 2020, Societe Generale was named, along with several other banks, in a UK action alleging collusion in the market for FX instruments. The action was subsequently transferred to the Competition Appeal Tribunal. By orders dated 17 May 2023 and 23 May 2023 respectively, the US and UK actions were dismissed. These actions are now concluded.

- On 10 December 2012, the French Supreme Administrative Court (*Conseil d'État*) rendered two decisions confirming that the “*précompte tax*” which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the “*précompte tax*” claims of two companies (Rhodia and Suez, now Engie) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts.
 - Several French companies applied to the European Commission, which considered that the decisions handed down by the *Conseil d'État* on 10 December 2012, which were supposed to implement the decision rendered by the European Union Court of Justice (EUCJ) on 15 September 2011, breached 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 referring the matter to the EUCJ on 8 December 2016. The EUCJ rendered its judgement on 4 October 2018 and sentenced France on the basis that the *Conseil d'État* disregarded the tax on EU sub-subsidiaries in order to secure the *précompte* paid erroneously and failed to raise a preliminary question before the EUCJ. 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. On 23 June 2020, the Administrative Court of Appeal of Versailles issued a ruling in favour of Engie on our 2002 and 2003 Suez claims, and ordered a financial enforcement in our favour. The Court held that the advance payment (*précompte*) did not comply with the Parent-Subsidiary Directive. Further to proceedings brought before the *Conseil d'État*, the latter ruled that a question should be raised before the EUCJ in order to obtain a preliminary ruling on this issue. The EUCJ has confirmed on 12 May 2022 that the *précompte* did not comply with the Parent-Subsidiary Directive. The *Conseil d'État*, by an Engie judgment of 30 June 2023 took note of this incompatibility and confirmed the decision held by the Administrative Court of Appeal of Versailles with respect to the 2002 year, but referred the examination of the 2003 year to this same Court, which confirmed on 9 January 2024 the partial relief granted by the administration in the course of the proceedings. In parallel, a compensation litigation in relation to the Rhodia claim and the Suez claims (between 1999 and 2001) was brought in March 2023 before the European Commission and the Paris Administrative Court of Appeal, further to the negative judgements issued by the *Conseil d'État* in 2012 (Rhodia) and 2016 (Suez).
 - Societe Generale, along with 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 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. Societe Generale, along with three other defendants, has reached a settlement to resolve this action for USD 50 million. By order dated 13 January 2022, the Court granted preliminary approval of the settlement. The final fairness hearing was held on 5 August 2022, and the settlement received final approval by order dated 8 August 2022. This matter is now concluded. Although Societe Generale's share of the settlement is not public, it was not material from a financial perspective. 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. Societe Generale is defending the 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.
- Societe Generale Group entities may also be exposed to claims by third parties, including German tax offices, and become party to legal disputes initiated by clients involved in proceedings against the German tax administration.
- 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 Societe Generale entities indirectly from BLMIS through so-called “feeder funds” that were invested in BLMIS and from which the Societe Generale entities received redemptions. The suit alleges that the amounts that the Societe Generale 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 of which USD 55 million from Societe Generale. The Societe Generale 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 is now before the Bankruptcy Court for further proceedings. The Societe Generale defendants filed a motion to dismiss on 29 April 2022. The motion was denied by order dated 7 October 2022. Discovery is proceeding.

- 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 compensation under the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (known as the Helms-Burton Act) 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, in which it dropped the three other banks as defendants, added a different bank as an additional defendant, and added as additional plaintiffs who purport to be heirs of the founders of Banco Nunez. The court granted Societe Generale's motion to dismiss on 22 December 2021 but permitted plaintiffs to replead their claims. On 25 February 2022, plaintiffs filed an amended complaint, and on 11 April 2022, Societe Generale filed its motion to dismiss. By order entered 30 March 2023, the court granted Societe Generale's motion to dismiss. Plaintiffs have appealed.
 - On 9 November 2020, Societe Generale was named as a defendant, together with another bank, in a similar Helms-Burton litigation filed in the US District Court in Manhattan (Pujol I) by the purported heirs of former owners, and personal representatives of estates of heirs or former owners, of Banco Pujol, a Cuban bank alleged to have been confiscated by the Cuban government in 1960. On 27 January 2021, Societe Generale filed a motion to dismiss. In response, as permitted by the judge's rules, plaintiffs chose to file an amended complaint and did so on 26 February 2021. Societe Generale filed a motion to dismiss the amended complaint on 19 March 2021, which was granted by the court on 24 November 2021. The court permitted plaintiffs to replead their claims. On 4 February 2022, plaintiffs filed an amended complaint, and on 14 March 2022, Societe Generale filed its motion to dismiss, which was granted by the court on 23 January 2023. Plaintiffs have appealed.
- On 16 March 2021, Societe Generale was named as a defendant, together with another bank, in a nearly identical Helms-Burton litigation filed in the US District Court in Manhattan (Pujol II) by the personal representative of one of the purported heirs to Banco Pujol who is also a plaintiff in Pujol I. The case was stayed pending developments in Pujol I. At the parties' request, following dismissal of Pujol I, the court lifted the stay on Pujol II and entered an order dismissing the case for the same reasons it dismissed Pujol I. Plaintiff has appealed.
- In the context of the sale of its Polish subsidiary Euro Bank to Bank Millennium on 31 May 2019 and of the indemnity granted to the latter against certain risks, Societe Generale continues to monitor the evolution of court cases related to CHF-denominated or CHF-indexed loans issued by Euro Bank. The reserve in this matter in Societe Generale SA's accounts takes into consideration the increase in the number of court cases regarding the loans subject of the sale and the substance of the decisions handed down by Polish courts.
 - Like other financial institutions, Societe Generale is subject to audits by the tax authorities regarding its securities lending/borrowing activities as well as equity and index derivatives activities. The 2017, 2018, 2019 and 2020 audited years are subject to notifications of proposals of tax adjustments in respect of the application of a withholding tax. These proposals are contested by the Group. Given the significance of the matter, on 30 March 2023, the French Banking Federation has brought proceedings against the tax administration's doctrine. In this respect, on 8 December 2023, the French *Conseil d'État* ruled that the tax authorities may not extend the dividend withholding tax beyond its statutory scope, except if taxpayers engaged in an abusive behavior (*abus de droit*), thereby characterizing the tax administration's position based on the concept of beneficial owner as illegal. In addition, further to raids conducted by the *parquet national financier* at the end of March 2023 at the premises of five banks in Paris, among which Societe Generale, the latter has been informed that it was subject to a preliminary investigation pertaining to the same issue. Societe Generale is defending the action.
 - On 19 August 2022, a Russian fertiliser company, EuroChem North West-2 ("EuroChem"), a wholly owned subsidiary of EuroChem AG, filed a claim against Societe Generale S.A. and its Milan branch ("Societe Generale") before English courts. This claim relates to five on-demand bonds that Societe Generale issued to EuroChem in connection with a construction project in Kingisepp, Russia. On 4 August 2022, EuroChem made demands under the guarantees. Societe Generale explained it was unable to honour the claims due to international sanctions directly impacting the transactions, an assessment which EuroChem disputes. Societe Generale filed its defence submissions on 1 November 2022, to which EuroChem replied on 19 December 2022. A case management conference ("CMC") was held on 26 September 2023, in the course of which the court set the procedural timetable. As of the date of this update, the Parties' disclosures are due by the end of April 2024 and the trial (if any) is expected to take place in June 2025.
 - SG Americas Securities, LLC ("SGAS") received a request for information in December 2022 from the US Securities and Exchange Commission ("SEC") focused on compliance with record-keeping requirements in connection with business-related communications on messaging platforms that were not approved by the firm. On 28 March 2023, SGAS and Societe Generale received a similar request from the US Commodity Futures Trading Commission ("CFTC"). These inquiries follow a number of regulatory settlements in 2022 with other firms covering similar matters. SGAS reached a settlement with the SEC, announced on 8 August 2023, and agreed to pay a penalty of USD 35 million, take certain remedial actions, and engage an independent compliance consultant. Societe Generale and SGAS reached a settlement with the CFTC, also announced on 8 August 2023, and agreed to pay a penalty of USD 75 million and take certain remedial actions.

6.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2023

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, 2023.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2023 and of the results of its operations for the year then ended in accordance with French accounting principles.

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 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, 2023 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.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.821-53 and R. 821-180 of the French Commercial Code 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 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 annual 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.

ASSESSMENT OF IMPAIRMENT AND PROVISIONS FOR CUSTOMER LOANS

Risk identified

Customer loans and receivables carry a credit risk which exposes your company to a potential loss if its client or counterparty is unable to meet its financial commitments.

Your company recognizes impairment and provisions to cover this risk.

The accounting principles used for the measurement of individual impairment, on the one hand, and collective provisions, on the other, are set out in Note 2.6 "Impairment and provisions" to the financial statements.

The amount of the collective provisions for credit risk is calculated on the basis of non-downgraded performing loans and downgraded performing loans, respectively. These collective provisions are determined using statistical models requiring the exercise of judgment at the various stages in the calculation, particularly in the context of uncertainty relating to the geopolitical and economic situation.

In addition, your company uses judgment and makes accounting estimates to measure the level of individual impairment for doubtful loans.

As at December 31, 2023, outstanding loans to clients exposed to credit risk totaled M€ 376,146; total impairment amounted to M€ 2,556 and total provisions amounted to M€ 2,018.

We consider the measurement of impairment and provisions relating to customer loans to be a key audit matter as they require Management to exercise judgment and make estimates, particularly concerning the economic sectors and geographical areas most seriously weakened by the crisis.

Our response

Our work focused on the most significant loans and customer loan portfolios, as well as the most vulnerable economic sectors and geographical areas, in particular, loans linked to Russia and sectors weakened by inflation and rising interest rates.

After including credit risk management experts in our audit team, our audit work included:

- obtaining an understanding of Société Générale's governance and internal control relating to the assessment of the credit risk and the measurement of the expected losses, and testing the key manual and automated controls;
- assessing, with the support of economists from our firms, the relevance of the macro-economic projections and the weighting of scenarios used by your company;
- analyzing the main parameters used by your company to measure the collective provisions as at December 31, 2023;
- assessing the capacity of model and parameter adjustments as well as sectoral adjustments to adequately cover the credit risk level in the context of the economic crisis;
- assessing, using data analysis tools, the measurement of the collective provisions on a sample of portfolios;
- testing, on a selection of the most significant loans to corporate clients, the main criteria used to classify loans as doubtful, as well as the assumptions used to estimate the related individual impairment.

We also analyzed the information on credit risk in the evolving context of the pandemic disclosed in Notes 1.4 "Use of estimates and judgment", 2.3 "Loans and receivables" and 2.6 "Impairment and provisions" to the financial statements.

RECOVERABILITY OF DEFERRED TAX ASSETS IN FRANCE

Risk identified

As at December 31, 2023, deferred tax assets on loss carryforwards were recorded in the amount of M€ 1,676, including M€ 1,572 for the tax group in France.

As stated in Note 5 "Taxes" to the financial statements, your company 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, 2023, this timeframe is eight years for the tax group in France.

In addition, as stated in Notes 5 "Taxes" and 8 "Information on risks and litigation" to the 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, notably on future taxable profits, and of 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 your company will be able to use in the future its tax loss carryforwards generated to date, in particular in view of its ability to generate future taxable profits in France.

After including tax specialists in our audit team, our procedures mainly consisted in:

- comparing the projected results of the previous years with the actual results of the corresponding fiscal years, so as to assess the reliability of the tax business plan development process;
- obtaining an understanding of the budget for 2024 drawn up by Management and approved by the Board of Directors, as well as the assumptions underlying the projections over the 2024-2027 timeframe, which take into account the expected impacts of operations known at the closing date (in particular, the merger of the France networks or the acquisition of Leaseplan);
- assessing the relevance of the methods used to extrapolate the tax results after the 2024-2027 timeframe;
- assessing the assumptions used to analyze sensitivity in the event of adverse scenarios defined by the Société Générale group;
- analyzing the sensitivity of the recovery period for tax losses under different scenarios we created;
- analyzing the situation of your company, 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.

We also analyzed the information provided by your company, concerning deferred tax assets, disclosed in Notes 1.4 "Use of estimates and judgment", 5 "Taxes" and 8 "Information on risks and litigation" to the financial statements.

VALUATION OF COMPLEX FINANCIAL INSTRUMENTS

Risk identified

Within the scope of its market activities, your company holds financial instruments for trading purposes. As at December 31, 2023, M€ 174,734 are recorded in this respect under assets on your company's balance sheet.

To determine the fair value of these instruments, your company uses techniques or in-house valuation models.

As stated in Note 2.2 "Operations on forward financial instruments" to the financial statements, if necessary, these valuations include discounts calculated according to the relevant instruments and associated risks. In the absence of available market data or market valuation models, the models and data used to value these instruments may, for example, be based on Management's judgment and estimates.

Given the complexity of the modelling in determining the fair value, the multiplicity of models used, and the use of Management's judgment in determining these fair values, 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.

After including financial instrument valuation specialists in our audit team, our procedures consisted in:

- obtaining 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;
- analyzing the governance set up by the Risk Department for the control of the valuation models;
- analyzing the valuation methodologies for certain categories of complex instruments and the related reserves or value adjustments;
- testing the key controls relating to the independent verification of the valuation parameters, and evaluating the reliability of the market parameters used to provide input for the valuation models with reference to external data;
- as regards the process used to explain the changes in fair value, obtaining an understanding of the bank's analysis principles and performing tests of controls on a sample basis. In addition, we performed "analytical" IT procedures on the control data relating to certain activities;
- obtaining the quarterly results of the model independent validation process;
- obtaining the quarterly results of the valuation adjustment process based on external market data, and analyzing the differences in parameters with the market data in the event of a significant impact, and the accounting treatment of such differences. Where external data is absent, we assessed the existence of reserves or the non-materiality of the associated issues;
- performing counter-valuations of a selection of complex derivative financial instruments using our tools.

We also analyzed the compliance of the methods underlying the estimates and the principles described in Note 2.2 "Operations on forward financial instruments" to the financial statements.

IT RISK RELATING TO MARKET ACTIVITIES

Risk identified

The Market Activities of the Global Banking & Investor Solutions division (GBIS) constitute an important activity, as illustrated by the significance of the financial instruments positions in Note 2.2 "Operations on forward financial instruments" to the 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.

Furthermore, in a context of widespread home working and an increasing number of malicious acts, your company is exposed to risks relating to the opening up of information systems to allow remote access to transaction processing applications.

To ensure the reliability of the accounts, it is therefore essential for your company to master the controls relating to the management of the information systems. In this context, the IT risk relating to the Market Activities of the GBIS division constitutes 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 your company.

After including information system specialists in our audit team, we tested the IT general controls of key applications that we considered to be key for this activity. Our work mainly consisted in assessing:

- the controls set up by your company on access rights, especially at sensitive periods in a professional career (recruitment, transfer, resignation, end of contract) with, where applicable, extended procedures in the event of anomalies 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.

In addition, our tests on the general IT and application controls were supplemented by data analysis procedures on certain IT applications.

We also evaluated the governance implemented by your company to ensure the resilience of the information systems faced with cyber risks. Our work consisted in interviewing the bank's security teams and studying the reports from the cybersecurity teams as well as any incidents occurring during the period.

ASSESSMENT OF THE LEGAL OR TAX RISKS RELATING TO REGULATORY OR ARBITRATION PROCEEDINGS INVOLVING THE GROUP

Risk identified

Société Générale is a party to various legal actions, particularly civil, administrative and criminal proceedings as indicated in Notes 2.6.6 "Other provisions for contingencies and losses" and 5.2 "Tax provisions" to the financial statements.

Other provisions for contingencies and losses amounted to M€ 967 and included in particular provisions for litigation and tax provisions which totaled M€ 11 as of December 31, 2023.

As indicated in Note 8 "Information on risks and litigation" to the financial statements, legal disputes presenting a material risk are analyzed on a quarterly basis to assess the need to record provisions or adjust the amount of raised provisions.

Given the complexity of certain proceedings, the significant amount of management judgment in assessing the risks and the financial repercussions for your Group, we consider the accounting treatment of legal disputes to be a key audit matter.

Our response

After including tax experts in our audit team, our approach mainly consisted in:

- obtaining an understanding of the process set up by your company to assess provisions for litigation;
- conducting interviews with the group's legal and tax departments and the functions affected by the ongoing proceedings to monitor the development of the main legal proceedings and ongoing investigations conducted by legal and tax authorities and regulators;
- obtaining and analysing available documentation such as management's position and the memos of the Group's legal and tax advisors;
- requesting confirmation from the lawyers in charge of the most significant proceedings;
- assessing the assumptions used to determine the need for and the amount of provisions raised, in particular on the basis of information gathered from the group's external advisers involved in the relevant cases;
- assessing the appropriateness of the information provided in the notes to the financial statements.

VALUATION OF EQUITY SECURITIES, OTHER LONG-TERM SECURITIES AND SHARES IN AFFILIATED COMPANIES

Risk identified

Equity securities, shares in affiliated companies and other long-term securities are recognized in the balance sheet for a net carrying amount value of €24 billion (including €3.2 billion in impairment).

As stated in Note 2.1 "Securities portfolio" to the financial statements, securities are recognized at their purchase price excluding acquisition costs.

Your company must ascertain whether there is any indication that the securities may be impaired, and notably whether such impairment is taken into account in the forecasts made and the variables used to discount the resulting flows. The comparison of the net carrying amount of the securities with their recoverable amount is an essential factor in assessing the need for a potential impairment.

As stated in Note 2.6.5 "Impairment of securities" to the financial statements, the recoverable amount is assessed at the value in use determined, for each security, with reference to a valuation method based on available information such as equity, profitability or the average stock market price of the last three months (for listed securities).

Given the importance of the sensitivity of the models used to data variations and the assumptions on which the estimates are based, we consider the measurement of equity securities, other long-term securities and shares in affiliated companies to be a key audit matter.

Our response

Our audit approach is based on gaining an understanding of the control procedures concerning (i) impairment testing of equity securities, other long-term securities and shares in affiliated companies and (ii) the drawing up of the business plans in place at the level of each entity to understand future changes in your company's structure and activities, and identify any indicators of impairment of these assets.

After including valuation specialists in our audit team, our work mainly consisted in:

- assessing, on a sample basis, the justification of the valuation methods and the figures used by Management to calculate values in use;
- analyzing the consistency of the business plans drawn up by the entities' finance departments on the basis of our understanding of the activities and projected results from previous financial years, in order to assess the reliability of the drawing-up of the business plans;
- critically analyzing the main assumptions and parameters used with regard to the available internal and external information (macro-economic scenarios, financial analyst consensus);
- evaluating the sensitivity analyses of the results to the key parameters, notably via comparison with multiples;
- testing, via sampling, the arithmetic accuracy of the value-in-use calculations used by your Company.

Lastly, we analyzed the information concerning equity securities, other long-term securities and shares in affiliated companies disclosed in Notes 1.4 "Use of estimates and judgment", 2.1 "Securities portfolio" and 2.6.5 "Impairment of securities" to the financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS ADDRESSED TO SHAREHOLDERS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS

We have no matters to report on the fair presentation and consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to shareholders except for the matter described below.

We have the following matter to report regarding the fair presentation and consistency with the financial statements of the information relating to payment deadlines referred to in Article D.441-6 of the French Commercial Code: as stated in the management report, this information does not include bank and other related operations as your Company considers that such operations fall outside the scope of disclosable information.

REPORT ON CORPORATE GOVERNANCE

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code relating to remunerations and benefits received by or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled thereby, included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

OTHER INFORMATION

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests, the identity of the shareholders and holders of the voting rights and the cross-shareholdings has been properly disclosed in the management report.

Other Legal and Regulatory Verifications or Information

FORMAT OF PRESENTATION OF THE FINANCIAL STATEMENTS INCLUDED IN THE ANNUAL FINANCIAL REPORT

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements 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*), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No. 2019/815 of December 17, 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements included in the annual financial report complies, in all material respects, with the European single electronic format.

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as statutory auditors of Société Générale by your Annual General Meeting held on April 18, 2003 for Deloitte & Associés and on May 22, 2012 for Ernst & Young et Autres.

As of December 31, 2023, Deloitte & Associés and Ernst & Young et Autres were in their twenty-first year and twelfth year of total uninterrupted engagement, respectively.

Previously, Ernst & Young Audit had been statutory auditor of Société Générale from 2000 to 2011.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 its 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 financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

OBJECTIVES AND AUDIT APPROACH

Our role is to issue a report on the 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 financial statements.

As specified in Article L. 821-55 of the French Commercial Code, 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 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 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 financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT TO THE AUDIT AND INTERNAL CONTROL COMMITTEE

We submit a report to the Audit and Internal Control Committee 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 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. 821-27 to L. 821-34 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 11, 2024

The Statutory Auditors

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ERNST & YOUNG et Autres

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