

## 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).

**17,800,000 European Style Cash Settled Long Certificates relating to  
the ordinary H shares of China Merchants Bank Co., Ltd.  
with a Daily Leverage of 5x**

**issued by**

**SG Issuer**

**(Incorporated in Luxembourg with limited liability)**

**unconditionally and irrevocably guaranteed by**

**Société Générale**

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**Issue Price: S\$0.45 per Certificate**

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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 products<sup>1</sup> and Specified Investment Products (SIPs)<sup>2</sup>, 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

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

<sup>2</sup> 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](http://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:	17,800,000 European Style Cash Settled Long Certificates relating to the ordinary H shares of China Merchants Bank Co., Ltd. traded in HKD (the “ <b>Underlying Stock</b> ”)
ISIN:	LU2517559907
Company:	China Merchants Bank Co., Ltd. (RIC: 3968.HK)
Underlying Price <sup>3</sup> and Source:	HK\$33.05 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 0.45
Management Fee (p.a.) <sup>4</sup> :	0.40%
Gap Premium (p.a.) <sup>5</sup> :	7.50%, is a hedging cost against extreme market movements overnight.
Funding Cost <sup>6</sup> :	The annualised costs of funding, referencing a publicly published interbank offered rate plus spread.
Rebalancing Cost <sup>6</sup> :	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

<sup>3</sup> 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.

<sup>4</sup> 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.

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

<sup>6</sup> 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 October 2025
Expiry Date:	23 October 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 October 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 “ <b>Observation Date</b> ” 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 Rate<sup>3</sup>: 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](http://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<sub>t</sub>** 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<sub>t-1,t</sub>** 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<sub>t-1,t</sub>** 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<sub>t-1,t</sub>** 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<sub>t</sub>** 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<sub>t</sub>** 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<sub>t</sub>** 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<sub>t</sub>* 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<sub>t</sub>** means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKDOND= 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<sub>t</sub>** 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 H1HKD1YD= and (2) Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKDOND= 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, % <b>SpreadLevel</b> <sub>t</sub> should be 0%.
<b>ACT(t-1,t)</b>	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).
<b>DayCountBasisRate</b>	365
<b>Benchmark Fallback</b>	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.
<b>Reference Rate Event</b>	means, in respect of the Reference Rate any of the following has occurred or will occur: <ul style="list-style-type: none"> <li>(i) a Reference Rate Cessation;</li> <li>(ii) an Administrator/Benchmark Event; or</li> <li>(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 &amp; 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.</li> </ul>
<b>Reference Rate Cessation</b>	means, for a Reference Rate, the occurrence of one or more of the following events: <ul style="list-style-type: none"> <li>(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;</li> <li>(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</li> <li>(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</li> </ul>

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:

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



<b>IRC<sub>IR(k-1),IR(k)</sub></b>	<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> $IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left  \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right  \right) \times TC$
<b>IS<sub>IR(k)</sub></b>	<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>
<b>IR(k)</b>	<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 k<sup>th</sup> Intraday Restrike Event on the relevant Intraday Restrike Date.</p>
<b>IR(C)</b>	<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>
<b>n</b>	<p>means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.</p>
<b>Intraday Restrike Event</b>	<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 <b>IS<sub>IR(0)</sub></b> 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 <b>IS<sub>IR(k)</sub></b> as of such Calculation Time.</p>
<b>Calculation Time</b>	<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>
<b>TimeReferenceOpening</b>	<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:	China Merchants Bank Co., Ltd.
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	17,800,000 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 “ <b>Master Instrument</b> ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ <b>Master Warrant Agent Agreement</b> ”) 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	=	<b>Daily Management Fee Adjustment</b>
		$1 - \text{Management Fee} \times \text{ACT} (t-1;t) / 360$
		x
		<b>Daily Gap Premium Adjustment</b>
		$1 - \text{Gap Premium} (t-1) \times \text{ACT} (t-1;t) / 360$

### 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 <sup>8</sup> x Daily Fees		Leverage Strategy daily performance x Daily Fees		Leverage Strategy Daily performance x Daily Fees

Value of Certificates	=	t=0	x	<b>Product of the daily Leverage Strategy Performance</b>	x	<b>Product of the Daily Fees (Hedging Fee Factor)</b>
		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	÷	Initial Reference Level x Initial Exchange Rate	x	Hedging Fee Factor
		Notional Amount						

### 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.

<sup>7</sup> "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.

<sup>8</sup> 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 H shares of China Merchants Bank Co., Ltd. traded in HKD
Expected Listing Date:	<b>03/07/2018</b>
Expiry Date:	<b>18/07/2018</b>
Initial Reference Level:	<b>1,000</b>
Initial Exchange Rate:	<b>1</b>
Final Reference Level:	<b>1,200</b>
Final Exchange Rate:	<b>1</b>
Issue Price:	<b>0.45 SGD</b>
Notional Amount per Certificate:	<b>0.45 SGD</b>
Management Fee (p.a.):	<b>0.40%</b>
Gap Premium (p.a.):	<b>7.50%</b>
Strike Level:	Zero

### Hedging Fee Factor

Hedging Fee Factor on the  $n^{\text{th}}$  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):

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 7.50\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9792\% \approx 99.9781\%$$

Assuming 2<sup>nd</sup> Underlying Stock Business Day falls 3 Calendar Days after 1<sup>st</sup> Underlying Stock Business Day:

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

$$\text{HFF (2)} = 99.9781\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 7.50\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9781\% \times 99.9967\% \times 99.9375\% \approx 99.9122\%$$

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 99.6713% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9781%
5/7/2018	99.9561%
6/7/2018	99.9342%
9/7/2018	99.8684%
10/7/2018	99.8465%
11/7/2018	99.8246%
12/7/2018	99.8027%
13/7/2018	99.7808%
16/7/2018	99.7151%
17/7/2018	99.6932%
18/7/2018	99.6713%

### Cash Settlement Amount

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

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.6713\% \\ &= 119.61\% \end{aligned}$$

$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.61\% \times 0.45 \text{ SGD} \\ &= \mathbf{0.538 \text{ SGD}} \end{aligned}$$

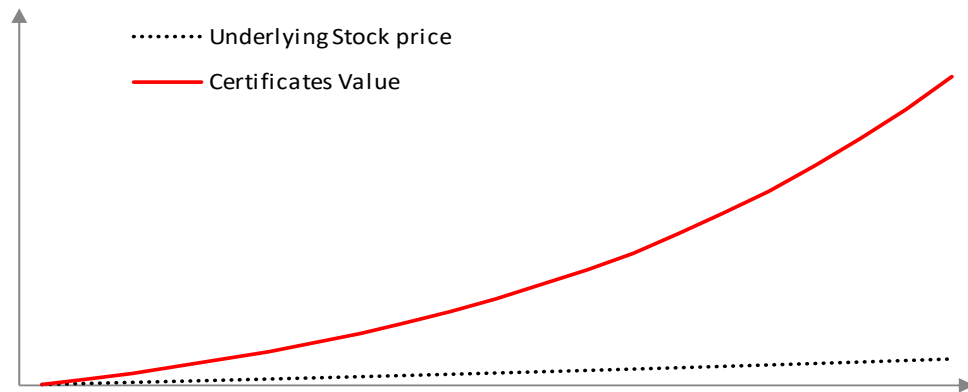


## Illustration on how returns and losses can occur under different scenarios

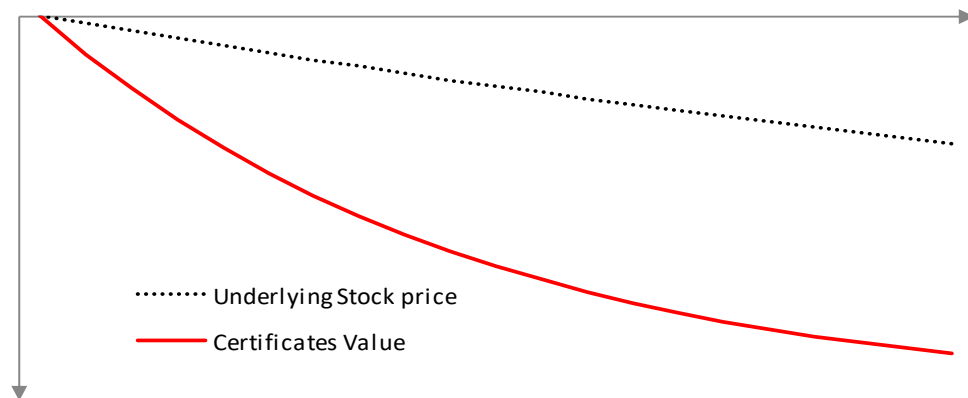
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

### 1. Illustrative examples

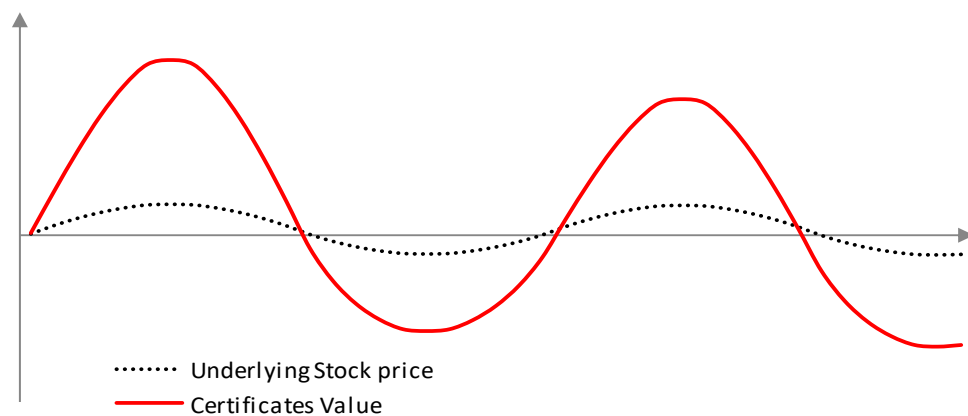
#### Scenario 1 – Upward Trend



#### Scenario 2 – Downward Trend



#### Scenario 3 – Volatile Market



## 2. Numerical Examples

### Scenario 1 – Upward Trend

<b>Underlying Stock</b>						
	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%

<b>Value of the Certificates</b>						
	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	0.45	0.50	0.54	0.60	0.66	0.72
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

### Scenario 2 – Downward Trend

<b>Underlying Stock</b>						
	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%

<b>Value of the Certificates</b>						
	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	0.45	0.41	0.36	0.33	0.30	0.27
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

### Scenario 3 – Volatile Market

<b>Underlying Stock</b>						
	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%

<b>Value of the Certificates</b>						
	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	0.45	0.50	0.45	0.49	0.44	0.49
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.

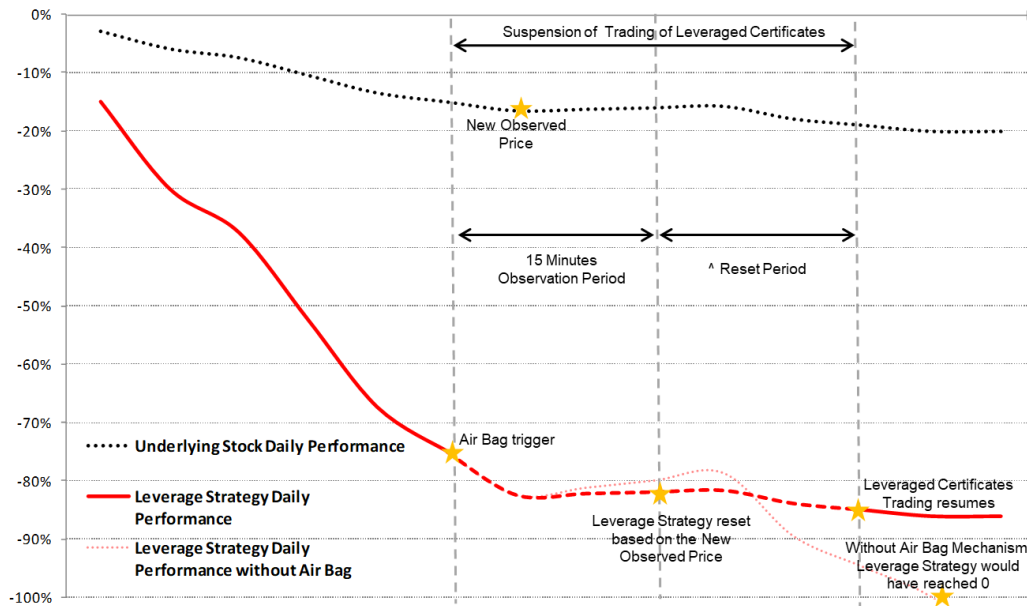
The resumption of trading is subject to the SGX-ST's requirements of at least 15 minutes after the SGX-ST approves the request from the Issuer to resume trading on the Certificates, rounded to the next quarter of an hour. The Issuer will provide at least 15 minutes' notice of the resumption of trading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

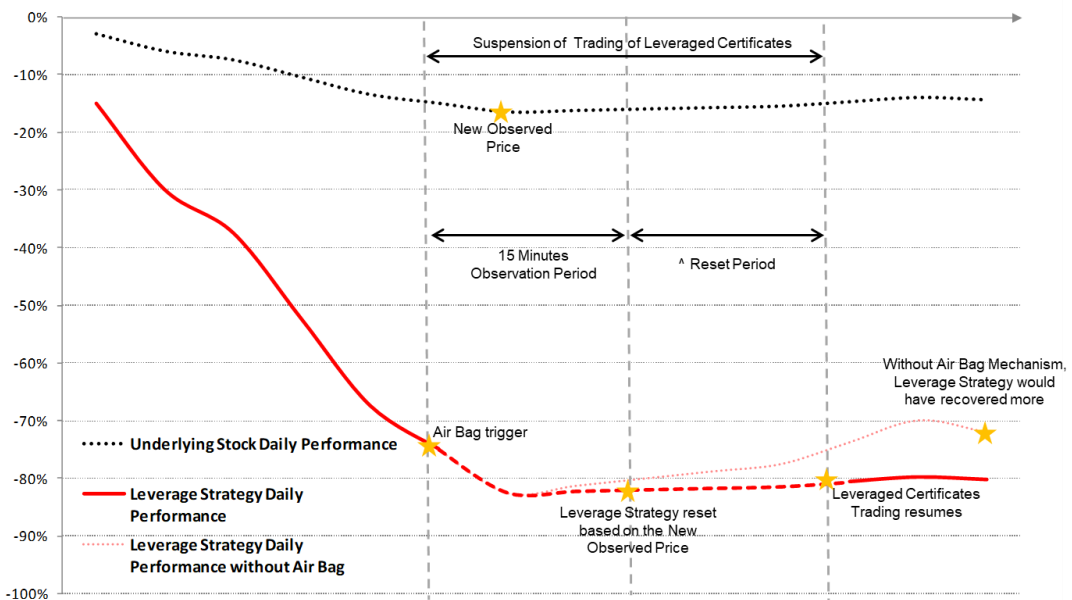
Illustrative examples of the Air Bag Mechanism<sup>9</sup>

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.

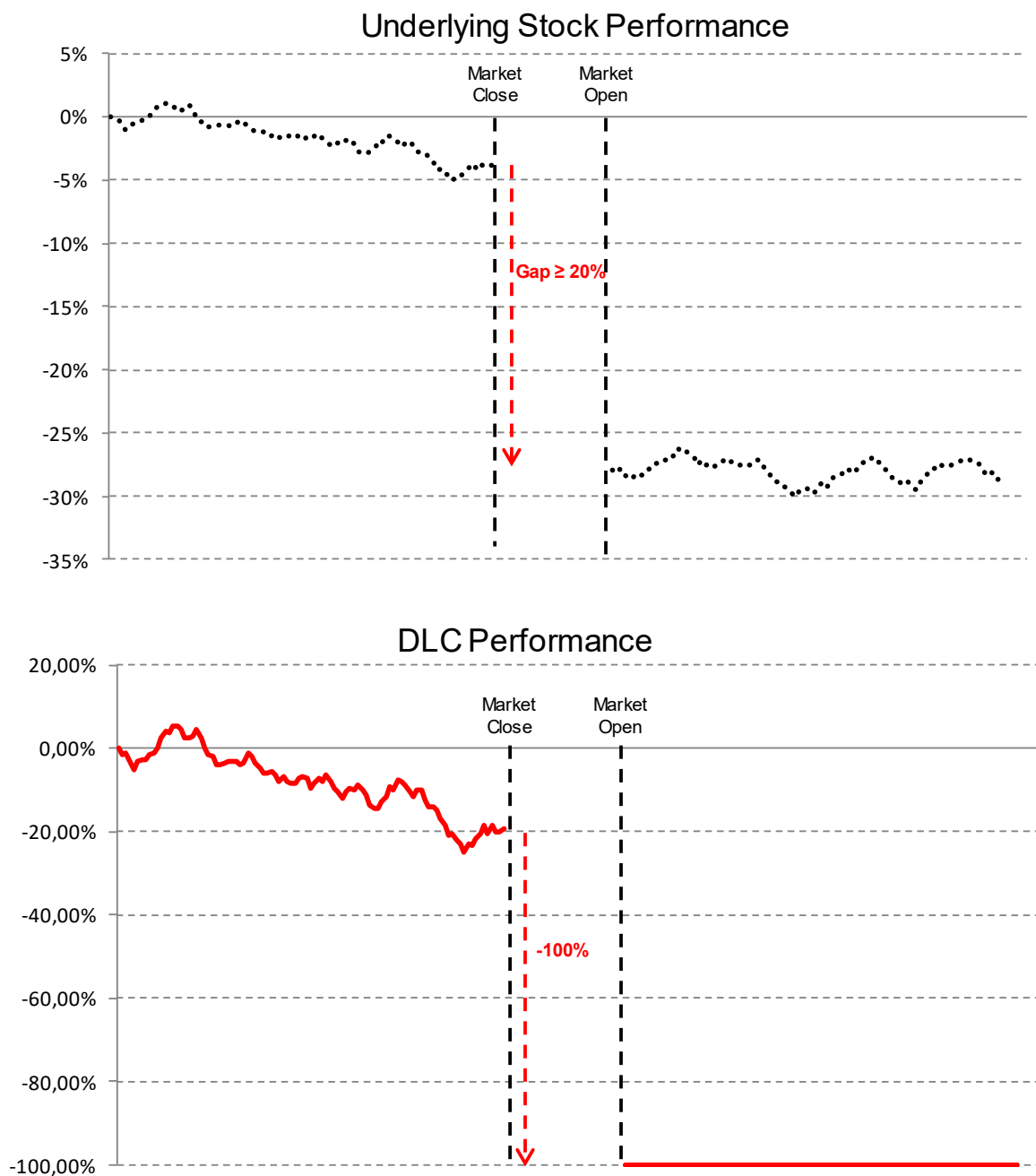
<sup>9</sup> The illustrative examples are not exhaustive.

## 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.

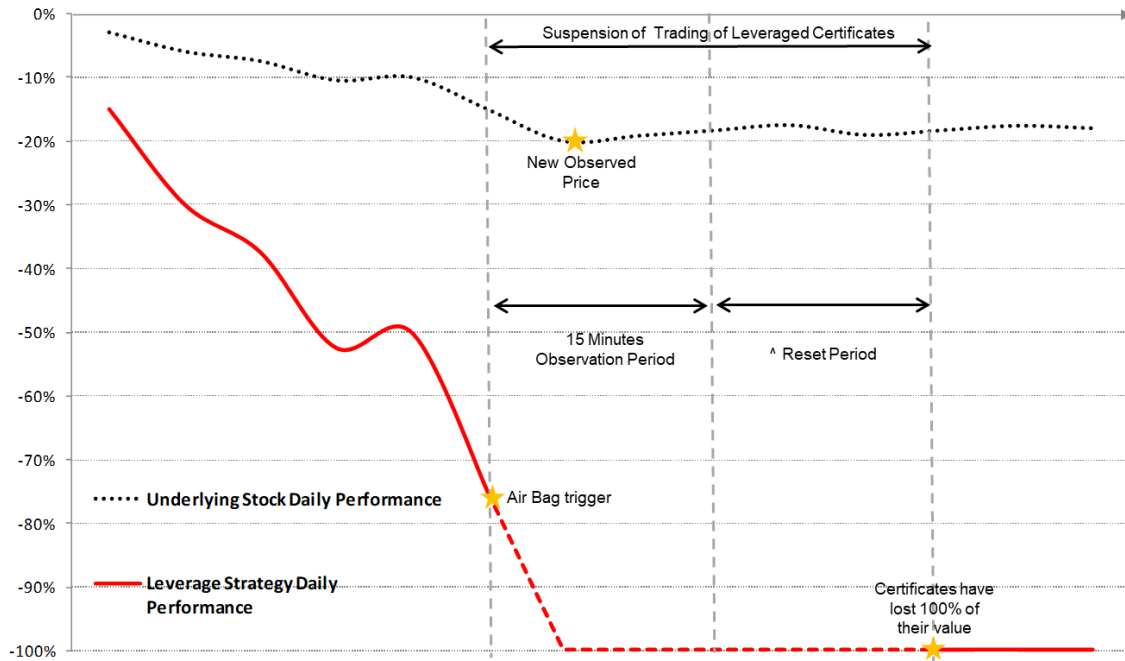
### Scenario 1 – Overnight fall of the Underlying Stock

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)
0.45	0.495	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):

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

$$S_t = \$202$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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)
0.45	0.4725	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)
0.45	0.5625	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:

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

$$S_t = \$85$$

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

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

$$R = \$0$$

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

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

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)
0.45	0.495	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)
0.45	0.5625	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 <https://english.cmbchina.com/>. The Issuer has not independently verified any of such information.*

China Merchants Bank Co., Ltd. (the “**Company**” or the “**Bank**”) is a China-based commercial bank. The Bank operates its businesses through three segments, which are Wholesale Finance segment, Retail Finance segment and Other segment. Wholesale Finance segment consists of savings and loans; settlement and cash management services; trade finance and offshore business; investment banking; interbank lending, buyback and other interbank business; asset custody business; financial market business and other businesses. Retail Finance segment includes savings and loans, bank card services, wealth management, private banking and other services. Other segment consists of investment real estates and the operations of the Company’s subsidiaries, affiliated companies and joint venture companies. The Company operates its business in domestic market and to overseas markets, with China as its main 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 18 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 places.

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 CHINA MERCHANTS BANK CO., LTD. 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 18 April 2024 in relation to the same.

# Independent Auditor's Report

# Deloitte.

# 德勤

To the shareholders of China Merchants Bank Co., Ltd.

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

## Opinion

We have audited the consolidated financial statements of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 160 to 303, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, 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 International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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 these matters.

## Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost, and financial guarantees and loan commitments</i></p> <p>We identified expected credit loss (“ECL”) allowance of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments as a key audit matter due to the materiality of these items’ balance and significant management judgement and estimates involved in deriving the ECL estimates.</p> <p>As at 31 December 2023, as set out in Note 22(a), the Group reported loans and advances to customers at amortised cost of RMB5,924,766 million and expected credit loss allowances of RMB267,620 million; in Note 23(b), the Group reported debt investments at amortised cost of RMB1,788,806 million and expected credit loss allowances of RMB39,782 million; in Note 42, the Group reported the expected credit loss allowances of financial guarantees and loan commitments of RMB17,404 million.</p> <p>Key judgements and estimates in respect of the measurement of ECLs include: the significant management judgement and estimates of model design and its application; the identification of a significant increase in credit risk (SICR); the identification of credit impairment events; the determination of inputs used in the ECL model, as well as the determination of the forward-looking information to incorporate.</p>	<p>Our audit procedures in relation to the expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments included the following:</p> <p>We understood management’s process and tested the design and operating effectiveness of key controls across the processes relevant to the ECL estimation of the Group. These controls included the development, validation and review of the ECL model; the controls over the model data input, including manual input controls and automated transmission controls; the automated controls over the ECL model calculation process; the controls over the identification of SICR indicators and credit impairment events.</p> <p>We assessed whether the ECL model applied by the Group has covered all the exposures that should be taken into consideration. In respect of different portfolios of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments, we involved our internal modelling specialist to assist us in assessing the appropriateness of the Group’s methodology of ECL modelling. We reviewed relevant documents and evaluated the appropriateness and application of the ECL model.</p>



## Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost, and financial guarantees and loan commitments</i></p>	<p>With the support of our internal modelling specialist, we assessed the key definitions and application of parameters and assumptions in the ECL model. This included assessing stage determination, probability of default, loss given default, exposure at default and forward-looking information. We selected samples to check whether the calculation in the ECL model is consistent with the methodology. We selected samples to conduct credit reviews in order to assess the appropriateness of the significant judgements made by the management regarding the occurrence of SICR and credit impairment events, and whether the identification of such events are proper and timely. In addition, we selected samples and tested their data input into the ECL model to evaluate the completeness and accuracy of the data input. For loans and advances at amortised cost and debt investments at amortised cost at stage 3, we selected samples to test the reasonableness of future cash flows from the borrowers estimated by the Group, including the expected recoverable amount of collateral, to assess whether there were material misstatements in credit loss allowances.</p>
<p>Principal accounting policies and significant accounting estimates and judgement applied in determining the expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments are set out in Notes 4(5) and 5(4) to the consolidated financial statements.</p>	

## Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
<b><i>Consolidation of structured entities</i></b>	
<p>We identified consolidation of structured entities as a key audit matter since significant judgement is applied by management to determine whether or not the Group has control over certain structured entities.</p>	<p>Our audit procedures in relation to consolidation of structured entities included the following:</p>
<p>The structured entities of the Group include wealth management products, asset management schemes, trust beneficiary rights, assets-backed securities and funds, as disclosed in Note 64 to the consolidated financial statements.</p>	<p>We understood and tested the design and operating effectiveness of key controls over the management process in determining the consolidation scope for interests in structured entities as well as understood the purpose for setting up the structured entities.</p>
<p>As described in Note 4(1), the consolidation of structured entities is determined based on control. Control is achieved when the investor has power over the investee, the investor is exposed, or has rights, to variable returns from its involvement with the investee; and the investor has the ability to use its power to affect its returns. When performing the assessment on whether the Group has control over the structured entities, the Group considers several factors including, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration for managing the structured entities and the Group's exposure to variability of returns from interests that it holds in the structured entities.</p>	<p>We reviewed the relevant contract terms, on a sample basis, and assessed the power of the Group over the structured entities, the rights of the Group to variable returns of the structured entities and the ability of the Group to use its power to affect its return, and evaluated management judgement on whether the Group has control over the structured entities and the conclusion about whether or not the consolidation criteria are met.</p>

## Other Information

The directors of the Bank 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 Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Bank 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 of the Bank 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 of the Bank 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.

## 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, 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 ISAs 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.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

As part of an audit in accordance with ISAs, 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 of the Bank.
- Conclude on the appropriateness of the directors of the Bank'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 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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters 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 Shi Chung Fai.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

25 March 2024

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2023	2022
Interest income	6	375,610	353,380
Interest expense	7	(160,941)	(135,145)
<b>Net interest income</b>		<b>214,669</b>	<b>218,235</b>
Fee and commission income	8	92,834	103,372
Fee and commission expense		(8,726)	(9,097)
<b>Net fee and commission income</b>		<b>84,108</b>	<b>94,275</b>
<b>Other net income</b>	9	<b>37,825</b>	<b>29,705</b>
– Disposal of financial instruments at amortised cost		967	170
<b>Operating income</b>		<b>336,602</b>	<b>342,215</b>
Operating expenses	10	(120,991)	(122,061)
<b>Operating profit before impairment losses and taxation</b>		<b>215,611</b>	<b>220,154</b>
Expected credit losses	14	(41,278)	(56,751)
Impairment losses on other assets		(191)	(815)
Share of profits of joint ventures	25	1,860	1,710
Share of profits of associates	26	616	815
<b>Profit before taxation</b>		<b>176,618</b>	<b>165,113</b>
Income tax	15	(28,612)	(25,819)
<b>Profit for the year</b>		<b>148,006</b>	<b>139,294</b>
<b>Attributable to:</b>			
Equity holders of the Bank		146,602	138,012
Non-controlling interests		1,404	1,282
<b>Earnings per share</b>			
Basic and diluted (RMB Yuan)	17	5.63	5.26

The notes form part of these consolidated financial statements.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

	Note	2023	2022
<b>Profit for the year</b>		<b>148,006</b>	<b>139,294</b>
<b>Other comprehensive income for the year after tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>		<b>2,373</b>	<b>1,285</b>
– Share of other comprehensive income/(expense) from equity-accounted investees		202	(1,155)
– Net fair value gain/(loss) on debt instruments measured at fair value through other comprehensive income		3,337	(5,617)
– Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		(2,045)	3,471
– Net movement in cash flow hedge reserve		(59)	112
– Exchange difference on translation of financial statements of foreign operations		983	4,429
– Other		(45)	45
<i>Items that will not be reclassified to profit or loss</i>		<b>358</b>	<b>38</b>
– Net fair value gain on equity instruments designated at fair value through other comprehensive income		354	48
– Remeasurement of defined benefit scheme		4	(10)
<b>Other comprehensive income for the year, net of tax</b>	16	<b>2,731</b>	<b>1,323</b>
<b>Attributable to:</b>			
Equity holders of the Bank		2,658	1,053
Non-controlling interests		73	270
<b>Total comprehensive income for the year</b>		<b>150,737</b>	<b>140,617</b>
<b>Attributable to:</b>			
Equity holders of the Bank		149,260	139,065
Non-controlling interests		1,477	1,552

The notes form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2023	2022
<b>Assets</b>			
Cash		14,931	15,209
Precious metals		2,321	2,329
Balances with central banks	18	667,871	587,818
Balances with banks and other financial institutions	19	100,769	91,346
Placements with banks and other financial institutions	20	287,694	264,209
Amounts held under resale agreements	21	172,246	276,676
Loans and advances to customers	22	6,252,755	5,807,154
Financial investments at fair value through profit or loss	23(a)	526,145	423,467
Derivative financial assets	60(f)	18,733	18,671
Debt investments at amortised cost	23(b)	1,749,024	1,555,457
Debt investments at fair value through other comprehensive income	23(c)	899,102	780,349
Equity investments designated at fair value through other comprehensive income	23(d)	19,649	13,416
Interests in joint ventures	25	15,707	14,247
Interests in associates	26	10,883	9,597
Investment properties	27	1,160	1,268
Property and equipment	28	115,348	99,919
Right-of-use assets	29(a)	17,041	17,553
Intangible assets	30	2,709	3,402
Goodwill	31	9,954	9,999
Deferred tax assets	32	90,557	90,848
Other assets	33	53,884	55,978
<b>Total assets</b>		<b>11,028,483</b>	<b>10,138,912</b>

The notes form part of these consolidated financial statements.

	Notes	2023	2022
<b>Liabilities</b>			
Borrowing from central banks		378,621	129,745
Deposits from banks and other financial institutions	34	508,378	645,674
Placements from banks and other financial institutions	35	247,299	207,027
Financial liabilities at fair value through profit or loss	36	43,958	49,144
Derivative financial liabilities	60(f)	17,443	18,636
Amounts sold under repurchase agreements	37	135,078	107,093
Deposits from customers	38	8,240,498	7,590,579
Salaries and welfare payable	39(a)	28,679	23,866
Tax payable	40	13,597	19,458
Contract liabilities	41	5,486	6,679
Lease liabilities	29(b)	12,675	13,013
Provisions	42	19,662	22,491
Debt securities issued	43	176,578	223,821
Deferred tax liabilities	32	1,607	1,510
Other liabilities	44	113,195	125,938
<b>Total liabilities</b>		<b>9,942,754</b>	<b>9,184,674</b>
<b>Equity</b>			
Share capital	45	25,220	25,220
Other equity instruments	46	150,446	120,446
– Preference shares	46(a)	27,468	27,468
– Perpetual bonds	46(b)	122,978	92,978
Capital reserve	47	65,432	65,435
Investment revaluation reserve	48	13,656	11,815
Hedging reserve	49	92	151
Surplus reserve	50	108,737	94,985
General reserve	51	141,481	132,471
Retained earnings		518,638	449,139
Proposed profit appropriation	52(b)	49,734	43,832
Exchange reserve	53	2,934	2,009
<b>Total equity attributable to shareholders of the Bank</b>		<b>1,076,370</b>	<b>945,503</b>
Non-controlling interests		9,359	8,735
– Non-controlling interest		6,521	5,948
– Perpetual debt capital	62(a)	2,838	2,787
<b>Total equity</b>		<b>1,085,729</b>	<b>954,238</b>
<b>Total equity and liabilities</b>		<b>11,028,483</b>	<b>10,138,912</b>

The notes form part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 25 March 2024.

Miao Jianmin  
Director

Wang Liang  
Director



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

		2023											Non-controlling interests			
		Total equity attributable to equity holders of the Bank														
		Other equity instruments			Investment								Non-	Perpetual		
		Share	Preference	Perpetual	Capital	revaluation	Hedging	Surplus	General	Retained	Proposed profit	Exchange	Subtotal	controlling	debt	Total
Notes		capital	shares	bonds	reserve	reserve	reserve	reserve	reserve	earnings	appropriation	reserve		interest	capital	
At 1 January 2023		25,220	27,468	92,978	65,435	11,815	151	94,985	132,471	449,139	43,832	2,009	945,503	5,948	2,787	954,238
Changes in equity for the year		-	-	30,000	(3)	1,841	(59)	13,752	9,010	69,499	5,902	925	130,867	573	51	131,491
(a) Net profit for the year		-	-	-	-	-	-	-	-	146,602	-	-	146,602	1,222	182	148,006
(b) Other comprehensive income for the year		16	-	-	-	1,792	(59)	-	-	-	-	925	2,658	22	51	2,731
Total comprehensive income for the year		-	-	-	-	1,792	(59)	-	-	146,602	-	925	149,260	1,244	233	150,737
(c) Capital movement from equity holders		-	-	30,000	(3)	-	-	-	-	-	-	-	29,997	(383)	-	29,614
(i) Decrease in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(383)	-	(383)
(ii) Issue of perpetual bonds		46(b)	-	30,000	(3)	-	-	-	-	-	-	-	29,997	-	-	29,997
(d) Profit appropriations		-	-	-	-	-	-	13,752	9,010	(77,054)	5,902	-	(48,390)	(288)	(182)	(48,860)
(i) Appropriations to statutory surplus reserve		50	-	-	-	-	-	13,752	-	(13,752)	-	-	-	-	-	-
(ii) Appropriations to general reserve		51	-	-	-	-	-	-	9,010	(9,010)	-	-	-	-	-	-
(iii) Dividends paid for the year 2022		52(a)	-	-	-	-	-	-	-	-	(43,832)	-	(43,832)	(288)	-	(44,120)
(iv) Distribution to perpetual debt capital		62	-	-	-	-	-	-	-	-	-	-	-	-	(182)	(182)
(v) Proposed dividends for the year 2023		52(b)	-	-	-	-	-	-	-	(49,734)	49,734	-	-	-	-	-
(vi) Dividends to preference shares		-	-	-	-	-	-	-	-	(996)	-	-	(996)	-	-	(996)
(vii) Distribution to perpetual bonds		-	-	-	-	-	-	-	-	(3,562)	-	-	(3,562)	-	-	(3,562)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		-	-	-	-	49	-	-	-	(49)	-	-	-	-	-	-
At 31 December 2023		25,220	27,468	122,978	65,432	13,656	92	108,737	141,481	518,638	49,734	2,934	1,076,370	6,521	2,838	1,085,729

The notes form part of these consolidated financial statements.

2022																
	Total equity attributable to equity holders of the Bank												Non-controlling interests			
	Notes	Other equity instruments			Investment					Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total	
		Share capital	Preference shares	Perpetual bonds	Capital reserve	revaluation reserve	Hedging reserve	Surplus reserve	General reserve							Retained earnings
At 1 January 2022		25,220	34,065	92,978	67,523	15,047	39	82,137	115,288	390,207	38,385	(2,144)	858,745	3,300	3,636	865,681
Changes in equity for the year		-	(6,597)	-	(2,088)	(3,232)	112	12,848	17,183	58,932	5,447	4,153	86,758	2,648	(849)	88,557
(a) Net profit for the year		-	-	-	-	-	-	-	-	138,012	-	-	138,012	1,080	202	139,294
(b) Other comprehensive income for the year	16	-	-	-	-	(3,212)	112	-	-	-	-	4,153	1,053	15	255	1,323
Total comprehensive income for the year		-	-	-	-	(3,212)	112	-	-	138,012	-	4,153	139,065	1,095	457	140,617
(c) Capital movement from equity holders		-	(6,597)	-	(2,088)	-	-	-	-	-	-	-	(8,685)	1,832	(1,104)	(7,957)
(i) Capital invested by non-controlling shareholders		-	-	-	(1,489)	-	-	-	-	-	-	-	(1,489)	1,842	-	353
(ii) Decrease in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(10)	-	(10)
(iii) Redemption of preference shares		-	(6,597)	-	(599)	-	-	-	-	-	-	-	(7,196)	-	-	(7,196)
(iv) Redemption of perpetual debt capital	62(a)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,104)	(1,104)
(d) Profit appropriations		-	-	-	-	-	-	12,848	17,183	(79,100)	5,447	-	(43,622)	(279)	(202)	(44,103)
(i) Appropriations to statutory surplus reserve	50	-	-	-	-	-	-	12,848	-	(12,848)	-	-	-	-	-	-
(ii) Appropriations to general reserve	51	-	-	-	-	-	-	-	17,183	(17,183)	-	-	-	-	-	-
(iii) Dividends paid for the year 2021	52(a)	-	-	-	-	-	-	-	-	-	(38,385)	-	(38,385)	(279)	-	(38,664)
(iv) Distribution to perpetual debt capital	62	-	-	-	-	-	-	-	-	-	-	-	-	-	(202)	(202)
(v) Proposed dividends for the year 2022	52(b)	-	-	-	-	-	-	-	-	(43,832)	43,832	-	-	-	-	-
(vi) Dividends to preference shares		-	-	-	-	-	-	-	-	(1,675)	-	-	(1,675)	-	-	(1,675)
(vii) Distribution to perpetual bonds		-	-	-	-	-	-	-	-	(3,562)	-	-	(3,562)	-	-	(3,562)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		-	-	-	-	(20)	-	-	-	20	-	-	-	-	-	-
At 31 December 2022		25,220	27,468	92,978	65,435	11,815	151	94,985	132,471	449,139	43,832	2,009	945,503	5,948	2,787	954,238

The notes form part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

	2023	2022
<b>Operating activities</b>		
Profit before taxation	176,618	165,113
<b>Adjustments for:</b>		
– Impairment losses on loans and advances	46,635	45,157
– Impairment losses on investments and other	(5,166)	12,409
– Unwinding of discount on loans and advances	(257)	(386)
– Depreciation of property and equipment and investment properties	11,008	10,279
– Depreciation of right-of-use assets	4,205	4,151
– Amortisation of other assets	1,170	1,193
– Net gains on debt securities and equity investments	(18,149)	(14,722)
– Interest income on investments	(80,836)	(65,808)
– Interest expense on issued debt securities	7,781	9,662
– Share of profits of associates	(616)	(815)
– Share of profits of joint ventures	(1,860)	(1,710)
– Net gains on disposal of properties and equipment and other assets	(168)	(282)
– Interest expense on lease liabilities	480	510
<b>Changes in:</b>		
Balances with central banks	(5,004)	(48,851)
Loans and advances to customers	(482,711)	(508,891)
Other assets	817	63,611
Deposits from customers	619,696	1,188,664
Amounts due to banks and other financial institutions	(69,249)	(135,569)
Amounts due from banks and other financial institutions with original maturity over 3 months	(13,744)	(46,825)
Borrowing from central banks	247,751	(30,073)
Other liabilities	(45,862)	(39,251)
<b>Cash generated from operating activities before income tax payment</b>	<b>392,539</b>	<b>607,566</b>
Income tax paid	(34,786)	(37,423)
<b>Net cash generated from operating activities</b>	<b>357,753</b>	<b>570,143</b>
<b>Investing activities</b>		
Proceeds from disposals and redemptions of investments	1,954,061	1,334,013
Investment income received	97,963	79,122
Proceeds from the disposals of property and equipment and other assets	4,950	6,750
Proceeds from the disposals of subsidiaries, associates or joint ventures	154	463
Payment for the purchases of investments	(2,282,035)	(1,898,898)
Payment for the acquisition of subsidiaries, associates or joint ventures	(39)	(484)
Payment for the purchases of property and equipment and other assets	(30,161)	(34,892)
<b>Net cash used in investing activities</b>	<b>(255,107)</b>	<b>(513,926)</b>

The notes form part of these consolidated financial statements.

	Notes	2023	2022
<b>Financing activities</b>			
Proceeds from the issuance of negotiable interbank certificates of deposit	55(b)	68,608	78,666
Proceeds from the issuance of certificates of deposit and other debt securities	55(b)	66,504	20,287
Proceeds from the issuance of debt securities	55(b)	25,201	21,481
Proceeds from the issuance of perpetual bonds		29,997	–
Proceeds from non-controlling interests of subsidiaries		–	2,667
Proceeds from other financing activities	55(b)	17,303	10,796
Repayment of negotiable interbank certificates of deposit	55(b)	(112,584)	(250,996)
Repayment of certificates of deposit and other debt securities	55(b)	(48,267)	(16,504)
Repayment of debt securities	55(b)	(51,146)	(78,735)
Payment for lease liabilities	55(b)	(5,053)	(4,932)
Payment for redemption of preference shares		–	(7,196)
Payment for redemption of perpetual debt capital		–	(1,104)
Distribution paid on perpetual debt capital	55(b)	(182)	(202)
Payment for dividends distribution	55(b)	(44,120)	(38,664)
Distribution paid on preference shares	55(b)	(996)	(1,675)
Distribution paid on perpetual bonds	55(b)	(3,562)	(3,562)
Interest paid on financing activities	55(b)	(7,482)	(12,400)
Payment for other financing activities	55(b)	(7,210)	(14,959)
<b>Net cash used in financing activities</b>		<b>(72,989)</b>	<b>(297,032)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>29,657</b>	<b>(240,815)</b>
Cash and cash equivalents as at 1 January		567,198	801,754
Effect of foreign exchange rate changes		2,164	6,259
<b>Cash and cash equivalents as at 31 December</b>	55(a)	<b>599,019</b>	<b>567,198</b>
<b>Cash flows from operating activities include:</b>			
Interest received		293,467	285,050
Interest paid		121,178	108,496

The notes form part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

## 1. Organisation and principal activities

### (1) Organisation

China Merchants Bank Co., Ltd. (the “Bank”) is a commercial bank incorporated in Shenzhen, the People’s Republic of China (the “PRC”). With the approval of the China Securities Regulatory Commission (the “CSRC”) of the PRC, the A-Shares of the Bank were listed on Shanghai Stock Exchange on 9 April 2002. On 22 September 2006, the Bank’s H-Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKEx”).

As at 31 December 2023, apart from the Head Office, the Bank had 51 branches in the Chinese mainland, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has two representative offices in New York and Taipei.

### (2) Principal activities

The principal activities of the Bank and its subsidiaries (the “Group”) are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

## 2. Basis of preparation of consolidated financial statements

### (1) Statement of compliance and basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and its interpretations promulgated by the International Accounting Standards Board (“IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### (2) Basis of measurement

These consolidated financial statements are presented in Renminbi (“RMB”) and unless otherwise stated, rounded to the nearest million. RMB is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(15).

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period and the measurement principles as explained below.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

## 2. Basis of preparation of consolidated financial statements *(continued)*

### (2) Basis of measurement *(continued)*

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the future periods are discussed in Note 5.

## 3. Application of new and amendments to IFRSs

### Standards and amendments to IFRSs effective in current year applied by the Group

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

#### IFRS 17 Insurance Contracts and its amendments

IFRS 17 Insurance Contracts and its amendments (“New Insurance Contract Standard”) establishes the principles of recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 Insurance Contracts.

The definition of insurance contract has been elaborated in the New Insurance Contract Standard which specified the combination and separation of insurance contract, introduced the concept of insurance contract group and refined the measurement model of insurance contract. It also made an adjustment to the principle of revenue recognition for insurance services and refined the measurement methods of contract service margins. The New Insurance Contract Standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders’ options and guarantees. The adoption of IFRS 17 has had no material impact on the financial position and financial performance of the Group.

### 3. Application of new and amendments to IFRSs *(continued)*

#### Standards and amendments to IFRSs effective in current year applied by the Group *(continued)*

##### Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities Arising from a Single Transaction

The amendments mainly relate to the scope of exemption for the initial recognition of deferred income tax in the International Accounting Standards IAS 12 – Income Taxes, and clarifies that the individual transaction 1) that is not arising from business combination; 2) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction; and 3) that the equivalent taxable temporary differences and deductible temporary differences are generated due to the initially recognised assets and liabilities is not applicable to the regulations on the exemptions from initially recognised deferred tax liabilities and deferred tax assets. With this amendment, the Group has been required to recognise one deferred tax asset (to the extent that taxable income is likely to be obtained to offset the deductible temporary difference) and one deferred tax liability for all deductible and taxable temporary differences relating to right-of-use assets and lease liabilities. The adoption of the amendments to IAS 12 has had no material impact on the financial position and financial performance of the Group.

##### Amendments to IAS 12 – International Tax Reform-Pillar Two model Rules

IAS 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 adoption of the amendments to IAS 12 has had no material impact on the financial position and financial performance of the Group for the current and prior year.

The adoption of the above other amendments to IFRSs has had no material impact on the financial position and financial performance of the Group for the current and prior year or on the disclosures set out in these consolidated financial statements.

#### Amendments to IFRSs that are issued but not yet effective and have not been adopted by the Group

		Effective for annual period beginning on or after
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	the date to be determined

The amendments to IFRSs mentioned above are not expected to have material impact on the consolidated financial statements in the foreseeable future.

## 4. Material accounting policy information

### (1) Business combination

Financial statements include financial statements of the Bank and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. If the intra-group transaction indicates that the relevant assets have impairment losses, the losses shall be recognised in full.

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Bank. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the net profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)) or, when appropriate, the cost on initial recognition of an investment in a joint venture (see Note 4(2)) or, an associate (see Note 4(3)).

#### **Business combinations or asset acquisitions**

##### *Optional concentration test*

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities or assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities or assets is determined not to be a business and no further assessment is needed.

##### *Asset acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.



## 4. Material accounting policy information *(continued)*

### (1) Business combination *(continued)*

#### Business combinations or asset acquisitions *(continued)*

##### *Business combination*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognised in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially recognised at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

### (2) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When judging whether there is a joint control, the Group usually considers the following cases:

- whether any party within the joint arrangement cannot control the relevant activities of the joint ventures;
- whether the decisions about the joint ventures' relevant activities require the unanimous consent of the parties sharing control.

The consolidated statement of profit or loss includes the Group's share of the results of joint ventures for the year and the consolidated statement of financial position includes the Group's share of the net assets of the joint ventures.

Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the joint ventures' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes post-tax results of the joint ventures for the year, including any impairment loss on goodwill relating to the investment in the joint ventures recognised for the year (see Notes 4(4) and 4(10)).

When the Group's share of losses exceeds its interest in the joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. For these purposes, the Group's interest in the joint ventures is the carrying amount of the investment under equity method together with the Group's interests that in substance form part of the Group's net investment in the joint ventures.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture and has no significant influence on it, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

## 4. Material accounting policy information *(continued)*

### (3) Associates

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

When judging whether there is any significant influence, the Group usually considers the following cases:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes;
- material transactions between the entity and its investee.

Investments in associates are accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associates' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes the Group's post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in the associates recognised for the year (see Notes 4(4) and 4(10)).

When the Group's share of losses exceeds its interest in the associates, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates. For these purposes, the Group's interest in the associates is the carrying amount of the investment under equity method together with the Group's interests that in substance form part of the Group's net investment in the associates.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

### (4) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest based on the fair value of net assets acquired in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination and tested at least annually for impairment (see Note 4(10)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

## 4. Material accounting policy information *(continued)*

### (5) Financial instruments

#### Initial recognition

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

All regular way purchases or sales of financial assets are recognised or 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.

At initial recognition, 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 IFRS 15 *Revenue from Contracts with Customers*. 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 fair value through profit or loss) 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 fair value through profit or loss 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. When determining the effective interest rate, the Group estimates the future cash flow on the basis of considering all contract terms of financial assets or financial liabilities, but does not consider the expected credit loss.

#### Classification and measurement of financial assets

The Group classifies its financial assets into the following measurement categories at initial recognition: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Debt instruments 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms of the financial asset 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 fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment, which is not held for trading, in other comprehensive income ("OCI").

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling 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.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## 4. Material accounting policy information *(continued)*

### (5) Financial instruments *(continued)*

#### Classification and measurement of financial assets *(continued)*

##### *Financial assets at amortised cost*

Financial assets measured at amortised cost are subsequently measured with the effective interest method, and the gains or losses arising from amortisation or impairment are recognised in profit or loss. 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.

##### *Debt instruments classified as at FVTOCI*

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if debt instruments had been measured at amortised cost. When debt instruments are derecognised, the cumulative gains or losses previously recognised in investment revaluation reserve are reclassified to profit or loss.

##### *Equity instruments designated as at FVTOCI*

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments which are not held for trading as at FVTOCI. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation 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 earnings.

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 net income" line item in profit or loss.

##### *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 includes fair value gains or losses, any dividend or interest earned on the financial asset, and is included in "other net income".

## 4. Material accounting policy information *(continued)*

### (5) Financial instruments *(continued)*

#### Impairment under ECL model

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets which are subject to impairment under IFRS 9 *Financial Instruments*, including financial assets at amortised cost, debt instrument assets at fair value through other comprehensive income, leases receivable, loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group assesses the ECL of financial assets with forward-looking information. 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. In contrast, lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessment are done based on the 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.

For the above financial instruments that apply the ECL model, except for the purchased or originated credit-impaired financial assets, an assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by the Group to determine whether to recognise lifetime ECL. When the credit risk of these financial instruments does not increase significantly after the initial recognition, the Group recognises a loss allowance for the financial instrument at an amount equal to 12-month ECL; in the event of a significant increase in credit risk, the Group recognises a loss allowance at an amount equal to lifetime ECL. The Group recognises the loss allowance of receivables that result from transactions that are within the scope of IFRS 15 *Revenue from contracts with customers* at an amount equal to lifetime ECL.

#### *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. The assessment of whether the credit risk has increased significantly is detailed in Note 60(a).

#### *Credit-impaired financial assets*

The Group defines whether there is credit impairment based on the internal evaluation results of the credit risk management system for relevant financial assets. The Group considers that financial assets have been credit impaired when its loan classification is substandard, doubtful or loss or is more than 90 days overdue.

## 4. Material accounting policy information *(continued)*

### (5) Financial instruments *(continued)*

Impairment under ECL model *(continued)*

#### *Measurement and recognition of ECL*

ECL is measured based on the probability of default, loss given default and the exposure at default. The measurement and recognition of ECL are detailed in Note 60(a).

Generally, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected credit losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, ECL is the present value of the difference between the contractual cash flows that are due to the Group:

- if the holder of the loan commitments draws down the loan, and
- the cash flows that the Group expects to receive if the loan is drawn down.

The loss allowance for loan commitments and financial guarantee contracts is recognised in profit or loss and accumulated in provisions. As for debt instruments measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these financial assets. The loss allowance for other financial assets which are subject to impairment under IFRS 9 *Financial Instruments* is recognised in profit or loss through a loss allowance account.

#### Classification and measurement of financial liabilities

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading (including derivatives belonging to financial liabilities) or (ii) designated as at FVTPL. Except for hedging accounting, financial liabilities measured at FVTPL are subsequently measured at fair value and all changes in fair value are recognised in profit or loss.

A financial liability is classified as 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.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 *Financial Instruments* permits the entire combined contract to be designated as at FVTPL.

## 4. Material accounting policy information *(continued)*

### (5) Financial instruments *(continued)*

#### Classification and measurement of financial liabilities *(continued)*

##### *Other financial liabilities*

Except for financial liabilities at FVTPL, financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or by continued involvement in transferred financial assets and financial liabilities, financial guarantee contract and loan commitment, other financial liabilities are classified as financial liabilities at amortised cost, which are subsequently measured at amortised cost and the gains or losses arising from derecognition or amortisation are included in profit or loss.

#### Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedge and cash flow hedge. The Group documents the relationship between the hedging instruments and hedged items, along with its risk management objective and its strategy for undertaking the hedge, at the inception of a hedging relationship. The Group also requires documentation of the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks.

##### *Fair value hedge*

The gains or losses on the hedging instrument are recognised in consolidated statement of profit or loss. When the hedging for the risk exposure relates to a non-trading equity instrument designated as at FVTOCI, the gains or losses on the hedging instrument are recognised in other comprehensive income.

The carrying amount of the hedged item not already measured at fair value is adjusted for the gain or loss attributable to the risk being hedged and is taken to consolidated statement of profit or loss. The adjustment to the carrying amount of the hedged item is based on a recalculated effective interest rate at the date that amortisation begins and shall be amortised to consolidated statement of profit or loss if the hedged item is a financial instrument measured at amortised cost. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for hedging gains and losses. If the hedged item is debt instruments measured at FVTOCI, the amounts previously recorded as cumulative adjustments of hedging gains or losses are amortised in similar method and recognised in the consolidated statement of profit or loss. The carrying amount of the hedged item is not adjusted.

##### *Cash flow hedge*

The effective portions of changes in the fair value of derivatives that are designated and qualified as cash flow hedge are recognised in other comprehensive income and accumulated separately in hedging reserve. Any gain or loss relating to an ineffective portion is recognised immediately in the consolidated statement of profit or loss.

For cash flow hedge of a recognised asset or liability, the associated cumulative gain or loss is reclassified from hedging reserve to the consolidated statement of profit or loss in the same period during which the hedged cash flows affect profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss at that time remains in hedging reserve until the forecast transaction is ultimately recognised in the consolidated statements of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss is immediately reclassified to the consolidated statement of profit or loss.

## 4. Material accounting policy information *(continued)*

### (5) Financial instruments *(continued)*

#### Hedge accounting *(continued)*

##### *Hedge effectiveness testing*

The Group has elected to adopt the general hedge accounting in IFRS 9 *Financial Instruments*. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

#### Specific items

##### *Cash equivalents*

Cash equivalents comprise investments that are short term, highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value, and unrestricted balances with the central banks, banks and other financial institutions, and amounts held under resale agreements, with original maturity of 3 months or less.

##### *Balances and placements with banks and other financial institutions*

Banks refer to those institutions approved by the People's Bank of China ("PBOC") and other authorities. Other financial institutions represent finance companies, insurance companies, investment trust companies and leasing companies which are registered with the National Administration of Financial Regulation ("NAFR") and under the supervision of the NAFR and securities firms and investment fund companies which are registered with and under the supervision of other regulatory authorities. Balances and placements with banks and other financial institutions are measured at amortised cost.

##### *Resale and repurchase agreements*

Amounts for purchase of financial assets under resale agreements are accounted for under "amounts held under resale agreements". Amounts from sale of financial assets under repurchase agreements are accounted for under "amounts sold under repurchase agreements".

The difference between the purchase and resale consideration or sale and repurchase consideration is amortised over the period of the transaction using the effective interest method and is included in interest income or expense (as appropriate).



## 4. Material accounting policy information *(continued)*

### (5) Financial instruments *(continued)*

Specific items *(continued)*

#### *Financial investments*

Equity investments are accounted for as financial assets at fair value through profit or loss or equity investments designated at fair value through other comprehensive income. Debt investments are classified as financial assets at fair value through profit or loss, debt investments at amortised cost, debt investments at fair value through other comprehensive income in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

#### *Loans and advances to customers*

Loans and advances directly granted by the Group to customers and finance leases receivables are accounted for as loans and advances to customers.

Loans and advances to customers are classified as loans and advances to customers at fair value through profit or loss (loans and advances to customers at FVTPL), loans and advances to customers at amortised cost, loans and advances to customers at fair value through other comprehensive income (loans and advances to customers at FVTOCI) in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

#### *Derivative financial instruments*

The Group's derivative financial instruments mainly include forward, foreign currency swaps, interest rate swaps and option contracts undertaken in response to customers' needs or for the Group's own risk management purposes. The Group enters into derivative contracts with other banks and financial institutions that can conduct such business to hedge against risks arising from derivative transactions undertaken for customers.

Derivative financial instruments are stated at fair value. Except for the gains or losses arising from the effective hedging portion of those derivatives in cash flow hedge and the gains or losses on the hedging instrument that hedges a non-trading equity instrument designated as at FVTOCI are recognised in other comprehensive income, all other gains or losses are recognised in the consolidated statement of profit or loss.

#### *Embedded derivatives*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 *Financial Instruments* are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 *Financial Instruments* are treated as separate derivatives with the same terms when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the hybrid contracts are not measured at FVTPL. Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow hedging relationship.

## 4. Material accounting policy information *(continued)*

### (5) Financial instruments *(continued)*

Specific items *(continued)*

#### *Equity instruments*

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Group for repurchasing self-issued equity instruments are deducted from shareholders' equity.

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

- (i) the financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and
- (ii) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

At initial recognition, the Group classifies the perpetual bonds and perpetual debt capitals issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

For perpetual bonds and perpetual debt capitals issued that classified as equity instruments, any distribution of interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds and perpetual debt capitals are redeemed, the redeemed amount is charged to equity. Relevant transaction expenses are deducted from equity.

At initial recognition of preference shares, the Group classifies the preference shares issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

When the Group classifies preference shares issued as an equity instrument, fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

#### Derecognition of financial instruments

##### *(a) Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset; or
- has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset and liability are recognised to the extent of the Group's continuing involvement in the asset.

When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement at the time of transfer is the lower of (i) the amount of the asset and (ii) the guarantee amount (the maximum amount that the Group could be required to repay in the consideration received). When the Group continues to recognise an asset to the extent of its continuing involvement, the Group also recognises an relevant liability as the sum of the guarantee amount and the fair value of the guarantee contract (usually the consideration received for the provision of security).

The Group writes off a financial asset (if any) when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

## 4. Material accounting policy information *(continued)*

### (5) Financial instruments *(continued)*

#### Derecognition of financial instruments *(continued)*

##### *(b) Securitisation*

As part of its operational activities, the Group securitises credit assets, generally through the sale of these assets to structured entities which issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or junior tranches, or other residual interests (retained interests).

When applying the accounting policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on the transferred financial assets and the degree of control exercised by the Group over the transferred financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;
- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and
- when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group has retained control, it shall continue to recognise the financial assets to the extent of its continuing involvement in the financial assets.

When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration collected from third parties are recorded as a financial liability.

When the securitisation results in derecognition or partial derecognition of financial assets, the Group allocates the carrying amount of the transferred financial assets between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation, which is the difference between the consideration received and the allocated carrying amount of the financial assets derecognised, are recorded in "other net income". The retained interests continue to be recognised on the same basis before the securitisation.

##### *(c) Sales of assets on condition of repurchase*

Derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

##### *(d) Financial liabilities*

A financial liability (or part of it) is derecognised when the obligation under the liability (or part of it) is discharged, cancelled or expired.

#### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 4. Material accounting policy information *(continued)*

### (6) Property, equipment, investment property and depreciation

Property, equipment and investment property, are stated at cost or deemed cost less accumulated depreciations and accumulated impairment losses. These also include land held under operating leases and buildings thereon, where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease.

Depreciation is calculated to write off the cost of property, equipment and investment property over the following estimated useful lives, after taking into account an estimated residual value on a straight-line basis:

Land and buildings	20 years
Investment properties	20 years
Computer equipment	3 years
Leasehold improvements (leased property)	the estimated useful lives
Leasehold improvements (self-owned property)	the estimated useful lives
Aircraft, vessels and professional equipment	no more than 25 years
Other	3 – 5 years

Construction in progress represents property under construction and is stated at cost less impairment losses. Cost comprises the direct and indirect cost of construction. Construction in progress is transferred to an appropriate class of property or other asset when the asset is ready for its intended use. No depreciation is provided for construction in progress.

Subsequent expenditure relating to a property, equipment and investment property is capitalised only when it is probable that future economic benefits associated with the property and equipment will flow to the Group. All other expenditure is recognised in the consolidated statement of profit or loss as an expense as incurred.

Profits or losses on disposal of property, equipment and investment property are determined as the difference between the net disposal proceeds and the carrying amount of the property, equipment and investment property, and are accounted for in the consolidated statement of profit or loss as they arise.

### (7) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets other than equity instrument are reported in "other assets".

Repossessed assets of equity instruments are detailed in Note 4(5).

### (8) Intangible assets

Intangible assets are stated at cost less accumulated amortisation (only intangible assets with finite useful lives) and accumulated impairment losses (see Note 4(10)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. The Group does not have intangible assets with useful lives assessed to be indefinite as at the end of the reporting period.

The amortisation period of intangible assets is as follows:

<b>Software and Other</b>	<b>Core deposit</b>
2 – 20 years	28 years

Both the periods and method of amortisation are reviewed annually.

## 4. Material accounting policy information *(continued)*

### (9) 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. The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### As a lessee

##### (a) *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.

##### (b) *Short-term leases and leases of low-value assets*

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (lease term of 12 months or less and do not contain a purchase option) and leases of low value assets (the value of assets is equivalent to below RMB35,000).

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### (c) *Right-of-use assets*

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The right-of-use asset is initially measured at cost. This cost 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;
- any initial direct costs incurred by the lessee; and
- whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

After the commencement date, the right-of-use assets are measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Group recognises the depreciation of right-of-use assets as an operating expense on a straight-line basis. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers the ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Accounting policy for any identified right-of-use asset impairment loss are disclosed in Note 4(10).

##### (d) *Leasehold land and building*

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

## 4. Material accounting policy information *(continued)*

### (9) Leases *(continued)*

As a lessee *(continued)*

#### (e) Lease liabilities

Lease liability is presented as a separate line in the consolidated statement of financial position.

Except for short-term leases and leases of low-value asset, lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date using lessee's incremental borrowing rate as the discount rate.

Lease payments refer to the payment made by the lessee to the lessor in connection with the right to use the leased assets during the lease term. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- the amount expected to be payable by the lessee under remaining value guarantees.

After the beginning date of the lease term, the Group calculates the interest expense of the lease liability in each period of the lease term at a fixed periodic interest rate, and recognised it in the current profit and loss or related asset costs.

After the commencement date, the Group remeasures the lease liability according to the present value calculated by the revised lease payment amount and the revised discount rate and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed remaining value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. But if the change in lease payments results from a change in floating interest rates, the lessee shall use a revised discount rate that reflects changes in the interest rate.

As a lessor

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

Where the Group is a lessor under finance leases, an amount representing the net investment in the lease is included in the consolidated statement of financial position as "loans and advances to customers". Unrecognised finance income under finance leases are amortised using the effective interest method over the lease term. Accounting policy for impairment losses are disclosed in Note 4(5).

When the Group is a lessor of an operating lease, income derived from operating lease is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Contingent lease income is charged to profit or loss in the accounting period in which it is incurred.

When a contract includes lease and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

## 4. Material accounting policy information *(continued)*

### (9) Leases *(continued)*

As a buyer-lessor in a sale and leaseback transactions

For a transfer of asset that does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for a sale of asset, the Group acting as a buyer-lessor does not recognise the transferred asset and recognises loan and advance to customers at an amount that equals the transfer proceed within the scope of IFRS 9 *Financial Instruments*.

### (10) Impairment on tangible and intangible assets other than impairment under ECL model

The carrying amount of tangible and intangible assets including property and equipment, right-of-use assets, intangible assets, investment properties, interests in joint ventures, interests in associates, goodwill and other non-current assets are reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of impairment loss is recognised in the consolidated statement of profit or loss. The recoverable amount of an asset is the greater of its fair value less disposal expense and present value of future expected cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values.

Internal and external sources of information are reviewed at the end of the reporting period to identify any indications that other assets may be impaired.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated by the Group at the end of the reporting period whether or not there is any indication of impairment.

#### – Calculation of recoverable amount

The recoverable amount of an asset or a CGU is the greater of its fair value less disposal expense and the present value of future cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### – Impairment losses recognised

An impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

### (11) Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially recognised at fair value, with changes in fair value arising from remeasurement recognised directly in the consolidated statement of profit or loss in the period in which they arise.

## 4. Material accounting policy information *(continued)*

### (12) Financial guarantee issued, provisions and contingent liabilities

#### Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The provision of financial guarantees issued is recognised in the consolidated statement of financial position in accordance with accounting policy set out in Note 4(5).

#### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is highly probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

### (13) Income recognition

Revenue is the inflow of economic benefits that the Group has formed in its daily activities that will result in an increase in shareholders' equity and have nothing to do with the capital invested by shareholders.

#### Net interest income

Interest income and expense for all financial instruments except for those classified as at FVTPL are recognised in "Interest income" and "Interest expense" in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, which is recognised in "Other net income".

#### Dividend income

Dividend income from investments is recognised when the dividend is declared and approved by the investee.

#### Rental income

Income derived from operating leases is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term.



## 4. Material accounting policy information *(continued)*

### (13) Income recognition *(continued)*

#### Fee and commission income

Under IFRS 15 *Revenue from Contracts with Customers*, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time.

If the revenue is recognised over time, the Group recognises revenue in accordance with the progress towards complete satisfaction of a performance obligation. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts the Group's performance in transferring control of goods or services.

## 4. Material accounting policy information *(continued)*

### (13) Income recognition *(continued)*

#### Fee and commission income *(continued)*

If revenue is recognised at a point in time, the Group recognises the revenue when the customer obtains control of the distinct good or service. To determine the point in time at which a customer obtains control of a promised service, the following indicators of the transfer of control should also be considered. They include, but are not limited to:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods;
- the customer has the significant risks and rewards of ownership of the goods;
- the customer has accepted the goods or services.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it can control the goods or service before transferring it to customers. The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### (14) Taxation

Current income tax and movements in deferred tax balances are recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets also arise from unused tax losses and unused tax credits. 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 differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates of expected returns of the assets or the repayment of the liabilities. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

## 4. Material accounting policy information *(continued)*

### (14) Taxation *(continued)*

The Group shall recognise a deferred tax asset for all deductible temporary differences associated with investments in subsidiaries and interests in associates and joint ventures that both of the following conditions are satisfied: the temporary differences are likely to be reversed in the foreseeable future; and it is probably to obtain the taxable income used to offset the deductible temporary difference in the future. The Group shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where both of the following conditions are satisfied: the investor is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (15) Foreign currencies translations

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each 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 at the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into as part of the effective portion of a hedge on certain foreign currency risks; or
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense 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 dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in exchange reserve in respect of that operation attributable to the owners of the Bank are reclassified to the consolidated statement of profit or loss.

## 4. Material accounting policy information *(continued)*

### (16) Employee benefits

#### Salaries and staff welfare

Salaries, bonuses and other benefits are accrued in the period in which the associated services are rendered by employees.

#### Post-employment benefits

The Group participates in a number of defined contribution retirement benefit schemes managed by different provincial governments or independent insurance companies. Obligation for contributions to these schemes are jointly borne by the Group and the staff, and contributions paid by the Group are recognised as an expense in the consolidated statement of profit or loss as incurred.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in the consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### Share-based payment

The Group offers H share appreciation rights to its employee, namely H Share Appreciation Rights Scheme for the Senior Management ("the Scheme"), which is settled in cash. Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the shares. The Group recognises the services for the period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting at the end of each reporting period within the vesting period. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting period end and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The fair value of the H share appreciation rights is using Black-Scholes model, taking into account the terms and condition upon which the H share appreciation rights were granted.

## 4. Material accounting policy information *(continued)*

### (17) Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly, indirectly or jointly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control, common control or common significant influence (except that the Group and the party are subject to common significant influence of the other party). Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

### (18) Segmental reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they meet most of these criteria.

### (19) Fiduciary activities

The Group acts in a fiduciary capacity in entrusted loan and entrusted investment business. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated statement of financial position as the risks and rewards of the assets reside with the customers. The Group only charges a relevant commission.

### (20) Dividends or profit distributions

Dividends or profit distributions are recognised as a liability in the year in which they are approved and declared.

### (21) General reserve

The general reserve is an integral part of equity. According to the relevant regulations, in addition to the impairment allowances, the Bank maintains a general reserve to make up for unidentified potential losses. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. In addition, the general reserve includes 2.5% of the income of mutual fund custody businesses. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

## 5. Significant accounting estimates and judgements

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on the assets and liabilities at the end of the reporting period. These estimates involve assumptions about cash flows and the discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to the assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

### (1) Control over structured entity

Where the Group acts as asset manager of structured entities, the Group makes judgement on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among others, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from interests that it holds in the structured entities.

### (2) Classification of financial assets

Business model assessment: Classification and measurement of financial assets of the Group involves significant judgement on business model. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Specific considerations include how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

### (3) Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements. The Group applies significant judgement and estimate in assessing whether it has transferred these financial assets and qualified for a full derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities and the Group needs to consolidate them. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties;
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgement and estimate is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of the Group's assessment on the extent that risks and rewards are transferred.

## 5. Significant accounting estimates and judgements *(continued)*

### (4) Impairment under ECL model

- Significant increase in credit risk: ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 60(a)(ii) for more details.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 60(a)(v) for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.
- Models and assumptions used: The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 60(a)(iii) for more details.
- Forward-looking information: When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 60(a)(iv) for more details.
- Probability of Default (“PD”): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 60(a) (iii) for more details.
- Loss Given Default (“LGD”): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 60(a)(iii) for more details.

### (5) Fair value of financial instruments

For a number of financial instruments, no quoted prices in an active market exist. The fair value for these financial instruments are established by using valuation techniques. These techniques include using recent arm’s length market transactions, reference to the current fair value of similar instruments, discounted cash flow analysis or option pricing models. The Group has established a process to ensure that valuation techniques are constructed by qualified personnel and are validated and reviewed by personnel independent of the business unit that constructed the valuation techniques. Valuation techniques are certified before being implemented for valuation and are calibrated to ensure that outputs reflect actual market conditions. Valuation models established by the Group make the maximum use of market inputs and rely as little as possible on the Group’s specific data. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, require management estimates. Management estimates and assumptions are reviewed periodically and adjusted if necessary. If the fair value is measured using third party information such as broker quotes or pricing services, the valuation team will evaluate the evidence obtained from third party to support the conclusion that the relevant valuation meets the requirements of IFRS, including the category of the relevant valuation at the appropriate level in the fair value hierarchy.

### (6) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reviewed periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management’s judgement is required to assess the probability of future taxable profits. Management’s assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

## 5. Significant accounting estimates and judgements *(continued)*

### (7) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or group of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from CGU or group of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

## 6. Interest income

	2023	2022
Loans and advances to customers	268,240	265,601
– Corporate loans	94,526	86,754
– Retail loans	166,104	168,174
– Discounted bills	7,610	10,673
Balances with central banks	9,977	8,482
Balances with banks and other financial institutions	2,101	1,242
Placements with banks and other financial institutions	10,596	7,760
Amounts held under resale agreements	3,860	4,487
Financial investments	80,836	65,808
– Debt investments at FVTOCI	26,201	19,654
– Debt investments at amortised cost	54,635	46,154
<b>Total</b>	<b>375,610</b>	<b>353,380</b>

Note: For the year ended 31 December 2023, included in the above is the interest income of RMB10,577 million accrued on loans and advances to customers at fair value through other comprehensive income (2022: RMB12,668 million).

## 7. Interest expense

	2023	2022
Deposits from customers	128,809	105,836
Borrowing from central banks	4,005	2,828
Deposits from banks and other financial institutions	8,307	9,782
Placements from banks and other financial institutions	8,931	4,567
Amounts sold under repurchase agreements	2,628	1,960
Debt securities issued	7,781	9,662
Lease liabilities	480	510
<b>Total</b>	<b>160,941</b>	<b>135,145</b>

## 8. Fee and commission income

	2023	2022
Commissions from wealth management	28,466	30,903
Commissions from asset management	11,474	12,457
Bank cards fees	19,525	21,399
Clearing and settlement fees	15,492	15,051
Commissions from credit commitment and lending business	4,997	5,753
Commissions on custodian business	5,328	5,791
Other	7,552	12,018
<b>Total</b>	<b>92,834</b>	<b>103,372</b>



## 9. Other net income

	2023	2022
Net gain/(loss) from fair value change	1,846	(2,675)
– financial instruments at fair value through profit or loss	1,797	(2,204)
– derivatives instruments	104	(120)
– precious metals	(55)	(351)
Net investment income	19,700	18,013
– financial instruments at FVTPL	14,523	12,443
– gain on disposal of financial assets at amortised cost	967	170
– gain on disposal of debt instruments at FVTOCI	3,661	5,161
– of which: gain on disposal of bills	1,551	3,291
– dividend income from equity investments designated at FVTOCI	317	153
– other	232	86
Foreign exchange gain	4,132	3,600
Other income	11,418	9,702
– rental income	11,352	9,181
– insurance income	66	521
Other	729	1,065
<b>Total</b>	<b>37,825</b>	<b>29,705</b>

## 10. Operating expenses

	2023	2022
Staff costs	70,348	70,657
– Salaries and bonuses	55,477	55,647
– Social insurance and corporate supplemental insurance	7,349	8,421
– Other	7,522	6,589
Tax and surcharges	2,963	3,005
Depreciation of property and equipment and investment properties	11,008	10,279
Amortisation of intangible assets	930	1,061
Depreciation of right-of-use assets	4,205	4,151
Short-term leases expense and leases of low-value assets expense	216	229
Charge for insurance claims	–	360
Other general and administrative expenses (note)	31,321	32,319
<b>Total</b>	<b>120,991</b>	<b>122,061</b>

Note: Auditors' remuneration amounting to RMB34 million for the year ended 31 December 2023 (2022: RMB31 million) is included in other general and administrative expenses.

## 11. Directors' and supervisors' emoluments

The emoluments of the Directors and Supervisors during the year were as follows:

	2023				Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	
<b>Executive directors</b>					
Wang Liang	–	3,453	–	–	3,453
Zhu Jiangtao (ii)	–	2,821	–	–	2,821
Subtotal	–	6,274	–	–	6,274
The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group.					
<b>Non-executive directors</b>					
Miao Jianmin	–	–	–	–	–
Hu Jianhua (iii)	–	–	–	–	–
Sun Yunfei	–	–	–	–	–
Zhou Song	–	–	–	–	–
Hong Xiaoyuan (iii)	–	–	–	–	–
Zhang Jian	–	–	–	–	–
Chen Dong	–	–	–	–	–
Subtotal	–	–	–	–	–
The non-executive directors shown above did not receive remuneration from the Bank.					
<b>Independent non-executive directors and supervisors</b>					
Wong See Hong	500	–	–	–	500
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Li Chaoxian	500	–	–	–	500
Shi Yongdong	500	–	–	–	500
Luo Sheng	–	–	–	–	–
Peng Bihong (iv)	–	–	–	–	–
Wu Heng	–	–	–	–	–
Xu Zhengjun	400	–	–	–	400
Cai Hongping	400	–	–	–	400
Zhang Xiang	400	–	–	–	400
Cai Jin	–	1,627	–	–	1,627
Cao Jian (v)	–	1,294	–	–	1,294
Yang Sheng (vi)	–	967	–	–	967
Subtotal	4,200	3,888	–	–	8,088
The independent non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
<b>Former executive, non-executive directors and supervisors</b>					
Su Min (vii)	–	–	–	–	–
Xiong Liangjun (vi)	–	1,870	–	–	1,870
Wang Wanqing (v)	–	593	–	–	593
Subtotal	–	2,463	–	–	2,463
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,200	12,625	–	–	16,825

## 11. Directors' and supervisors' emoluments *(continued)*

Notes:

- (i) The total remuneration before tax for the full-time directors, supervisors and executive officers of the Group is not yet finalised. Details of their remaining compensation will be disclosed separately when their total remuneration is confirmed.
- (ii) In June 2023, according to the relevant resolution passed at the 2022 Annual General Meeting of the Bank, Mr. Zhu Jiangtao was elected as the Executive Director of the Bank, whose qualification as the Director was approved by the NAFR in August 2023. The emolument of Mr. Zhu Jiangtao shown above included the portion for his services before his qualification as the Director was approved by the NAFR during the year.
- (iii) In January 2024, Mr. Hu Jianhua and Mr. Hong Xiaoyuan ceased to be Non-Executive Directors of the Bank due to their age.
- (iv) In January 2024, Mr. Peng Bihong ceased to be the Shareholder Supervisor of the Bank due to change of work arrangement.
- (v) In March 2023, Mr. Cao Jian was elected as the Employee Supervisor of the Bank at the employee representative meeting of the Bank. Mr. Wang Wanqing ceased to be the Employee Supervisor of the Bank due to his age.
- (vi) In June 2023, Mr. Yang Sheng was elected as the Employee Supervisor of the Bank at the employee representative meeting of the Bank. At the same time, Mr. Xiong Liangjun ceased to be the Chairman of the Board of Supervisors and Employee Supervisor of the Bank due to his age.
- (vii) In March 2023, Ms. Su Min retired and resigned as the Non-Executive Director of the Bank.
- (viii) As of 31 December 2023, the Group had offered 10 phases of H share appreciation rights under the Scheme. Details of the Scheme are set out in Note 39 (a)(iii).

## 11. Directors' and supervisors' emoluments (continued)

	2022				Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000 (i)	
<b>Executive director</b>					
Wang Liang	–	3,625	2,580	220	6,425
Subtotal	–	3,625	2,580	220	6,425
The executive director's emoluments shown above were for his services in connection with the management of the affairs of the Bank and the Group.					
<b>Non-executive directors</b>					
Miao Jianmin	–	–	–	–	–
Hu Jianhua (ii)	–	–	–	–	–
Sun Yunfei (ii)	–	–	–	–	–
Zhou Song	–	–	–	–	–
Hong Xiaoyuan	–	–	–	–	–
Zhang Jian	–	–	–	–	–
Su Min	–	–	–	–	–
Chen Dong (ii)	–	–	–	–	–
Subtotal	–	–	–	–	–
The non-executive directors shown above did not receive remuneration from the Bank.					
<b>Independent non-executive directors and supervisors</b>					
Wong See Hong	500	–	–	–	500
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Li Chaoxian	500	–	–	–	500
Shi Yongdong	500	–	–	–	500
Xiong Liangjun	–	3,317	2,098	211	5,626
Luo Sheng (iii)	–	–	–	–	–
Peng Bihong	–	–	–	–	–
Wu Heng	–	–	–	–	–
Xu Zhengjun	400	–	–	–	400
Cai Hongping (iii)	202	–	–	–	202
Zhang Xiang (iii)	202	–	–	–	202
Wang Wanqing	–	2,650	–	–	2,650
Cai Jin	–	1,548	–	–	1,548
Subtotal	3,804	7,515	2,098	211	13,628
The independent non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
<b>Former executive, non-executive directors and supervisors</b>					
Fu Gangfeng (iv)	–	–	–	–	–
Tian Huiyu (v)	–	–	–	–	–
Wang Daxiong (v)	–	–	–	–	–
Luo Sheng (v)	–	–	–	–	–
Guo Xikun (vi)	–	–	–	–	–
Ding Huiping (vi)	167	–	–	–	167
Han Zirong (vi)	167	–	–	–	167
Subtotal	334	–	–	–	334
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,138	11,140	4,678	431	20,387

## 11. Directors' and supervisors' emoluments *(continued)*

Notes:

- (i) On 27 September 2023, the Board of Directors approved the discretionary bonuses of the Bank's directors, supervisors and executive officers for 2022.
- (ii) In June 2022, according to the relevant resolutions passed at the 2021 Annual General Meeting of the Bank, Mr. Hu Jianhua, Mr. Sun Yunfei and Mr. Chen Dong were elected as Non-Executive Directors of the Bank, whose qualifications as the Directors were approved by the former China Banking and Insurance Regulatory Commission (the "former CBIRC") in October 2022.
- (iii) In June 2022, according to the relevant resolutions passed at the 2021 Annual General Meeting of the Bank, Mr. Luo Sheng was elected as the Shareholder Supervisor of the Bank, and Mr. Cai Hongping and Mr. Zhang Xiang were elected as External Supervisors of the Bank.
- (iv) In November 2022, Mr. Fu Gangfeng ceased to be the Vice Chairman and Non-Executive Director of the Bank due to change of work arrangement.
- (v) In June 2022, Mr. Wang Daxiong and Mr. Luo Sheng ceased to be Non-Executive Directors of the Bank after the end of the 2021 Annual General Meeting due to the expiry of their terms of office, and Mr. Tian Huiyu ceased to be an Executive Director of the Bank after the end of the 2021 Annual General Meeting.
- (vi) In June 2022, Mr. Guo Xikun ceased to be the Shareholder Supervisor of the Bank due to the expiry of his terms of office, and Mr. Ding Huiping and Mr. Han Zirong ceased to serve as External Supervisors of the Bank due to the expiry of their terms of office.
- (vii) As of 31 December 2022, the Group had offered 10 phases of H share appreciation rights under the Scheme. Details of the Scheme are set out in Note 39 (a)(iii).

During the years of 2023 and 2022, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the years of 2023 and 2022, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration.

## 12. Five highest paid individuals

During the year ended 31 December 2023, the five highest paid individuals included five persons in total. During the year ended 31 December 2022, the five highest paid individuals included six persons in total, two of them were with the same emoluments and being the third highest paid individuals, and two of them were with the same emoluments and being the fourth highest paid individuals. Of these highest paid individuals, two (2022: two) were directors or supervisors of the Bank whose emoluments were included in Note 11 above. The aggregate emolument of the remaining three (2022: four) highest paid individuals who were neither directors nor supervisors of the Bank is as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	8,263	11,764
Discretionary bonuses	–	7,455
Contributions to defined contribution retirement schemes	–	842
<b>Total</b>	<b>8,263</b>	<b>20,061</b>

These highest paid individuals who were neither directors nor supervisors of the Bank whose emoluments fell within the following bands is set out below:

	2023	2022
HKD		
2,500,001 – 3,000,000	1	–
3,000,001 – 3,500,000	2	4
3,500,001 – 4,000,000	–	–
4,000,001 – 4,500,000	–	–
4,500,001 – 5,000,000	–	–

During the years of 2023 and 2022, no emoluments were paid by the Group to any of the persons who are five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 13. Loans to directors, supervisors and executive officers

Loans to directors, supervisors and executive officers of the Group are as follows:

	2023	2022
Aggregate amount of relevant loans made by the Group outstanding at year end	35	34
Maximum aggregate amount of relevant loans made by the Group outstanding during the year	50	47

## 14. Expected credit losses

	2023	2022
Loans and advances to customers	46,635	45,157
– Loans and advances at amortised cost (Note 22(c)(i))	50,470	40,175
– Loans and advances at FVTOCI (Note 22(c)(ii))	(3,835)	4,982
Amounts due from banks and other financial institutions	(2,935)	(3,284)
Financial investments	(218)	3,879
– Debt investments at amortised cost (Note 23(b)(iii))	(1,227)	4,234
– Debt investments at FVTOCI (Note 23(c)(ii))	1,009	(355)
Financial guarantees and loan commitments	(2,761)	7,112
Other	557	3,887
Total	41,278	56,751

## 15. Income tax

### (a) Income tax in the consolidated statement of profit or loss represents:

	2023	2022
Current income tax expense	28,695	34,276
– Chinese mainland	27,366	33,133
– Hong Kong	1,155	973
– Overseas	174	170
Deferred taxation	(83)	(8,457)
Total	28,612	25,819

### (b) A reconciliation of income tax expense in the consolidated statement of profit or loss and that calculated at the applicable statutory tax rate is as follows:

	2023	2022
Profit before taxation	176,618	165,113
Tax at the PRC statutory income tax rate of 25% (2022: 25%)	44,154	41,278
Tax effects of the following items:	(15,542)	(15,459)
– Effects of non-taxable income	(18,872)	(17,114)
– Effects of costs, expenses and losses not deductible for tax purpose	4,551	2,548
– Effects of different applicable rates in other jurisdictions	(260)	(215)
– Tax effect of perpetual bond/perpetual debt capital interest expense	(937)	(942)
– Other	(24)	264
Income tax expense	28,612	25,819

Note: Taxation for Hong Kong and overseas operations are charged at the applicable rates of tax prevailing in relevant regions.

## 16. Other comprehensive income

### (a) Income tax effects relating to each component of other comprehensive income

	2023			2022		
	Before-tax amount	Tax benefit/(expense)	Net-of-tax amount	Before-tax amount	Tax benefit/(expense)	Net-of-tax amount
Items that may be reclassified subsequently to profit or loss	2,766	(393)	2,373	732	553	1,285
– Net fair value gain/(loss) on debt instruments measured at FVTOCI	4,470	(1,133)	3,337	(7,353)	1,736	(5,617)
– Net changes in expected credit losses of debt instruments measured at FVTOCI	(2,775)	730	(2,045)	4,631	(1,160)	3,471
– Net movement in cash flow hedge reserve	(69)	10	(59)	135	(23)	112
– Share of other comprehensive income/(expense) from equity-accounted investees	202	–	202	(1,155)	–	(1,155)
– Exchange difference on translation of financial statements of foreign operations	983	–	983	4,429	–	4,429
– Other	(45)	–	(45)	45	–	45
Items that will not be reclassified to profit or loss	440	(82)	358	40	(2)	38
– Net fair value gain on equity instruments designated at FVTOCI	435	(81)	354	52	(4)	48
– Remeasurement of defined benefit scheme	5	(1)	4	(12)	2	(10)
Other comprehensive income	3,206	(475)	2,731	772	551	1,323

### (b) Movements relating to components of other comprehensive income are as follows:

	2023	2022
Net fair value gain/(loss) on debt instruments measured at FVTOCI		
Changes in fair value recognised during the year	6,083	(1,746)
Reclassification adjustments for amounts transferred to profit or loss upon disposal	(2,746)	(3,871)
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	3,337	(5,617)
Net changes in expected credit losses of debt instruments measured at FVTOCI		
Changes in expected credit losses recognised during the year	(2,045)	3,471
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	(2,045)	3,471
Net fair value gain on equity instruments designated at FVTOCI		
Changes in fair value recognised during the year	354	48
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	354	48
Net movement in cash flow hedge reserve		
Effective portion of changes in fair value of hedging instruments	(58)	112
Reclassification adjustment for realised gain to profit or loss	(1)	–
Net movement in hedging reserve during the year recognised in other comprehensive income	(59)	112

## 17. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of the Bank and the weighted average number of shares in issue for the year.

	2023	2022
Net profit attributable to equity holders of the Bank	146,602	138,012
Less: Net profit attributable to preference shareholders of the Bank	(996)	(1,675)
Net profit attributable to holders of perpetual bonds	(3,562)	(3,562)
Net profit attributable to ordinary shareholders of the Bank	142,044	132,775
Weighted average number of shares in issue (in million shares)	25,220	25,220
Basic and diluted earnings per share (in RMB Yuan)	5.63	5.26

Note:

The Bank issued non-cumulative preference shares in 2017 and non-cumulative perpetual bonds in 2020, 2021 and 2023. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares and interests on non-cumulative perpetual bonds declared during the year should be deducted from the amounts attributable to equity holders of the Bank.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as of 31 December 2023 and 2022. Therefore the conversion feature of preference shares has no effect on the diluted earnings per share calculation for both years.

## 18. Balances with central banks

	2023	2022
Statutory deposit reserve (note (i))	536,637	534,232
Surplus deposit reserve (note (ii))	125,878	50,846
Other deposits with central banks (note (iii))	5,054	2,455
Interest receivable	302	285
Total	667,871	587,818

Notes:

- (i) The Group places statutory deposit reserves with the PBOC and overseas central banks where it has operations. The statutory deposit reserves are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in the Chinese mainland are calculated at 7% and 4% of eligible RMB deposits and foreign currency deposits respectively as at 31 December 2023 (31 December 2022: 7.5% and 6% of eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organisations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by financial institutions outside the Chinese mainland. The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.
- (ii) Surplus deposit reserve maintained with the PBOC and central banks outside the Chinese mainland are mainly for clearing and settlement purposes.
- (iii) Other deposits with central banks primarily represent fiscal deposits and foreign exchange reserve placed with the PBOC.



## 19. Balances with banks and other financial institutions

	2023	2022
Principal (a)	100,757	91,587
Impairment allowances (a)(b)	(223)	(509)
Subtotal	100,534	91,078
Interest receivable	235	268
Total	100,769	91,346

### (a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	62,381	57,809
– Banks	57,387	54,808
– Other financial institutions	4,994	3,001
Outside the Chinese mainland	38,376	33,778
– Banks	37,872	33,390
– Other financial institutions	504	388
Total	100,757	91,587
Less: Impairment allowances	(223)	(509)
– Banks	(196)	(490)
– Other financial institutions	(27)	(19)
Net carrying amount	100,534	91,078

### (b) Movements of allowances for impairment losses are as follows:

	2023	2022
Balance as at the beginning of the year	509	378
(Release)/charge for the year (note 14)	(287)	120
Exchange difference	1	11
Balance as at the end of the year	223	509

## 20. Placements with banks and other financial institutions

	2023	2022
Principal (a)	286,247	265,415
Impairment allowances (a)(c)	(519)	(2,658)
Subtotal	285,728	262,757
Interest receivable	1,966	1,452
Total	287,694	264,209

Note: Pursuant to the relevant provisions in the "Interim Measures for the Administration of Gold Leasing Business" (Yin Ban Fa [2022] No. 88) issued by the General Office of the PBOC in July 2022, with respect to the gold leasing business of the Group with financial institutions since 2023, gold leased out by the Group to other financial institutions is presented under "placements with banks and other financial institutions", a change from "precious metal" in prior years. The comparative figures are re-presented accordingly.

### (a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	214,881	203,014
– Banks	42,041	65,651
– Other financial institutions	172,840	137,363
Outside the Chinese mainland	71,366	62,401
– Banks	70,625	61,880
– Other financial institutions	741	521
Total	286,247	265,415
Less: Impairment allowances	(519)	(2,658)
– Banks	(92)	(163)
– Other financial institutions	(427)	(2,495)
Net carrying amount	285,728	262,757

### (b) Analysed by remaining maturity

	2023	2022
Maturing		
– Within one month (inclusive)	107,390	90,001
– Between one month and one year (inclusive)	175,523	158,086
– Over one year	2,815	14,670
Total	285,728	262,757

### (c) Movements of allowances for impairment losses are as follows:

	2023	2022
Balance as at the beginning of the year	2,658	2,860
Release for the year (note 14)	(2,143)	(235)
Exchange difference	4	33
Balance as at the end of the year	519	2,658

## 21. Amounts held under resale agreements

	2023	2022
Principal (a)	172,708	277,561
Impairment allowances (a)(d)	(589)	(1,094)
Subtotal	172,119	276,467
Interest receivable	127	209
Total	172,246	276,676

### (a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	172,334	277,382
– Banks	9,961	42,077
– Other financial institutions	162,373	235,305
Outside the Chinese mainland	374	179
– Banks	88	–
– Other financial institutions	286	179
Total	172,708	277,561
Less: Impairment allowances	(589)	(1,094)
– Banks	(148)	(216)
– Other financial institutions	(441)	(878)
Net carrying amount	172,119	276,467

### (b) Analysed by remaining maturity

	2023	2022
Maturing		
– Within one month (inclusive)	172,119	268,890
– Between one month and one year (inclusive)	–	7,577
Total	172,119	276,467

### (c) Analysed by underlying assets

	2023	2022
Bonds	164,702	256,129
Bills	7,417	20,338
Total	172,119	276,467

### (d) Movements of allowances for impairment losses are as follows:

	2023	2022
Balance as at the beginning of the year	1,094	4,263
Release for the year (note 14)	(505)	(3,169)
Balance as at the end of the year	589	1,094

## 22. Loans and advances to customers

### (a) Loans and advances to customers

	2023	2022
Gross amount of loans and advances to customers at amortised cost (i)	5,913,324	5,432,112
Interest receivable	11,442	11,326
Subtotal	5,924,766	5,443,438
Less: Loss allowances of loans and advances to customers at amortised cost (i)	(266,805)	(254,913)
Loss allowances of interest receivable	(815)	(846)
Subtotal	(267,620)	(255,759)
Loans and advances to customers at amortised cost	5,657,146	5,187,679
Loans and advances to customers at FVTOCI (ii)	525,179	614,481
Loans and advances to customers at FVTPL (iii)	70,430	4,994
Total	6,252,755	5,807,154

#### (i) Loans and advances to customers at amortised cost

	2023	2022
Corporate loans and advances	2,475,432	2,270,323
Retail loans and advances	3,437,883	3,161,789
Discounted bills	9	–
Gross amount of loans and advances to customers at amortised cost	5,913,324	5,432,112
Less: Loss allowances	(266,805)	(254,913)
– Stage 1 (12-month ECL)	(165,866)	(159,932)
– Stage 2 (Lifetime ECL – not credit-impaired)	(47,729)	(44,898)
– Stage 3 (Lifetime ECL – credit-impaired)	(53,210)	(50,083)
Net amount of loans and advances to customers at amortised cost	5,646,519	5,177,199

#### (ii) Loans and advances to customers at FVTOCI

	2023	2022
Corporate loans and advances	120,762	100,430
Discounted bills	404,417	514,051
Loans and advances to customers at FVTOCI	525,179	614,481
Loss allowances	(2,729)	(6,563)
– Stage 1 (12-month ECL)	(2,726)	(6,311)
– Stage 2 (Lifetime ECL – not credit-impaired)	(3)	(252)
– Stage 3 (Lifetime ECL – credit-impaired)	–	–

No loss allowance is recognised in the consolidated statement of financial position for loans and advances to customers at FVTOCI as the carrying amount is at fair value.

#### (iii) Loans and advances to customers at FVTPL

	2023	2022
Corporate loans and advances	3,661	4,863
Discounted bills	66,701	3
Interest receivable	68	128
Total	70,430	4,994

**22. Loans and advances to customers** *(continued)***(b) Analysis of loans and advances to customers**

(i) Analysed by industry sector and category:

*Operations in the Chinese mainland*

	2023	2022
Manufacturing	557,691	445,218
Transportation, storage and postal services	477,016	461,434
Property development	303,707	349,682
Production and supply of electric power, heating power, gas and water	259,864	203,870
Wholesale and retail	187,737	171,786
Leasing and commercial services	186,463	158,320
Construction	110,577	103,998
Telecommunications, software and IT services	95,394	78,950
Finance	88,296	75,593
Water, environment and public utilities management	42,813	64,886
Mining	42,326	34,421
Other	76,400	67,677
Subtotal of corporate loans and advances	2,428,284	2,215,835
Discounted bills	471,127	514,054
Residential mortgage	1,376,815	1,379,825
Credit cards	935,777	884,395
Micro-finance loans	750,019	629,857
Consumer loans	301,538	202,225
Other	7,806	11,374
Subtotal of retail loans and advances	3,371,955	3,107,676
Gross amount of loans and advances to customers	6,271,366	5,837,565

*Operations outside the Chinese mainland*

	2023	2022
Finance	45,368	36,521
Transportation, storage and postal services	36,248	30,814
Property development	22,960	26,298
Manufacturing	19,335	20,494
Production and supply of electric power, heating power, gas and water	12,359	9,023
Wholesale and retail	10,002	8,923
Telecommunications, software and IT services	8,323	10,908
Leasing and commercial services	6,207	3,430
Mining	4,945	6,074
Construction	623	1,772
Water, environment and public utilities management	419	110
Other	4,782	5,414
Subtotal of corporate loans and advances	171,571	159,781
Residential mortgage	8,671	9,383
Credit cards	133	124
Micro-finance loans	1,278	1,181
Other	55,846	43,425
Subtotal of retail loans and advances	65,928	54,113
Gross amount of loans and advances to customers	237,499	213,894

As at 31 December 2023, over 90% of the Group's loans and advances to customers were conducted in the Chinese mainland (31 December 2022: over 90%).

## 22. Loans and advances to customers *(continued)*

### (b) Analysis of loans and advances to customers *(continued)*

#### (ii) Analysed by type of guarantees:

	2023	2022
Credit loans	2,592,093	2,219,635
Guaranteed loans	822,059	836,550
Collateralised loans	2,244,129	2,132,337
Pledged loans	379,457	348,883
Subtotal	6,037,738	5,537,405
Discounted bills	471,127	514,054
Gross amount of loans and advances to customers	6,508,865	6,051,459

#### (iii) Analysed by overdue term:

	2023				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	20,486	13,310	3,905	1,661	39,362
Guaranteed loans	6,971	4,360	7,053	618	19,002
Collateralised loans	6,133	4,638	5,157	1,549	17,477
Pledged loans	2,571	766	1,556	1,249	6,142
Gross amount of loans and advances to customers	36,161	23,074	17,671	5,077	81,983

	2022				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	22,260	12,382	2,365	880	37,887
Guaranteed loans	6,533	7,537	3,581	762	18,413
Collateralised loans	5,180	6,177	2,913	1,696	15,966
Pledged loans	3,234	573	951	1,261	6,019
Gross amount of loans and advances to customers	37,207	26,669	9,810	4,599	78,285

Note: Loans are classified as overdue when the principal or interest is overdue more than one day.

Among the above-mentioned overdue loans and advances to customers, collateralised loans and pledged loans that are overdue but not impaired at the reporting date are as follows:

	2023	2022
Collateralised loans that are overdue but not impaired	5,448	4,198
Pledged loans that are overdue but not impaired	2,565	1,819
Total	8,013	6,017

**22. Loans and advances to customers** *(continued)***(b) Analysis of loans and advances to customers** *(continued)*

(iv) Analysed by ECL

	2023			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Loans and advances measured at amortised cost	5,686,659	165,105	61,560	5,913,324
Less: Loss allowances of loans and advances to customers at amortised cost	(165,866)	(47,729)	(53,210)	(266,805)
Net amount of loans and advances to customers at amortised cost	5,520,793	117,376	8,350	5,646,519
Loans and advances to customers at FVTOCI	524,624	555	–	525,179
Loss allowances of loans and advances to customers at FVTOCI	(2,726)	(3)	–	(2,729)
	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	Total
Loans and advances measured at amortised cost	5,217,868	156,240	58,004	5,432,112
Less: Loss allowances of loans and advances to customers at amortised cost	(159,932)	(44,898)	(50,083)	(254,913)
Net amount of loans and advances to customers at amortised cost	5,057,936	111,342	7,921	5,177,199
Loans and advances to customers at FVTOCI	612,660	1,821	–	614,481
Loss allowances of loans and advances to customers at FVTOCI	(6,311)	(252)	–	(6,563)

## 22. Loans and advances to customers *(continued)*

### (c) Movements of allowance for expected credit loss

(i) Reconciliation of allowance for expected credit loss for loans and advances to customers measured at amortised cost:

	2023			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Balance as at the beginning of the year	159,932	44,898	50,083	254,913
Transfer to				
– Stage 1	7,480	(7,309)	(171)	–
– Stage 2	(5,807)	6,382	(575)	–
– Stage 3	(1,625)	(14,547)	16,172	–
Charge for the year (note 14)	5,274	18,214	26,982	50,470
Write-offs/disposals	–	–	(47,922)	(47,922)
Recovery of loans and advances written off	–	–	8,819	8,819
Exchange and other differences	612	91	(178)	525
Balance as at the end of the year	165,866	47,729	53,210	266,805

	2022			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Balance as at the beginning of the year	169,347	32,007	43,169	244,523
Transfer to				
– Stage 1	3,039	(2,965)	(74)	–
– Stage 2	(7,699)	7,879	(180)	–
– Stage 3	(3,693)	(4,681)	8,374	–
(Release)/charge for the year (note 14)	(1,694)	12,653	29,216	40,175
Write-offs/disposals	–	(71)	(39,016)	(39,087)
Recovery of loans and advances written off	–	–	8,972	8,972
Exchange and other differences	632	76	(378)	330
Balance as at the end of the year	159,932	44,898	50,083	254,913

(ii) Reconciliation of allowance for expected credit loss for loans and advances to customers measured at FVTOCI:

	2023	2022
Balance as at the beginning of the year	6,563	1,581
(Release)/charge for the year (note 14)	(3,835)	4,982
Exchange difference	1	–
Balance as at the end of the year	2,729	6,563



## 22. Loans and advances to customers *(continued)*

### (d) Finance leases receivable

The table below provides an analysis of finance leases receivable included in loans and advances to customers for leases of assets in which the Group is a lessor:

	2023	2022
Total minimum leases receivable		
Within 1 year (inclusive)	15,305	13,323
Over 1 year but within 2 years (inclusive)	8,010	11,035
Over 2 years but within 3 years (inclusive)	7,573	6,074
Over 3 years but within 4 years (inclusive)	4,755	6,089
Over 4 years but within 5 years (inclusive)	3,729	3,860
Over 5 years	19,145	17,448
Subtotal	58,517	57,829
Unearned finance income	(10,491)	(9,665)
Present value of minimum leases receivable	48,026	48,164
Less: Impairment allowances	(2,629)	(3,671)
– Stage 1 (12-month ECL)	(661)	(1,308)
– Stage 2 (Lifetime ECL – not credit-impaired)	(1,368)	(1,646)
– Stage 3 (Lifetime ECL – credit-impaired)	(600)	(717)
Net carrying amount of finance leases receivable	45,397	44,493

## 23. Financial investments

	Notes	2023	2022
Financial investments at fair value through profit or loss	23(a)	526,145	423,467
Debt investments at amortised cost	23(b)	1,749,024	1,555,457
Debt investments at FVTOCI	23(c)	899,102	780,349
Equity investments designated at FVTOCI	23(d)	19,649	13,416
Total		3,193,920	2,772,689

### (a) Financial investments at fair value through profit or loss

	Notes	2023	2022
Financial investments measured at FVTPL	(i)	513,266	411,591
Financial assets designated at fair value through profit or loss	(ii)	12,879	11,876
Total		526,145	423,467

## 23. Financial investments *(continued)*

### (a) Financial investments at fair value through profit or loss *(continued)*

#### (i) Financial investments measured at FVTPL

##### *Financial investments held for trading*

	2023	2022
<i>Bonds:</i>		
<i>Classified by issuer</i>	251,189	182,416
– Government bonds	128,894	81,781
– Bonds issued by policy banks	20,502	21,871
– Bonds issued by commercial banks and other financial institutions	40,591	35,999
– Other debt securities	61,202	42,765
<i>Classified by listing</i>	251,189	182,416
– Listed in the Chinese mainland	236,106	167,998
– Listed outside the Chinese mainland	12,787	12,215
– Unlisted	2,296	2,203
<i>Other investments:</i>		
<i>Classified by underlying assets</i>	4,347	1,971
– Equity investments	257	17
– Fund investments	1,440	814
– Wealth management products	1,046	1,032
– Long position in precious metal contracts	1,604	108
<i>Classified by listing</i>	4,347	1,971
– Listed outside the Chinese mainland	1,604	134
– Unlisted	2,743	1,837
<b>Total financial investments held for trading</b>	<b>255,536</b>	<b>184,387</b>

**23. Financial investments** *(continued)***(a) Financial investments at fair value through profit or loss** *(continued)***(i) Financial investments measured at FVTPL** *(continued)**Other financial investments measured at FVTPL*

	2023	2022
<i>Bonds:</i>		
<i>Classified by issuer</i>	10,619	20,789
– Bonds issued by policy banks	740	–
– Bonds issued by commercial banks and other financial institutions	3,781	14,039
– Other debt securities	6,098	6,750
<i>Classified by listing</i>	10,619	20,789
– Listed in the Chinese mainland	7,483	18,216
– Listed outside the Chinese mainland	2,777	1,872
– Unlisted	359	701
<i>Other investments:</i>		
<i>Classified by underlying assets</i>	247,111	206,415
– Equity investments	4,228	4,362
– Fund investments	240,864	199,725
– Wealth management products	1,683	1,511
– Other	336	817
<i>Classified by listing</i>	247,111	206,415
– Listed in the Chinese mainland	990	330
– Listed outside the Chinese mainland	972	653
– Unlisted	245,149	205,432
Total other financial investments measured at FVTPL	257,730	227,204
Total financial investments measured at FVTPL	513,266	411,591

**(ii) Financial investments designated at fair value through profit or loss**

	2023	2022
<i>Bonds:</i>		
<i>Classified by issuer</i>	12,879	11,876
– Government bonds	228	218
– Bonds issued by policy banks	4,492	4,559
– Bonds issued by commercial banks and other financial institutions	7,327	6,370
– Other debt securities	832	729
<i>Classified by listing</i>	12,879	11,876
– Listed in the Chinese mainland	12,637	11,656
– Listed outside the Chinese mainland	242	220

## 23. Financial investments *(continued)*

### (b) Debt investments at amortised cost

	2023	2022
Debt investments at amortised cost (i)(ii)	1,768,010	1,579,845
Interest receivable	20,796	19,294
Subtotal	1,788,806	1,599,139
Impairment losses of principal (i)(ii)(iii)	(39,390)	(43,448)
Impairment losses of interest receivable	(392)	(234)
Subtotal	(39,782)	(43,682)
Total	1,749,024	1,555,457

#### (i) Debt investments at amortised cost:

	2023	2022
<i>Bonds:</i>		
<i>Classified by issuer</i>	1,680,262	1,452,499
– Government bonds	1,179,073	993,624
– Bonds issued by policy banks	442,206	394,126
– Bonds issued by commercial banks and other financial institutions	51,732	56,913
– Other debt securities	7,251	7,836
<i>Classified by listing</i>	1,680,262	1,452,499
– Listed in the Chinese mainland	1,607,814	1,395,184
– Listed outside the Chinese mainland	41,533	33,319
– Unlisted	30,915	23,996
<i>Fair value for the listed bonds</i>	1,708,448	1,457,373
<i>Other investments:</i>		
<i>Classified by underlying assets</i>	87,748	127,346
– Non-standard assets – Loans and advances to customers	73,709	108,616
– Non-standard assets – Creditor’s beneficiary rights to other commercial banks	3,738	5,500
– Non-standard assets – Other	9,622	12,582
– Other	679	648
<i>Classified by listing</i>	87,748	127,346
– Unlisted	87,748	127,346
Total	1,768,010	1,579,845
Less: Loss allowances	(39,390)	(43,448)
Stage 1 (12-month ECL)	(13,193)	(10,120)
Stage 2 (Lifetime ECL – not credit-impaired)	(486)	(960)
Stage 3 (Lifetime ECL – credit-impaired)	(25,711)	(32,368)
Net debt investments at amortised cost	1,728,620	1,536,397

**23. Financial investments** *(continued)***(b) Debt investments at amortised cost** *(continued)*

(ii) Analysed by stage of ECL:

	2023			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Debt investments at amortised cost	1,738,945	1,517	27,548	1,768,010
Less: Loss allowances of debt investments at amortised cost	(13,193)	(486)	(25,711)	(39,390)
Net debt investments at amortised cost	1,725,752	1,031	1,837	1,728,620
	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	Total
Debt investments at amortised cost	1,543,652	2,073	34,120	1,579,845
Less: Loss allowances of debt investments at amortised cost	(10,120)	(960)	(32,368)	(43,448)
Net debt investments at amortised cost	1,533,532	1,113	1,752	1,536,397

(iii) Movements of allowances for expected credit loss

	2023			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Balance as at the beginning of the year	10,120	960	32,368	43,448
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(37)	37	–	–
– Stage 3	–	(484)	484	–
Charge/(release) for the year (note 14)	3,111	(25)	(4,313)	(1,227)
Write-offs/disposals	(5)	(1)	(2,904)	(2,910)
Recovery of debt previously written off	–	–	66	66
Exchange difference	4	(1)	10	13
Balance as at the end of the year	13,193	486	25,711	39,390

## 23. Financial investments *(continued)*

### (b) Debt investments at amortised cost *(continued)*

#### (iii) Movements of allowances for expected credit loss *(continued)*

	2022			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Balance as at the beginning of the year	14,974	712	24,021	39,707
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(27)	27	–	–
– Stage 3	(153)	(298)	451	–
(Release)/charge for the year (note 14)	(4,674)	518	8,390	4,234
Write-offs/disposals	–	–	(531)	(531)
Recovery of debt previously written off	–	–	28	28
Exchange difference	–	1	9	10
Balance as at the end of the year	10,120	960	32,368	43,448

### (c) Debt investments at FVTOCI

	2023	2022
Debt investments at FVTOCI (i)	889,736	771,271
Interest receivable	9,366	9,078
Total	899,102	780,349
Impairment losses of debt investments at FVTOCI (ii)	(6,812)	(6,540)
Impairment losses of interest receivable	(148)	(80)
Total	(6,960)	(6,620)

No impairment allowances are recognised in the consolidated statement of financial position for debt investments at FVTOCI as the carrying amount is at fair value.

#### (i) Debt investments at FVTOCI:

	2023	2022
Bonds:		
<i>Classified by issuer</i>	889,736	771,271
– Government bonds	636,625	524,651
– Bonds issued by policy banks	35,519	74,072
– Bonds issued by commercial banks and other financial institutions	149,397	119,602
– Other debt securities	68,195	52,946
<i>Classified by listing</i>	889,736	771,271
– Listed in the Chinese mainland	676,653	611,110
– Listed outside the Chinese mainland	105,084	90,148
– Unlisted	107,999	70,013

## 23. Financial investments *(continued)*

### (c) Debt investments at FVTOCI *(continued)*

#### (ii) Movements of allowances for expected credit loss

	2023	2022
Balance as at the beginning of the year	6,540	6,622
Charge/(release) for the year (note 14)	1,009	(355)
Write-offs/disposals	(807)	–
Exchange difference	70	273
Balance as at the end of the year	6,812	6,540

### (d) Equity investments designated at FVTOCI

	2023	2022
Reposessed equity instruments	2,857	3,266
Other	16,792	10,150
Total	19,649	13,416
<i>Classified by listing</i>		
– Listed in the Chinese mainland	926	1,412
– Listed outside the Chinese mainland	9,515	2,744
– Unlisted	9,208	9,260
Total	19,649	13,416

During the year ended 31 December 2023, the Group disposed part of the equity investments designated at FVTOCI. The fair value of the equity investments disposed at the date of derecognition was RMB1,226 million (2022: RMB2,879 million). The cumulative net of tax loss of RMB49 million (2022: cumulative net of tax gain of RMB20 million) was transferred from investment revaluation reserve to retained earnings on disposal.

## 24. Particulars of principal subsidiaries of the bank

The following list contains particulars of subsidiaries which principally affect the financial results, assets or liabilities of the Group. Unless otherwise stated, the class of all shares held is ordinary. All of these companies are subsidiaries as defined under Note 4(1) and have been included in the scope of the consolidated financial statements of the Group.

Name of company	Place of incorporation and operation	Particulars of the issued and paid up capital (in millions)	% of ownership held by the Bank	Principal activities	Economic nature	Legal representative
CMB International Capital Holdings Corporation Limited (note (i))	Hong Kong	HKD4,129	100%	Investment bank and investment management	Limited liability	Wang Liang
CMB Financial Leasing Company Limited (note (ii))	Shanghai	RMB12,000	100%	Finance leasing	Limited liability	Zhong Desheng
CMB Wing Lung Bank Limited (note (iii))	Hong Kong	HKD1,161	100%	Banking	Limited liability	Wang Liang
China Merchants Fund Management Co., Ltd. (note (iv))	Shenzhen	RMB1,310	55%	Fund management	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd (note (v))	Shenzhen	RMB5,556	90%	Asset management	Limited liability	Chen Yisong
China Merchants Europe S.A. (note (vi))	Luxembourg	EUR100	100%	Banking	Limited liability	Xue Fei
Cigna & CMB Asset Management Company Limited (note (vii))	Beijing	RMB500	(note (vii))	Asset management	Limited liability	Wang Xiaoqing

## 24. Particulars of principal subsidiaries of the bank *(continued)*

Notes:

- (i) CMB International Capital Holdings Corporation Limited ("CMBIC"), formerly known as Jiangnan Finance Company Limited and CMB International Capital Corporation Limited, is the Bank's wholly-owned subsidiary approved for setting up by the PBOC through its Yin Fu [1998] No. 405. In 2014, the Bank made an additional capital contribution of HKD750 million in CMBIC. The capital of CMBIC increased to HKD1,000 million, and the Bank's shareholding percentage remained unchanged. The Board of Directors passed "The Resolution regarding the Capital Increase and Restructuring of CMBIC" which agreed that the Bank made capital contribution of USD400 million (or its equivalent) to CMBIC on 28 July 2015. The capital contribution was completed on 20 January 2016.
- (ii) CMB Financial Leasing Company Limited ("CMBFL") is a wholly-owned subsidiary of the Bank approved for setting up by the former CBIRC through its Yin Jian Fu [2008] No. 110 and commenced its operation in April 2008. In 2014, the Bank made an additional capital contribution of RMB2,000 million in CMBFL. The capital of CMBFL increased to RMB6,000 million and the Bank's shareholding percentage remained unchanged. In August 2021, CMBFL converted RMB6,000 million of its retained earnings into share capital, and the capital of CMBFL increased to RMB12,000 million. The Bank's shareholding percentage remained unchanged.
- (iii) CMB Wing Lung Bank Limited ("CMB WLB") was formerly known as Wing Lung Bank Limited. On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. CMB WLB became a wholly owned subsidiary of the Bank on 15 January 2009. CMB WLB had withdrawn from listing on the HKEx as of 16 January 2009.
- (iv) In 2012, the Bank acquired 21.60% equity interests in China Merchants Fund Management Co., Ltd. ("CMFM"), its former associate, from ING Asset Management B.V. at a consideration of EUR63,567,567.57. Following the settlement of the above consideration in cash, the Bank's shareholding in CMFM increased from 33.40% to 55.00% in 2013. As a result, the Bank obtained the control over CMFM, which became the Bank's subsidiary on 28 November 2013. In December 2017, the Bank made an additional capital contribution of RMB605 million in CMFM, and other shareholders of CMFM also made capital contribution of RMB495 million proportionally. The capital of CMFM increased to RMB1,310 million, and the Bank's shareholding percentage remained unchanged.
- (v) CMB Wealth Management Co., Ltd. ("CMBWM") is a wholly-owned subsidiary of the Bank, approved for setting up by the former CBIRC with Yin Bao Jian Fu [2019] No. 981. It was formally established on 1 November 2019. In accordance with the approval of former CBIRC (Yin Bao Jian Fu [2021] No. 920), JPMorgan Asset Management (Asia Pacific) Limited ("JPMorgan Asset Management") has subscribed for a 10% stake in CMBWM in 2022 with an investment of RMB2,667 million. After the completion of capital injection, CMBWM's registered capital has been increased to approximately RMB5,556 million from RMB5,000 million and the Bank's and JPMorgan Asset Management's shareholdings are 90% and 10% respectively. The legal representative of CMBWM was changed from Chen Yisong to Wu Jianbing on 22 January 2024.
- (vi) China Merchants Europe S.A. ("CMB Europe S.A.") is a wholly-owned subsidiary of the Bank approved by the former CBIRC with Yin Jian Fu [2016] No. 460. The Bank received an approval from the European Central Bank (ECB) for the establishment of CMB Europe S.A. in Luxembourg in May 2021. In June 2023, the Bank made an additional capital contribution of EUR 50 million in CMB Europe S.A. The capital of CMB Europe S.A. increased to EUR 100 million, and the Bank's shareholding percentage remained unchanged.
- (vii) Cigna & CMB Asset Management Company Limited ("CIGNA & CMAM") was registered and established on 18 October 2020 with the approval for setting up by the former CBIRC with Yin Bao Jian Fu [2020] No. 708. CIGNA & CMAM is an indirectly controlled subsidiary of the Bank, with 87.3458% held by CIGNA & CMB Life Insurance Co., Ltd., a joint venture of the Bank, and 12.6542% held by CMBIC, a subsidiary of the Bank.



## 25. Interests in joint ventures

	2023	2022
Share of net assets	15,707	14,247
Share of profits for the year	1,860	1,710
Share of other comprehensive income/(expense) for the year	31	(997)

Details of the Group's interests in major joint ventures are as follows:

Name of joint ventures	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
CIGNA & CMB Life Insurance Co., Ltd. (note(i))	Limited liability	Shenzhen	RMB2,800	50.00%	50.00%	Life insurance business
Merchants Union Consumer Finance Company Limited (note(ii))	Joint stock limited company	Shenzhen	RMB10,000	50.00%	50.00%	Consumer finance

Notes:

(i) The Group holds 50.00% equity interests in CIGNA & CMB Life Insurance Co., Ltd., ("CIGNA & CMB Life") and Cigna Health and Life Insurance Company ("CHLIC") holds the other 50.00% equity interests. The Bank and CHLIC share the joint venture's risk, profits and losses based on their shareholding proportionally. The Bank's investment in CIGNA & CMB Life is accounted for as an investment in a joint venture.

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries, and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"). Former CBIRC approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each held 50% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Bank and CUNC made a capital contribution of RMB600 million in MUCFC respectively. After the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage becoming 15%, CMB WLB's shareholding percentage becoming 35%, and the Group's total shareholding percentage remained at 50%. In December 2018, the Bank made another capital contribution of RMB1,000 million in MUCFC, and CUNC made the same amount of capital injection. After that, the share capital of MUCFC has reached RMB3,869 million. The Bank and CMB WLB then held 24.15% and 25.85% of equity interests in MUCFC, respectively, and the Group's total shareholding percentage remained at 50%.

In July 2021, CMB WLB transferred all its shares of MUCFC to the Bank. After the transfer, the Bank and CUNC each held 50% of equity interests in MUCFC, and the Group's total shareholding percentage remained unchanged. In October 2021, MUCFC converted RMB1,331 million of its capital reserve and RMB4,800 million of its retained earnings into share capital, and the share capital of MUCFC increased to RMB10,000 million after the conversion.

In July 2023, MUCFC completed the registration of the change of its Chinese name from "招聯消費金融有限公司" to "招聯消費金融股份有限公司".

## 25. Interests in joint ventures *(continued)*

Summarised financial information with necessary adjustments in accordance with the Group's accounting policies of the joint ventures which are individually material to the Group is as follows:

(i) CIGNA & CMB Life:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive income/ (expense)	Total comprehensive income/ (expense)	Cash and cash equivalents	Depreciation and amortisation	Income tax
2023										
CIGNA & CMB Life	165,340	155,485	9,855	40,661	429	63	492	2,590	149	(944)
Group's effective interest	82,359	77,743	4,616	20,331	167	31	198	1,295	75	(472)
2022										
CIGNA & CMB Life	130,758	121,145	9,613	31,841	730	(1,996)	(1,266)	1,071	147	(475)
Group's effective interest	65,116	60,573	4,543	15,921	336	(997)	(661)	536	74	(238)

(ii) MUCFC:

	Assets	Liabilities	Equity	Revenue	Net profit	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2023									
MUCFC	176,421	156,054	20,367	19,602	3,600	3,600	4,170	44	533
Group's effective interest	88,211	78,027	10,184	9,801	1,800	1,800	2,085	22	267
2022									
MUCFC	164,346	147,279	17,067	17,501	3,329	3,329	5,425	47	500
Group's effective interest	82,174	73,640	8,534	8,751	1,665	1,665	2,713	24	250

Summarised financial information of the joint ventures that are not individually material to the Group is as follows:

	Net loss	Other comprehensive expense	Total comprehensive expense
2023			
Other joint ventures	(1,197)	–	(1,197)
Group's effective interest	(107)	–	(107)
2022			
Other joint ventures	(2,874)	–	(2,874)
Group's effective interest	(291)	–	(291)

## 26. Interests in associates

	2023	2022
Share of net assets	10,883	9,597
Share of profits for the year	616	815
Share of other comprehensive income/(expense) for the year	171	(158)

Details of the Group's interest in major associate are as follows:

	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
Bank of Taizhou Co., Ltd. (Note)	Joint stock limited company	Taizhou	RMB 1,800	24.8559%	24.8559%	Commercial Bank

Note: The Bank, which originally held a 10% stake in Bank of Taizhou, acquired a total of 14.8559% stake from Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. at a total consideration of RMB3,121 million on 31 May 2021. Upon the completion of the transaction, the Bank held 24.8559% stake of Bank of Taizhou. The Bank can exercise significant influence on Bank of Taizhou and therefore this investment is included in interests in associates.

Summarised financial information of the associate which is individually material to the Group is as follows:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive income	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2023										
Bank of Taizhou Co., Ltd.	402,413	369,702	32,711	12,552	4,639	184	4,823	9,561	522	1,099
Group's effective interest	98,881	91,893	6,988	3,120	1,052	46	1,098	2,376	130	273
2022										
Bank of Taizhou Co., Ltd.	372,578	343,254	29,324	11,034	4,445	(138)	4,307	20,368	522	1,196
Group's effective interest	91,509	85,319	6,190	2,743	1,004	(35)	969	5,063	130	297

Summarised financial information of the associates that are not individually material to the Group is as follows:

	Net loss	Other comprehensive income/(expense)	Total comprehensive expense
2023			
Other associates	(5,308)	781	(4,527)
Group's effective interest	(436)	125	(311)
2022			
Other associates	(11,527)	(737)	(12,264)
Group's effective interest	(189)	(123)	(312)

## 27. Investment properties

	2023	2022
<b>Cost:</b>		
At 1 January	3,301	3,135
Transfers (out)/in	(159)	13
Disposals	(79)	–
Exchange difference	34	153
At 31 December	3,097	3,301
<b>Accumulated depreciation:</b>		
At 1 January	2,033	1,763
Depreciation	140	132
Transfers (out)/in	(204)	33
Disposals	(57)	–
Exchange difference	25	105
At 31 December	1,937	2,033
<b>Net carrying amount:</b>		
At 31 December	1,160	1,268
At 1 January	1,268	1,372

As at 31 December 2023, no impairment allowance was considered necessary for investment properties by the Group (31 December 2022: Nil).

Investment properties of the Group mainly represent the leased properties of CMB WLB and the Bank that have been leased out under operating leases. The fair value of the Group's investment properties is determined by the market approach and the method of capitalisation of net rental income. As at 31 December 2023, the fair value of these properties was RMB4,432 million (31 December 2022: RMB5,534 million).

The Group's total future minimum leases receivable under non-cancellable operating leases are as follows:

	2023	2022
Within 1 year (inclusive)	227	289
1 year to 2 years (inclusive)	196	240
2 year to 3 years (inclusive)	165	184
3 year to 4 years (inclusive)	136	153
4 year to 5 years (inclusive)	79	102
Over 5 years	225	275
Total	1,028	1,243

The fair value hierarchy of the investment properties of the Group are listed as follows:

				Fair Value as at 31 December 2023
	Level 1	Level 2	Level 3	
Located in the Chinese mainland	–	2,036	–	2,036
Located overseas	–	–	2,396	2,396
Total	–	2,036	2,396	4,432

				Fair Value as at 31 December 2022
	Level 1	Level 2	Level 3	
Located in the Chinese mainland	–	3,140	–	3,140
Located overseas	–	–	2,394	2,394
Total	–	3,140	2,394	5,534

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

## 28. Property and equipment

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
<b>Cost:</b>							
At 1 January 2023	30,501	3,787	18,516	11,678	85,741	5,478	155,701
Additions	40	2,879	1,145	775	24,689	360	29,888
Reclassification and transfers	2,445	(2,686)	28	380	–	(8)	159
Disposals	(15)	–	(2,374)	(82)	(6,983)	(625)	(10,079)
Exchange difference	55	–	23	16	1,356	5	1,455
At 31 December 2023	33,026	3,980	17,338	12,767	104,803	5,210	177,124
<b>Accumulated depreciation:</b>							
At 1 January 2023	14,339	–	14,791	8,045	13,111	4,344	54,630
Depreciation	1,408	–	2,064	934	5,921	541	10,868
Reclassification and transfers	204	–	24	–	–	(24)	204
Disposals	(10)	–	(2,319)	(40)	(2,400)	(595)	(5,364)
Exchange difference	43	–	22	7	183	4	259
At 31 December 2023	15,984	–	14,582	8,946	16,815	4,270	60,597
<b>Impairment loss:</b>							
At 1 January 2023	20	–	–	–	1,132	–	1,152
Charge	–	–	–	–	183	–	183
Disposals	–	–	–	–	(175)	–	(175)
Exchange difference	–	–	–	–	19	–	19
At 31 December 2023	20	–	–	–	1,159	–	1,179
<b>Net carrying amount:</b>							
At 31 December 2023	17,022	3,980	2,756	3,821	86,829	940	115,348
At 1 January 2023	16,142	3,787	3,725	3,633	71,498	1,134	99,919

## 28. Property and equipment (continued)

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
<b>Cost:</b>							
At 1 January 2022	28,876	3,502	16,860	10,925	61,327	5,909	127,399
Additions	24	1,910	1,898	649	26,872	357	31,710
Reclassification and transfers	1,490	(1,625)	162	122	–	(162)	(13)
Disposals	(150)	–	(517)	(100)	(7,912)	(643)	(9,322)
Exchange difference	261	–	113	82	5,454	17	5,927
At 31 December 2022	30,501	3,787	18,516	11,678	85,741	5,478	155,701
<b>Accumulated depreciation:</b>							
At 1 January 2022	12,998	–	12,924	7,028	9,051	4,465	46,466
Depreciation	1,286	–	2,174	1,103	5,027	557	10,147
Reclassification and transfers	(33)	–	113	–	–	(113)	(33)
Disposals	(87)	–	(497)	(70)	(1,653)	(578)	(2,885)
Exchange difference	175	–	77	(16)	686	13	935
At 31 December 2022	14,339	–	14,791	8,045	13,111	4,344	54,630
<b>Impairment loss:</b>							
At 1 January 2022	20	–	–	–	498	–	518
Charge	–	–	–	–	778	–	778
Disposals	–	–	–	–	(194)	–	(194)
Exchange difference	–	–	–	–	50	–	50
At 31 December 2022	20	–	–	–	1,132	–	1,152
<b>Net carrying amount:</b>							
At 31 December 2022	16,142	3,787	3,725	3,633	71,498	1,134	99,919
At 1 January 2022	15,858	3,502	3,936	3,897	51,778	1,444	80,415

- (a) As at 31 December 2023, the process of obtaining the registration certificate for the Group's properties with an aggregate net carrying value of RMB2,476 million (31 December 2022: RMB1,108 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.
- (b) As at 31 December 2023, the Group had no significant unused property and equipment (31 December 2022: None).
- (c) As at 31 December 2023, the carrying value of mortgaged aircraft and vessels for placements from banks and other financial institutions of the CMBFL was RMB24,508 million (31 December 2022: RMB24,512 million).
- (d) The Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	2023	2022
Within 1 year (inclusive)	10,711	11,306
1 year to 2 years (inclusive)	8,993	9,601
2 year to 3 years (inclusive)	7,906	8,134
3 year to 4 years (inclusive)	6,808	7,087
4 year to 5 years (inclusive)	6,363	6,151
Over 5 years	21,954	19,876
Total	62,735	62,155

## 29. Lease contracts

### (a) Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
<b>Cost:</b>					
At 1 January 2023	6,000	23,926	10	11	29,947
Additions	–	4,161	–	2	4,163
Decrease	–	(3,055)	–	(2)	(3,057)
Exchange difference	2	12	–	–	14
At 31 December 2023	6,002	25,044	10	11	31,067
<b>Accumulated depreciation:</b>					
At 1 January 2023	1,375	10,953	5	2	12,335
Depreciation (note 10)	182	4,018	3	2	4,205
Decrease	–	(2,584)	–	(1)	(2,585)
Exchange difference	–	12	–	–	12
At 31 December 2023	1,557	12,399	8	3	13,967
<b>Impairment loss:</b>					
At 1 January 2023	59	–	–	–	59
At 31 December 2023	59	–	–	–	59
<b>Net carrying amount:</b>					
At 31 December 2023	4,386	12,645	2	8	17,041
At 1 January 2023	4,566	12,973	5	9	17,553
<b>Cost:</b>					
At 1 January 2022	5,985	23,070	7	16	29,078
Additions	–	3,656	4	7	3,667
Decrease	–	(2,848)	(1)	(12)	(2,861)
Exchange difference	15	48	–	–	63
At 31 December 2022	6,000	23,926	10	11	29,947
<b>Accumulated depreciation:</b>					
At 1 January 2022	1,190	9,414	3	9	10,616
Depreciation (note 10)	181	3,965	3	2	4,151
Decrease	–	(2,458)	(1)	(9)	(2,468)
Exchange difference	4	32	–	–	36
At 31 December 2022	1,375	10,953	5	2	12,335
<b>Impairment loss:</b>					
At 1 January 2022	59	–	–	–	59
At 31 December 2022	59	–	–	–	59
<b>Net carrying amount:</b>					
At 31 December 2022	4,566	12,973	5	9	17,553
At 1 January 2022	4,736	13,656	4	7	18,403

The Group mainly leases land use rights and buildings for its operations. 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 reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee.

## 29. Lease contracts *(continued)*

### (b) Lease liabilities

Analysis of the Group's lease liabilities by remaining maturity is as follows:

	2023	2022
Within 1 month (inclusive)	454	503
1 month to 3 months (inclusive)	578	591
3 months to 1 year (inclusive)	2,804	3,091
1 year to 2 years (inclusive)	3,085	3,038
2 years to 5 years (inclusive)	4,672	4,612
Over 5 years	1,082	1,178
<b>Total</b>	<b>12,675</b>	<b>13,013</b>

Interest expense on lease liabilities is set out in note 7.

### (c) Short-term leases and leases of low-value assets

Short-term lease expense and leases of low-value assets expense are disclosed in note 10. The Group entered into short-term leases for buildings, computer equipment, motor vehicles and other.

- (d) During the year of 2023, total cash outflow of the Group's leases amounted to RMB5,053 million (2022: RMB4,932 million).
- (e) As at 31 December 2023 and 2022, the leases committed but not yet commenced were not significant.



### 30. Intangible assets

	Software and other	Core deposits	Total
<b>Cost/appraisal value:</b>			
At 1 January 2023	10,393	1,181	11,574
Additions	253	–	253
Disposals	(73)	–	(73)
Exchange difference	4	22	26
At 31 December 2023	10,577	1,203	11,780
<b>Accumulated amortisation:</b>			
At 1 January 2023	7,572	600	8,172
Charge for the year (note 10)	888	42	930
Disposals	(46)	–	(46)
Exchange difference	4	11	15
At 31 December 2023	8,418	653	9,071
<b>Net carrying amount:</b>			
At 31 December 2023	2,159	550	2,709
At 1 January 2023	2,821	581	3,402
<hr/>			
	Software and other	Core deposits	Total
<b>Cost/appraisal value:</b>			
At 1 January 2022	10,045	1,083	11,128
Additions	347	–	347
Disposals	(13)	–	(13)
Exchange difference	14	98	112
At 31 December 2022	10,393	1,181	11,574
<b>Accumulated amortisation:</b>			
At 1 January 2022	6,550	512	7,062
Charge for the year (note 10)	1,021	40	1,061
Disposals	(10)	–	(10)
Exchange difference	11	48	59
At 31 December 2022	7,572	600	8,172
<b>Net carrying amount:</b>			
At 31 December 2022	2,821	581	3,402
At 1 January 2022	3,495	571	4,066

## 31. Goodwill

	As at 31 December 2022	Addition during the year	Decrease during the year	As at 31 December 2023
CMB WLB (note (i))	10,177	–	–	10,177
CMFM (note (ii))	355	–	–	355
CMI (note (iii))	45	–	(45)	–
Zhaoyin Internet (note (iv))	1	–	–	1
<b>Total</b>	<b>10,578</b>	<b>–</b>	<b>(45)</b>	<b>10,533</b>
Less: Impairment allowances – CMB WLB	(579)	–	–	(579)
<b>Net carrying amount</b>	<b>9,999</b>	<b>–</b>	<b>(45)</b>	<b>9,954</b>

### Notes:

- (i) On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. On the acquisition date, the fair value of CMB WLB's identifiable net assets was RMB12,898 million, of which the Bank accounted for RMB6,851 million. A sum of RMB10,177 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMB WLB are set out in Note 24.
- (ii) On 28 November 2013, the Bank acquired a 55.00% equity interests in CMFM. On the acquisition date, the fair value of CMFM's identifiable net assets was RMB752 million, of which the Bank accounted for RMB414 million. A sum of RMB355 million, being the excess of acquisition cost of RMB769 million over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMFM are set out in Note 24.
- (iii) On 30 December 2022, CMB Wing Lung Insurance Company Limited ("CMB WLI"), a subsidiary of CMB WLB, issued shares to purchase the business of China Merchants Insurance Company Limited ("CMI"). On the acquisition date, the fair value of CMI's identifiable net assets was RMB357 million. A sum of RMB45 million, being the excess of acquisition cost of RMB402 million over the fair value of the identifiable net assets, was recognised as goodwill. On 29 June 2023, CMI injected capital into CMB WLI. The Group's shareholding of CMB WLI changed to 45% and lost control of CMB WLI. The Group converted it into an associate and derecognised the goodwill of RMB45 million.
- (iv) On 1 April 2015, CMBIC acquired the 100% equity interests in Zhaoyin Internet Technology (Shenzhen) Corporation Limited ("Zhaoyin Internet"). On the acquisition date, the fair value of Zhaoyin Internet's identifiable net assets was RMB3 million. A sum of RMB1 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

### Impairment test for goodwill

The recoverable amounts of the CGUs are determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using a steady growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

In assessing the impairment of goodwill, the Group assumed that the terminal growth rate is comparable to the forecast long-term economic growth rate issued by authoritative institutions. The discount rate adopted by the Group is the before-tax rate and reflects the specific risk associated with the CGU. A pre-tax discount rates of CMB WLB and CMFM adopted by the Group are 10% and 9% (2022: 11% and 10%). The Group believes any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

## 32. Deferred tax assets and deferred tax liabilities

	2023	2022
Deferred tax assets	90,557	90,848
Deferred tax liabilities	(1,607)	(1,510)
Net amount	88,950	89,338

### (a) Deferred tax assets/(liabilities) and related temporary differences are attributable to the following items:

	2023		2022	
	Deductible/ (taxable) temporary difference	Deferred tax	Deductible/ (taxable) temporary difference	Deferred tax
<b>Deferred tax assets before offsetting qualifying amounts</b>				
Impairment allowances on loans and advances to customers and other assets at amortised cost	297,564	74,251	302,062	75,278
Financial assets at FVTOCI	1,605	264	2,170	359
Financial instruments at FVTPL	451	113	1,839	461
Lease liabilities	12,543	3,135	12,624	3,156
Salaries and welfare payable and other	84,873	20,538	75,077	18,146
Total	397,036	98,301	393,772	97,400
<b>Deferred tax liabilities before offsetting qualifying amounts</b>				
Financial assets at FVTOCI	(9,985)	(2,496)	(5,487)	(1,371)
Financial instruments at FVTPL	(1,904)	(476)	(894)	(224)
Right-of-use assets	(12,317)	(3,133)	(12,641)	(3,160)
Other	(19,476)	(3,246)	(19,669)	(3,307)
Total	(43,682)	(9,351)	(38,691)	(8,062)
			2023	2022
Deferred tax assets before offsetting qualifying amounts			98,301	97,400
Offsetting amounts			(7,744)	(6,552)
Deferred tax assets after offsetting qualifying amounts			90,557	90,848
Deferred tax liabilities before offsetting qualifying amounts			(9,351)	(8,062)
Offsetting amounts			7,744	6,552
Deferred tax liabilities after offsetting qualifying amounts			(1,607)	(1,510)

## 32. Deferred tax assets and deferred tax liabilities *(continued)*

### (b) Movements of deferred tax

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Other	Total
At 1 January 2023	75,278	(1,012)	237	14,835	89,338
Recognised in profit or loss	(1,045)	(730)	(592)	2,450	83
Recognised in other comprehensive income	–	(493)	–	9	(484)
Exchange difference	18	3	(8)	–	13
At 31 December 2023	74,251	(2,232)	(363)	17,294	88,950

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Other	Total
At 1 January 2022	71,191	(2,764)	(4)	11,863	80,286
Recognised in profit or loss	4,061	1,160	243	2,993	8,457
Recognised in other comprehensive income	–	578	–	(21)	557
Exchange difference	26	14	(2)	–	38
At 31 December 2022	75,278	(1,012)	237	14,835	89,338

Note: No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because 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 be reversed in the foreseeable future.

### 33. Other assets

	2023	2022
Amounts pending for settlement	13,842	15,387
Continuing involvement assets	5,274	5,274
Interest receivable	4,526	4,154
Prepaid lease payments	203	209
Repossessed assets (a)	417	456
Guarantee deposits	563	465
Receivable from reinsurers	–	329
Prepayment for leasehold improvement and other miscellaneous items	7,436	7,569
Premium receivables	–	196
Post-employment benefits: defined benefit plan (note 39(b))	50	50
Other	21,573	21,889
<b>Total</b>	<b>53,884</b>	<b>55,978</b>

#### (a) Repossessed assets

	2023	2022
Land and buildings	551	606
Other repossessed assets	5	6
<b>Total</b>	<b>556</b>	<b>612</b>
Less: Impairment allowances	(139)	(156)
<b>Net repossessed assets</b>	<b>417</b>	<b>456</b>

Note: In 2023, the Group disposed of repossessed assets with a total carrying value of RMB56 million (2022: RMB44 million).

### 34. Deposits from banks and other financial institutions

	2023	2022
Principal (a)	507,460	644,618
Interest payable	918	1,056
<b>Total</b>	<b>508,378</b>	<b>645,674</b>

#### (a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	496,795	633,178
– Banks	32,286	103,250
– Other financial institutions	464,509	529,928
Outside the Chinese mainland	10,665	11,440
– Banks	9,884	10,779
– Other financial institutions	781	661
<b>Total</b>	<b>507,460</b>	<b>644,618</b>

## 35. Placements from banks and other financial institutions

	2023	2022
Principal (a)	246,085	206,015
Interest payable	1,214	1,012
Total	247,299	207,027

Note: Pursuant to the relevant provisions in the "Interim Measures for the Administration of Gold Leasing Business" (Yin Ban Fa [2022] No. 88) issued by the General Office of the PBOC in July 2022, with respect to the gold leasing business of the Group with financial institutions since 2023, gold leased in by the Group from other financial institutions is presented under "placements from banks and other financial institutions", a change from "financial liabilities at fair value through profit or loss" in prior years. The comparative figures are re-presented accordingly.

### (a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	157,360	136,235
– Banks	155,595	135,636
– Other financial institutions	1,765	599
Outside the Chinese mainland	88,725	69,780
– Banks	88,512	69,571
– Other financial institutions	213	209
Total	246,085	206,015

## 36. Financial liabilities at fair value through profit or loss

	2023	2022
Financial liabilities held for trading (a)	16,128	18,247
Financial liabilities designated at fair value through profit or loss (b)	27,830	30,897
Total	43,958	49,144

### (a) Financial liabilities held for trading

	2023	2022
Financial liabilities related to precious metal	15,748	17,634
Short position on bonds	380	613
Total	16,128	18,247

### (b) Financial liabilities designated at fair value through profit or loss

	2023	2022
In the Chinese mainland	21,865	22,047
– Other	21,865	22,047
Outside the Chinese mainland	5,965	8,850
– Certificates of deposit issued	212	383
– Debt securities issued	5,179	7,709
– Other	574	758
Total	27,830	30,897

As at 31 December 2023 and 2022, the difference between the fair values of the Group's financial liabilities designated at fair value through profit or loss and the contractual payable amount at maturity is not significant. The amounts of changes in the fair value of these liabilities that are attributable to changes in credit risk of the Group are not significant during the years ended 31 December 2023 and 2022 and as at 31 December 2023 and 2022.

## 37. Amounts sold under repurchase agreements

	2023	2022
Principal (a)(b)	134,863	107,024
Interest payable	215	69
Total	135,078	107,093

### (a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	117,668	103,452
– Banks	108,366	103,446
– Other financial institutions	9,302	6
Outside the Chinese mainland	17,195	3,572
– Banks	10,316	2,801
– Other financial institutions	6,879	771
Total	134,863	107,024

### (b) Analysed by underlying assets

	2023	2022
Debt securities	117,032	95,999
– Government bonds	84,438	73,335
– Bonds issued by policy banks	17,266	15,330
– Bonds issued by commercial banks and other financial institutions	6,592	3,476
– Other debt securities	8,736	3,858
Discounted bills	17,831	11,025
Total	134,863	107,024

## 38. Deposits From Customers

	2023	2022
Principal (a)	8,155,438	7,535,742
Interest payable	85,060	54,837
Total	8,240,498	7,590,579

### (a) Analysed by nature of counterparties

	2023	2022
Corporate customers	4,660,522	4,431,553
– Demand deposits	2,644,685	2,762,671
– Time deposits	2,015,837	1,668,882
Retail customers	3,494,916	3,104,189
– Demand deposits	1,829,612	1,983,364
– Time deposits	1,665,304	1,120,825
Total	8,155,438	7,535,742

### (b) The deposits taken from customers as collateral or for the purpose of guarantees are as follows:

	2023	2022
Guarantee for acceptance bills	240,613	199,384
Guarantee for loans	10,792	6,888
Guarantee for issuing letters of credit	23,843	29,366
Deposit for letters of guarantee	47,694	44,732
Other	27,788	42,490
Total	350,730	322,860



## 39. Staff welfare scheme

### (a) Salaries and welfare payable

	2023				
	Beginning balance	Charge/ (Decrease) for the year	Payment/ transfers in the year	Decrease for the year arising from disposal of subsidiaries	Ending balance
Short-term employee benefits (i)	23,075	61,371	(56,099)	(33)	28,314
Post-employment benefits – defined contribution plans (ii)	765	5,540	(5,944)	–	361
Other long-term employee benefits (iii) – cash settled share-based transactions	26	(18)	(4)	–	4
<b>Total</b>	<b>23,866</b>	<b>66,893</b>	<b>(62,047)</b>	<b>(33)</b>	<b>28,679</b>

	2022				
	Beginning balance	Charge for the year arising from combination	Charge/ (Decrease) for the year	Payment/ transfers in the year	Ending balance
Short-term employee benefits (i)	18,065	151	58,583	(53,724)	23,075
Post-employment benefits – defined contribution plans (ii)	1,629	–	5,110	(5,974)	765
Other long-term employee benefits (iii) – cash settled share-based transactions	67	–	(41)	–	26
<b>Total</b>	<b>19,761</b>	<b>151</b>	<b>63,652</b>	<b>(59,698)</b>	<b>23,866</b>

### 39. Staff welfare scheme *(continued)*

#### (a) Salaries and welfare payable *(continued)*

##### (i) Short-term employee benefits

	2023				
	Beginning balance	Charge for the year	Payment/transfers in the year	Decrease for the year arising from disposal of subsidiaries	Ending balance
Salaries and bonus	18,888	52,040	(47,303)	(33)	23,592
Welfare expense	17	2,883	(2,885)	–	15
Social insurance	371	1,809	(1,818)	–	362
– Medical insurance	353	1,679	(1,687)	–	345
– Injury insurance	6	41	(41)	–	6
– Maternity insurance	12	89	(90)	–	11
Housing reserve	157	2,602	(2,618)	–	141
Labour union and employee education expenses	3,642	2,037	(1,475)	–	4,204
<b>Total</b>	<b>23,075</b>	<b>61,371</b>	<b>(56,099)</b>	<b>(33)</b>	<b>28,314</b>

	2022				
	Beginning balance	Charge for the year arising from combination	Charge for the year	Payment/transfers in the year	Ending balance
Salaries and bonus	14,318	151	48,682	(44,263)	18,888
Welfare expense	19	–	2,310	(2,312)	17
Social insurance	530	–	3,311	(3,470)	371
– Medical insurance	515	–	3,192	(3,354)	353
– Injury insurance	6	–	34	(34)	6
– Maternity insurance	9	–	85	(82)	12
Housing reserve	166	–	2,309	(2,318)	157
Labour union and employee education expenses	3,032	–	1,971	(1,361)	3,642
<b>Total</b>	<b>18,065</b>	<b>151</b>	<b>58,583</b>	<b>(53,724)</b>	<b>23,075</b>

**39. Staff welfare scheme** *(continued)***(a) Salaries and welfare payable** *(continued)***(ii) Post-employment benefits-defined contribution plans**

	2023			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	151	3,465	(3,437)	179
Supplementary pension	591	1,996	(2,426)	161
Unemployment insurance	23	79	(81)	21
<b>Total</b>	<b>765</b>	<b>5,540</b>	<b>(5,944)</b>	<b>361</b>

	2022			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	157	2,821	(2,827)	151
Supplementary pension	1,450	2,221	(3,080)	591
Unemployment insurance	22	68	(67)	23
<b>Total</b>	<b>1,629</b>	<b>5,110</b>	<b>(5,974)</b>	<b>765</b>

In accordance with the regulations in the PRC, the Group participates in statutory pension schemes organised by the municipal and provincial governments for its employees (endowment insurance). During the year ended 31 December 2023, the Group's contributions to these pension schemes are determined by local governments and vary at a range of 14% to 16% (2022: 14% to 16%) of the staff salaries and bonuses.

In addition to the above statutory pension schemes, the Group has established a supplementary defined contribution plan for its employees (annuity insurance) in accordance with relevant annuity policies for corporate entities in the PRC. During the year ended 31 December 2023, the Group's annual contributions to this plan are determined based on 0% to 8.33% of the staff salaries and bonuses (2022: 0% to 8.33%).

For its employees outside the Chinese mainland, the Group participates in defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations.

### 39. Staff welfare scheme *(continued)*

#### (a) Salaries and welfare payable *(continued)*

##### (iii) Other long-term employee benefits

The Group has offered 10 phases of H share appreciation rights under the Scheme, the remaining ninth to tenth phases have not been exercised as of 31 December 2023. The share appreciation rights of the Scheme vest after 3 years from the grant date and are then exercisable within a period of 7 years. Each of the share appreciation right is linked to one H share.

- (1) All share appreciation rights shall be settled in cash. The terms and conditions of the Scheme are listed below:

	Number of unexercised share appreciation rights at the end of 2023 (in millions)	Exercise conditions	Contract period of share appreciation rights
Share appreciation rights granted on 24 Aug 2016 (Phase IX)	0.210	3 years after the grant date	10 years
Share appreciation rights granted on 25 Aug 2017 (Phase X)	0.240	3 years after the grant date	10 years

- (2) The number and weighted average exercise prices of share appreciation rights are as follows:

	2023		2022	
	Weighted average exercise price (HKD)	Number of share appreciation rights (in million)	Weighted average exercise price (HKD)	Number of share appreciation rights (in million)
Outstanding as at the beginning of the year	15.91	0.61	16.21	1.76
Exercised during the year	12.81	(0.16)	–	–
Forfeited during the year	–	–	13.65	(1.15)
Outstanding at the end of the year	15.11	0.45	15.91	0.61
Exercisable at the end of the year	15.11	0.45	15.25	0.55

The share appreciation rights outstanding at 31 December 2023 had a weighted average exercise price of HKD15.11 (2022: HKD15.91) and a weighted average remaining contractual life of 3.12 years (2022: 3.70 years).

Pursuant to the requirements set out in the Scheme, if there are any dividends distributed, capital reserve converted into shares, share split or dilution, adjustments to the exercise price will be applied.

**39. Staff welfare scheme** *(continued)***(a) Salaries and welfare payable** *(continued)***(iii) Other long-term employee benefits** *(continued)***(3) Fair value of share appreciation rights and assumptions**

The fair value of services received in return for share appreciation rights granted are measured by reference to the fair value of share appreciation rights granted. The estimate of the fair value of the share appreciation rights granted is measured based on the Black-Scholes model. The contractual life of the rights is used as an input to the model.

	2023	
	Phase IX	Phase X
Fair value at measurement date (in RMB Yuan)	12.74	6.34
Share price (in HKD)	25.80	25.80
Exercise price (in HKD)	9.49	20.03
Expected volatility	35.40%	35.40%
Share appreciation rights remaining life (year)	2.58	3.58
Expected dividends yield	4.45%	4.45%
Risk-free interest rate	1.43%	1.43%

	2022		
	Phase VIII	Phase IX	Phase X
Fair value at measurement date (in RMB Yuan)	24.94	25.27	17.75
Share price (in HKD)	43.30	43.30	43.30
Exercise price (in HKD)	12.81	11.38	21.92
Expected volatility	48.34%	48.34%	48.34%
Share appreciation rights remaining life (year)	2.50	3.58	4.58
Expected dividends yield	2.93%	2.93%	2.93%
Risk-free interest rate	1.43%	1.43%	1.43%

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share appreciation rights) and adjusted for any expected changes to future volatility based on publicly available information. Expected dividend yield is based on historical dividend yields. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share appreciation rights were granted under service conditions. The conditions have not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share appreciation rights granted.

**(4) The number of share appreciation rights granted:**

	2023			Accumulated Exercised/ Forfeited (in thousands)
	Phase IX (in thousands)	Phase X (in thousands)	Total (in thousands)	
Wang Liang	210	240	450	360
Total	210	240	450	360

	2022				Accumulated Exercised/ Forfeited (in thousands)
	Phase VIII (in thousands)	Phase IX (in thousands)	Phase X (in thousands)	Total (in thousands)	
Tian Huiyu	–	–	–	–	1,230
Wang Liang	157	210	240	607	203
Total	157	210	240	607	1,433

Note: In 2023, senior management had exercised 0.16 million shares of appreciation rights (2022: None) and the weighted average exercise price was HKD12.81 (2022: None).

## 39. Staff welfare scheme *(continued)*

### (b) Post-employment benefits – defined benefit plan

The Group's subsidiary CMB WLB operates a defined benefit plan (the "plan") for the staff, which includes a defined benefit scheme and a defined benefit pension scheme. Contributions to the plan are determined based on periodic valuations by qualified actuaries on the assets and liabilities of the plan. The plan provides benefits based on members' final salary. The costs are solely funded by CMB WLB.

The latest actuarial valuation of the plan as at 31 December 2023 was performed by Towers Watson Hong Kong Limited, a professional actuarial firm in accordance with IAS 19 *Employee Benefits*. The present values of the defined benefit obligation and current service cost of the plan are calculated based on the projected unit credit method. At the valuation date, the plan had a funding level of 123% (2022: 121%).

The amounts recognised in the consolidated statement of financial position as at 31 December 2023 and 2022 are analysed as follows:

	2023	2022
Fair value of the plan assets	267	285
Present value of the funded defined benefit obligation	(217)	(235)
Net asset recognised in the consolidated statement of financial position	50	50

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts receivable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. No contribution to the plan is expected to be paid in 2024.

There was no plan amendment, curtailment or settlement impact for the years ended 31 December 2023 and 2022.

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2023	2022
Current service cost	(8)	(9)
Net interest income	1	1
Net expense for the year included in retirement benefit costs	(7)	(8)

The actual gain on the plan assets for the year ended 31 December 2023 was RMB9 million (2022: loss of RMB42 million).

The movements in the defined benefit obligation during the year are as follows:

	2023	2022
Present value of obligation at 1 January	235	284
Current service cost	8	9
Interest cost	8	4
Actual benefits paid	(33)	(49)
Actuarial gains or losses due to liability experience	(1)	(4)
Actuarial gains or losses due to financial assumption changes	(4)	(31)
Actuarial gains or losses due to demographic assumption changes	–	–
Exchange difference	4	22
Actual obligation at 31 December	217	235

The movements in the fair value of the plan assets during the year are as follows:

	2023	2022
Fair value of the plan assets at 1 January	285	349
Interest income	9	5
Expected return on plan assets	–	(47)
Actual benefits paid	(33)	(49)
Exchange difference	6	27
Fair value of the plan assets at 31 December	267	285

### 39. Staff welfare scheme *(continued)*

#### (b) Post-employment benefits – defined benefit plan *(continued)*

The major categories of the plan assets are as follows:

	2023		2022	
	Amount	%	Amount	%
Equities	145	54.3	153	53.7
Bonds	52	19.5	50	17.5
Cash	70	26.2	82	28.8
Total	267	100.0	285	100.0

As at 31 December 2023, deposit with the Bank included in the amount of the plan assets was RMB61 million (2022: RMB58 million).

The principal actuarial assumptions adopted in the valuation are as follows:

	2023	2022
	%	%
Discount rate		
– Defined benefit scheme	3.1	3.3
– Defined benefit pension scheme	4.1	4.6
Long-term average rate of salary increase for the plan	4.5	5.0
Pension increase rate for the defined benefit pension plan	–	–

In 2023 and 2022, there were no significant change in the amount of retirement benefit plan liabilities due to changes in the above-mentioned actuarial assumptions.

### 40. Tax payable

	2023	2022
Corporate income tax	7,301	13,392
Value added tax	4,035	4,141
Other	2,261	1,925
Total	13,597	19,458

### 41. Contract liabilities

	2023	2022
Credit card points	4,132	5,319
Other deferred fee and commission income	1,354	1,360
Total	5,486	6,679

### 42. Provisions

	2023	2022
Expected credit loss on provisions	17,404	20,217
Other	2,258	2,274
Total	19,662	22,491

The expected credit loss for loan commitments and financial guarantee contracts by stages are as follows:

	2023	2022
Expected credit loss provisions	17,404	20,217
Stage 1 (12-month ECL)	15,200	12,082
Stage 2 (Lifetime ECL – not credit-impaired)	1,341	7,569
Stage 3 (Lifetime ECL – credit-impaired)	863	566

## 43. Debt securities issued

	Notes	2023	2022
Subordinated bonds issued	(a)	–	19,994
Debt securities issued	(b)	119,193	120,971
Negotiable interbank certificates of deposit issued		21,443	65,719
Certificates of deposit and other debt securities issued (note)		34,128	15,604
Interest payable		1,814	1,533
<b>Total</b>		<b>176,578</b>	<b>223,821</b>

Note: Other debt securities issued are notes issued by overseas subsidiaries of the Bank.

### (a) Subordinated bonds issued

As at the end of the reporting period, subordinated bonds issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	120 months	15 Nov 2018	4.65	RMB20,000	19,994	–	6	(20,000)	–
<b>Total</b>					19,994	–	6	(20,000)	–

### (b) Debt securities issued

As at the end of the reporting period, debt securities issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Medium term note	36 months	25 Sep 2020	3M LIBOR+0.85	USD400	2,780	–	2	142	(2,924)	–
Medium term note	36 months	25 Sep 2020	0.95	USD300	2,087	–	3	103	(2,193)	–
Fixed rate bond	36 months	6 Nov 2020	3.48	RMB10,000	9,999	–	1	–	(10,000)	–
Fixed rate bond	36 months	11 Mar 2021	3.40	RMB10,000	9,998	–	1	–	–	9,999
Fixed rate bond	36 months	3 Jun 2021	3.18	RMB20,000	19,995	–	2	–	–	19,997
Fixed rate bond	36 months	24 Aug 2021	2.90	RMB10,000	9,998	–	–	–	–	9,998
Medium term note	60 months	1 Sep 2021	1.25	USD300	2,089	–	(1)	42	–	2,130
Medium term note	24 months	1 Sep 2021	SOFR+0.50	USD300	2,087	–	5	87	(2,179)	–
Medium term note	36 months	2 Mar 2022	2.00	USD400	2,798	–	4	45	–	2,847
Fixed rate bond	36 months	11 May 2022	2.65	RMB5,000	4,999	–	–	–	–	4,999
Fixed rate bond	36 months	1 Sep 2022	2.40	RMB10,000	9,997	–	1	–	–	9,998
Fixed rate bond	36 months	27 Mar 2023	2.77	RMB5,000	–	5,000	(1)	–	–	4,999
Medium term note	36 months	13 Jun 2023	SOFR+0.65	USD400	–	2,850	–	(4)	–	2,846
<b>Total</b>					76,827	7,850	17	415	(17,296)	67,813

Libor represents London InterBank Offered Rate. SOFR represents Secured Overnight Financing Rate.

Note: Financial bonds issued by the Bank that were held by CMB WLB amounted to a total of 354 million RMB equivalent as of 31 December 2023 (31 December 2022: 555 million RMB equivalent).



43. Debt securities issued *(continued)*(b) Debt securities issued *(continued)*

As at the end of the reporting period, debt securities issued by CMBFL and its subsidiary were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	60 months	13 Mar 2019	4.00	RMB500	500	-	-	-	-	500
Fixed rate bond	60 months	3 Jul 2019	3.00	USD900	6,265	-	11	106	-	6,382
Fixed rate bond	120 months	3 Jul 2019	3.63	USD100	694	-	1	11	-	706
Fixed rate bond	120 months	14 Jul 2020	4.25	RMB2,000	1,994	-	1	-	-	1,995
Fixed rate bond	60 months	12 Aug 2020	1.88	USD800	5,571	-	5	94	-	5,670
Fixed rate bond	120 months	12 Aug 2020	2.75	USD400	2,771	-	3	47	-	2,821
Fixed rate bond	36 months	17 Nov 2020	3.85	RMB4,000	3,997	-	3	-	(4,000)	-
Fixed rate bond	36 months	26 Jan 2021	3.60	RMB4,000	3,996	-	4	-	-	4,000
Fixed rate bond	60 months	4 Feb 2021	2.00	USD400	2,785	-	2	47	-	2,834
Fixed rate bond	120 months	4 Feb 2021	2.88	USD400	2,765	-	3	47	-	2,815
Fixed rate bond	36 months	22 Mar 2021	3.58	RMB2,000	1,998	-	2	-	-	2,000
Fixed rate bond	60 months	24 Mar 2021	2.00	USD20	138	-	-	3	-	141
Fixed rate bond	36 months	16 Sep 2021	1.25	USD600	4,179	-	5	71	-	4,255
Fixed rate bond	60 months	16 Sep 2021	1.75	USD300	2,081	-	4	35	-	2,120
Fixed rate bond	36 months	16 Sep 2021	0.50	EUR100	741	-	1	47	-	789
Fixed rate bond	24 months	22 Dec 2021	0.50	EUR30	222	-	-	14	(236)	-
Floating rate bond	12 months	2 Mar 2022	SOFR+0.80	USD115	802	-	-	(10)	(792)	-
Floating rate bond	12 months	6 May 2022	SOFR+0.85	USD45	314	-	-	(3)	(311)	-
Floating rate bond	12 months	6 May 2022	SOFR+1.00	USD75	523	-	-	(5)	(518)	-
Floating rate bond	12 months	13 Jun 2022	SOFR+0.95	USD120	837	-	-	20	(857)	-
Fixed rate bond	12 months	14 Sep 2022	1.95	EUR80	592	-	1	31	(624)	-
Floating rate bond	6 months	20 Oct 2022	SOFR+0.75	USD50	349	-	-	(5)	(344)	-
Fixed rate bond	12 months	25 Nov 2022	3.21	RMB300	300	-	-	-	(300)	-
Floating rate bond	12 months	14 Dec 2022	SOFR+0.83	USD45	314	-	-	9	(323)	-
Floating rate bond	60 months	16 Dec 2022	SOFR+1.40	USD100	698	-	-	11	-	709
Fixed rate bond	12 months	16 Dec 2022	2.90	EUR57	421	-	1	21	(443)	-
Fixed rate bond	24 months	17 Feb 2023	3.50	RMB500	-	500	(1)	-	-	499
Floating rate bond	12 months	28 Feb 2023	SOFR+0.75	USD60	-	416	-	10	-	426
Floating rate bond	6 months	28 Feb 2023	SOFR+0.75	USD145	-	1,006	-	51	(1,057)	-
Floating rate bond	6 months	2 Mar 2023	SOFR+0.75	USD200	-	1,382	-	71	(1,453)	-
Floating rate bond	6 months	15 Mar 2023	SOFR+0.75	USD80	-	552	-	31	(583)	-
Fixed rate bond	6 months	16 May 2023	4.40	HKD750	-	667	-	30	(697)	-
Floating rate bond	24 months	31 May 2023	SOFR+1.00	USD75	-	533	-	(1)	-	532
Floating rate bond	36 months	13 Jun 2023	SOFR+1.05	USD103	-	737	(2)	(6)	-	729
Floating rate bond	6 months	27 Jun 2023	SOFR+0.70	USD50	-	361	-	(4)	(357)	-
Fixed rate bond	18 months	10 Jul 2023	3.05	RMB700	-	700	-	-	-	700
Floating rate bond	24 months	16 Aug 2023	SOFR+0.95	USD100	-	729	(1)	(20)	-	708
Floating rate bond	60 months	18 Aug 2023	SOFR+1.30	USD50	-	364	(2)	(9)	-	353
Floating rate bond	36 months	23 Aug 2023	SOFR+1.00	USD300	-	2,188	(7)	(59)	-	2,122
Floating rate bond	24 months	25 Aug 2023	SOFR+0.95	USD100	-	729	(1)	(19)	-	709
Floating rate bond	6 months	27 Oct 2023	SOFR+0.70	USD20	-	146	-	(4)	-	142
Floating rate bond	12 months	27 Oct 2023	SOFR+0.75	USD22	-	161	-	(5)	-	156
Fixed rate bond	36 months	16 Nov 2023	2.80	RMB2,500	-	2,500	(6)	-	-	2,494
Fixed rate bond	36 months	27 Nov 2023	3.35	RMB350	-	350	(2)	-	-	348
Floating rate bond	36 months	30 Nov 2023	SOFR+1.10	USD50	-	357	-	(2)	-	355
Fixed rate bond	36 months	5 Dec 2023	2.90	RMB4,000	-	4,000	(10)	-	-	3,990
Total					45,847	18,378	15	655	(12,895)	52,000

Note: Financial bonds issued by CMBFL that were held by the Bank amounted to a total of 600 million RMB equivalent as of 31 December 2023 (31 December 2022: 1,370 million RMB equivalent). Financial bonds issued by CMB International Leasing Management Limited (CMBILM), a wholly-owned subsidiary of CMBFL, that were separately held by the Bank, CMB WLB and CMBIC amounted to a total of 3,212 million RMB equivalent, 563 million RMB equivalent and 70 million RMB equivalent as of 31 December 2023 (31 December 2022: 2,268 million RMB equivalent, 1,602 million RMB equivalent and Nil).

## 43. Debt securities issued *(continued)*

### (b) Debt securities issued *(continued)*

As at the end of the reporting period, debt securities issued by CMBIC's subsidiary was as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	2 June 2021	1.38	USD600	4,166	-	19	69	-	4,254
Total					4,166	-	19	69	-	4,254

Note: Financial bond issued by Legend Fortune Limited, a wholly-owned subsidiary of CMBIC, that was held by CMB WLB amounted to a total of 75 million RMB equivalent as of 31 December 2023 (31 December 2022: 74 million RMB equivalent).

## 44. Other liabilities

	2023	2022
Clearing and settlement accounts	20,845	31,534
Salary risk allowances (note)	48,950	45,500
Continuing involvement liability	5,274	5,274
Insurance liabilities	-	2,902
Collecting on behalf of customers	665	827
Cheques and remittances returned	7	39
Other payable	37,454	39,862
Total	113,195	125,938

Note: Salary risk allowances are specific funds withheld from the employees' annual remunerations of which the payments are delayed for the purpose of risk management. The allocation of the funds is based on performance assessment and risk management results, taking into account the short term and long term benefit. In the event of a decline in the asset quality, a sharp deterioration of risk profiles and profitability, the occurrence of legal case, or a significant regulatory violation identified by any regulatory authorities, the relevant employees will be restricted from the allocation of these allowances.

## 45. Share capital

By type of shares:

	2023 and 2022 No. of shares (in million)
- A Shares	20,629
- H Shares	4,591
Total	25,220

All H Shares are ordinary shares and rank pari passu with the A Shares. There is no restriction on these shares.

	Capital	
	No. of shares (in million)	Amount
At 31 December 2023 and 2022	25,220	25,220

## 46. Other equity instruments

### (a) Preference Shares

	Issuance date	Accounting classification	Dividend rate	Issue price	No. (millions of shares)	Amount (RMB in million)	Due date	Conversion conditions	Con-version
Domestic Preference Shares (note (i))	22 Dec 2017	Equity instruments	3.62%	RMB100/Share	275	27,468	Perpetual existence	Note (ii)	None
Total					275	27,468			

The changes of Preference Shares issued were as follows:

	Issuance date	1 January 2023		Increase/decrease		31 December 2023	
		No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)
Domestic Preference Shares (note (i))	22 Dec 2017	275	27,468	-	-	275	27,468
Total		275	27,468	-	-	275	27,468

Notes:

- (i) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares in the aggregate nominal value of RMB27,500 million on 22 December 2017. Each Domestic Preference Share has a nominal value of RMB100 and 275 million Domestic Preference Shares were issued in total. The dividend rate is initially at 4.81% and subject to reset per agreement subsequently, but not exceeds 16.68%. On 18 December 2022, five years after the issuance of the Domestic Preference Shares, the Bank adjusted the dividend rate per annum to 3.62% in accordance with market rules.
- (ii) Domestic Preference Shares have clauses that state certain events would trigger mandatory conversion, those clauses are as follows:
- Upon the occurrence of any additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.
  - Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares. A Tier-2 Capital Trigger Event refers the earlier of the following events: 1) NAFR having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the NAFR for review and determination. The Bank shall fulfill the relevant information disclosure requirements of the Securities Law, the CSRC and Hong Kong's relevant laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

Dividends on the Domestic Preference Shares shall be paid in cash. Save for such dividend at the agreed dividend rate, the holders of the above Preference Shares are not entitled to share the remaining profits of the Bank with the ordinary shareholders. Dividend is non-cumulative. The Bank has the right to cancel any dividend on Preference Shares, and such cancellation shall not be deemed as a default. After the cancellation of all or part of the dividend to preference shareholders, the Bank shall not make any ordinary shares distribution, until the Preference Shares dividend is resumed in full. As the dividends on the Domestic Preference Shares are non-cumulative, the Bank will not distribute the dividends that were cancelled in prior years to Preference Shares holders.

The Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the NAFR, the Domestic Preference Shares may be redeemed in whole or in part at the discretion of the Bank, but the Bank does not have the obligation to redeem the Preference Shares. The holders of Preference Shares do not have the right to demand the Bank to redeem the Preference Shares and shall not expect that Preference Shares will be redeemed.

After deducting the issuance expenses from the Preference Shares above, the total net proceeds of RMB27,468 million have been included in additional Tier 1 capital of the Bank.

## 46. Other equity instruments *(continued)*

### (b) Perpetual Bonds

	Issuance date	Accounting classification	Interest rate	Issue price	No. (millions of units)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Perpetual Bonds (note (i))	9 Jul 2020	Equity instruments	3.95%	RMB100/Unit	500	49,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	Equity instruments	3.69%	RMB100/Unit	430	42,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (iii))	1 Dec 2023	Equity instruments	3.41%	RMB100/Unit	300	30,000	Perpetual existence	None	None
Total					1,230	122,978			

The changes of Perpetual Bonds issued were as follows:

	Issuance date	1 January 2023		Increase		31 December 2023	
		No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)
Domestic Perpetual Bonds (note (i))	9 Jul 2020	500	49,989	–	–	500	49,989
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	430	42,989	–	–	430	42,989
Domestic Perpetual Bonds (note (iii))	1 Dec 2023	–	–	300	30,000	300	30,000
Total		930	92,978	300	30,000	1,230	122,978

Notes:

- (i) With the approval of the relevant regulatory authorities in China, the Bank issued RMB50,000 million of 2020 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (Series 1) (the "Perpetual Bonds 2020") in the national inter-bank bond market on 9 July 2020. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2020. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2020 will continue to be outstanding so long as the Bank continues to operate.
- (ii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB43,000 million of 2021 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2021") in the national inter-bank bond market on 7 December 2021. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2021. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2021 will continue to be outstanding so long as the Bank continues to operate.
- (iii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB30,000 million of 2023 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2023, together with Perpetual Bonds 2020 and Perpetual Bonds 2021, Perpetual Bonds") in the national inter-bank bond market on 1 December 2023. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2023. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2023 will continue to be outstanding so long as the Bank continues to operate.

From the fifth anniversary since the issuance of the Perpetual Bonds, the Bank has the right to redeem in whole or in part the Perpetual Bonds on the annual interest payment date (including the interest payment date on the fifth year since the issuance date) subject to the approval of the NAFR and the satisfaction of the redemption preconditions. If, after the issuance, the Perpetual Bonds no longer qualify as additional Tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulation, the Bank has the right to redeem the whole but not part of the Perpetual Bonds. The investors do not have the right to sell back the Perpetual Bonds to the Bank.

The claims in respect of the Perpetual Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Perpetual Bonds, and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional Tier-1 capital instruments of the Bank that rank pari passu with the Perpetual Bonds.

The coupon rate will be reset on each benchmark rate reset date (i.e. the date of every five years from the issuance date). The adjusted coupon rate will be determined based on the benchmark interest rate at adjustment date plus the fixed spread as determined at the time of issuance. The Perpetual Bonds do not contain interest rate step-up mechanism or any other redemption incentives. The Bank has the right to cancel, in whole or in part, distributions on the Perpetual Bonds and any such cancellation will not constitute an event of default. The bond interests are non-cumulative, and any cancelled distribution is not carried to the following year. The Bank will fully consider the interests of bondholders when exercising this right. The Bank can use the cancelled bond interest for the current period at its discretion to repay other due debts. Cancellation of any distributions to the Perpetual Bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

## 46. Other equity instruments *(continued)*

### (b) Perpetual Bonds *(continued)*

Notes: *(continued)*

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write off in whole or in part, without the need for the consent of the bond holders, the principal amount of the Perpetual Bonds. A Non-Viability Trigger Event refers to the earlier of the following events: (i) NAFR having concluded that without a write-off, the Bank would become non-viable; (ii) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write-off will not be restored.

After deducting the issuance expenses, the funds raised by the bonds issuances have been used to supplement additional Tier 1 capital of the Bank in accordance with applicable laws and the approval of the relevant authorities.

### (c) Relative Information Attributed to Equity Instrument Holders

	2023	2022
Equity attributed to shareholders of the Bank	1,076,370	945,503
– Equity attributed to ordinary shareholders of the Bank	925,924	825,057
– Equity attributed to other equity instrument holders of the Bank	150,446	120,446
Including: Net profit	4,558	5,237
Total comprehensive income	4,558	5,237
Distributions in current year	(4,558)	(5,237)
Cumulative undistributed dividends	–	–
Equity attributed to non-controlling interests	9,359	8,735
– Equity attributed to non-controlling holders of ordinary shares	6,521	5,948
– Equity attributed to non-controlling holders of perpetual debt capital (note 62(a))	2,838	2,787

## 47. Capital reserve

Capital reserve primarily represents share premium of the Bank.

	2023	2022
At 1 January	65,435	67,523
Decrease	(3)	(2,088)
At 31 December	65,432	65,435

## 48. Investment revaluation reserve

	2023	2022
Debt instruments measured at FVTOCI: investment revaluation reserve	10,596	9,319
Fair value gain on equity instruments designated at FVTOCI	3,009	2,606
Remeasurement of defined benefit scheme	82	78
Share of other comprehensive expense of equity-accounted investees	(31)	(233)
Other	–	45
Total	13,656	11,815

## 49. Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges. Subsequent recognition of the hedged cash flow is accounted for in accordance with the accounting policy adopted for cash flow hedge in Note 4(5).

## 50. Surplus reserve

Statutory surplus reserve is calculated according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”) and is provided at 10% of the audited profit after tax of the Bank.

	2023	2022
At 1 January	94,985	82,137
Appropriation for the year	13,752	12,848
At 31 December	108,737	94,985

## 51. General reserve

The general reserve is an integral part of equity. According to the relevant regulations, in addition to the impairment allowances, the Bank maintains a general reserve to make up for unidentified potential losses. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. In addition, the general reserve includes 2.5% of the income of mutual fund custody businesses. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

	2023	2022
At 1 January	132,471	115,288
Appropriation for the year	9,010	17,183
At 31 December	141,481	132,471

## 52. Profit appropriations

### (a) Dividends approved/declared by shareholders

	2023	2022
Ordinary share dividends in 2022, approved and declared: RMB1.738 per share	43,832	–
Ordinary share dividends in 2021, approved and declared: RMB1.522 per share	–	38,385

### (b) Proposed profit appropriations

	2023	2022
Statutory surplus reserve	13,752	12,848
General reserve	9,010	17,183
Dividends		
– cash dividend: RMB1.972 per share (2022: RMB1.738 per share)	49,734	43,832
Total	72,496	73,863

2023 final dividends is proposed in accordance with the resolution passed at the meeting of the Board of Directors held on 25 March 2024 and will be submitted to the 2023 Annual General Meeting for approval.

## 53. Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the Chinese mainland.

## 54. The bank's statement of financial position and changes in the bank's equity

	2023	2022
<b>Assets</b>		
Cash	14,499	14,787
Precious metals	2,245	2,251
Balances with central banks	666,550	585,338
Balances with banks and other financial institutions	55,168	47,791
Placements with banks and other financial institutions	261,190	247,973
Amounts held under resale agreements	169,450	276,292
Loans and advances to customers	5,916,313	5,482,692
Financial assets at fair value through profit or loss	465,708	369,391
Derivative financial assets	18,014	17,859
Debt investments at amortised cost	1,707,032	1,533,546
Debt investments at fair value through other comprehensive income	783,051	675,484
Equity investments designated at fair value through other comprehensive income	10,956	10,724
Investments in subsidiaries	54,731	50,767
Interests in joint ventures	15,111	13,341
Interests in associates	6,991	6,190
Investment properties	836	907
Property and equipment	26,690	26,541
Right-of-use assets	16,321	16,764
Intangible assets	1,720	2,422
Deferred tax assets	87,177	88,056
Other assets	37,470	41,440
<b>Total assets</b>	<b>10,317,223</b>	<b>9,510,556</b>
<b>Liabilities</b>		
Borrowing from central banks	378,504	129,745
Deposits from banks and other financial institutions	484,620	621,621
Placements from banks and other financial institutions	71,077	57,489
Financial liabilities at fair value through profit or loss	21,281	25,865
Derivative financial liabilities	16,653	18,207
Amounts sold under repurchase agreements	114,008	95,970
Deposits from customers	7,953,958	7,327,974
Salaries and welfare payable	23,911	19,136
Tax payable	11,904	17,221
Contract liabilities	5,466	6,653
Lease liabilities	12,039	12,285
Provisions	19,530	22,410
Debt securities issued	107,858	172,402
Other liabilities	89,220	96,680
<b>Total liabilities</b>	<b>9,310,029</b>	<b>8,623,658</b>
<b>Equity</b>		
Share capital	25,220	25,220
Other equity instruments	150,446	120,446
Capital reserve	76,079	76,082
Investment revaluation reserve	14,354	13,144
Hedging reserve	11	-
Surplus reserve	108,737	94,985
General reserve	129,085	121,230
Retained earnings	453,168	391,579
Proposed profit appropriation	49,734	43,832
Exchange reserve	360	380
<b>Total equity</b>	<b>1,007,194</b>	<b>886,898</b>
<b>Total equity and liabilities</b>	<b>10,317,223</b>	<b>9,510,556</b>

## 54. The bank's statement of financial position and changes in the bank's equity (continued)

	Other equity instruments			Capital reserve	Investment			Surplus reserve	General reserve	Retained earnings	Proposed		Total
	Share capital	Preference shares	Perpetual bonds		revaluation reserve	Hedging reserve	profit appropriation				Exchange reserve		
At 1 January 2023	25,220	27,468	92,978	76,082	13,144	-	94,985	121,230	391,579	43,832	380	886,898	
Changes in equity for the year	-	-	30,000	(3)	1,210	11	13,752	7,855	61,589	5,902	(20)	120,296	
Net profit for the year	-	-	-	-	-	-	-	-	137,521	-	-	137,521	
Other comprehensive income for the year	-	-	-	-	1,177	11	-	-	-	-	(20)	1,168	
Total comprehensive income for the year	-	-	-	-	1,177	11	-	-	137,521	-	(20)	138,689	
Issue of perpetual bonds	-	-	30,000	(3)	-	-	-	-	-	-	-	29,997	
Profit appropriations	-	-	-	-	-	-	13,752	7,855	(75,899)	5,902	-	(48,390)	
Appropriation to statutory surplus reserve	-	-	-	-	-	-	13,752	-	(13,752)	-	-	-	
Appropriation to general reserve	-	-	-	-	-	-	-	7,855	(7,855)	-	-	-	
Dividends paid for the year 2022	-	-	-	-	-	-	-	-	-	(43,832)	-	(43,832)	
Proposed dividends for the year 2023	-	-	-	-	-	-	-	-	-	49,734	-	-	
Dividends to preference shares	-	-	-	-	-	-	-	-	-	(996)	-	(996)	
Distribution to perpetual bonds	-	-	-	-	-	-	-	-	-	(3,562)	-	(3,562)	
Transfers within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	33	-	-	-	(33)	-	-	-	
At 31 December 2023	25,220	27,468	122,978	76,079	14,354	11	108,737	129,085	453,168	49,734	360	1,007,194	

	Other equity instruments			Capital reserve	Investment			Surplus reserve	General reserve	Retained earnings	Proposed		Total
	Share capital	Preference shares	Perpetual bonds		revaluation reserve	Hedging reserve	profit appropriation				Exchange reserve		
At 1 January 2022	25,220	34,065	92,978	76,681	14,866	82,137	105,941	340,271	38,385	144	810,688		
Changes in equity for the year	-	(6,597)	-	(599)	(1,722)	12,848	15,289	51,308	5,447	236	76,210		
Net profit for the year	-	-	-	-	-	-	-	128,484	-	-	128,484		
Other comprehensive income for the year	-	-	-	-	(1,692)	-	-	-	-	236	(1,456)		
Total comprehensive income for the year	-	-	-	-	(1,692)	-	-	128,484	-	236	127,028		
Redemption of preference shares	-	(6,597)	-	(599)	-	-	-	-	-	-	(7,196)		
Profit appropriations	-	-	-	-	-	12,848	15,289	(77,206)	5,447	-	(43,622)		
Appropriation to statutory surplus reserve	-	-	-	-	-	12,848	-	(12,848)	-	-	-		
Appropriation to general reserve	-	-	-	-	-	-	15,289	(15,289)	-	-	-		
Dividends paid for the year 2021	-	-	-	-	-	-	-	-	(38,385)	-	(38,385)		
Proposed dividends for the year 2022	-	-	-	-	-	-	-	-	43,832	-	-		
Dividends to preference shares	-	-	-	-	-	-	-	-	(1,675)	-	(1,675)		
Distribution to perpetual bonds	-	-	-	-	-	-	-	-	(3,562)	-	(3,562)		
Transfers within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	(30)	-	-	30	-	-	-		
At 31 December 2022	25,220	27,468	92,978	76,082	13,144	94,985	121,230	391,579	43,832	380	886,898		



## 55. Notes to consolidated cash flow statement

### (a) Analysis of the balances of cash and cash equivalents (including assets with original maturity within 3 months):

	2023	2022
Cash and Balances with central banks	140,809	66,055
Balance with banks and other financial institutions	84,593	81,928
Placements with banks and other financial institutions	105,953	93,704
Amounts held under resale agreements	171,542	275,051
Debt securities investments and discounted bills	96,122	50,460
Total	599,019	567,198

### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were classified in the Group's consolidated cash flows statement as cash flows from financing activities.

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Interest payable on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2023	65,719	15,987	148,674	1,533	26	22,719	13,013	267,671
Cash changes:								
Proceeds from the issue	68,608	66,504	25,201	-	-	17,303	-	177,616
Repayment	(112,584)	(48,267)	(51,146)	-	-	(7,210)	(5,053)	(224,260)
Interest/dividend paid	(2,086)	-	-	(5,396)	(48,860)	-	-	(56,342)
Non-cash changes:								
Additions of lease liabilities	-	-	-	-	-	-	4,235	4,235
Accrued interest	-	-	-	5,677	-	-	480	6,157
Dividend declared	-	-	-	-	48,860	-	-	48,860
Discount or premium amortisation	1,786	265	53	-	-	-	-	2,104
Fair value adjustments	-	3	191	-	-	(236)	-	(42)
Exchange difference	-	(152)	1,399	-	-	40	-	1,287
At 31 December 2023	21,443	34,340	124,372	1,814	26	32,616	12,675	227,286
	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Interest payable on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2022	240,284	11,092	201,142	2,104	26	26,650	13,812	495,110
Cash changes:								
Proceeds from the issue	78,666	20,287	21,481	-	-	10,796	-	131,230
Repayment	(250,996)	(16,504)	(78,735)	-	-	(14,959)	(4,932)	(366,126)
Interest/dividend paid	(5,714)	-	-	(6,686)	(44,103)	-	-	(56,503)
Non-cash changes:								
Additions of lease liabilities	-	-	-	-	-	-	3,623	3,623
Accrued interest	-	-	-	6,115	-	-	510	6,625
Dividend declared	-	-	-	-	44,103	-	-	44,103
Discount or premium amortisation	3,479	31	37	-	-	-	-	3,547
Fair value adjustments	-	(26)	(544)	-	-	(9)	-	(579)
Exchange difference	-	1,107	5,293	-	-	241	-	6,641
At 31 December 2022	65,719	15,987	148,674	1,533	26	22,719	13,013	267,671

Note: Including financial liabilities designated at fair value through profit or loss.

### (c) Significant non-cash transactions

There were no significant non-cash transactions during the years ended 31 December 2023 and 2022.

## 56. Operating segments

The Group's principal activities are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

The Group manages its businesses by divisions, which are organised by both business lines and geography.

### (1) Wholesale finance business

The financial services for corporate clients, government agencies, and financial institutions include: loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business such as placement and repurchase, asset custody business, financial market business, and other services.

### (2) Retail finance business

The financial services provided to retail customers include: loan and deposit service, bank card service, wealth management services, private banking and other services.

### (3) Other Business

Other business covers investment properties, subsidiaries except for CMB WLB and CMBFL, associates and joint ventures. None of these segments meet any of the quantitative thresholds so far for segment division.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss by the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and apportion according to the relevant factors.

The accounting policies of the operating segments are the same as the Group's accounting policies as stated in Note 4. Operating segment income represents income generated from external customers, inter-segment transactions are offset. No customer contributed 10% or more to the Group's revenue for 2023 and 2022. Internal transactions are conducted at fair value.

## 56. Operating segments *(continued)*

### (a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
External net interest income	23,074	28,165	129,075	140,443	62,520	49,627	214,669	218,235
Internal net interest income/(expense)	60,952	62,294	7,679	(9,054)	(68,631)	(53,240)	-	-
<b>Net interest income</b>	<b>84,026</b>	<b>90,459</b>	<b>136,754</b>	<b>131,389</b>	<b>(6,111)</b>	<b>(3,613)</b>	<b>214,669</b>	<b>218,235</b>
Net fee and commission income	16,710	25,540	56,419	57,279	10,979	11,456	84,108	94,275
Other net income	33,889	26,095	1,142	2,747	2,794	863	37,825	29,705
<b>Operating income</b>	<b>134,625</b>	<b>142,094</b>	<b>194,315</b>	<b>191,415</b>	<b>7,662</b>	<b>8,706</b>	<b>336,602</b>	<b>342,215</b>
Operating expenses								
- Property and equipment and investment properties depreciation	(7,798)	(7,103)	(2,771)	(2,942)	(439)	(234)	(11,008)	(10,279)
- Right-of-use assets depreciation	(1,610)	(1,676)	(2,312)	(2,250)	(283)	(225)	(4,205)	(4,151)
- Other	(41,812)	(43,495)	(58,860)	(58,079)	(5,106)	(6,057)	(105,778)	(107,631)
<b>Reportable segment profit before impairment losses</b>	<b>83,405</b>	<b>89,820</b>	<b>130,372</b>	<b>128,144</b>	<b>1,834</b>	<b>2,190</b>	<b>215,611</b>	<b>220,154</b>
Expected credit losses and impairment losses on other assets	(10,640)	(22,671)	(30,459)	(33,966)	(370)	(929)	(41,469)	(57,566)
Share of profits of associates and joint ventures	-	-	-	-	2,476	2,525	2,476	2,525
<b>Reportable segment profit before taxation</b>	<b>72,765</b>	<b>67,149</b>	<b>99,913</b>	<b>94,178</b>	<b>3,940</b>	<b>3,786</b>	<b>176,618</b>	<b>165,113</b>
Capital expenditure (note)	26,630	28,884	2,809	2,660	702	513	30,141	32,057
	Wholesale finance business		Retail finance business		Other business		Total	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Reportable segment assets	6,236,513	5,633,640	3,358,721	3,081,290	1,325,116	1,314,820	10,920,350	10,029,750
Of which: Interest in associates and joint ventures	-	-	-	-	26,590	23,844	26,590	23,844
Reportable segment liabilities	5,671,256	5,495,463	3,562,087	3,157,321	628,708	446,949	9,862,051	9,099,733

Note: Capital expenditure represents the amount incurred for acquiring segment assets which are expected to be used for more than one year.

## 56. Operating segments *(continued)*

### (b) Reconciliations of reportable segment revenue, profit or loss, assets, liabilities and other material items

	2023	2022
Operating income for reportable segments	336,602	342,215
Total profit before income tax for reportable segments	176,618	165,113
	31 December 2023	31 December 2022
Assets		
Total assets for reportable segments	10,920,350	10,029,750
Goodwill	9,954	9,999
Intangible assets	550	581
Deferred tax assets	90,557	90,848
Other unallocated assets	7,072	7,734
Consolidated total assets	11,028,483	10,138,912
Liabilities		
Total liabilities for reportable segments	9,862,051	9,099,733
Tax payable	13,597	19,458
Deferred tax liabilities	1,607	1,510
Other unallocated liabilities	65,499	63,973
Consolidated total liabilities	9,942,754	9,184,674

## 56. Operating segments *(continued)*

### (c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government in the Chinese mainland. The Group also has branches operating in Hong Kong, New York, Singapore, Luxembourg, London and Sydney, subsidiaries operating in Hong Kong, Shenzhen, Shanghai, Beijing and Luxembourg and representative offices in New York and Taipei.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the location of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

- “Headquarter” refers to the Group headquarter, credit card centres and fund operation centres;
- “Yangtze River Delta region” refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;
- “Bohai Rim region” refers to branches in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;
- “Pearl River Delta and West Coast region” refers to branches in Guangdong province and Fujian province;
- “Northeast region” refers to branches in Liaoning province, Heilongjiang province and Jilin province;
- “Central region” refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;
- “Western region” refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;
- “Overseas” refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative offices in New York and Taipei; and
- “Subsidiaries” refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CMB Europe S.A. and CIGNA & CMAM.

Geographical information	Total assets		Total liabilities		Non-current assets		Profit before tax		Operating income	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	2023	2022	2023	2022
Headquarter	4,985,615	4,580,315	4,107,566	3,841,548	54,625	52,166	77,737	51,396	135,401	140,083
Yangtze River Delta region	1,417,890	1,304,806	1,404,463	1,283,400	5,995	5,774	21,578	22,939	45,485	45,768
Bohai Rim region	916,860	827,394	902,114	811,449	4,187	4,354	18,801	19,759	33,583	34,105
Pearl River Delta and West Coast region	1,166,744	1,083,521	1,156,219	1,063,334	4,125	4,232	18,491	26,479	34,947	37,583
Northeast region	168,687	170,632	166,551	166,486	1,440	1,505	2,808	4,075	6,444	6,485
Central region	676,618	636,801	670,811	628,361	3,299	3,602	9,358	10,740	19,953	20,989
Western region	681,255	632,766	674,635	623,631	3,051	3,497	8,554	11,755	20,579	20,931
Overseas	213,303	194,412	217,502	193,651	618	707	2,438	2,046	4,474	3,557
Subsidiaries	801,511	708,265	642,893	572,814	95,462	80,148	16,853	15,924	35,736	32,714
<b>Total</b>	<b>11,028,483</b>	<b>10,138,912</b>	<b>9,942,754</b>	<b>9,184,674</b>	<b>172,802</b>	<b>155,985</b>	<b>176,618</b>	<b>165,113</b>	<b>336,602</b>	<b>342,215</b>

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, right-of-use assets, intangible assets and goodwill.

## 57. Assets pledged as security

The following assets have been pledged as collateral for borrowing from central banks and liabilities under repurchase or placement arrangements:

	2023	2022
Borrowing from central banks	377,189	129,438
Placements from banks and other financial institutions	9,099	8,620
Amounts sold under repurchase agreements	134,863	107,024
Total	521,151	245,082
Assets pledged		
– Financial assets at fair value through profit or loss	98,223	24,093
– Debt investments at amortised cost	333,718	99,199
– Debt investments at fair value through other comprehensive income	41,743	25,267
– Loans and advances to customers	130,616	105,531
Total	604,300	254,090

The transactions under repurchase or placement agreements are conducted under terms that are usual and customary to standard borrowing and placing activities.

## 58. Contingent liabilities and commitments

### (a) Credit commitments

At any given time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	2023			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Irrevocable guarantees	320,170	3,940	278	324,388
Of which: Financial guarantees	44,570	1,104	3	45,677
Non-financing letters of guarantees	275,600	2,836	275	278,711
Irrevocable letters of credit	227,114	1,505	–	228,619
Bills of acceptances	485,393	2,294	500	488,187
Irrevocable loan commitments	171,198	2,285	95	173,578
– with an original maturity within 1 year (inclusive)	23,559	1	–	23,560
– with an original maturity over 1 year	147,639	2,284	95	150,018
Credit card unused commitments	1,509,253	6,400	21	1,515,674
Other	87,367	156	–	87,523
Total	2,800,495	16,580	894	2,817,969

**58. Contingent liabilities and commitments** *(continued)***(a) Credit commitments** *(continued)*

	2022			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Irrevocable guarantees	245,003	9,818	272	255,093
Of which: Financial guarantees	44,805	7,341	3	52,149
Non-financing letters of guarantees	200,198	2,477	269	202,944
Irrevocable letters of credit	231,849	1,344	–	233,193
Bills of acceptances	427,150	3,733	500	431,383
Irrevocable loan commitments	155,775	1,607	–	157,382
– with an original maturity within 1 year (inclusive)	22,638	4	–	22,642
– with an original maturity over 1 year	133,137	1,603	–	134,740
Credit card unused commitments	1,406,911	9,613	85	1,416,609
Other	81,225	245	–	81,470
<b>Total</b>	<b>2,547,913</b>	<b>26,360</b>	<b>857</b>	<b>2,575,130</b>

As at 31 December 2023, the Group's irrevocable letters of credit included sight letters of credit of RMB22,254 million (31 December 2022: RMB22,525 million), usance letters of credit of RMB9,361 million (31 December 2022: RMB6,965 million), and other commitments of RMB197,004 million (31 December 2021: RMB203,703 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches, subsidiaries and onshore and offshore syndicated loans etc.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB5,878,801 million at 31 December 2023 (31 December 2022: RMB5,159,127 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group will not assume any risks on the unused credit limits for these loan customers. As a result, such balances are not included in the above contingent liabilities and commitments.

	2023	2022
Credit risk weighted amounts of contingent liabilities and commitments	<b>650,343</b>	595,977

The Group calculated the credit risk weighted amount of its contingent liabilities and commitments in accordance with the requirements of the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the former CBIRC. The amount within the scope approved by the former CBIRC in April 2014 is calculated using the Internal Ratings-Based Approach, and the Weighted Approach is used for those items that are not eligible for the Internal Ratings-Based Approach.

## 58. Contingent liabilities and commitments *(continued)*

### (b) Capital commitments

The authorised capital commitments of the Group were as follows:

	2023	2022
Contracted for	219	370
Authorised but not contracted for	191	189
Total	410	559

The lease commitments of the Group as a lessor are detailed in note 58(e).

### (c) Outstanding litigations

At 31 December 2023, the Bank or other group entities was a defendant in certain outstanding litigations with total gross claims of RMB3,205 million (2022: RMB1,910 million). The Group considers that no material losses would be incurred by the Group as a result of these outstanding litigations and therefore no provision has been made in the consolidated financial statements.

### (d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to make advances to bond holders if the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant requirements set by the MOF or the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	2023	2022
Redemption obligations	29,144	27,401

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

### (e) Lease commitments

Operating lease commitments and financial lease commitments where the Group is a lessor at the end of the reporting period are as follows:

	2023	2022
Operating lease commitments	25,816	30,519
Financial lease commitments	12,859	8,025
Total	38,675	38,544



## 59. Transactions on behalf of customers

### (a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital for loan advances through the Group to their specified targets on their behalf in accordance with specific terms and conditions, with the help of the Group in monitoring loan usage and seeking loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted lending are not assets of the Group and are not recognised in the consolidated statement of financial position. Income received and receivable for providing these services are recognised in the consolidated statement of profit or loss as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	2023	2022
Entrusted loans	221,292	231,266
Entrusted funds	(221,292)	(231,266)

### (b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers by the Bank and CMBWM. The funds obtained from wealth management services are invested in investment products, including government bonds, policy bank bonds, short term corporate debt instruments and trust loans. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns commission which represents the charges on customers in relation to the provision of custody, sales and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the consolidated statement of financial position. The funds received from customer for wealth management business that yet to be invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated wealth management services were RMB2,403,038 million as at 31 December 2023 (31 December 2022: RMB2,552,408 million).

### (c) Entrusted management of insurance funds

The entrusted management of insurance funds mainly refers to the business that the Group carries out investment activities on funds entrusted by insurance companies according to the regulatory policies and the investment guidelines from insurance companies, and charges fees for providing such services.

At the end of the reporting period, the balances of entrusted funds were as follows:

	2023	2022
Entrusted management of insurance funds	144,963	108,868

## 60. Risk management

### (a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group designs its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the Board of Directors is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee, participates in, coordinates and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group has also further optimised the foundation related to the implementation of ECL measures during the year in accordance with the Implementation Rules on Expected Credit Loss Approach of Commercial Banks (Yin Bao Jian Gui [2022] No. 10).

With respect to the credit risk management of wholesale financial business, the Group formulates credit policy guidelines, enhances the standards on credit acceptance and management requirements for corporate, interbank and institutional clients, and implements limits in key risk areas to improve the quality of credit exposure.

With respect to credit risk management of retail financial business, the Group mainly relies on the credit assessment of applicants as the basis for loan approval, which takes into consideration the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loans collection procedures.

To mitigate risks, the Group requests customers to provide collateral and guarantees when necessary. Certain guidelines have been set for the acceptability of specific types of collateral or risks mitigating measures. Collateral portfolio and legal covenants are reviewed regularly to ensure that they remain sufficient for the given risks and be consistent with market practices.

In respect of asset quality classification, the Group adopts a risk based asset quality classification methodology. Currently, the Group categorises its loans on a ten-grade loan classification basis to refine internal risk classification management (normal (grades 1-5), special mention (grades 1-2), substandard, doubtful and loss).

The risks involved in contingent liabilities and commitments are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers carry out the same business activities, locate in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic factors. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated a limit management policy to monitor and analyse its loan portfolio.

Analysis of loans and advances by industry and loan portfolio are presented in Note 22.

## 60. Risk management *(continued)*

### (a) Credit risk *(continued)*

#### (i) Internal credit risk rating

The Group classifies credit risk based on probability of default. The internal credit risk rating is based on the forecasted default risk, taking into consideration qualitative and quantitative factors. For customers of wholesale business, such factors include net profit growth rate, sales growth rate, industry, etc. For customers of retail business, such factors include maturity, ageing, collateral ratio, etc.

#### (ii) Significant increase in credit risk

As describe in Note 4(5), the Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument and other items at the reporting date with that at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating (Note 60(a)(i)), as well as internal early warning signal, the result of 5-tier classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special mention; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has been downgraded to certain level; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group.

For retail and credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special mention; more than 30 days (inclusive) overdue; the customer or the debt has credit risk early warning signal; or the customer has other significant risk signals identified by the Group.

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 capability 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 not necessarily reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For loan commitment and financial guarantee, the date when the commitment becomes irrevocable is considered as the initial recognition date.

The Group considers that a debt instrument is impaired and classified as stage 3 when the debt instrument is more than 90 days (inclusive) overdue or the 5-tier classification of this debt instrument is substandard, doubtful or loss (these three categories include debt instruments with more than 90 days (inclusive) overdue).

#### (iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is the risk exposure on a debt.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

## 60. Risk management *(continued)*

### (a) Credit risk *(continued)*

#### (iv) Incorporation of forward-looking information

The Group divides financial assets into different asset groups based on their different risk characteristics. According to the risk characteristics of the asset group, the Group collects external data released by authoritative institutions and internal risk data without undue cost or effort for modelling. Apart from the common economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index and Broad Money Supply, various other categories of indicators such as industry index, interest and exchange rate, and survey index are also included. Based on statistical analysis and expert judgements, the Group sets up multiple forward-looking scenarios to predict macroeconomic indicators and risk parameters. The Group sets the forecasts issued by external authoritative institutions as the forecasts of economic indicators under the baseline scenario, with reference to the professionals of the Bank and the outputs of the models. For the forecasts of economic indicators under the remaining scenarios, the Group will refer to the actual historical data for analysis and forecast. Taking GDP (year-on-year growth rate) and CPI (month-on-month increase) as an example, the forecasts for the next year adopted by the Group for 2024 under the baseline scenario are 4.80% (2023: 4.80%) and 1.50% (2023: 2.80%) respectively.

Combined with quantitative measurement and expert judgement, the Group sets the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the other scenarios as supplement. The weight of the baseline scenario of the Group as at 31 December 2023 is the highest. According to the sensitivity test results of the Group, when the weighting of the optimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2023 will decrease by approximately 2.8% compared to the current result (at 31 December 2022: will decrease by approximately 3.1%). When the weighting of the pessimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2023 will increase by approximately 5.6% compared to the current result (at 31 December 2022: will increase by approximately 5.2%).

The Group periodically forecasts macroeconomic indicators, and calculates the ECL based on a weighted 12-month expected credit loss (stage 1) or a weighted lifetime expected credit loss (stage 2 and stage 3).

#### (v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The models are divided based on shared risk characteristics, and the reference indicators include the 5-tier classification, business type and collateral type.

#### (vi) Maximum exposure

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements is the carrying amount of the relevant financial instruments as disclosed in the consolidated statement of financial position and the contract amount of the off balance sheet items disclosed in Note 58(a). At 31 December 2023, the amount of the Group's maximum credit risk exposure was RMB13,537,727 million (31 December 2022: RMB12,440,947 million).

## 60. Risk management *(continued)*

### (a) Credit risk *(continued)*

#### (vii) Renegotiated loans and advances to customers

The carrying amount of loans and advances that were credit impaired and the terms had been renegotiated was RMB13,007 million as at 31 December 2023 (31 December 2022: RMB12,076 million).

#### (viii) Non-performing loans

Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans. As at 31 December 2023, the Group had balance of non-performing loans of RMB61,579 million (31 December 2022: RMB58,004 million).

#### (ix) Credit quality of bond investments rating results

At the end of the reporting period, the analysis of the credit quality of bond investments by designated external credit assessment institution, Standard & Poor's, is as follows:

	2023	2022
Impaired gross amount of debt investments	808	398
Impairment allowances	(499)	(243)
Subtotal	309	155
-----		
Neither overdue nor impaired		
AAA	2,577,388	2,187,978
AA+ to AA-	65,894	53,526
A+ to A-	132,191	124,554
Lower than A-	27,220	33,429
Unrated	41,184	38,966
Impairment allowances	(10,661)	(5,958)
Subtotal	2,833,216	2,432,495
Total	2,833,525	2,432,650

Notes:

- (i) Bonds issued by the governments and policy banks held by the Group amounted to RMB2,448,279 million as at 31 December 2023 (31 December 2022: RMB2,094,902 million).
- (ii) The impairment allowances above is for debt investments at amortised cost only.

## 60. Risk management *(continued)*

### (a) Credit risk *(continued)*

#### (x) Collateral

An estimate of the fair value of collateral and other credit enhancements held against financial assets that are overdue but not impaired is as follows:

	2023	2022
Estimate of the fair value of collateral and other credit enhancements held against following financial assets		
– Loans and advances to customers	20,797	25,148

#### (xi) Movements of loans and advances and debt investments measured at amortised cost

Loans and advances measured at amortised cost:

	2023			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Balance as at the beginning of the year	5,217,868	156,240	58,004	5,432,112
Net changes for the year	557,973	(27,551)	(1,288)	529,134
Transfer to				
– Stage 1	30,084	(29,822)	(262)	–
– Stage 2	(94,405)	95,148	(743)	–
– Stage 3	(24,861)	(28,910)	53,771	–
Write-offs	–	–	(47,922)	(47,922)
Balance as at the end of the year	5,686,659	165,105	61,560	5,913,324

	2022			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Balance as at the beginning of the year	4,912,836	111,354	50,862	5,075,052
Net changes for the year	425,054	(27,002)	(1,831)	396,221
Transfer to				
– Stage 1	18,758	(18,644)	(114)	–
– Stage 2	(103,532)	103,794	(262)	–
– Stage 3	(35,248)	(13,117)	48,365	–
Write-offs	–	(145)	(39,016)	(39,161)
Balance as at the end of the year	5,217,868	156,240	58,004	5,432,112

**60. Risk management** *(continued)***(a) Credit risk** *(continued)*(xi) Movements of loans and advances and debt investments measured at amortised cost *(continued)*

Debt investments at amortised cost:

	2023			Total
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	
Balance as at the beginning of the year	1,543,652	2,073	34,120	1,579,845
Net changes for the year	195,645	(238)	(4,323)	191,084
Transfer to				
– Stage 1	1	(1)	–	–
– Stage 2	(339)	339	–	–
– Stage 3	–	(655)	655	–
Write-offs	(14)	(1)	(2,904)	(2,919)
Balance as at the end of the year	1,738,945	1,517	27,548	1,768,010
	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit- impaired)	– Stage 3 (Lifetime ECL – credit- impaired)	Total
Balance as at the beginning of the year	1,183,320	1,962	24,077	1,209,359
Net changes for the year	361,916	(275)	9,395	371,036
Transfer to				
– Stage 1	3	(3)	–	–
– Stage 2	(1,276)	1,276	–	–
– Stage 3	(311)	(887)	1,198	–
Write-offs	–	–	(550)	(550)
Balance as at the end of the year	1,543,652	2,073	34,120	1,579,845

## 60. Risk management *(continued)*

### (a) Credit risk *(continued)*

#### (xii) Credit quality of financial instruments

The staging analysis for loans and advances to customers and debt investments at amortised cost are disclosed in note 22, note 23(b) and note 60(a)(xi) respectively. The staging analysis for credit commitments and the expected credit loss allowances of financial guarantees and loan commitments are disclosed in notes 58(a) and 42 respectively. The staging analysis for other financial instruments is as follows:

	2023							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit- impaired)	Stage 3 (Lifetime ECL – credit- impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit- impaired)	Stage 3 (Lifetime ECL – credit- impaired)	Total
Balances with central banks	667,569	–	–	667,569	–	–	–	–
Balances with banks and other financial institutions	100,745	1	11	100,757	(211)	(1)	(11)	(223)
Placements with banks and other financial institutions	286,046	201	–	286,247	(518)	(1)	–	(519)
Amounts held under resale agreements	172,568	–	140	172,708	(449)	–	(140)	(589)
Debt investments at FVTOCI	889,105	390	241	889,736	(5,586)	(132)	(1,094)	(6,812)

	2022							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit- impaired)	Stage 3 (Lifetime ECL – credit- impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit- impaired)	Stage 3 (Lifetime ECL – credit- impaired)	Total
Balances with central banks	587,533	–	–	587,533	–	–	–	–
Balances with banks and other financial institutions	91,574	2	11	91,587	(497)	(1)	(11)	(509)
Placements with banks and other financial institutions	265,415	–	–	265,415	(2,658)	–	–	(2,658)
Amounts held under resale agreements	277,421	–	140	277,561	(954)	–	(140)	(1,094)
Debt investments at FVTOCI	767,905	3,211	155	771,271	(4,472)	(479)	(1,589)	(6,540)

Note: The balances disclosed above do not include interest receivable.



## 60. Risk management *(continued)*

### (b) Market risk

Market risk refers to the risk of loss due to changes in observable market factors such as interest rates, exchange rates, commodity prices and stock prices, resulting in changes in the fair value or future cash flows of the Group's financial instruments. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments and positions under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments can be traded without any restriction. The financial instruments under the banking book are assets and liabilities held by the Group for determinable return with relative stable market value or for the purposes of hedging the risks, which include both the Group's on-balance sheet and off-balance sheet exposure.

#### (i) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions, which expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly in USD and HKD. The Group segregates the policy setting, execution and supervision of foreign exchange risk management, and establishes a foreign currency risk management governance structure. This structure specifies the roles, responsibilities and reporting lines of the Board of Directors, the Board of Supervisors, senior management, designated committees and relevant departments of the Bank in the management of foreign exchange risk. The Group is prudent in its foreign exchange risk appetite, and would not voluntarily take foreign exchange risk, which suits the current development stage of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and the requirements of the Group.

#### (1) *Trading book*

The Group has established a market risk structure and system of the trading book, which covers exchange rate risk, to quantify the exchange rate risk of the trading book to facilitate centralised management. The structure, process and method of exchange rate risk management of trading book are consistent with that of the interest rate risk of trading book.

The Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR, covers interest rate, foreign exchange rate, and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, and cumulative loss index in its management of foreign exchange risk. The management methods include delegation, setting limits, daily monitoring and continuous reporting, etc.

## 60. Risk management *(continued)*

### (b) Market risk *(continued)*

#### (i) Foreign exchange risk *(continued)*

##### (2) Banking book

The Group's foreign exchange risk under the banking book is centrally managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The Internal Audit Department is responsible for auditing this. The treasurer is responsible for managing the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and through approaches such as transaction limits and adjustment of plans.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB financial assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control it within an acceptable range.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit control framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk on its banking book.

The Group continues to strengthen banking book exchange rate risk monitoring and authorisation management of limits to ensure that risks are controlled within a reasonable range.

##### (3) Assets and liabilities by original currency are shown as follows:

	2023						
	In RMB Equivalent					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
<b>Assets</b>							
Cash and balances with central banks	632,195	45,869	1,373	3,063	682,500	6,468	1,512
Amounts due from banks and other financial institutions	425,397	116,308	3,919	12,757	558,381	16,400	4,316
Loans and advances to customers	5,938,668	133,774	147,467	22,151	6,242,060	18,862	162,431
Financial investments (including derivative financial assets)	2,883,787	244,690	40,754	13,652	3,182,883	34,502	44,888
Other assets (note (i))	216,402	117,867	16,161	12,229	362,659	16,620	17,802
<b>Total</b>	<b>10,096,449</b>	<b>658,508</b>	<b>209,674</b>	<b>63,852</b>	<b>11,028,483</b>	<b>92,852</b>	<b>230,949</b>
<b>Liabilities</b>							
Borrowing from central banks and amounts due to banks and other financial institutions	1,132,441	117,899	5,676	9,581	1,265,597	16,624	6,252
Deposits from customers	7,562,175	384,719	154,568	53,976	8,155,438	54,247	170,253
Financial liabilities at FVTPL (including derivative financial liabilities)	52,624	8,368	206	203	61,401	1,180	227
Debt securities issued	101,849	67,474	3,366	2,075	174,764	9,514	3,708
Other liabilities (note (i))	258,062	18,858	7,103	1,531	285,554	2,658	7,824
<b>Total</b>	<b>9,107,151</b>	<b>597,318</b>	<b>170,919</b>	<b>67,366</b>	<b>9,942,754</b>	<b>84,223</b>	<b>188,264</b>
<b>Net position</b>	<b>989,298</b>	<b>61,190</b>	<b>38,755</b>	<b>(3,514)</b>	<b>1,085,729</b>	<b>8,629</b>	<b>42,685</b>
Off-balance sheet position:							
Credit commitments (note (ii))	2,689,139	83,364	25,385	20,081	2,817,969	11,755	27,961
Derivatives (nominal amounts):							
– forward purchased	418,103	431,449	34,270	34,929	918,751	60,836	37,747
– forward sold	(386,228)	(440,704)	(13,642)	(22,002)	(862,576)	(62,141)	(15,026)
– net currency option position	(76,687)	67,549	357	(4,250)	(13,031)	9,525	393
<b>Total</b>	<b>(44,812)</b>	<b>58,294</b>	<b>20,985</b>	<b>8,677</b>	<b>43,144</b>	<b>8,220</b>	<b>23,114</b>

## 60. Risk management *(continued)*

### (b) Market risk *(continued)*

#### (i) Foreign exchange risk *(continued)*

##### (3) *Assets and liabilities by original currency are shown as follows: (continued)*

	2022						
	In RMB Equivalent					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
<b>Assets</b>							
Cash and balances with central banks	555,828	41,978	2,766	2,170	602,742	6,039	3,103
Amounts due from banks and other financial institutions	491,188	100,870	22,244	16,000	630,302	14,511	24,951
Loans and advances to customers	5,466,679	148,993	157,628	23,246	5,796,546	21,433	176,812
Financial investments (including derivative financial assets)	2,534,659	188,200	31,130	9,233	2,763,222	27,073	34,920
Other assets (note (i))	244,335	94,908	3,313	3,544	346,100	13,653	3,716
<b>Total</b>	<b>9,292,689</b>	<b>574,949</b>	<b>217,081</b>	<b>54,193</b>	<b>10,138,912</b>	<b>82,709</b>	<b>243,502</b>
<b>Liabilities</b>							
Borrowing from central banks and amounts due to banks and other financial institutions	982,369	95,258	3,961	5,507	1,087,095	13,704	4,443
Deposits from customers	6,964,197	361,242	160,496	49,807	7,535,742	51,967	180,029
Financial liabilities at FVTPL (including derivative financial liabilities)	52,044	15,280	421	35	67,780	2,197	473
Debt securities issued	162,146	58,447	790	905	222,288	8,408	886
Other liabilities (note (i))	247,669	11,239	11,944	917	271,769	1,619	13,397
<b>Total</b>	<b>8,408,425</b>	<b>541,466</b>	<b>177,612</b>	<b>57,171</b>	<b>9,184,674</b>	<b>77,895</b>	<b>199,228</b>
<b>Net position</b>	<b>884,264</b>	<b>33,483</b>	<b>39,469</b>	<b>(2,978)</b>	<b>954,238</b>	<b>4,814</b>	<b>44,274</b>
Off-balance sheet position:							
Credit commitments (note (ii))	2,456,047	82,618	21,961	14,504	2,575,130	11,885	24,634
Derivatives (nominal amounts):							
– forward purchased	280,979	288,388	26,409	20,844	616,620	41,486	29,623
– forward sold	(253,696)	(294,290)	(19,462)	(14,878)	(582,326)	(42,335)	(21,831)
– net currency option position	29,143	(32,690)	(10)	41	(3,516)	(4,703)	(11)
<b>Total</b>	<b>56,426</b>	<b>(38,592)</b>	<b>6,937</b>	<b>6,007</b>	<b>30,778</b>	<b>(5,552)</b>	<b>7,781</b>

Notes:

- (i) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.
- (ii) Credit commitments generally expire before they are drawn down, therefore the above net position does not represent the future cash outflows.

## 60. Risk management *(continued)*

### (b) Market risk *(continued)*

#### (i) Foreign exchange risk *(continued)*

##### (4) *Sensitivity analysis*

Under the existing managed floating exchange rate regime, the Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and equity. The following table sets forth the results of the Group's foreign exchange risk sensitivity analysis on the assets and liabilities of all foreign currencies involved at 31 December 2023 and 31 December 2022.

Change in foreign currency exchange rate	2023		2022	
	Down by 1%	Up by 1%	Down by 1%	Up by 1%
(Decrease)/increase in net profit	(101)	101	(64)	64
(Decrease)/increase in equity	(334)	334	(284)	284

Actual changes in the Group's net profit and equity resulting from increases or decreases in foreign exchange rates may be different from the results of this sensitivity analysis.

#### (ii) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and decline in market value of financial instruments and positions held by the Group.

##### (1) *Trading book*

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control and reporting, covering interest rate risk, exchange rate risk, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the Board of Directors, the Group manages the trading book by clearly identifying, accurately measuring and effectively managing the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieves a reasonable balance of risk and return. The Group constantly improves the risk-adjusted return level to maximise the shareholders' value.

The trading book market risk governance organisation structure defines the responsibilities, division of labour and reporting lines of the Board of Directors, Risk and Capital Management Committee under the Board of Directors, senior management and relevant departments of the Bank, and safeguards the achievement of management objectives. The Market Risk Management Department is responsible for the Group's trading book market risk, and undertakes the task of risk policy formulation and management.

## 60. Risk management *(continued)*

### (b) Market risk *(continued)*

#### (ii) Interest rate risk *(continued)*

##### (1) *Trading book (continued)*

According to the business practices and market risk governance organisation structure, the Group establishes the trading book market risk limits management system. A top level limit is set based on the risk appetite determined by the Board of Directors, and is transmitted from top to bottom level by level. Within the scope of their authorisation, management departments at all levels allocate and set limits according to risk characteristics, product types and trading strategies, etc. The business departments carry out the business according to the authorisation and limits requirements, and the supervisory and administrative departments at all levels continuously monitor and report according to the limits management regulations.

The trading book market risk management adopts the scale index, stop loss index, sensitivity index, value at risk index, stress test index and other risk measurement indices as the limits index, and sets the limit value by comprehensively considering the risk appetite, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The Group uses valuation, sensitivity analysis, value-at-risk analysis, stress test and other measurement methods to identify and quantify risk factors in the interest rate market. The Group applies the market risk measurement model in its daily risk management and takes market risk measurement as the basis for business planning, resource allocation, financial market business operation and risk management.

##### (2) *Banking book*

According to the external regulatory requirements and the internal banking book interest rate risk management policy, the Group has built and continuously improved the banking book interest rate risk management system, established the management process of interest rate risk identification, measurement, monitoring, control and reporting, and covered all on- and off-balance sheet business of the Bank. The Group clearly identifies, accurately measures and effectively manages the interest rate risk of the banking book under the interest rate risk appetite of the banking book formulated by the Board of Directors to ensure that the net interest income (NII) and the economic value of shareholders' equity (EVE) increase steadily within the acceptable range of the banking book risk.

The Group's governance and management framework specifies the responsibilities, division of labor and reporting lines of the Board of Directors, senior management, designated committees and relevant departments to ensure the effectiveness of interest rate risk management. Interest rate risk of the banking book is managed by the Asset and Liability Management Department of the Head Office. Internal Audit Department of the Head Office is responsible for independent audit.

The preference of the Group in respect of the interest rate risk in the banking book is prudent. The Group establishes a banking book interest rate risk limit management system based on the actual business and the banking book interest rate risk governance structure. The quantitative index of risk appetite set by the Board of Directors is the highest level limit, which is transmitted through the limit level from top to bottom and level by level. Within the scope of their authorisation, all levels set limits and continuously monitor and report according to risk tolerance, business operation strategy and risk management objectives. The Group formulates interest rate risk management strategies and regularly tracks and reviews them based on risk measurement and monitoring results and in combination with macroeconomic and interest rate environment. The key measures for risk management of the Group include the adjustment in business volume, duration structure and interest rate structure of on-balance sheet asset and liability business and off-balance sheet derivative to offset risk exposure.

The Group has mainly adopted scenario simulation analysis, re-pricing exposure analysis and duration analysis for the regular measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in net interest income at risk and economic value of equity indicators when there is an extreme fluctuation in interest rates. The Group measures and monitors the interest rate risk of banking book through the asset-liability management system, and the main models and parameter assumptions used in the measurement process are independently verified before being adopted and are regularly reviewed and verified after being adopted. The various indicators of interest rate risk during the reporting period showed that the interest rate risk of banking book of the Bank was generally stable and stay within the set limits.

## 60. Risk management *(continued)*

### (b) Market risk *(continued)*

#### (ii) Interest rate risk *(continued)*

(3) *The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.*

	2023					Non-interest bearing
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
<b>Assets</b>						
Cash and balances with central banks	682,500	658,781	–	–	–	23,719
Amounts due from banks and other financial institutions	558,381	418,055	133,899	6,414	13	–
Loans and advances to customers (note (i))	6,242,060	2,497,757	3,076,798	605,016	62,489	–
Financial investments (including derivative financial assets)	3,182,883	351,796	358,289	1,104,825	1,307,233	60,740
Other assets (note (ii))	362,659	–	–	–	–	362,659
<b>Total assets</b>	<b>11,028,483</b>	<b>3,926,389</b>	<b>3,568,986</b>	<b>1,716,255</b>	<b>1,369,735</b>	<b>447,118</b>
<b>Liabilities</b>						
Borrowing from central banks and amounts due to banks and other financial institutions	1,265,597	1,013,853	231,786	19,670	288	–
Deposits from customers	8,155,438	5,450,058	1,300,112	1,373,425	28,172	3,671
Financial liabilities at FVTPL (including derivative financial liabilities)	61,401	588	–	5,321	–	55,492
Lease liabilities	12,675	1,032	2,804	7,757	1,082	–
Debt securities issued	174,764	44,549	78,880	43,959	7,376	–
Other liabilities (note (ii))	272,879	187	–	2,889	–	269,803
<b>Total liabilities</b>	<b>9,942,754</b>	<b>6,510,267</b>	<b>1,613,582</b>	<b>1,453,021</b>	<b>36,918</b>	<b>328,966</b>
<b>Asset-liability gap</b>	<b>1,085,729</b>	<b>(2,583,878)</b>	<b>1,955,404</b>	<b>263,234</b>	<b>1,332,817</b>	<b>118,152</b>

**60. Risk management** *(continued)***(b) Market risk** *(continued)***(ii) Interest rate risk** *(continued)*

(3) *The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period. (continued)*

	2022					Non-interest bearing
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
<b>Assets</b>						
Cash and balances with central banks	602,742	575,932	–	–	–	26,810
Amounts due from banks and other financial institutions	630,302	516,942	99,288	14,059	13	–
Loans and advances to customers (note (i))	5,796,546	2,234,889	3,028,371	473,932	59,354	–
Financial investments (including derivative financial assets)	2,763,222	217,442	356,451	975,413	1,164,031	49,885
Other assets (note (ii))	346,100	–	–	–	–	346,100
<b>Total assets</b>	<b>10,138,912</b>	<b>3,545,205</b>	<b>3,484,110</b>	<b>1,463,404</b>	<b>1,223,398</b>	<b>422,795</b>
<b>Liabilities</b>						
Borrowing from central banks and amounts due to banks and other financial institutions	1,087,095	931,481	143,285	10,501	1,828	–
Deposits from customers	7,535,742	5,528,249	860,746	1,111,583	31,365	3,799
Financial liabilities at FVTPL (including derivative financial liabilities)	67,780	–	3,006	5,231	73	59,470
Lease liabilities	13,013	1,094	3,091	7,650	1,178	–
Debt securities issued	222,288	35,587	69,617	89,565	27,519	–
Other liabilities (note (ii))	258,756	203	–	2,752	–	255,801
<b>Total liabilities</b>	<b>9,184,674</b>	<b>6,496,614</b>	<b>1,079,745</b>	<b>1,227,282</b>	<b>61,963</b>	<b>319,070</b>
<b>Asset-liability gap</b>	<b>954,238</b>	<b>(2,951,409)</b>	<b>2,404,365</b>	<b>236,122</b>	<b>1,161,435</b>	<b>103,725</b>

Notes: (i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 31 December 2023 and 31 December 2022 net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interests were overdue.

(ii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

**(4) Sensitivity analysis**

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 31 December 2023 and 31 December 2022.

Change in interest rates (in basis points)	2023		2022	
	Up by 25	Down by 25	Up by 25	Down by 25
(Decrease)/increase in net interest income	(4,118)	4,118	(4,412)	4,412
(Decrease)/increase in equity	(9,319)	9,477	(8,462)	8,586

The above-mentioned interest rate sensitivity analysis shows the changes in net interest income and equity in the next 12 months under the assumption of changes in interest rates in the above table. As the actual situation and assumptions may be different, the actual changes in the Group's net interest income and equity caused by the increase or decrease in interest rates may be different from the results of this sensitivity analysis.

## 60. Risk management *(continued)*

### (c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet its maturity obligations, or to perform other payment obligations.

According to the liquidity risk management policy, the Group segregates the policy setting, execution and supervision of liquidity risk management, and puts in place a governance framework which defines the roles, responsibilities and reporting lines of the Board of Directors, the Board of Supervisors, senior management, designated committees and relevant departments to ensure the effectiveness of the liquidity risk management. The Board of Directors takes the ultimate responsibility for liquidity risk management, ensures the Group can effectively identify, measure, monitor and control liquidity risk and is responsible for determining liquidity risk level which the Group can tolerate. The Risk and Capital Management Committee under the Board of Directors shall perform its responsibilities in liquidity risk management according to the requirements of the Board of Directors. The Board of Supervisors is responsible for the supervision and evaluation of the performance of the Board of Directors and senior management in the liquidity risk management and reports to the general meeting of shareholders. The senior management is responsible for the liquidity risk management work and develops a timely understanding of changes in liquidity risks, and reports the same to the Board of Directors. The Asset and Liability Management Committee (ALCO) exercises specific liquidity risk management functions as required by the senior management. The Assets and Liabilities Management Department of the Head Office is a day-to-day working body of ALCO and responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Internal Audit Department of the Head Office conducts comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing its liquidity risk, which suits its current development stage. The Group's existing liquidity risk management policies and systems meet regulatory requirements and suit its own management needs.

The Group's liquidity risk management is coordinated by Head Office with branches acting in concert. The Asset and Liability Management Department acting as the treasurer of the Group is in charge of daily liquidity risk management. According to a prudent basis under regulatory requirements, the treasurer is conducting centralised liquidity management through limits management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as medium and long-term structures. It monitors the limit indicators closely at fixed intervals.

The Group regularly conducts stress testing to assess its liquidity risk resistance under extreme circumstances. Except for the annual stress testing required by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of local and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to continuously improve its capability to handle any liquidity crisis.



**60. Risk management** *(continued)***(c) Liquidity risk** *(continued)*

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows:

	2023								
	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	140,809	255	223	1,863	-	-	539,350	-	682,500
Amounts due from banks and other financial institutions	64,142	301,382	51,889	133,647	7,308	13	-	-	558,381
Loans and advances to customers	38,971	583,687	497,465	1,520,502	1,843,531	1,734,232	-	23,672	6,242,060
Financial investments and derivative financial assets (note (ii))	2,756	182,087	149,778	360,604	1,158,573	1,298,096	28,673	2,316	3,182,883
- Financial investments at FVTPL (including derivative financial assets)	2,756	138,053	59,690	140,317	159,012	36,026	9,024	-	544,878
- Debt investments at amortised cost	-	29,336	41,940	96,841	554,608	1,003,589	-	2,306	1,728,620
- Debt investments at FVTOCI	-	14,698	48,148	123,446	444,953	258,481	-	10	889,736
- Equity investments designated at FVTOCI	-	-	-	-	-	-	19,649	-	19,649
Other assets (note (iii))	33,120	11,473	15,382	21,518	15,266	5,155	256,260	4,485	362,659
<b>Total assets</b>	<b>279,798</b>	<b>1,078,884</b>	<b>714,737</b>	<b>2,038,134</b>	<b>3,024,678</b>	<b>3,037,496</b>	<b>824,283</b>	<b>30,473</b>	<b>11,028,483</b>
Borrowing from central banks and amounts due to banks and other financial institutions	449,682	366,937	157,079	243,626	41,428	6,845	-	-	1,265,597
Deposits from customers	4,474,297	432,094	542,828	1,301,368	1,375,860	28,991	-	-	8,155,438
Financial liabilities at FVTPL (including derivative financial liabilities)	8,577	7,753	4,731	8,601	12,077	19,662	-	-	61,401
Lease liabilities	-	454	578	2,804	7,757	1,082	-	-	12,675
Debt securities issued	-	9,901	25,288	82,023	50,176	7,376	-	-	174,764
Other liabilities (note (iii))	145,327	31,190	18,236	45,907	31,803	416	-	-	272,879
<b>Total liabilities</b>	<b>5,077,883</b>	<b>848,329</b>	<b>748,740</b>	<b>1,684,329</b>	<b>1,519,101</b>	<b>64,372</b>	<b>-</b>	<b>-</b>	<b>9,942,754</b>
(Short)/long position	(4,798,085)	230,555	(34,003)	353,805	1,505,577	2,973,124	824,283	30,473	1,085,729

## 60. Risk management *(continued)*

### (c) Liquidity risk *(continued)*

	2022								
	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	66,055	-	-	1,201	-	-	535,486	-	602,742
Amounts due from banks and other financial institutions	62,456	368,901	84,572	99,288	15,072	13	-	-	630,302
Loans and advances to customers	26,008	499,842	399,192	1,514,348	1,626,514	1,706,378	-	24,264	5,796,546
Financial investments and derivative financial assets (note (ii))	4,213	99,154	105,394	372,002	995,867	1,166,665	19,139	788	2,763,222
– Financial investments at FVTPL (including derivative financial assets)	4,213	79,576	42,022	99,531	158,992	52,081	5,723	-	442,138
– Debt investments at amortised cost	-	13,554	35,043	133,748	449,002	904,281	-	769	1,536,397
– Debt investments at FVTOCI	-	6,024	28,329	138,723	387,873	210,303	-	19	771,271
– Equity investments designated at FVTOCI	-	-	-	-	-	-	13,416	-	13,416
Other assets (note (iii))	36,461	10,932	15,526	18,475	15,859	5,798	238,895	4,154	346,100
<b>Total assets</b>	<b>195,193</b>	<b>978,829</b>	<b>604,684</b>	<b>2,005,314</b>	<b>2,653,312</b>	<b>2,878,854</b>	<b>793,520</b>	<b>29,206</b>	<b>10,138,912</b>
Borrowing from central banks and amounts due to banks and other financial institutions	515,446	269,349	125,671	149,389	20,817	6,423	-	-	1,087,095
Deposits from customers	4,746,035	384,557	393,284	861,631	1,115,153	35,082	-	-	7,535,742
Financial liabilities at FVTPL (including derivative financial liabilities)	12,950	7,416	4,271	11,555	11,457	20,131	-	-	67,780
Lease liabilities	-	503	591	3,091	7,650	1,178	-	-	13,013
Debt securities issued	-	3,939	27,886	73,379	89,565	27,519	-	-	222,288
Other liabilities (note (iii))	159,820	26,774	19,358	23,694	28,868	242	-	-	258,756
<b>Total liabilities</b>	<b>5,434,251</b>	<b>692,538</b>	<b>571,061</b>	<b>1,122,739</b>	<b>1,273,510</b>	<b>90,575</b>	<b>-</b>	<b>-</b>	<b>9,184,674</b>
<b>(Short)/long position</b>	<b>(5,239,058)</b>	<b>286,291</b>	<b>33,623</b>	<b>882,575</b>	<b>1,379,802</b>	<b>2,788,279</b>	<b>793,520</b>	<b>29,206</b>	<b>954,238</b>

Notes:

- (i) For cash and balances with central banks, the amounts with indefinite maturities represent statutory deposit reserve and fiscal deposit balances.
- (ii) For financial investments at FVTPL included in financial investments, their maturity dates do not represent the Group's intention to hold them to maturity.
- (iii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

## 60. Risk management *(continued)*

### (c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities, and loan commitments of the Group as at the end of the reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis.

	2023									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
<b>Non-derivative financial assets</b>										
Cash and balances with central banks	682,500	682,500	140,809	255	223	1,863	-	-	539,350	-
Amounts due from banks and other financial institutions	558,381	562,870	64,150	301,674	52,393	136,751	7,889	13	-	-
Loans and advances to customers	6,242,060	7,530,562	38,971	602,390	539,585	1,708,061	2,267,026	2,350,857	-	23,672
Financial investments	3,164,150	3,758,609	2,676	184,830	159,063	408,936	1,373,493	1,598,622	28,673	2,316
- Financial investments at FVTPL	526,145	530,575	2,676	134,391	56,151	134,875	156,588	36,870	9,024	-
- Debt investments at amortised cost	1,728,620	2,155,149	-	33,629	50,472	133,924	712,112	1,222,706	-	2,306
- Debt investments at FVTOCI	889,736	1,053,236	-	16,810	52,440	140,137	504,793	339,046	-	10
- Equity investments designated at FVTOCI	19,649	19,649	-	-	-	-	-	-	19,649	-
Other assets	90,873	90,873	31,314	11,445	15,314	20,884	1,975	427	5,029	4,485
<b>Total</b>	<b>10,737,964</b>	<b>12,625,414</b>	<b>277,920</b>	<b>1,100,594</b>	<b>766,578</b>	<b>2,276,495</b>	<b>3,650,383</b>	<b>3,949,919</b>	<b>573,052</b>	<b>30,473</b>
<b>Non-derivative financial liabilities and lease liabilities</b>										
Borrowing from central banks and amounts due to banks and other financial institutions	1,265,597	1,300,017	449,843	375,736	168,105	251,248	47,192	7,893	-	-
Deposits from customers	8,155,438	8,434,777	4,559,684	434,432	554,142	1,360,396	1,496,187	29,936	-	-
Financial liabilities at FVTPL	43,958	44,074	8,566	4,696	1,053	2,996	7,146	19,617	-	-
Lease liabilities	12,675	13,664	-	457	586	2,880	8,461	1,280	-	-
Debt securities issued	174,764	182,443	-	10,401	26,108	84,324	53,672	7,938	-	-
Other liabilities	175,135	175,135	50,536	30,287	18,080	44,377	31,439	416	-	-
<b>Total</b>	<b>9,827,567</b>	<b>10,150,110</b>	<b>5,068,629</b>	<b>856,009</b>	<b>768,074</b>	<b>1,746,221</b>	<b>1,644,097</b>	<b>67,080</b>	<b>-</b>	<b>-</b>
Gross loan commitments	-	1,689,252	1,689,252	-	-	-	-	-	-	-

## 60. Risk management *(continued)*

### (c) Liquidity risk *(continued)*

	2022									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
<b>Non-derivative financial assets</b>										
Cash and balances with central banks	602,742	602,742	66,055	-	-	1,201	-	-	535,486	-
Amounts due from banks and other financial institutions	630,302	631,756	62,467	369,164	85,088	99,900	15,124	13	-	-
Loans and advances to customers	5,796,546	7,132,934	26,024	516,746	433,106	1,694,961	2,071,922	2,365,750	-	24,425
Financial investments	2,744,551	3,251,681	4,102	101,509	112,634	415,839	1,184,020	1,413,650	19,139	788
- Financial investments at FVTPL	423,467	439,231	4,102	76,314	38,048	96,166	161,826	57,052	5,723	-
- Debt investments at amortised cost	1,536,397	1,919,576	-	17,387	42,650	166,559	588,262	1,103,949	-	769
- Debt investments at FVTOCI	771,271	879,458	-	7,808	31,936	153,114	433,932	252,649	-	19
- Equity investments designated at FVTOCI	13,416	13,416	-	-	-	-	-	-	13,416	-
Other assets	88,792	88,792	35,078	10,381	15,434	17,310	1,534	605	4,296	4,154
<b>Total</b>	<b>9,862,933</b>	<b>11,707,905</b>	<b>193,726</b>	<b>997,800</b>	<b>646,262</b>	<b>2,229,211</b>	<b>3,272,600</b>	<b>3,780,018</b>	<b>558,921</b>	<b>29,367</b>

	2022									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
<b>Non-derivative financial liabilities and lease liabilities</b>										
Borrowing from central banks and amounts due to banks and other financial institutions	1,087,095	1,098,720	515,448	270,368	127,266	152,122	26,391	7,125	-	-
Deposits from customers	7,535,742	7,794,971	4,847,726	389,687	403,223	894,832	1,223,242	36,261	-	-
Financial liabilities at FVTPL	49,144	49,336	12,085	4,390	227	4,626	7,988	20,020	-	-
Lease liabilities	13,013	14,292	-	505	599	3,328	8,386	1,474	-	-
Debt securities issued	222,288	235,656	-	4,480	28,783	76,447	96,703	29,243	-	-
Other liabilities	162,436	162,436	62,796	27,724	11,623	28,897	31,154	242	-	-
<b>Total</b>	<b>9,069,718</b>	<b>9,355,411</b>	<b>5,438,055</b>	<b>697,154</b>	<b>571,721</b>	<b>1,160,252</b>	<b>1,393,864</b>	<b>94,365</b>	<b>-</b>	<b>-</b>
Gross loan commitments	-	1,573,991	1,573,991	-	-	-	-	-	-	-

Note: Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

## 60. Risk management *(continued)*

### (d) Operational risk

Operational risk arises from the loss due to deficiency in internal procedures, staffing or IT structure, as well as external events which have effect on operation, including legal risk but not strategy risk and reputation risk.

During the reporting period, through stepping up the identification, evaluation and monitoring of operational risk in key areas, and by focusing on process, policy, employee system, and existing problems of critical control segments, the Group further improves the risk management method, appraisal and assessment mechanism, and strengthens economic capital allocation mechanism with the goal of enhancing the ability and effectiveness of operational risk's management of the Group. All major indexes meet the requirements of the Group's risk preference.

In view of the challenges from internal and external operations and management, the Group will, based on its risk appetite, continue to upgrade its risk management capabilities and strengthen operational risk monitoring and controls, in order to prevent and reduce operational risk losses.

### (e) Capital management

The objectives of the Group's capital management are to:

- Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base in support of its business expansion, social responsibility and strategic planning implementation to achieve a comprehensive, coordinated and sustainable growth;
- Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;
- Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate customer pricing and decision-making, and increase capital deployment efficiency;
- Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns for shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier-1 capital instruments, eligible tier-2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under the approaches stipulated by regulators. The Group and the Bank submit required information to the NAFR every quarter.

## 60. Risk management *(continued)*

### (e) Capital management *(continued)*

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all branches of the Bank. As at 31 December 2023, the Group's subsidiaries that were within the capital adequacy ratio calculation included: CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CIGNA & CMAM and CMB Europe S.A.

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the former CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) and other relevant regulations. On 18 April 2014, former CBIRC approved the Bank to adopt the Advanced Measurement Approach. Within the approved scope, the Bank could calculate corporation and financial institutions risk exposure using the Foundation Internal Ratings-Based Approach, retail risk exposure using the Advanced Internal Ratings-Based Approach, market risk using the Internal Model-Based Approach, and operational risk using the Standardised Measurement Approach. At the same time, former CBIRC implemented a transition period for commercial banks that were approved to adopt the Advanced Measurement Approach. During the transition period, commercial banks should use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios, and comply with the capital floor requirements.

The Group's capital management focuses on the capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resistance. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of factors such as strategic development planning, business expansion status, and risk movement trends.

### (f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Group's derivatives can be divided into financial instruments that are held for fair value hedge and cash flow hedging purpose and that are at fair value through profit or loss.

The Group formulates appropriate hedging strategies and uses proper tools in light of the risk profile of interest rates or foreign exchange rates associated with its assets and liabilities, as well as its analysis and judgement regarding future movements of interest rates or foreign exchange rates.

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

## 60. Risk management *(continued)*

### (f) Use of derivatives *(continued)*

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from RMB loans and interbank assets or liabilities. In fair value hedge, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from bond investments measured at fair value through other comprehensive income.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturities at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period, and do not represent the amounts at risk.

	2023						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
<b>Derivatives at fair value through profit or loss</b>							
Interest rate derivatives	323,413	805,040	676,727	1,791	1,806,971	5,328	(5,314)
Interest rate swaps	323,239	805,030	676,727	1,791	1,806,787	5,327	(5,314)
Bond futures	174	–	–	–	174	1	–
Interest rate options	–	10	–	–	10	–	–
Currency derivatives	664,819	717,287	39,675	1,199	1,422,980	11,692	(10,372)
Forwards	35,148	17,293	257	1,199	53,897	375	(480)
Foreign exchange swaps	426,525	394,675	30,310	–	851,510	8,853	(7,824)
Futures	1,949	3,503	–	–	5,452	–	–
Options	201,197	301,816	9,108	–	512,121	2,464	(2,068)
Other derivatives	135,119	1,553	52	35	136,759	1,485	(1,300)
Equity options purchased	63,675	293	–	35	64,003	1,110	–
Equity options written	63,675	293	–	–	63,968	–	(876)
Commodity trading swaps	7,769	327	52	–	8,148	375	(354)
Credit default swaps	–	640	–	–	640	–	(70)
<b>Fair value hedge derivatives</b>							
Interest rate derivatives	–	–	513	2,838	3,351	–	(123)
Interest rate swaps	–	–	513	2,838	3,351	–	(123)
Currency derivatives	–	753	7,529	–	8,282	123	(295)
Foreign exchange swaps	–	753	7,529	–	8,282	123	(295)
<b>Cash flow hedge derivatives</b>							
Interest rate derivatives	1,752	3,685	2,890	369	8,696	105	(38)
Interest rate swaps	1,752	3,685	2,890	369	8,696	105	(38)
<b>Derivatives managed in conjunction with financial instruments designated at FVTPL</b>							
Interest rate derivatives	213	–	–	–	213	–	(1)
Interest rate swaps	213	–	–	–	213	–	(1)
<b>Total</b>	<b>1,125,316</b>	<b>1,528,318</b>	<b>727,386</b>	<b>6,232</b>	<b>3,387,252</b>	<b>18,733</b>	<b>(17,443)</b>

## 60. Risk management *(continued)*

### (f) Use of derivatives *(continued)*

	2022					Fair value	
	Notional amounts with remaining life				Total	Assets	Liabilities
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years			
<b>Derivatives at fair value through profit or loss</b>							
Interest rate derivatives	60,013	734,650	735,046	4,720	1,534,429	6,246	(6,062)
Interest rate swaps	60,013	734,241	735,046	4,720	1,534,020	6,246	(6,062)
Bond futures	–	409	–	–	409	–	–
Currency derivatives	513,568	329,319	27,320	1,198	871,405	11,348	(11,449)
Forwards	21,443	4,812	645	1,198	28,098	487	(328)
Foreign exchange swaps	347,432	226,332	17,724	–	591,488	9,263	(7,304)
Futures	1,043	81	–	–	1,124	–	–
Options	143,650	98,094	8,951	–	250,695	1,598	(3,817)
Other derivatives	91,064	520	640	34	92,258	867	(856)
Equity options purchased	42,889	57	–	34	42,980	554	–
Equity options written	42,909	57	–	–	42,966	–	(472)
Commodity trading swaps	5,266	406	–	–	5,672	313	(330)
Credit default swaps	–	–	640	–	640	–	(54)
<b>Fair value hedge derivatives</b>							
Currency derivatives	–	1,316	781	–	2,097	28	(153)
Foreign exchange swaps	–	1,316	781	–	2,097	28	(153)
<b>Cash flow hedge derivatives</b>							
Interest rate derivatives	2,393	100	1,804	709	5,006	182	–
Interest rate swaps	2,373	100	1,804	709	4,986	182	–
Interest rate options	20	–	–	–	20	–	–
<b>Derivatives managed in conjunction with financial instruments designated at FVTPL</b>							
Interest rate derivatives	–	3,085	717	–	3,802	–	(47)
Interest rate swaps	–	3,085	717	–	3,802	–	(47)
Currency derivatives	–	–	728	–	728	–	(69)
Foreign exchange swaps	–	–	728	–	728	–	(69)
<b>Total</b>	<b>667,038</b>	<b>1,068,990</b>	<b>767,036</b>	<b>6,661</b>	<b>2,509,725</b>	<b>18,671</b>	<b>(18,636)</b>

There was no ineffective portion of cash flow hedges during the years ended 31 December 2023 and 2022.



## 60. Risk management *(continued)*

### (f) Use of derivatives *(continued)*

The credit risk weighted amounts in respect of these derivatives are as follows:

	2023	2022
Default risk weighted assets of counterparties	2,586	1,500
Interest rate derivatives	88	137
Currency derivatives	2,375	1,242
Other derivatives	123	121
Credit valuation adjustment risk weighted assets	2,410	2,187
Total	4,996	3,687

The Group has calculated the exposure of derivatives according to the Notice of the Measures on Default Risk Weighted Assets of Counterparties in Respect of Derivatives and the related requirements issued by the former CBIRC. These amounts have taken the effects of bilateral netting arrangements into account. The risk weighted amounts in respect of derivatives are calculated in accordance with the Administrative Measures on Capital of Commercial Banks (Provisional). The amounts within the scope approved by the former CBIRC in April 2014 are calculated using the Internal Ratings-Based Approach, and the Weighted Approach is adopted to calculate those amounts that are not eligible for the Internal Ratings-Based approach.

### (g) Fair value information

#### (i) Methods of determining fair value of financial instruments

Several of the Group's accounting policies and disclosure requirements stipulate the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that takes the responsibility for overseeing all significant fair value measurements including the three levels of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRSs, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group recognises transfers among levels of the fair value hierarchy at the end of the reporting period during which the transfer takes place.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

## 60. Risk management *(continued)*

### (g) Fair value information *(continued)*

- (ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis

The following tables present the fair value information and the fair value hierarchy, at the end of the reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date:

	2023			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial investments measured at FVTPL	18,311	490,795	4,160	513,266
– Debt securities	14,923	246,526	359	261,808
– Long position in precious metal contracts	1,604	–	–	1,604
– Equity investments	1,752	341	2,392	4,485
– Fund investments	32	241,091	1,181	242,304
– Wealth management products	–	2,729	–	2,729
– Other	–	108	228	336
Financial investments designated at FVTPL	756	12,123	–	12,879
– Debt securities	756	12,123	–	12,879
Derivative financial assets	–	18,733	–	18,733
Loans and advances to customers at FVTPL	–	66,701	3,729	70,430
Debt investments at FVTOCI	140,869	758,233	–	899,102
Loans and advances to customers at FVTOCI	–	404,417	120,762	525,179
Equity investments designated at FVTOCI	10,006	2,305	7,338	19,649
<b>Total</b>	<b>169,942</b>	<b>1,753,307</b>	<b>135,989</b>	<b>2,059,238</b>
<b>Liabilities</b>				
Financial liabilities held for trading	15,748	380	–	16,128
– Financial liabilities related to precious metal	15,748	–	–	15,748
– Short position on bonds	–	380	–	380
Financial liabilities designated at FVTPL	5,179	20,826	1,825	27,830
– Certificates of deposit issued	–	212	–	212
– Debt securities issued	5,179	–	–	5,179
– Other	–	20,614	1,825	22,439
Derivative financial liabilities	–	17,443	–	17,443
<b>Total</b>	<b>20,927</b>	<b>38,649</b>	<b>1,825</b>	<b>61,401</b>

**60. Risk management** *(continued)***(g) Fair value information** *(continued)***(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis** *(continued)*

The following tables present the fair value information and the fair value hierarchy, at the end of the reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date: (continued)

	2022			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Financial investments measured at FVTPL	16,175	390,702	4,714	411,591
– Debt securities	15,497	187,349	359	203,205
– Long position in precious metal contracts	108	–	–	108
– Equity investments	494	392	3,493	4,379
– Fund investments	76	199,665	798	200,539
– Wealth management products	–	2,543	–	2,543
– Other	–	753	64	817
Financial investments designated at FVTPL	948	10,928	–	11,876
– Debt securities	948	10,928	–	11,876
Derivative financial assets	–	18,671	–	18,671
Loans and advances to customers at FVTPL	–	3	4,991	4,994
Debt investments at FVTOCI	136,831	643,518	–	780,349
Loans and advances to customers at FVTOCI	–	514,051	100,430	614,481
Equity investments designated at FVTOCI	3,164	2,862	7,390	13,416
<b>Total</b>	<b>157,118</b>	<b>1,580,735</b>	<b>117,525</b>	<b>1,855,378</b>
<b>Liabilities</b>				
Financial liabilities held for trading	17,917	330	–	18,247
– Financial liabilities related to precious metal	17,634	–	–	17,634
– Short position on bonds	283	330	–	613
Financial liabilities designated at FVTPL	7,709	20,541	2,647	30,897
– Certificates of deposit issued	–	383	–	383
– Debt securities issued	7,709	–	–	7,709
– Other	–	20,158	2,647	22,805
Derivative financial liabilities	–	18,636	–	18,636
<b>Total</b>	<b>25,626</b>	<b>39,507</b>	<b>2,647</b>	<b>67,780</b>

During the years ended 31 December 2023 and 2022, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

## 60. Risk management *(continued)*

### (g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(1) *Basis of determining the market prices for recurring fair value measurements categorised as Level 1*

Bloomberg etc. are used for financial instruments with quoted prices in an active market.

(2) *Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised as Level 2*

Fair value of RMB denominated bonds whose value is available on China Bond website on the valuation date is measured using the latest available valuation results.

Fair value of foreign currency bonds without quoted prices in an active market is measured by using the comprehensive valuations provided by Bloomberg, etc.

Fair value of foreign exchange forwards contracts in derivative financial instruments is measured by discounting the differences between the contract prices and market future prices of the foreign exchange forwards contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of option contracts such as foreign exchange options, commodity options and equity options are measured by using the Black-Scholes model, based on market data such as risk-free interest rate, underlying market prices and price volatility of foreign exchange, commodities, and equity contract. The above market data used are quoted price in an active market, provided by Bloomberg, Refinitiv, Wind and other market information providers.

Fair value of interest rate swaps, foreign exchange swaps, and non-option commodity contracts in derivative financial instruments is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of the reporting period. The discount rates used are the related currency denominated swap yield curve as at the end of reporting period.

Observable quoted price in market is used as the basis of determining the value of equity investments measured at FVTPL, investment funds and wealth management products.

The fair value of discounted bills at FVTOCI and at FVTPL in the Chinese mainland is measured based on the rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange Corporation Ltd. The Group uses 10-day average discount rate as the basis for calculating the value of discounted bills; or is measured by discounted cash flow approach. The discount rates used are determined by factors such as credit rating of the loan customer provided by S&P, Moody's or Fitch, customer industry, term to maturity of the loan, loan currency and the issuer credit spread.

The fair value of equity investments designated at FVTOCI is measured by using the comprehensive valuations on Bloomberg or discounted cash flow approach using the relevant yield curve of China Bond at the end of the reporting period.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations on Bloomberg.

The fair value of "Other" under financial investments measured at FVTPL is measured based on the net asset values.

The fair value of other financial liabilities designated at FVTPL is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

**60. Risk management** *(continued)***(g) Fair value information** *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) *Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3:*

	Fair value as at 31 December 2023	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	2,742	Market approach	Liquidity discount
Equity investments designated at FVTOCI	71	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	4,525	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	3,729	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	120,762	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	1,520	Market approach	Liquidity discount
– Equity investments	642	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	230	Net asset value approach	Net assets, liquidity discount
– Debt securities	359	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	1,180	Net fund value approach	Net assets
– Fund investments	1	Market approach	Liquidity discount
– Other	184	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Other	44	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	1,825	Net fund value approach	Net assets, liquidity discount

## 60. Risk management *(continued)*

### (g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) *Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: (continued)*

	Fair value as at 31 December 2022	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	2,725	Market approach	Liquidity discount
Equity investments designated at FVTOCI	101	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	4,564	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	4,991	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	100,430	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	2,950	Market approach	Liquidity discount
– Equity investments	528	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	15	Net asset value approach	Net assets, liquidity discount
– Debt securities	359	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	797	Net fund value approach	Net assets
– Fund investments	1	Market approach	Liquidity discount
– Other	64	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	2,647	Net fund value approach	Net assets, liquidity discount

**60. Risk management** *(continued)***(g) Fair value information** *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) *Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: (continued)*

*Valuation of financial instruments with significant unobservable inputs*

The following tables show the movements from the beginning balances to the ending balances for Level 3 financial instruments:

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2023	4,714	4,991	100,430	7,390	117,525
Profit or loss					
– In profit or loss	(14)	117	(103)	–	–
– In other comprehensive income	–	–	(145)	(131)	(276)
Addition for the year	553	70	325,509	77	326,209
Disposals or settlement on maturity	(596)	(1,451)	(304,929)	(1)	(306,977)
Transfer out of level 3	(560)	–	–	–	(560)
Exchange difference	63	2	–	3	68
At 31 December 2023	4,160	3,729	120,762	7,338	135,989
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(98)	14	–	–	(84)

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2022	4,879	7,281	56,713	4,726	73,599
Profit or loss					
– In profit or loss	(14)	(366)	744	–	364
– In other comprehensive income	–	–	(107)	51	(56)
Addition for the year	1,041	85	196,298	2,527	199,951
Disposals or settlement on maturity	(1,147)	(2,036)	(153,218)	(129)	(156,530)
Transfer out of level 3	(145)	–	–	–	(145)
Exchange difference	100	27	–	215	342
At 31 December 2022	4,714	4,991	100,430	7,390	117,525
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(49)	(191)	–	–	(240)

## 60. Risk management *(continued)*

### (g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) *Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: (continued)*

*Valuation of financial instruments with significant unobservable inputs (continued)*

Financial liabilities at fair value through profit or loss	2023	2022
Balance as at 1 January	2,647	8,147
In loss	(122)	(142)
Addition for the year	–	96
Disposals and settlement on maturity	(739)	(5,695)
Exchange difference	39	241
Balance as at 31 December	1,825	2,647
Total unrealised gains and losses included in the consolidated statement of profit or loss for liabilities held at the end of the reporting period	(122)	148

During the years ended 31 December 2023 and 2022, there were no significant transfers among different levels for financial instruments which are measured at fair value on a recurring basis.

During the years ended 31 December 2023 and 2022, the Group did not change the valuation techniques for the financial assets and liabilities disclosed above which are measured at fair value on a recurring basis.



## 60. Risk management *(continued)*

### (g) Fair value information *(continued)*

#### (iii) Financial assets and financial liabilities that are not measured at fair value

##### (1) *Financial Assets*

The Group's financial assets that are not measured at fair value mainly include balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortised cost and investments at amortised cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets not measured at fair value mature within 1 year, and their carrying values approximate their fair values.

Loans and advances are stated at amortised costs less allowances for impairment loss (Note 22). Loans and advances at amortised cost are mostly priced at floating rates with reference to Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowances are made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances is close to their fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed bonds is disclosed in Note 23(b).

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed as below:

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets using Bloomberg etc. For Level 2, the latest valuation results released by China Bond website are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which are measured using the published comprehensive valuation by Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	2023					2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	1,728,620	1,791,963	61,918	1,659,705	70,340	1,536,397	1,569,775	41,700	1,434,070	94,005

Note: The above financial assets do not include interest receivable.

##### (2) *Financial Liabilities*

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximate their fair value at the end of the reporting period, except for the financial liabilities set out below:

	2023					2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Subordinated bonds issued	-	-	-	-	-	19,994	20,292	-	20,292	-
Debt securities issued	119,193	118,924	-	118,924	-	120,971	118,416	-	118,416	-
Total	119,193	118,924	-	118,924	-	140,965	138,708	-	138,708	-

Note: The above financial liabilities do not include interest payable.

## 61. Material related party transactions

### (a) Material connected person information

Details of the Bank's major shareholders and their parent companies are as follows:

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Merchants Group (CMG)	Beijing	RMB16,900 million	7,559,427,375	29.97% (note (i)(vii))	-	Transportation, shipping agency, warehousing and storage, leasing, manufacturing building and facility, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited liability	Miao Jianmin
- China Merchants Steam Navigation Co., Ltd. (CMSN)	Beijing	RMB17,000 million	3,289,470,337	13.04% (note (ii))	-	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited liability	Miao Jianmin
- Shenzhen Yan Qing Investment and Development Co., Ltd.	Shenzhen	RMB600 million	1,258,542,349	4.99%	-	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Sun Xian
- Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600 million	944,013,171	3.74%	-	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Sun Xian
- China Merchants Financial Holdings Co., Ltd.	Shenzhen	RMB7,778 million	1,147,377,415	4.55%	-	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Miao Jianmin
- Best Winner Investment Ltd.	British Virgin Islands	USD 1	386,924,063	1.53%	-	-	Shareholder	Joint stock limited company	-
- China Merchants Union (BVI) Limited	British Virgin Islands	USD0.06 million	477,903,500	1.89%	-	-	Shareholder	Limited liability	-
- China Merchants Industry Development (Shenzhen) Ltd.	Shenzhen	USD10 million	55,196,540	0.22%	-	Invest and set up industries, enterprise management consulting and investment consulting, etc.	Shareholder	Limited liability	Wang Xiaoding

## 61. Material related party transactions *(continued)*

### (a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China COSCO Shipping Corporation Limited.	Shanghai	RMB11,000 million	2,515,193,034	9.97% (note(iii))	-	International shipping business, supporting services to international shipping, imports and exports of goods and technology, international freight forwarding agent, etc.	Shareholder's parent company	Limited liability	Wan Min
- China Ocean Shipping Co., Ltd.	Beijing	RMB16,191 million	1,574,729,111	6.24%	-	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited liability	Wan Min
- COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191 million	696,450,214	2.76%	-	Shipping business	Shareholder	Limited liability	Shou Jian
- Guangzhou Haining Maritime Technology Consulting Co., Ltd.	Guangzhou	RMB52 million	103,552,616	0.41%	-	Business services	Shareholder	Limited liability	Chen Jianyao
- COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399 million	75,617,340	0.30%	-	Shipping business, leasing business, ship repairing and building etc.	Shareholder	Limited liability	Zhao Bangtao
- COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500 million	54,721,930	0.22%	-	Leasing business, financing business, insurance business etc.	Shareholder	Limited liability	Liu Chong
- Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299 million	10,121,823	0.04%	-	Ship purchasing and marketing business, shipping agency, leasing business, shipping business etc.	Shareholder	Limited liability	Lin Rui
China Insurance Security Fund Co., Ltd	Beijing	RMB100 million	776,574,735	3.08% (note(iv))	-	Investing and establishing insurance companies, supervising and managing various domestic and international businesses of holding investment enterprises, and investment business permitted by national laws and regulations, etc.	Shareholder's parent company	Limited liability	Ji Yuhua
- Dajia Life Insurance Co., Ltd	Beijing	RMB30,790 million	776,574,735	3.08% (note(iv))	-	Life insurance, health insurance, accident insurance, and other personal insurance services, etc.	Shareholder	Joint stock limited company	He Xiaofeng

## 61. Material related party transactions *(continued)*

### (a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Communications Construction Group Limited	Beijing	RMB7,274 million	422,770,418	1.68% (note(v))	-	General contractor for construction	Shareholder's parent company	Limited liability	Wang Tongzhou
- China Communications Construction Company Limited	Beijing	RMB16,166 million	201,089,738	0.80%	-	General contractor for construction, leasing and repair, technical consulting service, imports and exports, investment and management business	Shareholder	Joint stock limited company	Wang Tongzhou
Shanghai Automotive Industry Corporation (Group)	Shanghai	RMB21,749 million	310,125,822	1.23% (note(vii))	-	Production and sale of vehicles, asset management business, domestic trade business, consulting service	Shareholder's parent company	Limited liability	Chen Hong
- SAIC Motor Corporation Limited	Shanghai	RMB11,683 million	310,125,822	1.23%	-	Production and sale of vehicles, consulting service, imports and exports	Shareholder	Joint stock limited company	Chen Hong
CMB International Capital Holdings Corporation Limited (CMBIC)	Hong Kong	HKD4,129 million	-	-	100%	Investment bank and investment managements	Subsidiary	Limited liability	Wang Liang
CMB Financial Leasing Company Limited (CMBFL)	Shanghai	RMB12,000 million	-	-	100%	Finance lease	Subsidiary	Limited liability	Zhong Desheng
CMB Wing Lung Bank Limited (CMB WLB)	Hong Kong	HKD1,161 million	-	-	100%	Banking	Subsidiary	Limited liability	Wang Liang
China Merchants Fund Management Co., Ltd. (CMFM)	Shenzhen	RMB1,310 million	-	-	55%	Fund Management	Subsidiary	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd	Shenzhen	RMB5,556 million	-	-	90%	Asset management	Subsidiary	Limited liability	Chen Yisong
China Merchants Europe S.A. (CMB Europe S.A.)	Luxembourg	EUR100 million	-	-	100%	Banking	Subsidiary	Limited liability	Xue Fei
Cigna & CMB Asset Management Company Limited (CIGNA & CMAM)	Beijing	RMB500 million	-	-	Note 24 (vii)	Asset management	Subsidiary	Limited liability	Wang Xiaoqing

Notes:

- (i) CMG held 29.97% of the Bank indirectly (31 December 2022: 29.97%) through its subsidiaries as at 31 December 2023.
- (ii) As the largest direct shareholder, CMSN, a subsidiary of CMG, holds 13.04% of the Bank as at 31 December 2023 (2022: 13.04%).
- (iii) China COSCO Shipping Corporation Ltd. holds 9.97% of the Bank (2022: 9.97%) through its subsidiaries.
- (iv) China Insurance Security Fund Co., Ltd ("China Insurance Security Fund") holds 3.08% of the Bank (2022: 3.19%) through its 98.23% holding in Dajia Insurance Group Co., Ltd.
- (v) China Communications Construction Group Limited ("China Communications Construction Group") holds 1.68% of the Bank through its subsidiaries (2022: 1.68%).
- (vi) Shanghai Automotive Industry Corporation (Group) ("Shanghai Automotive Industry Group") holds 1.23% of the Bank through its subsidiaries (SAIC Motor Corporation Limited) (2022: 1.23%).
- (vii) The sum of the direct holding percentage of CMG's shareholdings in the Bank and the sum of the above-mentioned relevant percentages may differ slightly due to rounding.

## 61. Material related party transactions *(continued)*

### (a) Material connected person information *(continued)*

The registered capital of the Group's related parties as at 31 December 2023 and 2022 are as follows:

Name of related party	2023		2022	
CMG	RMB	16,900,000,000	RMB	16,900,000,000
CMSN	RMB	17,000,000,000	RMB	17,000,000,000
Shenzhen Yan Qing Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
China Merchants Financial Holdings Co., Ltd.	RMB	7,778,000,000	RMB	7,778,000,000
Best Winner Investment Ltd.	USD	1	USD	1
China Merchants Union (BVI) Limited	USD	60,000	USD	60,000
China Merchants Industry Development (Shenzhen) Ltd.	USD	10,000,000	USD	10,000,000
China Insurance Security Fund	RMB	100,000,000	RMB	100,000,000
Dajia Life Insurance Co., Ltd.	RMB	30,790,000,000	RMB	30,790,000,000
China COSCO Shipping Corporation Limited	RMB	11,000,000,000	RMB	11,000,000,000
China Ocean Shipping Co., Ltd.	RMB	16,191,351,300	RMB	16,191,351,300
COSCO Shipping (Guangzhou) Co., Ltd.	RMB	3,191,200,000	RMB	3,191,200,000
Guangzhou Haining Maritime Technology Consulting Co., Ltd.	RMB	52,000,000	RMB	52,000,000
COSCO Shipping (Shanghai) Co., Ltd.	RMB	1,398,941,000	RMB	1,398,941,000
COSCO Shipping Investment Holdings Co., Ltd.	HKD	500,000,000	HKD	500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	RMB	299,020,000	RMB	299,020,000
China Communications Construction Group Limited	RMB	7,274,023,830	RMB	7,274,023,830
China Communications Construction Company Limited	RMB	16,165,711,425	RMB	16,165,711,425
Shanghai Automotive Industry Corporation (Group)	RMB	21,749,175,737	RMB	21,749,175,737
SAIC Motor Corporation Limited	RMB	11,683,461,365	RMB	11,683,461,365
CMBIC	HKD	4,129,000,000	HKD	4,129,000,000
CMBFL	RMB	12,000,000,000	RMB	12,000,000,000
CMB WLB	HKD	1,160,950,575	HKD	1,160,950,575
CMFM	RMB	1,310,000,000	RMB	1,310,000,000
CMBWM	RMB	5,555,555,555	RMB	5,555,555,555
CMB Europe S.A.	EUR	100,000,000	EUR	50,000,000
CIGNA & CMAM	RMB	500,000,000	RMB	500,000,000

The proportion of the Bank held by the largest shareholder and the portion of the subsidiaries held by the Bank

	The Bank held by the largest shareholder				The subsidiaries held by the Bank											
	CMSN		CMBIC		CMBFL		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	No. of shares	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2023	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	50,000,000	100.00	500,000,000	note
At 31 December 2023	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	100,000,000	100.00	500,000,000	note

	The Bank held by the largest shareholder				The subsidiaries held by the Bank											
	CMSN		CMBIC		CMBFL		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	No. of shares	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2022	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,000,000,000	100.00	50,000,000	100.00	500,000,000	note
At 31 December 2022	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	50,000,000	100.00	500,000,000	note

Note: This information is detailed in note 24.

As of 31 December 2023, other than those disclosed above, there were 92 companies that shared common directors, supervisors and senior management including their close family members with the Bank and they can control or exercise significant influence over these companies (31 December 2022: 142).

## 61. Material related party transactions *(continued)*

### (b) Terms and conditions for related-party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, deposit taking, securities trading, providing agency and trust services, and off-balance sheet transactions. In the opinion of the directors, the Group enters into such material related-party transactions under normal commercial terms. Interest rates on loans and deposits are strictly set in accordance with the deposit and loan interest rate management regulations published by the PBOC, and such banking transactions are priced based on the market prices at the time of transactions:

	2023	2022
Short-term loans	3.55% to 3.65%	3.65% to 3.80%
Medium to long-term loans	3.55% to 4.30%	3.65% to 4.65%
Demand deposits	0.35%	0.35%
Time deposits	1.10% to 2.75%	1.10% to 2.75%

There were no loans and advances granted to related parties that were credit impaired during the year (2022: None).

### (c) Shareholders and their related companies

The Bank's largest shareholder CMG and its related companies held 29.97% (2022: 29.97%) of the Bank's shares as at 31 December 2023 (among them 13.04 % of the shares were directly held by CMSN (2022: 13.04%)).

The Group's transactions and balances with CMSN and its related companies are disclosed as follows:

	2023	2022
On-balance sheet:		
– Placements with banks and other financial institutions	–	2,000
– Amounts held under resale agreements	2,942	2,589
– Loans and advances to customers	46,466	40,772
– Financial investments	12,159	7,626
– Deposits from banks and other financial institutions	26,119	29,726
– Deposits from customers	59,227	45,342
– Lease liabilities	170	210
Off-balance sheet:		
– Irrevocable guarantees	3,510	5,087
– Irrevocable letters of credit	971	318
– Bills of acceptances	289	285
Interest income	2,364	1,848
Interest expense	(1,475)	(1,376)
Net fee and commission income	1,282	1,027
Operating expenses	(211)	(177)
Other net expenses	–	(10)

**61. Material related party transactions** *(continued)***(d) Companies that share common directors, supervisors or senior management with the Bank (other than those disclosed in Note 61(c)) and they can control or exercise significant influence over the companies**

	2023	2022
On-balance sheet:		
– Placements with banks and other financial institutions	–	2,277
– Amounts held under resale agreements	–	3,770
– Loans and advances to customers	9,360	28,103
– Financial investments	2,116	770
– Deposits from banks and other financial institutions	1,683	4,346
– Placements from banks and other financial institutions	300	6,047
– Deposits from customers	12,304	13,447
– Lease liabilities	–	65
Off-balance sheet:		
– Irrevocable guarantees	310	580
– Irrevocable letters of credit	–	6
Interest income	601	1,035
Interest expense	(460)	(475)
Net fee and commission income	9	133
Operating expenses	(283)	(274)
Other net expenses	–	(129)

**(e) Associates and joint ventures other than those disclosed in Note 61(c)**

	2023	2022
On-balance sheet:		
– Placements with banks and other financial institutions	17,500	14,675
– Loans and advances to customers	5,771	6,848
– Deposits from banks and other financial institutions	894	896
– Deposits from customers	731	331
Interest income	432	306
Interest expense	(26)	(19)
Net fee and commission income	2,307	2,498
Operating expenses	(1)	(8)

## 61. Material related party transactions *(continued)*

### (f) Other major shareholders holding more than 5% shares of the Bank and exercising significant influence over the Bank

	2023	2022
On-balance sheet:		
– Placements with banks and other financial institutions	600	–
– Loans and advances to customers	38,949	27,070
– Financial investments	995	4,302
– Deposits from banks and other financial institutions	3,908	2,929
– Deposits from customers	20,537	14,872
– Lease liabilities	27	40
Off-balance sheet:		
– Irrevocable guarantees	12,146	8,511
– Irrevocable letters of credit	3,530	1,835
– Bills of acceptances	6,325	5,125
Interest income	1,616	913
Interest expense	(510)	(633)
Net fee and commission income	114	2,242
Operating expenses	(291)	(138)
Other net expense	–	(1)

### (g) Subsidiaries

	2023	2022
On-balance sheet		
– Balances with banks and other financial institutions	2,204	958
– Placements with banks and other financial institutions	26,404	32,438
– Loans and advances to customers	12,442	1,396
– Financial investments	3,711	3,415
– Deposits from banks and other financial institutions	3,578	4,630
– Deposits from customers	6,056	5,206
Off-balance sheet		
– Irrevocable guarantees	–	38
– Irrevocable letters of credit	1,289	4,599
– Bills of acceptances	1,009	222
Interest income	1,360	943
Interest expense	(115)	(129)
Net fee and commission income/(expenses)	254	(93)
Operating expenses	(1,455)	(1,797)
Other net income	232	150

All significant balances and transactions between the Bank and its subsidiaries have been eliminated in the consolidated financial statements.



## 61. Material related party transactions *(continued)*

### (h) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	37,228	38,249
Discretionary bonuses	–	18,583
Share-based payment	(18,121)	(41,066)
Contributions to defined contribution retirement schemes	–	2,100
Total	19,107	17,866

The above share-based payments represent the estimated fair value of the share appreciation rights granted (Note 39(a)(iii)) to senior management under the Bank's H share Appreciation Rights Scheme. The fair value is measured by using the Black-Scholes model and according to the accounting policy set out in Note 4(16); and the amounts are charged to the consolidated statement of profit or loss and other comprehensive income. As the share options may expire without being exercised, the directors consider the amounts disclosed are not representative of actual cash flows received or to be received by senior management.

### (i) Annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2023 and 2022.

## 62. Non-controlling interests

Non-controlling interests represent the interests that the Group does not hold in the subsidiaries, the Group does not have any subsidiary with significant non-controlling interests during the reporting period.

### (a) Perpetual debt capital

CMB WLB, the Group's subsidiary, issued perpetual debt of US\$400 million on 24 January 2019. Movements of these perpetual debt capital are as follows:

	Principal	Distributions/Paid	Total
At 1 January 2023	2,787	–	2,787
Distributions in 2023	–	182	182
Paid in 2023	–	(182)	(182)
Exchange difference	51	–	51
At 31 December 2023	2,838	–	2,838
	Principal	Distributions/Paid	Total
At 1 January 2022	3,636	–	3,636
Redemption in 2022	(1,104)	–	(1,104)
Distributions in 2022	–	202	202
Paid in 2022	–	(202)	(202)
Exchange difference	255	–	255
At 31 December 2022	2,787	–	2,787

There is no maturity for the instruments and the payments of distribution can be cancelled at the discretion of the issuer. Cancelled interest is non-cumulative. There is no contractual obligation to deliver cash to other parties. During the years ended 31 December 2023 and 2022, CMB WLB did not cancel the payment of distribution and the corresponding amounts were paid to the perpetual debt holders accordingly.

## 63. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. In some cases, such transfers may give rise to full or partial derecognition of the financial assets concerned, and in other cases the transfers may not qualify for derecognition as the Group retains substantially all the risks and rewards of these transferred assets. As a result, the Group continues to recognise these transferred assets.

### Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire certain investments at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, based on the criteria set out in Note 4(5), the Group derecognises the transferred credit assets in their entirety. During the year of 2023, the Group transferred loans amounting to RMB22,589 million (2022: RMB17,362 million) in securitisation arrangements, as well as substantially all the risks and rewards associated with the loans. The full amount of such securitised loans were then derecognised.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets, the remaining portion is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the year ended 31 December 2023, there were no new securitised credit assets in which the Group retained the continuing involvement (2022: None). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability, are recognised in other assets and other liabilities in the consolidated statement of financial position, amounting to RMB5,274 million as at 31 December 2023 (31 December 2022: RMB5,274 million).

### Transfers of credit assets to third parties

During the year of 2023, in addition to securitisation transactions, the Group transferred credit assets amounting to RMB1,107 million (2022: RMB995 million) to independent third parties directly. The Group determined that these transferred assets qualified for full derecognition, based on the criteria set out in Note 4(5), since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

### Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. Instead, it recognises a financial liability for cash received as collateral.

## 64. Interests in unconsolidated structured entities

The scope of the Group's consolidated financial statements is determined on a control basis. Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to affect the amount of its return.

The Group has the power over structured entities, and the other investors have no substantive rights. In the meantime, the Group is entitled to variable returns, and will consolidate entities, in which the Group has the right to affect the amount of its return.

In addition to the above-mentioned structured entities that have been included in the Group's consolidated financial statements, the Group's interests in structured entities which is not covered by the consolidated financial statements is as follows:

### (a) Interests in the structured entities sponsored by third parties institutions

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, assets-backed securities and fund investments, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following tables set out an analysis of the balance of interests held by the Group in the structured entities sponsored by third parties and an analysis of the line items in the consolidated statement of financial positions as at 31 December 2023 and 31 December 2022:

	2023				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	35,275	–	35,275	35,275
Trust beneficiary rights	184	25,020	–	25,204	25,204
Asset-backed securities	320	1,073	17,983	19,376	19,376
Fund investments	227,477	–	–	227,477	227,477
Wealth management products	580	–	–	580	580
<b>Total</b>	<b>228,561</b>	<b>61,368</b>	<b>17,983</b>	<b>307,912</b>	<b>307,912</b>

	2022				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	48,362	–	48,362	48,362
Trust beneficiary rights	–	37,954	–	37,954	37,954
Asset-backed securities	835	1,031	170	2,036	2,036
Fund investments	186,311	–	–	186,311	186,311
Wealth management products	110	–	–	110	110
<b>Total</b>	<b>187,256</b>	<b>87,347</b>	<b>170</b>	<b>274,773</b>	<b>274,773</b>

The maximum exposures of investments in funds, trust beneficiary rights, asset management schemes, wealth management products and asset-backed securities are the balance of these assets.

## 64. Interests in unconsolidated structured entities *(Continued)*

### (b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and assets management schemes. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. Interest of the Group in these unconsolidated structured entities is limited to fees and commissions charged for management services provided.

As at 31 December 2023, the amount of unconsolidated non-principal-guaranteed wealth management products sponsored by the Group was RMB2,548,929 million (31 December 2022: RMB2,667,663 million).

As at 31 December 2023, the amount of unconsolidated funds sponsored by the Group was RMB1,237,828 million (31 December 2022: RMB1,147,030 million).

As at 31 December 2023, the amount of unconsolidated asset management schemes sponsored by the Group was RMB289,215 million (31 December 2022: RMB262,095 million).

As at 31 December 2023, amounts held under resale agreements transacted between the Group and the non-principal-guaranteed wealth management products sponsored by the Group were RMB25,701 million (31 December 2022: RMB17,252 million). The above transactions were conducted in accordance with normal business terms and conditions.

As at 31 December 2023, the amount of unconsolidated non-principal-guaranteed wealth management products held by the Group was RMB2,149 million (31 December 2022: RMB2,433 million).

As at 31 December 2023, the amount of unconsolidated funds held by the Group was RMB14,827 million (31 December 2022: RMB14,228 million).

During the year ended 31 December 2023, the amount of unconsolidated non-principal-guaranteed wealth management products sponsored by the Group transferred to investments measured at amortised cost of the Group was Nil (2022: RMB11,143 million).

During the year ended 31 December 2023, the amount of fee and commission income the Group received from such non-principal-guaranteed wealth management products was RMB10,394 million (2022: RMB17,037 million).

During the year ended 31 December 2023, the amount of fee and commission income the Group received from such unconsolidated funds was RMB5,041 million (2022: RMB5,470 million).

During the year ended 31 December 2023, the amount of fee and commission income the Group received from such unconsolidated asset management schemes was RMB653 million (2022: RMB683 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2023 with a maturity date before 31 December 2023 was RMB502,145 million (2022: RMB620,318 million).

## 65. Comparative figures

Certain comparative figures in the notes have been re-presented to conform to presentation in current year.

## **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>		<b>31.12.2023</b>	<b>31.12.2022 R</b>	<b>01.01.2022 R</b>
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
<b>TOTAL</b>		<b>1,554,045</b>	<b>1,484,900</b>	<b>1,463,573</b>

## 6.1.2 CONSOLIDATED BALANCE SHEET - LIABILITIES

<i>(In EUR m)</i>		<b>31.12.2023</b>	<b>31.12.2022 R</b>	<b>01.01.2022 R</b>
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
<b>TOTAL LIABILITIES</b>		<b>1,477,798</b>	<b>1,411,574</b>	<b>1,392,664</b>
<b>SHAREHOLDER'S EQUITY</b>				
<b>Shareholders' equity, Group share</b>				
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	-
<b>SUB-TOTAL</b>		<b>65,494</b>	<b>66,025</b>	<b>66,071</b>
Unrealised or deferred capital gains and losses	Note 7.3	481	945	(973)
<b>SUB-TOTAL EQUITY, GROUP SHARE</b>		<b>65,975</b>	<b>66,970</b>	<b>65,098</b>
Non-controlling interests		10,272	6,356	5,811
<b>TOTAL EQUITY</b>		<b>76,247</b>	<b>73,326</b>	<b>70,909</b>
<b>TOTAL</b>		<b>1,554,045</b>	<b>1,484,900</b>	<b>1,463,573</b>

### 6.1.3 CONSOLIDATED INCOME STATEMENT

<i>(In EUR m)</i>		<b>2023</b>	<b>2022 R</b>
Interest and similar income <sup>(1)</sup>	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 <sup>(1)</sup>		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 <sup>(1)</sup>	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)
<b>Net banking income</b>		<b>25,104</b>	<b>27,155</b>
Other operating expenses	Note 5	(16,849)	(16,425)
Amortisation, depreciation and impairment of tangible and intangible fixed assets		(1,675)	(1,569)
<b>Gross operating income</b>		<b>6,580</b>	<b>9,161</b>
Cost of risk	Note 3.8	(1,025)	(1,647)
<b>Operating income</b>		<b>5,555</b>	<b>7,514</b>
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)	-
<b>Earnings before tax</b>		<b>5,128</b>	<b>4,239</b>
Income tax	Note 6	(1,679)	(1,483)
<b>Consolidated net income</b>		<b>3,449</b>	<b>2,756</b>
Non-controlling interests	Note 2.3	956	931
<b>Net income, Group share</b>		<b>2,493</b>	<b>1,825</b>
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>	<b>2023</b>	<b>2022 R</b>
<b>Consolidated net income</b>	<b>3,449</b>	<b>2,756</b>
<b>Unrealised or deferred gains and losses that will be reclassified subsequently into income</b>	<b>(166)</b>	<b>578</b>
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 <sup>(1)</sup>	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 <sup>(1)</sup>	(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
<b>Unrealised or deferred gains and losses that will not be reclassified subsequently into income</b>	<b>(177)</b>	<b>539</b>
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)
<b>Total unrealised or deferred gains and losses</b>	<b>(343)</b>	<b>1,117</b>
<b>Net income and unrealised or deferred gains and losses</b>	<b>3,106</b>	<b>3,873</b>
<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>								
<b>At 1 January 2022</b>	<b>21,913</b>	<b>7,534</b>	<b>36,412</b>	-	<b>(792)</b>	<b>65,067</b>	<b>5,796</b>	<b>70,863</b>
Effect of the application of IFRS 17 and IFRS 9 for insurance subsidiaries (see Note 1)	-	-	212	-	(181)	31	15	46
<b>At 1 January 2022 R</b>	<b>21,913</b>	<b>7,534</b>	<b>36,624</b>	-	<b>(973)</b>	<b>65,098</b>	<b>5,811</b>	<b>70,909</b>
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
<b>Sub-total of changes linked to relations with shareholders</b>	<b>(665)</b>	<b>1,602</b>	<b>(2,115)</b>	-	-	<b>(1,178)</b>	<b>(244)</b>	<b>(1,422)</b>
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)
<b>Sub-total</b>	-	-	<b>(693)</b>	<b>1,825</b>	<b>1,918</b>	<b>3,050</b>	<b>789</b>	<b>3,839</b>
<b>At 31 December 2022 R</b>	<b>21,248</b>	<b>9,136</b>	<b>33,816</b>	<b>1,825</b>	<b>945</b>	<b>66,970</b>	<b>6,356</b>	<b>73,326</b>
Allocation to retained earnings								
<b>At 1 January 2023</b>	<b>21,248</b>	<b>9,136</b>	<b>33,816</b>	<b>1,825</b>	<b>945</b>	<b>66,970</b>	<b>6,356</b>	<b>73,326</b>
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
<b>Sub-total of changes linked to relations with shareholders</b>	<b>(62)</b>	<b>(212)</b>	<b>(2,601)</b>	-	-	<b>(2,875)</b>	<b>2,954</b>	<b>79</b>
2023 Net income	-	-	-	2,493	-	2,493	956	<b>3,449</b>
Change in unrealised or deferred gains and losses	-	-	-	-	(408)	(408)	65	(343)
Other changes	-	-	(205)	-	-	(205)	(59)	(264)
<b>Sub-total</b>	-	-	<b>(205)</b>	<b>2,493</b>	<b>(408)</b>	<b>1,880</b>	<b>962</b>	<b>2,842</b>
<b>At 31 December 2023</b>	<b>21,186</b>	<b>8,924</b>	<b>32,891</b>	<b>2,493</b>	<b>481</b>	<b>65,975</b>	<b>10,272</b>	<b>76,247</b>

\* 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

(In EUR m)

	2023	2022 R
<b>Consolidated net income (I)</b>	<b>3,449</b>	<b>2,756</b>
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
<b>Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)</b>	<b>12,196</b>	<b>10,718</b>
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)
<b>Net increase/decrease in cash related to operating assets and liabilities (III)</b>	<b>21,778</b>	<b>25,607</b>
<b>Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)</b>	<b>37,423</b>	<b>39,081</b>
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)
<b>Net cash inflow (outflow) related to investment activities (B)</b>	<b>(12,073)</b>	<b>(9,001)</b>
Cash flow from/to shareholders	(3,928)	(712)
Other net cash flow arising from financing activities	26	498
<b>Net cash inflow (outflow) related to financing activities (C)</b>	<b>(3,902)</b>	<b>(214)</b>
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	(2,320)	2,354
<b>Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C) + (D)</b>	<b>19,128</b>	<b>32,220</b>
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)
<b>Cash and cash equivalents at the start of the year</b>	<b>222,869</b>	<b>190,649</b>
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
<b>Cash and cash equivalents at the end of the year</b>	<b>241,997</b>	<b>(222,869)</b>
<b>Net inflow (outflow) in cash and cash equivalents</b>	<b>19,128</b>	<b>32,220</b>

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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:

<b>2025</b>	<ul style="list-style-type: none"> <li>• Amendments to IAS 21 “Lack of Exchangeability”</li> </ul>
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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
<b>TOTAL ASSETS</b>	<b>1,464,449</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>1,464,449</b>

	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
<b>TOTAL ASSETS</b>	<b>1,464,449</b>	<b>510</b>	<b>(1)</b>	<b>509</b>	<b>(1,716)</b>	<b>371</b>	<b>25</b>	<b>396</b>	<b>(65)</b>	<b>1,463,573</b>	<b>1,484,900</b>

											Balances as at 01.01.2022 R	Balances as at 31.12.2022 R
	I	J			K			L		M		
	Reclassifi- cations <sup>(1)</sup>	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
<b>TOTAL LIABILITIES</b>	<b>1,393,586</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(151,508)</b>	<b>144,964</b>	<b>5,626</b>	<b>150,590</b>	<b>(4)</b>	<b>1,392,664</b>	<b>1,411,574</b>
<b>Shareholders' equity</b>												
<b>Shareholders' equity, Group share</b>												
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
<b>SUB-TOTAL</b>	<b>65,719</b>	<b>140</b>	<b>3,318</b>	<b>(20)</b>	<b>3,298</b>	<b>140,983</b>	<b>(143,944)</b>	<b>-</b>	<b>(143,944)</b>	<b>(125)</b>	<b>66,071</b>	<b>66,025</b>
Unrealised or deferred capital gains and losses	(652)	(140)	(2,810)	19	(2,791)	8,143	-	(5,600)	(5,600)	67	(973)	945
<b>SUB-TOTAL EQUITY, GROUP SHARE</b>	<b>65,067</b>	<b>-</b>	<b>508</b>	<b>(1)</b>	<b>507</b>	<b>149,126</b>	<b>(143,944)</b>	<b>(5,600)</b>	<b>(149,544)</b>	<b>(58)</b>	<b>65,098</b>	<b>66,970</b>
Non-controlling interests	5,796	-	2	(0)	2	666	(649)	(1)	(650)	(3)	5,811	6,356
<b>TOTAL EQUITY</b>	<b>70,863</b>	<b>-</b>	<b>510</b>	<b>(1)</b>	<b>509</b>	<b>149,792</b>	<b>(144,593)</b>	<b>(5,601)</b>	<b>(150,194)</b>	<b>(61)</b>	<b>70,909</b>	<b>73,326</b>
<b>TOTAL</b>	<b>1,464,449</b>	<b>-</b>	<b>510</b>	<b>(1)</b>	<b>509</b>	<b>(1,716)</b>	<b>371</b>	<b>25</b>	<b>396</b>	<b>(65)</b>	<b>1,463,573</b>	<b>1,484,900</b>

(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.

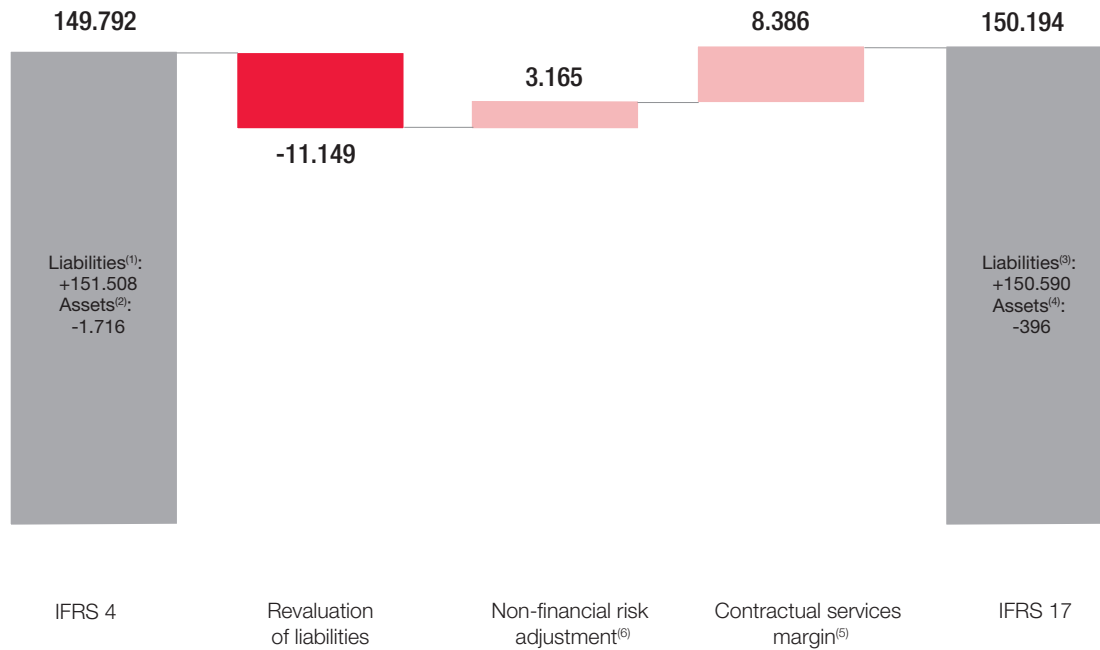
Gains and losses recognised directly in equity for Financial assets at fair value through other comprehensive income relating to credit risk were reclassified at 1 January 2022 to retained earnings for an amount of EUR 19 million. This refers to the expected credit loss related to the impairment of loans 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 <sup>(1)(2)</sup>	30,738	28,838
Interest and similar expense <sup>(1)(2)</sup>	(17,897)	(17,552)
Fee income	9,400	9,335
Fee expense	(4,183)	(4,161)
Net gains and losses on financial transactions <sup>(1)(2)</sup>	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 <sup>(3)</sup>	(1,606)	
Income and expenses from reinsurance contracts held	(19)	
Net finance income or expenses from insurance contracts issued <sup>(2)</sup>	4,030	
Net finance income or expenses from reinsurance contracts held <sup>(2)</sup>	45	
Cost of credit risk from financial assets related to insurance activities	1	
Income from other activities <sup>(1)(2)</sup>	13,301	13,221
Expenses from other activities	(10,625)	(10,524)
<b>Net banking income</b>	<b>27,155</b>	<b>28,059</b>
Other general operating expenses <sup>(3)</sup>	(16,425)	(17,061)
Amortisation, depreciation and impairment of tangible and intangible fixed assets	(1,569)	(1,569)
<b>Gross operating income</b>	<b>9,161</b>	<b>9,429</b>
Cost of credit risk	(1,647)	(1,647)
<b>Operating income</b>	<b>7,514</b>	<b>7,782</b>
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	-	-
<b>Earnings before tax</b>	<b>4,239</b>	<b>4,507</b>
Income tax	(1,483)	(1,560)
<b>Consolidated net income</b>	<b>2,756</b>	<b>2,947</b>
Non-controlling interests	931	929
<b>Net income, Group share</b>	<b>1,825</b>	<b>2,018</b>

(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
<b>Consolidated net income</b>	<b>2,756</b>	<b>2,947</b>
<b>Unrealised or deferred gains and losses that will be reclassified subsequently into income</b>	<b>578</b>	<b>(111)</b>
Translation differences	1,820	1,820
Revaluation of debt instruments at fair value through other comprehensive income <sup>(1)(2)</sup>	(10,849)	(731)
Revaluation of available-for-sale financial assets <sup>(3)</sup>		(1,223)
Revaluation of insurance and reinsurance contracts through other comprehensive income <sup>(2)</sup>	10,050	
Revaluation of hedging derivatives	(610)	(380)
Related tax	167	403
<b>Unrealised or deferred gains and losses that will not be reclassified subsequently into income</b>	<b>539</b>	<b>539</b>
<b>Total unrealised or deferred gains and losses</b>	<b>1,117</b>	<b>428</b>
<b>Net income and unrealised or deferred gains and losses</b>	<b>3,873</b>	<b>3,375</b>
<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:



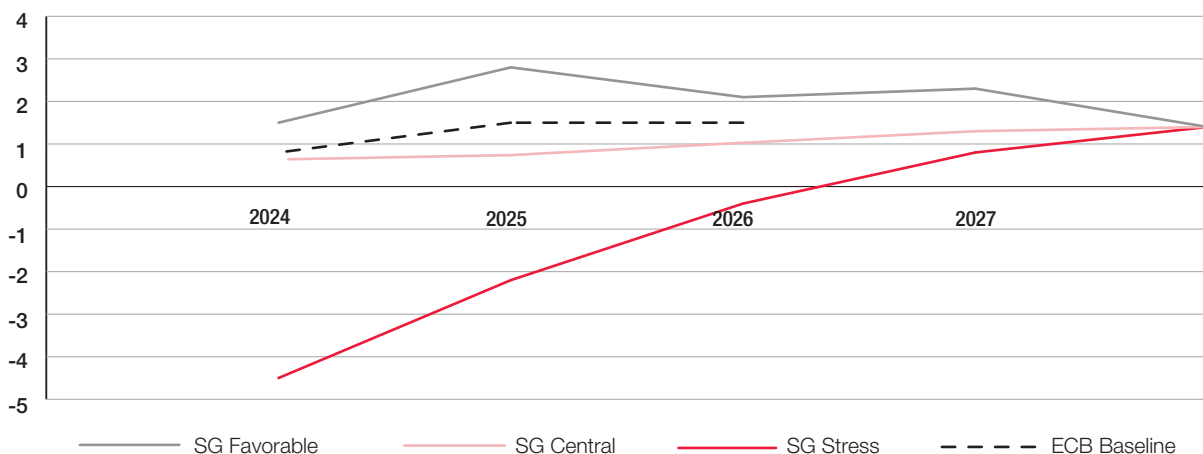
<b>“SG Favourable” scenario</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
France GDP	1.5	2.7	2.1	2.3	1.5
Corporate profit margin in France	33.0	32.7	32.9	32.9	32.4
Euro area GDP	1.5	2.8	2.1	2.3	1.4
United States GDP	1.9	3.5	2.8	3.0	2.2
China GDP	5.4	6.0	4.8	4.8	3.8
Czech Republic GDP	3.0	4.0	3.1	3.3	2.3
Romania GDP	3.8	4.8	3.8	4.2	3.2

<b>“SG Central” scenario</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
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

<b>“SG Stress” scenario</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
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 <sup>(1)</sup>	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
<b>TOTAL</b>	<b>1</b>	<b>1.1</b>	<b>1.7</b>	<b>1.8</b>	<b>2.2</b>	<b>2.4</b>

(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 1<sup>st</sup> January 2022 and 1<sup>st</sup> 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



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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 <sup>(1)</sup>	2,871
Fair value of warrants attached to shares	128
<b>Acquisition price paid in ALD equity instruments</b>	<b>2,999</b>
<b>Acquisition price paid in cash</b>	<b>1,828</b>
<b>Total acquisition price</b>	<b>4,827</b>
Contingent consideration	70
<b>Total acquisition price including contingent consideration</b>	<b>4,897</b>

(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 <sup>(1)</sup>	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 <sup>(2)</sup> (B)	513	-	513
Total purchase price (A)	4,897	-	4,897
<b>GOODWILL (A) + (B) - (C)</b>	<b>1,626</b>	<b>(230)</b>	<b>1,396</b>

(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
<b>French Retail Banking, Private Banking and Insurances</b>	
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)
<b>Global Banking and Investor Solutions</b>	
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
<b>International Retail Banking, Mobility and Leasing Services</b>	
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
<b>French Retail and Private Banking</b>	<b>1,068</b>	<b>81</b>	-	-	-	<b>1,149</b>
French Retail and Private Banking	1,068	81	-	-	-	1,149
<b>Insurances</b>	<b>334</b>	<b>14</b>	-	-	-	<b>348</b>
Insurances	334	14	-	-	-	348
<b>International Banking</b>	<b>1,473</b>	-	<b>(4)</b>	<b>(528)</b>	<b>(110)</b>	<b>831</b>
Europe	1,359	-	-	(528)	-	831
Africa, Mediterranean Basin and Overseas	114	-	(4)	-	(110)	-
<b>Mobility and Leasing Services</b>	<b>849</b>	<b>1,415</b>	-	<b>528</b>	<b>(228)</b>	<b>2,564</b>
Equipment and Vendor Finance	228	-	-	-	(228)	-
Auto Leasing Financial Services <sup>(1)</sup>	621	1,398	-	-	-	2,019
Consumer finance	-	17	-	528	-	545
<b>Global Markets and Investor Services</b>	-	-	-	-	-	-
Global Markets and Investor Services	-	-	-	-	-	-
<b>Financing and Advisory</b>	<b>57</b>	-	-	-	-	<b>57</b>
Financing and Advisory	57	-	-	-	-	57
<b>TOTAL</b>	<b>3,781</b>	<b>1,510</b>	<b>(4)</b>	-	<b>(338)</b>	<b>4,949</b>

(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:

<b>Assumptions as at 31 December 2023</b>	<b>Discount rate</b>	<b>Long-term growth rate</b>
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"> <li>▪ Ongoing efforts to shift operations and relationship banking at Societe Generale towards a digital model</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Consolidation of commercial and operational efficiency in Wealth Management and continued development of synergies with retail banking network</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Confirmation of Boursorama's customer acquisition plan to reach more than 8 millions clients in 2026</li> </ul>
Insurances	<ul style="list-style-type: none"> <li>▪ 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</li> </ul>

### Global Banking and Investor Solutions

Global Markets and Investor Services	<ul style="list-style-type: none"> <li>▪ 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</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Consolidation of market-leading franchises (equities) and growth mainly supported by financing and investment solutions activities</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Continued of optimisation measures and investments in information systems</li> </ul>
Financing and Advisory	<ul style="list-style-type: none"> <li>▪ Consolidation of origination momentum of financing activities oriented towards capital consumption optimisation</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Consolidation of market-leading franchises (commodity and structured financing) and continued RSE business development</li> </ul>

### International Retail Banking, Mobility and Leasing Services

Europe	<ul style="list-style-type: none"> <li>▪ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Strict discipline applied to operating expenses and normalisation of cost of risk</li> </ul>
Africa, Mediterranean Basin and Overseas	<ul style="list-style-type: none"> <li>▪ Continued development of Societe Generale's sales network</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Continued focus on operating efficiency (automatisation, dematerialisation, digitalisation and mutualisation initiatives) and gradual reduction cost of risk</li> </ul>
Equipment and Vendor Finance	<ul style="list-style-type: none"> <li>▪ Consolidation of leadership in these corporate financing businesses</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Strict discipline applied to operating expenses and scarce resources</li> </ul>
Auto Leasing Financial Services	<ul style="list-style-type: none"> <li>▪ Creation of a leading global player in mobility with the integration of LeasePlan</li> </ul>
	<ul style="list-style-type: none"> <li>▪ New strategic plan articulated around four priorities: clients, operational efficiency, responsibility and profitability</li> </ul>
Consumer Finance	<ul style="list-style-type: none"> <li>▪ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Strict discipline applied to operating expenses and normalisation of cost of risk</li> </ul>

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>	<b>31.12.2023</b>	<b>31.12.2022 R</b>
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)
<b>TOTAL</b>	<b>10,272</b>	<b>6,356</b>

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)
<b>TOTAL</b>			<b>956</b>	<b>10,272</b>	<b>(569)</b>

	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)
<b>TOTAL</b>			<b>931</b>	<b>6,356</b>	<b>(787)</b>

### 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)	-	-	-	-	-	-
<b>NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES</b>	<b>7</b>	<b>6</b>	<b>16</b>	<b>9</b>	<b>24</b>	<b>15</b>

**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>						
<b>Total balance sheet<sup>(1)</sup> of the entity</b>	<b>4,799</b>	<b>5,898</b>	<b>19,509</b>	<b>18,090</b>	<b>11,740</b>	<b>23,085</b>
<b>Net carrying amount of Group interests in unconsolidated structured entities</b>						
<b>Assets</b>	<b>2,664</b>	<b>2,646</b>	<b>769</b>	<b>2,579</b>	<b>8,044</b>	<b>8,719</b>
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
<b>Liabilities</b>	<b>1,356</b>	<b>1,419</b>	<b>784</b>	<b>2,941</b>	<b>2,147</b>	<b>1,410</b>
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
<b>Maximum exposure to loss</b>	<b>3,249</b>	<b>2,964</b>	<b>3,613</b>	<b>5,072</b>	<b>1,965</b>	<b>3,776</b>

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
<b>Assets</b>	<b>1,763</b>	<b>1,081</b>
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
<b>Liabilities</b>	<b>1,703</b>	<b>220</b>
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.).

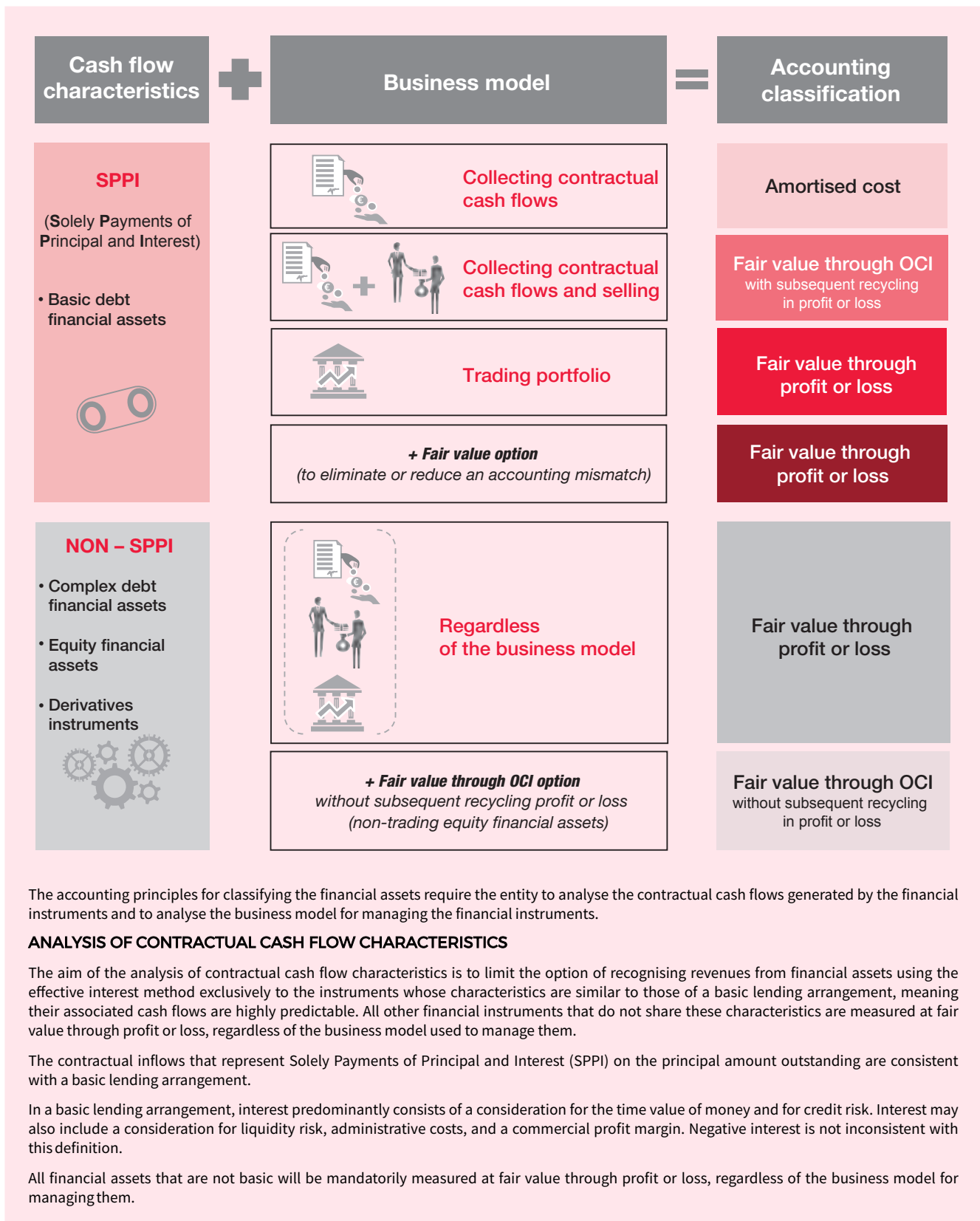
In the financial statements, the classification and valuation of financial assets and liabilities depend on their contractual characteristics and the way the entity manages those financial instruments.

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					
<b>Financial assets at fair value through profit or loss</b>									
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
<b>TOTAL</b>	<b>342,714</b>	<b>15,879</b>	<b>2,085</b>	<b>85,826</b>	<b>-</b>	<b>446,504</b>	<b>213</b>	<b>446,717</b>	<b>427,151</b>
<b>Financial liabilities at fair value through profit or loss</b>									
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
<b>TOTAL</b>	<b>307,563</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,140</b>	<b>311,703</b>	<b>-</b>	<b>311,703</b>	<b>304,175</b>

#### 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
<b>TOTAL</b>	<b>495,882</b>	<b>375,584</b>	<b>427,151</b>	<b>304,175</b>
<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)

	<b>31.12.2023</b>	<b>31.12.2022 R</b>
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 <sup>(1)</sup>	83,535	76,775
Loans, receivables and other trading assets	12,358	10,992
<b>TOTAL</b>	<b>366,087</b>	<b>310,945</b>
<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 <sup>(1)</sup>	89,803	72,656
Borrowings and other trading liabilities	2,633	2,573
<b>TOTAL</b>	<b>281,335</b>	<b>235,433</b>

(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
<b>TOTAL</b>	<b>114,651</b>	<b>101,602</b>

## 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
<b>TOTAL</b>	<b>15,283</b>	<b>16,433</b>

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 <sup>(1)</sup>	1,255	1,180
<b>TOTAL</b>	<b>15,144</b>	<b>14,604</b>

(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>	<b>2023</b>	<b>2022 R</b>
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 <sup>(1)</sup>	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 <sup>(2)</sup>	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<sup>(3)</sup></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)
<b>TOTAL<sup>(4)</sup></b>	<b>10,327</b>	<b>1,044</b>
<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
<b>TOTAL</b>	<b>83,535</b>	<b>89,803</b>	<b>76,775</b>	<b>72,656</b>

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
<b>Interest rate instruments</b>	<b>10,688,510</b>	<b>9,804,009</b>
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
<b>Foreign exchange instruments</b>	<b>4,515,280</b>	<b>4,163,080</b>
Firm instruments	3,389,444	3,047,062
Options	1,125,836	1,116,018
<b>Equity and index instruments</b>	<b>924,940</b>	<b>794,584</b>
Firm instruments	143,886	138,533
Options	781,054	656,051
<b>Commodities instruments</b>	<b>19,471</b>	<b>20,714</b>
Firm instruments	13,723	20,472
Options	5,748	242
<b>Credit derivatives</b>	<b>133,748</b>	<b>170,225</b>
<b>Other forward financial instruments</b>	<b>25,456</b>	<b>28,066</b>
<b>TOTAL</b>	<b>16,307,405</b>	<b>14,980,678</b>



### 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
<b>Fair value hedge</b>	<b>10,113</b>	<b>18,182</b>	<b>32,272</b>	<b>45,539</b>
Interest rate instruments	10,112	18,181	32,252	45,538
Foreign exchange instruments	1	1	20	1
Equity and index Instruments	-	-	-	-
<b>Cash flow hedge</b>	<b>321</b>	<b>475</b>	<b>469</b>	<b>511</b>
Interest rate instruments	309	394	420	443
Foreign exchange instruments	5	56	43	51
Equity and index Instruments	7	25	6	17
<b>Net investment hedge</b>	<b>151</b>	<b>51</b>	<b>230</b>	<b>114</b>
Foreign exchange instruments	151	51	230	114
<b>TOTAL</b>	<b>10,585</b>	<b>18,708</b>	<b>32,971</b>	<b>46,164</b>

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
<b>Interest rate instruments</b>	<b>668,657</b>	<b>862,372</b>
Firm instruments	668,657	862,030
<i>Swaps</i>	523,652	729,222
<i>FRA</i> s	145,005	132,808
Options	-	342
<b>Foreign exchange instruments</b>	<b>8,355</b>	<b>8,333</b>
Firm instruments	8,355	8,333
<b>Equity and index instruments</b>	<b>226</b>	<b>179</b>
Firm instruments	226	179
<b>TOTAL</b>	<b>677,238</b>	<b>870,884</b>

**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	<b>31.12.2023</b>
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
<b>TOTAL</b>	<b>71,017</b>	<b>209,167</b>	<b>265,869</b>	<b>131,185</b>	<b>677,238</b>

**FAIR VALUE HEDGE: BREAKDOWN OF HEDGED ITEMS**

<i>(In EURm)</i>	<b>31.12.2023</b>		
	Carrying amount	Cumulative change in the fair value <sup>(2)</sup>	Change in the fair value booked during the period <sup>(3)</sup>
<b>Hedge of interest rate risk</b>			<b>(2,973)</b>
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)<sup>(1)</sup></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)<sup>(1)</sup></i>	79,630	(5,857)	(3,115)
<b>Hedge of currency risk</b>			<b>1</b>
Hedged liabilities	195	1	1
<i>Subordinated debts</i>	195	1	1
<b>Hedge of equity risk</b>			<b>(0)</b>
Hedged liabilities	2	(0)	(0)
<i>Other liabilities</i>	2	(0)	(0)
<b>TOTAL</b>			<b>(2,972)</b>

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<i>(In EURm)</i>	Carrying amount	Cumulative change in the fair value <sup>(2)</sup>	Change in the fair value booked during the period <sup>(3)</sup>
<b>Hedge of interest rate risk</b>			<b>16,019</b>
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)<sup>(1)</sup></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)<sup>(1)</sup></i>	115,825	(9,659)	12,311
<b>Hedge of currency risk</b>			<b>(1)</b>
Hedged liabilities	192	2	(1)
<i>Subordinated debts</i>	192	2	(1)
<b>Hedge of equity risk</b>			<b>(0)</b>
Hedged liabilities	4	(0)	(0)
<i>Other liabilities</i>	4	(0)	(0)
<b>TOTAL</b>			<b>16,018</b>

(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 <sup>(2)</sup>		Change in fair value booked during the period	Ineffectiveness recognised during the period
		Asset	Liabilities		
<b>Hedge of interest rate risk</b>	<b>274,565</b>	<b>10,112</b>	<b>18,181</b>	<b>3,141</b>	<b>168</b>
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) <sup>(1)</sup>	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) <sup>(1)</sup>	84,888	5,629	9,524	3,203	88
Options	-	-	-	-	-
For hedged portfolios of assets (macro hedge) <sup>(1)</sup>	-	-	-	-	-
<b>Hedge of currency risk</b>	<b>195</b>	<b>1</b>	<b>1</b>	<b>(1)</b>	<b>-</b>
Firm instruments	195	1	1	(1)	-
For hedged liabilities	195	1	1	(1)	-
<b>Hedge of equity risk</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
Options	4	0	0	0	(0)
For hedged liabilities	4	0	0	0	(0)
<b>TOTAL</b>	<b>274,764</b>	<b>10,113</b>	<b>18,182</b>	<b>3,140</b>	<b>168</b>

(In EURm)	31.12.2022 R				
	Commitments (notional amounts)	Fair value <sup>(2)</sup>		Change in fair value booked during the period	Ineffectiveness recognised during the period
		Asset	Liabilities		
<b>Hedge of interest rate risk</b>	<b>314,235</b>	<b>32,252</b>	<b>45,538</b>	<b>(16,246)</b>	<b>(227)</b>
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) <sup>(1)</sup>	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) <sup>(1)</sup>	125,774	26,392	35,332	(12,262)	48
Options	342	37	-	5	-
For hedged portfolios of assets (macro hedge) <sup>(1)</sup>	342	37	-	5	-
<b>Hedge of currency risk</b>	<b>192</b>	<b>20</b>	<b>1</b>	<b>1</b>	<b>-</b>
Firm instruments	192	20	1	1	-
For hedged liabilities	192	20	1	1	-
<b>Hedge of equity risk</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>
Options	4	0	0	(1)	(1)
For hedged liabilities	4	0	0	(1)	(1)
<b>TOTAL</b>	<b>314,431</b>	<b>32,272</b>	<b>45,539</b>	<b>(16,246)</b>	<b>(228)</b>

(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>	<b>31.12.2023</b>	<b>31.12.2022 R</b>
	<b>Change in the fair value</b>	<b>Change in the fair value</b>
<b>Hedge of interest rate risk</b>	<b>2</b>	<b>550</b>
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
<b>Hedge of currency risk</b>	<b>40</b>	<b>(55)</b>
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)
<b>Hedge of equity risk</b>	<b>6</b>	<b>43</b>
Forecast transactions	6	43
<b>TOTAL</b>	<b>48</b>	<b>538</b>



## 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)						
<b>Hedge of interest rate risk</b>	<b>13,592</b>	<b>309</b>	<b>394</b>	<b>(2)</b>	<b>1</b>	<b>(432)</b>
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) <sup>(1)</sup>	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	-	-	-	-	-
<b>Hedge of currency risk</b>	<b>2,356</b>	<b>5</b>	<b>56</b>	<b>(40)</b>	<b>-</b>	<b>(3)</b>
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	-	-	-	-	-	-
<b>Hedge of equity risk</b>	<b>222</b>	<b>7</b>	<b>25</b>	<b>(6)</b>	<b>-</b>	<b>(8)</b>
Options	222	7	25	(6)	-	(8)
For hedged future transactions	222	7	25	(6)	-	(8)
<b>TOTAL</b>	<b>16,170</b>	<b>321</b>	<b>475</b>	<b>(48)</b>	<b>1</b>	<b>(443)</b>

(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)						
<b>Hedge of interest rate risk</b>	<b>12,302</b>	<b>420</b>	<b>444</b>	<b>(551)</b>	<b>(10)</b>	<b>(374)</b>
Firm instruments – Swaps	12,294	420	444	(551)	(10)	(374)
For hedged assets	849	121	-	(188)	-	(170)
For hedged portfolios of assets (macro hedge) <sup>(1)</sup>	1,185	39	-	52	(8)	46
For hedged liabilities	10,260	260	444	(415)	(2)	(250)
Firm instruments – FRAs	8	-	-	-	-	-
For hedged liabilities	8	-	-	-	-	-
<b>Hedge of currency risk</b>	<b>1,827</b>	<b>44</b>	<b>50</b>	<b>55</b>	<b>9</b>	<b>(1)</b>
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	-	-	-
<b>Hedge of equity risk</b>	<b>175</b>	<b>6</b>	<b>17</b>	<b>(43)</b>	<b>-</b>	<b>(6)</b>
Options	175	6	17	(43)	-	(6)
For hedged future transactions	175	6	17	(43)	-	(6)
<b>TOTAL</b>	<b>14,304</b>	<b>470</b>	<b>511</b>	<b>(539)</b>	<b>(1)</b>	<b>(381)</b>

(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 <sup>(1)</sup>	Cumulative translations differences related to the hedged items	Change in the fair value of the hedged item during the period <sup>(1)</sup>	Cumulative translations differences related to the hedged items
(In EURm)				
<b>Hedge of currency risk</b>	<b>(156)</b>	<b>(454)</b>	<b>(77)</b>	<b>(298)</b>
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 <sup>(1)</sup>		Changes in fair value recorded during the period <sup>(2)</sup>		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 <sup>(3)</sup>	
<i>(In EURm)</i>						
<b>Hedge of currency risk</b>	<b>5,804</b>	<b>151</b>	<b>2,817</b>	<b>156</b>	<b>72</b>	<b>454</b>
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 <sup>(1)</sup>		Changes in fair value recorded during the period <sup>(2)</sup>		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 <sup>(3)</sup>	
<i>(In EURm)</i>						
<b>Hedge of currency risk</b>	<b>6,314</b>	<b>229</b>	<b>2,975</b>	<b>76</b>	<b>(81)</b>	<b>298</b>
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	Adjustment of book value related to investments 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
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b>	<b>43,450</b>	<b>67,632</b>	<b>1,454</b>	<b>112,536</b>	<b>159</b>	<b>112,695</b>	<b>92,960</b>

**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
<b>TOTAL</b>	<b>90,894</b>	<b>92,960</b>
<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**

<b>Balance as at 1 January</b>	<b>92,696</b>
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)
<b>Balance as at 31 December</b>	<b>90,630</b>

**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)
<b>TOTAL<sup>(1)</sup></b>	<b>(2,673)</b>	<b>(5,075)</b>

(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 N<sup>th</sup> 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
<b>Trading portfolio (excluding derivatives)</b>	<b>104,493</b>	<b>171,245</b>	<b>6,814</b>	<b>282,552</b>	<b>96,221</b>	<b>131,547</b>	<b>6,402</b>	<b>234,170</b>
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
<b>Trading derivatives</b>	<b>6</b>	<b>81,276</b>	<b>2,253</b>	<b>83,535</b>	<b>-</b>	<b>73,393</b>	<b>3,382</b>	<b>76,775</b>
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
<b>Financial assets measured mandatorily at fair value through profit or loss</b>	<b>72,451</b>	<b>23,683</b>	<b>18,517</b>	<b>114,651</b>	<b>60,538</b>	<b>25,183</b>	<b>15,881</b>	<b>101,602</b>
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
<b>Financial assets measured using fair value option through profit or loss</b>	<b>13,732</b>	<b>1,412</b>	<b>-</b>	<b>15,144</b>	<b>13,277</b>	<b>1,327</b>	<b>-</b>	<b>14,604</b>
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
<b>Hedging derivatives</b>	<b>-</b>	<b>10,585</b>	<b>-</b>	<b>10,585</b>	<b>-</b>	<b>32,971</b>	<b>-</b>	<b>32,971</b>
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
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>88,231</b>	<b>2,384</b>	<b>279</b>	<b>90,894</b>	<b>91,430</b>	<b>1,250</b>	<b>280</b>	<b>92,960</b>
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
<b>TOTAL</b>	<b>278,913</b>	<b>290,585</b>	<b>27,863</b>	<b>597,361</b>	<b>261,466</b>	<b>265,671</b>	<b>25,945</b>	<b>553,082</b>

\* 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
<b>Trading portfolio (excluding derivatives)</b>	<b>9,396</b>	<b>177,622</b>	<b>4,514</b>	<b>191,532</b>	<b>6,424</b>	<b>152,967</b>	<b>3,386</b>	<b>162,777</b>
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
<b>Trading derivatives</b>	<b>12</b>	<b>85,741</b>	<b>4,050</b>	<b>89,803</b>	<b>14</b>	<b>68,701</b>	<b>3,941</b>	<b>72,656</b>
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
<b>Financial liabilities measured using fair value option through profit or loss</b>	<b>657</b>	<b>56,503</b>	<b>37,089</b>	<b>94,249</b>	<b>-</b>	<b>32,071</b>	<b>36,671</b>	<b>68,742</b>
<b>Hedging derivatives</b>	<b>-</b>	<b>18,708</b>	<b>-</b>	<b>18,708</b>	<b>-</b>	<b>46,164</b>	<b>-</b>	<b>46,164</b>
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
<b>TOTAL</b>	<b>10,065</b>	<b>338,574</b>	<b>45,653</b>	<b>394,292</b>	<b>6,438</b>	<b>299,903</b>	<b>43,998</b>	<b>350,339</b>

\* 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
<b>Trading portfolio (excluding derivatives)</b>	<b>6,402</b>	<b>5,829</b>	<b>(3,368)</b>	<b>(1,451)</b>	<b>5</b>	<b>(589)</b>	<b>(14)</b>	<b>-</b>	<b>6,814</b>
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
<b>Trading derivatives</b>	<b>3,382</b>	<b>76</b>	<b>(4)</b>	<b>(382)</b>	<b>84</b>	<b>(809)</b>	<b>(94)</b>	<b>-</b>	<b>2,253</b>
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
<b>Financial assets measured mandatorily at fair value through profit or loss</b>	<b>15,881</b>	<b>5,844</b>	<b>(5,078)</b>	<b>(1,256)</b>	<b>2,559</b>	<b>(293)</b>	<b>(69)</b>	<b>929</b>	<b>18,517</b>
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
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>280</b>	<b>4</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>279</b>
Debt instruments	1	4	(4)	-	-	(1)	-	-	-
Equity instruments	264	-	-	-	-	1	-	-	265
Loans and receivables	15	-	(1)	-	-	-	-	-	14
<b>TOTAL</b>	<b>25,945</b>	<b>11,753</b>	<b>(8,455)</b>	<b>(3,089)</b>	<b>2,648</b>	<b>(1,691)</b>	<b>(177)</b>	<b>929</b>	<b>27,863</b>

## 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
<b>Trading portfolio (excluding derivatives)</b>	<b>3,386</b>	<b>3,810</b>	<b>(1,488)</b>	<b>(295)</b>	-	<b>(818)</b>	<b>(81)</b>	-	<b>4,514</b>
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
<b>Trading derivatives</b>	<b>3,941</b>	<b>1,382</b>	<b>(458)</b>	<b>(527)</b>	<b>274</b>	<b>(236)</b>	<b>(326)</b>	-	<b>4,050</b>
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
<b>Financial liabilities measured using fair value option through profit or loss</b>	<b>36,671</b>	<b>13,184</b>	<b>(12,866)</b>	<b>(1,793)</b>	<b>188</b>	<b>2,397</b>	<b>(692)</b>	-	<b>37,089</b>
<b>TOTAL</b>	<b>43,998</b>	<b>18,376</b>	<b>(14,812)</b>	<b>(2,615)</b>	<b>462</b>	<b>1,343</b>	<b>(1,099)</b>	-	<b>45,653</b>

## 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	-
<b>TOTAL</b>	<b>27,863</b>	<b>45,653</b>

**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**

<i>(In EURm)</i>	31.12.2023		31.12.2022	
	Negative impact	Positive impact	Negative impact	Positive impact
<b>Shares and other equity instruments and derivatives</b>	<b>(31)</b>	<b>52</b>	<b>(30)</b>	<b>82</b>
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
<b>Rates or Forex instruments and derivatives</b>	<b>(13)</b>	<b>25</b>	<b>(15)</b>	<b>28</b>
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
<b>Credit instruments and derivatives</b>	<b>(4)</b>	<b>4</b>	<b>-</b>	<b>5</b>
Time to default correlations	(0)	0	-	0
Quanto correlations	(0)	0	-	3
Credit spreads	(3)	3	-	2
<b>Commodity derivatives</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Commodities correlations	NA	NA	NA	NA
<b>Long term securities</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

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>	<b>2023</b>	<b>2022</b>
<b>Deferred margin as at 1 January</b>	<b>1,248</b>	<b>1,191</b>
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)
<b>Deferred margin as at 31 December</b>	<b>1,080</b>	<b>1,248</b>

**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	
<b>TOTAL</b>	<b>572,507</b>	<b>4,975</b>	<b>1,323</b>	<b>578,805</b>	<b>(218)</b>	<b>(1)</b>	<b>(219)</b>	<b>578,586</b>	<b>600,949</b>	

**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)
<b>TOTAL</b>	<b>591,475</b>	<b>(10,177)</b>	<b>600,949</b>	<b>(10,736)</b>



## 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
<b>Due from banks before impairments<sup>(1)</sup></b>	<b>77,942</b>	<b>68,286</b>
Credit loss impairments	(23)	(39)
Revaluation of hedged items	(40)	(76)
<b>TOTAL</b>	<b>77,879</b>	<b>68,171</b>

(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
<b>Customer loans before impairments<sup>(1)</sup></b>	<b>495,666</b>	<b>517,585</b>
Credit loss impairment	(10,070)	(10,634)
Revaluation of hedged items	(147)	(316)
<b>TOTAL</b>	<b>485,449</b>	<b>506,635</b>

(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
<b>TOTAL</b>	<b>428,614</b>	<b>444,612</b>

**ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS**

<i>(In EURm)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>Gross investments</b>	<b>33,438</b>	<b>31,339</b>
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
<b>Present value of minimum payments receivable</b>	<b>29,153</b>	<b>27,846</b>
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
<b>Unearned financial income</b>	<b>2,273</b>	<b>1,840</b>
<b>Unguaranteed residual values receivable by the lessor</b>	<b>2,012</b>	<b>1,653</b>

**NOTE 3.5.3 SECURITIES**

<i>(In EURm)</i>	<b>31.12.2023</b>	<b>31.12.2022 R</b>
Government securities	14,303	13,480
Negotiable certificates, bonds and other debt securities	13,731	12,742
Related receivables	256	242
<b>Securities before impairments</b>	<b>28,290</b>	<b>26,464</b>
Impairment	(84)	(63)
Revaluation of hedged items	(59)	(258)
<b>TOTAL</b>	<b>28,147</b>	<b>26,143</b>

**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**

<i>(In EURm)</i>	<b>31.12.2023</b>	<b>31.12.2022 R</b>
Demand deposits and current accounts	11,131	10,455
Overnight deposits and borrowings	1,049	392
Term deposits <sup>(1)</sup>	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
<b>TOTAL</b>	<b>117,847</b>	<b>133,011</b>

*(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>	<b>31.12.2023</b>	<b>31.12.2022</b>
Regulated savings accounts	122,172	111,496
<i>Demand</i>	99,105	86,368
<i>Term</i>	23,067	25,128
Other demand deposits <sup>(1)</sup>	262,954	295,933
Other term deposits <sup>(1)</sup>	146,878	115,651
Related payables	1,841	876
Revaluation of hedged items	(3)	(89)
<b>TOTAL CUSTOMER DEPOSITS</b>	<b>533,842</b>	<b>523,867</b>
Securities sold to customers under repurchase agreements	7,835	6,897
<b>TOTAL</b>	<b>541,677</b>	<b>530,764</b>

(1) Including term-deposits linked to governments and central administrations.

**BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE**

<i>(In EURm)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>
Professionals and corporates	107,168	151,687
Individual customers	83,449	88,450
Financial customers	55,842	42,982
Others <sup>(1)</sup>	16,495	12,814
<b>TOTAL</b>	<b>262,954</b>	<b>295,933</b>

(1) Including term-deposits linked to governments and central administrations.

**NOTE 3.6.3 DEBT SECURITIES ISSUED**

<i>(In EURm)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>
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)
<b>TOTAL</b>	<b>160,506</b>	<b>133,176</b>
<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<sup>(1)</sup></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 <sup>(2)</sup>	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
<b>Subtotal interest income/expense on financial instruments using the effective interest method</b>	<b>52,222</b>	<b>(42,775)</b>	<b>9,447</b>	<b>30,345</b>	<b>(17,896)</b>	<b>12,449</b>
Financial instruments mandatorily at fair value through profit or loss	865	(2)	863	393	(1)	392
<b>TOTAL INTEREST INCOME AND EXPENSE</b>	<b>53,087</b>	<b>(42,777)</b>	<b>10,310</b>	<b>30,738</b>	<b>(17,897)</b>	<b>12,841</b>
<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
<b>TOTAL</b>	<b>17,931</b>	<b>12,172</b>

**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

<i>(In EURm)</i>		<b>31.12.2023</b>	<b>31.12.2022 R</b>
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 <sup>(1)</sup>		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
<b>NET VALUE OF ACCOUNTING OUTSTANDING AMOUNTS (BALANCE SHEET)</b>		<b>960,680</b>	<b>970,141</b>
Impairment of loans at amortised cost	Note 3.8	10,505	11,031
<b>GROSS VALUE OF ACCOUNTING OUTSTANDING AMOUNTS (BALANCE SHEET)</b>		<b>971,185</b>	<b>981,172</b>
Financing commitments		210,511	216,573
Guarantee commitments		80,560	94,727
<b>GROSS VALUE OF OFF BALANCE-SHEET ACCOUNTING AMOUNTS</b>		<b>291,071</b>	<b>311,300</b>
<b>TOTAL OF ACCOUNTING AMOUNTS (BALANCE-SHEET AND OFF BALANCE-SHEET)</b>		<b>1,262,256</b>	<b>1,292,472</b>

(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>								
<b>Financial assets at fair value through other comprehensive income</b>	<b>37,729</b>	<b>3</b>	<b>52,901</b>	<b>13</b>	<b>37,199</b>	<b>8</b>	<b>55,497</b>	<b>20</b>
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	-
<b>Financial assets at amortised cost<sup>(1)</sup></b>	<b>873,390</b>	<b>10,505</b>	<b>7,165</b>	<b>-</b>	<b>881,771</b>	<b>11,031</b>	<b>6,705</b>	<b>-</b>
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	-	-
<b><i>o/w lease financing</i></b>	<b>31,165</b>	<b>883</b>	<b>-</b>	<b>-</b>	<b>29,500</b>	<b>896</b>	<b>-</b>	<b>-</b>
<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>
<b>Financing commitments</b>	<b>210,511</b>	<b>447</b>	<b>-</b>	<b>-</b>	<b>216,571</b>	<b>467</b>	<b>2</b>	<b>-</b>
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	-	-
<b>Guarantee commitments</b>	<b>80,560</b>	<b>372</b>	<b>-</b>	<b>-</b>	<b>94,727</b>	<b>431</b>	<b>-</b>	<b>-</b>
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	-	-
<b>TOTAL OF ACCOUNTING AMOUNTS (BALANCE-SHEET AND OFF BALANCE-SHEET)</b>	<b>1,202,190</b>	<b>11,327</b>	<b>60,066</b>	<b>13</b>	<b>1,230,268</b>	<b>11,937</b>	<b>62,204</b>	<b>20</b>

(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
<b>TOTAL</b>	<b>812,925</b>	<b>44,063</b>	<b>16,402</b>	<b>873,390</b>	<b>1,048</b>	<b>1,973</b>	<b>7,484</b>	<b>10,505</b>

(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
<b>TOTAL</b>	<b>820,736</b>	<b>44,689</b>	<b>16,346</b>	<b>881,771</b>	<b>1,042</b>	<b>2,134</b>	<b>7,855</b>	<b>11,031</b>

(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
<b>TOTAL</b>	<b>812,925</b>	<b>44,063</b>	<b>16,402</b>	<b>873,390</b>	<b>1,048</b>	<b>1,973</b>	<b>7,484</b>	<b>10,505</b>

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
<b>TOTAL</b>	<b>820,736</b>	<b>44,689</b>	<b>16,346</b>	<b>881,771</b>	<b>1,042</b>	<b>2,134</b>	<b>7,855</b>	<b>11,031</b>



### GROUP ASSETS AT AMORTISED COST WITHOUT INSURANCE ACTIVITIES: SUBJECT TO IMPAIRMENT AND PROVISIONS BY RATING OF COUNTERPARTY<sup>(1)</sup>

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
<b>TOTAL</b>	<b>812,925</b>	<b>44,063</b>	<b>16,402</b>	<b>873,390</b>	<b>1,048</b>	<b>1,973</b>	<b>7,484</b>	<b>10,505</b>

(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.

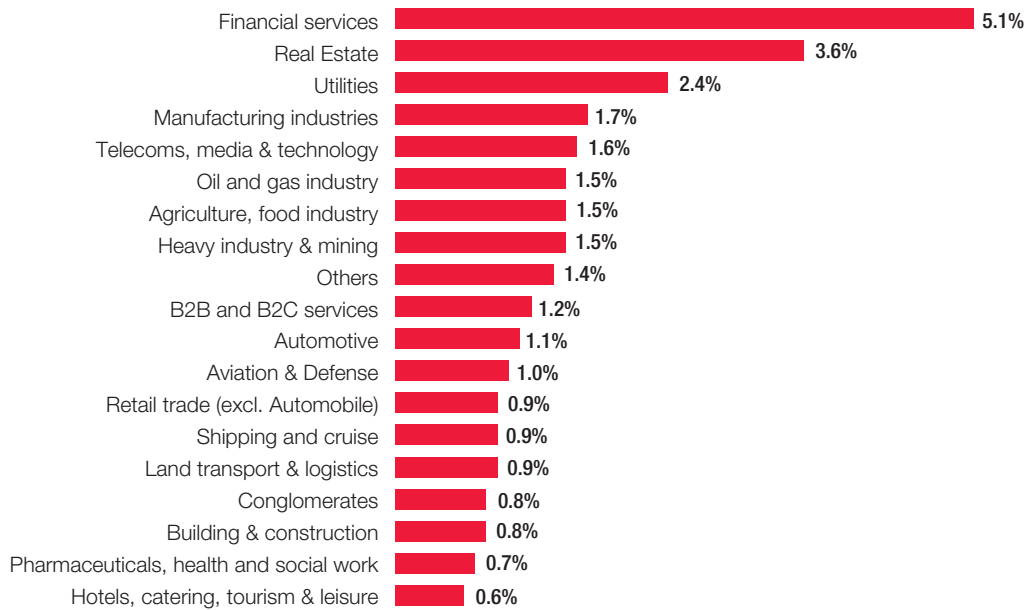
(In EURm)	31.12.2022							
	Outstanding amounts				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	59,826	874	-	60,700	1	3	-	4
2	186,818	889	-	187,707	4	5	-	9
3	50,465	622	-	51,087	8	5	-	13
4	85,773	1,431	-	87,204	69	15	-	84
5	84,343	4,322	-	88,665	246	146	-	392
6	22,694	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
<b>TOTAL</b>	<b>820,736</b>	<b>44,689</b>	<b>16,346</b>	<b>881,771</b>	<b>1,042</b>	<b>2,134</b>	<b>7,855</b>	<b>11,031</b>

(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.

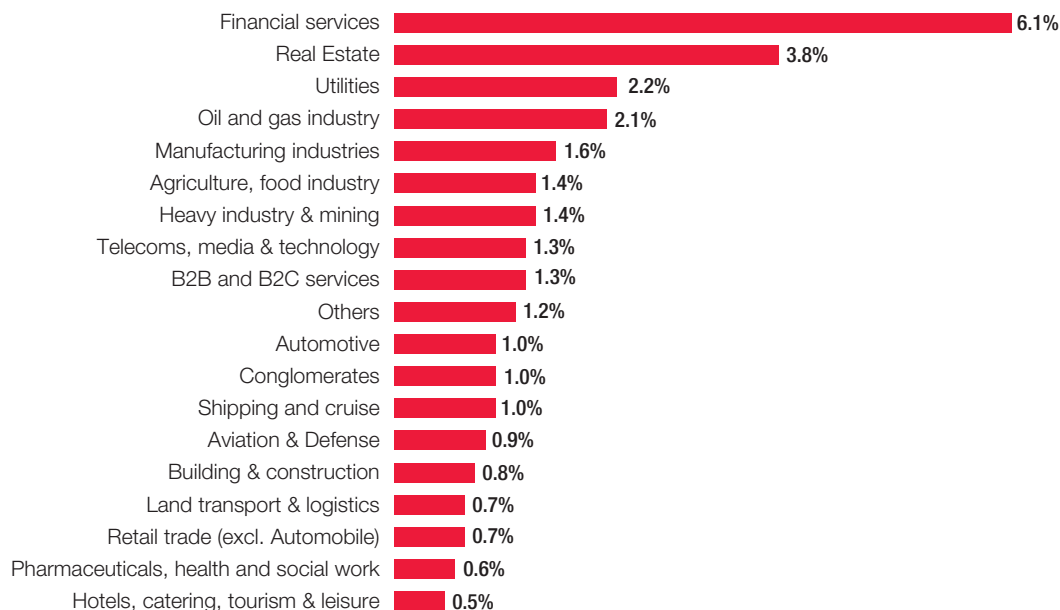
### ASSETS AT AMORTISED COST (INSURANCE ACTIVITIES EXCLUDED): SECTORAL BREAKDOWN OF CORPORATE EXPOSURES ON THE TOTAL GROUP EXPOSURE OF FINANCIAL ASSETS AT AMORTISED COST (ALL BASEL CATEGORIES)

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 TAL NET EXPOSURE OF FINANCIAL ASSETS AT AMORTISED COST AS AT 31 DECEMBER 2023



### SECTOR BREAKDOWN OF GROUP CORPORATE NET EXPOSURE OVER TAL 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
<b>Financial assets at fair value through other comprehensive income</b>							
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)	-	-	-
<b>TOTAL</b>	<b>28</b>	<b>46</b>	<b>(58)</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>16</b>
<b>Financial assets measured at amortised cost</b>							
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
<b>TOTAL</b>	<b>11,031</b>	<b>5,480</b>	<b>(4,528)</b>	<b>952</b>	<b>(1,188)</b>	<b>(290)</b>	<b>10,505</b>
<b>o/w lease financing and similar agreements</b>	<b>896</b>	<b>377</b>	<b>(315)</b>	<b>62</b>	<b>(101)</b>	<b>26</b>	<b>883</b>
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
<b>Amount as at 31.12.2022</b>	<b>1,042</b>	<b>110</b>	<b>2,134</b>	<b>169</b>	<b>7,855</b>	<b>617</b>	<b>11,031</b>
Production and Acquisition <sup>(1)</sup>	353	39	149	15	180	14	682
Derecognition <sup>(2)</sup>	(175)	(12)	(160)	-	(807)	(106)	(1,142)
Transfer from stage 1 to stage 2 <sup>(3)</sup>	(48)	(6)	519	47	-	-	471
Transfer from stage 2 to stage 1 <sup>(3)</sup>	29	3	(329)	(30)	-	-	(300)
Transfer to stage 3 <sup>(3)</sup>	(16)	(2)	(154)	(16)	988	110	818
Transfer from stage 3 <sup>(3)</sup>	2	-	41	3	(190)	(19)	(147)
Allocations and Write-backs without stage transfer <sup>(3)</sup>	(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
<b>Amount as at 31.12.2023</b>	<b>1,048</b>	<b>127</b>	<b>1,973</b>	<b>163</b>	<b>7,484</b>	<b>593</b>	<b>10,505</b>

(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
<b>Financing commitments</b>						
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
<b>TOTAL</b>	<b>467</b>	<b>346</b>	<b>(406)</b>	<b>(60)</b>	<b>40</b>	<b>447</b>
<b>Guarantee commitments</b>						
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
<b>TOTAL</b>	<b>431</b>	<b>182</b>	<b>(179)</b>	<b>3</b>	<b>(62)</b>	<b>372</b>

### 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	
<b>Amount as at 31.12.2022</b>	<b>166</b>	<b>251</b>	<b>50</b>	<b>467</b>	<b>57</b>	<b>116</b>	<b>258</b>	<b>431</b>	<b>898</b>
Production and Acquisition <sup>(1)</sup>	51	14	10	75	23	17	36	76	151
Derecognition <sup>(2)</sup>	(50)	(59)	(3)	(112)	(19)	(20)	(67)	(106)	(218)
Transfer from Stage 1 to Stage 2 <sup>(3)</sup>	(7)	56	-	49	(1)	11	-	10	59
Transfer from Stage 2 to Stage 1 <sup>(3)</sup>	5	(29)	-	(24)	3	(14)	-	(11)	(35)
Transfer to Stage 3 <sup>(3)</sup>	(1)	(2)	8	5	-	(2)	18	16	21
Transfer from Stage 3 <sup>(3)</sup>	-	-	(1)	(1)	-	1	(6)	(5)	(6)
Allocations and Write-backs without stage transfer <sup>(3)</sup>	(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
<b>Amount as at 31.12.2023</b>	<b>154</b>	<b>235</b>	<b>58</b>	<b>447</b>	<b>59</b>	<b>84</b>	<b>229</b>	<b>372</b>	<b>819</b>

(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)

	<b>31.12.2023</b>	<b>31.12.2022 R</b>
Cost of credit risk of financial assets from insurance activities	7	1
Cost of credit risk	(1,025)	(1,647)
<b>TOTAL</b>	<b>(1,018)</b>	<b>(1,646)</b>

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>	<b>31.12.2023</b>	<b>31.12.2022 R</b>
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
<b>TOTAL</b>	<b>(1,018)</b>	<b>(1,646)</b>
<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>	<b>31.12.2023</b>				
	<b>Carrying amount<sup>(2)</sup></b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Due from banks	77,879	77,853	-	60,577	17,276
Customer loans <sup>(1)</sup>	485,449	466,421	-	171,898	294,523
Debt securities	28,147	27,801	12,477	12,010	3,314
<b>TOTAL</b>	<b>591,475</b>	<b>572,075</b>	<b>12,477</b>	<b>244,485</b>	<b>315,113</b>

(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 <sup>(2)</sup>	Fair value	Level 1	Level 2	Level 3
Due from banks	68,171	67,964	-	54,582	13,382
Customer loans <sup>(1)</sup>	506,635	480,914	-	196,255	284,659
Debt Securities	26,143	25,285	10,572	10,581	4,132
<b>TOTAL</b>	<b>600,949</b>	<b>574,163</b>	<b>10,572</b>	<b>261,418</b>	<b>302,173</b>

(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 <sup>(2)</sup>	Fair value	Level 1	Level 2	Level 3
Due to banks	117,847	117,793	189	114,909	2,695
Customer deposits <sup>(1)</sup>	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	-
<b>TOTAL</b>	<b>835,924</b>	<b>832,828</b>	<b>32,793</b>	<b>778,179</b>	<b>21,856</b>

(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 <sup>(2)</sup>	Fair value	Level 1	Level 2	Level 3
Due to banks	133,011	133,009	255	118,331	14,423
Customer deposits <sup>(1)</sup>	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	-
<b>TOTAL</b>	<b>812,899</b>	<b>809,347</b>	<b>23,093</b>	<b>697,902</b>	<b>88,352</b>

(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
<b>Loan commitments</b>		
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
<b>Guarantee commitments</b>		
On behalf of banks	5,733	6,598
On behalf of customers <sup>(1)</sup>	75,685	88,779
<b>Securities commitments</b>		
Securities to be delivered	41,083	38,199
<b>Acquisition of tangible assets commitments</b>		
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
<b>Loan commitments</b>		
From banks	66,312	86,440
<b>Guarantee commitments</b>		
From banks	117,694	127,233
Other commitments <sup>(1)</sup>	199,747	178,486
<b>Securities commitments</b>		
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 <sup>(1)</sup>	337,037	357,694
Book value of assets pledged as security for transactions in financial instruments <sup>(2)</sup>	69,447	85,717
Book value of assets pledged as security for off-balance sheet commitments	2,209	2,547
<b>TOTAL</b>	<b>408,693</b>	<b>445,958</b>

(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>	<b>31.12.2023</b>	<b>31.12.2022 R</b>
<b>Fair value of securities purchased under resale agreements</b>	<b>193,154</b>	<b>150,614</b>

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>	<b>31.12.2023</b>		<b>31.12.2022 R</b>	
	<b>Carrying amount of transferred assets</b>	<b>Carrying amount of associated liabilities</b>	<b>Carrying amount of transferred assets</b>	<b>Carrying amount of associated liabilities</b>
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
<b>TOTAL</b>	<b>27,046</b>	<b>22,439</b>	<b>28,668</b>	<b>23,278</b>

**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	-
<b>TOTAL</b>	<b>14,745</b>	<b>-</b>	<b>12,712</b>	<b>-</b>

**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)		
<b>Customers loans</b>		
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
<b>Net position (A)-(B)</b>	<b>1,985</b>	<b>562</b>

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 <sup>(1)</sup>			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 <sup>(2)</sup> (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
<b>TOTAL</b>	<b>1,294,883</b>	<b>474,577</b>	<b>(215,415)</b>	<b>1,554,045</b>	<b>(90,188)</b>	<b>(22,098)</b>	<b>(92,882)</b>	<b>1,348,877</b>

(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 <sup>(1)</sup>			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 <sup>(2)</sup> (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
<b>TOTAL</b>	<b>1,261,406</b>	<b>431,807</b>	<b>(215,415)</b>	<b>1,477,798</b>	<b>(90,188)</b>	<b>(22,098)</b>	<b>(81,541)</b>	<b>1,283,971</b>

(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 <sup>(1)</sup>			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments received as collateral	
Derivative financial instruments* <sup>(2)</sup> (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
<b>TOTAL</b>	<b>1,264,033</b>	<b>453,035</b>	<b>(232,168)</b>	<b>1,484,900</b>	<b>(85,580)</b>	<b>(25,119)</b>	<b>(61,768)</b>	<b>1,312,433</b>

(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 <sup>(1)</sup>			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	
Derivative financial instrument* <sup>(2)</sup> (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
<b>TOTAL</b>	<b>1,208,045</b>	<b>435,697</b>	<b>(232,168)</b>	<b>1,411,574</b>	<b>(85,580)</b>	<b>(25,119)</b>	<b>(51,400)</b>	<b>1,249,475</b>

\* 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>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>31.12.2023</b>
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
<b>TOTAL LIABILITIES</b>	<b>913,903</b>	<b>145,530</b>	<b>165,016</b>	<b>90,435</b>	<b>1,314,884</b>
Loan commitments granted and others <sup>(1)</sup>	145,084	50,230	117,341	18,176	330,831
Guarantee commitments granted	40,697	16,653	15,861	8,207	81,418
<b>TOTAL COMMITMENTS GRANTED</b>	<b>185,781</b>	<b>66,883</b>	<b>133,202</b>	<b>26,383</b>	<b>412,249</b>

*(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
<b>Transactions with banks</b>	<b>134</b>	<b>(125)</b>	<b>9</b>	<b>133</b>	<b>(110)</b>	<b>23</b>
<b>Transactions with customers</b>	<b>2,979</b>		<b>2,979</b>	<b>3,088</b>		<b>3,088</b>
<b>Financial instruments operations</b>	<b>3,366</b>	<b>(2,976)</b>	<b>390</b>	<b>2,475</b>	<b>(2,447)</b>	<b>28</b>
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
<b>Loan and guarantee commitments</b>	<b>1,004</b>	<b>(429)</b>	<b>575</b>	<b>974</b>	<b>(424)</b>	<b>550</b>
<b>Various services</b>	<b>2,580</b>	<b>(945)</b>	<b>1,635</b>	<b>2,730</b>	<b>(1,202)</b>	<b>1,528</b>
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)
<b>TOTAL</b>	<b>10,063</b>	<b>(4,475)</b>	<b>5,588</b>	<b>9,400</b>	<b>(4,183)</b>	<b>5,217</b>

**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 <sup>(1)</sup>	20,107	(15,992)	4,115	12,490	(9,466)	3,024
Other activities	751	(1,224)	(473)	662	(1,008)	(346)
<b>TOTAL</b>	<b>21,005</b>	<b>(17,394)</b>	<b>3,611</b>	<b>13,301</b>	<b>(10,625)</b>	<b>2,676</b>

(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.

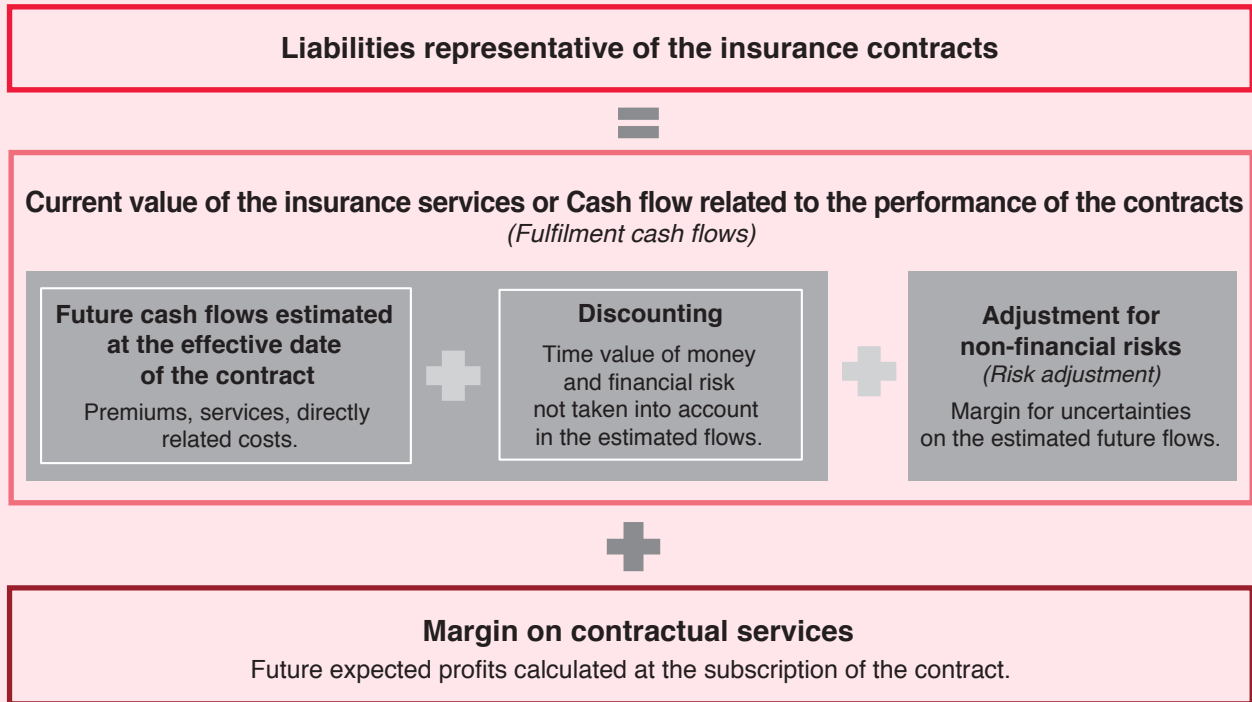
### Measurement models

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"> <li>■ Reversals related to the insurance services provided during the period</li> </ul>	
Insurance services expenses	<ul style="list-style-type: none"> <li>■ Losses recognised on onerous contracts and reversal of these losses</li> </ul>	<ul style="list-style-type: none"> <li>■ Allocations of liabilities for the incurred claims and the unfunded expenses incurred during the period</li> <li>■ Subsequent changes in the fulfilment cash flows relating to the incurred claims and the unfunded expenses incurred</li> </ul>
Insurance financial expenses and income	<ul style="list-style-type: none"> <li>■ Account taken of the impacts of the time value of money</li> </ul>	<ul style="list-style-type: none"> <li>■ Account taken of the impacts of the time value of money</li> </ul>

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>	<ul style="list-style-type: none"> <li>■ in full in the Statement of net income and unrealised or deferred gains and losses</li> </ul>	<ul style="list-style-type: none"> <li>■ as an adjustment of the contractual service margin for the portion of this change associated with the insurer's share of underlying items</li> </ul>
<i>Determination of the interest expense for the capitalisation of interest on the contractual service margin</i>	<ul style="list-style-type: none"> <li>■ explicitly applying the discount rate used during the initial measurement</li> </ul>	<ul style="list-style-type: none"> <li>■ 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</li> </ul>

#### 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.e. the risk of not recovering the expected compensation in the event of default of the reinsurer).
Measurement of the contractual service margin during initial recognition	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.
Measurement of the contractual service margin in the context of onerous underlying contracts	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	
<b>Financial assets at fair value through profit or loss</b>	<b>107,864</b>	<b>211</b>	<b>3,794</b>	<b>111,869</b>	<b>92,759</b>	<b>216</b>	<b>4,739</b>	<b>97,714</b>
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
<b>Hedging derivatives</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>140</b>	<b>121</b>	<b>-</b>	<b>-</b>	<b>121</b>
<b>Financial assets at fair value through other comprehensive income</b>	<b>51,257</b>	<b>1,417</b>	<b>226</b>	<b>52,900</b>	<b>53,971</b>	<b>1,326</b>	<b>200</b>	<b>55,497</b>
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
<b>Financial assets at amortised cost<sup>(1)</sup></b>	<b>718</b>	<b>614</b>	<b>5,368</b>	<b>6,700</b>	<b>1,155</b>	<b>263</b>	<b>4,670</b>	<b>6,088</b>
<b>Investment Property</b>	<b>729</b>	<b>-</b>	<b>1</b>	<b>730</b>	<b>876</b>	<b>-</b>	<b>1</b>	<b>877</b>
<b>TOTAL INVESTMENTS OF INSURANCE ACTIVITIES<sup>(2)</sup></b>	<b>160,708</b>	<b>2,242</b>	<b>9,389</b>	<b>172,339</b>	<b>148,882</b>	<b>1,805</b>	<b>9,610</b>	<b>160,297</b>
Deferred acquisition costs	-	-	-	-	6	-	-	6
Insurance contracts issued assets	-	81	-	81	-	42	-	42
Reinsurance contracts held assets	-	378	-	378	-	305	-	305
<b>TOTAL INSURANCE AND REINSURANCE CONTRACTS ASSETS</b>	<b>-</b>	<b>459</b>	<b>-</b>	<b>459</b>	<b>6</b>	<b>347</b>	<b>-</b>	<b>353</b>

(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>								
<b>Financial liabilities at fair value through profit or loss</b>	<b>82</b>	<b>-</b>	<b>4,017</b>	<b>4,099</b>	<b>78</b>	<b>-</b>	<b>3,520</b>	<b>3,598</b>
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 <sup>(1)</sup>	-	-	3,514	3,514	31	-	2,946	2,977
<b>Hedging derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Debt securities issued</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Due to banks</b>	<b>2,442</b>	<b>6</b>	<b>84</b>	<b>2,532</b>	<b>2,116</b>	<b>74</b>	<b>45</b>	<b>2,235</b>
<b>Customer deposits</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>
<b>TOTAL OF FINANCIAL LIABILITIES FROM INSURANCE ACTIVITIES</b>	<b>2,524</b>	<b>6</b>	<b>4,105</b>	<b>6,635</b>	<b>2,194</b>	<b>74</b>	<b>3,568</b>	<b>5,836</b>
Insurance contracts issued liabilities	138,976	2,746	-	141,722	133,795	2,079	-	135,874
Reinsurance contracts held liabilities	-	1	-	1	-	1	-	1
<b>TOTAL INSURANCE AND REINSURANCE CONTRACTS LIABILITIES</b>	<b>138,976</b>	<b>2,747</b>	<b>-</b>	<b>141,723</b>	<b>133,795</b>	<b>2,080</b>	<b>-</b>	<b>135,875</b>

(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>								
<b>Financial result of investments and other transactions from insurance activities</b>	<b>6,527</b>	<b>110</b>	<b>124</b>	<b>6,761</b>	<b>(4,208)</b>	<b>(7)</b>	<b>(36)</b>	<b>(4,251)</b>
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 <sup>(1)</sup>	(101)	(1)	(3)	(105)	21	(15)	24	30
<b>Insurance service result</b>	<b>958</b>	<b>620</b>		<b>1,578</b>	<b>930</b>	<b>549</b>		<b>1,479</b>
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)
<b>Financial result of insurance services</b>	<b>(6,245)</b>	<b>(35)</b>		<b>(6,280)</b>	<b>4,053</b>	<b>22</b>		<b>4,075</b>
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
<b>Unrealised or deferred gains and losses from investments that will be reclassified subsequently into income</b>	<b>2,137</b>	<b>72</b>	<b>10</b>	<b>2,219</b>	<b>(10,032)</b>	<b>(259)</b>	<b>(17)</b>	<b>(10,308)</b>
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)
<b>Unrealised or deferred gains and losses from insurance contracts that will be reclassified subsequently into income</b>	<b>(2,150)</b>	<b>16</b>		<b>(2,134)</b>	<b>10,025</b>	<b>25</b>		<b>10,050</b>
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
<b>Opening balance</b>	(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)
<b>Closing balance</b>	(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 <sup>(1)</sup>	-	-	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)						
<b>Income from insurance contracts issued</b>	<b>1,259</b>	<b>2,280</b>	<b>3,539</b>	<b>1,120</b>	<b>1,984</b>	<b>3,104</b>
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
<b>Insurance service expenses</b>	<b>(301)</b>	<b>(1,677)</b>	<b>(1,978)</b>	<b>(190)</b>	<b>(1,416)</b>	<b>(1,606)</b>
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)
<b>Net income or expenses from reinsurance contracts held</b>	<b>-</b>	<b>17</b>	<b>17</b>	<b>-</b>	<b>(19)</b>	<b>(19)</b>
<b>INSURANCE SERVICE RESULT</b>	<b>958</b>	<b>620</b>	<b>1,578</b>	<b>930</b>	<b>549</b>	<b>1,479</b>

**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)			
	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)	
<b>NET BALANCE AS AT 1 JANUARY</b>	<b>133,970</b>	<b>26</b>	<b>934</b>	<b>822</b>	<b>80</b>	<b>135,832</b>	
<b>Income from insurance contracts issued<sup>(1)</sup></b>	<b>(3,539)</b>	-	-	-	-	<b>(3,539)</b>	
<b>Insurance service expenses</b>	<b>313</b>	<b>9</b>	<b>796</b>	<b>854</b>	<b>6</b>	<b>1,978</b>	
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	
<b>Net finance income or expenses from insurance contracts issued<sup>(2)</sup></b>	<b>8,394</b>	<b>1</b>	<b>(5)</b>	<b>23</b>	<b>2</b>	<b>8,415</b>	
<b>Changes relative to the deposits component including in the insurance contract</b>	<b>(14,635)</b>	-	<b>14,635</b>	-	-	-	
<b>Other changes</b>	<b>(328)</b>	-	<b>128</b>	<b>499</b>	<b>18</b>	<b>317</b>	
<b>Cash flows</b>	<b>14,893</b>	-	<b>(15,470)</b>	<b>(785)</b>	-	<b>(1,362)</b>	
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)	
<b>NET BALANCE AS AT 31 DECEMBER</b>	<b>139,068</b>	<b>36</b>	<b>1,018</b>	<b>1,413</b>	<b>106</b>	<b>141,641</b>	
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)
<b>NET BALANCE AS AT 1 JANUARY</b>	<b>148,593</b>	<b>4</b>	<b>1,087</b>	<b>782</b>	<b>56</b>	<b>150,522</b>
<b>Income from insurance contracts issued<sup>(1)</sup></b>	<b>(3,104)</b>	-	-	-	-	<b>(3,104)</b>
<b>Insurance service expenses</b>	<b>349</b>	<b>23</b>	<b>607</b>	<b>600</b>	<b>27</b>	<b>1,606</b>
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
<b>Net finance income or expenses from insurance contracts issued<sup>(2)</sup></b>	<b>(14,043)</b>	<b>(1)</b>	<b>(16)</b>	<b>(31)</b>	<b>(4)</b>	<b>(14,095)</b>
<b>Changes relative to the deposits component including in the insurance contract</b>	<b>(14,132)</b>	-	<b>14,132</b>	-	-	-
<b>Other changes</b>	<b>293</b>	-	<b>(291)</b>	<b>(322)</b>	<b>1</b>	<b>(319)</b>
<b>Cash flows</b>	<b>16,014</b>	-	<b>(14,585)</b>	<b>(207)</b>	-	<b>1,222</b>
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)
<b>NET BALANCE AS AT 31 DECEMBER</b>	<b>133,970</b>	<b>26</b>	<b>934</b>	<b>822</b>	<b>80</b>	<b>135,832</b>
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)
<b>NET BALANCE AS AT 1 JANUARY</b>	<b>123,083</b>	<b>3,492</b>	<b>8,252</b>	<b>134,827</b>
<b>Changes that relate to future services</b>	<b>(3,018)</b>	<b>767</b>	<b>2,266</b>	<b>15</b>
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>i.e.</i> , that do not adjust the CSM)	11	1	-	12
Effect of new contracts recognised in the year	(447)	144	306	3
<b>Changes that relate to current services</b>	<b>311</b>	<b>(308)</b>	<b>(1,129)</b>	<b>(1,126)</b>
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
<b>Changes that relate to past services (<i>i.e.</i>, changes in fullfilment cash flows relative to incurred claims)</b>	<b>(137)</b>	<b>(54)</b>	<b>-</b>	<b>(191)</b>
<b>Net finance income or expenses from insurance contracts issued<sup>(1)</sup></b>	<b>8,370</b>	<b>1</b>	<b>18</b>	<b>8,389</b>
<b>Other changes</b>	<b>376</b>	<b>3</b>	<b>(39)</b>	<b>340</b>
<b>Cash flows</b>	<b>(1,850)</b>	<b>-</b>	<b>-</b>	<b>(1,850)</b>
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)
<b>NET BALANCE AS AT 31 DECEMBER</b>	<b>127,135</b>	<b>3,901</b>	<b>9,368</b>	<b>140,404</b>
Insurance contracts issued liabilities <sup>(2)</sup>	127,374	3,844	9,232	140,450
Insurance contracts issued assets <sup>(2)</sup>	(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)
<b>NET BALANCE AS AT 1 JANUARY<sup>(1)</sup></b>	<b>138,108</b>	<b>3,116</b>	<b>8,404</b>	<b>149,628</b>
<b>Changes that relate to future services</b>	<b>(1,586)</b>	<b>667</b>	<b>945</b>	<b>26</b>
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
<b>Changes that relate to current services</b>	<b>115</b>	<b>(194)</b>	<b>(1,036)</b>	<b>(1,115)</b>
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
<b>Changes that relate to past services (<i>i.e.</i>, changes in fullfilment cash flows relative to incurred claims)</b>	<b>(108)</b>	<b>(77)</b>	<b>-</b>	<b>(185)</b>
<b>Net finance income or expenses from insurance contracts issued<sup>(2)</sup></b>	<b>(14,037)</b>	<b>(39)</b>	<b>16</b>	<b>(14,060)</b>
<b>Other changes</b>	<b>254</b>	<b>19</b>	<b>(77)</b>	<b>196</b>
<b>Cash flows</b>	<b>337</b>	<b>-</b>	<b>-</b>	<b>337</b>
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)
<b>NET BALANCE AS AT 31 DECEMBER</b>	<b>123,083</b>	<b>3,492</b>	<b>8,252</b>	<b>134,827</b>
Insurance contracts issued liabilities <sup>(3)</sup>	123,297	3,452	8,118	134,867
Insurance contracts issued assets <sup>(3)</sup>	(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
<b>Present value of:</b>				
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)	-
<b>Non-financial risk adjustment</b>	<b>144</b>	<b>-</b>	<b>226</b>	<b>-</b>
<b>Contractual services margin</b>	<b>306</b>	<b>-</b>	<b>227</b>	<b>-</b>
<b>Loss component on onerous contracts</b>	<b>3</b>	<b>-</b>	<b>6</b>	<b>-</b>
<b>TOTAL</b>	<b>3</b>	<b>-</b>	<b>6</b>	<b>-</b>

**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<sup>(1)</sup>**

(In EURm)	31.12.2023	31.12.2022 R
<b>Expected years before recognising CSM in profit or loss</b>	<b>Insurance contracts issued</b>	<b>Insurance contracts issued</b>
1 to 5 years	3,901	3,520
6 to 10 years	1,913	1,973
> 10 years	3,554	2,759
<b>TOTAL</b>	<b>9,368</b>	<b>8,252</b>

(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>	<b>31.12.2023</b>	<b>31.12.2022 R</b>
Guarantee deposits paid <sup>(1)</sup>	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 <sup>(2)</sup>	14,111	9,684
<i>o/w miscellaneous receivables bearing credit risk<sup>(3)</sup></i>	6,404	4,208
<b>GROSS AMOUNT</b>	<b>70,237</b>	<b>82,734</b>
Impairments	(472)	(419)
<i>Credit risk<sup>(3)</sup></i>	(328)	(295)
<i>Other risks</i>	(144)	(124)
<b>NET AMOUNT</b>	<b>69,765</b>	<b>82,315</b>

(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>	<b>31.12.2023</b>	<b>31.12.2022 R</b>
Guarantee deposits received <sup>(1)</sup>	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 <sup>(2)</sup>	30,555	22,239
<b>TOTAL</b>	<b>93,658</b>	<b>107,315</b>

(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 <sup>(1)</sup>	Note 5.1	(10,645)	(10,052)
Other operating expenses <sup>(1)</sup>	Note 5.2	(6,887)	(7,009)
Other general operating expenses attributable to the insurance contracts <sup>(2)</sup>		683	636
<b>TOTAL</b>		<b>(16,849)</b>	<b>(16,425)</b>

(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>	<b>2023</b>	<b>2022</b>
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)
<b>TOTAL</b>	<b>(10,645)</b>	<b>(10,052)</b>
<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>	<b>2023</b>	<b>2022</b>
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
<b>TOTAL</b>	<b>15.9</b>	<b>12.8</b>

**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 <sup>(1)</sup>	227	129	(50)	79	(96)	(33)	33	210
<b>TOTAL<sup>(2)</sup></b>	<b>2,002</b>	<b>383</b>	<b>(130)</b>	<b>253</b>	<b>(219)</b>	<b>13</b>	<b>24</b>	<b>2,073</b>

(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 4<sup>th</sup> 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
<b>A - B - C + D = Net balance</b>	<b>(272)</b>	<b>(35)</b>	<b>408</b>	<b>101</b>
<b>ON THE LIABILITIES SIDE OF THE BALANCE SHEET</b>	<b>805</b>	<b>-</b>	<b>412</b>	<b>1,217</b>
<b>ON THE ASSETS SIDE<sup>(1)</sup> OF THE BALANCE SHEET</b>	<b>1,077</b>	<b>35</b>	<b>4</b>	<b>1,116</b>

(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
<b>A - B - C + D = Net balance</b>	<b>(199)</b>	<b>(28)</b>	<b>363</b>	<b>136</b>
<b>ON THE LIABILITIES SIDE OF THE BALANCE SHEET</b>	<b>805</b>	<b>-</b>	<b>367</b>	<b>1,171</b>
<b>ON THE ASSETS SIDE<sup>(1)</sup> OF THE BALANCE SHEET</b>	<b>1,004</b>	<b>28</b>	<b>4</b>	<b>1,036</b>

(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
<b>A – Components recognised in income statement</b>	<b>49</b>	<b>67</b>
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>B – Components recognised in unrealised or deferred gains and losses</b>	<b>(12)</b>	<b>(92)</b>
<b>C = A + B TOTAL COMPONENTS OF THE COST OF DEFINED BENEFITS</b>	<b>37</b>	<b>(25)</b>

**CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS**

<i>(In EURm)</i>	<b>2023</b>	<b>2022</b>
<b>Balance as at 1 January</b>	<b>2,298</b>	<b>3,336</b>
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)
<b>Balance as at 31 December</b>	<b>2,426</b>	<b>2,298</b>

**CHANGES IN THE FAIR VALUE OF FUNDING ASSETS**

<i>(In EURm)</i>	<b>Plan assets</b>		<b>Separate assets</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Balance as at 1 January</b>	<b>1,160</b>	<b>1,699</b>	<b>1,002</b>	<b>1,331</b>
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)	-	-
<b>Balance as at 31 December</b>	<b>1,249</b>	<b>1,160</b>	<b>1,076</b>	<b>1,002</b>

**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
<b>Discount rate</b>		
France	3.19%	3.62%
United-Kingdom	4.52%	4.80%
Others	3.64%	4.07%
<b>Long-term inflation</b>		
France	2.21%	2.45%
United-Kingdom	3.10%	3.30%
Others	2.11%	2.01%
<b>Future salary increase</b>		
France	1.91%	2.20%
United-Kingdom	N/A	N/A
Others	1.50%	1.40%
<b>Average remaining working lifetime of employees <i>(in years)</i></b>		
France	7.56	7.84
United-Kingdom	2.52	3.07
Others	8.46	8.83
<b>Duration <i>(in years)</i></b>		
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
<b>Variation in discount rate</b>		
Impact on the present value of defined benefit obligations at 31 December N	+0.5%	+0.5%
<b>Variation in long-term inflation</b>		
Impact on the present value of defined benefit obligations at 31 December N	-5%	-6%
<b>Variation in future salary increase</b>		
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**

(In EURm)	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)
<b>TOTAL</b>	<b>(6,887)</b>	<b>(7,009)</b>

### 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>	<b>2023</b>	<b>2022 R</b>
Current taxes	(1,470)	(1,274)
Deferred taxes	(209)	(209)
<b>TOTAL</b>	<b>(1,679)</b>	<b>(1,483)</b>

**RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE**

<i>(In EURm)</i>	<b>2023</b>		<b>2022 R</b>	
	%	EURm	%	EURm
<b>Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill</b>		<b>5,442</b>		<b>4,224</b>
<b>Group effective tax rate</b>	<b>30.85%</b>		<b>35.11%</b>	
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>	<b>31.12.2023</b>	<b>31.12.2022 R</b>
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
<b>TOTAL</b>	<b>4,717</b>	<b>4,484</b>

## 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
<b>TOTAL</b>	<b>2,402</b>	<b>1,645</b>

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
<b>Total deferred tax assets relating to tax loss carry-forwards</b>	<b>1,832</b>	-	-
o/w French tax group	1,572	Unlimited <sup>(1)</sup>	8 years
o/w US tax group	88	20 years <sup>(2)</sup>	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 <sup>(1)</sup>	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)	<b>31.12.2023</b>	<b>31.12.2022</b>
Issued capital	1,004	1,062
Issuing premiums and capital reserves	20,412	21,377
Elimination of treasury stock	(230)	(1,191)
<b>TOTAL</b>	<b>21,186</b>	<b>21,248</b>

**ORDINARY SHARES ISSUED BY SOCIETE GENERALE SA**

(Number of shares)	<b>31.12.2023</b>	<b>31.12.2022</b>
Ordinary shares	802,979,942	849,883,778
<i>Including treasury stock with voting rights<sup>(1)</sup></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)	<b>Liquidity contract</b>	<b>Trading activities</b>	<b>Treasury stock and active management of shareholders' equity</b>	<b>Total</b>
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)
<b>Net income attributable to ordinary shareholders</b>	<b>1,735</b>	<b>1,229</b>
Weighted average number of ordinary shares outstanding <sup>(1)</sup>	799,315,070	822,437,425
<b>Earnings per ordinary share (in euros)</b>	<b>2.17</b>	<b>1.50</b>
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
<b>Diluted earnings per ordinary share (in euros)</b>	<b>2.17</b>	<b>1.50</b>

(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)
<b>TOTAL</b>	<b>(1,362)</b>	<b>(499)</b>	<b>(1,861)</b>	<b>(1,371)</b>	<b>(754)</b>	<b>(2,125)</b>

**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 <sup>(3)</sup>	(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)
<b>Subtotal of unrealised gains and losses with subsequent recycling in the income statement</b>	<b>190</b>	<b>74</b>	<b>264</b>	<b>383</b>	<b>(119)</b>
Actuarial gains and losses on defined benefit plans <sup>(1)</sup>	12	(1)	11	14	(3)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss <sup>(2)</sup>	68	(18)	50	51	(1)
Revaluation of equity instruments at fair value through other comprehensive income	35	(2)	33	33	-
<b>Subtotal of unrealised gains and losses without subsequent recycling in the income statement</b>	<b>115</b>	<b>(21)</b>	<b>94</b>	<b>98</b>	<b>(4)</b>
<b>TOTAL</b>	<b>305</b>	<b>53</b>	<b>358</b>	<b>481</b>	<b>(123)</b>



(In EURm)	Changes of the period				
	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
<b>Allocation to retained earnings</b>					
Actuarial gains and losses on defined benefit plans	(93)	26	(67)	(56)	(11)
<b>TOTAL</b>	<b>(93)</b>	<b>26</b>	<b>(67)</b>	<b>(56)</b>	<b>(11)</b>
Translation differences	(356)	(12)	(368)	(389)	21
Revaluation of debt instruments at fair value through other comprehensive income <sup>(3)</sup>	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)
<b>Variation of unrealised gains and losses with subsequent recycling in the income statement</b>	<b>(156)</b>	<b>(10)</b>	<b>(166)</b>	<b>(233)</b>	<b>67</b>
Actuarial gains and losses on defined benefit plans <sup>(1)</sup>	12	-	12	14	(2)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss <sup>(2)</sup>	(257)	67	(190)	(191)	1
Revaluation of equity instruments at fair value through other comprehensive income	1	-	1	2	(1)
<b>Variation of unrealised gains and losses without subsequent recycling in the income statement</b>	<b>(244)</b>	<b>67</b>	<b>(177)</b>	<b>(175)</b>	<b>(2)</b>
<b>TOTAL OF VARIATION</b>	<b>(400)</b>	<b>57</b>	<b>(343)</b>	<b>(408)</b>	<b>65</b>
<b>TOTAL OF CHANGES</b>	<b>(493)</b>	<b>83</b>	<b>(410)</b>	<b>(464)</b>	<b>54</b>

(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 <sup>(3)</sup>	(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
<b>SUBTOTAL OF UNREALISED GAINS AND LOSSES WITH SUBSEQUENT RECYCLING IN THE INCOME STATEMENT</b>	<b>346</b>	<b>84</b>	<b>430</b>	<b>616</b>	<b>(186)</b>
Actuarial gains and losses on defined benefit plans <sup>(1)</sup>	93	(27)	66	56	10
Revaluation of own credit risk of financial liabilities at fair value through profit or loss <sup>(2)</sup>	325	(85)	240	242	(2)
Revaluation of equity instruments at fair value through other comprehensive income	34	(2)	32	31	1
<b>SUBTOTAL OF UNREALISED GAINS AND LOSSES WITHOUT SUBSEQUENT RECYCLING IN THE INCOME STATEMENT</b>	<b>452</b>	<b>(114)</b>	<b>338</b>	<b>329</b>	<b>9</b>
<b>TOTAL</b>	<b>798</b>	<b>(30)</b>	<b>768</b>	<b>945</b>	<b>(177)</b>

(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 <sup>(4)</sup>	Mobility and Leasing Services	Total	Corporate Centre <sup>(1)</sup>	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 <sup>(2)</sup>	(6,577)	(131)	(6,708)	(4,755)	(2,032)	(6,787)	(2,374)	(2,391)	(4,765)	(264)	(18,524)
<b>Gross operating income</b>	<b>826</b>	<b>489</b>	<b>1,315</b>	<b>1,544</b>	<b>1,309</b>	<b>2,853</b>	<b>1,817</b>	<b>1,925</b>	<b>3,742</b>	<b>(1,330)</b>	<b>6,580</b>
Cost of risk	(505)	-	(505)	20	(50)	(30)	(185)	(301)	(486)	(4)	(1,025)
<b>Operating income</b>	<b>321</b>	<b>489</b>	<b>810</b>	<b>1,564</b>	<b>1,259</b>	<b>2,823</b>	<b>1,632</b>	<b>1,624</b>	<b>3,256</b>	<b>(1,334)</b>	<b>5,555</b>
Net income from investments accounted for using the equity method	7	-	7	7	-	7	-	10	10	-	24
Net income/expense from other assets <sup>(4)</sup>	10	-	10	-	-	-	(8)	(3)	(11)	(112)	(113)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	(338)	(338)
<b>Earnings before Tax</b>	<b>338</b>	<b>489</b>	<b>827</b>	<b>1,571</b>	<b>1,259</b>	<b>2,830</b>	<b>1,624</b>	<b>1,631</b>	<b>3,255</b>	<b>(1,784)</b>	<b>5,128</b>
Income tax	(86)	(127)	(213)	(371)	(146)	(517)	(429)	(394)	(823)	(126)	(1,679)
<b>Consolidated Net Income</b>	<b>252</b>	<b>362</b>	<b>614</b>	<b>1,200</b>	<b>1,113</b>	<b>2,313</b>	<b>1,195</b>	<b>1,237</b>	<b>2,432</b>	<b>(1,910)</b>	<b>3,449</b>
Non controlling interests	-	4	4	34	(1)	33	465	361	826	93	956
<b>Net income, Group Share</b>	<b>252</b>	<b>358</b>	<b>610</b>	<b>1,166</b>	<b>1,114</b>	<b>2,280</b>	<b>730</b>	<b>876</b>	<b>1,606</b>	<b>(2,003)</b>	<b>2,493</b>
<b>Segment assets</b>	<b>263,833</b>	<b>172,353</b>	<b>436,186</b>	<b>650,502</b>	<b>169,783</b>	<b>820,285</b>	<b>109,836</b>	<b>108,091</b>	<b>217,927</b>	<b>79,647</b>	<b>1,554,045</b>
<b>Segment liabilities<sup>(3)</sup></b>	<b>289,846</b>	<b>158,076</b>	<b>447,922</b>	<b>670,821</b>	<b>80,101</b>	<b>750,922</b>	<b>88,969</b>	<b>53,760</b>	<b>142,729</b>	<b>136,225</b>	<b>1,477,798</b>

(In EURm)	2022 R										
	French Retail, Private Banking and Insurance			Global Banking and Investor Solutions			International Retail, Mobility and Leasing Services			Corporate Centre <sup>(1)</sup>	Total Group Societe Generale
	French Retail and Private Banking	Insurance	Total	Global Markets and Investors Services	Financial and Advisory	Total	International Retail Banking <sup>(4)</sup>	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 <sup>(2)</sup>	(6,791)	(105)	(6,896)	(4,878)	(1,954)	(6,832)	(2,368)	(1,589)	(3,957)	(309)	(17,994)
<b>Gross operating income</b>	<b>1,909</b>	<b>405</b>	<b>2,314</b>	<b>1,843</b>	<b>1,433</b>	<b>3,276</b>	<b>1,822</b>	<b>2,360</b>	<b>4,182</b>	<b>(611)</b>	<b>9,161</b>
Cost of risk	(483)	-	(483)	5	(426)	(421)	(464)	(241)	(705)	(38)	(1,647)
<b>Operating income</b>	<b>1,426</b>	<b>405</b>	<b>1,831</b>	<b>1,848</b>	<b>1,007</b>	<b>2,855</b>	<b>1,358</b>	<b>2,119</b>	<b>3,477</b>	<b>(649)</b>	<b>7,514</b>
Net income from investments accounted for using the equity method	8	-	8	6	-	6	-	1	1	-	15
Net income/expense from other assets <sup>(4)</sup>	57	-	57	3	3	6	11	-	11	(3,364)	(3,290)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings before Tax</b>	<b>1,491</b>	<b>405</b>	<b>1,896</b>	<b>1,857</b>	<b>1,010</b>	<b>2,867</b>	<b>1,369</b>	<b>2,120</b>	<b>3,489</b>	<b>(4,013)</b>	<b>4,239</b>
Income tax	(383)	(106)	(489)	(420)	(118)	(538)	(360)	(478)	(838)	382	(1,483)
<b>Consolidated Net Income</b>	<b>1,108</b>	<b>299</b>	<b>1,407</b>	<b>1,437</b>	<b>892</b>	<b>2,329</b>	<b>1,009</b>	<b>1,642</b>	<b>2,651</b>	<b>(3,631)</b>	<b>2,756</b>
Non controlling interests	(1)	2	1	35	1	36	444	286	730	164	931
<b>Net income, Group Share</b>	<b>1,109</b>	<b>297</b>	<b>1,406</b>	<b>1,402</b>	<b>891</b>	<b>2,293</b>	<b>565</b>	<b>1,356</b>	<b>1,921</b>	<b>(3,795)</b>	<b>1,825</b>
<b>Segment assets</b>	<b>300,473</b>	<b>160,817</b>	<b>461,290</b>	<b>591,685</b>	<b>172,360</b>	<b>764,045</b>	<b>99,571</b>	<b>70,861</b>	<b>170,432</b>	<b>89,133</b>	<b>1,484,900</b>
<b>Segment liabilities<sup>(3)</sup></b>	<b>308,606</b>	<b>146,586</b>	<b>455,192</b>	<b>637,899</b>	<b>72,072</b>	<b>709,971</b>	<b>83,940</b>	<b>21,201</b>	<b>105,141</b>	<b>141,270</b>	<b>1,411,574</b>

(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.

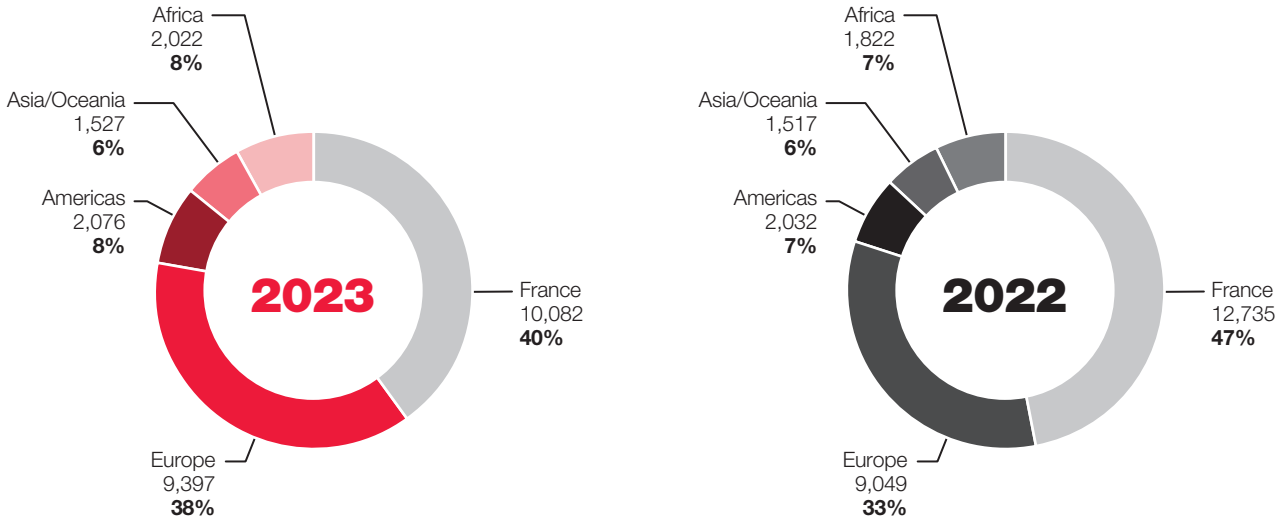
(3) Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

(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

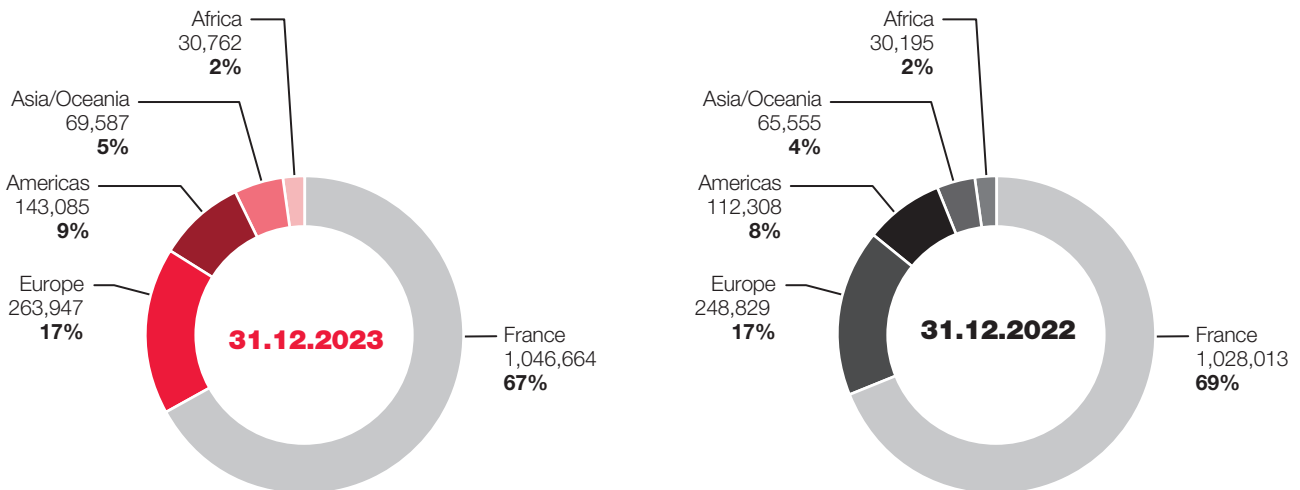
GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME (IN EURM)



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.

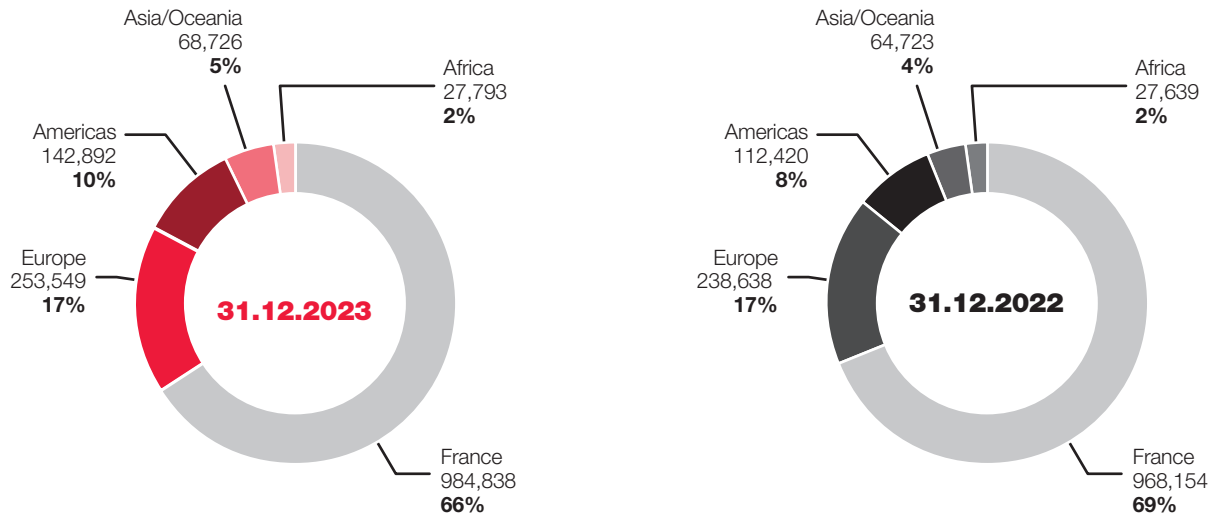
GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN EURM)

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 <sup>(1)</sup>	1,554	313	(419)	(106)	(160)	(66)	1,222
<b>TOTAL</b>	<b>4,579</b>	<b>1,271</b>	<b>(1,185)</b>	<b>86</b>	<b>(379)</b>	<b>(51)</b>	<b>4,235</b>

(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>	<b>31.12.2023</b>	<b>31.12.2022</b>
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
<b>TOTAL</b>	<b>17,410</b>	<b>19,475</b>

**OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS**

<i>(In EURm)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>
Less than 4 years old	3	-
Between 4 and 10 years old	-	1
More than 10 years old	3	6
<b>TOTAL</b>	<b>6</b>	<b>7</b>

**PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS**

<i>(In EURm)</i>	<b>31.12.2022</b>	<b>Allocations</b>	<b>Write-backs</b>	<b>31.12.2023</b>
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
<b>TOTAL</b>	<b>125</b>	<b>47</b>	<b>(51)</b>	<b>121</b>

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

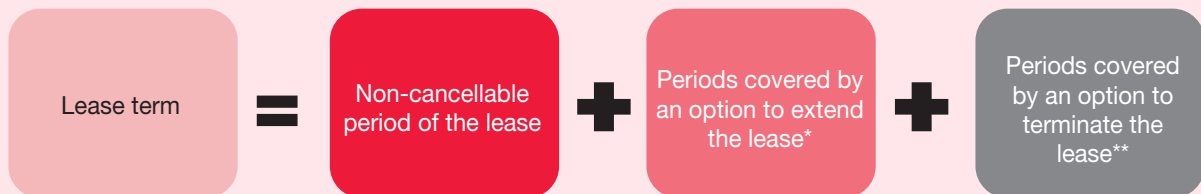
A contract may cover the lease of an asset by the lessor as well as the supply of additional services by that lessor. In this scenario, the lessee can separate the lease components from the non-lease components of the contract and treat them separately. The rental payments stipulated in the contract 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
<b>Intangible Assets</b>	<b>2,874</b>	<b>665</b>	<b>(155)</b>	-	<b>178</b>	<b>3,562</b>
of which gross value	8,935	1,379	(728)	-	404	9,990
of which amortisation and impairments	(6,061)	(714)	573	-	(226)	(6,428)
<b>Tangible Assets (w/o assets under operating leases)</b>	<b>4,289</b>	<b>96</b>	<b>(148)</b>	-	<b>(18)</b>	<b>4,219</b>
of which gross value	11,031	652	(391)	-	(85)	11,207
of which amortisation and impairments	(6,742)	(556)	243	-	67	(6,988)
<b>Assets under operating leases<sup>(1)</sup></b>	<b>24,071</b>	<b>16,411</b>	<b>(11,204)</b>	-	<b>21,143</b>	<b>50,421</b>
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)
<b>Investment Property (except insurancy activities)</b>	<b>11</b>	<b>(1)</b>	-	-	<b>2</b>	<b>12</b>
of which gross value	30	-	(2)	-	7	35
of which amortisation and impairments	(19)	(1)	2	-	(5)	(23)
<b>Investment Property (including insurancy activities)</b>	<b>877</b>	<b>1</b>	-	<b>(148)</b>	-	<b>730</b>
<b>Rights-of-use</b>	<b>1,836</b>	<b>(33)</b>	<b>(152)</b>	-	<b>119</b>	<b>1,770</b>
of which gross value	3,221	417	(280)	-	239	3,597
of which amortisation and impairments	(1,385)	(450)	128	-	(120)	(1,827)
<b>TOTAL</b>	<b>33,958</b>	<b>17,139</b>	<b>(11,659)</b>	<b>(148)</b>	<b>21,424</b>	<b>60,714</b>


(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
<b>TOTAL</b>	<b>21,701</b>	<b>7,453</b>

\* Amounts restated compared to the financial statements published for 2022.

## INFORMATIONS RELATIVE TO LEASES ON TANGIBLE ASSETS USED BY THE GROUP

   	<p><b>Property Leases</b></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"> <li>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;</li> <li>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...</li> </ul> <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><b>Equipment Leases</b></p> <p>Other leases (less than 10%) are mainly computer equipment leases and a very small percentage of vehicle leases.</p>
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## OVERVIEW TABLE OF LEASE TRANSACTION COSTS AND SUBLEASE INCOME

	31.12.2023			
	Real estate	IT	Others	Total
(In EURm)				
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
	31.12.2022			
	Real estate	IT	Others	Total
(In EURm)				
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	
<b>South Africa</b>							
(1)	SG JOHANNESBURG	Bank	FULL	100	100	100	100
<b>Algeria</b>							
	ALD AUTOMOTIVE ALGERIE SPA	Specialist Financing	FULL	52.59	75.94	99.99	99.99
	SOCIETE GENERALE ALGERIE	Bank	FULL	100	100	100	100
<b>Germany</b>							
	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	EFS	100	100	100	100
	HANSEATIC BANK GmbH & CO KG	Specialist Financing	FULL	75	75	75	75
	HANSEATIC GESELLSCHAFT FUR BANKBETEILIGUNGEN MBH	Portfolio Management	FULL	75	75	100	100
	HSCE HANSEATIC SERVICE CENTER GmbH	Services	FULL	75	75	100	100
	INTERLEASING DELLO HAMBURG 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	
<b>Germany</b>	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
<b>Arabie Saoudite</b>							
(6)	SOCIETE GENERALE SAUDI ARABIA JSC	Bank	FULL	100	0	100	0
<b>Australia</b>							
	SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	FULL	100	100	100	100
(1)	SOCIETE GENERALE SYDNEY BRANCH	Bank	FULL	100	100	100	100
<b>Austria</b>							
	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
<b>Belarus</b>							
(4)	ALD AUTOMOTIVE LLC	Specialist Financing	FULL	0	75.94	0	100
<b>Belgium</b>							
	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	
<b>Benin</b>							
	SOCIETE GENERALE BENIN	Bank	FULL	93.43	93.43	94.1	94.1
<b>Bermuda</b>							
	CATALYST RE INTERNATIONAL LTD.	Insurance	FULL	100	100	100	100
<b>Brazil</b>							
	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
<b>Bulgaria</b>							
	ALD AUTOMOTIVE EOOD	Specialist Financing	FULL	52.59	75.94	100	100
<b>Burkina Faso</b>							
	SOCIETE GENERALE BURKINA FASO	Bank	FULL	51.27	51.27	52.61	52.61
<b>Cayman Islands</b>							
	AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100	100
<b>Cameroon</b>							
	SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08
<b>Canada</b>							
(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
<b>Chile</b>							
	ALD AUTOMOTIVE LIMITADA	Specialist Financing	FULL	52.59	75.94	100	100
<b>China</b>							
	SOCIETE GENERALE (CHINA) LIMITED	Bank	FULL	100	100	100	100
	SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	FULL	100	100	100	100
<b>Colombia</b>							
	ALD AUTOMOTIVE SAS	Specialist Financing	FULL	52.59	75.94	100	100
<b>Congo</b>							
(4)	SOCIETE GENERALE CONGO	Bank	FULL	0	93.47	0	93.47
<b>South Korea</b>							
	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	
<b>Côte d'Ivoire</b>							
(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
<b>Croatia</b>							
	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
<b>Denmark</b>							
	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
<b>United Arab Emirates</b>							
(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
<b>Spain</b>							
	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)	PAYXPART 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
<b>Estonia</b>							
	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	
<b>United States of America</b>							
	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
<b>Finland</b>							
	AXUS FINLAND OY	Specialist Financing	FULL	52.59	75.94	100	100
	NF FLEET OY	Specialist Financing	FULL	42.07	60.75	80	80
<b>France</b>							
	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
		ECHIQUEUR 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
			SOGEACT.SELEC.MON.	Financial Company	FULL	99.78	99.78	99.78	99.78
			SOGEAX	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	
<b>France</b>	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
<b>Ghana</b>							
	SOCIETE GENERALE GHANA PLC (ex-SOCIETE GENERAL GHANA PLC)	Bank	FULL	60.22	60.22	60.22	60.22
<b>Gibraltar</b>							
	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
<b>Greece</b>							
	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
<b>Guinea</b>							
	SOCIETE GENERALE GUINEE	Bank	FULL	57.93	57.93	57.93	57.93
<b>Equatorial Guinea</b>							
	SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE	Bank	FULL	52.44	52.44	57.23	57.23
<b>Hong Kong</b>							
	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
<b>Hungary</b>							
	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
<b>Jersey Island</b>							
	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	
<b>Isle of Man</b>							
	KBBIOM LIMITED	Bank	FULL	100	100	100	100
(2)	KBTIOM LIMITED	Bank	FULL	0	100	0	100
<b>Guernsey Island</b>							
	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
<b>India</b>							
	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
<b>Ireland</b>							
	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	
<b>Italy</b>							
	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
<b>Japan</b>							
(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
<b>Latvia</b>							
	ALD AUTOMOTIVE SIA	Specialist Financing	FULL	39.44	56.96	75	75
<b>Lithuania</b>							
	UAB ALD AUTOMOTIVE	Specialist Financing	FULL	39.44	56.96	75	75
<b>Luxembourg</b>							
	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	
<b>Luxembourg</b>	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	
<b>Madagascar</b>							
	BFV – SOCIETE GENERALE	Bank	FULL	70	70	70	70
<b>Malaysia</b>							
	ALD MHC MOBILITY SERVICES MALAYSIA SDN BHD	Specialist Financing	FULL	31.55	45.56	60	60
<b>Morocco</b>							
	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
<b>Mauritius</b>							
	SG SECURITIES BROKING (M) LIMITED	Broker	FULL	100	100	100	100
<b>Mauritania</b>							
	SOCIETE GENERALE MAURITANIE	Bank	FULL	100	95.5	100	95.5
<b>Mexico</b>							
	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
<b>Monaco</b>							
(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	
<b>Norway</b>							
(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
<b>New Caledonia</b>							
	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
<b>Netherlands</b>							
(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	
<b>Netherlands</b>	(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
<b>Peru</b>	ALD AUTOMOTIVE PERU SAC.	Specialist Financing	FULL	52.59	75.94	100	100
<b>Poland</b>	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
<b>French Polynesia</b>	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
<b>Portugal</b>	(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	
<b>Czech Republic</b>							
	ALD AUTOMOTIVE S.R.O.	Specialist Financing	FULL	52.59	75.94	100	100
	ESSOX SRO	Specialist Financing	FULL	80	80	100	100
	FACTORING KB	Financial Company	FULL	60.73	60.73	100	100
	KB PENZIJNI SPOLECNOST, A.S.	Financial Company	FULL	60.73	60.73	100	100
	KB REAL ESTATE	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
	KB SMARTSOLUTIONS, S.R.O.	Bank	FULL	60.73	60.73	100	100
	KOMERCNI BANKA A.S.	Bank	FULL	60.73	60.73	60.73	60.73
	KOMERCNI POJISTOVNA A.S	Insurance	FULL	80.76	80.76	100	100
	MODRA PYRAMIDA STAVEBNI SPORITELNA AS	Financial Company	FULL	60.73	60.73	100	100
	PROTOS	Financial Company	FULL	60.73	60.73	100	100
	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Specialist Financing	FULL	80.33	80.33	100	100
	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
<b>Romania</b>							
(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	
<b>United Kingdom</b>							
	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	
<b>United Kingdom</b>	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
<b>Russian Federation</b>							
(4)	ALD AUTOMOTIVE OOO	Specialist Financing	ESI	0	75.94	0	100
(6)	LEASEPLAN RUS LLC	Specialist Financing	FULL	52.59	0	100	0
<b>Senegal</b>							
	SOCIETE GENERALE SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
<b>Serbia</b>							
	ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	FULL	52.59	75.94	100	100
<b>Singapore</b>							
	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	
<b>Slovakia</b>							
	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
<b>Slovenia</b>							
	ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	52.59	75.94	100	100
<b>Sweden</b>							
	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
<b>Switzerland</b>							
	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
<b>Taiwan</b>							
(1)	SG SECURITIES (HONG KONG) LIMITED TAIPEI BRANCH	Broker	FULL	100	100	100	100
(1)	SG TAIPEI	Bank	FULL	100	100	100	100
<b>Chad</b>							
	SOCIETE GENERALE TCHAD	Bank	FULL	56.91	56.91	67.92	67.92
<b>Thailand</b>							
	SOCIETE GENERALE (THAILAND) LIMITED (ex-SOCIETE GENERALE SECURITIES (THAILAND) LTD.)	Broker	FULL	100	100	100	100
<b>Togo</b>							
(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	
<b>Tunisia</b>							
	UNION INTERNATIONALE DE BANQUES	Bank	FULL	55.1	55.1	52.34	52.34
<b>Turkey</b>							
	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
<b>Ukraine</b>							
	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
<b>SUB-TOTAL AUDIT</b>		<b>20</b>	<b>19</b>	<b>20</b>	<b>20</b>	<b>40</b>	<b>39</b>
Non-audit services (SACC)	Issuer	1	1	1	1	2	2
	Fully consolidated subsidiaries	1	2	3	2	4	4
<b>TOTAL</b>		<b>22</b>	<b>22</b>	<b>24</b>	<b>23</b>	<b>46</b>	<b>45</b>

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**

<b>Note 10 of published financial statements</b>	<b>Chapter 4 of URD (the audited parts of Note 10 are indicated as "Audited" in Chapter 4)</b>	<b>Page numbers – Chapter 4</b>
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
<b>TOTAL ASSETS</b>	<b>1,389</b>	<b>1,330</b>	<b>59</b>

(In EURbn at 31 December)	31.12.2023	31.12.2022	Change
Interbank and cash liabilities <sup>(1)</sup>	372	363	9
Customer deposits	470	434	37
Bonds and subordinated debt <sup>(2)</sup>	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
<b>TOTAL LIABILITIES</b>	<b>1,389</b>	<b>1,330</b>	<b>59</b>

(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
<b>Net banking income</b>	<b>9,523</b>	<b>2,869</b>	<b>12,392</b>	<b>9,678</b>	<b>3,068</b>	<b>12,746</b>	<b>(2)</b>	<b>(6)</b>	<b>(3)</b>
Total operating expenses	(9,583)	(1,844)	(11,427)	(8,584)	(1,826)	(10,410)	12	1	10
<b>Gross operating income</b>	<b>(60)</b>	<b>1,025</b>	<b>965</b>	<b>1,094</b>	<b>1,242</b>	<b>2,336</b>	<b>(105)</b>	<b>(17)</b>	<b>(59)</b>
Cost of risk	(333)	(148)	(481)	(424)	(175)	(599)	(21)	(15)	(20)
<b>Operating income</b>	<b>(393)</b>	<b>877</b>	<b>484</b>	<b>670</b>	<b>1,067</b>	<b>1,737</b>	<b>(159)</b>	<b>(18)</b>	<b>(72)</b>
Income/(loss) on long-term investments	2,862	51	2,913	(1,828)	(251)	(2,079)	n/s	n/s	n/s
<b>Operating income before tax</b>	<b>2,469</b>	<b>928</b>	<b>3,397</b>	<b>(1,158)</b>	<b>816</b>	<b>(342)</b>	<b>n/s</b>	<b>14</b>	<b>n/s</b>
Income tax	372	(419)	(47)	390	(308)	82	(5)	36	(157)
<b>Net income attributable to ordinary shareholders</b>	<b>2,841</b>	<b>509</b>	<b>3,350</b>	<b>(768)</b>	<b>508</b>	<b>(260)</b>	<b>n/s</b>	<b>0</b>	<b>n/s</b>

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	
<b>(A) PAYMENT DELAY TRANCHES</b>						
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>(B) INVOICES EXCLUDED FROM (A) PERTAINING TO DISPUTED PAYABLES AND RECEIVABLES, NOT RECORDED</b>						
Number of invoices excluded	-	-	-	-	-	-
Total amount (excl. tax) of invoices excluded	-	-	-	-	-	-
<b>(C) REFERENCE PAYMENT TERMS USED WHEN CALCULATING DELAYS (ARTICLE L. 441-6 OR L. 443-1 OF THE FRENCH COMMERCIAL CODE)</b>						
<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	
<b>(A) PAYMENT DELAY TRANCHES</b>						
Number of invoices concerned	-	174	147	133	2,275	2729
Total amount (incl. tax) of invoices concerned (in EURm) <sup>(1)</sup>	-	22	10	-32	232	232
Percentage of total purchases (excl. tax) for the year	-	-	-	-	-	-
<b>(B) INVOICES EXCLUDED FROM (A) PERTAINING TO DISPUTED PAYABLES AND RECEIVABLES, NOT RECORDED</b>						
Number of invoices excluded	-	-	-	-	-	-
Total amount (excl. tax) of invoices excluded	-	-	-	-	-	-
<b>(C) REFERENCE PAYMENT TERMS USED WHEN CALCULATING DELAYS (ARTICLE L. 441-6 OR L. 443-1 OF THE FRENCH COMMERCIAL CODE)</b>						
<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
<b>Financial position at year end</b>					
Share capital (in EURm) <sup>(1)</sup>	1,004	1,062	1,067	1,067	1,067
Number of shares outstanding <sup>(1)</sup>	802,979,942	849,883,778	853,371,494	853,371,494	853,371,494
<b>Total income from operations (in EURm)</b>					
Revenue excluding tax <sup>(2)</sup>	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 <sup>(3)</sup>	1,870	1,877	1,877	0	1,777
<b>Adjusted earnings per share (in EUR)</b>					
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
<b>Employees</b>					
Headcount <sup>(4)</sup>	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
<b>Creation</b>	<b>Creation</b>
-	-
<b>Acquisition of interest</b>	<b>Acquisition of interest</b>
-	Antarius – Etoile Capital – Star Lease
<b>Vesting</b>	<b>Vesting</b>
-	-
<b>Increase of interest</b>	<b>Increase of interest</b>
-	Crédit Logement – SICOVAM Holding
<b>Subscription to capital increases</b>	<b>Subscription to capital increases</b>
SG Capital Canada Inc.	Sogéfinancement
<b>Full disposal</b>	<b>Full disposal</b>
SG Congo	-
<b>Reduction of interest<sup>(1)</sup></b>	<b>Reduction of interest<sup>(1)</sup></b>
-	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>		<b>31.12.2023</b>	<b>31.12.2022</b>
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
<b>TOTAL</b>		<b>1,389,387</b>	<b>1,329,960</b>

#### OFF-BALANCE SHEET ITEMS

<i>(In EURm)</i>		<b>31.12.2023</b>	<b>31.12.2022</b>
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>		<b>31.12.2023</b>	<b>31.12.2022</b>
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
<b>Shareholders' equity</b>			
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)
<b>SUB-TOTAL</b>		<b>36,945</b>	<b>36,092</b>
<b>TOTAL</b>		<b>1,389,387</b>	<b>1,329,960</b>



## 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 <sup>(2)</sup>	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)
<b>Net banking income</b>	<b>Note 7.1</b>	<b>12,392</b>	<b>12,746</b>
Personnel expenses	Note 4.1	(6,019)	(5,360)
Other operating expenses <sup>(1)</sup>		(4,775)	(4,548)
Impairment, amortisation and depreciation		(633)	(502)
<b>Gross operating income</b>		<b>965</b>	<b>2,336</b>
Cost of risk	Note 2.6	(481)	(599)
<b>Operating income</b>		<b>484</b>	<b>1,737</b>
Net income from long-term investments	Notes 2.1	2,913	(2,079)
<b>Operating income before tax</b>		<b>3,397</b>	<b>(342)</b>
Income tax	Note 5	(47)	82
<b>Net Income</b>		<b>3,350</b>	<b>(260)</b>
<b>Earnings per ordinary share</b>	<b>Note 6.3</b>	<b>4.19</b>	<b>(0.32)</b>
<b>Diluted earnings per ordinary share</b>		<b>4.19</b>	<b>(0.32)</b>

(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 *pro rata 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>		<b>31.12.2023</b>	<b>01.01.2023</b>	<b>Effects of the merger</b>	<b>31.12.2022</b>
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
<b>TOTAL</b>		<b>1,389,387</b>	<b>1,381,719</b>	<b>51,759</b>	<b>1,329,960</b>

### TOTAL LIABILITIES

<i>(In EURm)</i>		<b>31.12.2023</b>	<b>01.01.2023</b>	<b>Effects of the merger</b>	<b>31.12.2022</b>
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
<b>Shareholders' equity</b>					
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)
<b>SUB-TOTAL</b>		<b>36,945</b>	<b>38,943</b>	<b>2,851</b>	<b>36,092</b>
<b>TOTAL</b>		<b>1,389,387</b>	<b>1,381,719</b>	<b>51,759</b>	<b>1,329,960</b>

## 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>	<b>31.12.2023</b>	<b>31.12.2022 Societe Generale and Crédit du Nord (combined accounts)</b>	<b>31.12.2022 Published</b>
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)
<b>Net income</b>	<b>3,350</b>	<b>162</b>	<b>(260)</b>

## 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

	31.12.2023				31.12.2022			
	Treasury notes and similar securities	Shares and other equity securities	Bonds and other debt securities <sup>(1)</sup>	Total	Treasury notes and similar securities	Shares and other equity securities	Bonds and other debt securities <sup>(2)</sup>	Total
<i>(In EURm)</i>								
<b>Trading securities</b>	<b>55,019</b>	<b>70,944</b>	<b>48,771</b>	<b>174,734</b>	<b>32,051</b>	<b>74,610</b>	<b>42,851</b>	<b>149,512</b>
<b>Short-term investment securities</b>	<b>18,487</b>	<b>186</b>	<b>16,748</b>	<b>35,421</b>	<b>19,747</b>	<b>197</b>	<b>13,119</b>	<b>33,063</b>
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)
<b>Long-term investment securities</b>	<b>63</b>	<b>-</b>	<b>52,381</b>	<b>52,444</b>	<b>53</b>	<b>-</b>	<b>53,475</b>	<b>53,528</b>
Gross book value	63	-	52,381	52,444	53	-	53,475	53,528
Impairment	-	-	-	-	-	-	-	-
<b>Related receivables</b>	<b>98</b>	<b>21</b>	<b>268</b>	<b>387</b>	<b>95</b>	<b>26</b>	<b>162</b>	<b>283</b>
<b>TOTAL</b>	<b>73,667</b>	<b>71,151</b>	<b>118,168</b>	<b>262,986</b>	<b>51,946</b>	<b>74,833</b>	<b>109,607</b>	<b>236,386</b>

(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 <sup>(1)</sup>	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 <sup>(2)</sup>	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
<b>Affiliates and other long-term securities before impairment</b>	<b>1,067</b>	<b>917</b>
Impairment	(119)	(105)
<b>TOTAL</b>	<b>948</b>	<b>812</b>

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

(In EURm)	31.12.2023	31.12.2022
<b>Banks</b>	<b>8,805</b>	<b>8,843</b>
Listed	1,821	1,862
Unlisted	6,984	6,981
<b>Others</b>	<b>16,977</b>	<b>16,487</b>
Listed	1,948	1,948
Unlisted	15,029	14,539
<b>Investments in related parties before impairment</b>	<b>25,782</b>	<b>25,330</b>
Impairment	(3,050)	(3,142)
<b>TOTAL</b>	<b>22,732</b>	<b>22,188</b>

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 <sup>(2)</sup>	Market value	Quantity	Book value <sup>(2)</sup>	Market value
Trading securities <sup>(1)</sup>	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 <sup>(3)</sup>	-	-	-	41,674,813	914	979
<b>TOTAL</b>	<b>10,056,651</b>	<b>273</b>	<b>242</b>	<b>49,018,908</b>	<b>1,130</b>	<b>1,151</b>

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
<b>TOTAL</b>	<b>3,557</b>	<b>2,816</b>

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
<b>Net income from the trading portfolio:</b>	<b>3,137</b>	<b>6,176</b>
Net income from operations on trading securities <sup>(1)</sup>	11,119	(11,130)
Net income from forward financial instruments <sup>(2)</sup>	(8,696)	18,538
Net income from foreign exchange transactions	714	(1,232)
<b>Net income from short-term investment securities:</b>	<b>(166)</b>	<b>(190)</b>
Gains on sale	135	500
Losses on sale	(407)	(427)
Allocation of impairment	(164)	(531)
Reversal of impairment	270	268
<b>TOTAL</b>	<b>2,971</b>	<b>5,986</b>

(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>	<b>2023</b>	<b>2022</b>
<b>Long-term investment securities:</b>	<b>3</b>	<b>-</b>
Net capital gains (or losses) on sale	3	-
Net allocation to impairment	-	-
<b>Investments in subsidiaries and affiliates:</b>	<b>2,908</b>	<b>(2,093)</b>
Gains on sale <sup>(1)</sup>	2,879	59
Losses on sale <sup>(1)</sup>	(64)	(2,686)
Allocation to impairment <sup>(2)</sup>	(38)	(356)
Reversal of impairment <sup>(2)</sup>	131	890
Subsidies granted to affiliates (subsidiaries)	-	-
Net income from long term investment (see Note 7.2)	2	14
<b>TOTAL</b>	<b>2,913</b>	<b>(2,079)</b>

(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
<b>Firm transactions</b>	<b>12,805,395</b>	<b>19,158</b>	<b>12,824,553</b>	<b>12,161,938</b>
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
<b>Optional transactions</b>	<b>3,868,559</b>	<b>706</b>	<b>3,869,265</b>	<b>3,687,488</b>
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
<b>TOTAL</b>	<b>16,673,954</b>	<b>19,864</b>	<b>16,693,818</b>	<b>15,849,426</b>

## NOTE 2.2.2 FAIR-VALUE OF THE TRANSACTIONS QUALIFIED AS HEDGING

(In EURm)	31.12.2023	31.12.2022
<b>Firm transactions</b>	<b>(3,719)</b>	<b>(5,079)</b>
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	-	-
<b>Optional transactions</b>	<b>-</b>	<b>-</b>
<b>TOTAL<sup>(1)</sup></b>	<b>(3,719)</b>	<b>(5,079)</b>

(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
<b>Firm transactions</b>	<b>2,362,011</b>	<b>3,084,504</b>	<b>3,712,338</b>	<b>3,665,700</b>	<b>12,824,553</b>
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
<b>Optional transactions</b>	<b>886,270</b>	<b>984,481</b>	<b>1,266,950</b>	<b>731,564</b>	<b>3,869,265</b>
<b>TOTAL</b>	<b>3,248,281</b>	<b>4,068,985</b>	<b>4,979,288</b>	<b>4,397,264</b>	<b>16,693,818</b>

## 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>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>Demand deposits and loans</b>	<b>5,259</b>	<b>5,448</b>
Current accounts	4,652	4,571
Overnight deposits and loans	607	877
Loans secured by notes-overnight	-	-
<b>Term accounts and loans</b>	<b>214,360</b>	<b>211,336</b>
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
<b>Due from banks before impairment</b>	<b>219,619</b>	<b>216,784</b>
Impairment	(18)	(34)
<b>TOTAL <sup>(1)(2)</sup></b>	<b>219,601</b>	<b>216,750</b>

(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>	<b>31.12.2023</b>	<b>01.01.2023</b>	<b>Effect of the merger</b>	<b>31.12.2022</b>
Overdrafts	26,634	48,507	1,733	46,774
Discount of trade notes	1,469	1,659	227	1,432
Other loans <sup>(1)(2)(3)</sup>	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
<b>Customer loans before impairment</b>	<b>525,725</b>	<b>550,429</b>	<b>52,775</b>	<b>497,654</b>
Impairment	(2,556)	(2,628)	(616)	(2,012)
<b>TOTAL <sup>(4)(5)</sup></b>	<b>523,169</b>	<b>547,801</b>	<b>52,159</b>	<b>495,642</b>

(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>	<b>31.12.2023</b>	<b>01.01.2023</b>	<b>Effects of the merger</b>	<b>31.12.2022</b>
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
<b>TOTAL</b>	<b>346,106</b>	<b>366,205</b>	<b>50,670</b>	<b>315,535</b>

### NOTE 2.3.3 COMMITMENTS GRANTED

<i>(In EURm)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>Loan commitments</b>	<b>326,102</b>	<b>306,565</b>
To banks	99,370	84,295
To customers	226,732	222,270
<b>Guarantee commitments</b>	<b>223,514</b>	<b>233,347</b>
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>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>Demand deposits</b>	<b>26,541</b>	<b>24,327</b>
Demand deposits and current accounts	26,541	24,327
Borrowings secured by notes - overnight	-	-
<b>Term deposits</b>	<b>192,989</b>	<b>212,249</b>
Term deposits and borrowings	192,989	212,249
Borrowings secured by notes and securities	-	-
<b>Related payables</b>	<b>2,285</b>	<b>732</b>
Securities sold under repurchase agreements	113,860	103,440
<b>TOTAL</b>	<b>335,675</b>	<b>340,748</b>

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>	<b>31.12.2023</b>	<b>01.01.2023</b>	<b>Effects of the merger</b>	<b>31.12.2022</b>
<b>Regulated savings accounts</b>	<b>62,958</b>	<b>67,040</b>	<b>12,003</b>	<b>55,037</b>
Demand	46,166	47,900	9,293	38,607
Term	16,792	19,140	2,710	16,430
<b>Other demand customer deposits</b>	<b>187,650</b>	<b>216,802</b>	<b>35,267</b>	<b>181,535</b>
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
<b>Other term customer deposits</b>	<b>218,204</b>	<b>201,894</b>	<b>5,364</b>	<b>196,530</b>
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
<b>Related payables</b>	<b>2,057</b>	<b>1,130</b>	<b>11</b>	<b>1,119</b>
<b>Securities sold to customers under repurchase agreements</b>	<b>132,391</b>	<b>116,015</b>	<b>-</b>	<b>116,015</b>
<b>TOTAL</b>	<b>603,260</b>	<b>602,881</b>	<b>52,645</b>	<b>550,236</b>

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>	<b>31.12.2023</b>	<b>31.12.2022</b>
Loan notes	-	-
Bond borrowings	-	-
Interbank market certificates and negotiable debt instruments	141,030	119,023
Related payables	1,278	590
<b>TOTAL</b>	<b>142,308</b>	<b>119,613</b>

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>	<b>31.12.2023</b>	<b>31.12.2022</b>
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>	<b>2023</b>			<b>2022</b>		
	<b>Income</b>	<b>Expense</b>	<b>Net</b>	<b>Income</b>	<b>Expense</b>	<b>Net</b>
<b>Transactions with banks</b>	<b>14,885</b>	<b>(12,790)</b>	<b>2,095</b>	<b>3,136</b>	<b>(3,143)</b>	<b>(7)</b>
Transactions with central banks, post office accounts and banks <sup>(1)</sup>	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)
<b>Transactions with customers</b>	<b>20,929</b>	<b>(17,647)</b>	<b>3,282</b>	<b>10,429</b>	<b>(7,127)</b>	<b>3,302</b>
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)
<b>Bonds and other debt securities</b>	<b>5,453</b>	<b>(7,416)</b>	<b>(1,963)</b>	<b>2,401</b>	<b>(3,576)</b>	<b>(1,175)</b>
<b>Other interest expenses and related income</b>	<b>2,466</b>	<b>(3,640)</b>	<b>(1,174)</b>	<b>2,407</b>	<b>(3,318)</b>	<b>(911)</b>
<b>TOTAL</b>	<b>43,733</b>	<b>(41,493)</b>	<b>2,240</b>	<b>18,373</b>	<b>(17,164)</b>	<b>1,209</b>

(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>	<b>2023</b>	<b>2022</b>
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
<b>TOTAL</b>	<b>13,984</b>	<b>8,428</b>

## 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>	<b>Amount as at 31.12.2022</b>	<b>Effects of the merger</b>	<b>Allocations</b>	<b>Reversals</b>	<b>Change in scope and reclassifying</b>	<b>Amount as at 31.12.2023</b>
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 <sup>(1)</sup>	1,222	43	240	(530)	(8)	967
<b>TOTAL</b>	<b>10,205</b>	<b>514</b>	<b>3,384</b>	<b>(4,038)</b>	<b>(342)</b>	<b>9,723</b>

<sup>(1)</sup> 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
<b>TOTAL<sup>(1)</sup></b>	<b>2,130</b>	<b>616</b>	<b>460</b>	<b>-</b>	<b>(449)</b>	<b>(88)</b>	<b>2,669</b>

(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:

- 1<sup>st</sup> 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;
- 2<sup>nd</sup> criterion: changes in the default probability contract by contract, from origination date to closing date;
- 3<sup>rd</sup> 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
<b>TOTAL</b>	<b>1,864</b>	<b>(141)</b>	<b>295</b>	<b>2,018</b>

### 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)
<b>TOTAL</b>	<b>(481)</b>	<b>(599)</b>
<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 10<sup>th</sup> 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>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>Mortgage savings plans (PEL)</b>	<b>14,726</b>	<b>14,687</b>
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
<b>Mortgage savings accounts (CEL)</b>	<b>1,542</b>	<b>1,248</b>
<b>TOTAL</b>	<b>16,268</b>	<b>15,935</b>

**OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)**

<i>(In EURm)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>
Less than 4 years old	3	-
Between 4 and 10 years old	-	1
More than 10 years old	3	4
<b>TOTAL</b>	<b>6</b>	<b>5</b>

**PROVISIONS FOR COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)**

<i>(In EURm)</i>	<b>31.12.2022</b>	<b>Allocations</b>	<b>Reversals</b>	<b>31.12.2023</b>
<b>Mortgage savings plans (PEL)</b>	<b>73</b>	<b>8</b>	<b>(45)</b>	<b>36</b>
less than 4 years old	1	-	-	1
between 4 and 10 years old	2	8	-	10
more than 10 years old	70	-	(45)	25
<b>Mortgage savings accounts (CEL)</b>	<b>35</b>	<b>-</b>	<b>41</b>	<b>76</b>
<b>TOTAL</b>	<b>108</b>	<b>8</b>	<b>(4)</b>	<b>112</b>

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
<b>TOTAL</b>	<b>3,676</b>	<b>3,854</b>

**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)
<b>TOTAL</b>	<b>6,645</b>	<b>(2,693)</b>	<b>3,952</b>	<b>5,320</b>	<b>(2,388)</b>	<b>2,932</b>

### 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
<b>Other assets</b>	<b>110,357</b>	<b>130,051</b>
Guarantee deposits paid <sup>(1)</sup>	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
<b>Accruals and similar</b>	<b>48,485</b>	<b>58,764</b>
Prepaid expenses	515	523
Deferred taxes	3,081	2,969
Accrued income	3,064	1,828
Others <sup>(2)</sup>	41,825	53,444
<b>Accruals, other accounts receivables and other assets before impairment</b>	<b>158,842</b>	<b>188,815</b>
Impairment	(95)	(84)
<b>TOTAL</b>	<b>158,747</b>	<b>188,731</b>

(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>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>Securities transactions</b>	<b>83,533</b>	<b>75,213</b>
Amounts payable for borrowed securities	15,202	25,792
Other amounts due for securities	68,331	49,421
<b>Other liabilities</b>	<b>106,412</b>	<b>125,733</b>
Guarantee deposits received <sup>(1)</sup>	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
<b>Accruals and similar</b>	<b>36,668</b>	<b>35,579</b>
Accrued expenses	5,310	4,118
Deferred taxes	26	18
Deferred income	2,395	2,104
Other <sup>(2)</sup>	28,937	29,339
<b>TOTAL</b>	<b>226,613</b>	<b>236,525</b>

(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>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>GROSS BOOK VALUE OF AMOUNTS PAYABLE FOR BORROWED SECURITIES</b>	<b>188,790</b>	<b>200,349</b>
<b>Borrowed securities from trading securities deducted from related payables<sup>(1)</sup></b>	<b>173,588</b>	<b>174,557</b>
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
<b>NET TOTAL</b>	<b>15,202</b>	<b>25,792</b>

(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
<b>TOTAL</b>	<b>6,019</b>	<b>5,360</b>
<b>Average staff</b>	<b>49,592</b>	<b>42,450</b>
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
<b>Societe Generale</b>	<b>225</b>	<b>220</b>	<b>219</b>	<b>71</b>	<b>168</b>
Profit sharing	4	12	15	6	11
Incentives	146	144	163	22	99
Employer contribution	75	64	41	43	58
<b>Branches</b>	<b>2</b>	<b>2</b>	-	-	-
<b>TOTAL</b>	<b>227</b>	<b>222</b>	<b>219</b>	<b>71</b>	<b>168</b>

#### 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>	<b>Amount 31.12.2022</b>	<b>Effects of the merger</b>	<b>Net allowances</b>	<b>Used Reversals</b>	<b>Change at scope</b>	<b>Amount at 31 December 2023</b>
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
<b>TOTAL</b>	<b>1,717</b>	<b>126</b>	<b>257</b>	<b>(179)</b>	<b>18</b>	<b>1,939</b>

**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>	<b>31.12.2023</b>	<b>31.12.2022</b>
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	-	-
<b>A - B - C + D - E = Net balance</b>	<b>(204)</b>	<b>(91)</b>
On the liabilities side of the balance sheet	907	841
On the asset side of the balance sheet <sup>(1)</sup>	(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>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>Discount rate</b>		
France	3.15%	3.61%
United Kingdom	4.52%	4.80%
Other	3.85%	4.31%
<b>Long-term inflation</b>		
France	2.20%	2.45%
United Kingdom	3.10%	3.30%
Other	2.02%	2.07%
<b>Future salary increase net of inflation</b>		
France	1.93%	1.60%
United Kingdom	N/A	N/A
Other	1.15%	0.60%
<b>Average remaining working lifetime of employees <i>(in years)</i></b>		
France	7.26	7.09
United Kingdom	2.36	2.93
Other	7.51	7.90
<b>Duration <i>(in years)</i></b>		
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>	<b>2023</b>	<b>2022</b>
Current taxes	(60)	224
Deferred taxes	13	(142)
<b>TOTAL</b>	<b>(47)</b>	<b>82</b>

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
<b>PROVISIONS FOR TAX ADJUSTMENTS</b>	<b>12</b>	-	<b>(1)</b>	-	<b>11</b>

**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
<b>TOTAL</b>	<b>3,080</b>	<b>2,969</b>

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 <sup>(1)</sup>	8 years
o.w. US tax group	88	20 years <sup>(2)</sup>	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		
<b>As at 31 December 2021</b>	<b>1,067</b>	<b>21,556</b>	<b>107</b>	<b>2,097</b>	<b>1,435</b>	<b>9,699</b>	<b>1,995</b>	<b>37,956</b>
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	-	-	-	-	-	-	-	-
<b>As at 31 December 2022</b>	<b>1,062</b>	<b>21,330</b>	<b>105</b>	<b>2,097</b>	<b>1,435</b>	<b>10,323</b>	<b>(260)</b>	<b>36,092</b>
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)
<b>As at 31 December 2023</b>	<b>1,004</b>	<b>20,260</b>	<b>99</b>	<b>2,098</b>	<b>1,435</b>	<b>8,699</b>	<b>3,350</b>	<b>36,35045</b>

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>	<b>2023</b>
Net income	3,350
Unappropriated retained earnings	8,699
<b>TOTAL INCOME TO BE APPROPRIATED</b>	<b>12,049</b>
Dividend	723
Retained earnings	11,326
<b>TOTAL APPROPRIATED INCOME</b>	<b>12,049</b>

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>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>Net income attributable to ordinary shareholders</b>	<b>3,350</b>	<b>(260)</b>
Weighted average number of ordinary shares outstanding	799,315,070	822,437,425
<b>Earnings per ordinary share (in EUR)</b>	<b>4.19</b>	<b>(0.32)</b>
Average number of ordinary shares used in the dilution calculation <sup>(1)</sup>	-	-
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)

<sup>(1)</sup> 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>					
<b>Issuance date</b>	<b>Currency</b>	<b>Amount issued</b>	<b>Maturity date</b>	<b>31.12.2023</b>	<b>31.12.2022</b>
<b>Undated deeply subordinated capital notes</b>					
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	-
<b>SUB-TOTAL</b>				<b>9,095</b>	<b>10,017</b>
<b>Subordinated long-term debts and notes</b>					
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
<b>SUB-TOTAL<sup>(1)</sup></b>				<b>15,834</b>	<b>17,928</b>
<b>Related payables</b>				<b>361</b>	<b>366</b>
<b>TOTAL<sup>(1)(2)</sup></b>				<b>25,290</b>	<b>28,311</b>

(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<sup>(1)</sup>

(In EURm)	France		Europe		Americas	
	2023	2022	2023	2022	2023	2022
Net interest and similar income <sup>(2)</sup>	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
<b>NET BANKING INCOME</b>	<b>9,523</b>	<b>9,678</b>	<b>1,781</b>	<b>1,978</b>	<b>487</b>	<b>573</b>

(In EURm)	Asia/Oceania		Total	
	2023	2022	2023	2022
Net interest and similar income <sup>(2)</sup>	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)
<b>NET BANKING INCOME</b>	<b>601</b>	<b>517</b>	<b>12,392</b>	<b>12,746</b>

(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
<b>Intangible assets</b>							
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)
<b>Tangible operating assets</b>							
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)
<b>Tangible non-operating assets</b>							
Gross book value	9	13	22	-	(1)	(4)	17
Impairment and depreciation	(7)	(9)	(16)	-	-	3	(13)
<b>TOTAL</b>	<b>2,980</b>	<b>674</b>	<b>3,654</b>	<b>(68)</b>	<b>(18)</b>	<b>(6)</b>	<b>3,562</b>

### 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
<b>Operating fixed assets:</b>		
Gains on sale	4	17
Losses on sale	(2)	(3)
<b>TOTAL</b>	<b>2</b>	<b>14</b>

**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
<b>Assets</b>	<b>432,730</b>	<b>176,364</b>	<b>299,929</b>	<b>167,448</b>	<b>(215,533)</b>	<b>860,938</b>
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
<b>Liabilities</b>	<b>734,697</b>	<b>190,950</b>	<b>248,012</b>	<b>123,116</b>	<b>(215,532)</b>	<b>1,081,243</b>
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
<b>TOTAL</b>	<b>1,389,387</b>	<b>1,389,387</b>	<b>2,065,305</b>	<b>2,076,127</b>	<b>1,329,960</b>	<b>1,329,960</b>	<b>1,874,482</b>	<b>1,878,586</b>

**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) <sup>(1)</sup>	Shareholders' equity other than capital (local currency) <sup>(1)</sup>	Share of capital held (in %)
<b>I - INFORMATION ON INVESTMENTS WITH A BOOK VALUE IN EXCESS OF 1% OF SOCIETE GENERALE'S SHARE CAPITAL</b>					
<b>A) Subsidiaries (more than 50 % owned by Societe Generale)</b>					
<b>SG AMERICAS SECURITIES HOLDINGS, LLC</b>	<b>Brokerage</b>				
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
<b>SG FINANCIAL SERVICES HOLDING</b>	<b>Portfolio management</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	1,641,835	214,175	100.00
<b>SOCIETE GENERALE INTERNATIONAL LIMITED</b>	<b>Brokerage and clearing</b>				
One Bank Street – Canary Wharf – London E14 4SG – United Kingdom	Global Banking and Investor Solutions	GBP	1,150,000	178,306	100.00
<b>GENEFINANCE</b>	<b>Portfolio management</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	1,000,000	237,567	100.00
<b>SG KLEINWORT HAMBROS LIMITED</b>	<b>Asset management</b>				
One Bank Street - Canary Wharf - London E14 4SG - United Kingdom	Global Banking and Investor Solutions	GBP	466,651	(74,961)	100.00
<b>SOCIETE GENERALE REAL ESTATE</b>	<b>Real estate and real estate financing</b>				
29, boulevard Haussmann – 75009 Paris – France	French Retail Banking	EUR	327,112	32,745	100.00
<b>SOCIETE GENERALE SECURITIES JAPAN LIMITED</b>	<b>Brokerage</b>				
1-1, Marunouchi 1-chome, Chiyoda-ku – Tokyo – Japan	Global Banking and Investor Solutions	JPY	35,765,000	40,276,000	100.00
<b>SOGEMARCHE</b>	<b>Real estate</b>				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	440,000	192	100.00
<b>SOCIETE GENERALE SECURITIES SERVICES SPA</b>	<b>Credit institution</b>				
Via Benigno Crespi, 19 A (MAC2) – 20159 Milan – Italy	Global Banking and Investor Solutions	EUR	111,309	257,406	100.00
<b>FIDITALIA SPA</b>	<b>Consumer finance</b>				
Via Guglielmo Silva n°34 – 20149 Milan – Italy	International Retail Banking and Financial Services	EUR	130,000	289,919	100.00
<b>SALINGER S.A.</b>	<b>Portfolio management</b>				
2, rue Hildegard von Bingen – Luxembourg – Luxembourg	Global Banking and Investor Solutions	EUR	100	313,552	100.00
<b>BANCO SOCIETE GENERALE BRASIL S/A</b>	<b>Investment banking</b>				
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
<b>SOCIETE GENERALE (CHINA) LIMITED</b>	<b>International retail banking</b>				
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

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(In EURk or local currency)

Company/Head Office or Establishment	Activity/Division		Registered capital (local currency) <sup>(1)</sup>	Shareholders' equity other than capital (local currency) <sup>(1)</sup>	Share of capital held (in %)
<b>SOGECAMPUS</b>	<b>Real estate</b>				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	241,284	45,199	100.00
<b>SOCIETE GENERALE CAPITAL CANADA INC.</b>	<b>Brokerage</b>				
1501 Avenue McGill College – Suite 1800 H3A 3M8 – Montreal -Canada	Global Banking and Investor Solutions	CAD	345,042	94,172	100.00
<b>GENEGIS I</b>	<b>Office space</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	192,900	14,309	100.00
<b>SOCIETE GENERALE ALGERIE</b>	<b>International retail banking</b>				
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
<b>COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)</b>	<b>Office space</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	76,627	3,228	100.00
<b>SG SECURITIES KOREA CO, LTD</b>	<b>Business consulting</b>				
24 <sup>th</sup> 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
<b>SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN</b>	<b>Office space</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	120,030	216,051	100.00
<b>SG AMERICAS, INC.</b>	<b>Investment banking</b>				
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington – Delaware – USA	Global Banking and Investor Solutions	USD	0	396,759	100.00
<b>SG VENTURES</b>	<b>Portfolio management</b>				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	94,421	(2,626)	100.00
<b>SG SECURITIES (SINGAPORE) PTE. LTD.</b>	<b>Brokerage</b>				
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
<b>ETOILE CAPITAL</b>	<b>Portfolio management</b>				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	50,400	12,672	100.00
<b>STAR LEASE</b>	<b>Rental and Real Estate Lease</b>				
59, boulevard Haussmann – 75008 Parris – France	French Retail Banking	EUR	55,000	96,767	100.00
<b>SG FACTORING SPA</b>	<b>Factoring</b>				
Via Trivulzio n. 7 – 20146 Milan – Italy	Global Banking and Investor Solutions	EUR	11,801	37,323	100.00
<b>ORPAVIMOB</b>	<b>Real estate and real estate financing</b>				
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	<b>capital = 1 USD</b> 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)*

<b>Company/Head Office or Establishment</b>	<b>Activity/Division</b>		<b>Registered capital</b> <i>(local currency)</i> <sup>(1)</sup>	<b>Shareholders' equity other than capital</b> <i>(local currency)</i> <sup>(1)</sup>	<b>Share of capital held</b> <i>(in %)</i>
<b>SG AMERICAS OPERATIONAL SERVICES LLC (SGAOS)</b>	<b>Transversal services company</b>				
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington – Delaware – USA	Global Banking and Investor Solutions	USD	716	68,757	100.00
<b>SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD</b>	<b>Brokerage on equity markets</b>				
Level 25, 1-7 Bligh Street – NSW 2000 – Sydney – Australia	Global Banking and Investor Solutions	AUD	100,000	(42,723)	100.00
<b>SG AUSTRALIA HOLDINGS LTD</b>	<b>Portfolio management</b>				
Level 25, 1-7 Bligh street – NSW 2000 – Sydney – Australia	Global Banking and Investor Solutions	AUD	19,500	695	100.00
<b>SOGELEASE B.V.</b>	<b>Leasing and financing</b>				
Amstelplein 1 – 1096 HA Amsterdam – 1090 GB – Amsterdam – Netherland	Global Banking and Investor Solutions	EUR	2,269	7,966	100.00
<b>SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD (HONG KONG)</b>	<b>Investment banking</b>				
Level 38, Three Pacific Place, 1 Queen's Road East, Hong-Kong	Global Banking and Investor Solutions	USD	154,972	148,394	100.00
<b>SOCIETE GENERALE EQUIPMENT FINANCE SA</b>	<b>Portfolio management</b>				
17, cours Valmy – 92800 Puteaux – France	International Retail Banking and Financial Services	EUR	201,397	12,520	100.00
<b>SOCIETE GENERALE SFH</b>	<b>Credit institution</b>				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	375,000	355,373	100.00
<b>BOURSORAMA SA</b>	<b>Online banking</b>				
44, rue Traversiere – 92100 Boulogne-Billancourt – France	French Retail Banking	EUR	51,171	759,428	100.00
<b>SOCIETE GENERALE IMMOBEL</b>	<b>Online banking</b>				
Rue des Colonies 11 – 1000 Bruxelles – Belgique	French Retail Banking	EUR	18,562	2,005	100.00
<b>SOCIETE GENERALE SCF</b>	<b>Mortgages</b>				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	150,000	160,701	100.00
<b>VALMINVEST</b>	<b>Office space</b>				
29 boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	248,877	13,535	100.00
<b>SOCIETE GENERALE SECURITIES SERVICES HOLDING</b>	<b>Portfolio management</b>				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	12,487	66	100.00
<b>SOCIETE DE LA RUE EDOUARD VII</b>	<b>Office space</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	11,396	1,733	100.00

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## 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) <sup>(1)</sup>	Shareholders' equity other than capital (local currency) <sup>(1)</sup>	Share of capital held (in %)
<b>PAYXPRT SERVICES LIMITED</b>	<b>Enterprise Support Services Delivery</b>				
30, Churchill place – E14 5RE – London – United Kingdom	International Retail Banking and Financial Services	EUR	0	12,181	99.72
<b>SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED</b>	<b>Investment banking</b>				
One Bank Street - Canary Wharf - London E14 4SG - United Kingdom	Global Banking and Investor Solutions	GBP	157,819	117,410	98.96
<b>SOGEFINANCEMENT</b>	<b>Retail banking</b>				
53, rue du Port – CS 90201 – 92724 Nanterre Cedex – France	French Retail Banking	EUR	13,966	1,418,538	95.96
<b>SOCIETE GENERALE MAURITANIE</b>	<b>International retail banking</b>				
Ilot A N°652 – Nouakchott – Mauritania	International Retail Banking and Financial Services	MRU	1,000,000	(401,015)	95.50
<b>TREEZOR</b>	<b>Electronic money institution</b>				
33, Avenue de Wagram – 75017 Paris – France	Corporate Centre	EUR	5,308	0	95.35
<b>SHINE</b>	<b>Online banking</b>				
5, rue Charlot - 75003 Paris - France	French Retail Banking	EUR	4	(33,050)	93.97
<b>BANQUE DE POLYNESIE</b>	<b>Retail banking</b>				
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
<b>SOCIETE GENERALE DE BANQUES EN COTE D'IVOIRE</b>	<b>International retail banking</b>				
5/7, avenue Joseph Anoma – Abidjan – Ivory Coast	International Retail Banking and Financial Services	XOF	15,555,555	283,038,430	71.84
<b>ALD</b>	<b>Automobile leasing and financing</b>				
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
<b>KOMERCNI BANKA A.S</b>	<b>International retail banking</b>				
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
<b>BRD – GROUPE SOCIETE GENERALE</b>	<b>International retail banking</b>				
B-dul Ion Mihalache Nr 17 – Sector 1 – Bucarest – Roumania	International Retail Banking and Financial Services	RON	696,902	7,312,744	60.17
<b>SOCIETE GENERALE CAMEROUN</b>	<b>International retail banking</b>				
78, Avenue Joss – Douala – Cameroon	International Retail Banking and Financial Services	XAF	12,500,000	101,473,250	58.08
<b>SG MAROCAINE DE BANQUES</b>	<b>International retail banking</b>				
55 boulevard Abdelmoumen – 20100 – Casablanca – Morocco	International Retail Banking and Financial Services	MAD	2,152,500	10,914,075	57.67

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## 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)*

<b>Company/Head Office or Establishment</b>	<b>Activity/Division</b>		<b>Registered capital</b> <i>(local currency)</i> <sup>(1)</sup>	<b>Shareholders' equity other than capital</b> <i>(local currency)</i> <sup>(1)</sup>	<b>Share of capital held</b> <i>(in %)</i>
<b>GENEFIM</b>	<b>Real estate lease finance</b>				
29, boulevard Haussmann – 75009 Paris – France	French Retail Banking	EUR	72,779	20,547	57.62
<b>UNION INTERNATIONALE DE BANQUES</b>	<b>International retail banking</b>				
65, avenue Habib Bourguiba – Tunis – Tunisia	International Retail Banking and Financial Services	TND	172,800	504,097	52.34
<b>B) Affiliates (10% to 50% owned by Societe Generale)</b>					
<b>ANTARIUS</b>	<b>Insurance company</b>				
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
<b>TRANSACTIS</b>	<b>Payment</b>				
1, Boulevard des Bouvets – 92000 – Nanterre – France	Global Banking and Investor Solutions	EUR	46,498	861	50.00
<b>SOCIETE SERVICES FIDUCIAIRES</b>	<b>Pooling of connected machines</b>				
3, rue du Général Compans – 93500 Pantin – France	International Retail Banking and Financial Services	EUR	39,000	0	33.33
<b>SA SOGEPARTICIPATIONS</b>	<b>Portfolio management</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	411,267	307,101	24.58
<b>SOCIETE GENERALE CALEDONIENNE DE BANQUE</b>	<b>Retail banking</b>				
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
<b>SICOVAM HOLDING</b>	<b>Portfolio management</b>				
18, rue Lafayette – 75009 – Paris – France	Corporate Centre	EUR	10,264	885,624	17.90
<b>CREDIT LOGEMENT</b>	<b>Credit institution</b>				
50, boulevard Sebastopol – 75003 Paris – France	Corporate Centre	EUR	1,259,850	216,337	16.50
<b>CAISSE DE REFINANCEMENT DE L'HABITAT</b>	<b>Housing loan refinancing</b>				
3, rue de la Boetie – 75008 Paris – France	Corporate Centre	EUR	578,384	25,450	16.19

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2023

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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				
<b>II - INFORMATION CONCERNING OTHER SUBSIDIARIES AND AFFILIATES</b>						
<b>A) Subsidiaries not included in paragraph 1:</b>						
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>B) Affiliates not included in paragraph 1:</b>						
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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