

## **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 takes no responsibility for the contents of 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).

**13,400,000 European Style Cash Settled Long Certificates relating to  
the ordinary shares of AAC Technologies Holdings Inc.  
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\$0.60 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 17 June 2022 including such further base listing documents as may be issued from time to time (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 17 June 2022 (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 31 March 2023.

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.

30 March 2023

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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 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 31 to 35 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 the pre-opening session) 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 51 to 52 of this document for more information;

- (r) In the case of extreme market conditions or where the Air Bag Mechanisms are triggered simultaneously, trading in the Certificates may be suspended for an extended period, which may be up to an additional 15 minutes, to facilitate the intra-day adjustment under the Air Bag Mechanism;
- (s) 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 Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then 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 less than the amount initially invested. Investors may refer to the Condition 13 on pages 37 to 38 of this document for more information;
- (t) 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;
- (u) 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;
- (v) 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;

- (w) 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;

- (x) 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;

- (y) 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;

- (z) 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;

- (aa) 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;

- (bb) 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;

- (cc) 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;

- (dd) 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 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;

(ee) 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

(ff) 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 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*).

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 Fund 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:	13,400,000 European Style Cash Settled Long Certificates relating to the ordinary shares of AAC Technologies Holdings Inc. (the <b>“Underlying Stock”</b> )
ISIN:	LU2375053365
Company:	AAC Technologies Holdings Inc. (RIC: 2018.HK)
Underlying Price <sup>3</sup> and Source:	HK\$19.32 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 0.60
Management Fee (p.a.) <sup>4</sup> :	0.40%
Gap Premium (p.a.) <sup>5</sup> :	8.00%, 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:	24 March 2023
Closing Date:	30 March 2023
Expected Listing Date:	31 March 2023

<sup>3</sup> These figures are calculated as at, and based on information available to the Issuer on or about 30 March 2023. 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 30 March 2023.

<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 20 March 2024
Expiry Date:	27 March 2024 (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:	26 March 2024 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:	<p>In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:</p> <p>Closing Level multiplied by the Notional Amount per Certificate</p> <p>Please refer to the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section on pages 42 to 57 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.</p>
Hedging Fee Factor:	<p>In respect of each Certificate, shall be an amount calculated as: Product (for <math>t</math> from 2 to Valuation Date) of <math>(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))</math>, where:</p> <p>“<math>t</math>” 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</p>



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 42 to 57 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 19 to 25 below.

Initial Exchange Rate<sup>3</sup>: 0.1691

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 after the Air Bag is triggered.

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 23 to 25 below and the “Description of Air Bag Mechanism” section on pages 48 to 50 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 and Exchange Business Day:**

A “**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 (“ <b>CDP</b> ”)
Clearing System:	CDP
Fees and Charges:	<p>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.</p> <p>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.</p>
Further Information:	Please refer to the website at <a href="http://dlc.socgen.com">dlc.socgen.com</a> 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**

<b>LSL<sub>t</sub></b>	<p>means, for any Observation Date(t), the Leverage Strategy Closing Level as of such day (t).</p> <p>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:</p> <p>On Observation Date(1):</p> $LSL_1 = 1000$ <p>On each subsequent Observation Date(t):</p> $LSL_t = \text{Max}[LSL_{t-1} \times (1 + LR_{t-1,t} - FC_{t-1,t} - RC_{t-1,t}), 0]$
<b>LR<sub>t-1,t</sub></b>	<p>means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:</p> $LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right)$
<b>FC<sub>t-1,t</sub></b>	<p>means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:</p> $FC_{t-1,t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{t-1} \times \text{ACT}(t-1, t)}{\text{DayCountBasisRate}}$
<b>RC<sub>t-1,t</sub></b>	<p>means the Rebalancing Cost of the Leverage Strategy on Observation Date (t), calculated as follows:</p> $RC_{t-1,t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left  \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right  \right) \times TC$
<b>TC</b>	<p>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:</p> <p>0.13%</p> <p>“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.</p>
<b>Leverage</b>	5
<b>S<sub>t</sub></b>	<p>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.</p>

**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:

$$Rfactor_t = 1 - \frac{Div_t}{S_{t-1}}$$

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, %SpreadLevel<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>	<p>means, in respect of the Reference Rate any of the following has occurred or will occur:</p> <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>	<p>means, for a Reference Rate, the occurrence of one or more of the following events:</p> <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 such Reference Rate is intended to measure and that representativeness will</li> </ul>

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><math>IRC_{IR(k-1),IR(k)}</math></b>	<p>means the Intraday Rebalancing Cost of the Leverage Strategy in respect of <math>IR(k)</math> 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><math>IS_{IR(k)}</math></b>	<p>means the Underlying Stock Price in respect of <math>IR(k)</math> computed as follows:</p> <p>(1) for <math>k=0</math></p> $IS_{IR(0)} = S_{IRD-1} \times Rfactor_{IRD}$ <p>(2) for <math>k=1</math> to <math>n</math></p> <p>means in respect of <math>IR(k)</math>, the lowest price of the Underlying Stock during the respective Intraday Restrike Observation Period</p> <p>(3) with respect to <math>IR(C)</math></p> $IS_{IR(C)} = S_{IRD}$ <p>In each case, subject to the adjustments and provisions of the Conditions.</p>
<b><math>IR(k)</math></b>	<p>For <math>k=0</math>, 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 <math>k=1</math> to <math>n</math>, means the <math>k^{th}</math> Intraday Restrike Event on the relevant Intraday Restrike Date.</p>
<b><math>IR(C)</math></b>	means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.
<b><math>n</math></b>	means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.
<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 <math>IS_{IR(0)}</math> as of such Calculation Time.</p> <p>(2) if <math>k</math> 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 <math>IS_{IR(k)}</math> as of such Calculation Time.</p>
<b>Calculation Time</b>	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.
<b>TimeReferenceOpening</b>	means the scheduled opening time (including pre-opening session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).



<b>TimeReferenceClosing</b>	means the scheduled closing time (including closing auction session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
<b>Intraday Restrike Event Observation Period</b>	<p>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 after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.</p> <p>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.</p>
<b>Intraday Restrike Event Time</b>	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 17 June 2022, 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 “**M&F 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 M&F Code;
  - (2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
  - (3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
- (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (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 Business Days 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.
- (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) *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).

- (f) *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(d).

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(d) 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 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(d) 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.
- (d) *Termination.* If the Issuer terminates the Certificates early, then 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. 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:	AAC Technologies Holdings Inc.
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	13,400,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 17 June 2022 (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.
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 31 March 2023.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
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	=	$t^7=0$	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 shares of AAC Technologies Holdings Inc.
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>0.60 SGD</b>
Notional Amount per Certificate:	<b>0.60 SGD</b>
Management Fee (p.a.):	<b>0.40%</b>
Gap Premium (p.a.):	<b>8.00%</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):

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 8.00\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9778\% \approx 99.9767\%$$

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

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

$$\text{HFF (2)} = 99.9767\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 8.00\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9767\% \times 99.9967\% \times 99.9333\% \approx 99.9067\%$$

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 99.6505% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9767%
5/7/2018	99.9533%
6/7/2018	99.9300%
9/7/2018	99.8601%
10/7/2018	99.8368%
11/7/2018	99.8135%
12/7/2018	99.7902%
13/7/2018	99.7669%
16/7/2018	99.6971%
17/7/2018	99.6738%
18/7/2018	99.6505%

### Cash Settlement Amount

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

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.6505\% \\ &= 119.58\% \end{aligned}$$

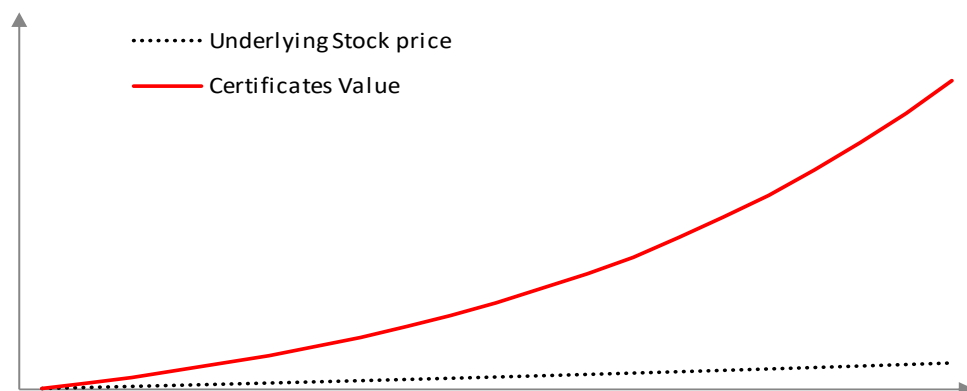
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.58\% \times 0.60 \text{ SGD} \\ &= \mathbf{0.717 \text{ SGD}} \end{aligned}$$

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

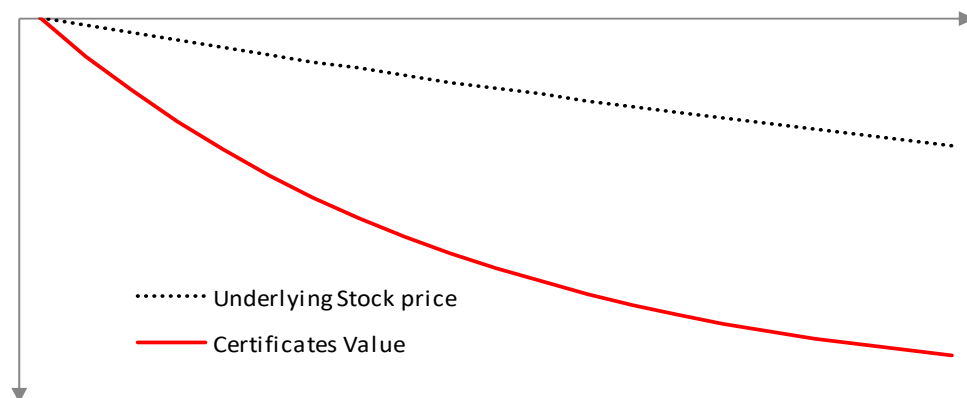
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

### 1. Illustrative examples

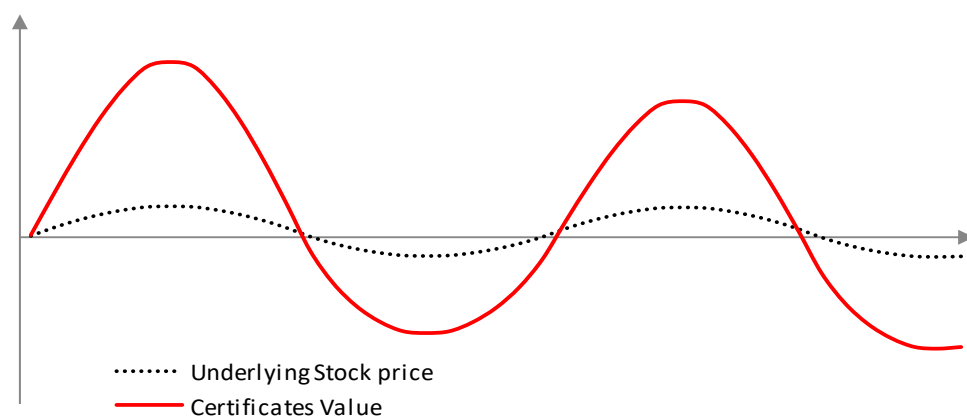
#### Scenario 1 – Upward Trend



#### Scenario 2 – Downward Trend



#### Scenario 3 – Volatile Market



## 2. Numerical Examples

### Scenario 1 – Upward Trend

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	0.6	0.66	0.73	0.80	0.88	0.97
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

### Scenario 2 – Downward Trend

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	0.6	0.54	0.49	0.44	0.39	0.35
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

### Scenario 3 – Volatile Market

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	-10.0%	10.0%	-10.0%	10.0%
Price at end of day	0.6	0.66	0.59	0.65	0.59	0.65
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, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period: during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its minimum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Strategy is 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, 30 minutes after the Air Bag trigger.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered and does not take into account the mid-day break. Investors cannot sell or purchase any Certificates during this period.

### Air Bag Mechanism timeline

Air Bag Trigger	Observation Period	Resumption of Trading
More than 45 minutes before Market Close	First 15 minutes after Air Bag Trigger	Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger
Less than 45 minutes before Market Close and more than 15 minutes before Market Close		Next trading day at Market Open
15 minutes or less than 15 minutes before Market Close	From Air Bag Trigger to Market Close	

With **Market Close** defined as:

- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading





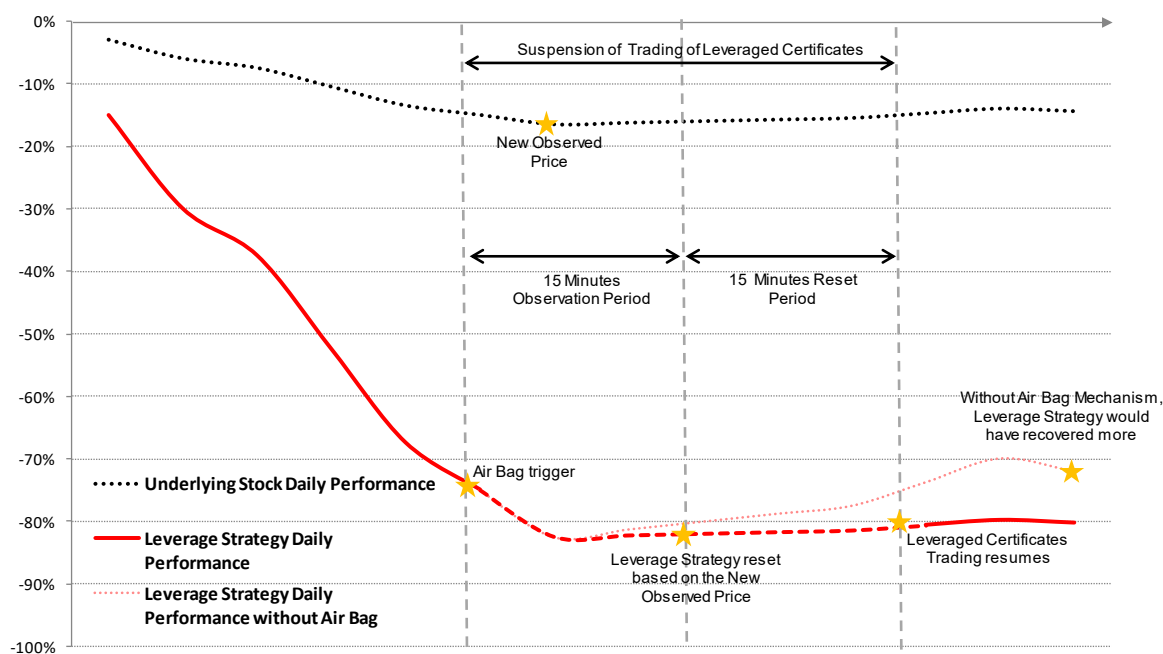
- The later between  $X+30$  minutes or  $Y+15$  minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time of the underlying asset, the Certificates will resume at 9 a.m. on the next SGX-ST trading day

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

### Scenario 1 – Downward Trend after Air Bag trigger



### Scenario 2 – Upward Trend after Air Bag trigger



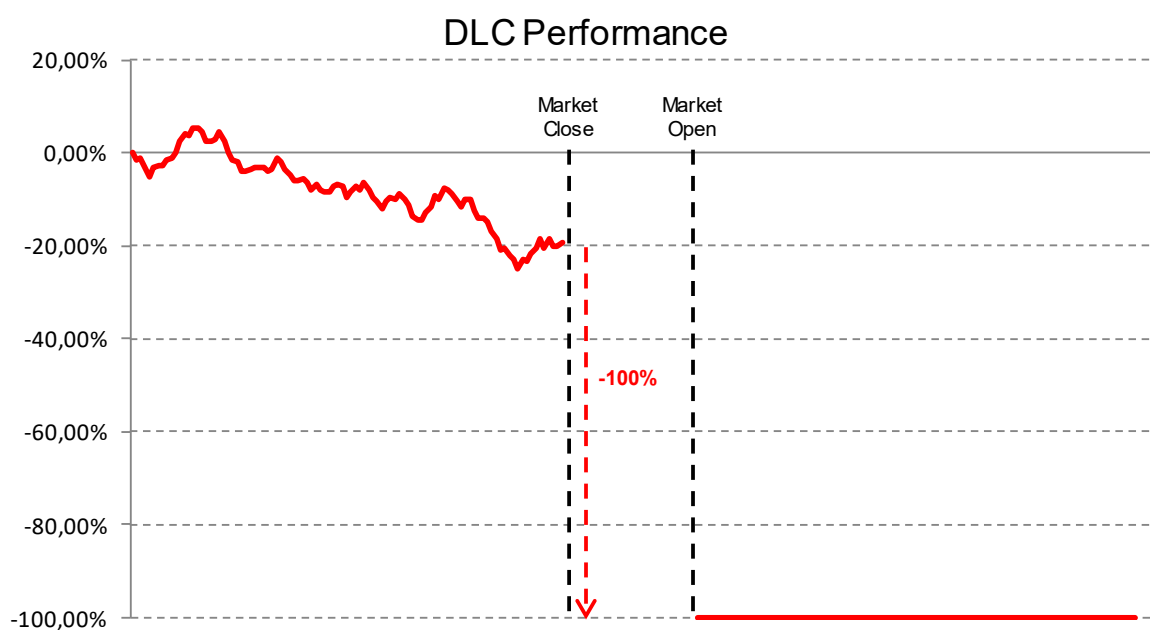
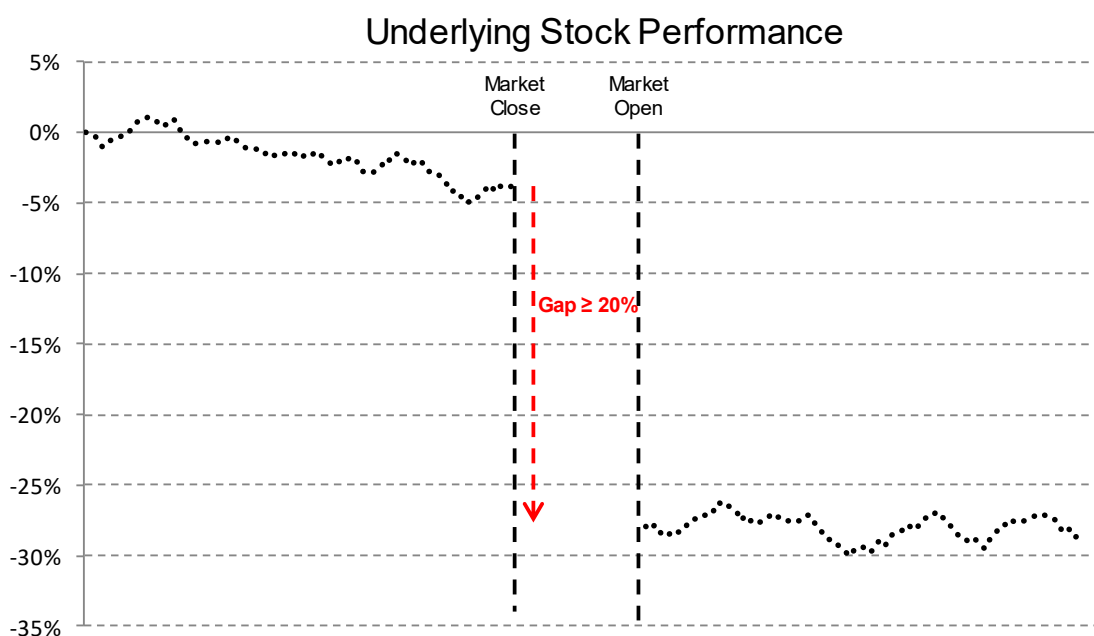
<sup>9</sup> The illustrative examples are not exhaustive.

## 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 the pre-opening session) 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)
0.60	0.66	10%

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

## 2. Share Consolidation

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

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

$$S_t = \$202$$

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

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

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

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.60	0.63	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)
0.60	0.75	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)
0.60	0.66	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)
0.60	0.75	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://www.aactechnologies.com/en/>. The Issuer has not independently verified any of such information.*

AAC Technologies Holdings Inc. (the “**Company**”) (SEHK stock code: 2018) is a China-based company, which provides advanced miniaturized and technology solutions for smart devices enabled by cutting-edge materials research, simulations, algorithms, design, automation and process development, within Acoustics, Optics, Haptics, Precision Manufacturing, micro-electromechanical system (MEMS), Radio frequency (RF) and Antennas.

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 2022 and has been extracted and reproduced from an announcement by the Company dated 23 March 2023 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/or 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 ISSUER**

The information set out in Appendix II of this document is a reproduction of the Issuer's condensed interim financial statements as at and for the six-month period ended 30 June 2022.

## **SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR**

The information set out in Appendix III of this document is a reproduction of the Guarantor's audited consolidated financial statements for the year ended 31 December 2022.

## SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 106 of 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 2022 or the Guarantor since 31 December 2022, 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 Auditors of the Issuer and the Guarantor have given and have not withdrawn their written agreement to the inclusion of the report, included herein, in the form and context in which it is included. Their report was 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 consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;
  - (e) the Base Listing Document;
  - (f) this document; and
  - (g) the Guarantee.



## **PLACING AND SALE**

### **General**

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

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

### **Singapore**

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

### **Hong Kong**

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

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

### **European Economic Area**

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made

available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

### United Kingdom

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

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
  - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

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

- (a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of

investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

## United States

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) and the Issuer 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 2022 OF AAC TECHNOLOGIES HOLDINGS INC. 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 2022 and has been extracted and reproduced from an announcement by the Company dated 23 March 2023 in relation to the same.

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**瑞聲科技控股有限公司**  
**AAC Technologies Holdings Inc.**

(Incorporated in the Cayman Islands with limited liability)  
 (Stock code: 2018)

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Director(s)**") of AAC Technologies Holdings Inc. ("**AAC Technologies**" or the "**Company**") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022 together with the comparative figures for the corresponding period in 2021.

These consolidated financial statements have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu and the Company's audit and risk committee and approved by the Board on 23 March 2023.

### 2022 FINAL RESULTS HIGHLIGHTS:

(RMB Million)	2022	2021	YoY%	Q4 2022	Q4 2021	YoY%
Revenue	<b>20,625</b>	17,667	+16.7%	<b>5,840</b>	4,812	+21.4%
Gross Profit	<b>3,775</b>	4,365	-13.5%	<b>970</b>	986	-1.6%
<i>Gross Profit Margin</i>	<b>18.3%</b>	24.7%	-6.4ppts	<b>16.6%</b>	20.5%	-3.9ppts
Net Profit*	<b>821</b>	1,316	-37.6%	<b>237</b>	212	12.0%
<i>Net Profit Margin</i>	<b>4.0%</b>	7.5%	-3.5ppts	<b>4.1%</b>	4.4%	-0.3ppts
Basic EPS (RMB)	<b>0.69</b>	1.09	-37.2%	<b>0.20</b>	0.18	12.8%
Share Numbers (Weighted average, million)	<b>1,198</b>	1,206		<b>1,194</b>	1,202	

\* Net profit represents profit attributable to owners of the Company.

## CEO STATEMENT

2022 was a challenging year, we proactively undertook steps to strengthen our operations. Despite the pandemic's outbreak, high inflation and relatively weak market demands, the Group strengthened its positioning in the smartphone market with its leading capabilities in research and development and sound operational management. Against such market backdrop, the Group achieved market share increase in businesses across acoustics, electromagnetic drives and precision mechanics, optics, sensors and semiconductors with revenue exceeded RMB20 billion, up 16.7% year-on-year ("YoY").

Coping with complex external environment, the Group maintained its long-term focus to create value, and stayed committed to navigating through economic cycles by continuously enhancing product competitiveness and ensure prudent cash flow management. In 2022, the Group continued to strive for internal and external improvements. On one hand, the Group deepened the cooperation with business partners and boosted its market shares. On the other hand, the Group consistently implemented lean operational management by reducing costs and improving overall operational efficiency, stringently managing inventory and improving inventory turnover. As a result, the free cash flow position of the Group has improved significantly, up from RMB-1.38 billion in 2021 to RMB2.52 billion in 2022.

The Group persists in leading industry development through technological innovation and works closely with overseas customers. By leveraging its advantages in both acoustics and electromagnetic drives, the Group launched its proprietary Combo and Opera coaxial solutions, which enabled the Group to provide a superior tactile and auditory experience to consumers via more cost-effective products. The Group actively prompted and implemented applications of WLG glass lens in multiple projects including automotive, AR/VR devices, semiconductor manufacturing and testing as well as other industrial fields. The precision mechanics business has gradually improved with value of products continuously enhanced, and the proportion of revenue from non-smartphone business continued to rise. Market share of MEMS products has steadily increased, and the Group has been actively developing products with high signal-to-noise ratio to meet customers' demand for product upgrades.

In 2022, the Group proactively forged ahead to create a second growth curve and to activate new growth trajectory. In addition to solidifying the leading positions in the smartphone market, the Group continues to seize new market opportunities and explore strategic new markets. The Group also achieved breakthroughs in automotive acoustics market and the total automotive acoustics solutions business has started mass-production and shipment. In addition, the Group successfully developed a full set of new modules for automotive MEMS microphones which is expected to be mass produced in 2023. Other products, such as optics and haptics products, are also being actively expanded in fields such as AR/VR and automotive applications.

The year 2023 marks the Group's 30th anniversary. Throughout the past 30 years, AAC Technologies was not only a contributor in the consumer electronics industry, but also a leading provider of sensory experience solutions. Going forward, we will continue to pursue opportunities in strategic new markets and accelerate our product deployment to lead the new era of sensory experience.

On behalf of the Group's management team, I would like to thank our partners and shareholders for their trust, patience and support. I would also like to thank all our employees for their creativity and positive attitude. We will continue to forge ahead with a cohesive force to create greater value for our customers and deliver long-term stable returns to our shareholders.

## BUSINESS AND MARKET REVIEW

In 2022, the Group recorded a revenue of RMB20.63 billion, up 16.7% YoY which was mainly attributed by the strong demand from overseas customers and the increase in combined revenue contribution from electromagnetic drives and precision mechanics business as well as optics business. Gross profit margin was 18.3%, down 6.4 percentage points ("**ppts**") YoY due to the increased revenue contribution from business segments with relatively lower gross profit margins. Net profit was RMB821 million, down 37.6% YoY. For the fourth quarter 2022 ("**Q4 2022**"), the Group recorded revenue of RMB5.84 billion, up 21.4% YoY, also due to revenue increase from these three business segments. The Gross profit margin was 16.6%, down 3.9 ppts YoY, due to the change of product portfolio. Net profit was RMB237 million, up 12.0% YoY.

During the reporting period, the Group remains prudent in financial management and stringently manages capital expenditure and research and development ("**R&D**") expenses. The capital expenditures amounted to RMB1.85 billion in 2022. During the reporting period, the Group conducted active liability management, successfully optimized the debt structure and maintained stable cash flow. As of 31 December 2022, the operating cash inflows were RMB4.37 billion, cash on book (including short term fixed deposits) was RMB7.16 billion, net gearing ratio was 6.2%. A sound financial position is essential to the sustainable growth of the Group, and ensures the Group's ability to continue to innovate and develop going forward.

After careful review of the Group's financial liquidity and business development requirements, the Board of Directors proposed to declare a final dividend of HK\$0.12 per share for FY 2022 (FY 2021: Nil), implying a total annual dividend amounted to HK\$0.12 per share for FY 2022 (FY 2021: HK\$0.20 per share) which represents the 15% payout ratio, same as that of FY 2021. Amidst the dynamic macroeconomic environment, the Group will remain prudent in financial management and strong in cash flow for business development, so as to create long-term value for shareholders.

## PERFORMANCE AND DEVELOPMENT OF BUSINESS SEGMENTS

### Acoustics Business

In Q4 2022, the Group's acoustics business revenue was RMB2.38 billion, up 6.3% YoY. Gross profit margin was 31.2%, up 4.4 ppts YoY, driven by increased revenue contribution from overseas customers. In 2022, the Group's acoustics business revenue was RMB8.85 billion, up 3.1% YoY. Gross profit margin was 28.1%, down 1.5 ppts YoY mainly due to weaker demand in the Android market and lower shipment of Android acoustics products, leading to a YoY decline in gross margin.

In Q4 2022, the Group has continued to work closely with overseas customers, and enhanced its market share steadily. Affected by the weaker demand in the Android market, the revenue and gross margin of Android acoustics decreased YoY. To satisfy various customer needs, the Group launched its proprietary Combo and Opera coaxial solutions. This product effectively enhances consumers' auditory and tactile experience in application scenarios such as video and audio, gaming and vertical screens while reducing production costs. Currently, the Group has built up an integrated solution for mobile audio device including high-performance linear speakers, multi-speaker arrays and the proprietary algorithm. Looking forward, the Group will provide an immersive auditory experience for customers in multiple application scenarios with more diversified product portfolio.



In Q4 2022, the Group's automotive acoustics solutions business has continued to accomplish mass-production and shipment. The Group also achieved breakthroughs and acquired new landmark automotive acoustics projects. To meet various customers' needs and quickly break through the market, the Group provides a comprehensive solution from ultra-flagship to high cost-performance by covering a set of audio solutions including single component, tuning services, software systems and flexible combinations of the services. Going forward, the acoustic system will become one of the core components of the intelligent cockpit. The Group will continue to promote the overall acoustics solution, and deepen cooperation with partners to enhance consumers' audio experience.

### **Optics Business**

In Q4 2022, the Group's optics business revenue was RMB798 million, up 55.6% YoY and 40.8% QoQ, on the back of continued growth in shipment volume and market share expansion in both plastic lens and camera module businesses. Benefited from the smooth progress of camera module business and the increased market share, in 2022, the Group's optics business revenue was RMB3.22 billion, up 34.7% YoY.

In 2022, the plastic lens business continued to consolidate market share and improve market position despite the competitive landscape. Facing the fierce market competition, the Group will continue to optimize product portfolio by improving the shipment proportion of high-end products, and strengthen inventory management to improve the gross profit margin by enhancing internal management and operational efficiency. Camera module business grew steadily and annual shipment volume delivered a YoY increase of 121.5%. OIS products have started a small-scale mass production. WLG hybrid lenses are making good progress and 1G5P and 1G6P products are in steady mass production and delivery. The Group will continue to enhance its vertical integration capability of optics business, optimize camera module and VCM business, to achieve the market share gain in the mid-to-high end products.

### **Electromagnetic Drives and Precision Mechanics Business**

For Q4 2022, given the shipment growth from both haptics and metal casing products, as well as contributions from the acquisition of Toyo Precision, revenue from this combined segment reached RMB2.29 billion, up 27.5% YoY and 11.5% QoQ. Gross profit margin was 22.2%, up 2.5 ppts YoY and 0.7 ppts QoQ. In 2022, revenue from this combined segment amounted to RMB7.28 billion, up 29.0% YoY. Gross profit margin was 21.3%, down 0.4 ppts YoY and remained relatively stable mainly because the change of product portfolio.

### **Electromagnetic Drives Business**

In 2022, the market shares of Android x-axis haptics further increased with the total shipment volume increased by 41.9% YoY. In addition to higher penetration in smartphone market, the ultra-wide x-axis haptics motor launched by the Group can also be used in smart watches, tablets, intelligent automobiles, game consoles, VR/AR, providing consumers with a one-stop, multi-dimensional, full-scene high-quality tactile feedback experience. The Group has successfully entered into VR supply chain and provided x-axis haptics motor for a leading global VR player. It is expected that the x-axis haptics will be widely used in strategic new markets in the future.

## **Precision Mechanics Business**

Relying on the advanced precision manufacturing capabilities, the Group's metal casing business has gained leading market shares in the flagship and high-end smartphones among key customers. In Q4 2022, given the strong demand of customers' high-end smartphone models, the utilization rate of metal casing products has increased and gross profit margin also improved YoY. The Group will continue to explore projects with high values to optimize product portfolio and enhance profitability. Toyo Precision's business has integrated smoothly and provided additional growth for the segment. The Group has been actively acquiring new projects and accelerating its pace in expanding overseas production capacity of precision mechanics, aiming to further ramp up the revenue contribution from Toyo Precision and the overall profitability of this business segment.

## **Sensor and Semiconductor Business**

For Q4 2022, the Sensor and Semiconductor business recorded a revenue of RMB356 million, up by 49.5% YoY, due to strong demand from overseas customers and increased market penetration of Android MEMS products. Gross profit margin was 13.9%, up 1.4 ppts YoY and 6.6 ppts QoQ. In 2022, the Sensor and Semiconductor business revenue was RMB1.26 billion, up 24.0% YoY, due to market share increase. The gross profit margin was 11.6%, down 3.5 ppts YoY, mainly due to increased raw material costs.

In Q4 2022, the factory facility in Malaysia commenced production, which further strengthened the Group's global production capacity. The Group continues to promote proprietary MEMS microphones with optimized structural designs to enhance reliability, offering proprietary and differentiated designs to cater to various specification requirements of customers. The Group has entered into a partnership with Soundskrit in launching the world's first high-performance directional MEMS microphone to end users across consumer electronics and automotive markets. Alongside a gradual increase in demand for intelligent audio interaction in fields such as artificial intelligence, smart home appliances, automobiles and other markets, MEMS business will foresee an expansion in market demand and more market development opportunities.

## **Prospect**

According to International Data Corporation ("IDC") report, the global smartphone shipment in 2023 is expected to decline by 1.1% YoY to 1.19 billion units. Although the prospect of global smartphone shipment remains relatively stable, the Group will continue to strengthen the collaborations with existing customers, strive for higher market shares and continuously invest in research and development to improve the end-user experience. Combined with continued focus in operational efficiency and cash flow management, these efforts will lay a solid foundation for the Group's long-term development. The development of the NEV market brings additional growth opportunities, especially with the development of intelligent cockpit and autonomous driving technologies, which will drive a new wave of upgrades in vehicle's hardware and software. The Group intends to capture more opportunities in the automotive market, develop new sources of revenue, and maximize returns for shareholders by leveraging on its leading advantages in miniaturized technology and precision manufacturing capabilities.

## **FINANCIAL REVIEW**

### **Revenue**

In 2022, the Group's revenue increased YoY by 16.7%, to RMB20.63 billion. Owing to factors discussed under "BUSINESS AND MARKET REVIEW" above, revenue from the electromagnetic drives and precision mechanics and optics increased by RMB1,637 million and RMB828 million respectively. The acoustic business was relatively stable as compare with the same period of last year.

## **Gross Profit and Gross Profit Margin**

In 2022, gross profit was RMB3.78 billion, representing a decrease by 13.5% from the gross profit of RMB4.36 billion in 2021. The drop in gross profit was mainly contributed by market competition in optics business and the decline was partly offset by the improved gross profit of electromagnetic drives and precision mechanics due to increase in sales volume.

Gross profit margin decrease to 18.3% in 2022 as compared with 24.7% in 2021. The decrease in gross profit margin was mainly contributed by the increased sales from precision mechanics and optics with lower gross profit margin.

## **Other income, gains and losses, and other expenses**

The net other income/gains increased by RMB180 million. This was mainly contributed by the gain on repurchase of unsecured notes of RMB169 million and increase in government grants of RMB133 million. The increment was offset by the restructuring costs of RMB125 million.

## **Administrative Expenses**

Administrative expenses in 2022 were RMB1,036 million, 25.7% higher, compared with RMB824 million in 2021. The increase was mainly contributed by the increase in staff related cost, share incentive expenses and discretionary bonus. To cope with the new strategic developments and drive long term growth, the Group had enhanced the management team and launched share award plan.

## **Distribution and Selling Expenses**

Distribution and selling expenses of RMB448 million in 2022, increased by 34.7%, compared with RMB333 million in 2021. The increase was mainly contributed by the increased in staff related cost, discretionary bonus and share incentive expenses to strengthen our sales force in new market segment like automotive.

## **Research and Development Expenses**

R&D expenses in 2022 were RMB1,546 million, 10.4% lower than RMB1,726 million in 2021. The decrease was primarily attributable to improved cost efficiency in research and development.

## **Finance Costs**

Finance costs in 2022 amounted to RMB403 million, representing a decrease of 3.0% compared with RMB415 million in 2021. Such decrease was mainly due to the reduction of average bank loan balance, which was offset by the additional interest on unsecured notes accompany with the issuance of 5-year unsecured notes USD300 million at annual interest rate 2.625% and 10-year unsecured notes USD350 million at annual interest rate 3.75% in June 2021.

## **Taxation**

Taxation expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rates prevailing in the relevant jurisdictions. Taxation expenses in 2022 amounted to RMB231 million, representing an increase of 93.3% from RMB120 million in 2021. The increase was mainly due the reduction of deferred tax credit relating to tax losses and other temporary difference from RMB116 million to RMB17 million.

### Profit attributable to the owners of the Company

Reported net profit for 2022 was RMB0.82 billion, a decline by 37.6% compared with RMB1.32 billion in 2021. The decline of was mainly due to the decline of gross profit and the increase in operation costs during the period which was partly offset by the increase in other income and decrease in non-controlling interests.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group has always emphasized financial discipline and continues to maintain a strong liquidity position. Cash flows from (used in) our operating, investing and financing activities, are as below:

	For the year ended 31 December	
	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Net cash from operating activities	4,372.0	2,176.0
Net cash used in investing activities	(2,349.3)	(4,245.4)
Net cash (used in) from financing activities	(1,438.7)	632.6

### Operating Activities

Cash inflow from operating activities was mainly generated from cash receipts from the Group's sales. Cash outflows were related to raw materials purchases, payroll, distribution and selling expenses, expenses incurred in R&D, administrative items and taxation charges. Net cash generated from operating activities was RMB4,372.0 million for 2022 (2021: RMB2,176.0 million).

#### i. Trade Receivables and Payables

As at 31 December 2022, turnover days of trade receivables decreased by 5 days to 78 days as compared to 31 December 2021. Trade receivables decreased by RMB0.22 billion to RMB4.28 billion. Aging of trade receivables (net of allowance for doubtful debts) based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB4,098.4 million (31 December 2021: RMB4,133.2 million), RMB169.8 million (31 December 2021: RMB293.7 million) and RMB10.5 million (31 December 2021: RMB70.4 million) respectively. The Company has received subsequent settlement totaling RMB2,678.8 million up to 28 February 2023, representing 62.6% of the total amount outstanding, net of allowances, as at the end of the reporting period.

The Group's trade payables turnover days decreased by 28 days to 81 days as compared to 31 December 2021. Trade payables decreased by RMB1.02 billion to RMB3.24 billion. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB2,576.8 million (31 December 2021: RMB3,300.4 million), RMB654.9 million (31 December 2021: RMB949.9 million) and RMB11.2 million (31 December 2021: RMB13.4 million) respectively.

#### ii. Inventory Turnover

As at 31 December 2022, the inventories have decreased by RMB1.29 billion compared to 31 December 2021. The inventory turnover days decreased to 109 days for the year ended 31 December 2022 from 133 days for 31 December 2021.

## **Investing Activities**

Net cash used in investing activities in 2022 amounted to RMB2,349.3 million (2021: RMB4,245.4 million). It mainly represents the cash used in capital expenditures ("CAPEX") of RMB1,768.0 million (2021: RMB3,738.1 million), placement of short-term fixed deposits of RMB341.3 million (2021: Nil) and acquisition of equity instruments at FVTOCI and financial assets at FVTPL of RMB273.4 million (2021: RMB580.3 million), offsetting by the cash inflow arising from the government grant of RMB172.4 million (2021: RMB307.1 million) as well as the withdrawal of time deposits of RMB2.2 million for 2022 (2021: RMB92.2 million).

CAPEX included acquisition of land use rights, additional production plant and property, and, latest automation machinery and equipment for modifications and upgrades as well as capacity expansion. For 2022 and 2021, total CAPEX incurred were RMB1,847.5 million and RMB3,548.2 million respectively. Investing activities are focused on sustained CAPEX programs in building technology platform per the Group's business progress to capture new market opportunities and support its long-term business strategies. CAPEX are funded by internal resources and bank loans, and are subject to annual CAPEX budgeting and approval by the Board.

## **Financing Activities**

The Group recorded net cash outflow from financing activities of approximately RMB1,438.7 million for 2022. Major outflows from repayment of bank loans of RMB3,021.2 million (2021: RMB6,767.3 million) and payment for repurchase of unsecured notes of RMB949.7 million, and major inflows was due to bank loans raised of RMB3,243.2 million (2021: RMB4,114.2 million), and issuance of unsecured notes of RMB4,163.4 million in 2021.

## **Cash and Cash Equivalents and Short Term Fixed Deposits**

As at 31 December 2022, the unencumbered cash and cash equivalents and short term fixed deposits of the Group amounted to RMB7,155.0 million (31 December 2021: RMB6,051.4 million), of which 55.7% (31 December 2021: 57.9%) was denominated in US dollar, 39.8% (31 December 2021: 36.1%) in RMB, 2.5% (31 December 2021: 1.3%) in Hong Kong dollar, 0.5% (31 December 2021: 1.4%) in Euros, 0.5% (31 December 2021: 1.1%) in Vietnamese Dong, 0.2% (31 December 2021: 1.0%) in Malaysian Ringgit, 0.2% (31 December 2021: 0.4%) in Japanese Yen, 0.2% (31 December 2021: 0.3%) in Singapore dollar, and 0.4% (31 December 2021: 0.5%) in other currencies.

## **Gearing Ratio and Indebtedness**

As at 31 December 2022, the Group's gearing ratio, defined as total loans and unsecured notes divided by total assets, was 23.9% (31 December 2021: 23.3%). Netting off cash and cash equivalents and short term fixed deposits, net gearing ratio was 6.2% (31 December 2021: 8.9%).

As at 31 December 2022, the unsecured notes of the Group were RMB6,087.8 million (31 December 2021: RMB6,573.2 million), the short-term bank loans and long-term bank loans of the Group amounted to RMB1,832.6 million (31 December 2021: RMB2,902.4 million) and RMB1,727.2 million (31 December 2021: RMB330.0 million) respectively.

## **Charges on Group Assets**

Apart from bank deposits amounting to RMB0.2 million that were pledged to secure credit facilities as at 31 December 2022 (31 December 2021: RMB2.2 million), no other Group assets were charged to any financial institutions.

## **OFF-BALANCE SHEET TRANSACTIONS**

As at 31 December 2022, the Group had not entered into any material off-balance sheet transactions.

## **KEY RISK FACTORS**

The Company has structured risk management and internal control systems for the management of strategic, market, operational, financial and compliance risks. In our pursuit of technology innovation, the Company is committed to building sustainable risk management and operational information systems. We have been focusing on systematic review and upgrading our risk and control measures in chosen business processes, benchmarking against international best practices. Such systems are designed to manage the risk of failure to achieve business objectives, and can provide reasonable assurance against material misstatement or loss. Certain key risk factors affecting the Group are outlined below. The list of these factors is non-exhaustive, and there may be other risks and uncertainties which are not known to the Group or which may be immaterial now but could become material in the future. Besides, this announcement does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

### **Risks Pertaining to the Smartphones Market**

A substantial part of the Group's revenue is derived from the smartphone sector of the consumer electronics market. There are uncertainties due to the potential slow-down in global economy and the ensuing dampened consumer sentiment and weaker demand. A decline in global economic conditions, in particular in China and other geographic regions, may affect our operating results and financial performance. To tackle this, the Company is continuously widening its product and technologies platforms to extend its reach to different end applications, so as to diversify the sources of revenue and profit to reduce its dependency on any single segment.

### **Reliance on a Number of Key Customers**

The Group's five largest customers, which accounted for 83.9% of the Group's total revenue for 2022, are all related to the consumer electronics industry, characterized by innovation-driven and user experience-oriented business growth. Loss of or changes in market position of any of these customers may materially and adversely affect the Group's business, financial condition and results of operations. Nevertheless, the Group has focused on technology innovation to continuously enhance user experience meeting customers' specification upgrade needs. We have also implemented standardized procedures for handling all forms of customer information to ensure it is not improperly or inadvertently disclosed to third parties. The Group has established strong relationships with these major customers; all of them have been our customers for over 11 years. The credit terms granted to them are in the range of 60- to 90-day periods and are generally in line with those granted to other customers.



### **Risks of Supply Chain and Production Disruption due to Unforeseeable Events**

The COVID-19 pandemic broke out globally in 2020. The ongoing of the pandemic in 2021 and 2022 has adversely impacted the global economy recovery. As the world gradually returns to normal after the pandemic, it is hopeful that the disruption of the pandemic to the Company's operation will gradually diminish.

Geopolitical events between different nations may impose unpredictable impacts to the global markets and the Company, such as disruption to the global supply of commodities including base metals and driving up the commodities' prices. The continuous increase in the prices of raw materials might lead to margin compression. Furthermore, geopolitical uncertainties may directly or indirectly impact the Group's customers, which in turn may disrupt supply chain and impact end-consumer demand.

In view of the uncertain market outlook, the Group will actively monitor the market and allocate resources flexibly to meet customers' changing demand. To mitigate the potential impacts from geopolitical events, the Group will actively manage the procurement channels, operation and production.

### **Operational and Obsolescence Risks**

The Group's operation is subject to a number of risk factors specific to designing and providing new technology solutions. Our business continues to focus on miniature components and develop new products and technologies platforms. In meeting future design specifications and production quality requirements, our successful track record would not guarantee continual success. Changes in technological design and performance specifications or other external factors may have various levels of negative impact on the results of operations. Additionally, production, data security and quality issues may happen despite internal systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation.

We believe that the Company has a seasoned process to ensure design specifications and quality requirements are met and possesses multiple overlapping core design and production competencies. This will put the Company in a strong competitive position in terms of design capacity and manufacturability, time-to-market delivery and continuous enhancement of user experience. Also, the Company continuously treats information security as a priority strategic topic, and has implemented a comprehensive range of measures to safeguard its data assets from breaches, leaks and hacks. In addition, the Company constantly reviews competition and market trends. The Company is committed to striving for innovation and maintaining a competitive position with a wide lead in knowledge. The Company has reinvested significant resources on research and development to build broad sustainable technology roadmaps and intellectual property portfolios.

The Company has put in place a quality management system. All products are subject to thorough and comprehensive testing to meet customers' requirements and international standards. The Company will continue to improve internal process capability, including live surveillance management of production stations and evaluation of "big data" systems in our operation, and set up a solid base for continual improvement in product reliability.

### **Liquidity and Interest Rate Risks**

The Group manages liquidity risk by maintaining an adequate level of cash and cash equivalents through continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group is exposed to interest rate risks on its bank loans for working capital and CAPEX that are associated with the expansion of the Group. The Group focuses on mitigating the liquidity and interest rate risks, with an appropriate mix of RMB/USD borrowings that are constantly reviewed and adjusted. The Group's USD deposits served as a natural hedge to the risk of interest rate volatilities to some extent. The Group also maintains an appropriate mix of fixed/floating rate debts, an even debt repayment profile and a diversified source of funding, including the issuance of long term five-year and ten-year unsecured notes.

The Group's financial assets include bank balances and cash, pledged bank deposits, trade and other receivables, amounts due from related companies, derivative financial instruments, financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, which represent the Group's maximum exposure to credit risk in relation to financial assets. The credit risk on liquidity is limited because the counterparties are established banks with good credit-ratings.

### **Foreign Exchange Risks**

Given our international operations and presence, the Group faces foreign exchange exposures including transaction and translation exposures, and is exposed to exchange rate risks that could impact financial reporting results. The Group's reporting currency is RMB and our sales to overseas customers are predominantly denominated in USD.

It is the Group's consistent policy to centralize foreign exchange management to monitor total foreign currency exposure, to net off affiliate positions, and, if necessary, to consolidate hedging transactions with banks. The cash inflow to the Group in denomination of the two currencies, namely RMB and USD, are mostly, over time, in balanced proportions. In addition, various bank facilities have been arranged in these two currencies, to meet our daily operating expenses and capital investment requirements. Hence, in our operating business model, the Group's revenue is mostly matched to the currencies of the outlay. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts.

### **Intensifying Global Trade Frictions**

Prolonged and intensified trade frictions might lead to a slowdown of the global consumer electronic market and a decline of the orders by the key customers of the Group, which could have a material adverse effect on the Group's business, results of operations and financial conditions. Furthermore, export controls and similar regulations may include restrictions and prohibitions on the sale or supply of certain products and on the transfer of parts, components, and related technical information and know-how to certain countries, regions, governments, persons and entities.

The Group believes that it is in compliance with applicable export control regulations, and as at the date of this announcement, the Group's results of operations have not been materially affected by expansion of export control regulations or the novel rules or measures adopted to counteract them. Nevertheless, depending on future developments in the global trade tensions, there is no assurance that such regulations, rules, or measures will not have an adverse impact on the Group's business and operations.



The Group has implemented the trade control compliance management system and has set up a trade compliance committee for overall management of the Group's trade compliance activities initiatives. A new Trade Compliance Department has also been established to coordinate with and support other departments on trade compliance matters. The Group's dedication to R&D to develop proprietary innovative technologies, and the Group's strategy in integrating R&D all over the world with our diversified manufacturing bases should help to continue to provide the best solutions to customers and mitigate some of the adverse business impact of the trade frictions.

## **PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS**

The performance and the results of operation of the Group as set out in this announcement are historical in nature and past performance is not a guarantee of future performance. This announcement may contain certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

## **FINANCIAL INFORMATION**

The financial information relating to the years ended 31 December 2022 and 2021 in this announcement does not constitute the Company's statutory consolidated financial statements for those years, but represents an extract from those consolidated financial statements. The final results of the Group for the year ended 31 December 2022 have been reviewed by the Audit and Risk Committee of the Company.

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") and will deliver the consolidated financial statements for the year ended 31 December 2022 in due course. The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under Sections 406(2), 407(2) or (3) of the Companies Ordinance.

### **Scope of Work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<i>NOTES</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
Revenue	3	<b>20,625,092</b>	17,666,967
Cost of goods sold		<b><u>(16,850,062)</u></b>	<u>(13,302,032)</u>
Gross profit		<b>3,775,030</b>	4,364,935
Other income, gains and losses, and other expenses	5	<b>525,060</b>	345,440
Share of results of an associate		<b>(1,170)</b>	(926)
Distribution and selling expenses		<b>(447,731)</b>	(332,505)
Administrative expenses		<b>(1,035,565)</b>	(823,555)
Research and development costs		<b>(1,546,338)</b>	(1,726,217)
Exchange (loss) gain		<b>(5,523)</b>	1,169
Finance costs	4	<b><u>(403,084)</u></b>	<u>(415,465)</u>
Profit before taxation	6	<b>860,679</b>	1,412,876
Taxation	7	<b><u>(231,496)</u></b>	<u>(119,767)</u>
Profit for the year		<b><u>629,183</u></b>	<u>1,293,109</u>
Loss for the year attributable to non-controlling interests		<b><u>192,122</u></b>	<u>23,170</u>
Profit for the year attributable to owners of the Company		<b><u>821,305</u></b>	<u>1,316,279</u>
Earnings per share			
- Basic	9	<b><u>RMB0.69</u></b>	<u>RMB1.09</u>
- Diluted	9	<b><u>RMB0.66</u></b>	<u>RMB1.09</u>

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Profit for the year		629,183	1,293,109
Other comprehensive (expense) income:			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Fair value changes on equity instruments at fair value through other comprehensive income ("FVTOCI")		(573,169)	(19,334)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Fair value changes on derivative financial instruments		3,705	(17,278)
(Gain) loss reclassified to profit or loss on hedged items		(21,324)	37,872
Exchange differences arising on translation of foreign operations		(312,930)	(60,108)
Total comprehensive (expense) income for the year		<u>(274,535)</u>	<u>1,234,261</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(78,332)	1,261,131
Non-controlling interests		(196,203)	(26,870)
		<u>(274,535)</u>	<u>1,234,261</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2022**

	<i>NOTES</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	10	<b>19,301,682</b>	19,987,447
Right-of-use assets	11	<b>1,959,117</b>	2,033,673
Goodwill		<b>275,365</b>	220,346
Deposits made for acquisition of property, plant and equipment		<b>231,906</b>	317,127
Investment properties	12	<b>10,078</b>	11,272
Interest in an associate		<b>3,299</b>	4,464
Equity instruments at FVTOCI	13	<b>467,057</b>	847,953
Financial assets at fair value through profit and loss ("FVTPL")	14	<b>186,303</b>	50,349
Intangible assets		<b>563,954</b>	383,758
Deferred tax assets	23	<b>228,401</b>	211,045
		<b>23,227,162</b>	24,067,434
Current assets			
Inventories		<b>4,401,418</b>	5,695,245
Trade and other receivables	16	<b>5,531,160</b>	6,012,727
Escrow deposit for acquisition of a subsidiary	25	-	169,443
Amounts due from related companies		<b>8,259</b>	5,601
Taxation recoverable		<b>20,069</b>	18,027
Pledged bank deposits		<b>200</b>	2,219
Short term fixed deposits		<b>341,265</b>	-
Cash and cash equivalents		<b>6,813,725</b>	6,051,372
		<b>17,116,096</b>	17,954,634
Current liabilities			
Trade and other payables	17	<b>4,958,743</b>	6,147,520
Contract liabilities	17	<b>30,435</b>	22,324
Amounts due to related companies		<b>23,182</b>	33,577
Taxation payable		<b>117,762</b>	164,932
Bank loans	19	<b>1,832,603</b>	2,902,389
Government grants	22	<b>138,007</b>	141,266
Lease liabilities	18	<b>292,087</b>	242,035
Derivative financial instruments	15	<b>8,326</b>	13,589
Contingent settlement provision	21	<b>1,653,461</b>	-
		<b>9,054,606</b>	9,667,632
Net current assets		<b>8,061,490</b>	8,287,002
Total assets less current liabilities		<b>31,288,652</b>	32,354,436

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2022**

	<i>NOTES</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
Non-current liabilities			
Bank loans	19	<b>1,727,200</b>	330,000
Unsecured notes	20	<b>6,087,845</b>	6,573,182
Contingent settlement provision	21	-	1,738,830
Government grants	22	<b>640,368</b>	700,251
Lease liabilities	18	<b>485,095</b>	452,435
Deferred tax liabilities	23	<b>42,847</b>	40,735
Derivative financial instruments	15	<b>7,706</b>	17,003
Other payables	17	<b>101,976</b>	-
		<b>9,093,037</b>	9,852,436
Net assets		<b>22,195,615</b>	<b>22,502,000</b>
Capital and reserves			
Share capital	24	<b>97,708</b>	98,135
Reserves		<b>21,558,537</b>	21,712,531
Equity attributable to owners of the Company		<b>21,656,245</b>	21,810,666
Non-controlling interests		<b>539,370</b>	691,334
Total equity		<b>22,195,615</b>	<b>22,502,000</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 1. GENERAL

AAC Technologies Holdings Inc. ("**the Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

### 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("**IFRSs**")

#### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 - 2020

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

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

### Amendments to IFRSs that are mandatorily effective for the current year - continued

#### **2.1 *Impacts on application of Amendments to IFRS 3 "Reference to the Conceptual Framework"***

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 "Business Combinations" so that it refers to the "Conceptual Framework for Financial Reporting" issued by International Accounting Standards Board in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting" issued in September 2010), add a requirement that, for transactions and events within the scope of International Accounting Standard 37 ("**IAS 37**") "Provisions, Contingent Liabilities and Contingent Assets" or IFRIC Interpretation 21 ("**IFRIC 21**") "Levies", an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

#### **2.2 *Impacts on application of Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"***

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 "Inventories".

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

Amendments to IFRSs that are mandatorily effective for the current year - continued

### 2.3 *Impacts on application of Amendments to IFRSs "Annual Improvements to IFRSs 2018 - 2020"*

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standard that is relevant to the Group:

#### *IFRS 9 "Financial Instruments"*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

### New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or 1 January 2024.

Except for the amendments to IFRSs mentioned below, the Directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and amendments to IFRSs in issue but not yet effective - continued

### **Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"(the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with covenants (the "2022 Amendments")**

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 "Financial Instruments: Presentation".
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the 2020 Amendments and the 2022 Amendments will not result in reclassification of the Group's liabilities.

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

### New and amendments to IFRSs in issue but not yet effective - continued

#### **Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Disclosure of Accounting Policies"**

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

#### **Amendments to IAS 8 "Definition of Accounting Estimates"**

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

## **2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued**

New and amendments to IFRSs in issue but not yet effective - continued

### **Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"**

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

The amendments are effective for the Group's annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB539,632,000 and RMB645,910,000 respectively. Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities. The Group is still in the process of assessing the full impact of the application of the amendments.

## **3. REVENUE AND SEGMENT INFORMATION**

Operating and reportable segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's key operating decision makers in order to allocate resources to the segment and to assess its performance.

Information reported to the key operating decision makers for the purposes of resource allocation and assessment of performances focuses specifically on the type of products sold. This is also the basis upon which the Group is organised and managed.

The Group's operating and reportable segments under IFRS 8 are acoustics product, electromagnetic drives and precision mechanics, optics products, sensor and semiconductor products and other products, which represent the major types of products manufactured and sold by the Group. Revenues from these products is recognised at the point in time when controls of the products had transferred.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

All sales contracts terms and the performance obligations of goods and services provided by the Group are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### 3. REVENUE AND SEGMENT INFORMATION - continued

Information regarding these segments is presented below.

An analysis of the Group's revenue and results by operating and reportable segments is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<u>Operating and reportable segments</u>		
Segment revenue - recognised at a point in time		
Acoustics products	8,848,150	8,582,092
Electromagnetic drives and precision mechanics	7,276,206	5,638,782
Optics products	3,217,294	2,389,371
Sensor and semiconductor products	1,256,404	1,013,350
Other products	27,038	43,372
Revenue	<u>20,625,092</u>	<u>17,666,967</u>
Segment results		
Acoustics products	2,489,983	2,545,593
Electromagnetic drives and precision mechanics	1,549,437	1,220,778
Optics products	(416,721)	411,521
Sensor and semiconductor products	146,106	153,489
Other products	6,225	33,554
Total profit for operating and reportable segments	3,775,030	4,364,935
Unallocated amounts:		
Interest income	53,858	48,611
Other income, gains and losses, and other expense (excluding interest income)	471,202	296,829
Share of results of an associate	(1,170)	(926)
Distribution and selling expenses	(447,731)	(332,505)
Administrative expenses	(1,035,565)	(823,555)
Research and development costs	(1,546,338)	(1,726,217)
Exchange (loss) gain	(5,523)	1,169
Finance costs	(403,084)	(415,465)
Profit before taxation	<u>860,679</u>	<u>1,412,876</u>

Segment results represent the profit (loss) earned by each segment without allocation of interest income, other income, gains and losses, and other expenses (excluding interest income), share of results of an associate, distribution and selling expenses, administration expenses, research and development costs, exchange (loss) gain and finance costs. This is the measure reported to the key operating decision makers for the purpose of resource allocation and performance assessment.

The key operating decision makers make decisions according to operating results of each segments. The Group analysed its assets and liabilities and other financial information at group level. Therefore, only segment revenue and segments results are presented. Amortisation and depreciation charges related to assets employed by different segments are presented to the key operating decision makers for review.

### 3. REVENUE AND SEGMENT INFORMATION - continued

Details included in measure of segment results are as follows:

	<b>Amortisation and Depreciation</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Acoustics products	<b>1,184,138</b>	1,120,282
Electromagnetic drives and precision mechanics	<b>644,951</b>	562,759
Optics products	<b>528,713</b>	453,397
Sensor and semiconductor products	<b>56,140</b>	57,225
Other products	<b>10,877</b>	3,046
	<hr/>	<hr/>
Amounts included in cost of inventories	<b>2,424,819</b>	2,196,709
Unallocated portion	<b>562,180</b>	505,452
	<hr/>	<hr/>
	<b><u>2,986,999</u></b>	<b><u>2,702,161</u></b>

Majority of the Group's non-current assets were located in the PRC, the place of domicile of the relevant group entities that hold those assets. There were no non-current assets excluded financial instruments in foreign countries that exceeds 10% of the Group's total non-current assets.

The Group's revenue from external customers analysed by location of end customers are detailed below:

	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Greater China* (country of domicile)	<b>8,696,523</b>	8,442,782
Other foreign countries:		
Other Asian countries	<b>1,437,549</b>	968,790
America	<b>10,489,800</b>	8,253,237
Europe	<b>1,220</b>	2,158
	<hr/>	<hr/>
	<b><u>20,625,092</u></b>	<b><u>17,666,967</u></b>

\* Greater China comprises the Mainland China, Hong Kong Special Administrative Region and Taiwan. Majority of the revenue from Greater China were derived from the Mainland China.

The geographical information of the Group's revenue from external end customer by individual countries in America, Europe and other Asian countries are not disclosed. In the opinion of management, such disclosure is harmful to the Group's business.

During the year, the aggregate amount of revenue derived from the Group's top customers which individually has contributed to over 10% of the Group's revenue and included in all of the Group's segments, amounted to RMB14,657,229,000 (2021: RMB13,056,212,000). The total amount of revenue by each customer and number of customers are not disclosed, as in the opinion of the management such disclosure is harmful to the Group's business.

#### 4. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans	80,072	145,060
Interest on unsecured notes	236,876	178,278
Interest on lease liabilities	25,289	46,016
Interest on contingent settlement provision	62,620	66,945
	<u>404,857</u>	436,299
Less:		
Finance costs capitalised in qualifying assets	<u>(1,773)</u>	<u>(20,834)</u>
	<u><u>403,084</u></u>	<u><u>415,465</u></u>

#### 5. OTHER INCOME, GAINS AND LOSSES, AND OTHER EXPENSES

Other income, gains and losses, and other expenses mainly comprise of:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>(A) Other income</b>		
Government grants (Note a)	385,264	252,153
Interest income	53,858	48,611
Rental income	9,525	12,951
<b>(B) Gains and losses</b>		
Gain on repurchase of unsecured notes (note 20)	168,793	-
Loss on disposal/write-off of property, plant and equipment	(14,353)	(45,546)
Gain (loss) from changes in fair value of derivative financial instruments	5,308	(5,155)
Gain on termination of leases	429	1,789
Gain on derecognition of right-of-use assets	2,836	-
<b>(C) Other expenses</b>		
Restructuring costs (Note b)	<u><u>(125,222)</u></u>	<u><u>-</u></u>

Notes:

- (a) Included in the amount is RMB235,550,000 (2021: RMB152,601,000) representing the amortisation of government grants as detailed in note 22. In addition, during the current year, the Group recognised government grants of RMB1,842,000 (2021: RMB2,434,000) in respect of Covid-19-related subsidies. The remaining amount mainly represents the incentives granted by the PRC local authorities to the Group for engaging in High Technology business, employment of expatriates and technologically advanced staff. All the grants were approved and received during the year of recognition.

## 5. OTHER INCOME, GAINS AND LOSSES, AND OTHER EXPENSES - continued

- (b) During the year ended 31 December 2022, the Group launched the restructuring plan in 2022 to enhance cost efficiency. Accordingly, loss on disposal/write-off of property, plant and equipment of RMB61,573,000 and redundancy cost of RMB63,649,000 are recognised in profit or loss and recorded under "Other income, gains and losses, and other expenses".

## 6. PROFIT BEFORE TAXATION

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	15,790	14,543
Other staff's retirement benefits scheme contributions	624,047	518,746
Other staff costs	4,485,645	4,460,187
Total staff costs*	5,125,482	4,993,476
Depreciation of property, plant and equipment	2,690,348	2,499,122
Depreciation of right-of-use assets	212,896	197,649
Total depreciation*	2,903,244	2,696,771
Depreciation of right-of-use assets capitalised in qualifying assets	(28,860)	(40,442)
	2,874,384	2,656,329
Allowance for inventories, included in cost of goods sold	273,910	102,791
Amortisation of intangible assets	111,421	44,638
Auditor's remuneration	3,831	3,494
Cost of inventories recognised as expense	16,576,152	13,199,241
Cost of raw materials included in research and development costs	180,246	226,971
Depreciation of investment property	1,194	1,194
(Reversal of) allowance of impairment loss on trade receivables	(1,989)	4,078
Short-term and low value asset leases expense	41,293	33,004

\* Staff costs of RMB958,359,000 (2021: RMB976,247,000) and depreciation of RMB249,022,000 (2021: RMB267,545,000) had been included in research and development costs.

## 7. TAXATION

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The current tax charge (credit) comprises:		
PRC Enterprise Income Tax	206,117	162,935
Other jurisdictions	62,858	53,530
PRC and overseas withholding tax	151	164
(Over) under provision of taxation in prior years	<u>(21,747)</u>	<u>25,552</u>
	247,379	242,181
Deferred tax (see note 23)	<u>(15,883)</u>	<u>(122,414)</u>
	<u><b>231,496</b></u>	<u><b>119,767</b></u>

Under the law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, for both years, unless the group entities entitle to other preferential tax treatment granted by the relevant PRC tax authority.

The PRC dividend withholding tax is calculated at the applicable rate in accordance with the relevant laws and regulations in the PRC.

According to a joint circular of Ministry of Finance and the State Taxation Administration of the PRC, Cai Shui [2008] No. 1, the accumulated undistributed profits earned by foreign invested enterprise prior to 1 January 2008 can be exempted from EIT when they are distributed to foreign investor after 2008. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to EIT at 10% and withheld by the PRC subsidiary, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Regulation. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to the Taxes on Income, the withholding tax rate on dividend paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise and it is considered as the beneficial owner of the dividend, and remains at 10% otherwise.

In addition, certain PRC subsidiaries were officially endorsed as High and New Technology Enterprises ("HNTE") till the date ranging from 2023 to 2024 (2021: 2022 to 2023). Pursuant to the EIT Law, those PRC subsidiaries endorsed as HNTE shall be entitled to a preferential tax rate of 15% till the expiry of the HNTE status for the respective PRC subsidiaries.

Pursuant to relevant laws and regulations in Singapore, one of the Group's subsidiaries is entitled to a concessionary tax rate under Development and Expansion Incentive program which is granted based on the fulfilment of carrying out qualifying business activities. This incentive program is effective from 1 January 2019 for 10-year period.

Pursuant to the relevant laws and regulation in Vietnam, one of the Group's subsidiaries is entitled to concessionary tax rate which is granted based on the fulfilment of carrying qualifying business activities. This tax holiday for the Vietnamese subsidiary will expire in 2027.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.



## 7. TAXATION - continued

The charge for the year can be reconciled to the profit before taxation as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before taxation	<u>860,679</u>	<u>1,412,876</u>
Tax at the applicable income tax rate (Note a)	215,170	353,219
Tax effect of income not taxable for tax purpose	(76,212)	(47,241)
Tax effect of expenses not deductible for tax purpose	108,574	75,368
Tax effect of tax holiday and concession	(136,089)	(181,292)
Tax effect of tax losses not recognised	369,845	152,895
Tax effect on temporary differences for which no deferred income tax assets were recognised	1,690	23,107
Recognition of deductible temporary differences previously not recognised	(43,332)	(73,027)
Utilisation/recognition of tax losses previously not recognised	(17,087)	(67,330)
Effect of super deduction for research and development cost (Note b)	(129,090)	(98,417)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(44,857)	(36,867)
(Over) under provision in prior years	(21,747)	25,552
PRC and overseas withholding tax	151	(4,174)
Others	<u>4,480</u>	<u>(2,026)</u>
Tax charge for the year	<u>231,496</u>	<u>119,767</u>

Notes:

- (a) The PRC EIT rate of 25% (2021: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.
- (b) In March 2021, the Ministry of Finance and the State Administration of Taxation released No. 13 announcement of 2021 named "Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses", according to which certain PRC subsidiaries engaged in manufacturing industry are entitled to an additional 100% tax deduction on eligible research and development expenses incurred by them for both years ended 31 December 2021 and 2022.

## 8. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2021 final dividend of HK\$ nil (2020: HK\$0.20) per ordinary share	-	201,892
2022 interim dividend of HK\$ nil (2021: HK\$0.20) per ordinary share	<u>-</u>	<u>201,360</u>
	<u>-</u>	<u>403,252</u>

## **8. DIVIDENDS - continued**

Subsequent to the end of the reporting period, a final dividend of HK\$0.12 (2021: Nil) per share has been proposed by the Directors and is subject to approval by the Shareholders in the forthcoming annual general meeting.

## **9. EARNINGS PER SHARE**

The calculation of the basic earnings per share for the year ended 31 December 2022 is based on the profit for the year attributable to owners of the Company of RMB821,305,000 (2021: RMB1,316,279,000) and on the weighted average number of 1,198,193,000 (2021: 1,206,381,000) shares in issue after taken into account the effect of shares repurchased and the shares held by the trustee (as disclosed in note 26) during the year.

The calculation of diluted earnings per share for the year ended 31 December 2022 is based on the profit for the year attributable to the owners of the Company for diluted earnings per share of RMB790,648,000 (resulting from the profit for the year attributable to owners of Company of RMB821,305,000 for the purpose of calculating basic earnings per share and reduced by the adjustment to the share of loss of subsidiaries based on dilution of their loss per share arising from the effect of contingent settlement provision of RMB30,657,000), and the weighted average number of shares for diluted earnings per share of 1,201,305,000 shares (resulting from the weighted average number of 1,198,193,000 shares and added the effect of dilutive potential shares arising from the Scheme (as defined in note 26) of 3,112,000 shares). The computation of diluted earnings per share for the year ended 31 December 2022 did not consider the effect arising from the unvested restricted shares granted by a subsidiary as set out in note 26 as the exercise would result in an increase in earnings per share.

For the year ended 31 December 2021, the computation of diluted earnings per share did not assume the unvested restricted shares granted by a subsidiary and the contingent settlement provision as the Directors consider the effect was insignificant or antidilution.

## **10. PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group acquired property, plant and equipment of RMB1,948,180,000 (2021: RMB3,817,218,000). Part of the consideration of RMB317,127,000 (2021: RMB576,467,000) was paid up in advance in prior year.

Also, during the year, the Group disposed/write-off of certain property, plant and equipment with an aggregate carrying amount of RMB81,751,000 (2021: RMB71,469,000) for proceeds of RMB5,825,000 (2021: RMB25,923,000) and resulting in a loss on disposal of RMB75,926,000 (2021: RMB45,546,000).

Majority of the Group's buildings are situated in the PRC on land, as included in right-of-use assets, which is held under medium-term land use rights.

### ***Impairment assessment***

Due to the loss from the optics products segment in the current year, the management of the Group conducted impairment assessment on certain property, plant and equipment and right-of-use assets and intangible assets with finite useful lives with carrying amounts of RMB5,824,319,000, RMB383,727,000 and RMB103,487,000 respectively related to the optics products segment. The Group estimates the recoverable amounts of the cash-generating units of optics product segment to which the assets belongs when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

# 10. PROPERTY, PLANT AND EQUIPMENT - continued

## *Impairment assessment - continued*

The recoverable amount of cash-generated unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 11.7% as at 31 December 2022. The cash flows beyond 5-year period are extrapolated using 3% growth rate for the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development.

Based on the result of the assessment, management of the Group determined that the carrying amount of the relevant assets does not exceed the recoverable amount based on the value in use and no impairment loss has been recognised for the year ended 31 December 2022 (2021: Nil).

# 11. RIGHT-OF-USE ASSETS

	Leasehold land <i>RMB'000</i>	Buildings <i>RMB'000</i>	Machineries <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2022</b>				
Carrying amount	<u>1,337,031</u>	<u>622,086</u>	<u>-</u>	<u>1,959,117</u>
<b>As at 31 December 2021</b>				
Carrying amount	<u>1,380,374</u>	<u>580,577</u>	<u>72,722</u>	<u>2,033,673</u>
<b>For the year ended 31 December 2022</b>				
Depreciation charge	41,239	165,792	5,865	212,896
Capitalised in construction in progress	<u>(25,128)</u>	<u>(3,732)</u>	<u>-</u>	<u>(28,860)</u>
	<u>16,111</u>	<u>162,060</u>	<u>5,865</u>	<u>184,036</u>
<b>For the year ended 31 December 2021</b>				
Depreciation charge	40,045	149,412	8,192	197,649
Capitalised in construction in progress	<u>(30,489)</u>	<u>(9,953)</u>	<u>-</u>	<u>(40,442)</u>
	<u>9,556</u>	<u>139,459</u>	<u>8,192</u>	<u>157,207</u>
			<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Expense relating to short-term leases			<b>40,588</b>	32,263
Expense relating to leases of low-value assets, excluding short-term leases of low value assets			<b>705</b>	741
Total cash outflow for leases			<b>198,318</b>	508,414
Acquisition of a subsidiary			<b>56</b>	25,792
Additions to right-of-use assets			<u><b>219,148</b></u>	<u>394,032</u>

## **11. RIGHT-OF-USE ASSETS - continued**

For both years, the Group leases various leasehold land, buildings and machineries for its operations. Lease contracts are entered into for fixed term of 1 year to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

As at 31 December 2022, the Group has obtained the land use right certificates for all leasehold lands. As at December 2021, the Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with a carrying amount of RMB730,150,000 in which the Group is in the process of obtaining. The land was acquired in 2020 in which the balance payment of the acquisition amounting to RMB373,000,000 was paid in 2021 and the Group has obtained the land use right certificate in 2022.

The Group regularly entered into short-term leases for certain building premises and machineries, etc. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

During the year, the Group entered into new lease agreements for the use of leasehold land, buildings and machineries from 2 years to 50 years (2021: 13 months to 50 years). On the lease commencement, the Group recognised right-of-use asset of RMB209,469,000 and lease liabilities of RMB208,901,000 (2021: right-of-use assets of RMB371,263,000 and lease liabilities of RMB370,755,000). Except for the payment made on the acquisition of leasehold land of RMB9,679,000 (2021: RMB395,767,000), the recognition of the remaining newly added right-of-use assets constitutes non-cash transactions.

During the year ended 31 December 2022, the Group returned the leasehold land with the carrying amount of RMB20,926,000 to the government at a consideration of RMB23,762,000, and a gain on derecognition of right-of-use assets of RMB2,836,000 is recognised in profit or loss (2021: Nil). In addition, during the year ended 31 December 2022, the Group early terminated certain leases which constitutes lease modification. As a result, the Group has derecognised right-of-use assets of RMB8,815,000 (2021: RMB75,709,000) and lease liabilities of RMB9,244,000 (2021: RMB77,498,000), and a gain of lease termination of RMB429,000 (2021: RMB1,789,000) is recognised in profit or loss.

During the year ended 31 December 2022, the Group has obtained the ownership of the leased machineries and the carrying amount of RMB66,857,000 is transferred to property, plant and equipment (2021: Nil).

## 11. RIGHT-OF-USE ASSETS - continued

### Restrictions or covenants on leases

As at 31 December 2022, lease liabilities of RMB744,017,000 are recognised with related right-of-use assets of RMB622,086,000 (2021: lease liabilities of RMB694,470,000 are recognised with related right-of-use assets of RMB653,299,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## 12. INVESTMENT PROPERTIES

*RMB'000*

### CARRYING VALUES

At 1 January 2021	12,466
Depreciation during the year	(1,194)
At 31 December 2021	11,272
Depreciation during the year	(1,194)
At 31 December 2022	<u>10,078</u>

## 13. EQUITY INSTRUMENTS AT FVTOCI

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Unlisted shares	424,798	800,553
Listed shares	<u>42,259</u>	<u>47,400</u>
	<u>467,057</u>	<u>847,953</u>

These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

### *Unlisted shares*

The unlisted equity investments represent the Group's equity interest in private entities. The equity instruments comprise of equity interests in companies which engaged in (i) producing semiconductor components in integrated circuits and development of intellectual properties, (ii) research, development and manufacturing of sensor and semiconductor business, (iii) producing high technology products, (iv) solid state Light Detection And Ranging ("LiDAR") sensor for automotive series use, and (v) research, development, manufacturing and marketing of electronic equipment in the field of high-end audio.

During the year ended 31 December 2022, the Group acquired certain equity interests in several private entities engaged in (i) producing of semiconductor components in integrated circuits at the aggregate consideration of RMB38,500,000 and (ii) research, development, manufacturing and marketing of electronic equipment in the field of high-end audio at a consideration of Euro15,000,000 (equivalent to RMB103,452,000).

### 13. EQUITY INSTRUMENTS AT FVTOCI - continued

During the year ended 31 December 2021, the Group acquired certain equity interests in private entities, mainly comprising the investment in a Germany based company which engaged in solid state LiDAR sensor for automotive series use at a consideration of Euro59,992,000 (equivalent to RMB473,821,000).

#### *Listed shares*

The amount represents the Group's investment in a company listed in Japan. As at 31 December 2022, the fair value of the investment determined by reference to the quoted market bid prices available was RMB42,259,000 (2021: RMB47,400,000).

### 14. FINANCIAL ASSET AT FVTPL

	2022 RMB'000	2021 RMB'000
Convertible loans	39,012	-
Unlisted shares	147,291	50,349
	<u>186,303</u>	<u>50,349</u>

The financial assets at FVTPL represent the Group's investment in (i) a private equity fund primarily investing in industry-leading technology companies, mainly in Germany, German speaking countries and regions, the Nordic countries and the Greater China, as well as other technologically-advanced regions with strong growth potential ("**Fund A**"), (ii) a private equity fund primarily investing in private entities in sensor and semiconductor business ("**Fund B**"), (iii) a preferred shares investment in a private entity in sensor and semiconductor business, and (iv) a private entity in augmented reality displays manufacturing business.

During the year ended 31 December 2022, the Group (i) made contribution of United States dollars("US\$")12,454,000 (equivalent to approximately RMB85,980,000) to Fund A, including the addition of US\$419,000 (equivalent to approximately RMB2,674,000) that was called upon by the fund before the year ended 31 December 2021, (ii) subscribed a convertible loan amounted to Euro5,000,000 (equivalent to approximately RMB37,594,000) issued by a private entity in Finland, and (iii) entered into a subscription agreement with Fund B pursuant to which the Group agreed to make a capital commitment of GBP5,000,000 to Fund B and the Group made payment of GBP938,000 (equivalent to approximately RMB7,916,000). As the convertible loan contains derivative feature for the holder to convert the outstanding amount into equity interest of the issuer, it is accounted for as financial assets at FVTPL.

During the year ended 31 December 2021, the Group entered into a subscription agreement with Fund A pursuant to which the Group agreed to make a capital commitment of US\$60,000,000 to Fund A and the Group made payment of US\$2,478,000 (equivalent to approximately RMB16,020,000) and an addition of US\$419,000 (equivalent to approximately RMB2,674,000) was called upon by the fund before the year ended 31 December 2021 and included in other payables. In addition, the Group made a preferred shares investment of US\$5,000,000 (equivalent to approximately RMB31,879,000) in a private entity which engaged in sensor and semiconductor business.

The above investments are classified as financial assets at FVTPL and presented under non-current assets as they are not held for trading, instead, they are held for long-term strategic purpose. As at 31 December 2022, no significant change in fair value of the financial assets at FVTPL was recognised (2021: Nil).

## 15. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Derivatives financial liabilities</b>				
Interest rate swap contracts	-	5,014	-	-
Cross currency swap contract	8,326	8,575	7,706	17,003
	<b>8,326</b>	<b>13,589</b>	<b>7,706</b>	<b>17,003</b>

The Group entered into the interest rate swap contracts with commercial banks to minimise its exposure to cash flow changes of its floating-rate US\$ denominated bank loans by swapping floating interest rates to fixed interest rates. The terms of this contract were negotiated to match with those of the hedged bank loans with the same notional amount as the principal amount of bank loans, and the management considers that the interest rate swap contracts are highly effective hedging instruments and have designated them as cash flow hedging instruments for hedge accounting purposes. During the year ended 31 December 2021, the Group repaid the floating-rate US-denominated bank loans. As a result, the hedge accounting was discontinued and the accumulated hedging reserve of RMB23,661,000 was released to profit or loss. During the year ended 31 December 2022, gain on fair value change of interest rate swap contracts of RMB5,308,000 was recognised in "other income, gains and losses, and other expenses" line item in profit or loss.

The Group entered into a cross currency swap contract with total notional amount of US\$50,000,000 (2021: US\$50,000,000) with a commercial bank to minimise the exposure to fluctuations in foreign currency exchange rates of US\$ denominated unsecured notes, with details set out in note 20. The critical terms of the cross currency swap contract and the corresponding US\$ denominated unsecured notes were closely aligned and the management considers that the cross currency swap contract is highly effective hedging instrument and qualified as cash flow hedge. Fair value change on this hedging instrument in cash flow hedge of loss of RMB17,619,000 for the year ended 31 December 2022 (2021: loss of RMB3,067,000) has been recognised in other comprehensive income and accumulated in the hedging reserve. Gain of RMB21,324,000 (2021: loss of RMB14,211,000) on cash flow hedge was reclassified to profit or loss and included in "other income, gains and losses, and other expenses".

The major terms of the outstanding derivative contracts under cash-flow hedges at the end of reporting period are as follows:

<u>Notional amount</u>	<u>Range of maturity</u>	<u>Forward contract rate</u>	<u>Interest rate</u>		<u>Exchange frequency</u>	
			<u>Receive</u>	<u>Pay</u>	<u>Receive</u>	<u>Pay</u>
<b>At 31 December 2022</b>						
<u>Cross currency swap contract</u>						
US\$50,000,000	27 November 2024	US\$1 to RMB6.7345	3.00%	5.38%	Semi-annually	Semi-annually
<b>At 31 December 2021</b>						
<u>Cross currency swap contract</u>						
US\$50,000,000	27 November 2024	US\$1 to RMB6.7345	3.00%	5.38%	Semi-annually	Semi-annually

The above derivatives are measured at fair value. The classification of the measurement of the above derivatives at 31 December 2022 and 2021 is Level 2 under the fair value hierarchy (details set out in note 28).

## 15. DERIVATIVE FINANCIAL INSTRUMENTS - continued

### Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The Group has entered interest rate swaps contracts and cross currency swap contract that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right to set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. No further disclosure is provided as the amounts involved in master netting arrangements are not significant.

## 16. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	4,089,490	4,062,457
Bank acceptance and commercial bills	189,168	434,863
	<b>4,278,658</b>	4,497,320
Prepayments	314,409	373,853
Value-added tax recoverable	666,099	836,684
Other receivables	263,471	292,900
Loan and interest receivables*	8,523	11,970
	<b>5,531,160</b>	<b>6,012,727</b>

\* Loans of RMB8,359,000 (2021: RMB11,609,000) made to certain suppliers of the Group, which are unsecured, and carry interest rates at 1% to 4.35% (2021: 4.35%) per annum. The amounts are repayable in 1 year.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB3,519,570,000.

The following is an analysis of trade receivables and bank acceptance and commercial bills net of allowance for credit losses presented based on the invoice dates or notes issued dates at the end of the reporting period, which approximate the respective revenue recognition dates.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Age		
0 - 90 days	4,098,361	4,133,170
91 - 180 days	169,795	293,704
Over 180 days	10,502	70,446
	<b>4,278,658</b>	<b>4,497,320</b>

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 days to 120 days of issuance. The Group accepts bank acceptance and commercial bills with maturities ranging from 30 to 180 days at the end of the credit terms in lieu of immediate cash payment.



## 16. TRADE AND OTHER RECEIVABLES - continued

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB191,749,000 (2021: RMB170,160,000) which are past due as at the reporting date. Included in the past due balances, RMB11,126,000 has been past due 90 days or more (2021: RMB34,062,000).

The Group's trade receivables and bank acceptance and commercial bills which are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
US\$	<b><u>195,325</u></b>	<b><u>154,662</u></b>

## 17. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

### Trade and other payables

	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
Trade payables	<b>2,131,255</b>	2,626,140
Notes payables - guaranteed	<b><u>1,111,657</u></b>	<b><u>1,637,537</u></b>
	<b>3,242,912</b>	4,263,677
Payroll and welfare payables	<b>444,049</b>	476,776
Payables for acquisition of property, plant and equipment	<b>673,133</b>	599,105
Other payables and accruals	<b>613,509</b>	545,434
Payable for acquisition of a subsidiary	<b>-</b>	169,605
Payables related to Restricted Shares (as defined in note 26) granted to employees	<b><u>87,116</u></b>	<b><u>92,923</u></b>
	<b>5,060,719</b>	6,147,520
Less: Trade and other payables for settlement after 12 months shown under non-current liabilities	<b><u>(101,976)</u></b>	<b><u>-</u></b>
	<b><u><u>4,958,743</u></u></b>	<b><u><u>6,147,520</u></u></b>

Other payables are unsecured, interest-free and have no fixed repayment terms.

An aged analysis of trade and notes payables, presented based on the invoice date or the note issued date, is as follows:

	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
Age		
0 - 90 days	<b>2,576,830</b>	3,300,438
91 - 180 days	<b>654,872</b>	949,924
Over 180 days	<b><u>11,210</u></b>	<b><u>13,315</u></b>
	<b><u><u>3,242,912</u></u></b>	<b><u><u>4,263,677</u></u></b>

## 17. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES - continued

### Trade and other payables – continued

The Group's trade and notes payables which are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
US\$	645,563	686,669
Japanese Yen	3,037	15,210
Euro	<u>19,938</u>	<u>21,546</u>

### Contract liabilities

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract liabilities on sales of miniaturised components	<u>30,435</u>	<u>22,324</u>

As at 1 January 2021, contract liabilities amounted to RMB14,734,000. The contract liabilities at the beginning of the year are recognised as revenue during the year.

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. For a small number of the Group's customers, the Group receives a deposit ranging from 30% to 100% on acceptance of manufacturing orders.

## 18. LEASE LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Lease liabilities payable:</b>		
Within one year	292,087	242,035
Within a period of more than one year but not more than two years	123,251	149,531
Within a period of more than two years but not more than five years	191,280	143,555
Within a period of more than five years	<u>170,564</u>	<u>159,349</u>
	777,182	694,470
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(292,087)</u>	<u>(242,035)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>485,095</u>	<u>452,435</u>

The lease agreements did not contain any contingent rent for lessee.

No extension options are included in all lease agreements entered by the Group. The weighted average incremental borrowing rates applied to lease liabilities is 4.26% (2021: 4.56%). These lease liabilities were measured at the present value of the lease payments that are not yet paid.

## 18. LEASE LIABILITIES - continued

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>EURO</b> <i>RMB'000</i>	<b>Singapore Dollar ("SGD")</b> <i>RMB'000</i>	<b>US\$</b> <i>RMB'000</i>
As at 31 December 2022	98,922	22	-
As at 31 December 2021	<u>101,279</u>	<u>252</u>	<u>1,003</u>

## 19. BANK LOANS

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Bank loans	3,559,803	3,232,389
Less: Amount due within one year included in current liabilities	<u>(1,832,603)</u>	<u>(2,902,389)</u>
Amount due after one year	<u>1,727,200</u>	<u>330,000</u>
The carrying amounts of the above bank loans are repayable*:		
Within one year	1,832,603	2,902,389
Within a period of more than one year but not exceeding two years	<u>1,727,200</u>	<u>330,000</u>
	<u>3,559,803</u>	<u>3,232,389</u>

\* The amounts are based on scheduled repayment dates set out in the loan agreements.

The Group's bank loans denominated in currencies other than the functional currencies of the respective entities are set out below:

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
US\$	-	277,515
RMB	<u>54,000</u>	<u>-</u>

The exposure of the Group's borrowings are as follows:

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Fixed-rate borrowings	2,969,523	2,052,884
Variable-rate borrowings	<u>590,280</u>	<u>1,179,505</u>
	<u>3,559,803</u>	<u>3,232,389</u>

## 19. BANK LOANS - continued

As at 31 December 2022, the Group's variable loans carry interest at mainly LIBOR and other relevant interbank offered rates plus a certain basis point adjustment (2021: LIBOR, HIBOR and other relevant interbank offered rates plus a certain basis point adjustment). The management considers that the interest rate benchmark reform will not have a material impact on the Group's variable loans carry interest at LIBOR as these loans will be fully repaid before the cessation of LIBOR variable-rate borrowings.

The variable rate bank loans carry interest rate ranging from 2.55% to 4.90% per annum (31 December 2021: 0.70% to 1.00% per annum). The fixed rate bank loans carry interest rate ranging from 1.75% to 3.80% per annum (31 December 2021: 0.90% to 4.30% per annum). The Company issued guarantees to respective banks to secure these borrowings.

During the year ended 31 December 2021, certain non-current bank loans of RMB1,034,369,000 were early repaid due to strategic plan (2022: Nil).

## 20. UNSECURED NOTES

### Unsecured notes issued in 2019

In 2019, the Group issued unsecured notes of US\$388,000,000 due on 27 November 2024 at a fixed coupon rate of 3.000% per annum ("**2024 Notes**"), payable semi-annually in arrears. The unsecured note is listed on the Hong Kong Stock Exchange. The effective interest rate of the 2024 Notes is 3.15% per annum.

As at 31 December 2022, the principal amounts of the outstanding unsecured notes include 2024 Notes of US\$276,818,000 (2021: US\$388,000,000) with the carrying amount is RMB1,921,798,000 (2021: RMB2,462,010,000).

### Unsecured notes issued in 2021

In 2021, the Group issued unsecured notes of US\$300,000,000 due on 2 June 2026 at a fixed coupon rate of 2.625% per annum ("**2026 Notes**") and US\$350,000,000 due on 2 June 2031 at fixed coupon rate of 3.750% per annum ("**2031 Notes**"). The unsecured notes are listed on the Hong Kong Stock Exchange. The effective interest rates of the 2026 Notes and 2031 Notes are 2.7023% and 3.8656% per annum respectively.

As at 31 December 2022, the principal amounts of the outstanding unsecured notes include 2026 Notes of US\$252,604,000 (2021: US\$300,000,000) with the carrying amount is RMB1,753,985,000 (2021: RMB1,905,365,000) and 2031 Notes of US\$350,000,000 (2021: US\$350,000,000) with the carrying amount is RMB2,412,062,000 (2021: RMB2,205,807,000).

During the year ended 31 December 2022, the Group completed the tender offer to repurchase the 2024 Notes with the principal amount of US\$111,182,000 at a consideration of US\$97,840,000 and carrying amount is RMB786,538,000 and 2026 Notes with the principal amount of US\$47,396,000 at a consideration of US\$35,926,000 and carrying amount is RMB335,416,000 and the notes are cancelled accordingly upon the repurchase. As a result of the derecognition of the unsecured notes repurchased, a gain on derecognition of the financial liabilities of RMB168,793,000 was recognised in the profit or loss. The tender offer of its outstanding 2024 Notes and 2026 Notes is for the purpose of optimising its debt structure and proactive management of its liabilities. Further details of the tender offer to repurchase the unsecured notes were set out in the Company's announcements dated 28 September 2022.

## 21. CAPITAL CONTRIBUTIONS FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY AND CONTINGENT SETTLEMENT PROVISION

As announced on 22 July 2020, AAC Optics (Changzhou) Co., Ltd. ("**AAC Optics**", formerly known as AAC Communications Technologies (Changzhou) Co., Ltd.), a company incorporated in the PRC, and its immediate holding companies, AAC Technologies Limited ("**AAC HK**") and AAC Technology Information Consultancy (Changzhou) Co., Ltd. ("**AAC Consultancy**") entered into capital increase agreements successively with four independent strategic investors ("**First Round Strategic Investors**"), who have agreed to make a capital increase of RMB1,150,000,000 in aggregate to AAC Optics. As a result of the introduction of this First Round Strategic Investors, the Group's interest in AAC Optics Group was diluted from 100% to 90.42%. The proportional share of the carrying amount of the net assets of AAC Optic Group of RMB658,654,000 has been transferred to non-controlling interests.

On 9 October 2020, it was further announced that AAC Optics, AAC HK, AAC Consultancy and the First Round Strategic Investors entered into a shareholders agreement with 18 new independent strategic investors ("**Second Round Strategic Investors**") for Second Round Strategic Investors to subscribe newly issued shares of AAC Optics to make a capital increase of RMB1,658,000,000 in AAC Optics ("**2020 Shareholders Agreement**"). As a result of the completed introduction of this Second Round Strategic Investors, the Group's interest in AAC Optics Group was further diluted to 82.02%.

In accordance with the shareholders agreement described in the announcement on 9 October 2020, on occurrence or non-occurrence of future events including the separate listing condition, the Second Round Strategic Investors are entitled to require the Group for capital repayment plus a premium. A contingent settlement provision has been recognised against equity as the Group has a contractual obligation to deliver cash and presented under non-current liabilities as the conditions set to have a three-year period.

According to the Company's announcement dated 1 February 2021 on the update on the progress of the proposed spin-off and separate listing of AAC Optics on a stock exchange in the PRC, the sponsor of the proposed spin-off and separate listing of AAC Optics submitted an application to the Jiangsu Province Regulatory Bureau of the China Securities Regulatory Commission ("**CSRC**") for the commencement of the pre-listing tutoring process on 1 February 2021. Subsequently, the Jiangsu Province Regulatory Bureau of the CSRC had also acknowledged receipt of such application through its tutoring regulatory information system.

Given that AAC Optics is in preparation for the proposed spin-off and separate listing, in order to comply with the regulatory requirements and market practices for listing in the PRC, as already announced on 31 October 2021, the shareholders of AAC Optics have entered into a termination agreement to terminate the 2020 Shareholders Agreement ("**Termination Agreement**") and a supplemental agreement to the Termination Agreement, pursuant to which certain rights were granted to the First Round Strategic Investors and Second Round Strategic Investors ("**Existing Strategic Investors**"), to the effect that certain shareholder rights originally granted to the Existing Strategic Investors under the 2020 Shareholders Agreement are amended. Since the right granted to the Second Round Strategic Investors to require the Group for capital repayment plus a premium under the occurrence or non-occurrence of future events remain unchanged, the Company continues to recognise the contractual obligation as a contingent settlement provision as at 31 December 2021.

## **21. CAPITAL CONTRIBUTIONS FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY AND CONTINGENT SETTLEMENT PROVISION - continued**

According to the share transfer agreement dated 10 May 2022, AAC HK agreed to purchase 48,289,693 shares of AAC Optics, which represents approximately 0.7133% of the total number of shares issued by AAC Optics from an independent strategic investor (the "Seller") at a consideration of RMB130,000,000 which is equal to the principal amount of the capital from the Seller in 2020. The gross obligation of RMB130,000,000 is derecognised against the equity upon the return of the capital contribution from that strategic investor. This transaction resulted in changes in the Group's interest in AAC Optics from 80.38% to 81.10%. In addition, the Seller has also entered into share transfer agreements with other strategic investors to transfer in aggregate 0.8232% interest in AAC Optics. As a result of these transactions, the contingent settlement provisions amounted to RMB147,789,000, which represents the consideration paid by AAC HK and the forfeiture of interests that the Seller is originally entitled to, are derecognised. The difference between the amounts of the contingent settlement provisions derecognised and the consideration paid amounting to RMB17,789,000 is credited directly in equity and attributed to owners of the Company.

According to the Company's announcement dated 16 December 2022, the Company has decided to delay the timetable for the proposed spin-off and separate listing, and, the Shanghai Stock Exchange has accepted the application initiated by AAC Optics to withdraw the application documents in relation to the purposed spin-off and separate listing. The Company considers that the proposed spin-off and separate listing, if it proceeds, will be commercially beneficial to the Company and AAC Optics, and the Company intends to continue to pursue the proposed spin-off and separate listing when, amongst others, market conditions improve.

## **22. GOVERNMENT GRANTS**

During the year, the Group received government grants of RMB172,408,000 (2021: RMB307,144,000) in aggregate from various PRC government authorities as an incentive for leasing factories, constructing electronic plants and acquiring machineries. As the grants related to assets, the amount received is to be amortised and released to profit or loss on a systematic basis over the useful lives of the related assets.

During the year, RMB235,550,000 (2021: RMB152,601,000) of the grants have been released to profit or loss.

## 23. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior years:

### Deferred tax assets

	Tax losses <i>RMB'000</i>	Inventories <i>RMB'000</i> (Note a)	Government grants <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	63,000	32,000	-	-	95,000
Credit to profit or loss	<u>36,301</u>	<u>6,717</u>	<u>71,312</u>	<u>1,715</u>	<u>116,045</u>
At 31 December 2021	99,301	38,717	71,312	1,715	211,045
Credit (charge) to profit or loss	12,969	(1,022)	6,077	(981)	17,043
Acquisition of subsidiary	-	-	-	232	232
Currency realignment	<u>-</u>	<u>81</u>	<u>-</u>	<u>-</u>	<u>81</u>
At 31 December 2022	<u>112,270</u>	<u>37,776</u>	<u>77,389</u>	<u>966</u>	<u>228,401</u>

### Deferred tax liabilities

	Depreciation/ amortisation <i>RMB'000</i> (Note b)	PRC withholding tax on undistributed earnings <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	43,729	5,157	48,886
Reversal of withholding tax upon distribution	-	(4,338)	(4,338)
Credit to profit or loss	(2,031)	-	(2,031)
Currency realignment	<u>(963)</u>	<u>(819)</u>	<u>(1,782)</u>
At 31 December 2021	40,735	-	40,735
Charge to profit or loss	1,160	-	1,160
Currency realignment	<u>952</u>	<u>-</u>	<u>952</u>
At 31 December 2022	<u>42,847</u>	<u>-</u>	<u>42,847</u>

Notes:

- (a) The deductible temporary difference arising from inventories would be reversed upon sales of inventories.
- (b) The deferred tax arose from temporary difference between the carrying amounts of intangible assets, property, plant and equipment and their tax base.

## 23. DEFERRED TAX ASSETS/LIABILITIES - continued

At the end of the reporting period, the Group has unused tax losses of approximately RMB5,842,781,000 (2021: RMB3,729,369,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB636,663,000 (2021: RMB662,008,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB5,206,118,000 (2021: RMB3,067,361,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward for up to 5 or 10 years to various years up to 2032 (2021: year 2031) from the year when the losses are incurred.

At 31 December 2022 and 2021, the Group has unrecognised deferred tax liability in relation to PRC withholding tax on undistributed earnings in certain of its PRC subsidiaries, as it is the intention of the management to retain the earnings within these subsidiaries.

## 24. SHARE CAPITAL

	Number of shares	Amount US\$'000
Shares of US\$0.01 each		
Authorised:		
Ordinary shares at 1 January 2021, 31 December 2021 and 31 December 2022	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
Ordinary shares at 1 January 2021 and 31 December 2021	1,208,500,000	12,085
Shares repurchased and cancelled	<u>(5,250,000)</u>	<u>(52)</u>
Ordinary shares at 31 December 2022	<u>1,203,250,000</u>	<u>12,033</u>
		RMB'000
At 1 January 2021 and 31 December 2021		98,135
Shares repurchased and cancelled		<u>(427)</u>
At 31 December 2022		<u>97,708</u>

During the year, the Company repurchased its own ordinary shares through The Hong Kong Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of US\$0.01 each	Price per share		Aggregate consideration
		Highest HK\$	Lowest HK\$	HK\$'000
September	3,750,000	12.72	11.90	46,544
December	3,705,500	17.90	16.76	64,316
	<u>7,455,500</u>			<u>110,860</u>



## 24. SHARE CAPITAL - continued

During the year ended 31 December 2022, the Company repurchased a total of 7,455,500 issued ordinary shares of the Company in the market for a consideration of HK\$110,860,000 (equivalent to approximately RMB100,052,000) (2021: Nil) and the consideration for share repurchased in December 2022 amounting to RMB34,604,000 is included in other payables. Out of these repurchased shares, 5,250,000 ordinary shares were cancelled during the year (2021: Nil).

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## 25. ACQUISITION OF SUBSIDIARIES

### (A) Acquisition of Suzhou Speed

On 30 April 2022, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party to acquire entire issued capital of Suzhou Speed (subsequently renamed as TRM Precision Manufactory (Suzhou) Ltd. on 11 May 2022), which principally engaged in the business of trading of electronics related accessories and components, at a cash consideration of RMB65,000,000. The acquisition was completed on 30 April 2022 and the acquisition has been accounted for as acquisition of business using the acquisition method.

#### Consideration transferred

**RMB'000**

Cash	<b>65,000</b>
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The acquisition-related costs are insignificant and have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

#### Assets acquired and liabilities recognised at the date of acquisition

**RMB'000**

Property, plant and equipment	<b>1,818</b>
Deferred tax assets	<b>232</b>
Right-of-use assets	<b>56</b>
Inventories	<b>4,824</b>
Trade and other receivables	<b>25,877</b>
Bank balances and cash	<b>11,623</b>
Trade and other payables	<b>(34,235)</b>
Tax payable	<b>(214)</b>
	<b>9,981</b>

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB25,446,000 at the date of acquisition had gross contractual amounts of RMB25,446,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

## 25. ACQUISITION OF SUBSIDIARIES - continued

### (A) Acquisition of Suzhou Speed - continued

#### **Goodwill arising on acquisition:**

**RMB'000**

Consideration transferred	65,000
Less: recognised amounts of net assets acquired	(9,981)
	<hr/>
Goodwill arising on acquisition	55,019
	<hr/>

Goodwill arose on the acquisition of Suzhou Speed because the acquisition included the assembled workforce of Suzhou Speed and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

#### **Net cash outflow on acquisition of Suzhou Speed**

**RMB'000**

Total consideration	65,000
Less: Cash and cash equivalents balances acquired	(11,623)
	<hr/>
	53,377
	<hr/>

#### **Impact of acquisition on the results of the Group**

Included in the profit for the year ended 31 December 2022 is RMB8,086,000 attributable to the additional business generated by Suzhou Speed. Revenue for the year includes RMB92,230,000 generated from Suzhou Speed.

Had the acquisition of Suzhou Speed been completed on 1 January 2022, revenue for the year of the Group would have been RMB20,664,960,000, and profit for the year attributable to owners of the Company would have been RMB825,872,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Suzhou Speed been acquired at the beginning of the current year, the Directors of the Company calculated depreciation of property, plant and equipment and right-of-use-assets based on the recognised amounts of property, plant and equipment and right-of-use-assets at the date of the acquisition.

### (B) Acquisition of Toyo Precision

On 14 December 2021, the Group acquired 100% interest in Toyo Precision. Toyo Precision is principally engaged in design, development and manufacturing of material for metal frame of intelligent technology products and was acquired with the objective to achieve inorganic growth by strategically pursuing partnership and acquisition opportunities. The acquisition has been accounted for as acquisition of business using the acquisition method.

## 25. ACQUISITION OF SUBSIDIARIES - continued

### (B) Acquisition of Toyo Precision - continued

#### Consideration transferred

RMB'000

Cash	273,630
Escrow deposit for acquisition of a subsidiary	169,443
	<hr/>
Total	443,073
	<hr/>

Acquisition-related costs amounting to RMB2,620,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

#### Assets acquired and liabilities recognised at the date of acquisition

RMB'000

Property, plant and equipment	206,432
Right-of-use assets	25,792
Deposits made for acquisition of property, plant and equipment	1,908
Inventories	89,943
Trade and other receivables	105,034
Taxation recoverable	2,330
Bank balances and cash	121,263
Trade and other payables	(119,551)
Bank loans	(38,500)
Lease liabilities	(7,574)
	<hr/>
	387,077
	<hr/>

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB78,922,000 at the date of acquisition had gross contractual amounts of RMB78,922,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

#### Goodwill arising on acquisition:

RMB'000

Consideration transferred	443,073
Less: recognised amounts of net assets acquired	(387,077)
	<hr/>
Goodwill arising on acquisition	55,996
	<hr/>

Goodwill arose on the acquisition of Toyo Precision because the acquisition included the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Toyo Precision. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisition is expected to be deductible for tax purpose.

## 25. ACQUISITION OF SUBSIDIARIES – continued

### (B) Acquisition of Toyo Precision - continued

#### Net cash outflow on acquisition of Toyo Precision

RMB'000

Total consideration	443,073
Less: Cash and cash equivalents balances acquired	(121,263)
Escrow deposit for acquisition of a subsidiary*	(169,443)
	<u>152,367</u>

- \* The escrow deposit for the acquisition of a subsidiary had been transferred to the seller as at 30 May 2022 upon the issuance of the completion account and the confirmation of the final adjustment to the total consideration as stated in the agreement.

## 26. SHARE AWARD SCHEME

### Share award scheme of the Company

The Company on 23 March 2016 had adopted the AAC Share Award Scheme (the "**Scheme**") constituted by a Trust Deed between the Company and Bank of Communications Trustee Limited (the "**Trustee**"), in which employees may be selected by the Board of Directors to participate. Pursuant to the Scheme, shares of the Company will be subscribed for at a subscription price as determined by the Board of the Company, or purchased on the Hong Kong Stock Exchange, by the Trustee of the trusts declared in the Trust Deed.

On the grant of the share awards, the relevant number of shares is legally issued or transferred to the Trustee who holds the shares for the benefit of the selected employees. A grantee shall not have any interest or rights (including the right to receive dividends) in the shares prior to the vesting of the shares.

The expenses in relation to the share awards are charged to profit or loss over the relevant vesting periods with a corresponding increase in share award reserve.

On 26 August 2021, the Trustee purchased an aggregate of 6,042,500 shares at prices ranging from HK\$40.20 to HK\$42.95 per share at a total consideration of HK\$253,288,000 (equivalent to RMB211,211,000) on the Hong Kong Stock Exchange for the purpose of the Scheme.

As at 31 December 2021, an aggregate of 6,042,500 shares of the Company had been purchased by the Trustee. Since the date of adoption of the Scheme up to 31 December 2021, no new shares had been issued to the Trustee and no shares had been granted to selected employee(s) under the Scheme.

## 26. SHARE AWARD SCHEME - continued

### Share award scheme of the Company - continued

On 24 March 2022, the Company granted a total of 10,230,593 shares to 340 selected employees pursuant to the Scheme at nil consideration. The fair value of the shares granted pursuant to the Scheme were determined with reference to market value of the shares at the award date taking into account the exclusion of the expected dividends as the employees were not entitled to receive dividends paid during the vesting periods of the shares. The shares granted would be vested over a requisite service period of up to three years from the date of grant.

On 25 March 2022, the Trustee purchased an aggregate of 4,188,500 shares at prices ranging from HK\$17.9 to HK\$19.2 per share at a total consideration of HK\$77,283,000 (equivalent to RMB62,477,000) on the Hong Kong Stock Exchange for the purpose of the Scheme.

As at 31 December 2022, an aggregate of 10,231,000 shares of the Company had been purchased by the Trustee. Since the date of adoption of the Scheme up to 31 December 2022, no new shares had been issued to the Trustee.

Movement of the shares granted to selected employee(s) under the Scheme during the year ended 31 December 2022 are as follows:

Date of grant	Vesting period	Number of shares			At 31 December 2022
		At 1 January 2022	Granted on 24 March 2022	Shares entitlement forfeited	
24 March 2022	24 March 2022 to 24 March 2023	-	3,406,787	(212,854)	3,193,933
24 March 2022	24 March 2022 to 24 March 2024	-	3,406,787	(212,854)	3,193,933
24 March 2022	24 March 2022 to 24 March 2025	-	3,417,019	(213,495)	3,203,524
		-	10,230,593	(639,203)	9,591,390

The terms and conditions of the grants are as follows:

	Number of shares	Vest condition	Date of grant	Vesting period	Market value per share HK\$	Fair value of shares HK\$
Shares awarded to selected employees	3,406,787	1 year from the date of grant	24 March 2022	24 March 2022 to 24 March 2023	17.64	60,095,731
	3,406,787	2 years from the date of grant	24 March 2022	24 March 2022 to 24 March 2024	17.64	60,095,731
	3,417,019	3 years from the date of grant	24 March 2022	24 March 2022 to 24 March 2025	17.64	60,276,199
	<u>10,230,593</u>					<u>180,467,661</u>

During the year ended 31 December 2022, the Group recognised total expenses of RMB68,651,000 (2021: Nil) in relation to the Scheme shares granted by the Company.

## 26. SHARE AWARD SCHEME - continued

### Subsidiary Scheme

AAC Optics, a subsidiary of the Company, entered into a capital increase agreement with three limited partnerships ("**Platforms**"), with the purpose to create share incentive platforms. The Subsidiary Scheme entitles selected employees of AAC Optics ("**Eligible Scheme Participants**") to subscribe the shares of AAC Optics, accounted for approximately 2.0% of the enlarged share capital or 135,377,918 shares of AAC Optics, corresponding to a consideration of RMB135,377,918 or at the subscription price of RMB1 per share of AAC Optics at the time of grant, which is payable at the same time. Under the Subsidiary Scheme, the Eligible Scheme Participants would settle the subscription price of shares by cash or by combination of cash and related approved loans from the Group or Platforms at market interest rate. During the year ended 31 December 2022, the net cash payment to the Eligible Scheme Participants under the Subsidiary Scheme is RMB4,025,000. (2021: fund raised from the Subsidiary Scheme is RMB135,378,000. After deducting the loans of RMB35,663,000 from the Group to certain Eligible Scheme Participants, the net cash proceeds is RMB99,715,000.)

Except for 11,163,857 shares which were granted and vested immediately in 2021, the remaining shares would be vested over a requisite service period of up to three-and-a-half year subject to the relevant key performance targets of AAC Optics during the vesting period ("**Restricted Shares**"). Upon the issue of new shares that are vested under the Subsidiary Scheme, the Group's interest in AAC Optics has been changed. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity (retained profits) and attributed to owners of the Company. For the Restricted Shares granted in 2022, the repurchase of 21,571,493 Restricted Shares at the subscription price of RMB1 per share of AAC Optics from and the grant of 12,524,147 Restricted Shares at the subscription price of RMB1 per share of AAC Optics to the Eligible Scheme Participants. The shares would be vested over a requisite service period from the date of grant in 2022 to the end of 2024 subject to the relevant key performance targets of AAC Optics during the vesting period.

As at 31 December 2022, the net cash proceed of unvested portion of Restricted Shares, amounting to RMB87,116,000, is recorded as other payables as the shares are contingently returnable (31 December 2021: RMB92,923,000).

A summary of activities of the Restricted Shares with vesting condition of the Subsidiary Scheme is presented as follows:

	Number of restricted shares	Fair value of share incentive at grant date <i>RMB'000</i>
Unvested as at 1 January 2021	-	-
Granted during the year	135,377,918	227,847
Vested during the year	(11,163,857)	(18,890)
Unvested as at 31 December 2021	124,214,061	208,957
Granted during the year	12,524,147	20,856
Repurchased during the year	(21,571,493)	(35,922)
Unvested as at 31 December 2022	<u>115,166,715</u>	<u>193,891</u>

## 26. SHARE AWARD SCHEME - continued

### Subsidiary Scheme - continued

As of 31 December 2022, there are 9,047,346 Restricted Shares arising from the repurchased during the year (31 December 2021: no shares) held under the Platforms which are available to be granted to the eligible employees under the Subsidiary Scheme.

During the year ended 31 December 2022, the subsidiary recognised total expenses of RMB53,828,000 (2021: RMB50,203,000) in relation to the shares granted by the subsidiary under Subsidiary Scheme and the amount is credited to the non-controlling interests in the Group.

In the opinion of the Directors of the Company, the estimated compensation cost of Restricted Shares was based on the consideration of the latest transaction price of AAC Optics in 2022 (2021: the fair value of shares of AAC Optics at the date of grant by reference to the consideration of the latest share issue of AAC Optics in October 2020). At the end of each reporting period, the Group revises its estimates of the Restricted Shares that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to share-based payments reserve including in the non-controlling interests.

## 27. OPERATING LEASE ARRANGEMENTS

### The Group as a lessor

The properties held for rental purposes have committed lessees for the next 1 years (2021: 2 years).

Undiscounted lease payments receivable on leases are as follows:

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Within one year	<b>6,380</b>	15,220
In the second year	<u>-</u>	<u>8,066</u>
	<b><u>6,380</u></b>	<b><u>23,286</u></b>

## 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Directors of the Company have set up an investment committee, which is headed up by the Chief Innovation Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The investment committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Innovation Officer reports the investment committee's findings to the Directors of the Company every quarter to explain the cause of fluctuations in the fair value.

## 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

### (i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets/ liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
	2022 RMB'000	2021 RMB'000				
Equity instruments at FVTOCI - Listed shares	42,259	47,400	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity instruments at FVTOCI - Unlisted equity investments	46,342	450,362	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits or the present value of the future expected cash flows to be derived from the ownership of these investments.	Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model.  Forecasted future cash flows	The higher the discount rate, the lower the fair value, and vice versa.  The higher the forecast future cash flow, the higher the fair value, and vice versa.
Equity instruments at FVTOCI - Unlisted equity investments	233,115	336,717	Level 3	Market approach. The market approach was used to determine the valuation based on the recent transaction prices of underlying investments or using trailing-twelve-month ("TTM") Price-to-Sales ("P/S") multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.	The lack of marketability discount.  TTM P/S multiples of selected comparable companies.	The higher the lack of marketability discount, the lower the fair value.  The higher the TTM P/S multiples, the higher the fair value.
Equity instruments at FVTOCI - Unlisted equity investments	145,341	13,474	Level 3 (2021: Level 2*)	Recent transaction prices of underlying investments. (2021: N/A*)	N/A	N/A
Total equity instruments for FVTOCI	467,057	847,953				
Financial assets at FVTPL	112,468	18,471	Level 3 (2021: Level 2*)	Market approach. The market approach was used to determine the valuation based on the recent transaction prices of underlying investments or using TTM P/S multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability. (2021: N/A*)	The lack of marketability discount.  TTM P/S multiples of selected comparable companies. (2021: N/A)	The higher the lack of marketability discount, the lower the fair value.  The higher the TTM P/S multiples, the higher the fair value. (2021: N/A)



## 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

### (i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis - continued

Financial assets/ liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input(s)	Sensitivity/relationship of unobservable inputs to fair value
	2022 RMB'000	2021 RMB'000				
Financial assets at FVTPL	<b>34,823</b>	31,878	Level 3 (2021: Level 2*)	Income approach. The discounted cash flow method was used to capture future economic benefits or the present value of the future expected cash flows to be derived from the ownership of these investments. (2021: N/A*)	Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model.  Forecasted future cash flows. (2021: N/A)	The higher the discount rate, the lower the fair value, and vice versa.  The higher the forecast future cash flow, the higher the fair value, and vice versa. (2021: N/A)
Financial assets at FVTPL	<b>39,012</b>	-	Level 3	Binomial Option Pricing Model	Volatility of 69.78%	The higher the volatility, the higher the fair value, and vice versa
Total financial assets at FVTPL	<b>186,303</b>	50,349				
Interest rate swap contracts	-	5,014 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.	N/A	N/A
Cross currency swap contract	<b>16,032</b> Liabilities (under hedge accounting)	25,578 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and contracted exchange rates, discounted at an applicable discount rate taking into account the credit risk of the counter-parties and of the Group as appropriate.	N/A	N/A

\* As at 31 December 2021, the investments were made near the end of reporting period or still in the initial setup stage since the capital contribution, the management is of the opinion that the carrying amounts of the investments as at the year ended date approximate their fair values.

## 28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

### (ii) Reconciliation of level 3 fair value measurements

	Equity instruments at FVTOCI <i>RMB'000</i>	Financial assets at FVTPL <i>RMB'000</i>
At 1 January 2021	303,995	-
Purchase made	518,821	-
Total losses:		
- in other comprehensive income	(25,795)	-
Currency realignment	(9,942)	-
At 31 December 2021	787,079	-
Transfer from level 2 to level 3	13,474	50,349
Purchase made	141,952	128,816
Total losses:		
- in other comprehensive income	(569,851)	-
Currency realignment	52,144	7,138
At 31 December 2022	424,798	186,303

Included in other comprehensive income is an amount of RMB569,851,000 loss (2021: RMB25,795,000 loss) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of FVTOCI.

### (iii) Fair value of the Group's financial instruments that are not measured at fair value on recurring basis

Except for listed unsecured notes in which there is fair value based on the quoted bid price in an active market, amounting to RMB4,971,698,000 (31 December 2021: RMB6,575,029,000), the management considers that the carrying amounts of the other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## CORPORATE GOVERNANCE

The Board and the Company consider effective corporate governance not only a safeguard of the interests and confidence of our stakeholders, but also a key component in the Group's sustainable long term development and value creation. Our Board, which is at the centre of our corporate governance structure, has regularly reviewed and refined principles, policies and practices on the conduct with an aim to support the growth of the Group's operations. Our sound corporate governance structure includes a quality Board, high standards of corporate responsibility and sustainability awareness, a high degree of transparency, accountability and independence, and an effective design, implementation and enforcement of risk management as well as internal control systems. Based on regular reviews of the Company's actual performance against the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Hong Kong Listing Rules**"), the Board is satisfied that throughout the financial year ended 31 December 2022, the Company has complied with all the code provision(s).

In addition, the Board in 2022 reviewed and updated/adopted the Company's policies and practices on corporate governance, the terms of reference of the Board and Board Committees, and published its Sustainability Report for the year ended 31 December 2021 in April 2022. We believe that the Sustainability Report, together with the Corporate Governance Report, will help to better explain our environmental, social and governance ("**ESG**") strategies, policies and practices.

## RISK MANAGEMENT AND INTERNAL CONTROL

Effective risk management and internal control systems are fundamental to the achievement of our strategic objectives. The Company has in place an Enterprise Risk Management ("**ERM**") framework to effectively identify, assess, mitigate and monitor key strategic, market, financial, operational and compliance risks. The framework enables us to adopt a proactive and structured approach to identifying and managing risks across the organization with on-going monitoring and review. Our Board, acting through the Audit and Risk Committee in the first instance, is responsible for overseeing and evaluating management in the design, implementation and maintaining a sound and effective risk management and internal control systems on an ongoing basis.

The Audit and Risk Committee reviewed accounting principles, practices and important issues of judgment and estimation adopted by the Group in preparing the financial statements for the year ended 31 December 2022. The Audit and Risk Committee met four times during the year in advance of Board meetings that considered the quarterly, interim and final results and the related announcements. To reinforce the Company's ERM focus, high-risk areas (if any) identified in the external auditor's planning memorandum were discussed and special internal audit procedures were agreed where deemed appropriate. Two meetings with the external auditors were held during 2022. Audit and Risk Committee meetings are by design held a few working days ahead of full Board meetings to ensure that management will have enough time to answer any important queries raised for further discussion and reporting at ensuing Board meetings. Audit and Risk Committee Chairman reports significant issues covered at Audit and Risk Committee meetings to the full Board. Based on the work of the Audit and Risk Committee and further deliberations at Board meetings, the Board acknowledged and discharged their responsibilities for the preparation of the Group's financial statements for the year ended 31 December 2022.

Executive management owns the risk management and internal control processes and practices and has confirmed to the Board that these were operating adequately and effectively throughout the 2022 financial year. The audit & risk management department carries out independent analyses and appraisals of the adequacy and effectiveness of prescribed risk management and internal controls. The Audit and Risk Committee receives quarterly updates on risk management and internal audit reports from management and internal audit, in addition to key updates on business operations, financial results and strategic matters that are provided to the Board on a timely basis.

The Board and management recognize that ERM will need ongoing refinement and reinforcement in terms of risk-culture, risk appetite and risk management practices before it becomes effectively embedded in business decisions, whether strategic or operational.

A more comprehensive Corporate Governance Report covering the following key components of the Company's governance framework will be incorporated in the annual report for dispatch to Shareholders and will also be made available on the Company's website [www.aactechnologies.com](http://www.aactechnologies.com):

- I. Board and Executive Management
- II. Governance Structure and Board Committees
- III. Corporate Governance Code
- IV. Legal and Regulatory Compliance
- V. Joint Company Secretaries
- VI. Internal Audit, Risk Management and Internal Control
- VII. External Statutory Audit
- VIII. Code of Conduct, Whistleblowing Policy and Anti-Fraud and Anti-Bribery Policy
- IX. Shareholders Engagement and Value
- X. Shareholders' Rights

## **SUSTAINABILITY**

2022 marked another year of challenges brought on by the COVID-19 pandemic in its third year. Nevertheless, we remain steadfast in our commitment to the sustainable development of the Group, with some of the improvements and measures taken during the year highlighted below.

Amidst the challenging economic environment, we have placed emphasis on safeguarding our valuable asset – our employees. This year, we achieved a reduction of employees' monthly total number of work hours whilst maintaining the same wage level, and providing flexible working arrangements under the COVID-19 pandemic, with the aim of enhancing overall employee satisfaction at the workplace. Amongst others, we believe this effort will maintain the holistic well-being of employees, which is important to attracting and retaining key talents, and encouraging the innovative output of our talents. Furthermore, internally, the Group has migrated to a new HR online digitalised platform with administrative, procedures and services fully integrated for employees' use, allowing timely dissemination of important information, promoting seamless collaboration to enhance work efficiency.

Furthermore, the following are extracts of our other sustainability efforts:

- ESG training session was arranged and participated by the Board on the development of a new global sustainability disclosures baseline to improve the efficacy of Board oversight on creating and protecting the Group's long-term ESG values;
- The Sustainability Working Group continued to review and update identified material topics and their materiality, ESG performance, and targets to ensure they align with the Group's long-term goals; and
- Large-scale energy-saving projects have expanded to more premises of the Group which would help reduce the reliance on conventional energy and cost, such as our new factory in Yangzhou: "Green elements" of installation of solar PV panels, external wall thermal insulation and heat recovery system are incorporated.

Last but not least, our consistent effort in sustainability-related performance and disclosures has been recognised by various ESG professional awards organisations and, importantly, improvement in some of the ratings has been encouraging and provided the right direction for the Group.

## SHARE AWARD SCHEME

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the "**Scheme**") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the Scheme is to permit the Company to grant Awards to selected employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. The maximum number of shares that may be awarded under the Scheme during its term is limited to 1.65% (i.e. 19,775,250 shares as at 23 March 2023) of the issued share capital of the Company from time to time. The maximum number of Awarded Shares that may be granted to any one selected employee shall not exceed 0.5% (i.e. 5,992,500 shares as at 23 March 2023) of the issued share capital of the Company from time to time. Pursuant to the Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Hong Kong Stock Exchange, by Bank of Communications Trustee Limited (the "**Trustee**") at the cost of the Company and will be held by the Trustee on trust for selected employee(s) under the Scheme before vesting.

Since the date of adoption of the Scheme and up to 31 December 2022, no new shares had been issued to the Trustee pursuant to the rules and trust deed of the Scheme. In August 2021, March 2022 and January 2023, the Trustee of the Scheme purchased 6,042,500, 4,188,500 and 3,276,000 shares, respectively, on the Hong Kong Stock Exchange for the purpose of the Scheme, funded by the Company's internal resources. Details of the aforementioned purchases and the information about the shares held by the Trustee are as follows:

Date of purchases:	26 August 2021
Aggregate number of shares purchased:	6,042,500
Percentage of issued share capital of the Company:	0.5%
Consideration per share:	Ranging from HK\$40.20 to HK\$42.95
Total consideration, excluding transaction costs:	HK\$253,287,800
Date of purchases:	25 March 2022
Aggregate number of shares purchased:	4,188,500
Percentage of issued share capital of the Company:	0.3%
Consideration per share:	Ranging from HK\$17.9 to HK\$19.2
Total consideration, excluding transaction costs:	HK\$77,283,190
Date of purchases:	13,17,18 and 20 January 2023
Aggregate number of shares purchased:	3,276,000
Percentage of issued share capital of the Company:	0.3%
Consideration per share:	Ranging from HK\$17.34 to HK\$21.50
Total consideration, excluding transaction costs:	HK\$65,009,100
<b>Balance of number of shares held by the Trustee as at the date of this announcement:</b>	<b>13,507,000</b>

On 24 March 2022, a total of 10,230,593 Awarded Shares were granted to 340 employees and no shares have been vested to employees. As at 31 December 2022, a total of 9,591,390 Awarded Shares had been granted to selected employee(s) under the Scheme, other than those awards which automatically lapsed resulting from certain grantees ceasing to be employees of the Group under the Scheme.

The capitalised terms referred in this section shall have the same meanings as those defined in the announcement made by the Company on 23 March 2016 relating to the adoption of the Scheme.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

### Share Repurchase

The Company believes that in addition to the sustained increase of earnings per share and the intrinsic value per share, the repurchase of the Company's shares at the appropriate timing could also be an important metric to enhance long-term value of our shareholders.

At the annual general meeting (the "AGM") on 12 May 2022, the Company's shareholders granted a general mandate to the Directors of the Company to repurchase shares of the Company (the "Repurchase Mandate"). Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of issued shares of the Company as at the date of the AGM.

During the year ended 31 December 2022, the Company had repurchased, under the Repurchase Mandate, a total of 7,455,500 shares, representing approximately 0.6% of the issued 1,208,500,000 shares as at 31 December 2021. The aggregate consideration for the shares repurchased in 2022 was HK\$110.86 million. Out of the consideration of HK\$64.32 million for shares repurchased in December 2022, RMB34.6 million was included in other payables. Out of the 7,455,500 shares, 5,250,000 ordinary shares were cancelled during the year and 2,205,500 ordinary shares were cancelled in January 2023. In January 2023, the Company had repurchased, under the Repurchase Mandate, a total of 2,544,500 shares, representing approximately 0.2% of the issued 1,203,250,000 shares as at 31 December 2022.

All repurchased shares have been cancelled as at the date of this announcement. The share repurchase reflects the Company's solid financial position and the Board's strong confidence in the Company's future business prospects. The Directors of the Company believe that the share repurchase was in the interest of Shareholders as a whole, enhancing the net asset value per share and earnings per share of the Company.

Details of the repurchases are as follows:

Month	Total number of the ordinary shares	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate consideration <sup>(1)</sup> (HK\$'000)
September 2022	3,750,000	12.72	11.90	46,544
December 2022	3,705,500	17.90	16.76	64,316
January 2023	2,544,500	18.02	16.40	42,766

Note:

(1) Including brokerage, transaction levy, stamp duty and transaction cost of HK\$487,000.

## Bond Purchase

The Company issued: (i) US\$388,000,000 3.00 per cent. notes due 2024 (2024 Notes, stock code: 40075) in 2019; (ii) US\$300,000,000 2.625 per cent. notes due 2026 (2026 Notes, stock code: 40699) in 2021; and (iii) US\$350,000,000 3.750 per cent. notes due 2031 (2031 Notes, stock code: 40700) in 2021, to Professional Investors.

From 14 September 2022 to 12 October 2022, the Company conducted an offer to purchase for cash up to certain maximum acceptance amount of its outstanding 2024 Notes and 2026 Notes (the “**Tender Offer**”) for the purpose of optimizing its debt structure and proactive management of its liabilities.

Through the Tender Offer, the Company successfully completed the purchase of US\$111,182,000 of the 2024 Notes and US\$47,396,000 of the 2026 Notes, with aggregate amount of US\$133,766,000 paid by the Company, thereby reducing the outstanding aggregate principal amounts of the 2024 Notes and the 2026 Notes to US\$276,818,000 and US\$252,604,000, respectively.

Subsequently in January 2023, the Company had purchased from open market US\$1,000,000 of the 2026 Notes and US\$1,000,000 of the 2031 Notes, with aggregate amount of US\$1,620,000 paid by the Company, thereby reducing the outstanding aggregate principal amounts of the 2026 Notes and the 2031 Notes to US\$251,604,000 and US\$349,000,000, respectively.

Save as disclosed above, during the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## HUMAN RESOURCES

As at 31 December 2022, the Group employed 27,798 permanent employees, a 26% decrease from 37,591 employees as at 31 December 2021. The reduction in total work force was the result of the Group's continuous improvement in employees' competencies, investment in automation and advanced production methodologies, whereas pandemic situation also caused uncertainties in the market.

Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management from time to time reviews the Group's remuneration policy based on benchmarking results, and fairly rewards its employees based on individual performance. In addition to basic salaries, allowances, social insurance and mandatory pension fund contribution, certain employees and employee groups are also eligible for the Group's bonus plan and share schemes.

As required by the relevant regulations, the Group has been participating in the social insurance schemes operated by the relevant local government authorities in the PRC, and in the mandatory pension fund as well as social insurance schemes for its employees in the Czech Republic, Denmark, Finland, Hong Kong, India, Japan, Malaysia, Singapore, South Korea, Taiwan, the United Kingdom, the United States and Vietnam.

The Company is committed to invest in talents to develop innovative products for next generation designs. The Company has already established and continues to expand its various R&D centers in Asia, Europe and North America, including a long-established collaboration with universities, and others, on many different projects.



## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms not less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as mentioned in Appendix 10 to the Hong Kong Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the year ended 31 December 2022.

## **CLOSURES OF REGISTER OF MEMBERS**

### **i. For attending and voting at the annual general meeting**

The registers of members of the Company will be closed from Monday, 8 May 2023 to Thursday, 11 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible for attending and voting at the forthcoming annual general meeting, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 5 May 2023.

### **ii. For entitlement of proposed final dividend**

The registers of members of the Company will be closed from Wednesday, 31 May 2023 to Friday, 2 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 30 May 2023.

## **DESPATCH OF ANNUAL REPORT**

The Company's annual report containing the Directors' report and consolidated financial statements for the year ended 31 December 2022 will be published on the Company's website at [www.aactechnologies.com](http://www.aactechnologies.com) and the website of the Hong Kong Stock Exchange in April 2023.

The annual report and the notice of annual general meeting will be dispatched to Shareholders in April 2023. All of these will be made available on the Company's website.



## **IMPORTANT NOTE**

The Company may have an investors' webcast and media conference after trading hours of the Hong Kong Stock Exchange on the date of this announcement. Please visit the Company's website [www.aactechnologies.com](http://www.aactechnologies.com) for the Company's regular investor relations update.

Potential investors and shareholders of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board  
**AAC Technologies Holdings Inc.**  
**Zhang Hongjiang**  
*Chairman*

Hong Kong, 23 March 2023

*As at the date of this announcement, the Board comprises Mr. Pan Benjamin Zhengmin, Mr. Mok Joe Kuen Richard and Ms. Wu Ingrid Chun Yuan, together with three Independent Non-executive Directors, namely Mr. Zhang Hongjiang, Mr. Kwok Lam Kwong Larry and Mr. Peng Zhiyuan.*

## **APPENDIX II**

### **REPRODUCTION OF THE ISSUER'S CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**

The information set out below is a reproduction of the Issuer's condensed interim financial statements as at and for the six-month period ended 30 June 2022.

**SG Issuer**

**Société Anonyme**

**Condensed interim financial statements,  
Report of the Executive Board and Corporate Governance Statement and  
Report of the Réviseur d'entreprises agréé on review of the condensed interim financial statements**

**As at and for the six-month period ended 30 June 2022**

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

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As at 30 June 2022

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**Executive Board Members**

As at 30 June 2022

**EXECUTIVE BOARD MEMBERS**

**Chairman:**

**Mr Yves CACCLIN**

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

**Members:**

**Mr Thierry BODSON**

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

**Mr François CARALP (since 28 April 2022)**

Employee of Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Mr Alexandre GALLICHE**

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

**Mr Pascal JACOB**

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

**Mr Christian ROUSSON (until 28 April 2022)**

Employee of Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Mr Laurent SIMONET (since 28 April 2022)**

Employee of Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Mrs Estelle STEPHAN JASPARD**

Employee of Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Mr Laurent WEIL (until 28 April 2022)**

Employee of Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Supervisory Board Members**

As at 30 June 2022

**SUPERVISORY BOARD MEMBERS**

**Chairman:**

**Mr Pierre LESCOURRET (until 28 April 2022)**

Employee of Société Générale

Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

**Mr Laurent WEIL (member since 28 April 2022 – Chairman since 10 May 2022)**

Employee of Société Générale

Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Members:**

**Mr Olivier BLANC**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Angelo BONETTI**

Employee of Société Générale

Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

**Mr Gregory CLAUDY**

Independent Director

225A, rue du Burgknapp, B-6717 Heinstert, Belgium

**Mr Olivier FREITAS**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

**Audit Committee Members**

As at 30 June 2022

**AUDIT COMMITTEE MEMBERS**

**Chairman:**

**Mr Gregory CLAUDY**

Independent Director

225A, rue du Burgknapp, B-6717 Heinstert, Belgium

**Members:**

**Mr Olivier BLANC**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Olivier FREITAS**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg



**Management and administration**

As at 30 June 2022

**MANAGEMENT AND ADMINISTRATION**

**Issuer**

SG Issuer

16, boulevard Royal, L-2449 Luxembourg

**Guarantor (if applicable, as specified in the Final Terms)**

Société Générale

29, boulevard Haussmann, F-75009 Paris, France

**Arranger and Dealer**

Société Générale

Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

**Security Trustee and Security Agent Trustee**

The Bank of New York Mellon Corporate Trustee Services Limited

One Canada Square, London E14 5AL, United Kingdom

**Collateral Custodian**

The Bank of New York Mellon S.A., Luxembourg Branch

Vertigo Building, Polaris, 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg

**Collateral Monitoring Agent**

The Bank of New York Mellon London Branch

One Canada Square, London E14 5AL, United Kingdom

**Custodian Agent, Issuing and Paying Agent, Registrar, Exchange Agent and Transfer Agent**

Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

**Paying Agents**

Société Générale

29, boulevard Haussmann, F-75009 Paris, France

&

Société Générale, New York Branch

1221, avenue of the Americas, New York NY 10020, United States of America

**Warrant Agent**

Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

**Legal advisers and Réviseur d'entreprises agréé**

As at 30 June 2022

**LEGAL ADVISERS AND RÉVISEUR D'ENTREPRISES AGRÉÉ**

**Legal advisers**

*To the Arranger as to English, French and U.S. laws*

Allen & Overy LLP

52, avenue Hoche, CS 90005, 75379 Paris Cedex 08, France

*To the Trustee as to English Law*

Allen & Overy LLP

1 Bishops Square, London E1 6AD, United Kingdom

*To the Arranger as to Luxembourg Law*

Allen & Overy Luxembourg

5, avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

**Independent Auditor (Réviseur d'entreprises agréé)**

Ernst & Young S.A.

35E, avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

**Report of the Executive Board and Corporate Governance Statement**

As at 30 June 2022

**REPORT OF THE EXECUTIVE BOARD AND CORPORATE GOVERNANCE STATEMENT**

The Directors of SG Issuer (the "Company" or "SGIS") (each a « Director », collectively the « Executive Board ») present the condensed interim financial statements and the Report of the Executive Board and Corporate Governance Statement of the Company for the period from 1 January 2022 to 30 June 2022.

**1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS**

The purpose of SG Issuer is to issue Notes and Warrants with all types of underlyings including, without restriction, Shares, Index, Interest Rate, Dividend, Credit Risk, Foreign Exchange, Commodities, Funds, Warrants, allowing investors to access to the full pricing capabilities of Société Générale, which proposes an extensive range of investment strategies linked to these various asset classes.

Notes and Warrants issued by the Company can be sold in either Private Placements or Public Offerings. Notes are mainly Debt Securities, Bonds, and Certificates. Issuing proceeds raised by the sale of the Notes will be transferred to Société Générale S.A. ("Société Générale") through a Fully Funded Swap ("FFS"), which perfectly hedges SGIS for the full issue size.

Warrants are financial products like Turbos, inline Warrants, daily Leverage Certificates, which aim to replicate the same financial exposure as buying (Call) or selling (Put) an asset such as a share or an index, at a predetermined price (strike price) on a predetermined date (expiry) and to offer different pay-off or exposures to investors.

Payments in respect of the Notes and Warrants issued by the Company are unconditionally and irrevocably guaranteed by Société Générale.

On request of investors, the Company can issue Collateralised Notes or Warrants (respectively "secured Notes" or "secured Warrants") in order to propose an additional layer of protection to investors in case of default of Société Générale.

Notes and Warrants issuances are governed by the programs prepared by Société Générale.

The main programs for Notes are (i) the Debt Instruments Issuance Program, the Base Prospectus of which has been updated and approved by the CSSF on 1 June 2022 and (ii) the "Programme d'Emission de Titres de Créance", the Base Prospectus of which has been updated and approved by the CSSF on 13 June 2022. Similarly, the main program for Warrants is the Warrants Issuance Program, for which the last updates have been approved by the CSSF on 27 June 2022.

In addition, (i) the German law Dual Language Debt Instruments Issuance Program has been updated and approved by the CSSF on 15 June 2022 and (ii) the Dual Language Leveraged and Tracking Products Issuance Program has been updated and approved by the CSSF on 6 July 2022.

The UK Securities Issuance Program and Swiss Securities Issuance Program were respectively approved by the CSSF on 1 June 2022 and 4 July 2022.

The newly created German Debt Instruments Issuance Program was approved by the CSSF on 8 April 2022.

The state of business of the Company at the closing of the six-month period ended 30 June 2022 is adequately presented in the interim financial statements published hereby.

## **Report of the Executive Board and Corporate Governance Statement (continued)**

As at 30 June 2022

During the six-month period ended 30 June 2022, 7 223 new Notes were issued (among which 53 new secured Notes) and 1 214 new Warrants were issued<sup>1</sup>. The net profit for the period from 1 January 2022 to 30 June 2022 amounts to KEUR 290.

The Company did not exercise any research and development activity, does not have any branch, and did not acquire any own shares.

### **2. RISKS AND UNCERTAINTIES**

The risks associated with the investment in the Notes or Warrants depend on several factors. Such factors will vary depending on the characteristics of the Notes or Warrants issued, in particular depending on the underlying type, the maturity, the secured / unsecured status of the Notes or Warrants, the interest rates incurred, the volatility of the underlying.

For each Note, the Company systematically hedges its position by contracting a FFS with Société Générale, with strictly identical characteristics. Also, for each Warrant, the Company systematically hedges its position by contracting an option with Société Générale, with strictly identical characteristics.

The legal documentation and the derivative instruments have been put in place in order to make sure that the assets match the liabilities at any time. Therefore, no market risk is supported by the Company. The risk management in relation to the Notes and Warrants is also described in Note 10 hereafter.

### **3. CRISIS: COVID-19 AND WAR IN UKRAINE**

The lifting of the Covid-19-related restrictions in several major economies supports economic activity without, however, excluding the risk of new lockdowns as it has occurred in some geographic areas during the first half-year 2022 (in Hong-Kong for example).

On the other hand, the first semester of 2022 has been strongly impacted, since 24 February, by the war in Ukraine. The conflict, with its human casualties and suffering, has significant economic costs along with considerable uncertainties.

In the euro area, the supply difficulties, the decline in purchasing power with the high inflation expected all through 2022 and the tightening of economic policies are the main bottlenecks constraining growth. If pandemic-related risks have decreased significantly in the short-term, the strong uncertainties related to the war in Ukraine jeopardise these prospects and the scenario of a more pronounced slowdown in 2022 cannot be excluded.

The Executive Board had performed an analysis toward the Company's exposure to the above. The Company, including its going concern, is not directly significantly impacted by the above and the situation will continue to be monitored, including the possible impact of changing micro and macroeconomic conditions.

### **4. FUTURE DEVELOPMENTS AND PERSPECTIVES**

Following the acquisition by the Société Générale Group (SG Group) of the listed warrants activities from Commerzbank, Société Générale decided to centralize the new warrants issuances into another vehicle of the SG Group. The Company will however pursue its warrants issuances activity on the Asian markets to another issuer. As expected by the Executive Board, the 2022 commission income of the Company related to Warrants issuance decreased by more than half compared to previous year.

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<sup>1</sup> The number of issued Notes and Warrants does not take into account the issuances which have been issued and cancelled during the same financial period.

**Report of the Executive Board and Corporate Governance Statement (continued)**

As at 30 June 2022

**5. INFORMATION ON LITIGATIONS**

During the year ended 31 December 2020, SG Issuer, as the Issuer of Notes linked to the credit risk of a French corporate, and Société Générale, as the Guarantor, were brought before the Courts of Paris (alongside other French financial institutions) by end investors to obtain compensation for the financial loss they suffered on their investment in these securities. The French corporate was the subject of a “safeguard procedure”, which constitutes a credit event under the terms of the Notes which had a strong impact on the value of the Notes. These investors rely on unfounded allegations according to which SG Issuer and Société Générale were aware of the difficulties of the French corporate when setting up and marketing these Notes and that in doing so, they failed to meet their regulatory obligations (to act in an honest, fair and professional manner, to provide information on the product risks and to determine the suitability of the Notes for retail investors).

For this litigation, along with any other litigation relating to securities issued by SG Issuer, SG Issuer is entitled to an indemnification by Société Générale in respect of any sum due by SG Issuer regarding potential damages or attorneys' fees.

**6. SUBSEQUENT EVENTS**

As at 30 June 2022, there was no subsequent event.

**7. CORPORATE GOVERNANCE STATEMENT**

The Executive Board of the Company is committed to maintaining the standards of corporate governance enforced at the level of the European Union and at level of the Société Générale Group. This statement describes the Company's governance principles and practices.

In compliance with its status, the Company is governed by an Executive Board and supervised by a dedicated Supervisory Board.

**7.1. Executive board**

The Executive Board supervises and controls the management and operations of the Company and is responsible for the Company system of risk management and internal control.

The Executive Board meetings are held on demand several times during the year.

The Board has quorum when more than half of its members are present. An opinion supported by more than half of the members present becomes a decision.

Key tasks of the Executive Board:

- Ensures that the supervision of accounting is organised and monitored appropriately;
- Reviews and approves the Company's financial statements and condensed interim financial statements;
- Supervises and controls operative management.

## **Report of the Executive Board and Corporate Governance Statement (continued)**

As at 30 June 2022

### **7.2. Supervisory board**

The Supervisory Board ensures permanently and by all necessary means the control of the management of the Company carried out by the Executive Board. However, this supervision has to be translated in no way by an intervention in the management of the Company. The Supervisory Board can mandate advisory committees comprised of members of the Supervisory Board and/or of other non-members to lead different missions. The Supervisory Board can confer power or mandates permanently or temporary to these advisory committees. These advisory committees cannot have the effect of restricting the powers of the Executive Board.

### **7.3. Audit committee**

The mission of the Audit Committee is to monitor the issues related to the preparation and control of accounting and financial information, to monitor the independence of the statutory auditors, as well as to monitor the efficiency of the internal control, measurement, supervision and risk control systems related to the accounting and financial processes. If needed, it gives recommendations and its opinion to the Supervisory Board.

An Audit Committee took place on 25 April 2022, during which the financial statements for the financial period ended 31 December 2021 and the external audit results were presented. At least one member of the committee must be independent, which is the case of the Chairman of the Company's Audit Committee.

### **7.4. Internal audit**

The Internal Audit of both Société Générale Luxembourg S.A. ("SG Luxembourg") and Société Générale Group support the Company's Executive Board in overseeing the Company's activities and securing its operations by carrying out internal audits and providing consultative assistance. The objective of Internal Audit is to add value by making recommendations designed to improve the Company's functioning. Internal Audit is an independent function and its activities are based on international professional internal audit standards and rules of ethics.

The central task of Internal Audit is to audit the functioning of SG Issuer on a regular basis and evaluate its internal controls, risk management, and administrative function. The areas to be audited are determined by the projected financial and operational risks concerned. Internal Audit can also carry out special assignments at the request of management.

Internal Audit does not have any direct authority over the activities it reviews.

### **7.5. Controls framework**

First level of controls is related to the execution of the procedures, guidelines and instructions established to ensure the proper and efficient functioning of the Company. They are executed by the involved teams in charge of the production.

A second level of control is ensured by SG Luxembourg: Outsourced Essential Services ("OES") supervision (ensured by the Corporate department), Market Risk and Operational Risk (ensured by the Risk department), "Level 2 permanent control" activity (monitoring and assessment of the level 1 permanent control system)."

The Chief Financial Officer of the Company ensures the completeness of the procedural framework.

**Report of the Executive Board and Corporate Governance Statement (continued)**

As at 30 June 2022

**7.6. New products committee**

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

**7.7. Service level agreements**

The Company and several of its service providers are subsidiaries of the Société Générale Group and therefore benefit from the Group's internal control systems.

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

Luxembourg, 30 September 2022  
For the Executive Board



Yves CACCLIN  
Chairman of the Executive Board



Thierry BODSON  
Member of the Executive Board



**Global Statement for the condensed interim financial statements**

As at 30 June 2022

To the best of our knowledge, the condensed interim financial statements are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and give a true and fair view of the financial position and performance of SG Issuer as at and for the six-month period ended 30 June 2022. The condensed interim financial statements comprise the interim statement of financial position as at 30 June 2022, the interim statement of profit and loss and other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

To the best of our knowledge, the report of the Executive Board and Corporate Governance Statement includes a fair review of the development and performance of the Company, and a description of the principal risks and uncertainties that the Company faces.

Luxembourg, 30 September 2022

A handwritten signature in blue ink, appearing to read 'Yves CACCLIN', with a long horizontal stroke extending to the right.

Yves CACCLIN  
Chairman of the Executive Board

A handwritten signature in blue ink, appearing to read 'Thierry BODSON', with a large loop at the start and a horizontal stroke.

Thierry BODSON  
Member of the Executive Board



## **Report of the Réviseur d'entreprises agréé on review of the condensed interim financial statements**

To the Shareholders of  
SG Issuer S.A.  
16, boulevard Royal  
L-2449 Luxembourg

### *Introduction*

We have reviewed the accompanying condensed interim financial statements of SG Issuer as at and for the six-month period ended 30 June 2022, which comprise the interim statement of financial position as at 30 June 2022 and the related interim statement of profit and loss and other comprehensive income, the interim statement of changes in equity, the interim statement of cash flows for the six-month period then ended and a summary of significant accounting policies and explanatory notes. The Executive Board is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

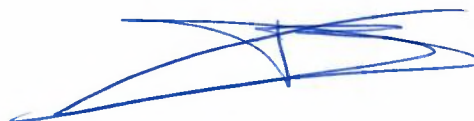
### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**  
Société anonyme  
Cabinet de révision agréé



**Dorian Rigaud**

Luxembourg, 30 September 2022

**Condensed interim financial statements**

As at 30 June 2022

**Interim statement of financial position**

		('000 EUR)	('000 EUR)
	Note	30.06.2022	31.12.2021
Cash and cash equivalents	3	23 537	36 384
Financial assets at fair value through profit or loss			
- <i>Mandatorily measured at fair value through profit or loss</i>	4.1	38 846 422	40 322 401
- <i>Trading derivatives</i>	4.1	781 375	714 838
Loans and receivables	5	50 001	50 021
Other assets		479 902	497 267
<b>Total assets</b>		<b>40 181 237</b>	<b>41 620 911</b>
Financial liabilities at amortised cost	4.3	58 820	76 412
Financial liabilities at fair value through profit or loss			
- <i>Designated at fair value through profit or loss</i>	4.2	38 846 530	40 323 850
- <i>Trading derivatives</i>	4.2, 10	781 301	714 854
Other liabilities		492 212	503 809
Tax liabilities	6	98	-
<b>Total liabilities</b>		<b>40 178 961</b>	<b>41 618 925</b>
Share capital	7.1	2 000	2 000
Share premium	7.1	-	-
Legal reserve	7.2.1	200	200
Other reserves	7.2.2	(214)	1
Profit for the financial period/year		290	(215)
<b>Total equity</b>		<b>2 276</b>	<b>1 986</b>
<b>Total equity and liabilities</b>		<b>40 181 237</b>	<b>41 620 911</b>



**Condensed interim financial statements (continued)**

As at 30 June 2022

**Interim statement of profit and loss and other comprehensive income**

	Note	('000 EUR) 1 <sup>st</sup> half of 2022	('000 EUR) 1 <sup>st</sup> half of 2021
Interest income		66	381
Commission income	8	18 456	23 539
Net gains from financial instruments at fair value through profit or loss		127	55
<b>Total revenues</b>		<b>18 649</b>	<b>23 975</b>
Interest expenses		(10 470)	(14 254)
Personnel expenses		(136)	(143)
Other operating expenses		(7 656)	(9 524)
<b>Total expenses</b>		<b>(18 262)</b>	<b>(23 921)</b>
Cost of risk	5	1	3
<b>Profit before tax</b>		<b>388</b>	<b>57</b>
Income tax	6	(98)	(16)
<b>Profit for the financial period</b>		<b>290</b>	<b>41</b>
<b>Total comprehensive income for the period</b>		<b>290</b>	<b>41</b>






## Condensed interim financial statements (continued)

As at 30 June 2022

## Interim statement of changes in equity

	('000 EUR) Share capital	('000 EUR) Share premium	('000 EUR) Legal reserve	('000 EUR) Other reserves	('000 EUR) Total reserves	('000 EUR) Profit for the financial year/period	('000 EUR) Total equity
<b>As at 31 December 2020</b>	<b>2 000</b>	<b>-</b>	<b>200</b>	<b>0</b>	<b>200</b>	<b>199</b>	<b>2 399</b>
Allocation of the result of the previous year before dividend distribution	-	-	-	199	199	(199)	-
Capital increase / Allocation to the share premium account (Note 7.1)	-	16 926	-	-	-	-	16 926
Dividend paid (Note 7.1)	-	-	-	(199)	(199)	-	(199)
Reimbursement of the share premium (Note 7.1)	-	(16 926)	-	-	-	-	(16 926)
Profit and other comprehensive income for the period from 1 January 2021 to 30 June 2021	-	-	-	-	-	41	41
<b>As at 30 June 2021</b>	<b>2 000</b>	<b>-</b>	<b>200</b>	<b>1*</b>	<b>201</b>	<b>41</b>	<b>2 242</b>
Profit and other comprehensive income for the period from 1 July 2021 to 31 December 2021	-	-	-	-	-	(256)	(256)
<b>As at 31 December 2021</b>	<b>2 000</b>	<b>-</b>	<b>200</b>	<b>1*</b>	<b>201</b>	<b>(215)</b>	<b>1 986</b>
Allocation of the result of the previous year before dividend distribution	-	-	-	-	-	215	215
Allocation to loss brought forward	-	-	-	(215)	(215)	-	(215)
Capital increase / Allocation to the share premium account (Note 7.1)	-	28 244	-	-	-	-	28 244
Dividend paid (Note 7.1)	-	-	-	-	-	-	-
Reimbursement of the share premium (Note 7.1)	-	(28 244)	-	-	-	-	(28 244)
Profit and other comprehensive income for the period from 1 January 2022 to 30 June 2022	-	-	-	-	-	290	290
<b>As at 30 June 2022</b>	<b>2 000</b>	<b>-</b>	<b>200</b>	<b>(214)</b>	<b>(14)</b>	<b>290</b>	<b>2 276</b>

\* Other reserves as at 31.12.2021 amount to KEUR 1 and relate to the retained earnings which the Company was not able to distribute as a dividend as they were indivisible by the number of shares. Due to rounding in KEUR, this KEUR 1 difference between the 2020 profit and the dividend distribution does not appear in the above table.

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

**Condensed interim financial statements (continued)**

As at 30 June 2022

**Interim statement of cash flows**

	Notes	('000 EUR) 1 <sup>st</sup> half of 2022	('000 EUR) 1 <sup>st</sup> half of 2021
<b>OPERATING ACTIVITIES</b>			
Profit for the financial period		290	41
Net (increase)/decrease in financial assets	4.1	(10 618 051)	(9 598 256)
Net increase/(decrease) in financial liabilities	4.2	10 592 495	9 412 474
(Increase)/decrease in other assets		17 365	524 939
Increase/(decrease) in tax liabilities and other liabilities		(11 499)	(531 015)
Taxes paid	7	-	-
<i>Non cash adjustments :</i>			
Net change in fair value and foreign exchange difference	4.1, 4.2	34 798	193 409
Change in cost of risk	5	(1)	(3)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>15 397</b>	<b>1 589</b>
<b>FINANCING ACTIVITIES</b>			
Payment of capital surplus*	7.1	(28 244)	(16 926)
Dividend paid		-	(199)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(28 244)</b>	<b>(17 125)</b>
Cash and cash equivalents as at the beginning of the period	3	36 384	44 293
Net increase/(decrease) in cash and cash equivalents		(12 847)	(15 536)
<b>Cash and cash equivalents as at the end of the period</b>		<b>23 537</b>	<b>28 757</b>
<b>Additional information on operational cash flows from interest and dividends</b>			
Interest paid		28 309	17 291
Interest received		66	384
Dividend received		-	-

\* KEUR 28 244 for the period ended 30 June 2022 (and KEUR 16 926 for the year ended 30 June 2021) represent the share premium reimbursed by the Company to the shareholder (refer to Note 7.1).

**Notes to the condensed interim financial statements**  
As at 30 June 2022

**NOTE 1 – CORPORATE INFORMATION**

SG Issuer (hereafter the "Company" or "SGIS") is a Luxembourg company incorporated on 16 November 2006 as a public limited liability company (Société Anonyme) for an unlimited period.

Since April 2013, the Company's corporate objects are to issue debt securities, bonds, certificates, warrants and any other debt securities or acknowledgements of debts or financial securities, whether or not accompanied by guarantees, with any type of underlying security, including, without limitation, company stock, any other capital security or security other than capital, index, currency, exchange rate, interest rate, dividend, credit risk, fund unit, investment company stock, term deposit, life assurance contract, loan, merchandise, term contract, option, warrant or option coupons, allocated or unallocated precious metals, unit of account, basket or any other factor or any other type of underlying securities and any combination of the latter.

To that effect, the Company may purchase, hold, dispose of, lend, loan or resell, by any means, including in particular the use of trusts, in trust or repurchase, any type of assets whatever their names and forms and whether or not accompanied by guarantees, in particular financial instruments (financial securities - stocks, fund units, bonds, certificates, warrants - or financial contracts - swaps, options or other) or any other debt securities, acknowledgements of debts or capital securities, receive or issue monetary loans (including loans convertible into shares of the Company) - within the group of companies to which the Company belongs - and to supply guarantees in any form (actual guarantees such as pledges, securities, mortgages or other - personal guarantees or any other form of guarantee) for their own account, for the account of the group of companies to which the Company belongs or on behalf of third parties.

The Company's financial year begins on 1 January and ends on 31 December each year.

The Company's capital is divided into 50 009 shares, of which 49 909 are held by SG Luxembourg and 100 are held by Société Générale.

The accounts of the Company are included in the consolidated accounts of Société Générale S.A. (hereafter "Société Générale" or the "parent Company"), which is the largest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 29, boulevard Haussmann, 75009 Paris, France.

**Notes to the condensed interim financial statements (continued)**  
As at 30 June 2022

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**2.1. Basis of preparation**

**2.1.1. Statement of compliance**

The financial statements of the Company as at and for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements as at and for the year ended 31 December 2021 were authorised for issue by the Supervisory Board on 27 April 2022.

The condensed interim financial statements as at and for the six-month period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB"). The condensed interim financial statements as at and for the six-month period ended 30 June 2022 were approved and authorised for issue by the Supervisory Board on 30 September 2022.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements as at 31 December 2021.

**2.1.2. Basis of measurement of financial assets and financial liabilities**

Financial assets and financial liabilities linked to the activity of the Company are measured at fair value through profit or loss. Other financial assets and financial liabilities are measured at amortised cost.

**2.1.3. Functional and presentation currency**

These condensed interim financial statements are prepared in Euro ("EUR"), which is the Company's functional currency and the currency of its share capital. Unless stated otherwise, the amounts in the condensed interim financial statements are expressed in thousands of EUR (KEUR). The value "0" indicates the presence of a number, which is rounded to zero, while "-" represents the value nil.

**2.1.4. Use of estimates and judgements**

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

In order to make these assumptions and estimates, the Executive Board uses information available at the date of preparation of the condensed interim financial statements and can exercise its judgment. By nature, valuations based on estimates include risks and uncertainties relating to their occurrence in the future. Consequently, actual future results may differ from these estimates and may then have a significant impact on the condensed interim financial statements.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, the Executive Board has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the condensed interim financial statements with substantial Executive Board judgment and/or estimates are listed below with respect to judgments/estimates involved.

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

- Fair value in the interim statement of financial position of financial instruments not quoted in an active market which are classified as financial assets and liabilities at fair value through profit or loss (see Notes 4.1 and 4.2);
- The amount of impairment and provisions for credit risk related to financial assets measured at amortised cost (see Note 5);
- The analysis of the contractual cash flow characteristics of financial assets (see Note 2.3.3.1).

**2.1.5. Segment reporting**

No dedicated management reporting information is presented for SGIS to a chief decision maker; only the annual financial statements and the condensed interim financial statements are presented to the Executive Board of SGIS in analysing the performance of the Company. The Company has only one geographical area related to its revenue, which is France.

The business of the Company is not seasonal. Therefore, the additional disclosure of financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period, encouraged in IAS 34.21, are not necessary and not provided.

**2.2. New accounting standards**

**2.2.1. New accounting standards applicable as at 1 January 2022**

**2.2.1.1. Amendments to IAS 37 "provisions, contingent liabilities and contingent assets "onerous contracts - contract execution costs "**

*Issued by the IASB in May 2020 and adopted by European Union on 2 July 2021*

These amendments specify the costs to be used in determining the costs of fulfilling a contract when analyzing onerous contracts.

No material impact has been identified as at 30 June 2022.

**2.2.1.2. Amendments to IAS 16 "tangible fixed assets - proceeds before intended use"**

*Issued by the IASB in May 2020 and adopted by European Union on 2 July 2021*

These amendments prohibit an entity deducting from the cost of a tangible fixed assets any proceeds from selling items produced while bringing that asset to its location or condition necessary for its operating state. Instead, an entity would recognise the proceeds from selling such items, and the cost of producing those items, in profit or loss.

No material impact has been identified as at 30 June 2022.



**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

2.2.1.3. Annual IFRS improvements (2018 - 2020 cycle)

*Issued by the IASB on 14 May 2020 and adopted by European Union on 2 July 2021*

As part of the annual procedure for improving IFRS, the IASB published minor changes to IFRS 9 "Financial instruments" and IFRS 16 "Leases". The IASB also published minor changes to IFRS 1 "First time adoption of International Financial Reporting Standards" and IAS 41 "Agriculture", which is not applicable to the Group. The amendment on IFRS 9 "Financial instruments" clarifies which fees an entity includes when performing the "10 per cent" test to assess whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment to IFRS 16 clarifies the treatment of lease incentives related to reimbursement of leasehold improvements by the lessor. The amendment only relates to an illustrative example.

No material impact has been identified as at 30 June 2022.

2.2.1.4. IFRS interpretations committee (ifric) decision on ias 38

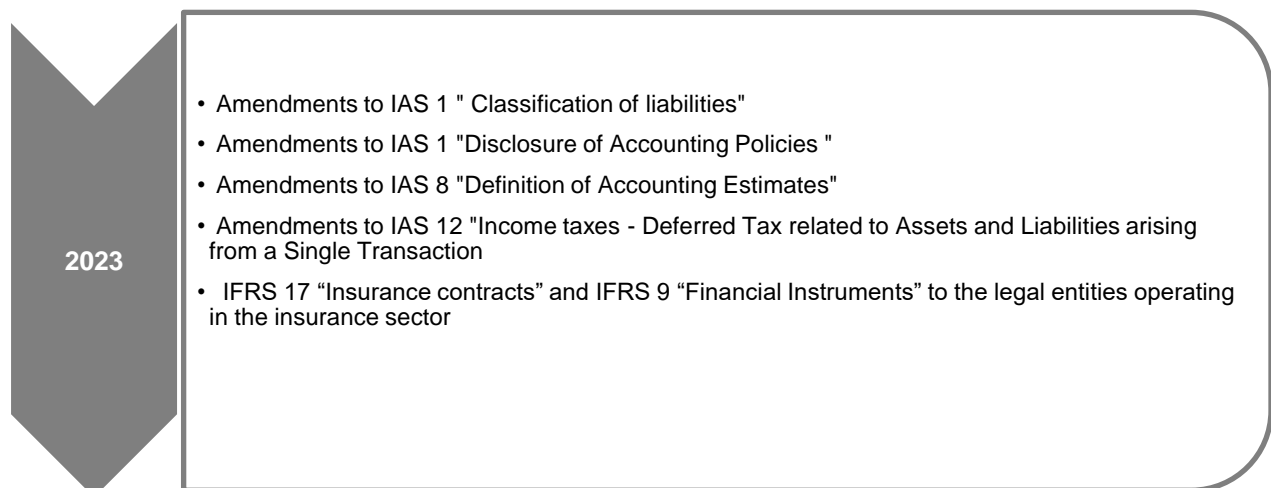
*Issued by IFRIC on 27 April 2021*

During its 27 April 2021 meeting, the IFRIC reiterated the accounting rules for a customer's costs of configuring or customizing the supplier's application in a 'Software as a Service' (SaaS) arrangement. The Company has not identified any material impact as at 30 June 2022.

2.2.2. Accounting standards, amendments or interpretations to be applied by the Company in the future

IASB publishes accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at 30 June 2022. They are required to be applied from annual periods beginning on 1 January 2023 at the earliest or on the date of their adoption by the European Union. They have not been applied by the Company as at 30 June 2022.

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



**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

**2.2.2.1. Amendments to IAS 1 "Classification of liabilities"**

*Issued by the IASB on 23 January 2020*

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

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

The new guidance will be effective for annual periods starting on or after 1 January 2022.

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

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

**2.2.2.2. Amendments to IAS 1 "Disclosure of Accounting policies"**

*Adopted by the European Union on 2 March 2022*

These amendments aim to help companies to improve the relevance of the information on accounting methods provided in the Notes and its usefulness for investors and users of financial statements.

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

**2.2.2.3. Amendments to IAS 8 "Definition of an Accounting estimate"**

*Adopted by the European Union on 2 March 2022*

These amendments aim to facilitate the distinction between changes in accounting policies and changes in accounting estimates.

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

**2.2.2.4. Amendments to IAS 12 "Income tax – Deferred tax for assets and liabilities related to the same transaction"**

*Issued by the IASB on 7 May 2021*

These amendments clarify and narrow the scope of the exemption of not recognize deferred tax during the initial recognition of an asset and a liability, offered by IAS 12. Therefore, lease contracts and decommissioning obligations for which companies record both assets and liabilities are excluded and they will have now to book deferred taxes.

The objective of these amendments is to reduce the heterogeneity in the recognition of deferred tax relating to leases and decommissioning obligations.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

Since the implementation of IFRS 16, the Group has considered rights of use and lease debts as a single transaction. Thus, on the date of first recognition, no deferred tax is recognized, as the value of the deferred tax assets generated offsets the value of the deferred tax liability. The differences due to subsequent variations in the right of use and lease liability lead to the recognition of deferred tax. As such, this amendment has no effect on the Company accounts.

2.2.2.5. Preparation for the first-time application of IFRS 17 “insurance contracts” and of IFRS 9 “Financial instruments” to the legal entities operating in the insurance sector

*Issued by the IASB on 18 May 2017, amended on 25 June 2020 and 9 December 2021*

The IFRS 17 standard, will replace the IFRS 4 “Insurance contracts” standard which allows for the recognition of insurance contracts using the methods specified by the local accounting regulation.

At this stage, the Company does not expect any significant impact from this new standard as it does not have insurance activity.

**2.3. Summary of significant accounting policies****2.3.1. Foreign currency transactions**

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

Assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rates ruling at the reporting date. Foreign exchange differences arising on translation and realised exchange gains and losses are recognised in the interim statement of profit and loss and other comprehensive income in the caption Net gains on financial instruments at fair value through profit or loss and Interest Expenses.

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

The most important foreign currency positions for the Company are USD, JPY, GBP, HKD and CHF. The following foreign exchange rates were used:

	USD	JPY	GBP	HKD	CHF
<b>30.06.2022</b>	1.0387	141.54	0.8582	8.1493	0.9960
<b>31.12.2021</b>	1.1326	130.38	0.8403	8.8333	1.0331
<b>30.06.2021</b>	1.1884	131.43	0.8580	9.2293	1.0980

**2.3.2. Cash and Cash equivalents**

Cash and cash equivalents comprise only cash repayable on demand.

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

**2.3.3. Financial instruments****2.3.3.1. Classification of financial instruments***Classification of financial assets*

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

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

For the debt instruments held, SGIS has defined its business model as “held to collect” for the FFS, for Cash and cash equivalents and for Loans and receivables. These assets are acquired in order to collect the contractual cash-flows attached to the assets. No sale has been made in the past years and no sale is anticipated in the future.

The FFS are economically assimilated to loans with embedded derivatives (the swap embedded in the FFS). These types of financial assets comply with the IFRS definition of debt instruments (fixed maturity, coupon calculated as a rate, no right nor interest/control in an entity). As these financial assets of SGIS contain embedded derivatives that modify the cash flows of the entire contract, the contract does not pass the Solely Payments of Principles and Interest (or “SPPI”) test and consequently these financial assets are mandatorily measured at Fair Value through Profit and Loss (“FVTPL”).

Cash and cash equivalents and Loans and receivables are SPPI compliant and are thus measured at amortised cost. Cash and cash equivalents and Loans and receivables are subject to impairment under IFRS 9 and are presented net of impairment.

The Options held, covering the Warrants issued, are Trading derivatives and thus measured at FVTPL.

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

Classification of financial liabilities

Financial liabilities are classified into one of the following two categories:

- Financial liabilities at fair value through profit or loss:

These are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Company upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option.

The Company has designated at fair value through profit or loss the notes issued because mirror transactions (FFS) that are used to hedge those notes are measured mandatorily at fair value through profit and loss and thus reduce the accounting mismatch.

- Financial liabilities at amortised cost:

These include the other non-derivative financial liabilities and are measured at amortised cost.

**2.3.3.2. Valuation of financial instruments**

Definition of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market input based on assumptions that market operators would use to set the price of the instrument in question.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

Fair value hierarchy

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

For information purposes, in the notes to the condensed interim financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the significance of the inputs used according to the following levels:

**Level 1 (L1): instruments valued on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities**

Level 1 instruments carried at fair value on the statement of financial position include in particular shares listed in an active market, government or corporate bonds priced directly by external brokers/dealers, derivatives traded on organised markets (futures, options), and units of funds (including UCITS) whose net asset value is available on the statement of financial position date.

A financial instrument is considered as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and if they reflect actual and regular market transactions on an arm's length basis.

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and among the various above-mentioned market participants, or the fact that the latest transactions conducted on an arm's length basis did not take place recently enough.

Where a financial instrument is traded in several markets to which the Company has immediate access, its fair value is represented by the market price at which volumes and activity levels are highest for the instrument in question.

Transactions resulting from involuntary liquidations or distressed sales are usually not taken into account to determine the market price.

**Level 2 (L2): instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)**

These are instruments measured using a financial model based on observable market inputs. Prices published by an external source derived from the valuation of similar instruments are considered as data derived from prices.

Level 2 instruments include in particular non derivative financial instruments carried at fair value on the statement of financial position that are not directly quoted or do not have a quoted price on a sufficiently active market (e.g. corporate bonds, repos transactions, mortgage-backed securities, units of funds), and firm derivatives and options traded over-the-counter: interest rate swaps, caps, floors, swaptions, equity options, index options, foreign exchange options, commodity options and credit derivatives. The maturities of these instruments are linked to ranges of terms commonly traded in the market, and the instruments themselves can be simple or offer a more complex remuneration profile (e.g. barrier options, products with multiple underlying instruments), with said complexity remaining limited however. The valuation techniques used in this category are based on common methods shared by the main market participants.

**Level 3 (L3): instruments valued using inputs that are not based on observable market data (referred to as unobservable inputs)**

Level 3 instruments carried at fair value on the statement of financial position are predominantly instruments for which the sales margin is not immediately recognised in profit or loss.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

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

The main L3 complex derivatives are:

- Equity derivatives: options with long maturities and/or incorporating bespoke remuneration mechanisms. These instruments are sensitive to market inputs (volatility, dividend rates, correlations, etc.). In the absence of market depth and an objective approach made possible by regularly observed prices, their valuation is based on proprietary methods (e.g. extrapolation from observable data, historical analysis). Hybrid equity instruments (i.e. having at least one non-equity underlying instrument) are also classified as L3 insofar as correlations between the different underlyings are generally unobservable;
- Interest rate derivatives: long-term and/or exotic options, products sensitive to correlation between different interest rates, different exchange rates, or between interest rates and exchange rates, for example for quanto products (in which the instrument is settled in a currency different from the currency of the underlying); they are liable to be classified as L3 because the valuation inputs are unobservable due to the liquidity of the correlated pair and the residual maturity of the transactions (e.g. exchange rate correlations are deemed unobservable for the USD/JPY);
- Credit derivatives: L3 credit derivatives mainly include baskets of instruments exposed to time to default correlation ("N to default" products in which the buyer of the hedge is compensated as of the N<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).

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

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

The valuation methods used by the Company to establish the fair value of financial instruments are detailed below.

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

- For Unsecured Notes and Fully Funded Swaps

The fair value for both the unsecured Notes (liabilities) and the Fully Funded Swap (FFS) (assets) is calculated by discounting the expected future cash flows with the risk-free curve. To take the credit adjustment into account, the risk-free curve is adjusted with Société Générale Group's credit spread curve. A dedicated process has been implemented using Société Générale Group and SGIS operational teams' input. This process is fully functional, constantly monitored as of today.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

- For Secured and Repack Notes

Secured Notes are Notes which are collateralised with assets deposited on segregated or pooled accounts with external custodian (The Bank of New York Mellon S.A., Luxembourg Branch, hereafter “BNY Mellon Luxembourg”) and pledged in favor of the Note holders.

Repack Notes are Notes which allow investors to calibrate the funding yield of their structure by selecting a bond (the “Reference Bond”) issued by a third-party issuer (the “Reference Bond Issuer”).

The collateral assets are composed of eligible securities.

Should Société Générale default, the pledge on the assets is to be enforced; the Notes holders are exposed to credit risk of the collateral (external securities). Therefore, as Société Générale and SGIS are mere risk pass-through, the credit risk premium (external bonds issuers) shall not be adjusted with Société Générale credit spread. Thus, no additional credit adjustment is needed for the secured Notes.

The fair value of the Secured Notes, of the Repack Notes and of the associated FFS is computed, for each accounting period, by discounting the expected future cash flows by a composite Repo rate curve.

- For Warrants and Options

For financial instruments recognised at fair value in the interim statement of financial position, fair value is determined primarily on the basis of the prices quoted in an active market. These prices can be adjusted if none are available on the interim statement of financial position date or if the clearing value does not reflect transaction prices.

However, especially due to the varied characteristics of financial instruments traded over-the-counter on the financial markets, a large number of financial products traded by the Company does not have quoted prices in the markets.

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

The reevaluation differences attributable to the Company’s credit risk are thus determined using valuation models which take into account the most recent financing terms and conditions on the markets along with the residual maturity of the related liabilities.

- For secured notes issued by the Company, as investors are not exposed to the Company’s risk, no own credit risk should impact the fair value of the instruments and as such, no adjustment has to be calculated.
- For unsecured notes, investors are not contractually exposed to the Company’s credit risk but to Société Générale Group’s own credit risk.

SGIS valuation models therefore reflect the absence of credit risk, and structured bonds are not impacted by Own Credit Adjustments within the entity.

**Deferred margin related to main unobservable inputs**

The Company does not apply deferred margin related to its main unobservable inputs as margin on Notes and Warrants issued are offset by a similar margin on Fully Funded Swaps and Options purchased.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

**2.3.3.3. Impairments and provisions**

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

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

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

**Impairment and provisions for credit risk**

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

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

Stage 2 and 3 exposures are impaired for the amount of credit losses that the Company expects to incur over the life of the exposures (lifetime expected credit losses), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity.

**Impairments / Reversal of impairments**

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

**2.3.3.4. Offsetting financial assets and financial liabilities**

A financial asset and a financial liability are offset and the net amount presented on the interim statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in all circumstances, in both the normal course of business and in the event of default of one of the counterparties.

The financial instruments issued by the Company are subscribed by the investors through Société Générale as a lead manager during the issuance period and as a market maker for a secondary market. The instruments which are unsold are held by Société Générale.



**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

The treatment is applied based on IAS 32 paragraph 42: "A financial asset and a financial liability shall be offset and the net amount presented in the interim statement of financial position when, and only when, an entity:

- a. Currently has a legally enforceable right to set off the recognised amounts; and
- b. Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously."

In December 2014, a cash netting clause was added in the legal framework with Société Générale Personne Morale and the Company consequently acquired a legally enforceable right to offset the recognised amount with the same counterparty (Société Générale). The assets (the Fully Funded Swaps) and the liabilities (the Notes) are settled (and intended to be settled) simultaneously.

In June 2017, the Company added a new cash netting clause in the legal framework with Société Générale Personne Morale and the Company consequently acquired a legally enforceable right to offset the recognised amount with the same counterparty (Société Générale). The assets (OTC Options) and the liabilities (the Warrants) are settled (and intended to be settled) simultaneously.

In application of IAS 32 - Offsetting a financial asset and a financial liability, the Company proceeds to the accounting netting of the non-sold amounts. The impact of the off-setting for the non-sold Notes and the corresponding Fully Funded Swaps and impact of the off-setting for the non-sold Warrants and the corresponding options are described in Note 4.1 and Note 4.2.

**2.3.4. Other assets and other liabilities**

Settlement accounts for trades are included in other assets or other liabilities and are presented separately in distinctive captions on assets or liabilities side.

**2.3.5. Shareholders' equity**

Equity are the resources contributed to the Company by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings).

The statement "Changes in Shareholders' Equity" presents the various changes that affect the components of equity over the reporting period.

**2.3.6. Interest income and expense**

Interest is recognized as expense or income over the life of the financing service granted or received, proportionally to the principal amount outstanding.

Interest income and expense are recorded in the statement of profit and loss 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).

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 measured at the effective interest rate applied to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

**2.3.7. Fee income and expense**

Fee income and Fee expense combine fees on services rendered and received, as well as fees on pledge security granted that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under Interest income and Interest expenses.

The Company recognizes fee income or expense for an amount equivalent to the remuneration for the service provided and depending on the progress transferring control of these services:

- Fees for ongoing services, such as custody fees and administration costs are recognized as income over the life of the service;
- Fees for one-off services, such as issuance and listing fees are recognized as income when the service is provided.

The possible mismatch between the payment date of the service provided and the date of execution of the service gives assets and liabilities depending on the type of contract and mismatch which are recognized under Other Assets and Other Liabilities. For example: supplier contracts generate trade payables, accrued expenses or prepaid expenses.

Income related to the issuance of Notes and Warrants falls under the scope of IFRS 15 and as such, is considered separately as income generated by two services when the Company performs its activities:

- The issuing fee, which is recognized upfront for the initiation and the structuration of the issuance;
- Account and security servicing fee during the lifecycle of the security.

**2.3.8. Other operating expenses**

The Company records operating expenses according to the type of services to which they refer.

Other operating expenses mainly include lease payments, building maintenance and other costs, travel and business expenses, outsourcing and advisory fees and marketing and advertising expenses.

**2.3.9. Income tax**

Income tax includes current taxes and deferred taxes:

- Current taxes correspond to the amount of taxes due (or refundable) as calculated according to the taxable profit base for the reporting period;
- Deferred taxes correspond to the amount of taxes resulting from past transactions and that will be payable (or refundable) in a future reporting period.

**2.3.9.1. Current tax**

Current tax is based on the taxable profit and determined in accordance with the rules established by the local taxation authorities, upon which income taxes are payable. This tax expense also includes net allowances for tax adjustments pertaining to income tax.

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account as they are applied in settlement of income taxes for the year. The related tax charge is included under Income tax in the statement of profit and loss

**2.3.9.2. Deferred tax**

Deferred taxes are recognized whenever the Company identifies a temporary difference between the accounting base and tax base for assets and liabilities that will affect future tax payments or from tax loss carried forward.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

The amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized 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. The Company off-sets its deferred tax assets against liabilities as there is both legal right to offset its current tax assets and liabilities and it is the Company's intention to settle on a net basis.

**2.3.9.3. Other commitments linked to secured Notes**

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

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

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

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

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

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

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

**2.4. CRISIS: COVID-19 AND WAR IN UKRAINE**

The lifting of the Covid-19-related restrictions in several major economies supports economic activity without, however, excluding the risk of new lockdowns as it has occurred in some geographic areas during the first half-year 2022 (in Hong-Kong for example).

On the other hand, the first semester of 2022 has been strongly impacted, since 24 February, by the war in Ukraine. The conflict, with its human casualties and suffering, has significant economic costs along with considerable uncertainties.

In the euro area, the supply difficulties, the decline in purchasing power with the high inflation expected all through 2022 and the tightening of economic policies are the main bottlenecks constraining growth. If pandemic-related risks have decreased significantly in the short-term, the strong uncertainties related to the war in Ukraine jeopardise these prospects and the scenario of a more pronounced slowdown in 2022 cannot be excluded.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents amount to KEUR 23 537 as at 30 June 2022 (31 December 2021: KEUR 36 384) and are mainly composed of cash held with SG Luxembourg and Société Générale.

As at 30 June 2022 and 31 December 2021, this caption only contains cash that is repayable on demand.

**NOTE 4 – FINANCIAL INSTRUMENTS****4.1. Financial assets at fair value through profit or loss**

	<b>30.06.2022</b>	<b>31.12.2021</b>
	('000 EUR)	('000 EUR)
<b>Financial assets at fair value through profit or loss</b>		
- Mandatorily at fair value through profit or loss (Fully Funded Swaps)	38 846 422	40 322 401
- Trading derivatives (Options)	781 375	714 838
<b>Total</b>	<b>39 627 797</b>	<b>41 037 239</b>

As at 30 June 2022, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 38 846 422 (31 December 2021: KEUR 40 322 401) and replicate all the Notes issued by the Company (see Note 4.2). Differences between Fully Funded Swaps and Notes arise due to late settlements.

As at 30 June 2022, Trading derivatives (Options) amount to KEUR 781 375 (31 December 2021: KEUR 714 838) and replicate all the Warrants issued by the Company (see Note 4.2). Differences between Options and Warrants arise due to late settlements.

As at 30 June 2022, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 39 639 830 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2021: KEUR 34 911 227) and KEUR 3 930 937 for the non-sold Warrants and the corresponding Options (31 December 2021: KEUR 4 573 937) (see Note 4.2).

**Notes to the condensed interim financial statements (continued)**  
As at 30 June 2022

The movements in financial assets at fair value through profit or loss were as follows:

	('000 EUR)	('000 EUR)	('000 EUR)
	Mandatorily at fair value through profit or loss	Trading derivatives	Total
<b>As at 1 January 2022</b>	<b>40 322 401</b>	<b>714 838</b>	<b>41 037 239</b>
Acquisition	41 825 691	16 941 666	58 767 357
Maturity/Disposal/Liquidation/Cancellation	(29 441 261)	(18 708 024)	(48 149 285)
Change in fair value and foreign exchange difference	(9 131 806)	1 189 895	(7 941 911)
Offsetting of Assets and Liabilities (Change)	(4 728 603)	643 000	(4 085 603)
<b>As at 30 June 2022</b>	<b>38 846 422</b>	<b>781 375</b>	<b>39 627 797</b>

	('000 EUR)	('000 EUR)	('000 EUR)
	Mandatorily at fair value through profit or loss	Trading derivatives	Total
<b>As at 1 January 2021</b>	<b>43 135 651</b>	<b>674 352</b>	<b>43 810 003</b>
Acquisition	58 001 584	37 797 100	97 798 684
Maturity/Disposal/Liquidation/Cancellation	(61 564 451)	(43 346 069)	(104 910 520)
Change in fair value and foreign exchange difference	(7 379 336)	(1 161 153)	(8 540 489)
Offsetting of Assets and Liabilities (Change)	8 128 953	4 750 608	12 879 561
<b>As at 31 December 2021</b>	<b>40 322 401</b>	<b>714 838</b>	<b>41 037 239</b>

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

	<b>30.06.2022</b>	<b>31.12.2021</b>
	('000 EUR)	('000 EUR)
<b>Financial liabilities at fair value through profit or loss</b>		
- Designated at fair value through profit or loss (Notes)	38 846 530	40 323 850
- Trading derivatives (Warrants)	781 301	714 854
<b>Total</b>	<b>39 627 831</b>	<b>41 038 704</b>

As at 30 June 2022, the Company has issued secured and unsecured Notes for a total amount of KEUR 38 846 530 (31 December 2021: KEUR 40 323 850):

- 21 742 unsecured Notes were issued (stock) for a total amount of KEUR 31 034 524 (31 December 2021: 21 230 unsecured Notes were issued (stock) for a total amount of KEUR 33 959 581);
- 577 secured Notes were issued (stock) for a total amount of KEUR 7 812 006 (31 December 2021: 592 secured Notes were issued (stock) for a total amount of KEUR 6 364 269).

In addition to the guarantee on first demand granted by Société Générale on unsecured and secured Notes, subscribers of the secured Notes issued by the Company benefit from additional collateral assets securing the payment due under the Notes terms, structured in form of a pledge governed by Luxembourg Law. This pledge may only be enforced following a default of the Company or Société Générale in its role of Guarantor.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

Pledged collateral assets are deposited on an account held in the name of the Company with an authorised custodian not belonging to the Société Générale Group and are pledged in favour of the Notes holders.

As at 30 June 2022, securities deposited at BNY Mellon Luxembourg as collateral for secured issuances amount to KEUR 5 349 370 (31 December 2021: KEUR 4 836 039).

As at 30 June 2022, the Company also issued Warrants for a total amount of KEUR 781 301 (31 December 2021: KEUR 714 854). Refer to Note 9 for further details on Off-balance sheet items related to the Warrants activity.

As at 30 June 2022, the impact of the offsetting (decrease in the balance sheet) is KEUR 39 639 830 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2021: KEUR 34 911 227) and KEUR 3 930 937 for the non-sold Warrants and the corresponding Options (31 December 2021: KEUR 4 573 937) (see Note 4.1).

The movements in financial liabilities at fair value through profit or loss were as follows:

	(‘000 EUR) Designated at fair value through profit or loss	(‘000 EUR) Trading derivatives	(‘000 EUR) Total
<b>As at 1 January 2022</b>	<b>40 323 850</b>	<b>714 854</b>	<b>41 038 704</b>
Acquisition	41 842 971	16 997 129	58 840 100
Cancelled/Liquidation/Maturity Disposal	(29 504 186)	(18 754 071)	(48 258 257)
Change in fair value and foreign exchange difference	(9 087 502)	1 180 389	(7 907 113)
Offsetting of Assets and Liabilities (Change)	(4 728 603)	643 000	(4 085 603)
<b>As at 30 June 2022</b>	<b>38 846 530</b>	<b>781 301</b>	<b>39 627 831</b>
	(‘000 EUR) Designated at fair value through profit or loss	(‘000 EUR) Trading derivatives	(‘000 EUR) Total
<b>As at 1 January 2021</b>	<b>43 146 652</b>	<b>676 965</b>	<b>43 823 617</b>
Acquisition	58 009 740	38 802 115	97 811 855
Cancelled/Liquidation/Maturity Disposal	(61 547 326)	(43 355 236)	(104 902 562)
Change in fair value and foreign exchange difference	(7 414 169)	(1 159 598)	(8 573 767)
Offsetting of Assets and Liabilities (Change)	8 128 953	4 750 608	12 879 561
<b>As at 31 December 2021</b>	<b>40 323 850</b>	<b>714 854</b>	<b>41 038 704</b>

**4.3. Financial liabilities at amortised cost**

As at 30 June 2022 and 31 December 2021, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000 issued by the Company and fully subscribed by SG Luxembourg, with maturity in 2023. Conversion may occur each year.

On this convertible bond, the Company pays to SG Luxembourg both variable interests calculated on Euribor 3M plus a margin of 0.065% (total rate of (0.41)% as at 30 June 2022) and activity related interests. Activity related interests mean an amount equal to 100% of the activity related profit generated by the Company.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

The convertible bond maturity shall be automatically extended by successive periods of one year, unless either the Issuer or the Holder has exercised its right to terminate the bond on the scheduled maturity date. The conversion option belongs to the Holder.

**NOTE 5 – LOANS AND RECEIVABLES**

As at 30 June 2022 and 31 December 2021, loans and receivables only consist in term deposits with SG Luxembourg, which represent the reinvestment of the Company's share capital, reserves and other available funds.

As at 31 December 2021, expected credit losses calculated on loans and receivables in accordance with IFRS 9 amounted to KEUR (1). As at 30 June 2022, the diminution of the expected credit losses resulted in a reversal of the IFRS9 impairment amounting to KEUR 1, as presented in the Caption reversal of Cost of Risk in the Statements of Profit and Loss.

**NOTE 6 – TAXATION**

The Company is liable for all taxes applicable to Luxembourg commercial companies.

Since 2007, the Company has been part of a tax integration group led by SG Luxembourg with regard to Net Worth Tax and Income Tax, as authorised by the article 164 bis LIR and has concluded a Tax Sharing Agreement (the "Agreement") with SG Luxembourg. Under the Agreement, the Company pays to SG Luxembourg, with respect to each financial year, an amount equal to the tax which would be levied on the profits of the Company in the absence of any tax consolidation with the Parent.

The rate of current tax applied as of 30 June 2022 is 24.94% (30 June 2021: 24.94%). The current tax rate includes the corporate tax and the municipal tax.

For the period ended 30 June 2022, tax expenses amount to KEUR 98 (30 June 2021: KEUR 16).

**NOTE 7 – SHAREHOLDERS' EQUITY**

**7.1. Share capital and Share premium**

On 30 November 2020, 100 shares were sold by SG Luxembourg to Société Générale for a total amount of EUR 4 000. SG Luxembourg still held 49 907 shares amounting to EUR 1 996 280 for which it waived its entire voting rights. As at 31 December 2021, the subscribed and fully paid share capital amounted to EUR 2 000 320, divided into 50 008 shares with nominal value of EUR 40 each.

By resolution adopted on 14 January 2022, the Executive Board decided to increase the capital of the Company from EUR 2 000 320 to EUR 2 000 360 by the issue of a new share with a nominal value of EUR 40, subscribed by SG Luxembourg. In the context of the capital increase, the 2021 activity related interests amounting to KEUR 28 244 have been allocated to the Share premium. It was then paid to the shareholders in June 2022.

As at 30 June 2022, the subscribed and fully paid share capital is EUR 2 000 360, divided into 50 009 shares with nominal value of EUR 40 each.

The Company manages its capital to ensure it will be able to continue as a going concern. The capital amount may be increased, subject to the approval of the Shareholders, if the Company's activity evolves, incurring specific additional risks.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

**7.2. Reserves****7.2.1. Legal reserve**

In accordance with the Luxembourg law, the Company is required to allocate a minimum of 5% of its annual net profit to a Legal reserve until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

As at 30 June 2022, the legal reserve amounts to KEUR 200 (31 December 2021: KEUR 200).

**7.2.2. Other reserves**

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

As at 30 June 2022, the amount of other reserves amounts to KEUR (214) (31 December 2021: KEUR 1) and is mainly composed of the loss brought forward of KEUR (215) generated during the year ending as at 31 December 2021.

**NOTE 8 – COMMISSION INCOME**

Commission income can be broken down as follows:

	<b>30.06.2022</b> <b>(‘000 EUR)</b>	<b>30.06.2021</b> <b>(‘000 EUR)</b>
Issuing upfront fees on Notes	14 367	17 601
Servicing fees on Notes	3 484	4 468
Commission on Warrants	605	1 470
<b>Total</b>	<b>18 456</b>	<b>23 539</b>

As at 30 June 2022, KEUR 3 956 are retained as deferred income under the caption “other liabilities” (30 June 2021 : KEUR 5 836).

**NOTE 9 – OFF-BALANCE SHEET**

As at 30 June 2022, financial instruments to be issued (commitment taken before 30 June 2022 with value date after 30 June 2022) amount to KEUR 4 810 392 (31 December 2021: KEUR 3 302 045).



## Notes to the condensed interim financial statements (continued)

As at 30 June 2022

## Warrants issuance summary

The Warrants issued as at 30 June 2022 and 31 December 2021 break down as follows:

Warrant Type	Category of Underlying	Type of Underlying	Option Type	30 June 2022			31 December 2021		
				Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)
Basket Warrant	Basket	Index	Call	-	-	-	1	12 361	14 230
Commodity Future Warrant	Future	Mutual Fund	Put	-	-	-	-	-	-
		Commodity Future	Call	-	-	-	4	10 118	15
			Put	1	1 860	7 520	12	19 243	6 755
Commodity Warrant	Commodity	Bruts	Call	6	515 683	0	6	472 930	0
		Commodity Future	Call	-	-	-	-	-	-
		Index	Call	-	-	-	-	-	-
		Mutual Fund	Call	3	7 112	0	11	19 085	2
			Put	12	25 642	0	15	27 211	0
		Precious metals	Call	-	-	-	-	-	-
			Put	10	27 061	0	10	24 817	0
Currency Warrant	Currency	Currency	Call	-	-	-	42	0	0
			Put	-	-	-	48	117 867	0
Equity Warrant	Equity	American Depositary Receipt	Call	3	30 134	1	3	27 636	51
			Put	-	-	-	-	-	-
		Mutual fund	Call	3	95 787	63	4	119 231	25
		Ordinary Share	Call	1 055	13 215 186	43 775	1 247	20 296 419	147 944
			Put	350	3 438 645	5 568	411	4 902 718	27 245
		Own Share	Call	4	22 850	35	4	22 850	322
			Put	1	750	0	1	750	0
		Preference	Call	-	-	-	-	-	-
			Put	1	1 500	0	1	1 500	0

## Notes to the condensed interim financial statements (continued)

As at 30 June 2022

				30 June 2022			31 December 2021			
Warrant Type	Category of Underlying	Type of Underlying	Option Type	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)	
Real Estate Investment Trust	Real Estate Investment Trust	Real Estate Investment Trust	Call	4	89 083	30	5	124 066	48	
			Put	2	1 381	11	2	1 309	9	
Index Warrant	Index	Index	Call	392	13 618 599	705 234	301	11 226 503	458 857	
			Put	199	8 549 746	13 440	200	11 032 836	44 857	
Fund Warrant	Fund	Mutual Fund	Call	71	408 287	3 153	121	492 810	11 653	
			Put	-	-	-	-	-	-	
		Fund	Call	1	10 000	2 471	1	10 000	2 841	
Total Call			Call	1 542	28 012 721	754 762	1 750	32 834 009	635 988	
Total Put			Put	576	12 046 585	26 539	700	16 128 251	78 866	
Total Warrants					2 118	40 059 306		2 450	48 962 260	714 854

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

**NOTE 10 – RISK MANAGEMENT**

The Company and several of its service providers are subsidiaries of the Société Générale Group and therefore benefit from Société Générale's internal control systems.

For any further information on the risks relating to the Group, investors and/or Noteholders should refer to the "Risk and Capital Adequacy" section of the Registration Document (<https://www.societegenerale.com>).

**10.1. Market risk**

Market risk is the risk that changes in market prices, such as interest rates, securities prices, and foreign exchange rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company issues Notes and Warrants. The Notes are systematically hedged with Fully Funded Swaps concluded with Société Générale, with strictly identical characteristics. In the same way, the Warrants issued are hedged with Options concluded with Société Générale, with strictly identical characteristics.

The risks associated with the investment in the Notes and Warrants depend on several factors. Such factors vary depending on the characteristics of the Notes and Warrants issued, in particular depending on the underlying, the maturity of the Notes, the secured / unsecured status of the Notes, the interest rates incurred, the volatility of the underlying, etc. The main risks in relation to investments in Notes and Warrants issued by the Company are described in the Base Prospectus under the section "Risk Factor".

Because of its structure (perfect match between the assets and the liabilities), the impact of an immediate change of a market parameter would have no consequence on the net profit of the Company.

The Company is also exposed to structural interest rate risk, namely through the following transactions: reinvestment of available equity by participating interests or loans to the Company's treasury (SG Luxembourg) with hedged interest rate risk (fixed rate contracted with SG Luxembourg). The structural interest rate risk is monitored via the sensitivity of the economic value of the positions measured through modified duration.

Modified duration is calculated based on the change in the net present value of positions subsequent to a 1% change in the rate curve. Exposure monitoring is based on the determination of modified duration over the short (up to one year), medium (one to five years) and long (more than five years) term.

**10.2. Credit risk**

Credit risk is the risk that a third party will not be able to meet its contractual obligation.

The Company only contracts financial instruments with its parent companies, SG Luxembourg and Société Générale. Therefore, the credit risk of the Company is limited to the credit risk on SG Luxembourg and Société Générale. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred.

As at 30 June 2022 and 31 December 2021, no financial assets were past due. An Expected Credit Loss is calculated on deposits, amounting to KEUR 2 as of 30 June 2022 following a reversal of impairment of KEUR 1 on the period (see note 5).

All the Notes and Warrants issued by the Company benefit from a guarantee provided by Société Générale, meaning that payments in respect of the instruments issued by the Company are unconditionally and irrevocably guaranteed by Société Générale (the Guarantor).

As at 30 June 2022, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

**10.3. Interest rate risk**

Interest rate risk is the risk that changes in market interest rates may adversely affect the value of the assets and liabilities of the Company. Due to the financial instruments contracted by the Company with Société Générale to hedge the financial instruments issued, the Company is not significantly exposed to interest rate risk.

**10.4. Liquidity risk**

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due.

The Company does not face any liquidity risk thanks to the perfect replication between the contractual obligations of:

- i) The financial instruments issued by the Company; and
- ii) The financial assets held for hedging by the Company.

As at 30 June 2022, analysis per remaining maturities is as follows:

<b>30.06.2022 - EUR' 000</b>	<b>&lt; 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Cash and cash equivalents	23 537	-	-	-	<b>23 537</b>
<b>Financial assets at fair value through profit or loss</b>					
- Mandatorily at fair value through profit or loss	2 792 188	6 187 806	14 216 849	15 649 579	<b>38 846 422</b>
- Trading derivatives	666 289	48 327	66 759	0	<b>781 375</b>
Loans and receivables	-	48 201	800	1 000	<b>50 001</b>
Other assets	479 902	-	-	-	<b>479 902</b>
<b>Total assets</b>	<b>3 961 916</b>	<b>6 284 334</b>	<b>14 284 408</b>	<b>15 650 579</b>	<b>40 181 237</b>
<b>Financial liabilities at amortised cost</b>	582	58 238	-	-	<b>58 820</b>
<b>Financial liabilities at fair value through profit or loss</b>					
- Designated at fair value through profit or loss	2 791 132	6 188 549	14 217 423	15 649 426	<b>38 846 530</b>
- Trading derivatives	666 305	48 270	66 726	0	<b>781 301</b>
Other liabilities	492 212	-	-	-	<b>492 212</b>
Tax liabilities	-	98	-	-	<b>98</b>
<b>Total liabilities</b>	<b>3 950 231</b>	<b>6 295 155</b>	<b>14 284 149</b>	<b>15 649 426</b>	<b>40 178 961</b>

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

As at 31 December 2021, analysis per remaining maturities is as follows:

<b>31.12.2021 - EUR' 000</b>	<b>&lt; 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Cash and cash equivalents	36 384	-	-	-	36 384
<b>Financial assets at fair value through profit or loss</b>					
- <i>Mandatorily at fair value through profit or loss</i>	4 962 258	5 330 466	14 553 618	15 476 059	40 322 401
- <i>Trading derivatives</i>	446 656	137 616	129 885	681	714 838
Loans and receivables	48 021	200	800	1 000	50 021
Other assets	497 267	-	-	-	497 267
<b>Total assets</b>	<b>5 990 586</b>	<b>5 468 282</b>	<b>14 684 303</b>	<b>15 477 740</b>	<b>41 620 911</b>
<b>Financial liabilities at amortised cost</b>	48 152	28 260	-	-	76 412
<b>Financial liabilities at fair value through profit or loss</b>					
- <i>Designated at fair value through profit or loss</i>	4 960 778	5 330 013	14 557 368	15 475 691	40 323 850
- <i>Trading derivatives</i>	446 143	137 603	130 427	681	714 854
Other liabilities	503 809	-	-	-	503 809
Tax liabilities	-	-	-	-	-
<b>Total liabilities</b>	<b>5 958 882</b>	<b>5 495 876</b>	<b>14 687 795</b>	<b>15 476 372</b>	<b>41 618 925</b>

**10.5. Fair Value measurement**

According to the fair value hierarchy established by IFRS 13, Level 3 (L3) comprises products valued using inputs that are not based on observable market data (referred to as unobservable inputs).

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for Notes or the Black & Scholes formula for certain options and using valuation parameters that reflect current market conditions as at the interim statement of financial position date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of Société Générale, in accordance with the methodologies defined by the Market Risk Department.

The Notes and the related Fully Funded Swaps are classified as Level 3 when the valuation of the associated embedded derivatives (underlyings of the Notes) is also based on unobservable market data.

On each element of an identified list of unobservable parameters, it comes to determining the uncertainty of marking, and cross sensitivities with this uncertainty for a confidence interval of the value of the positions.

In parallel, marking the levels of each of these parameters is collected and reported in the Note.

The methods for determining the level of uncertainty, as well as calculating the confidence interval from sensitivities depend on each parameter.

Transfers from Level 2 to Level 3 are determined at the end of each month and occur in case of a modification within a parameter (e.g. no longer linked to the deal, modification of the observability rule of the parameter).

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

10.5.1. Estimates of Level 3 instruments and other most significant unobservable inputs as at 30 June 2022 (by type of underlyings)

Type of underlyings	Assets In KEUR	Liabilities In KEUR	Main products	Valuation techniques used	Significant unobservable inputs	Range of inputs Min & Max
Equity / Funds	19 022	19 021	Derivatives on funds, equities or baskets of stocks derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets on stocks	Equity volatilities	[3.2% ; 196.2%]
					Equity dividends	[0.0% ; 20.1%]
					Unobservable correlations	[-80% ; 99.6%]
					Hedge funds volatilities	[7.6% ; 20.0%]
					Mutual fund volatilities	[1.7% ; 34.6%]
Rates, Forex and others	3 666	3 666	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[-33.55% ; 90%]
			Forex derivatives	Forex option pricing models	Forex volatilities	[0.0% ; 51.0%]
			Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools	Prepayment modeling	Constant prepayment rates	[0.0% ; 20.0%]
			Inflation instruments and derivatives	Inflation pricing models	Inflation correlations	[55.0% ; 88.90%]
			Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations Recovery rate variance for single name underlyings	[0% ; 100%] [0% ; 100%]
Credit	3 116	3 116	Other credit derivatives	Credit default models	Time to default correlations	[0% ; 100%]
					Quanto correlations	[-50% ; 40%]
					Unobservable credit spreads	[0 bps ; 1 000 bps]
Commodity	-	-	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	NA NA
<b>Total</b>	<b>25 804</b>	<b>25 803</b>				

Unobservable inputs add a degree of uncertainty in the valuation of Level 3 instruments. However, by its very nature, and considering mirror transactions are concluded with Société Générale to hedge the financial liabilities issued by the Company, the Company has no market risk exposure. The impact of an immediate change in an unobservable parameter would have no consequence on the net profit or net equity of the Company.

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

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

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

	Carrying amount	Fair value
<b>30.06.2022 - EUR' 000</b>		
<b>Cash and cash equivalents</b>	23 537	23 537
<b>Financial assets at fair value through profit or loss</b>		
- <i>Mandatorily at fair value through profit or loss</i>	38 846 422	38 846 422
- <i>Trading derivatives</i>	781 375	781 375
Loans and receivables *	50 001	49 852
Other assets	479 902	479 902
<b>Total</b>	<b>40 181 237</b>	<b>40 181 088</b>
Financial liabilities at amortised cost *	58 820	58 837
<b>Financial liabilities at fair value through profit or loss</b>		
- <i>Designated at fair value through profit or loss</i>	38 846 530	38 846 530
- <i>Trading derivatives</i>	781 301	781 301
Other liabilities	492 212	492 212
Tax liabilities	98	98
<b>Total</b>	<b>40 178 961</b>	<b>40 178 978</b>
<b>31.12.2021 - EUR' 000</b>		
<b>Cash and cash equivalents</b>	36 384	36 384
<b>Financial assets at fair value through profit or loss</b>		
- <i>Mandatorily at fair value through profit or loss</i>	40 322 401	40 322 401
- <i>Trading derivatives</i>	714 838	714 838
Loans and receivables *	50 021	50 141
Other assets	497 267	497 267
<b>Total assets</b>	<b>41 620 911</b>	<b>41 621 031</b>
Financial liabilities at amortised cost *	76 412	76 456
<b>Financial liabilities at fair value through profit or loss</b>		
- <i>Designated at fair value through profit or loss</i>	40 323 850	40 323 850
- <i>Trading derivatives</i>	714 854	714 854
Other liabilities	503 809	503 809
Tax liabilities	-	-
<b>Total</b>	<b>41 618 925</b>	<b>41 618 969</b>

\* For Loans and receivables and Financial liabilities at amortised cost, the fair values are calculated by discounting the expected future cash flows under a EUR risk free curve adjusted with Société Générale Group credit spread curve (EUR swap curve from Bloomberg and Société Générale credit spread curve provided by Risk department Paris).

Determining fair value is dependent on many factors and can be an estimate of what value may be obtained in the open market at any point in time.

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

## 10.5.3. The fair value hierarchy of IFRS 13

As at 30 June 2022, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

<b>30.06.2022 - EUR' 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><i>Financial assets at fair value through profit or loss</i></b>				
<b>- <i>Mandatorily at fair value through profit or loss</i></b>	<b>-</b>	<b>13 710 494</b>	<b>25 135 928</b>	<b>38 846 422</b>
<i>Commodities instruments</i>	-	39 689	-	39 689
<i>Credit derivatives/securities</i>	-	675 722	2 868 765	3 544 487
<i>Equity and index securities</i>	-	10 407 738	18 368 228	28 775 966
<i>Foreign exchange instruments/securities</i>	-	568 094	267 158	835 252
<i>Interest rate instruments/securities</i>	-	1 811 160	3 399 126	5 210 286
<i>Other financial instruments</i>	-	208 091	232 651	440 742
<b>- <i>Trading derivatives</i></b>	<b>-</b>	<b>112 666</b>	<b>668 709</b>	<b>781 375</b>
<i>Equity and Index instruments</i>	-	112 398	654 211	766 609
<i>Foreign exchange instruments / securities</i>	-	-	-	-
<i>Other financial instruments</i>	-	268	14 498	14 766
<b><i>Financial liabilities at fair value through profit or loss</i></b>				
<b>- <i>Designated at fair value through profit or loss</i></b>	<b>-</b>	<b>13 712 116</b>	<b>25 134 414</b>	<b>38 846 530</b>
<i>Commodities instruments</i>	-	39 689	-	39 689
<i>Credit derivatives/securities</i>	-	675 178	2 868 743	3 543 921
<i>Equity and index securities</i>	-	10 409 760	18 366 684	28 776 444
<i>Foreign exchange instruments / securities</i>	-	568 392	267 211	835 603
<i>Interest rate instruments/securities</i>	-	1 811 219	3 399 126	5 210 345
<i>Other financial instruments</i>	-	207 878	232 650	440 528
<b>- <i>Trading derivatives</i></b>	<b>-</b>	<b>112 592</b>	<b>668 709</b>	<b>781 301</b>
<i>Equity and Index instruments</i>	-	112 325	654 211	766 536
<i>Foreign exchange instruments / securities</i>	-	-	-	-
<i>Other financial instruments</i>	-	267	14 498	14 765



**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

As at 31 December 2021, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

<b>31.12.2021 - EUR' 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><i>Financial assets at fair value through profit or loss</i></b>				
<b>- <i>Mandatorily at fair value through profit or loss</i></b>	<b>-</b>	<b>16 020 681</b>	<b>24 301 720</b>	<b>40 322 401</b>
<i>Commodities instruments</i>	-	26 454	217	26 671
<i>Credit derivatives/securities</i>	-	697 098	3 251 872	3 948 970
<i>Equity and index securities</i>	-	12 016 561	16 759 072	28 775 633
<i>Foreign exchange instruments/securities</i>	-	1 834 388	278 068	2 112 456
<i>Interest rate instruments/securities</i>	-	1 240 393	3 739 272	4 975 665
<i>Other financial instruments</i>	-	205 787	273 219	479 006
<b>- <i>Trading derivatives</i></b>	<b>-</b>	<b>288 790</b>	<b>426 048</b>	<b>714 838</b>
<i>Equity and Index instruments</i>	-	273 342	404 530	677 872
<i>Foreign exchange instruments / securities</i>	-	-	-	-
<i>Other financial instruments</i>	-	15 448	21 518	36 966
<b><i>Financial liabilities at fair value through profit or loss</i></b>				
<b>- <i>Designated at fair value through profit or loss</i></b>	<b>-</b>	<b>16 021 886</b>	<b>24 301 964</b>	<b>40 323 850</b>
<i>Commodities instruments</i>	-	26 454	217	26 671
<i>Credit derivatives/securities</i>	-	697 094	3 251 908	3 949 002
<i>Equity and index securities</i>	-	12 016 515	16 759 108	28 775 623
<i>Foreign exchange instruments/securities</i>	-	1 834 393	278 240	2 112 633
<i>Interest rate instruments/securities</i>	-	1 241 541	3 739 272	4 980 813
<i>Other financial instrument</i>	-	205 889	273 219	479 108
<b>- <i>Trading derivatives</i></b>	<b>-</b>	<b>290 305</b>	<b>424 549</b>	<b>714 854</b>
<i>Equity and Index instruments</i>	-	274 869	403 031	677 900
<i>Foreign exchange instruments / securities</i>	-	-	-	-
<i>Other financial instruments</i>	-	15 436	21 518	36 954

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

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

<b>Financial liabilities at fair value through profit or loss</b>	<b>Balance at 01.01.2022</b>	Acquisitions	Change in fair value	Reimbursements	Transfers from L2 to L3	Transfers from L3 to L2	Offsetting of the assets and liabilities	<b>Balance at 30.06.2022</b>
<b><i>Designated at fair value through profit or loss</i></b>	<b>24 301 964</b>	<b>18 366 145</b>	<b>(7 271 016)</b>	<b>(6 481 751)</b>	<b>1 784 710</b>	<b>(3 973 570)</b>	<b>(1 610 262)</b>	<b>25 134 414</b>
Equity and index instruments	16 759 108	16 350 339	(5 956 395)	(5 113 947)	1 635 520	(3 211 882)	(2 096 059)	<b>18 366 684</b>
Commodities securities	217	-	-	(700)	-	-	483	-
Credit derivatives	3 251 908	578 129	(578 088)	(547 870)	143 657	(339 509)	360 516	<b>2 868 743</b>
Foreign exchange instruments	278 240	36 890	(11 881)	(23 937)	3 935	(21 538)	5 502	<b>267 211</b>
Interest rate instruments	3 739 272	1 287 372	(664 074)	(648 617)	944	(399 961)	84 190	<b>3 399 126</b>
Other financial instruments	273 219	113 415	(60 578)	(128 486)	654	(680)	35 106	<b>232 650</b>
<b><i>Trading derivatives</i></b>	<b>424 549</b>	-	<b>235 563</b>	<b>(22 947)</b>	-	-	<b>31 544</b>	<b>668 709</b>
Equity and index instruments	403 031	-	240 508	(15 713)	-	-	26 385	<b>654 211</b>
Other financial instruments	21 518	-	(4 945)	(7 234)	-	-	5 159	<b>14 498</b>

The variations in Level 3 financial assets are similar.

***Transfers from Level 3 to Level 2***

The consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable parameters.

***Transfers from Level 2 to Level 3***

Transfers from Level 2 to Level 3 can occur in case of a modification within a parameter (no longer linked to the deal, modification of the observability rule of the parameter, etc...).

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

## 10.5.4. The fair value hierarchy of notes issued in RUB

As at 30 June 2022, the Company has issued 206 Notes in ruble (RUB) for a total amount of KEUR 63 715 (as at 31 December 2021, 230 notes for a total amount of KEUR 89 734),

The following table describes the variation of the notes issued in RUB by financial instruments (in KEUR):

<b>Financial liabilities at fair value through profit or loss</b>	<b>Balance at 01.01.2022</b>	Acquisitions	Change in fair value	Reimbursements	Offsetting of the assets and liabilities	<b>Balance at 30.06.2022</b>
<b><i>Designated at fair value through profit or loss</i></b>	<b>89 734</b>	<b>8 607</b>	<b>(14 352)</b>	<b>(29 820)</b>	<b>9 546</b>	<b>63 715</b>
Equity and index instruments	74 625	8 607	(14 574)	(14 572)	7 081	<b>61 167</b>
Credit derivatives	12 707	-	-	(15 248)	2 541	-
Foreign exchange instruments	324	-	206	-	(50)	<b>480</b>
Interest rate instruments	864	-	18	-	-	<b>882</b>
Other financial instruments	1 214	-	(2)	-	(26)	<b>1 186</b>

**Notes to the condensed interim financial statements (continued)**

As at 30 June 2022

**10.6. Operational risk**

Operational risk is the risk of loss or fraud caused by defects or failures in internal procedures or systems, human error or external events, including IT risk and management risk. Particular attention is paid to compliance risk, which receives enhanced monitoring.

The Company participates in the effort to strengthen the management and monitoring of operational risk led by the Société Générale Group. This effort is guided by the Operational Risk Department, which reports to the Société Générale Group Risk Department, and is relayed by different Group operational risk monitoring units responsible for implementing the policies and directives issued by the Société Générale Group and monitoring and controlling operational risks.

The monitoring arrangement mainly relies on four processes supervised by the operational risk departments: periodic risk and control self-assessment (RCSA), collecting internal data on losses due to operational errors with exhaustive real-time reporting of incidents, pattern analyses, and permanent control system.

These procedures are supplemented by a crisis management unit and a business continuity plan.

**NOTE 11 – INFORMATION ON LITIGATIONS**

During the year ended 31 December 2020, SG Issuer, as the Issuer of Notes linked to the credit risk of a French corporate, and Société Générale, as the Guarantor, were brought before the Courts of Paris (alongside other French financial institutions) by end investors to obtain compensation for the financial loss they suffered on their investment in these securities. The French corporate was the subject of a “safeguard procedure”, which constitutes a credit event under the terms of the Notes which had a strong impact on the value of the Notes. These investors rely on unfounded allegations according to which SG Issuer and Société Générale were aware of the difficulties of the French corporate when setting up and marketing these Notes and that in doing so, they failed to meet their regulatory obligations (to act in an honest, fair and professional manner, to provide information on the product risks and to determine the suitability of the Notes for retail investors).

For this litigation, along with any other litigation relating to securities issued by SG Issuer, SG Issuer is entitled to an indemnification by Société Générale in respect of any sum due by SG Issuer regarding potential damages or attorneys' fees.

**NOTE 12 – SUBSEQUENT EVENTS**

There was no subsequent event which could have a significant impact on the condensed interim financial information as at 30 June 2022.

### **APPENDIX III**

#### **REPRODUCTION OF THE GUARANTOR'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

The information set out below is a reproduction of the Guarantor's audited consolidated financial statements for the year ended 31 December 2022.

## 6.1 CONSOLIDATED FINANCIAL STATEMENTS

### 6.1.1 CONSOLIDATED BALANCE SHEET – ASSETS

(In EURm)		31.12.2022	31.12.2021
Cash, due from central banks		207,013	179,969
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	329,437	342,714
Hedging derivatives	Notes 3.2 and 3.4	32,850	13,239
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	37,463	43,450
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	21,430	19,371
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	66,903	55,972
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	506,529	497,164
Revaluation differences on portfolios hedged against interest rate risk	Note 3.2	(2,262)	131
Investments of insurance companies	Note 4.3	158,415	178,898
Tax assets	Note 6	4,696	4,812
Other assets	Note 4.4	85,072	92,898
Non-current assets held for sale	Note 2.5	1,081	27
Deferred profit-sharing	Note 4.3	1,175	-
Investments accounted for using the equity method		146	95
Tangible and intangible fixed assets	Note 8.4	33,089	31,968
Goodwill	Note 2.2	3,781	3,741
<b>TOTAL</b>		<b>1,486,818</b>	<b>1,464,449</b>

## 6.1.2 CONSOLIDATED BALANCE SHEET – LIABILITIES

(In EURm)		31.12.2022	31.12.2021
Due to central banks		8,361	5,152
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	300,618	307,563
Hedging derivatives	Notes 3.2 and 3.4	46,164	10,425
Debt securities issued	Notes 3.6 and 3.9	133,176	135,324
Due to banks	Notes 3.6 and 3.9	132,988	139,177
Customer deposits	Notes 3.6 and 3.9	530,764	509,133
Revaluation differences on portfolios hedged against interest rate risk	Note 3.2	(9,659)	2,832
Tax liabilities	Note 6	1,638	1,577
Other liabilities	Note 4.4	107,553	106,305
Non-current liabilities held for sale	Note 2.5	220	1
Insurance contracts related liabilities	Note 4.3	141,688	155,288
Provisions	Note 8.3	4,579	4,850
Subordinated debts	Note 3.9	15,946	15,959
<b>TOTAL LIABILITIES</b>		<b>1,414,036</b>	<b>1,393,586</b>
<b>SHAREHOLDER'S EQUITY</b>			
<b>Shareholders' equity, Group share</b>			
Issued common stocks and capital reserves	Note 7.1	21,248	21,913
Other equity instruments		9,136	7,534
Retained earnings		34,267	30,631
Net income		2,018	5,641
<b>SUB-TOTAL</b>		<b>66,669</b>	<b>65,719</b>
Unrealised or deferred capital gains and losses	Note 7.3	(218)	(652)
<b>SUB-TOTAL EQUITY, GROUP SHARE</b>		<b>66,451</b>	<b>65,067</b>
Non-controlling interests	Note 2.3	6,331	5,796
<b>TOTAL EQUITY</b>		<b>72,782</b>	<b>70,863</b>
<b>TOTAL</b>		<b>1,486,818</b>	<b>1,464,449</b>

### 6.1.3 CONSOLIDATED INCOME STATEMENT

(In EURm)

		2022	2021
Interest and similar income	Note 3.7	28,838	20,590
Interest and similar expense	Note 3.7	(17,552)	(9,872)
Fee income	Note 4.1	9,335	9,162
Fee expense	Note 4.1	(4,161)	(3,842)
Net gains and losses on financial transactions		6,691	5,723
o/w net gains and losses on financial instruments at fair value through profit or loss	Note 3.1	6,715	5,704
o/w net gains and losses on financial instruments at fair value through other comprehensive income		(10)	44
o/w net gains and losses from the derecognition of financial instruments at amortised cost		(14)	(25)
Net income from insurance activities	Note 4.3	2,211	2,238
Income from other activities	Note 4.2	13,221	12,237
Expenses from other activities	Note 4.2	(10,524)	(10,438)
<b>Net banking income</b>		<b>28,059</b>	<b>25,798</b>
Personnel expenses	Note 5	(10,052)	(9,764)
Other operating expenses	Note 8.2	(7,009)	(6,181)
Amortisation, depreciation and impairment of tangible and intangible fixed assets	Note 8.4	(1,569)	(1,645)
<b>Gross operating income</b>		<b>9,429</b>	<b>8,208</b>
Cost of risk	Note 3.8	(1,647)	(700)
<b>Operating income</b>		<b>7,782</b>	<b>7,508</b>
Net income from investments accounted for using the equity method	Note 2.3	15	6
Net income / expense from other assets	Note 2.1	(3,290)	635
Value adjustments on goodwill		-	(114)
<b>Earnings before tax</b>		<b>4,507</b>	<b>8,035</b>
Income tax	Note 6	(1,560)	(1,697)
<b>Consolidated net income</b>		<b>2,947</b>	<b>6,338</b>
Non-controlling interests	Note 2.3	929	697
<b>Net income, Group share</b>		<b>2,018</b>	<b>5,641</b>
Earnings per ordinary share	Note 7.2	1.73	5.97
Diluted earnings per ordinary share	Note 7.2	1.73	5.97



## 6.1.4 STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In EURm)

	2022	2021
<b>Consolidated net income</b>	<b>2,947</b>	<b>6,338</b>
<b>Unrealised or deferred gains and losses that will be reclassified subsequently into income</b>	<b>(111)</b>	<b>930</b>
Translation differences	1,820	1,457
<i>Revaluation differences for the period</i>	1,278	1,458
<i>Reclassified into income</i>	542	(1)
Revaluation of debt instruments at fair value through other comprehensive income	(731)	(318)
<i>Revaluation differences for the period</i>	(771)	(294)
<i>Reclassified into income</i>	40	(24)
Revaluation of available-for-sale financial assets	(1,223)	(292)
<i>Revaluation differences for the period</i>	(1,244)	(269)
<i>Reclassified into income</i>	21	(23)
Revaluation of hedging derivatives	(380)	(36)
<i>Revaluation differences of the period</i>	(252)	6
<i>Reclassified into income</i>	(128)	(42)
Related tax	403	119
<b>Unrealised or deferred gains and losses that will not be reclassified subsequently into income</b>	<b>539</b>	<b>191</b>
Actuarial gains and losses on defined benefit plans	92	236
Revaluation of own credit risk of financial liabilities at fair value through profit or loss	671	8
Revaluation of equity instruments at fair value through other comprehensive income	(26)	11
Related tax	(198)	(64)
<b>Total unrealised or deferred gains and losses</b>	<b>428</b>	<b>1,121</b>
<b>Net income and unrealised or deferred gains and losses</b>	<b>3,375</b>	<b>7,459</b>
<i>o/w Group share</i>	2,592	6,719
<i>o/w non-controlling interests</i>	783	740

## 6.1.5 CHANGES IN SHAREHOLDERS' EQUITY

	Shareholders' equity, Group share							
(In EURm)	Issued common stocks and capital reserves	Other equity instruments	Retained earnings	Net income, Group share	Unrealised and deferred gains and losses	Total	Non-controlling interests	Total consolidated shareholder's equity
<b>At 1 January 2021</b>	<b>22,333</b>	<b>9,295</b>	<b>31,812</b>	<b>-</b>	<b>(1,730)</b>	<b>61,710</b>	<b>5,302</b>	<b>67,012</b>
Increase in common stock and issuance/redemption and remuneration of equity instruments	-	(1,761)	(627)	-	-	(2,388)	(33)	(2,421)
Elimination of treasury stock	(468)	-	(36)	-	-	(504)	-	(504)
Equity component of share-based payment plans (see Note 5.3)	48	-	-	-	-	48	-	48
2021 Dividends paid (see Note 7.2)	-	-	(468)	-	-	(468)	(193)	(661)
Effect of changes of the consolidation scope	-	-	(41)	-	-	(41)	(18)	(59)
<b>Sub-total of changes linked to relations with shareholders</b>	<b>(420)</b>	<b>(1,761)</b>	<b>(1,172)</b>	<b>-</b>	<b>-</b>	<b>(3,353)</b>	<b>(244)</b>	<b>(3,597)</b>
2021 Net income	-	-	-	5,641	-	5,641	697	6,338
Change in unrealised or deferred gains and losses	-	-	-	-	1,078	1,078	43	1,121
Other changes	-	-	(9)	-	-	(9)	(2)	(11)
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>5,641</b>	<b>1,078</b>	<b>6,710</b>	<b>738</b>	<b>7,448</b>
<b>At 31 December 2021</b>	<b>21,913</b>	<b>7,534</b>	<b>30,631</b>	<b>5,641</b>	<b>(652)</b>	<b>65,067</b>	<b>5,796</b>	<b>70,863</b>
Allocation to retained earnings	-	-	5,781	(5,641)	(140)	-	-	-
<b>At 1 January 2022</b>	<b>21,913</b>	<b>7,534</b>	<b>36,412</b>	<b>-</b>	<b>(792)</b>	<b>65,067</b>	<b>5,796</b>	<b>70,863</b>
Increase in common stock and issuance/redemption and remuneration of equity instruments (see Note 7.1)	(233)	1,602	(590)	-	-	779	(33)	746
Elimination of treasury stock (see Note 7.1)	(524)	-	(66)	-	-	(590)	-	(590)
Equity component of share-based payment plans (see Note 5.3)	92	-	-	-	-	92	-	92
2022 Dividends paid (see Note 7.2)	-	-	(1,371)	-	-	(1,371)	(754)	(2,125)
Effect of changes of the consolidation scope (see Note 7.1)	-	-	(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>-</b>	<b>-</b>	<b>(1,178)</b>	<b>(244)</b>	<b>(1,422)</b>
2022 Net income	-	-	-	2,018	-	2,018	929	2,947
Change in unrealised or deferred gains and losses	-	-	-	-	574	574	(146)	428
Other changes	-	-	(30)	-	-	(30)	(4)	(34)
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>(30)</b>	<b>2,018</b>	<b>574</b>	<b>2,562</b>	<b>779</b>	<b>3,341</b>
<b>At 31 December 2022</b>	<b>21,248</b>	<b>9,136</b>	<b>34,267</b>	<b>2,018</b>	<b>(218)</b>	<b>66,451</b>	<b>6,331</b>	<b>72,782</b>

## 6.1.6 CASH FLOW STATEMENT

(In EURm)

	2022	2021
<b>Consolidated net income (I)</b>	<b>2,947</b>	<b>6,338</b>
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	5,359	5,444
Depreciation and net allocation to provisions	6,608	684
Net income/loss from investments accounted for using the equity method	(15)	(6)
Change in deferred taxes	286	425
Net income from the sale of long-term assets and subsidiaries	(18)	(41)
Other changes*	4,830	957
<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>17,050</b>	<b>7,463</b>
Income on financial instruments at fair value through profit or loss	11,230	4,619
Interbank transactions*	(13,899)	(2,154)
Customers transactions*	3,855	3,841
Transactions related to other financial assets and liabilities*	29,906	(10,144)
Transactions related to other non-financial assets and liabilities*	(11,997)	11,043
<b>Net increase/decrease in cash related to operating assets and liabilities (III)*</b>	<b>19,095</b>	<b>7,205</b>
<b>Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)*</b>	<b>39,092</b>	<b>21,006</b>
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments*	582	(3,532)
Net cash inflow (outflow) related to tangible and intangible fixed assets	(9,594)	(6,466)
<b>Net cash inflow (outflow) related to investment activities (B)*</b>	<b>(9,012)</b>	<b>(9,998)</b>
Cash flow from/to shareholders	(712)	(4,894)
Other net cash flow arising from financing activities*	498	436
<b>Net cash inflow (outflow) related to financing activities (C)*</b>	<b>(214)</b>	<b>(4,458)</b>
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	2,354	2,154
<b>Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C) + (D)</b>	<b>32,220</b>	<b>8,704</b>
Cash, due from central banks (assets)	179,969	168,179
Due to central banks (liabilities)	(5,152)	(1,489)
Current accounts with banks (see Notes 3.5 and 4.3)	28,205	26,609
Demand deposits and current accounts with banks (see Note 3.6)	(12,373)	(11,354)
<b>Cash and cash equivalents at the start of the year</b>	<b>190,649</b>	<b>181,945</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 Notes 3.5 and 4.3)	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 end of the year</b>	<b>222,869</b>	<b>190,649</b>
<b>Net inflow (outflow) in cash and cash equivalents</b>	<b>32,220</b>	<b>8,704</b>

\* Amounts restated compared to the financial statements published for 2021 in order to reclassify items from the Other changes line.

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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 2023.

### NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

#### NOTE 1.1 Introduction



##### ACCOUNTING STANDARDS

In accordance with European Regulation 1606/2002 of 19 July 2002 on the application of International Accounting Standards, the Societe Generale group ("the Group") prepared its consolidated financial statements for the year ended 31 December 2022 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date. The Group includes the parent company Societe Generale (including the Societe Generale foreign branches) and all of the entities in France and abroad that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates).

These standards are available on the European Commission website.

In accordance with the transitional measures provided by IFRS 9, the Group has elected to recognise hedging transactions under IAS 39 as adopted by the European Union, including measures related to macro-fair value hedge accounting (IAS 39 "Carve-out").



##### FINANCIAL STATEMENTS PRESENTATION

As the IFRS accounting framework does not specify a standard model, the format of the primary financial statements used is consistent with the format proposed by the French Accounting Standard Setter, the *Autorité des Normes Comptables* (ANC), under Recommendation No. 2017-02 of 2 June 2017.

The disclosures provided in the notes to the consolidated financial statements focus on information that is both relevant and material to the financial statements of the Societe Generale group, its activities, and the circumstances in which it conducted its operations of the period.

The Group publishes its Annual Financial Report 2023 using the European Single Electronic Format (ESEF) as defined by the European Delegated Regulation 2019/815 amended by Commission Delegated Regulation (EU) 2022/352.



##### PRESENTATION CURRENCY

The presentation currency of the consolidated financial statements is the euro.

The figures presented in the financial statements and in the notes are expressed in millions of euros, unless otherwise specified. The effect of rounding may generate discrepancies between the figures presented in the financial statements and those presented in the notes.

**NOTE 1.2 New accounting standards applied by the Group as of 1 January 2022**

Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”.  
 Amendments to IFRS 16 “Property, Plant and Equipment – Proceeds before Intended Use”.  
 Annual Improvements to IFRS (2018-2020 cycle).

**AMENDMENTS TO IAS 37 “ONEROUS CONTRACTS - COST OF FULFILLING A CONTRACT”**

These amendments clarify the costs to include to calculate the cost of fulfilling a contract when assessing whether a contract is onerous.

These amendments have no impact on the Group’s consolidated financial statements.

**AMENDMENTS TO IAS 16 “PROPERTY, PLANT AND EQUIPMENT - PROCEEDS BEFORE INTENDED USE”**

These amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to its operating location or preparing that asset for its intended use. Instead, a company will recognise such sales proceeds and related production cost in profit or loss.

These amendments do not apply to the Group.

**ANNUAL IMPROVEMENTS TO IFRS (2018-2020 CYCLE)**

As part of the annual improvement to IFRS, the IASB published minor changes to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IAS 41 “Agriculture” and IFRS 16 “Leases”.

These changes have no significant impact on the Group financial statements.

**FOLLOW-UP OF THE DECISION OF THE IFRS INTERPRETATIONS COMMITTEE (IFRS IC) DATED 27 APRIL 2021 ON IAS 38**

During its 27 April 2021 meeting, the IFRS IC reiterated the rules relating to the accounting by the customer of the costs of configuring or customising the supplier’s application software used under a Software as a Service (SaaS) arrangement.

A study was conducted within the Group. The IFRS IC decision has no significant impact on the processing of the contracts existing as at 31 December 2022. The provisions of this decision will be applied in the Group to account for costs of configuring or customising any new application software used as a SaaS application.

**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 been adopted by the European Union as at 31 December 2022. Their application is required for the financial years

beginning on or after 1 January 2023 at the earliest or on the date of their adoption by the European Union. They have thus not been applied to the Group as at 31 December 2022.

The provisional application timeframe for the standards with the most impact on the Group is as follows:

**2023**

- IFRS 17 “Insurance contracts”/Amendments to IFRS 17 published as at 25 June 2021 and amendments to IFRS 17 and IFRS 9 published as at 9 December 2021 (see paragraph 4)
- 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”

**2024**

- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

### AMENDMENTS TO IAS 1 “DISCLOSURE OF ACCOUNTING POLICIES”

*Adopted by the European Union on 2 March 2022.*

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.

### AMENDMENTS TO IAS 8 “DEFINITION OF ACCOUNTING ESTIMATES”

*Adopted by the European Union on 2 March 2022.*

The aim of these amendments is to facilitate distinguishing between changes in accounting methods and changes in accounting estimates.

### AMENDMENTS TO IAS 12 “INCOME TAXES” - DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

*Adopted by the European Union on 11 August 2022.*

These amendments clarify and narrow the scope of the exemption provided by the IAS 12 standard allowing institutions to not recognise any deferred tax during the initial recognition of an asset and 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 tax related to leases and decommissioning obligations.

Since the date of first application of IFRS 16, 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 resulting 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 IFRS 16 “LEASE LIABILITY IN A SALE AND LEASEBACK”

*Published on 22 September 2022.*

These amendments clarify the subsequent assessment of sale and leaseback transactions when the initial transfer of the property, plant or equipment meets the criteria of IFRS 15 for recognition as a sale. These amendments specify in particular how to subsequently assess the lease liability resulting from this sale and leaseback transactions, made of payments of variable leases that do not depend on an index or a rate.

The impact of these amendments is currently being analysed.

## NOTE 1.4 Preparation for the first-time application of IFRS 17 “insurance contracts” and of IFRS 9 “financial instruments” to the legal entities operating in the insurance sector

IFRS 17, issued on 18 May 2017 and modified by the 25 June 2020 and 9 December 2021 amendments, will replace IFRS 4 “Insurance contracts” which allows, in particular, insurance contracts to be recognised using methods required by the local accounting regulation.

On 23 November 2021, the European Commission (EC) published in the Official Journal Regulation (EU) 2021/2036 of 19 November 2021 adopting IFRS 17 “Insurance contracts”. This adoption included the possibility for European companies not to implement the requirement stated in the standard to group some insurance contracts by annual cohort for their measurement (see paragraph: “Grouping of contracts”); this exemption will be reassessed by the European Commission at the latest on 31 December 2027.

IFRS 17 applies from 1 January 2023. On the same date, the Group's subsidiaries operating in the insurance sector will apply IFRS 9 “Financial Instruments” for the first time; this application has 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 expanded by Regulations (EU) 2017/1988 and 2020/2097 of the European Commission.

On 9 September 2022, the European Union adopted the amendment 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 reestimate of the future cash flows related to their execution. This reestimate 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 in the income statement will be modified. Any expected profit will be deferred in the balance sheet and spread in the income statement over the coverage period of the insurance contracts. Conversely any expected loss will immediately be 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 execution of insurance contracts will hence be presented in reduction of the net banking income as Insurance services expenses and will thus not impact the total operating expenses on the consolidated income statement anymore.

## SCOPE OF THE CONTRACTS

The insurance contracts to which IFRS 17 applies are the same as those to which IFRS 4 currently applies. These are the insurance contracts issued, the reinsurance contracts issued or held, as well as the investment contracts issued which include a discretionary participation feature provided they are issued by an entity which also issues insurance contracts. Like IFRS 4, IFRS 17 does not apply to the insurance contracts for which the Group is the insured beneficiary except for the contracts identified as reinsurance treaties.

## GROUPING OF CONTRACTS

To assess the insurance contracts issued, IFRS 17 requires that the latter be grouped into homogeneous portfolios. Within these portfolios all contracts have to be exposed to similar risks and managed together.

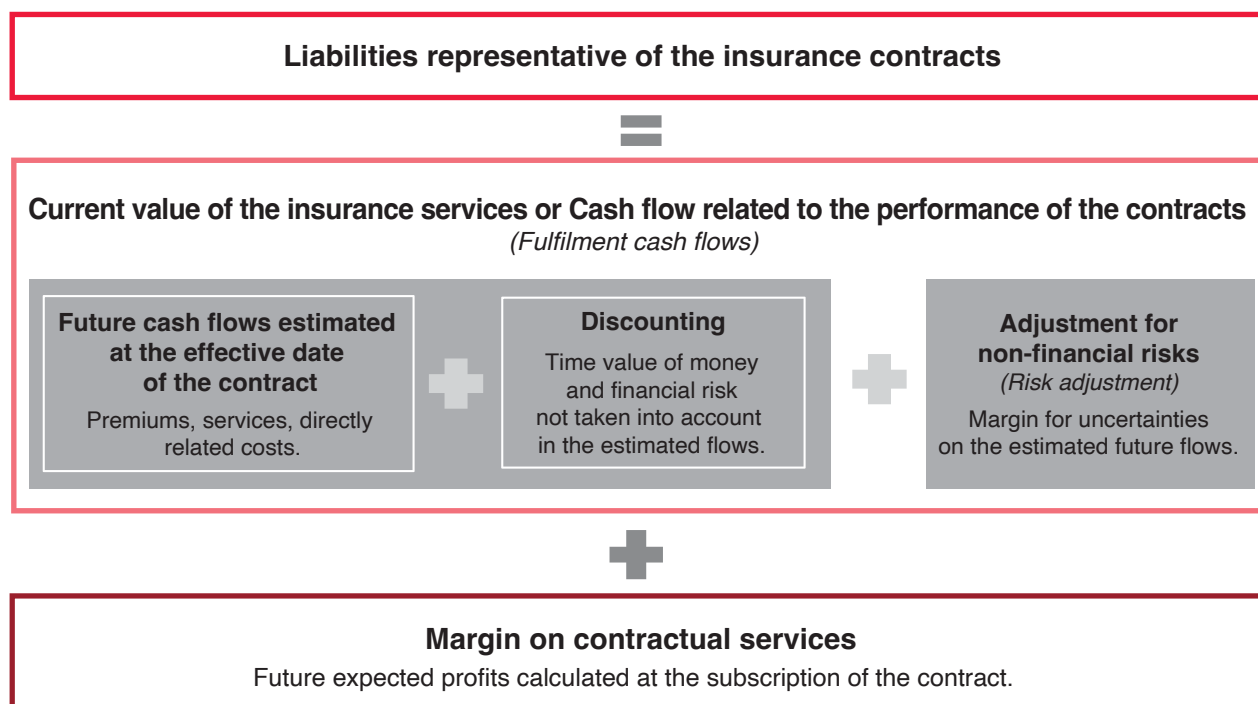
In each portfolio, three groups of contracts shall be distinguished upon initial recognition: onerous contracts, contracts with no significant possibility of becoming subsequently onerous, and other contracts.

## MEASUREMENT MODELS

### General Model applicable to the insurance contracts issued

#### INITIAL MEASUREMENT

On initial recognition, the value of a group of insurance contracts issued corresponds to the sum of the following items:



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 on the group of insurance contracts so that, at that date, no income or expense is recorded, except in the particular case of groups of onerous contracts the loss of which, corresponding to the net expected cash outflow, has to be immediately recognised in profit or loss.

The yield curve used to discount the estimated future cash flows is determined through a bottom-up approach: this approach consists in

Furthermore, IFRS 17 stipulates that each group of contracts has to be subdivided into annual cohorts (no more than twelve months interval between the dates of issue of the contracts). In the context of the adoption of IFRS 17, the European Commission offered to European companies the option not to apply this provision to the contracts with intergenerational mutualisation of the returns of the underlying assets in the countries where the Group markets insurance contracts.

The Group will use this optional exemption for all the saving life insurance contracts issued as they include direct or discretionary profit-sharing elements 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 the exposure to interest rate and longevity risks.

adding to a risk-free yield curve (swap rate curve) an illiquidity premium to represent the differences in characteristics between liquid risk-free financial instruments and insurance contracts.

The adjustment for non-financial risk is determined from an approach by quantile based on a level of confidence of 90% for the Savings life insurance activity and 80% to 90% for the Protection activity. Accordingly, the calculation method of the adjustment for non-financial risk has not benefited from a diversification effect between these different insurance activities.



#### SUBSEQUENT MEASUREMENT (EXCLUDING ONEROUS CONTRACTS)

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, which encompasses the value of the fulfilment cash flows reestimated at that date (present value of the premiums receivable and of the cost of future insurance services over the remaining coverage period) and the contractual service margin reestimated at the same date as described above;
- the liability for incurred claims, for an amount equal to the present value of the estimated cashflows necessary to settle the valid claims for past events.

On the same closing date, the amount of contractual service margin is reestimated to take account notably, for all contracts, of:

- the effect of the new contracts added to the group of contracts;
- the interest capitalised at the discount rate used to determine the initial value of the margin;
- the reestimate of the fulfilment cash flows (discounted value of the premiums receivable and of the cost of future insurance services on the remaining coverage period, excluding the estimated cashflows necessary to settle the valid claims for past events, that are measured separately).

To determine the amount of CSM for the time elapsed to be recognised in profit or loss for each IFRS 17 portfolio, it is necessary to define coverage units. Coverage units correspond to the quantity of coverage provided by the contracts making up the Group, taking account of the volume of services provided and of the expected coverage duration.

#### PROTECTION ACTIVITY

The Group will primarily apply the General Model to measure its provident contracts (borrower insurance, funeral, dependency contracts).

For the Protection – provident activity, the insured value (for example the outstanding principal due in the context of a borrower contract) will be used to measure the quantity of service (or coverage units) provided or to be provided, with a view to allocating the CSM to the net income of the time period.

#### General Model modified for the contracts with direct participation features (Variable Fee Approach)

To measure the insurance contracts issued with direct participation features, the General Model provided for by IFRS 17 is adjusted to take account of the participation of policyholders to the returns on investments underlying the contracts.

This approach, known as the Variable Fee Approach (VFA), has to be used to measure the groups of insurance contracts for which:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

- the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the 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 modification of said contracts.

The major modifications to the General Model concern:

- the portion of changes in the fair value of the underlying investments that is due to the insurer. At each closing date, this portion of changes during the period is incorporated into the contractual service margin in order to be recognised in profit or loss over the remaining coverage period provided for by the contracts;
- the interest on the contractual service margin whose changes are implicit in the periodic review of the contractual service margin.

#### SAVINGS LIFE INSURANCE ACTIVITIES

The Group has established that almost all the savings life insurance contracts issued by its insurance subsidiaries meet the definition of contracts with direct participation. These contracts, which represent the predominant part of the Group's insurance business (about 99% of the estimated cash flows discounted as at 1 January 2022), will be assessed using the General Model adjusted for the Variable Fee Approach (VFA). The other contracts of these categories are assessed based on the General Model or under IFRS 9 if they meet the definition of an investment contract.

For the savings life insurance activity, the quantity of service (or coverage units) used to allocate the CSM to net income will be determined based on the stocks of future cash flows estimated over the period and at future periods. An adjustment will be made with a view to correcting the so-called bow wave effect, using the financial performance expected over the forecast period.

#### Simplified approach (Premium Allocation Approach)

The standard also allows, under some conditions, for the application of a simplified approach to contracts with an insurance coverage period lower or equal to 12 months or for which the measurement of the liability for remaining coverage of the Group resulting from the application of this simplified method will not differ significantly from the measurement resulting from the application of the general model.

The premiums receivable during the contractual insurance period are recognised in profit on a straight-line basis over this contractual period (or according to the expected pattern of release of risk even if this pattern vastly differs from a straight-line pattern).

As in the General Model, claims are provisioned upon their occurrence through a profit or loss account for an amount equal to the estimated value of the cash flows necessary to settle the valid claims (it is however not necessary, in order to account for the time value of money, to discount the amount of indemnification if its payment is expected within one year after the date of the claim).

## PROTECTION ACTIVITY

The Group will primarily apply the simplified approach to assess its property and casualty insurance (personal injury, means of payment, multi-risk home insurance...) contracts.

## PRESENTATION OF THE FINANCIAL PERFORMANCE

On the consolidated income statement, the incomes and expenses relating to the insurance contracts issued and the reinsurance contracts will be presented under net banking income, distinguishing between, on one side:

- the income from the insurance and reinsurance contracts issued;
- the service expenses relating to the insurance and reinsurance contracts issued; and
- the income and expenses relating to the reinsurance contracts held; and on the other side:
- the financial income and expenses of the insurance and reinsurance contracts issued; and
- the financial income and expenses of the reinsurance contracts held.

The service expenses relating to the insurance and reinsurance contracts issued as well as the expenses relating to the reinsurance contracts held will then include the share of operating expenses directly attributable to the fulfilment of the contracts which will then be deducted from the net banking income.

Many insurance contracts include an investment component in the form of a deposit paid by the policyholder and which the insurer is contractually bound to repay to him even if the insured event does not occur. Even if they may take the contractual form of insurance premiums and services, the collection and repayment flows of these deposits do not constitute either income or expenses in relation to these contracts.

The execution cash flows and the contractual service margin are recognised on a discounted basis that reflects the cash flow schedule.

For the insurance contracts issued, the impact of the time value of money decreases over time and this decrease is reflected in the comprehensive income statement as an insurance financial expense. To put it simply, insurance financial expenses are similar to the interest paid on an early payment and reflect the fact that subscribers usually pay premiums from the start and receive services only at a later date.

The insurance financial expenses or income also include the impact on the carrying amount of insurance contracts of some changes in financial assumptions (*i.e.*, the discounting rate and other financial variables).

The impacts of these changes in the discounting rate and other financial variables are recognised in the period when the changes occur.

The Group has chosen, as provided for in the standard, to break these impacts down between the net income and the equity for all of its groups of contracts. This choice allows it to align the accounting treatment of the contract portfolios with the accounting treatment of the assets held as coverage.

## Application of IFRS 17

The initial application of IFRS 17 as at 1 January 2023 will be retrospective and the comparative data of the 2022 financial year will be restated.

The differences in measurement of the insurance assets and liabilities resulting from the retrospective application of IFRS 17 as at 1 January 2022 will be 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 historical data necessary for a fully retrospective application are not available. The standard then allows for the use of:

- either a modified retrospective approach that will provide, 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 will apply a modified retrospective approach for the savings life insurance contracts which make for the large majority of its contracts. Protection – property and casualty contracts will be subject to a full retrospective approach. For Protection – provident contracts a retrospective approach, either full or modified, will be applied on a case-by-case basis.

The assessment of the insurance contracts made on a current basis, taking into account the time value of money and the financial risks relating to future cash flows, will require to review the modalities for measuring some assets regarded as backing the contracts with a view to removing the possible accounting mismatch.

From the initial application of IFRS 17, the Group will measure at fair value the investment properties held by insurance companies regarded as backing the insurance contracts issued.

Transitioning to IFRS 17 requires including in the assessment of the insurance contracts the administrative costs (personnel expenses, amortisation expenses for fixed assets...) directly attributable to the fulfilment of contracts and present them as Insurance services expenses in the net banking income.

The Group's insurance entities will systematically identify in the fulfilment cash flows of their contracts the amount of administrative costs they expect to bear. These administrative costs will be presented under the "Insurance services expenses in the net banking income" item. Consequently, the administrative costs presented by nature on the income statement will be reduced by the amounts allocated to the fulfilment of the insurance contracts. Furthermore, the Group's banking entities are required to market, through their retail branch networks, the insurance contracts issued by the Group's insurance entities and thus invoice fees to these entities. These fees cover the costs borne by the banking entities plus a margin. In the case of invoicing between Group-controlled entities, the internal margin received by the banking entity and borne by the insurance entity will be eliminated in the consolidated accounts. The administrative costs borne by the banking entities for the distribution of contracts will be regarded as expenses directly attributable to the fulfilment of the contracts and will thus be incorporated into the measurement of the contracts and presented under the Insurance services expenses item. The contractual service margin of the insurance contracts

distributed by the Group's banking entities will thus be determined by taking into account both the costs borne by the distributing banking entity (excl. internal margin) and the other directly attributable costs borne by the insurance entity.

### Application of IFRS 9 by the Group's insurance entities

The initial application of IFRS 9 by the Group's insurance entities as at 1 January 2023 will be retrospective.

For the sake of consistency with the IFRS 17 transition arrangements, and in order to provide more relevant and useful information, the Group will restate the comparative data of the 2022 financial year relating to the relevant financial instruments of its insurance entities (including the financial instruments derecognised during the 2022 financial year).

Following the retrospective application of IFRS 9 as at 1 January 2022, differences resulting mainly from the measurement of the financial assets and liabilities concerned and of the impairment for credit risk will be recognised directly in equity.

The treatment of the financial assets currently measured at fair value through profit or loss will not be modified. The other financial assets (mainly Financial assets available for sale) comprise:

- basic financial instruments – whose cash flows correspond solely to repayments of principal and payments of interest on the principal due – (see Note 4.3.2):
  - held within a “Collect and sell” business model: these instruments, which correspond to investments negotiated in relation to the management of insurance contracts, will be reclassified as Financial assets at fair value through equity,
  - held within a “Collect” business model: these instruments, primarily held for the reinvestment of own funds, will be reclassified as Financial assets at amortised cost;
- non-basic financial instruments: these instruments will be reclassified as Financial assets at fair value through Profit or Loss. The unrealised Gains and losses recognised directly in equity will be reclassified under Retained earnings (with no impact on the Group's equity).

Owing to the credit quality of the assets held (see Note 4.3.4), the application of the IFRS 9 provisions to the recognition of expected credit losses should only result in a limited increase in their impairment.

### Impacts on the Group's financial statements of the application of IFRS 17 and IFRS 9 by insurance entities

The retrospective application of IFRS 17 and IFRS 9 by the Group's insurance entities results as at 1 January 2022 (transition date) in a EUR 46 million increase of the Group's consolidated equity and the recording on the balance sheet of a contractual service margin (deferred income) determined for the insurance and reinsurance contracts issued totalling EUR 8,404 million.

In keeping with the possibility offered by Recommendation n° 2022-01 dated 8 April 2022 of the French ANC on the format of the consolidated accounts of the institutions of the banking sector under the International Accounting Standards which will supersede Recommendation n° 2017-02 from the initial application of IFRS 17 on, the Group will present the financial investments of its insurance business under the same accounting items than those used for the financial assets held in the context of the other businesses of the Group.

### ORGANISATION OF THE IFRS 17 IMPLEMENTATION PROGRAMME

A project structure has been set up under the joint governance of the Group's Finance Division and the Insurance business line.

This governance is articulated around the following main themes with a view to implementing IFRS 9 and IFRS 17 in the Group's insurance entities, in France and abroad:

- accounting treatments and calculation models;
- presentation in the Financial statements and the Notes, and financial communication;
- adaptation of the closing process;
- selection and deployment of the IT solution.

In 2019 and 2020, the work primarily consisted in reviewing the different types of contracts, analysing their accounting treatment under IFRS 17 and their presentation in the consolidated financial statements, and lastly, examining and selecting solutions in terms of Information system and processes.

In 2021, the work focused on the implementation of new processes and the approval and deployment of the IT solution.

In 2022, the preparatory work continued with the validation of the tools and processes, the finalisation of the accounting treatments and calculation models, and the production of the opening data as at 1 January 2022 and of the comparative information on this financial year.

## NOTE 1.5 Use of estimates and judgment

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 on the amounts recognised in the income statement or as Unrealised or deferred capital gains and losses, on the valuation of assets and liabilities in 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 at the date of preparation of the consolidated financial statements and may exercise its judgment. Valuations based on estimates innately involve risks and uncertainties relating to their occurrence in the future. Consequently, the actual future results may differ from these estimates and have a significant impact on the financial statements.

The assumptions and estimates made for the preparation of these consolidated financial statements take account of both the uncertainties about the economic consequences of the war in Ukraine and those that remain with regard to the Covid-19 pandemic, as well as of the current macroeconomic conditions. The effects of these events on the assumptions and estimates used are specified in the 6<sup>th</sup> paragraph of this Note.

Estimates and judgment are applied in particular with regard to the following items:

- the fair value in the balance sheet of financial instruments not listed on an active market which 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 or Investments of insurance companies (described in Notes 3.1, 3.2, 3.3, 3.4 and 4.3), as well as the fair value of the instruments measured at amortised cost for which this information must be 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, the underwriting reserves of insurance companies and the deferred profit-sharing (see Notes 4.3, 5.2 and 8.3);

- the tax assets and liabilities recognised on balance sheet (see Note 6);
- the analysis of the characteristics of the contractual cash flows of financial assets (see Note 3);
- the assessment 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 the lease liabilities (see Note 8.4).

## CLIMATE RISKS



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 the primary climate risk for the Group.

As at 31 December 2022, 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; and the impact of the Group's commitments in favour of 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 (CGU) and the recoverability of the deferred tax assets.

In addition, the Group analyses the provisions of the draft ESRS (European Sustainability Reporting Standards) prepared and subjected to public consultation by the EFRAG (European Financial Reporting Advisory Group), in particular those relating to connectivity between these future disclosure requirements and the consolidated financial statements.

The Group continues its work to gradually integrate climate risks in the preparation of its consolidated accounts (see Notes 2.2, 3, 3.8, 5.3 and 6).

## NOTE 1.6 Crises: Covid-19, war in Ukraine and economic consequences

The lifting of the Covid-19-related restrictions in several major economies has supported economic activity even if the lockdowns in Mainland China have hampered it.

However, 2022 was marked by the war in Ukraine. The conflict, with its loss of human life and the suffering caused, has significant economic costs and is accompanied with a very high degree of uncertainty.

In the euro area, the supply difficulties, the increase in energy costs, the decline in purchasing power with high inflation and the tightening of economic policies are the main bottlenecks to growth. If pandemic-related risks have decreased significantly in the short-term, the strong uncertainties related to the war in Ukraine jeopardise these prospects and a more pronounced slowdown is anticipated in 2023.

Furthermore, the Group announced in April 2022, the cessation of its banking and insurance business in Russia. In May 2022, the Group completed the transfer of Rosbank and its insurance subsidiaries in Russia (see Note 2.1).

In this context, the Group has updated the macroeconomic scenarios selected to prepare the consolidated financial statements and has continued applying certain adjustments to its models (adjustments to the GDP as described in Note 3.8).

These macro-economic 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 tests regarding goodwill impairment (see Note 2.2) and deferred tax assets recovery (see Note 6).

## MACROECONOMIC SCENARIOS

As at 31 December 2022, the Group has selected three scenarios to factor in the uncertainties relating to the war in Ukraine, the ongoing Covid-19 pandemic and the current macro-economic context. The SG Extended scenario, drafted specifically in the context of the sanitary crisis, has become obsolete owing to the management and evolution of the crisis during 2022.

The assumptions selected to draw up the scenarios are listed below:

- the central scenario (SG Central) predicts a sharp economic slowdown in 2023, and only a modest rebound in growth in 2024. In 2023, inflation will remain high, close to 5.5% before dropping below 3% in 2024 and returning to target in the mid-term. The ECB will continue tightening its monetary policy in the short term; but a possible easing might start at the end of 2023;

- 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 (situation observed in several economies in 2021/2022 following releases from lockdowns). In both cases, stronger growth will have a positive impact on employment and/or 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 (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 Division of Societe Generale for all the entities of the Group based on the information published by the statistical institutes in each country.

Forecasts from institutions (IMF, Global Bank, ECB, OECD...) and the consensus among market economists serve as a reference to challenge the Group's forecasts in order to ensure the relevance and consistency of the thus-constructed scenarios.

## FINANCIAL INSTRUMENTS: EXPECTED CREDIT LOSSES

The scenarios provided by the Group economists are incorporated into the 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 macro-economic scenarios are updated to account for the uncertainties about the economic consequences of the war in Ukraine and the remaining uncertainties regarding the Covid-19 pandemic.

### Variables

The GDP growth rate, the profit margin of businesses in France, the unemployment rates, the inflation rate in France and the yield on France ten-year government bonds are the main variables used in the expected credit losses valuation 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 profit margin of businesses in France) for each scenario are detailed hereinafter:

SG Favourable scenario	2023	2024	2025	2026	2027
France GDP	1.5	2.8	2.0	2.1	1.3
Profit margin of French companies	32.7	32.7	32.9	32.9	32.3
Euro area GDP	1.2	2.7	2.0	2.1	1.3
United States GDP	1.0	2.6	2.8	2.8	2.3
China GDP	5.5	6.3	5.1	5.2	4.4
Czech Republic GDP	1.4	4.0	3.0	3.1	2.3
Romania GDP	2.9	4.5	3.8	3.8	3.2

SG Favourable scenario	2023	2024	2025	2026	2027
France GDP	0.5	0.8	1.0	1.1	1.3
Profit margin of French companies	32.1	32.4	32.4	32.4	32.3
Euro area GDP	0.2	0.7	1.0	1.1	1.3
United States GDP	0.0	0.6	1.8	1.8	2.3
China GDP	4.5	4.3	4.1	4.2	4.4
Czech Republic GDP	0.4	2.0	2.0	2.1	2.3
Romania GDP	1.9	2.5	2.8	2.8	3.2

SG Stress scenario	2023	2024	2025	2026	2027
France GDP	(4.5)	(2.2)	(0.5)	0.6	1.3
Profit margin of French companies	29.9	30.2	30.2	30.2	32.3
Euro area GDP	(4.8)	(2.3)	(0.5)	0.6	1.3
United States GDP	(5.0)	(2.4)	0.3	1.3	2.3
China GDP	(0.5)	1.3	2.6	3.7	4.4
Czech Republic GDP	(4.6)	(1.0)	0.5	1.6	2.3
Romania GDP	(3.1)	(0.5)	1.3	2.3	3.2

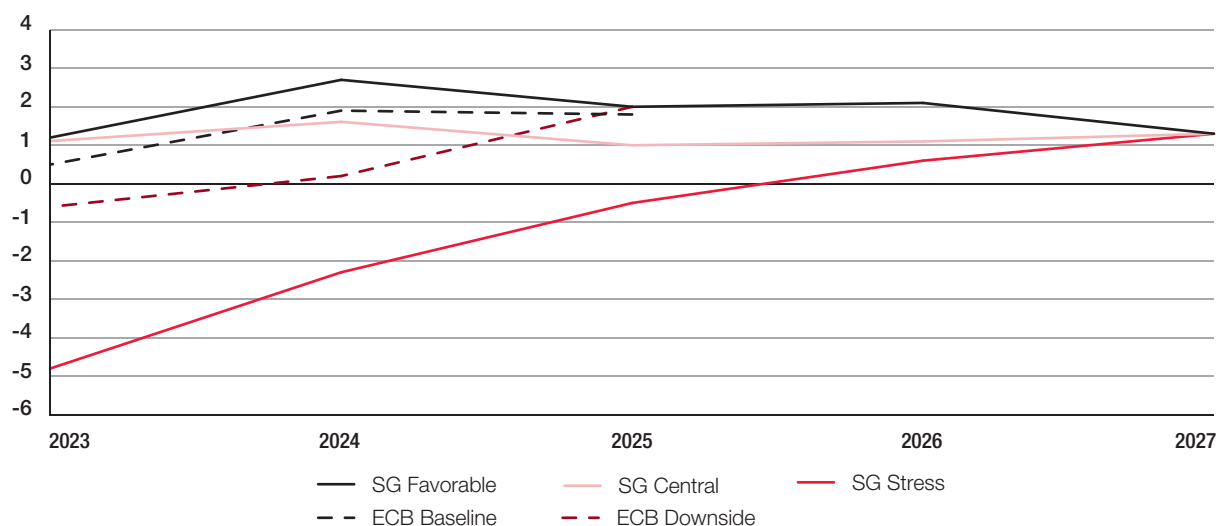
These simulations assume that the historical relationships between the key economic variables and the risk parameters remain unchanged. In practice, these correlations may be impacted by

geopolitical or climatic events, changes in behaviour, legal environment or granting policy.



The illustration 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 2022.

### GDP FORECASTS BY SCENARIO, IN PERCENTAGE



### 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 of the cycle, the Group applies a methodology for weighting scenarios and assigns a higher weight to the 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 Central scenario is set at 60% as at 31 December 2022 in relation to the cancellation of the SG Extended scenario.

### PRESENTATION OF THE CHANGES IN WEIGHTINGS:

	31.12.2021	30.06.2022	31.12.2022
SG Central	50%	60%	60%
SG Extended	10%	NA	NA
SG Stress	30%	30%	30%
SG Favourable	10%	10%	10%

### CALCULATION OF EXPECTED CREDIT LOSSES AND SENSITIVITY ANALYSIS

The Cost of risk as at 31 December 2022 amounts to a net expense of EUR 1,647 million, increasing by EUR 947 million (+135%) compared to 31 December 2021 (EUR 700 million).

Sensitivity tests have been conducted to measure the impact of the changes in weightings on the models. The sectoral adjustments (see Note 3.8) have been taken into account in the sensitivity tests. The scope of this exercise concerns the outstanding amounts classified as Stage 1 and Stage 2 subject to a statistical modelling of the impacts of the macro-economic variables (72% of the outstanding amounts in Stage 1/Stage 2).

The results of these tests, with no impact on the classification of the outstanding amounts concerned, show that, in the event of a 100% weighting:

- of the SG Stress scenario, the impact would be an additional allocation of EUR 627 million;
- of the SG Favourable scenario, the impact would be a reversal of EUR 407 million;
- of the SG Central scenario, the impact would be a reversal of EUR 272 million.

## COVID-19 CRISIS: FRENCH STATE GUARANTEED LOANS (PGE)

Until 30 June 2022, the Group 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 come with a one-year repayment exemption. At the end of that year, the customer may 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'Economie, des Finances et de la Relance* on 14 January 2021) without extending the total duration of the loan. The remuneration conditions of the guarantee are set by the State and are applicable 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).

The contractual characteristics of PGE are those of basic loans (SPPI criterion) and these loans are held by the Group as part of a business model whose objective is to collect 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 2022, the balance sheet outstanding amount of State Guaranteed Loans (PGE) granted by the Group is approximately EUR 13.3 billion after the first repayments made in 2022 at the end of the moratorium period, (of which EUR 4.1 billion classified as Stage 2 and EUR 1 billion as Stage 3). The PGE granted by the Retail Banking networks in France amount, as at 31 December 2022, to EUR 11.5 billion (of which EUR 3.8 billion classified as Stage 2 and EUR 0.9 billion as Stage 3), without predominance of a specific sector; the State guarantee for these loans covers, on average, 90% of their amount.

The expected credit losses recognised as at 31 December 2022 for PGE (French State Guaranteed Loans) amount to some EUR 212 million including EUR 133 million booked by the French retail networks (including EUR 51 million in Stage 2 and EUR 68 million in Stage 3).

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 six to ten years; these extensions have not had any significant impact on the Group's financial statements as at 31 December 2022.

## CONSEQUENCES OF THE WAR IN UKRAINE

The table below presents the changes in balance sheet and off-balance sheet exposures (measured at amortised cost or at fair value through equity) booked by the Group entities located in Russia, on one side, and by the Group entities outside Russia on Russian counterparties or Russian Group entities, on the other side.

	31.12.2022		30.06.2022		31.12.2021	
In EUR billion	Exposure at default	Gross outstanding	Exposure at default	Gross outstanding	Exposure at default	Gross outstanding
Onshore exposures on consolidated subsidiaries <sup>(1)</sup>	0.3	0.3	0.3	0.3	15.4	19.0
Offshore exposures <sup>(2)</sup>	1.8	2	2.6	2.9	3.2	4.4
Rosbank residual exposures	0.1	0.1	0.5	0.5	-	-
<b>TOTAL</b>	<b>2.2</b>	<b>2.4</b>	<b>3.4</b>	<b>3.7</b>	<b>18.6</b>	<b>23.4</b>

(1) The onshore exposures correspond to Rosbank, Rosbank Insurance and ALD Automotive OOO Russia.

(2) The offshore exposures (excl. Private Banking and residual exposures relating to the sale of Rosbank) correspond to exposures on Russian counterparties or on Russian Group subsidiaries booked outside Russia.

## Russia and Ukraine exposures

In May 2022, the Group sold both its Rosbank subsidiary and its Russian insurance subsidiaries. The impact of these sales on the Group's financial statements are described in Note 2.1.

As at 31 December 2022, the Group is present in Russia through ALD subsidiaries (see onshore exposures on consolidated subsidiaries). On 11 April 2022, ALD announced that it would no longer conclude any new commercial transactions in Russia, Kazakhstan and Belarus, without challenging the ongoing concern status over the 12 next months of ALD Automotive OOO in Russia and ALD Automotive LLC in Belarus, both entities continuing to serve their customers and manage the existing vehicle fleet without encountering any specific difficulties in relation to business activities.

The Group is also present in Ukraine through its ALD subsidiary whose total balance sheet as at 31 December 2022 is equal to EUR 67.7 million.

## Offshore exposures

Outside Russia, the Group still holds Russian counterparty credit exposures. All of these outstanding amounts (EUR 2 billion) have been classified as "sensitive" (see Note 3.8) and transferred to Stage 2 of impairment for credit risk or to Stage 3 when necessary.

The consequences of these different events (sale of Rosbank, classification as "sensitive" of the offshore Russian counterparties) as well as the account taken of the new macroeconomic scenarios to determine the expected credit losses as at 31 December 2022 are described in Note 3.8.

## Other information

Legal, regulatory, statutory or contractual constraints or obligations may restrict the Group's ability to freely transfer assets between Group entities.

In 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".

**NOTE 1.7 Hyperinflation in Turkey**

On 16 March 2022, the International Practices Task Force of the Center for Audit Quality, a standard reference for identifying countries with hyperinflation, published a working paper including Turkey in the list of hyperinflationary economies.

Consequently, as from 1 January 2022 on, the Group applied the provisions of IAS 29 ("Financial Reporting in Hyperinflationary Economies") to prepare the individual financial statements in Turkish lira of the ALD entity located in Turkey (prior to their conversion in euros as part of the consolidation process). However, the financial statements of the SG Istanbul branch have not been restated, as the expected effects are not significant.

Under these provisions, the accounting value of some balance sheet items presented at cost is adjusted, at closing date, for the effects of inflation recorded over the period. In ALD Turkey's accounts, these adjustments were applied to the tangible fixed assets representative of the vehicle fleet, as well as to the various components of equity.

On the date of first application of this hyperinflation treatment (1 January 2022), the impact of these adjustments has been recorded

in Consolidated reserves and non-controlling interests; on that date, the translation differences on the entities concerned have been reclassified as the same financial aggregates. For the subsequent closing periods, inflation adjustments for the eligible assets and equity items, as well as for expenses and income for the period, are to be recorded as income or expenses on foreign exchange transactions in the Net gains and losses on financial transactions.

Thus restated, the Turkish lira financial statements of ALD Turkey are to be converted into euro on the basis of the exchange rate applicable at the balance sheet date.

As at 1 January 2022, the total consolidated equity was increased by EUR 41.3 million, including a reduction in consolidated reserves of EUR -8.4 million after tax for the various adjustments and the reclassification of translation differences recorded on that date.

As at 31 December 2022, a gain of EUR 59.9 million was recorded as Net gains and losses on financial transactions for the inflation adjustments for the period. After tax and adjustment of other income and expense lines for the period, the effect of hyperinflation restatements on the consolidated net income amounted to EUR 37.6 million.



## NOTE 2 CONSOLIDATION



### MAKING IT SIMPLE

The various activities of the Societe Generale group in France and abroad are carried out by Societe Generale - Parent company (which includes the Societe Generale foreign branches) and by all of the entities that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates). All of these entities make up the scope of the Group consolidation.

Consolidation uses a standardised accounting process to give an aggregated presentation of the accounts of Societe Generale – Parent company and its subsidiaries, joint arrangements and associates, presented as if they were a single entity.

To do so, the individual accounts of the entities that make up the Group are restated so that they are in accordance with IFRS, as adopted by the European Union, in order to present consistent information in the consolidated financial statements.

In addition, the accounting balances (assets, liabilities, income and expense) generated by transactions between Group entities are eliminated through the consolidation process so that the consolidated financial statements present only the transactions and results made with third parties outside of the Group.

### ACCOUNTING PRINCIPLES

The consolidated financial statements of Societe Generale include the financial statements of the parent company and of the main French and foreign companies as well as foreign branches over which the Group exercises control as well as a portion of the financial statements of the companies over which the Group exercises joint control or significant influence.

#### Consolidated entities

##### SUBSIDIARIES

Subsidiaries are the entities over which the Group has exclusive control. The Group controls an entity if and only if the three following conditions are met:

- the Group has power over the entity (ability to direct its relevant activities, *i.e.* the activities that significantly affect the entity's returns), through the holding of voting rights or other rights; and
- the Group has exposure or rights to variable returns from its involvement with the entity; and
- the Group has the ability to use its power over the entity to affect the amount of the Group's returns.

##### Power

When determining voting rights for the purpose of establishing the Group's degree of control over an entity and the appropriate consolidation method, potential voting rights are taken into account where they can be freely exercised at the time the assessment is made or at the latest when decisions about the direction of the relevant activities need to be made. Potential voting rights are instruments such as call options on ordinary shares outstanding on the market or rights to convert bonds into new ordinary shares.

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 that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Such is the case, for example, when the relevant activities are directed by means of contractual arrangements.

A structured entity often presents certain characteristics such as a limited business activity, a specific and carefully defined purpose, or insufficient capital to fund its activities without the use of subordinated financing. Structured entities may assume different legal forms: stock companies, partnerships, securitisation vehicles, mutual funds, unincorporated entities, etc.

When assessing the existence of control over a structured entity, all facts and circumstances shall be considered among which:

- the purpose and design of the entity;
- the structuring of the entity;
- risks to which the entity is exposed by way of its design and the Group's exposure to some or all of these risks;
- potential returns and benefits for the Group.

Unconsolidated structured entities are those that are not exclusively controlled by the Group.

### JOINT ARRANGEMENTS

Through a joint arrangement (either a joint operation or a joint venture) the Group exercises joint control over an entity if decisions about the direction of its relevant activities require the unanimous consent of the parties that collectively control the entity. Assessing joint control requires an analysis of the rights and obligations of all the parties. In the case of a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities.

In the case of a joint venture, the parties have rights to the net assets of the entity.

### ASSOCIATES

Associates are companies over which the Group exercises significant influence and are accounted for using the equity method in the Group's consolidated financial statements. Significant influence is the power to participate in the financial and operating policies of an entity without exercising control. In particular, significant influence can result from Societe Generale being represented on the Board of Directors or Supervisory Board, from its involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Societe Generale. The Group is assumed to exercise significant influence over the financial and operating policies of an entity when it directly or indirectly holds at least 20% of the voting rights in this entity.

### Consolidation rules and methods

The consolidated financial statements are built up from the financial statements of the entities that are included in the consolidation scope. Companies with a fiscal year ending more than three months before or after that of Societe Generale prepare pro-forma statements for a twelve-month period ended 31 December. All significant balances, profits and transactions between Group companies are eliminated.

The results of newly acquired subsidiaries are included in the consolidated financial statements from their effective acquisition date while the results of subsidiaries disposed of during the fiscal year are included up to the date where the Group relinquished control.

### CONSOLIDATION METHODS

The subsidiaries, including the structured entities over which the Group has exclusive control, are fully consolidated.

In the consolidated balance sheet, full consolidation consists in replacing the value of the subsidiary's equity securities held by the Group with each of the subsidiary's assets and liabilities, in addition to the goodwill recognised when the Group assumed control over the entity (see Note 2.2). In the income statement and the statement of net income and unrealised or deferred gains and losses, the subsidiary's expense and income items are aggregated with those of the Group.

The portion of non-controlling interests in the subsidiary is presented separately in the consolidated balance sheet and income statement. However, in consolidated structured entities that are controlled by the Group, the portions of these entities not owned by the Group are recognised as Debt in the balance sheet.

In the case of a joint operation, the Group distinctly recognises in its consolidated financial statements its share in the assets and liabilities as well as its share in the related revenue and expense.

Associates and joint ventures are accounted for using the equity method in the consolidated financial statements of the Group. Under the equity method, the investment in an associate is recognised, on initial recognition, under Investments accounted for using the equity method at the cost of the Group's investment in the joint venture or associate, including goodwill and after the date of acquisition the carrying amount is increased or decreased to recognise the changes in the investor's share in the net asset value of the investee.

These investments are tested for impairment if there is objective evidence of impairment. If the recoverable amount of the investment (value in use or market value net of selling costs, whichever is higher) is lower than its carrying amount, an impairment loss is recorded on the balance sheet at the carrying amount of the investment. Impairment allowances and reversals are recorded under Net income from investments accounted for using the equity method.

The Group's share in the entity's net income and unrealised or deferred gains and losses is presented on separate lines in the consolidated income statement and the consolidated statement of net income and unrealised or deferred gains and losses. If the Group's share in the losses of an entity consolidated using the equity method becomes greater than or equal to its ownership interest in the company, the Group ceases to recognise its share in subsequent losses unless it is required to do so by legal or implied obligations, in which case it records a provision for said losses. Capital gains and losses generated on the disposal of companies accounted for using the equity method are recorded under Net income/expense from other assets.

#### TRANSLATION OF FOREIGN ENTITY FINANCIAL STATEMENTS

The balance sheet items of consolidated companies reporting in foreign currencies are translated into euro at the official exchange rates prevailing at the closing date. Income statement items of these companies are translated into euros, at the average month-end exchange rates. Gains and losses arising from the translation of capital, reserves, retained earnings and income are recognised under Unrealised or deferred gains and losses – Translation differences. Gains and losses arising from the translation of the capital contribution of foreign branches of Group banks are also included in changes in consolidated shareholders' equity under the same heading.

In accordance with the option allowed under IFRS 1, the Group allocated all differences arising on translation of foreign entity financial statements at 1 January 2004 to consolidated reserves. As a result, if any of these entities are sold, the proceeds from the sale will only include write-backs of those translation differences arising since 1 January 2004.

#### CHANGES IN GROUP'S OWNERSHIP INTEREST IN A CONSOLIDATED ENTITY

In the event of an increase in Group's ownership interest in a subsidiary over which it already exercises control, the differences between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired at this date is recorded under 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 change to the consolidation scope as at 31 December 2022, compared with the scope applicable at the closing date of 31 December 2021, is as follows.

### SALE OF ROSBANK AND INSURANCE SUBSIDIARIES IN RUSSIA

Societe Generale announced on 18 May 2022 the closing of the sale of Rosbank group and the Group's Russian insurance subsidiaries to Interros Capital.

The financial consequences of this sale are presented below:

- a reduction in the Group's total balance sheet of EUR 16 billion mainly including a decrease in Customers loans at amortised cost of EUR 10 billion and a decrease in Customers deposits of EUR 13 billion;
- a loss on this disposal, reported in Net income/expense from other assets in 2022, of EUR -3.3 billion. This loss includes a translation difference reclassified into income for EUR -0.5 billion, the cumulated amount at 18 May after an increase of EUR 0.5 billion following the appreciation of the ruble between 1 January 2022 and the date of sale.

## ACQUISITION OF LEASEPLAN BY ALD

On 6 January 2022, the Group announced that Societe Generale and ALD had signed two agreements for ALD to acquire 100% of LeasePlan's capital. The completion of this acquisition is expected during the first half of 2023 notably subject to receiving the remaining regulatory approvals and to the performance of other standard conditions precedent.

The acquisition price totalling EUR 4.5 billion would be paid in cash and in securities. LeasePlan shareholders would receive EUR 1.8 billion in cash and securities representing a *pro forma* stake of 30.75% of ALD's capital upon completion of the transaction, as well as shares with warrants attached for an equivalent of 3.12% of the consolidated entity's capital on a fully diluted basis.

On 16 December 2022, ALD announced that it had successfully carried out a capital increase with the preservation of the shareholders' preferential subscription right for approximately EUR 1.2 billion as part of the LeasePlan acquisition project.

Before this increase, Societe Generale held 79.8% of ALD's social capital. 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 approximately EUR 803 million representing about 66.3% of the capital increase and now holds 75.9% of ALD's social capital.

As a result, after the completion of the LeasePlan acquisition, Societe Generale would remain the majority shareholder of ALD with a stake of 52.6%. This stake may be reduced to 51% in the event of the exercise of the shares with warrants attached that would be granted to LeasePlan shareholders to allow them to increase their *pro forma* stake up to 32.9% of ALD's social capital.

## 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 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 2022, goodwill is split into the following eight CGUs:

Pillars	Activities
<b>French Retail Banking</b>	
France Networks*	Societe Generale's retail banking network, Boursorama online banking activities, wealth Management Solutions, consumer and equipment financing in France, retail banking network of Crédit du Nord and its seven regional banks
<b>International Retail Banking and Financial Services**</b>	
Europe	Retail banking and consumer finance services in Europe, notably in Germany (Hanseatic Bank, BDK), Italy (Fiditalia), France (CGL), Czech Republic (KB, Essox), Romania (BRD)
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 (SGBIC), Côte d'Ivoire (SGBIC) and Senegal (SGBS)
Insurance	Life and non-life insurance activities in France and abroad (including Sogécap, Sogessur, Oradéa Vie and Antarius)
Equipment and Vendor Finance	Financing of sales and professional equipment by Societe Generale Equipment Finance
Auto Leasing Financial Services	Operational vehicle leasing and fleet management services (ALD Automotive)
<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

\* Following the steering changes at the end of 2021 resulting from the sale of Lyxor, SG Private Banking has been reporting to the French Retail Banking operating segment since 1 January 2022. The existing synergies between the SG Private Banking and the Retail Banking business also led the Group to combine the two CGUs under the French Networks CGU, SG Private Banking being an extension of Retail Banking to a specific customer segment.

\*\* Following the disposal of Rosbank and the insurance subsidiaries in Russia in May 2022, the Russia CGU has been eliminated. No goodwill was allocated to this CGU as at 31 December 2021.

The table below shows by operating segment (Note 8.1) the changes over the year 2022 in the values of goodwill of CGUs:

(In EURm)	Value as at 31.12.2021	Acquisitions and other increases	Disposals and other decreases	Transfers	Impairment	Value as at 31.12.2022
<b>French Retail Banking</b>	<b>831</b>	-	-	<b>237</b>	-	<b>1,068</b>
French Networks <sup>(1)</sup>	831	-	-	237	-	1,068
<b>International Retail Banking</b>	<b>1,475</b>	-	<b>(2)</b>	-	-	<b>1,473</b>
Europe	1,361	-	(2)	-	-	1,359
Africa, Mediterranean Basin and Overseas	114	-	-	-	-	114
<b>Insurance</b>	<b>335</b>	-	<b>(1)</b>	-	-	<b>334</b>
Insurance	335	-	(1)	-	-	334
<b>Financial Services</b>	<b>806</b>	<b>72</b>	<b>(29)</b>	-	-	<b>849</b>
Equipment and Vendor Finance	228	-	-	-	-	228
Auto Leasing Financial Services	578	72	(29)	-	-	621
<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>Asset and Wealth Management</b>	<b>237</b>	-	-	<b>(237)</b>	-	-
Asset and Wealth Management <sup>(1)</sup>	237	-	-	(237)	-	-
<b>TOTAL</b>	<b>3,741</b>	<b>72</b>	<b>(32)</b>	-	-	<b>3,781</b>

(1) Following the steering changes at the end of 2021 resulting from the sale of Lyxor, SG Private Banking has been reporting to the French Retail Banking operating segment since 1 January 2022. The existing synergies between the SG Private Banking and the Retail Banking business also led the Group to combine the two CGUs under the French Networks CGU, SG Private Banking being an extension of Retail Banking to a specific customer segment.

## IMPAIRMENT TEST OF CGU

The Group performed an annual impairment test at 31 December 2022 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, on the basis of a three-year budget trajectory (2023 – 2025) extrapolated to 2026 and 2027, the latter year being used to calculate the terminal value;
- these estimates take into account the equity target allocated to each CGU, unchanged compared to 31 December 2021 (11% of the risk-weighted assets of each CGU);
- the growth rates used to calculate the terminal value are determined using forecasts on sustainable long-term economic growth and inflation. These rates are estimated using two main sources, namely the International Monetary Fund and the economic analyses produced by SG Cross Asset Research which provides 2026 or 2027 forecasts;
- the projected dividends are then discounted on the basis of a rate equal to the risk-free rate grossed up by a risk premium based on the CGU's underlying activities. This risk premium, specific to each activity, is calculated from a series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta). Where appropriate, the risk-free rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free rate available in the area of monetary assignment (mainly US dollar area or Euro area) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or Euro area), in proportion with risk-weighted assets for CGUs covering several countries. The updated discount rates as at 31 December 2022 are detailed below.

The table below presents discount rates and long-term growth rates specific to the CGUs of the Group's three core businesses:

Assumptions as at 31 December 2022	Discount rate	Long-term growth rate
<b>French Retail Banking</b>		
French Networks	8.4%	2.0%
<b>International Retail Banking</b>		
Retail Banking and Consumer Finance	11.3% to 12.9%	2% to 3%
<b>Insurance</b>		
Insurance	9.5%	2.5%
<b>Financial Services</b>		
Equipment and Vendor Finance and Auto Leasing Financial Services	10.0%	2.0%
<b>Global Markets and Investor Services</b>		
Global Markets and Investor Services	11.5%	2.0%
<b>Financing and Advisory</b>		
Financing and Advisory	10.0%	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 macro-economic assumptions:

<b>Pillars</b>	
<b>French Retail Banking</b>	
France Networks	<ul style="list-style-type: none"> <li>■ Ongoing efforts to shift operations and relationship banking at Societe Generale and Crédit du Nord towards a digital model, and implementation of the project to merge the two retail banking networks</li> <li>■ Consolidation of commercial and operational efficiency in Wealth Management and continued development of synergies with retail banking network</li> <li>■ Confirmation of Boursorama's customer acquisition plan, with in particular the transfer of customers from ING France</li> </ul>
<b>International Retail Banking &amp; Financial Services</b>	
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> <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> <li>■ Continued focus on operating efficiency (automatisation, dematerialisation, digitalisation and mutualisation initiatives) and gradual reduction cost of risk</li> </ul>
Insurance	<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<sup>(1)</sup></li> </ul>
Equipment and Vendor Finance	<ul style="list-style-type: none"> <li>■ Consolidation of leadership in these corporate financing businesses</li> <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> <li>■ Continued growth for strategic partners and for long-time leasing to retail customers</li> <li>■ Continued focus on operating efficiency</li> </ul>
<b>Global Banking and Investor Solutions</b>	
Global Markets and Investor Services	<ul style="list-style-type: none"> <li>■ Thanks to the restructuring initiated in 2019, 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> <li>■ Consolidation of market-leading franchises (equities) and growth mainly supported by financing and investment solutions activities</li> <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</li> <li>■ Consolidation of market-leading franchises (commodity and structured financing)</li> </ul>

(1) The impacts of the new IFRS 17 standard, which came into force on 1 January 2023, are incorporated into the budget trajectory of the Insurance CGU.

For CGUs, the tests carried out at 31 December 2022 show that the recoverable amount remains higher than the book value.

Sensitivity tests were performed to measure the impact of the change in the discount rate and in the long-term growth rate on the recoverable amount of each CGU. The results of these tests show that:

- a 50 basis point increase applied to all CGU discount rates shown in the table above would result in a decrease in the total recoverable amount of 7.2% without requiring additional impairment of any CGU;
- a 50 basis point reduction in long-term growth rates would result in a 1.4% 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 8.3% 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 at 31 December 2022, 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 2022, the amount of outstanding loans thus guaranteed is EUR 42.7 billion.

As part of its securitisation activities on behalf of its clients or investors, Societe Generale grants three liquidity lines to ABCP (*AssetBack Commercial Paper*) conduits for a total amount for EUR 25.0 billion as of 31 December 2022.

### 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 6,331 million as at 31 December 2022 (versus 5,796 million euros as at 31 December 2021) and account for 9% of total shareholders' equity s at 31 December 2022 (versus 8% as at 31 December 2021).

## INFORMATION ON SHAREHOLDER'S EQUITY OF NON-CONTROLLING INTERESTS

(In EURm)

	31.12.2022	31.12.2021
Capital and reserves	5,729	5,043
Other equity instruments issued by subsidiaries (see Note 7.1)	800	800
Unrealised or deferred gains and losses	(198)	(47)
<b>TOTAL</b>	<b>6,331</b>	<b>5,796</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 Komerční Banka A.S, BRD – Groupe Societe Generale S.A. and SG Marocaine de Banques;

- ALD, whose data presented here correspond to those of the ALD Automotive group;
- Sogécap, fully owned, with the subordinated notes issued in December 2014.

	31.12.2022				
(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
Komerční banka A.S	60.73%	60.73%	276	1,875	(297)
BRD – Groupe Société Générale S.A.	60.17%	60.17%	107	530	(205)
Groupe ALD	75.94%	75.94%	249	1,676	(97)
SG Marocaine de Banques	57.67%	57.67%	41	500	(12)
Sogécap	100.00%	100.00%	33	829	(33)
Other entities	-	-	223	921	(143)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>929</b>	<b>6,331</b>	<b>(787)</b>

	31.12.2021				
(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
Komerční banka A.S	60.73%	60.73%	187	1,864	(62)
BRD – Groupe Société Générale S.A.	60.17%	60.17%	98	762	(3)
Groupe ALD	79.82%	79.82%	183	1,002	(57)
SG Marocaine de Banques	57.65%	57.65%	31	499	(13)
Sogécap	100.00%	100.00%	33	829	(33)
Other entities	-	-	165	840	(58)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>697</b>	<b>5,796</b>	<b>(226)</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.

	31.12.2022			
(In EURm)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
Komerční banka A.S	1,523	715	793	53,209
BRD – Groupe Société Générale S.A.	667	272	(64)	14,449
Groupe ALD	2,620	1,255	1,338	57,929
SG Marocaine de Banques	445	102	39	10,169

	31.12.2021			
(In EURm)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
Komerční banka A.S	1,173	494	815	49,158
BRD – Groupe Société Générale S.A.	600	247	(26)	13,539
Groupe ALD	1,812	886	903	48,794
SG Marocaine de Banques	438	79	119	9,820

**NOTE 2.3.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES AND JOINT VENTURES)****SUMMARISED FINANCIAL INFORMATION**

(In EURm)	Joint ventures		Associates		Total investments accounted for using the equity method	
	2022	2021	2022	2021	2022	2021
Group share:						
Net income	6	4	9	2	15	6
Unrealised or deferred gains and losses (net of tax)	-	-	-	-	-	-
<b>NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES</b>	<b>6</b>	<b>4</b>	<b>9</b>	<b>2</b>	<b>15</b>	<b>6</b>

**COMMITMENTS TO RELATED PARTIES**

As at 31 December 2022, the Group has no commitments with related parties linked to associates and joint ventures.

**NOTE 2.3.4 RESTRICTIONS SIGNIFICANT RESTRICTIONS ON THE ABILITY TO ACCESS OR USE THE ASSETS OF THE GROUP**

Legal, regulatory, statutory or contractual constraints or requirements may restrict the ability of the Group to transfer assets freely to or from entities within the Group.

The ability of consolidated entities to distribute dividends or to grant or repay loans and advances to entities within the Group depends on, among other things, local regulatory requirements, statutory reserves and financial and operating performance. Local regulatory requirements may concern regulatory capital, exchange controls or non-convertibility of the local currency (as it is the case in countries belonging to the West African Economic and Monetary Union or to the Economic and Monetary Community of Central Africa), liquidity ratios (as in the United States) or large exposures ratios that aim to cap the entity's exposure in relation to the Group (regulatory requirement to be fulfilled in most countries in Eastern and Central Europe, Maghreb and sub-Saharan Africa). Since May 2022, Russia has implemented new restrictions described in Note 1 – paragraph 6.

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.

(In EURm)	Asset financing		Asset management		Others	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
<b>Total balance sheet<sup>(1)</sup> of the entity</b>	<b>5,898</b>	<b>6,018</b>	<b>18,090</b>	<b>17,635</b>	<b>23,085</b>	<b>23,932</b>
<b>Net carrying amount of Group interests in unconsolidated structured entities</b>						
<b>Assets</b>	<b>2,646</b>	<b>2,650</b>	<b>2,579</b>	<b>4,659</b>	<b>8,719</b>	<b>8,512</b>
Financial assets at fair value through profit or loss	138	269	2,377	4,445	1,181	979
Financial assets at fair value through other comprehensive income	-	-	-	-	51	52
Financial assets at amortised cost	2,503	2,377	43	54	7,486	7,480
Others	5	4	159	160	1	1
<b>Liabilities</b>	<b>1,419</b>	<b>1,490</b>	<b>2,941</b>	<b>4,242</b>	<b>1,410</b>	<b>1,814</b>
Financial liabilities at fair value through profit or loss	99	115	2,530	3,715	175	973
Due to banks and customer deposits	1,257	1,338	384	498	1,235	841
Others	63	37	27	29	-	-

(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 2022, does not intend to provide such support.

The maximum exposure to loss related to interests in unconsolidated structured entities is measured as:

(In EURm)	Asset financing		Asset management		Others	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Amortised cost or fair value (according to the measurement of the financial instrument) of non-derivative financial assets entered into with the structured entity	2,538	2,475	4,340	5,096	1,932	1,851
Fair value of derivative financial assets recognised in the balance sheet	59	195	620	1,838	346	372
Notional amount of CDS sold (maximum amount to be paid)	-	-	-	-	-	-
Notional amount of loan or guarantee commitments granted	367	112	112	461	1,498	2,331
<b>Maximum exposure to loss</b>	<b>2,964</b>	<b>2,782</b>	<b>5,072</b>	<b>7,395</b>	<b>3,776</b>	<b>4,554</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 1,289 million and mainly concern Others (including Securitisation and Issuing vehicles).

#### 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 2022, 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 4,275 million.

In 2022, no significant revenue has been recognised for these structured entities.

**NOTE 2.5 Non-current assets held for sale and related debt****ACCOUNTING PRINCIPLES**

A non-current asset or group of assets and liabilities is deemed to be “held for sale” if its carrying value will primarily be recovered through a sale and not through its continuing use. For this classification to apply, the asset or group of assets and liabilities must then be immediately available-for-sale in its present condition and it must be highly probable that the sale will occur within twelve months.

For this to be the case, the Group must be committed to a plan to sell the asset (or disposal group if assets and liabilities) and have begun actively searching for a buyer. Furthermore, the asset or group of assets and liabilities must be measured at a price that is reasonable in relation to its current fair value.

Assets and liabilities into this category are classified as Non-current assets held for sale and Non-current liabilities held for sale, with no netting.

If the fair value less selling costs of non-current assets and groups of assets and liabilities held for sale is less than their net carrying value, an impairment is then recognised in profit or loss. Moreover, Non-current assets held for sale are no longer amortised or depreciated.

(In EURm)	31.12.2022	31.12.2021
<b>Assets</b>	<b>1,081</b>	<b>27</b>
Fixed assets and Goodwill	839	26
Financial assets	95	-
<i>Due from banks</i>	93	-
<i>Customer loans</i>	2	-
Other assets	147	1
<b>Liabilities</b>	<b>220</b>	<b>1</b>
Allowances	-	1
Financial liabilities	57	-
<i>Financial liabilities at fair value through profit or loss</i>	1	-
<i>Due to banks</i>	56	-
Other liabilities	163	-

As at 31 December 2022, the Non-current assets held for sale and Non-current liabilities held for sale items encompass the assets and liabilities related to motor vehicle rental activity, of which mainly those of entities SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENS SA in Portugal, ALD AUTOMOTIVE AS in Norway and

MERRION FLEET MANAGEMENT LIMITED in Ireland. Indeed, the acquisition of LeasePlan by ALD has been approved by the European Commission subject to the sale of the motor vehicle rental activities of ALD Automotive in Portugal, Norway, Ireland and LeasePlan in Czech Republic, in Finland and in Luxembourg.

## NOTE 3 FINANCIAL INSTRUMENTS



### MAKING IT SIMPLE

The financial instruments represent the contractual rights or obligations to receive or to pay cash or other financial assets. The Group's banking activities generally take the form of financial instruments covering a broad spectrum of assets and liabilities, such as loans, investment portfolios (equity, bonds, etc.), deposits, regulated savings accounts, debt securities issued and derivative instruments (swaps, options, forward contracts, credit derivatives, etc.).

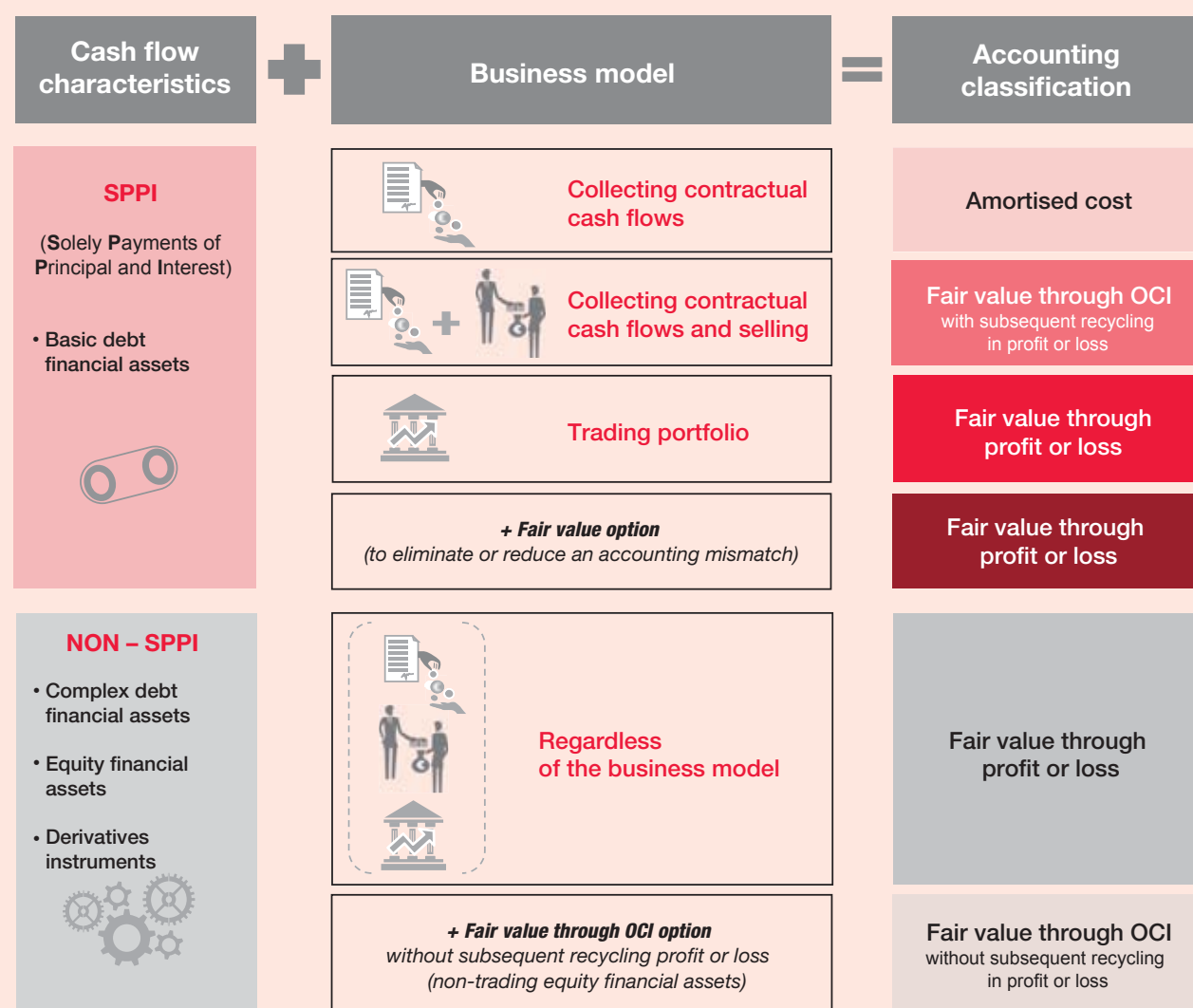
In the financial statements, the classification and valuation of financial assets and liabilities depend on their contractual characteristics and the way the entity manages those financial instruments.

However, this distinction is not applicable to derivative instruments, which are always measured at fair value in the balance sheet, no matter what their purpose is (market activities or hedging transactions).

## ACCOUNTING PRINCIPLES

### Classification of financial assets

At initial recognition, financial instruments are classified in the Group balance sheet in one of three categories (amortised cost, fair value through profit or loss, and fair value through other comprehensive income) that determine their accounting treatment and subsequent measurement method. Classification is based on their contractual cash flow characteristics and the entity's business model for managing the assets.



The accounting principles for classifying the financial assets require the entity to analyse the contractual cash flows generated by the financial instruments and to analyse the business model for managing the financial instruments.

### ANALYSIS OF CONTRACTUAL CASH FLOW CHARACTERISTICS

The aim of the analysis of contractual cash flow characteristics is to limit the option of recognising revenues from financial assets using the effective interest method exclusively to the instruments whose characteristics are similar to those of a basic lending arrangement, meaning their associated cash flows are highly predictable. All other financial instruments that do not share these characteristics are measured at fair value through profit or loss, regardless of the business model used to manage them.

The contractual inflows that represent Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding are consistent with a basic lending arrangement.

In a basic lending arrangement, interest predominantly consists of a consideration for the time value of money and for credit risk. Interest may also include a consideration for liquidity risk, administrative costs, and a commercial profit margin. Negative interest is not inconsistent with this definition.

All financial assets that are not basic will be mandatorily measured at fair value through profit or loss, regardless of the business model for managing them.

Derivatives qualifying as hedging instruments for accounting purposes are recorded on a separate line in the balance sheet (see Note 3.2).

The Group can make the irrevocable decision on a security-by-security basis, to classify and measure any equity instrument (shares and other equity securities) that is not held for trading purposes at fair value through other comprehensive income. Subsequently, the profit or loss accumulated in other comprehensive income will never be reclassified to profit or loss (only dividends on these instruments will be recognised as income).

#### ANALYSIS OF THE BUSINESS MODEL

The business model represents how the financial instruments are managed in order to generate cash flows and income.

The Group uses several business models in the course of exercising its different business lines. Business models are assessed on how groups of financial instruments are managed together to achieve a particular business objective. The business model is not assessed on an instrument-by-instrument basis, but at a portfolio level, considering relevant evidence such as:

- how the performance of the portfolio is evaluated and reported to the Group's Management;
- how risks related to financial instruments within that business model are managed;
- how managers of the business are compensated;
- sales of assets realised or expected (value, frequency, purpose).

To determine the classification and measurement of financial assets, three different business models shall be distinguished:

- a business model whose objective is to collect contractual cash flows ("Collect" business model);
- a business model whose objective is achieved by both collecting contractual cash flows on financial assets and selling these financial assets ("Collect and Sell" business model);
- a separate business model for other financial assets, especially those that are held for trading purposes, where collecting contractual cash flows is only incidental.

#### FAIR VALUE OPTION

SPPI financial assets that are not held for trading purposes can be designated, at initial recognition, at fair value through profit or loss if such designation eliminates or significantly reduces discrepancies in the accounting treatment of the related financial assets and liabilities (accounting mismatch).

#### Classification of financial liabilities

Financial liabilities are classified into one of the following two categories:

- financial liabilities at fair value through profit or loss: these are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Group upon initial recognition to be measured at fair value through profit or loss using the fair value option;
- debts: these include the other non-derivative financial liabilities and are measured at amortised cost.

Derivative financial assets and liabilities qualifying as hedging instruments are presented on separate lines of the balance sheet (see Note 3.2).

#### Reclassifications of financial assets

Reclassifications of financial assets are only required in the exceptional event that the Group changes the business model used to manage these assets.

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.



**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). 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. The IASB intends to issue an exposure-draft during the first half of 2023.

When the time value component of interest can be modified according to the contractual term of the instrument, it may be necessary to

compare the contractual cash flow with the cash flow that would arise from a benchmark instrument. For instance, that is the case when an interest rate is periodically reset, but the frequency of that reset does not match the tenor of the interest rate (such as an interest rate reset every month to a one-year rate), or when the interest rate is periodically reset to an average of short- and long-term interest rates.

If the difference between the undiscounted contractual cash flows and the undiscounted benchmark cash flows is or may become significant, then the instrument is not considered basic.

Depending on the contractual terms, the comparison with benchmark cash flow may be performed through a qualitative assessment; but in other cases, a quantitative test is required. The difference between contractual and benchmark cash flows has to be considered in each reporting period and cumulatively over the life of the instrument. When performing this benchmark test, the entity considers factors that could affect future undiscounted contractual cash flows: using the yield curve at the date of the initial assessment is not enough, and the entity also has to consider whether the curve could change over the life of the instrument according to reasonably possible scenarios.

Within the Group, the financial instruments concerned by a benchmark test include, for instance, variable-rate housing loans for which interest rates are reset every year based on the twelve-month Euribor average observed over the two months previous to the reset. Another example is loans granted to real estate professionals for which interest is revised quarterly based on the one-month Euribor average observed over the three months previous to the reset. Following the benchmark analysis performed by the Group, it has been concluded that these loans are basic.

Furthermore, a specific analysis of contractual cash flow is required when financial assets are instruments issued by a securitisation vehicle or a similar entity that prioritises payments to holders using multiple contractually-linked instruments that create concentrations of credit risk (tranches). When assessing whether contractual cash flows are SPPI or not, the entity must analyse the contractual terms, as well as the credit risk of each tranche and the exposure to credit risk in the underlying pool of financial instruments. To that end, the entity must apply a “look-through approach” to identify the underlying instruments that are creating the cash flows.

The data presented in Note 3 exclude the financial instruments of insurance subsidiaries; the data for insurance subsidiaries are presented in Note 4.3.

The information on the types of risks, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, are disclosed in Chapter 4 of the present Universal Registration Document (Risks and capital adequacy).

## NOTE 3.1 Financial assets and liabilities at fair value through profit or loss

### OVERVIEW

(In EURm)	31.12.2022		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
Trading portfolio	310,087	234,851	319,789	243,112
Financial assets measured mandatorily at fair value through profit or loss	18,003		21,356	
Financial instruments measured at fair value through profit or loss using the fair value option	1,347	65,767	1,569	64,451
<b>TOTAL</b>	<b>329,437</b>	<b>300,618</b>	<b>342,714</b>	<b>307,563</b>
<i>o/w securities purchased/sold under resale/repurchase agreements</i>	<i>122,786</i>	<i>103,365</i>	<i>81,313</i>	<i>84,797</i>

### NOTE 3.1.1 TRADING PORTFOLIO

#### ACCOUNTING PRINCIPLES

The trading book contains the financial assets and liabilities held or accrued for the purpose of capital markets activities.

This portfolio also includes, among other trading assets, the physical stocks of raw materials that the Group might hold a market-maker on commodity derivatives.

Derivative financial instruments are classified into the trading portfolio, unless they qualify as hedging instruments (see Note 3.2).

The financial instruments recorded in the trading portfolio are measured at fair value as at the closing date and recognised in the balance sheet under Financial assets or liabilities at fair value through profit or loss. The changes in fair value and revenues associated to those instruments are recorded in profit or loss under Net gains and losses on financial instruments at fair value through profit or loss.

#### TRADING ACTIVITIES

Financial assets held for trading are:

- acquired for the purpose of selling or repurchasing it in the near term; or
- held for market-making purposes; or
- acquired for the purposes of the specialised management of a trading portfolio, including derivative financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.



#### Global market activities

The trading business model is applied by Global Banking and Investor Solutions to manage its global market activities.

It is also applied for managing syndicated loan commitments and loans that are not intended to be kept by the Group and that have been identified since their origination as to be sold in the short term (within 6 to 12 months) on the secondary market, as well as for loans originated by the Group through originate-to-distribute activities and that are expected to be sold shortly.

Financial assets held in run-off portfolios are also monitored based on their fair value. Although those portfolios are not related to market activities, those assets are presented amongst trading portfolio and are measured at fair value through profit or loss.

Trading portfolio includes all the financial assets held for trading purpose regardless of the characteristics of their contractual cash flows. Only non-SPPI financial assets that are not held for trading are classified amongst Financial assets measured mandatorily at fair value through profit or loss (see section 3.1.2).

## ASSETS

(In EURm)

	31.12.2022	31.12.2021
Bonds and other debt securities	26,022	22,480
Shares and other equity securities	74,387	108,858
Securities purchased under resale agreements	122,752	81,282
Trading derivatives <sup>(1)</sup>	75,934	100,355
Loans, receivables and other trading assets	10,992	6,814
<b>TOTAL</b>	<b>310,087</b>	<b>319,789</b>
<i>o/w securities lent</i>	<i>12,455</i>	<i>14,370</i>

(1) See Note 3.2 Financial derivatives.

## LIABILITIES

(In EURm)

	31.12.2022	31.12.2021
Amounts payable on borrowed securities	51,101	45,821
Bonds and other debt instruments sold short	5,187	3,630
Shares and other equity instruments sold short	1,244	838
Securities sold under repurchase agreements	102,678	84,729
Trading derivatives <sup>(1)</sup>	72,068	106,607
Borrowings and other trading liabilities	2,573	1,487
<b>TOTAL</b>	<b>234,851</b>	<b>243,112</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.

<i>(In EURm)</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Bonds and other debt securities	195	193
Shares and other equity securities	2,816	2,769
Loans, receivables and securities purchased under resale agreements	14,992	18,394
<b>TOTAL</b>	<b>18,003</b>	<b>21,356</b>

**BREAKDOWN OF LOANS AND RECEIVABLES AND SECURITIES PURCHASED UNDER RESALE AGREEMENTS**

<i>(In EURm)</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Short-term loans	1,500	1,257
Equipment loans	11,338	14,881
Other loans	2,154	2,256
<b>TOTAL</b>	<b>14,992</b>	<b>18,394</b>

The loans and receivables and securities purchased under resale agreements recorded in the balance sheet under Financial assets mandatorily at fair value through profit or loss are mainly:

- loans that include prepayment features with compensation that do not reflect the effect of changes in the benchmark interest rate;
- loans that include indexation clauses that do not permit to recognise as basic loans (SPPI).

### NOTE 3.1.3 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS USING FAIR VALUE OPTION

#### ACCOUNTING PRINCIPLES

In addition to the financial assets and liabilities held for trading, and the financial assets measured mandatorily at fair value through profit or loss, the same items in the financial statements include the non-derivative financial assets and liabilities that the Group has designated at fair value through profit or loss. Changes in the fair value of these instruments (including interest) are recorded in profit or loss under Net gains or losses on financial instruments at fair value through profit or loss, except the share related to the Group's own credit risk on financial liabilities which is booked under Unrealised or deferred gains and losses.

Furthermore, in case of derecognition of a financial liability at fair value through profit or loss using the fair value option before its contractual maturity, any gains and losses, related to the Group's own credit risk are booked under Unrealised or deferred gains and losses and then reclassified under Retained earnings at the beginning of the subsequent financial year.

For financial assets, this option may only be used to eliminate or significantly reduce accounting mismatches that would otherwise arise from applying different accounting treatments to certain related financial assets and liabilities.

For financial liabilities, this option may only be used in the following cases:

- to eliminate or reduce discrepancies in the accounting treatment of certain related financial assets and liabilities;
- when it applies to a hybrid financial instrument with one or more embedded derivatives, which should be recognised separately;
- when a group of financial assets and/or liabilities is managed together and its performance is measured at fair value.

The Group thus recognises structured bonds issued by Societe Generale Corporate and Investment Banking at fair value through profit or loss. These issuances are purely commercial and the associated risks are hedged on the market using financial instruments managed in trading portfolios. By using the fair value option, the Group can ensure consistency between the accounting treatment of these bonds and that of the derivatives hedging the associated market risks, which have to be carried at fair value.

#### ASSETS

(In EURm)

	31.12.2022	31.12.2021
Bonds and other debt securities	112	4
Loans, receivables and securities purchased under resale agreements	55	58
Separate assets for employee benefits plans	1,180	1,507
<b>TOTAL</b>	<b>1,347</b>	<b>1,569</b>

(1) Including, as at 31 December 2022, EUR 1,002 million of separate assets for defined post-employment benefits compared to EUR 1,331 million as at 31 December 2021 (see Note 5.2).

#### LIABILITIES

Financial liabilities measured at fair value through profit or loss in accordance with the fair value option predominantly consist of structured bonds issued by the Societe Generale group.

	31.12.2022		31.12.2021	
(In EURm)	Fair value	Amount redeemable at maturity	Fair value	Amount redeemable at maturity
Financial instruments measured using fair value option through profit or loss	65,767	67,312	64,451	65,547

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 gain of EUR 671 million before tax in 2022. As at 31 December 2022, the total amount of changes in fair value attributable to own credit risk represents a total gain of EUR 326 million before tax.

**NOTE 3.1.4 NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

(In EURm)	2022	2021
Net gain/loss on trading portfolio (excluding derivatives)	(5,650)	20,580
Net gain/loss on financial instruments at fair value through profit or loss <sup>(1)</sup>	(2,006)	(1,401)
Net gain/loss on financial instruments measured using fair value option	2,806	(3,143)
Net gain/loss on derivative instruments	11,925	(10,993)
Net gains/loss on hedging instruments <sup>(2)</sup>	(237)	(9)
<i>Net gain/loss on fair value hedging derivatives</i>	<i>(16,246)</i>	<i>(5,741)</i>
<i>Revaluation of hedged items attributable to hedged risks<sup>(3)</sup></i>	<i>16,019</i>	<i>5,732</i>
<i>Ineffective cut of the cash flow hedges</i>	<i>(10)</i>	<i>(0)</i>
Net gain/loss on foreign exchange transactions	(123)	670
<b>TOTAL</b>	<b>6,715</b>	<b>5,704</b>
<i>o/w gains on financial instruments at fair value through other comprehensive income</i>	<i>99</i>	<i>113</i>

(1) This item includes realised and unrealised gains and losses on debt and equity instruments, with the exception of the income component of debt instruments representative of an interest rate, which is recorded under net interest margin (see Note 3.7).

(2) This item includes only the net gain/loss on hedging transactions related to financial instruments. For the hedging transactions related to non-financial assets and liabilities, the net gain/loss on hedging transactions is included under the income statement of the hedged item.

(3) This item includes the revaluation of fair value hedged items, including the change in revaluation differences in portfolios hedged against interest rate risk.

Insofar as income and expenses recorded in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole. It should be noted that the

income shown here does not include the refinancing cost of these financial instruments, which is shown under interest expense and interest income.



**NOTE 3.2 Financial derivatives****MAKING IT SIMPLE**

Derivative instruments are financial instruments for which the value changes according to that of an underlying item and can be accompanied by a leverage effect. The items underlying these instruments are various (interest rates, exchange rates, equity, indexes, commodities, credit rating...), as are their forms (forward contracts, swaps, calls and puts...).

The Group may use these derivative instruments for their market activities to provide to its customers solutions to meet their risk management or revenue optimisation needs. In that case, they are accounted for as trading derivatives.

The Group may also use derivative instruments to manage and hedge its own risks. In which case, they are qualified as hedging derivatives. Hedging transactions can concern individual items or transactions (micro-hedging relationships) or portfolios of financial assets and liabilities that can generate a structural interest-rate risk (macro-hedging relationships).

Contrary to other financial instruments, derivative instruments are always measured at fair value in the balance sheet, regardless their purpose (market activities or hedging transactions). The fair value adjustments of trading derivatives are directly recognised in the income statement. However, the 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 risk in the income statement.

## FAIR VALUE

(In EURm)	31.12.2022		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
Interest rate instruments	34,167	23,163	56,560	51,181
Foreign exchange instruments	24,272	25,341	18,404	19,320
Equities & index instruments	15,513	21,191	24,186	33,779
Commodities instruments	199	154	279	311
Credit derivatives	1,756	1,439	921	1,179
Other forward financial instruments	27	781	5	837
<b>TOTAL</b>	<b>75,934</b>	<b>72,069</b>	<b>100,355</b>	<b>106,607</b>

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentration and to implement a proactive risk and capital management approach. All credit derivatives, regardless of their

purpose, are measured at fair value through profit or loss and cannot be qualified as hedging instruments for accounting purposes. Accordingly, they are recognised at fair value among trading derivatives.

## COMMITMENTS (NOTIONAL AMOUNTS)

(In EURm)	31.12.2022	31.12.2021
<b>Interest rate instruments</b>	<b>9,757,261</b>	<b>9,807,443</b>
Firm instruments	7,998,484	8,155,415
<i>Swaps</i>	6,412,207	7,013,837
<i>FRAs</i>	1,586,277	1,141,578
Options	1,758,777	1,652,028
<b>Foreign exchange instruments</b>	<b>4,162,947</b>	<b>3,379,742</b>
Firm instruments	3,046,929	2,617,178
Options	1,116,018	762,564
<b>Equity and index instruments</b>	<b>791,814</b>	<b>838,749</b>
Firm instruments	138,533	144,592
Options	653,281	694,157
<b>Commodities instruments</b>	<b>20,714</b>	<b>24,539</b>
Firm instruments	20,472	24,372
Options	242	167
<b>Credit derivatives</b>	<b>170,225</b>	<b>177,923</b>
<b>Other forward financial instruments</b>	<b>28,066</b>	<b>31,022</b>
<b>TOTAL</b>	<b>14,931,027</b>	<b>14,259,418</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 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 3-month alternative reference interest rate used to determine the fixed rate of a loan and for which the Group intends to hedge the changes in value) may be used, provided it is, as reasonably expected, separately identifiable (*i.e.*, quoted on a sufficiently liquid market) in the 24 months after its first use.

## FAIR VALUE

(In EURm)	31.12.2022		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
<b>Fair value hedge</b>	<b>32,272</b>	<b>45,539</b>	<b>12,823</b>	<b>10,171</b>
Interest rate instruments	32,252	45,538	12,786	10,141
Foreign exchange instruments	20	1	36	30
Equity and index Instruments	-	-	1	-
<b>Cash flow hedge</b>	<b>349</b>	<b>511</b>	<b>311</b>	<b>61</b>
Interest rate instruments	300	443	253	26
Foreign exchange instruments	43	51	24	33
Equity and index Instruments	6	17	34	2
<b>Net investment hedge</b>	<b>229</b>	<b>114</b>	<b>105</b>	<b>193</b>
Foreign exchange instruments	229	114	105	193
<b>TOTAL</b>	<b>32,850</b>	<b>46,164</b>	<b>13,239</b>	<b>10,425</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 at 31 December 2022, the revaluation differences on macro-hedged fixed-rate assets portfolios and fixed-rate liabilities portfolios have become negative as a result of the interest rate raise observed during the period. On the asset side of the balance sheet, the revaluation difference on portfolios hedged against interest rate risk amounts to EUR -2,262 million as at 31 December 2022 (compared to EUR +131 million as at 31 December 2021); and on the liabilities side, the revaluation differences on portfolios hedged against interest rate risk amounts to EUR -9,659 million as at 31 December 2022 (against EUR +2,832 million as at 31 December 2021).

## COMMITMENTS (NOTIONAL AMOUNTS)

(In EURm)	31.12.2022	31.12.2021
<b>Interest rate instruments</b>	<b>861,523</b>	<b>981,765</b>
Firm instruments	861,181	978,728
Swaps	728,373	696,716
FRAs	132,808	282,012
Options	342	3,037
<b>Foreign exchange instruments</b>	<b>8,333</b>	<b>9,245</b>
Firm instruments	8,333	9,245
<b>Equity and index instruments</b>	<b>179</b>	<b>160</b>
Firm instruments	179	160
<b>TOTAL</b>	<b>870,035</b>	<b>991,170</b>

**IBOR REFORM**

The notional amounts of the hedging instruments affected by the amendments to IAS 39, introduced in the context of the rate reform and aimed at not taking into account the uncertainties associated with the reform in order to meet certain criteria required in terms of hedge accounting, amounted to the following:

(In EURm)	31.12.2022	
	Fair value hedge	Cash flow hedge
Libor	20,547	2,283
of which Libor USD	20,547	2,283
<b>TOTAL</b>	<b>20,547</b>	<b>2,283</b>

USD Libor contracts which have a maturity date prior to 30 June 2023 amount to EUR 398 million.

**MATURITIES OF HEDGING FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)**

These items are presented according to the contractual maturity of the financial instruments.

(In EURm)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2022
Interest rate instruments	108,878	193,268	290,166	269,211	861,523
Foreign exchange instruments	2,054	5,683	579	17	8,333
Equity and index instruments	85	35	58	1	179
<b>TOTAL</b>	<b>111,017</b>	<b>198,986</b>	<b>290,803</b>	<b>269,229</b>	<b>870,035</b>

## FAIR VALUE HEDGE: BREAKDOWN OF HEDGED ITEMS

(In EURm)	31.12.2022		
	Carrying amount	Cumulative change in the fair value <sup>(1)</sup>	Change in the fair value booked during the period <sup>(1)</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>(2)</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>-</b>
Hedged liabilities	4	-	-
<i>Other liabilities</i>	4	-	-
<b>TOTAL</b>			<b>16,018</b>



	31.12.2021		
	Carrying amount	Cumulative change in the fair value <sup>(1)</sup>	Change in the fair value booked during the period <sup>(1)</sup>
(In EURm)			
<b>Hedge of interest rate risk</b>			<b>5,732</b>
Hedged assets	68,184	1,431	(1,154)
<i>Due from banks, at amortised cost</i>	1,204	20	(22)
<i>Customer loans, at amortised cost</i>	7,096	227	(199)
<i>Securities at amortised cost</i>	1,547	(153)	(186)
<i>Financial assets at fair value through other comprehensive income</i>	29,893	1,207	(480)
<i>Customer loans (macro hedged)<sup>(2)</sup></i>	28,444	130	(267)
Hedged liabilities	188,916	3,429	6,886
<i>Debt securities issued</i>	46,226	130	1,148
<i>Due to banks</i>	13,511	104	339
<i>Customer deposits</i>	1,543	103	67
<i>Subordinated debts</i>	14,815	260	468
<i>Customer deposits (macro hedged)<sup>(2)</sup></i>	112,821	2,832	4,864
<b>Hedge of currency risk</b>			<b>(1)</b>
Hedged liabilities	472	35	(1)
<i>Subordinated debts</i>	472	35	(1)
<b>Hedge of equity risk</b>			<b>1</b>
Hedged liabilities	1	-	1
<i>Other liabilities</i>	1	-	1
<b>TOTAL</b>			<b>5,732</b>

(1) 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.

(2) 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.

At 31 December 2022, EUR 389 million of cumulative changes in fair value were still to be amortised because of the disappearance of the hedged item. This amount is mainly related to interest rate risk hedging.

## FAIR VALUE HEDGE: BREAKDOWN OF HEDGING INSTRUMENTS

(In EURm)	31.12.2022				
	Commitments (notional amounts)	Fair value <sup>(1)</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>(2)</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>(2)</sup>	125,774	26,392	35,332	(12,262)	48
Options	342	37	-	5	-
For hedged portfolios of assets (macro hedge) <sup>(2)</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>-</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>
Options	4	-	-	(1)	(1)
For hedged liabilities	4	-	-	(1)	(1)
<b>TOTAL</b>	<b>314,431</b>	<b>32,272</b>	<b>45,539</b>	<b>(16,246)</b>	<b>228</b>

(In EURm)	31.12.2021				
	Commitments (notional amounts)	Fair value <sup>(1)</sup>		Change in fair value booked during the period	Ineffectiveness recognised during the period
		Asset	Liabilities		
<b>Hedge of interest rate risk</b>	<b>251,936</b>	<b>12,786</b>	<b>10,140</b>	<b>(5,741)</b>	<b>(9)</b>
Firm instruments – Swaps	248,899	12,785	10,103	(5,743)	(9)
For hedged assets	36,082	218	2,249	891	4
For hedged portfolios of assets (macro hedge) <sup>(2)</sup>	24,739	196	124	239	(26)
For hedged liabilities	77,735	1,726	598	(1,987)	35
For hedged portfolios of liabilities (macro hedge) <sup>(2)</sup>	110,343	10,645	7,132	(4,886)	(22)
Options	3,037	1	37	2	-
For hedged portfolios of assets (macro hedge) <sup>(2)</sup>	3,037	1	37	2	-
<b>Hedge of currency risk</b>	<b>463</b>	<b>36</b>	<b>30</b>	<b>1</b>	<b>-</b>
Firm instruments	463	36	30	1	-
For hedged liabilities	463	36	30	1	-
<b>Hedge of equity risk</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>
Options	3	-	-	(1)	-
For hedged liabilities	3	-	-	(1)	-
<b>TOTAL</b>	<b>252,402</b>	<b>12,822</b>	<b>10,170</b>	<b>(5,741)</b>	<b>(9)</b>

(1) The fair value of interest rate hedging derivatives includes accrued interests.

(2) 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.

**CASH FLOW HEDGE: BREAKDOWN OF HEDGED ITEMS**

The following table describes the change of fair value of hedged items used to book the ineffective portion of the hedge during the current period. Regarding the cash flow hedges, the change in fair value of hedged items is assessed using the hypothetical derivative method described in the accounting principles above.

	31.12.2022	31.12.2021
(In EURm)	Change in the fair value	Change in the fair value
<b>Hedge of interest rate risk</b>	<b>363</b>	<b>69</b>
Hedged assets	(52)	(9)
<i>Financial assets at fair value through other comprehensive income</i>	(53)	4
<i>Customer loans (macro hedged)</i>	1	(13)
Hedged liabilities	415	78
<i>Debt securities issued</i>	(110)	(6)
<i>Due to banks</i>	(51)	(60)
<i>Customer deposits (macro hedged)</i>	576	144
<b>Hedge of currency risk</b>	<b>(55)</b>	<b>(27)</b>
Hedged liabilities	(54)	(19)
<i>Subordinated debts</i>	(54)	(19)
Forecast transactions	(1)	(8)
<b>Hedge of equity risk</b>	<b>43</b>	<b>(69)</b>
Forecast transactions	43	(69)
<b>TOTAL</b>	<b>351</b>	<b>(27)</b>

## CASH FLOW HEDGE: BREAKDOWN OF HEDGING INSTRUMENTS

	31.12.2022					
	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	Liabilities	Portion booked in unrealised or deferred gains and losses	Ineffective- ness recorded in the profit or loss	
(In EURm)						
<b>Hedge of interest rate risk</b>	<b>11,453</b>	<b>300</b>	<b>443</b>	<b>(363)</b>	<b>(10)</b>	<b>(204)</b>
Firm instruments – Swaps	11,445	300	443	(363)	(10)	(204)
For hedged assets	9	1	-	(0)	-	(0)
For hedged portfolio of assets (macro hedge) <sup>(1)</sup>	1 185	39	-	52	(8)	46
For hedged liabilities	10,251	260	443	(415)	(2)	(250)
Firm instruments – FRAs	8	-	-	-	-	-
For hedged liabilities	8	-	-	-	-	-
<b>Hedge of currency risk</b>	<b>1,827</b>	<b>43</b>	<b>51</b>	<b>55</b>	<b>10</b>	<b>-</b>
Firm instruments	1,827	35	42	55	10	-
For hedged assets	1,008	12	20	-	-	-
For hedged liabilities	213	16	3	54	-	-
For hedged future transactions	606	7	19	1	10	-
Non-derivative financial instruments	-	8	9	(0)	-	-
For hedged future transactions	-	8	9	(0)	-	-
<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>13,455</b>	<b>349</b>	<b>511</b>	<b>(351)</b>	<b>-</b>	<b>(210)</b>

31.12.2021

	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	Liabilities	Portion booked in unrealised or deferred gains and losses	Ineffective- ness recognised during the period	
(In EURm)						
<b>Hedge of interest rate risk</b>	<b>11,557</b>	<b>253</b>	<b>26</b>	<b>(68)</b>	<b>-</b>	<b>187</b>
Firm instruments – Swaps	11,545	253	26	(68)	-	187
For hedged assets	176	1	-	(3)	-	-
For hedged portfolio of assets (macro hedge) <sup>(1)</sup>	1,169	1	11	13	-	(5)
For hedged liabilities	10,200	251	15	(78)	-	192
Firm instruments – FRAs	12	-	-	-	-	-
For hedged liabilities	12	-	-	-	-	-
<b>Hedge of currency risk</b>	<b>2,148</b>	<b>33</b>	<b>34</b>	<b>23</b>	<b>5</b>	<b>16</b>
Firm instruments	2,148	33	34	23	5	16
For hedged assets	-	-	-	-	-	-
For hedged liabilities	1,465	25	30	19	-	18
For hedged future transactions	683	8	4	4	5	(2)
Non-derivative financial instruments	-	-	-	-	-	-
For hedged future transactions	-	-	-	-	-	-
<b>Hedge of equity risk</b>	<b>157</b>	<b>35</b>	<b>2</b>	<b>69</b>	<b>9</b>	<b>7</b>
Options	157	35	2	69	9	7
For hedged future transactions	157	35	2	69	9	7
<b>TOTAL</b>	<b>13,862</b>	<b>321</b>	<b>62</b>	<b>24</b>	<b>14</b>	<b>210</b>

(1) For the macro hedge transactions, the commitment described above equals the net hedging derivative position in order to represent the economic exposure from these instruments.

In 2022, EUR 128 million of unrealised or deferred gains and losses were transferred to net income, following the accounting of hedged the cash flows in the income statement including the impact linked to Rosbank sales for EUR 101 million.

## NET INVESTMENT HEDGE: BREAKDOWN OF HEDGED ITEMS

	31.12.2022		31.12.2021	
	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>(77)</b>	<b>(298)</b>	<b>518</b>	<b>(1,166)</b>
Hedged net investment in GBP	(170)	(268)	220	(98)
Hedged net investment in CZK	76	339	122	263
Hedged net investment in RUB	106	-	77	(1,050)
Hedged net investment in RON	5	(66)	(17)	(71)
Hedged net investment in USD	(21)	6	32	27
Hedged net investment (other currencies)	(73)	(309)	84	(237)

\* Amounts restated compared to the financial statements published for 2021.

(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. Negative change in the fair value of the hedged item results in a decrease in the stocks under liabilities.

## NET INVESTMENT HEDGE: BREAKDOWN OF HEDGING INSTRUMENTS

	31.12.2022					
	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	
(In EURm)						
<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
Hedged net investment in GBP	1,320	58	9	48	(6)	(130)
Hedged net investment in CZK	1,352	4	243	(51)	(52)	(118)
Hedged net investment in RUB	-	-	-	(57)	20	-
Hedged net investment in RON	470	2	5	(5)	(5)	51
Hedged net investment in USD	732	49	11	21	(12)	27
Hedged net investment (other currencies)	2,440	116	46	61	(26)	269
Non derivatives instruments	-	-	2,861	59	-	199
Hedged net investment in GBP	-	-	1,761	124	-	398
Hedged net investment in CZK	-	-	837	(25)	-	(221)
Hedged net investment in RUB	-	-	-	(50)	-	-
Hedged net investment in RON	-	-	38	-	-	15
Hedged net investment in USD	-	-	-	-	-	(33)
Hedged net investment (other currencies)	-	-	225	10	-	40

31.12.2021

(In EURm)	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	
<b>Hedge of currency risk</b>	<b>6,898</b>	<b>105</b>	<b>2,375</b>	<b>(519)</b>	<b>71</b>	<b>1,166</b>
Firm instruments	6,898	105	193	(282)	71	193
Hedged net investment in 1GBP	1,358	11	39	(86)	22	(177)
Hedged net investment in CZK	1,420	6	51	(76)	11	(67)
Hedged net investment in RUB	909	19	28	(55)	33	168
Hedged net investment in RON	1,028	11	-	17	10	56
Hedged net investment in USD	(1)	15	20	(16)	7	6
Hedged net investment (other currencies)	2,184	43	55	(66)	(12)	207
Non derivatives instruments	-	-	2,182	(237)	-	973
Hedged net investment in GBP	-	-	484	(134)	-	274
Hedged net investment in CZK	-	-	869	(46)	-	(196)
Hedged net investment in RUB	-	-	325	(22)	-	883
Hedged net investment in RON	-	-	42	1	-	15
Hedged net investment in USD	-	-	203	(16)	-	(33)
Hedged net investment (other currencies)	-	-	259	(20)	-	31

\* Amounts restated compared to the financial statements published for 2021.

(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.

### NOTE 3.3 Financial assets at fair value through other comprehensive income

#### OVERVIEW

(In EURm)	31.12.2022	31.12.2021
Debt instruments	37,199	43,180
Bonds and other debt securities	37,199	43,081
Loans and receivables and securities purchased under resale agreements	-	99
Shares and other equity securities	264	270
<b>TOTAL</b>	<b>37,463</b>	<b>43,450</b>
o/w securities lent	249	241

#### 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 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)

**2022**

<b>Balance as at 1 January</b>	<b>43,180</b>
Acquisitions/disbursements	28,108
Disposals/redemptions	(32,139)
Change in scope and others	(357)
Changes in fair value during the period	(2,725)
Change in related receivables	13
Translation differences	1,119
<b>Balance as at 31 December</b>	<b>37,199</b>

**CUMULATIVE UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY**

(In EURm)

**31.12.2022****31.12.2021**

Unrealised gains	212	334
Unrealised losses	(809)	(200)
<b>TOTAL</b>	<b>(597)</b>	<b>134</b>

**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 instruments 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)	31.12.2022				31.12.2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Trading portfolio (excluding derivatives)</b>	<b>93,492</b>	<b>134,259</b>	<b>6,402</b>	<b>234,153</b>	<b>119,240</b>	<b>95,485</b>	<b>4,709</b>	<b>219,434</b>
Bonds and other debt securities	23,925	1,939	158	26,022	19,516	2,584	380	22,480
Shares and other equity securities	69,565	4,822	-	74,387	99,721	9,137	-	108,858
Securities purchased under resale agreements	-	116,586	6,166	122,752	-	77,080	4,202	81,282
Loans, receivables and other trading assets	2	10,912	78	10,992	3	6,684	127	6,814
<b>Trading derivatives</b>	<b>82</b>	<b>72,474</b>	<b>3,378</b>	<b>75,934</b>	<b>371</b>	<b>96,018</b>	<b>3,966</b>	<b>100,355</b>
Interest rate instruments	7	31,689	2,473	34,169	17	53,860	2,683	56,560
Foreign exchange instruments	75	23,751	446	24,272	354	17,817	233	18,404
Equity and index instruments	-	15,406	106	15,512	-	23,613	573	24,186
Commodity instruments	-	199	-	199	-	276	3	279
Credit derivatives	-	1,402	353	1,755	-	447	474	921
Other forward financial instruments	-	27	-	27	-	5	-	5
<b>Financial assets measured mandatorily at fair value through profit or loss</b>	<b>312</b>	<b>13,048</b>	<b>4,643</b>	<b>18,003</b>	<b>169</b>	<b>16,727</b>	<b>4,460</b>	<b>21,356</b>
Bonds and other debt securities	-	37	157	194	16	45	132	193
Shares and other equity securities	312	245	2,259	2,816	153	368	2,248	2,769
Loans, receivables and securities purchased under resale agreements	-	12,766	2,227	14,993	-	16,314	2,080	18,394
<b>Financial assets measured using fair value option through profit or loss</b>	<b>107</b>	<b>1,240</b>	<b>-</b>	<b>1,347</b>	<b>-</b>	<b>1,565</b>	<b>4</b>	<b>1,569</b>
Bonds and other debt securities	107	4	-	111	-	-	4	4
Loans, receivables and securities purchased under resale agreements	-	55	-	55	-	58	-	58
Separate assets for employee benefit plans	-	1,181	-	1,181	-	1,507	-	1,507
<b>Hedging derivatives</b>	<b>-</b>	<b>32,850</b>	<b>-</b>	<b>32,850</b>	<b>-</b>	<b>13,239</b>	<b>-</b>	<b>13,239</b>
Interest rate instruments	-	32,551	-	32,551	-	13,039	-	13,039
Foreign exchange instruments	-	293	-	293	-	165	-	165
Equity and index instruments	-	6	-	6	-	35	-	35
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>37,066</b>	<b>132</b>	<b>265</b>	<b>37,463</b>	<b>42,798</b>	<b>380</b>	<b>272</b>	<b>43,450</b>
Bonds and other debt securities	37,066	132	1	37,199	42,798	281	2	43,081
Shares and other equity securities	-	-	264	264	-	-	270	270
Loans and receivables	-	-	-	-	-	99	-	99
<b>TOTAL</b>	<b>131,059</b>	<b>254,003</b>	<b>14,688</b>	<b>399,750</b>	<b>162,578</b>	<b>223,414</b>	<b>13,411</b>	<b>399,403</b>

## NOTE 3.4.2 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

(In EURm)	31.12.2022				31.12.2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Trading portfolio (excluding derivatives)</b>	<b>6,424</b>	<b>152,974</b>	<b>3,385</b>	<b>162,783</b>	<b>4,494</b>	<b>129,989</b>	<b>2,022</b>	<b>136,505</b>
Amounts payable on borrowed securities	8	51,038	55	51,101	30	45,630	161	45,821
Bonds and other debt instruments sold short	5,172	-	14	5,186	3,626	1	3	3,630
Shares and other equity instruments sold short	1,244	-	-	1,244	838	-	-	838
Securities sold under repurchase agreements	-	99,372	3,307	102,679	-	82,874	1,855	84,729
Borrowings and other trading liabilities	-	2,564	9	2,573	-	1,484	3	1,487
<b>Trading derivatives</b>	<b>349</b>	<b>68,404</b>	<b>3,315</b>	<b>72,068</b>	<b>400</b>	<b>101,390</b>	<b>4,817</b>	<b>106,607</b>
Interest rate instruments	7	21,106	2,049	23,162	9	48,750	2,422	51,181
Foreign exchange instruments	342	24,728	272	25,342	390	18,719	211	19,320
Equity and index instruments	-	20,465	725	21,190	1	32,124	1,654	33,779
Commodity instruments	-	154	-	154	-	309	2	311
Credit derivatives	-	1,170	269	1,439	-	651	528	1,179
Other forward financial instruments	-	781	-	781	-	837	-	837
<b>Financial liabilities measured using fair value option through profit or loss</b>	<b>-</b>	<b>29,096</b>	<b>36,671</b>	<b>65,767</b>	<b>-</b>	<b>27,633</b>	<b>36,818</b>	<b>64,451</b>
<b>Hedging derivatives</b>	<b>-</b>	<b>46,164</b>	<b>-</b>	<b>46,164</b>	<b>-</b>	<b>10,425</b>	<b>-</b>	<b>10,425</b>
Interest rate instruments	-	45,981	-	45,981	-	10,168	-	10,168
Foreign exchange instruments	-	166	-	166	-	255	-	255
Equity and index instruments	-	17	-	17	-	2	-	2
<b>TOTAL</b>	<b>6,773</b>	<b>296,638</b>	<b>43,371</b>	<b>346,782</b>	<b>4,894</b>	<b>269,437</b>	<b>43,657</b>	<b>317,988</b>

## NOTE 3.4.3 VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

## FINANCIAL ASSETS

(In EURm)	Balance as at 31.12.2021	Acquisitions	Disposals/redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 31.12.2022
<b>Trading portfolio (excluding derivatives)</b>	<b>4,709</b>	<b>4,978</b>	<b>(2,190)</b>	<b>(802)</b>	<b>9</b>	<b>(351)</b>	<b>99</b>	<b>(50)</b>	<b>6,402</b>
Bonds and other debt securities	380	599	(787)	(85)	9	29	13	-	158
Securities purchased under resale agreements	4,202	4,379	(1,395)	(717)	-	(381)	78	-	6,166
Loans, receivables and other trading assets	127	-	(8)	-	-	1	8	(50)	78
<b>Trading derivatives</b>	<b>3,966</b>	<b>51</b>	<b>(13)</b>	<b>(2,094)</b>	<b>136</b>	<b>1,091</b>	<b>241</b>	<b>-</b>	<b>3,378</b>
Interest rate instruments	2,683	-	-	(1,960)	105	1,436	209	-	2,473
Foreign exchange instruments	233	1	(2)	(4)	2	212	4	-	446
Equity and index instruments	573	50	(11)	(36)	2	(489)	17	-	106
Commodity instruments	3	-	-	(1)	-	(2)	-	-	-
Credit derivatives	474	-	-	(93)	27	(66)	11	-	353
<b>Financial assets measured mandatorily at fair value through profit or loss</b>	<b>4,460</b>	<b>593</b>	<b>(342)</b>	<b>(65)</b>	<b>-</b>	<b>128</b>	<b>73</b>	<b>(204)</b>	<b>4,643</b>
Bonds and other debt securities	132	52	(29)	-	-	2	-	-	157
Shares and other equity securities	2,248	321	(258)	-	-	158	(6)	(204)	2,259
Loans, receivables and securities purchased under resale agreements	2,080	220	(55)	(65)	-	(32)	79	-	2,227
<b>Financial assets measured using fair value option through profit or loss</b>	<b>4</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Bonds and other debt securities	4	-	(4)	-	-	-	-	-	-
Loans, receivables and securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
<b>Financial assets measured at fair value option through other comprehensive income</b>	<b>272</b>	<b>19</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(27)</b>	<b>-</b>	<b>2</b>	<b>265</b>
Debt instruments	2	-	(1)	-	-	-	-	-	1
Equity instruments	270	19	-	-	-	(27)	-	2	264
<b>TOTAL</b>	<b>13,411</b>	<b>5,641</b>	<b>(2,550)</b>	<b>(2,961)</b>	<b>145</b>	<b>841</b>	<b>413</b>	<b>(252)</b>	<b>14,688</b>

## FINANCIAL LIABILITIES

(In EURm)	Balance as at 31.12.2021	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 31.12.2022
<b>Trading portfolio (excluding derivatives)</b>	<b>2,022</b>	<b>2,920</b>	<b>(1,148)</b>	<b>-</b>	<b>-</b>	<b>(320)</b>	<b>(89)</b>	<b>-</b>	<b>3,385</b>
Amounts payable on borrowed securities	161	-	-	-	-	(105)	-	-	56
Bonds and other debt instruments sold short	3	-	-	-	-	11	-	-	14
Securities sold under repurchase agreements	1,855	2,920	(1,148)	-	-	(232)	(89)	-	3,306
Borrowings and other trading liabilities	3	-	-	-	-	6	-	-	9
<b>Trading derivatives</b>	<b>4,817</b>	<b>493</b>	<b>(56)</b>	<b>(1,349)</b>	<b>110</b>	<b>(726)</b>	<b>26</b>	<b>-</b>	<b>3,315</b>
Interest rate instruments	2,422	1	(1)	(1,116)	67	698	(23)	-	2,048
Foreign exchange instruments	211	1	-	-	-	64	(3)	-	273
Equity and index instruments	1,654	491	(53)	(39)	14	(1,386)	44	-	725
Commodity instruments	2	-	(2)	-	-	-	-	-	-
Credit derivatives	528	-	-	(194)	29	(102)	8	-	269
<b>Financial liabilities measured using fair value option through profit or loss</b>	<b>36,818</b>	<b>20,947</b>	<b>(16,442)</b>	<b>(1,324)</b>	<b>1,621</b>	<b>(5,401)</b>	<b>452</b>	<b>-</b>	<b>36,671</b>
<b>TOTAL FINANCIAL LIABILITIES AT FAIR VALUE</b>	<b>43,657</b>	<b>24,360</b>	<b>(17,646)</b>	<b>(2,673)</b>	<b>1,731</b>	<b>(6,447)</b>	<b>389</b>	<b>-</b>	<b>43,371</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 and liquidity) determined reasonably and appropriately after an analysis of available information.

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA). The Group includes all clients and clearing houses in this adjustment, which also reflects the netting agreements existing for each counterparty.

The CVA is determined 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/or backed up by transaction prices.

For example, consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For long maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of equity options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable inputs.

In the event of unusual tensions on the markets, leading to a lack of the usual reference data used to measure a financial instrument, the Risk Division may implement a new model in accordance with pertinent available data, similar to methods used by other market players.

### SHARES AND OTHER EQUITY SECURITIES

For listed shares, fair value is taken to be the quoted price on the balance sheet date.

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	2.4%	89.9%
			Equity dividends	0.0%	11.4%
			Correlations	-81.0%	100.0%
			Hedge fund volatilities	7.6%	20.0%
			Mutual fund volatilities	3.2%	31.5%
Interest rates and Forex	Forex derivatives	Forex option pricing models	Forex volatilities	5.0%	32.0%
Credit	Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0.0%	100.0%
			Recovery rate variance for single name underlyings	0.0%	100.0%
	Other credit derivatives	Credit default models	Time to default correlations	0.0%	100.0%
			Quanto correlations	-50.0%	40.0%
			Credit spreads	0 bps	1,000 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.

	31.12.2022	
	Assets	Liabilities
(In EURm)		
Equities/funds	730	24,037
Rates and Forex	11,628	19,065
Credit	353	269
Long term equity investments	1,977	-
<b>TOTAL</b>	<b>14,688</b>	<b>43,371</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 2022 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, etc.) 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**

	31.12.2022		31.12.2021	
	Negative impact	Positive impact	Negative impact	Positive impact
<i>(In EURm)</i>				
<b>Shares and other equity instruments and derivatives</b>	<b>(30)</b>	<b>82</b>	<b>(21)</b>	<b>78</b>
Equity volatilities	-	5	-	12
Dividends	-	20	-	19
Correlations	(30)	56	(20)	44
Hedge Fund volatilities	-	-	-	0
Mutual Fund volatilities	(0)	1	(1)	3
<b>Rates or Forex instruments and derivatives</b>	<b>(15)</b>	<b>28</b>	<b>(6)</b>	<b>30</b>
Correlations between exchange rates and/or interest rates	(14)	27	(3)	27
Forex volatilities	(1)	1	(2)	3
Constant prepayment rates	-	-	-	(0)
Inflation/inflation correlations	(0)	0	(1)	0
<b>Credit instruments and derivatives</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>8</b>
Time to default correlations	-	0	-	1
Quanto correlations	-	3	-	4
Credit spreads	-	2	-	3
<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>2022</b>	<b>2021</b>
<b>Deferred margin at 1 January</b>	<b>1,191</b>	<b>1,157</b>
Deferred margin on new transactions during the period	794	1,053
Margin recorded in the income statement during the period	(737)	(1,019)
<i>o/w amortisation</i>	(497)	(558)
<i>o/w switch to observable inputs</i>	(12)	(15)
<i>o/w disposed, expired or terminated</i>	(228)	(446)
<b>Deferred margin at 31 December</b>	<b>1,248</b>	<b>1,191</b>

**NOTE 3.5 Loans, receivables and securities at amortised cost****OVERVIEW**

(In EURm)	31.12.2022		31.12.2021	
	Carrying amount	o/w impairment	Carrying amount	o/w impairment
Due from banks	66,903	(39)	55,972	(36)
Customer loans	506,529	(10,634)	497,164	(10,980)
Securities	21,430	(63)	19,371	(57)
<b>TOTAL</b>	<b>594,862</b>	<b>(10,736)</b>	<b>572,507</b>	<b>(11,073)</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 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 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)	31.12.2022	31.12.2021
Current accounts	33,402	26,997
Deposits and loans	15,053	18,123
Securities purchased under resale agreements	17,670	10,184
Subordinated and participating loans	238	99
Related receivables	655	585
<b>Due from banks before impairments<sup>(1)</sup></b>	<b>67,018</b>	<b>55,988</b>
Credit loss impairments	(39)	(36)
Revaluation of hedged items	(76)	20
<b>TOTAL</b>	<b>66,903</b>	<b>55,972</b>

(1) As at 31 December 2022, the amount due from banks classified as Stage 3 impairment (credit impaired) is EUR 68 million compared to EUR 46 million as at 31 December 2021. 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)	31.12.2022	31.12.2021
Overdrafts	29,244	27,013
Other customer loans	444,532	438,165
Lease financing agreements	29,499	30,509
Securities purchased under resale agreements	10,159	8,831
Related receivables	4,045	3,399
<b>Customer loans before impairments<sup>(1)</sup></b>	<b>517,479</b>	<b>507,917</b>
Credit loss impairment	(10,634)	(10,980)
Revaluation of hedged items	(316)	227
<b>TOTAL</b>	<b>506,529</b>	<b>497,164</b>

(1) As at 31 December 2022, the amount due from banks classified as Stage 3 impairment (credit impaired) is EUR 15,687 million compared to EUR 16,261 million as at 31 December 2021. 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)	31.12.2022	31.12.2021
Trade notes	7,547	9,945
Short-term loans	146,274	144,481
Export loans	13,801	13,220
Equipment loans	70,293	66,183
Housing loans	152,282	151,869
Loans secured by notes and securities	246	204
Other loans	54,089	52,263
<b>TOTAL</b>	<b>444,532</b>	<b>438,165</b>

## ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

(In EURm)	31.12.2022	31.12.2021
<b>Gross investments</b>	<b>31,339</b>	<b>32,201</b>
Amount for the next five years	26,129	26,714
<i>Less than one year</i>	9,657	9,227
<i>From one to two years</i>	6,418	7,124
<i>From two to three years</i>	4,855	5,047
<i>From three to four years</i>	3,190	3,315
<i>From four to five years</i>	2,009	2,001
More than five years	5,210	5,487
<b>Present value of minimum payments receivable</b>	<b>27,846</b>	<b>28,888</b>
Rental receivables due for the next five years	23,799	24,685
<i>Less than one year</i>	8,982	8,759
<i>From one to two years</i>	5,926	6,666
<i>From two to three years</i>	4,403	4,598
<i>From three to four years</i>	2,831	2,966
<i>From four to five years</i>	1,657	1,696
Rental receivables due for more than five years	4,047	4,203
<b>Unearned financial income</b>	<b>1,840</b>	<b>1,692</b>
<b>Unguaranteed residual values receivable by the lessor</b>	<b>1,653</b>	<b>1,621</b>

### NOTE 3.5.3 SECURITIES

(In EURm)	31.12.2022	31.12.2021
Government securities	9,734	8,896
Negotiable certificates, bonds and other debt securities	11,808	10,525
Related receivables	208	160
<b>Securities before impairments</b>	<b>21,750</b>	<b>19,581</b>
Impairment	(63)	(57)
Revaluation of hedged items	(257)	(153)
<b>TOTAL</b>	<b>21,430</b>	<b>19,371</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**

(In EURm)

	31.12.2022	31.12.2021
Demand deposits and current accounts	10,455	12,373
Overnight deposits and borrowings	392	1,564
Term deposits <sup>(1)</sup>	120,141	121,708
Related payables	301	47
Revaluation of hedged items	(1,933)	104
Securities sold under repurchase agreements	3,632	3,381
<b>TOTAL</b>	<b>132,988</b>	<b>139,177</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 level of remuneration of the borrowings depends 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, the borrowing institutions may 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 rate of the deposit facility with a floor rate set at -1%). These TLTRO III operations are 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 temporary additional 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 borrowings on the liabilities side of the balance sheet is EUR 52.7 billion as at 31 December 2022, following the early repayments made in the fourth quarter of 2022 for an amount of EUR 19.2 billion.

As at 31 December 2021, the Group had already reached its objective of stability of the loans outstanding required to benefit from the reduced interest rate as well as from two additional temporary bonuses applied from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022. The adjustable-rate loans (on the liabilities side) have been booked under IFRS 9 and the additional bonuses have been qualified for accounting purposes as (government) grants under IAS 20 and recognised in profit or loss over the lifespan of the drawdowns concerned.

On 27 October 2022, the ECB changed the methods for calculating the interest rate relating to the last period of TLTRO III. The effect of these changes resulted in an adjustment of the effective interest rate applied between 23 June 2022 to 22 November 2022 and the implementation of new calculation method from 23 November 2022 on (application of the mean of the average deposit facility rates “DFR” over the period).

As at 31 December 2022, the total cost of TLTRO borrowings including interest and bonuses is therefore between -0.21% and -0.89% depending on the drawdown dates. For the financial year 2022, the total amount for interests and bonuses on the TLTRO borrowings recorded under Interest and similar income amount to EUR 0.4 billion; this amount includes the immediate registration of bonuses not yet recognised on the early repaid loans.

In January 2021, the IFRS IC received a question about the accounting treatment of the TLTRO and has ruled neither on the recognition of transactions under IFRS 9, nor on the possible identification of a grant. The topic has been referred to the IFRS 9 Post Implementation Review. The Group has not changed the accounting treatment that it applies for the TLTRO and remains vigilant regarding any elements of clarification that this review will provide.

### NOTE 3.6.2 CUSTOMER DEPOSITS

(In EURm)	31.12.2022	31.12.2021
Regulated savings accounts	111,496	109,079
Demand	86,368	83,025
Term	25,128	26,054
Other demand deposits <sup>(1)</sup>	295,933	308,091
Other term deposits <sup>(1)</sup>	115,651	84,861
Related payables	876	261
Revaluation of hedged items	(89)	103
<b>TOTAL CUSTOMER DEPOSITS</b>	<b>523,867</b>	<b>502,395</b>
Securities sold to customers under repurchase agreements	6,897	6,738
<b>TOTAL</b>	<b>530,764</b>	<b>509,133</b>

(1) Including term-deposits linked to governments and central administrations.

### PARTNERSHIP AGREEMENT WITH ING

On 4 April 2022, Boursorama signed a partnership agreement with ING following its decision to withdraw from the retail banking market in France. Under the terms of this agreement, Boursorama offers ING's online banking clients in France an alternative banking solution with a simplified subscription process and exclusive offers on the products and services subscribed. The proposed offers relate to current accounts, savings plans and means of payment as well as securities

accounts; credits, however, are not included within the scope of the agreement.

As at 31 December 2022, Debts to customers, on the liabilities side of the balance sheet, include the outstanding deposits and savings accounts transferred to Boursorama for an amount of EUR 3,635 million.

In early July 2022, the life insurance brokerage activities of ING Direct Vie have been transferred to Boursorama.

### BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE

(In EURm)	31.12.2022	31.12.2021
Professionals and corporates	151,687	149,089
Individual customers	88,450	90,590
Financial customers	42,982	51,306
Others <sup>(1)</sup>	12,814	17,106
<b>TOTAL</b>	<b>295,933</b>	<b>308,091</b>

(1) Including term-deposits linked to governments and central administrations.

### NOTE 3.6.3 DEBT SECURITIES ISSUED

(In EURm)	31.12.2022	31.12.2021
Term savings certificates	230	276
Bond borrowings	25,974	21,525
Interbank certificates and negotiable debt instruments	110,543	112,819
Related payables	635	574
Revaluation of hedged items	(4,206)	130
<b>TOTAL</b>	<b>133,176</b>	<b>135,324</b>
<i>o/w floating-rate securities</i>	<i>77,220</i>	<i>62,215</i>

**NOTE 3.7 Interest income and expense****MAKING IT SIMPLE**

Interest is compensation for a financial service, consisting in a lender making a certain amount of cash available to a borrower for an agreed period of time. Such compensated financing arrangements can be loans, deposits or securities (bonds, negotiable debt securities...).

This compensation is a consideration for the time value of money, and additionally for credit risk, liquidity risk and administrative costs, all borne by the lender for the duration of the financing agreement. The interest can also include a margin used by the lending bank to remunerate equity instruments (such as ordinary shares) that are required by prudential regulation to be issued in relation to the amount of financing granted, so as to guarantee its own solvency.

Interest is recognised as expense or income over the life of the financing service granted or received, proportionally to the principal amount outstanding.

**ACCOUNTING PRINCIPLES**

Interest income and expense are recorded in the income statement under Interest and similar income and Interest and similar expense for all financial instruments measured using the effective interest method (instruments at amortised cost and debt instruments at fair value through other comprehensive income) and for all financial instruments mandatorily measured at fair value through profit and loss and interest rate risk hedging derivatives for the portion of income or expenses representative of the effective interest rate. Negative interest incomes on financial assets are recorded under Interest and similar expense; negative interest expenses on financial liabilities are recorded under Interest and similar income.

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is recognised in profit or loss by applying the effective interest rate to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses which are calculated using the same risk-free interest rate as that used to discount the expected outflow of resources as soon as the effects of this 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)	2022			2021		
	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	17,379	(8,787)	8,592	11,574	(4,344)	7,230
<i>Central banks</i>	1,255	(306)	949	78	(308)	(230)
<i>Bonds and other debt securities</i>	524	(1,646)	(1,122)	428	(1,293)	(865)
<i>Due from/to banks<sup>(1)</sup></i>	1,896	(1,724)	172	1,107	(410)	697
<i>Customer loans and deposits</i>	12,152	(3,916)	8,236	9,680	(1,695)	7,985
<i>Subordinated debt</i>	-	(641)	(641)	-	(526)	(526)
<i>Securities lending/borrowing</i>	42	(14)	28	10	(11)	(1)
<i>Repo transactions</i>	1,510	(540)	970	271	(101)	170
Hedging derivatives	9,690	(8,727)	963	7,015	(5,489)	1,526
Financial instruments at fair value through other comprehensive income	520	-	520	415	-	415
Lease agreements	852	(37)	815	843	(39)	804
<i>Real estate lease agreements</i>	181	(37)	144	166	(39)	127
<i>Non-real estate lease agreements</i>	671	(0)	671	677	-	677
<b>Subtotal interest income/expense on financial instruments using the effective interest method</b>	<b>28,441</b>	<b>(17,551)</b>	<b>10,890</b>	<b>19,847</b>	<b>(9,872)</b>	<b>9,975</b>
Financial instruments mandatorily at fair value through profit or loss	397	(1)	396	743	-	743
<b>TOTAL INTEREST INCOME AND EXPENSE</b>	<b>28,838</b>	<b>(17,552)</b>	<b>11,286</b>	<b>20,590</b>	<b>(9,872)</b>	<b>10,718</b>
<i>o/w interest income from impaired financial assets</i>	250	-	250	259	-	259

(1) Negative interest on TLTRO borrowings is recorded as income from Loans/borrowings from credit institutions (see. Note 3.6).

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)	2022	2021
Trade notes	487	332
Other customer loans	10,433	8,485
<i>Short-term loans</i>	4,490	3,486
<i>Export loans</i>	366	223
<i>Equipment loans</i>	1,751	1,396
<i>Housing loans</i>	2,694	2,781
<i>Other customer loans</i>	1,132	599
Overdrafts	989	613
Doubtful outstanding (stage 3)	243	250
<b>TOTAL</b>	<b>12,152</b>	<b>9,680</b>

**NOTE 3.8 Impairment and provisions****MAKING IT SIMPLE**

Some financial assets (loans, debt securities) involve credit risk which exposes the Group to a potential loss if the counterparty or the securities issuer were to be unable to respect their financial commitments. To compensate for this risk, the Bank receives a portion of the contractual interest on those assets, called credit margin.

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; these 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 is 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:

Observed deterioration in credit risk since initial recognition of the financial asset			
Credit risk category	Stage 1 Performing assets	Stage 2 Under-performing or downgraded assets	Stage 3 Credit-impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1 ► Maintained if the credit risk has not increased significantly	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument is become credit-impaired / 90 days past due
Measurement of credit risk	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

### Exposures classified in Stage 1

At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are purchased or originated credit-impaired instruments.

### Exposures classified in Stage 2

To identify Stage 2 exposures, the significant increase in credit risk compared to the date of initial recognition is assessed by the Group using all available past and forward-looking data (behavioural scores, loan to value indicators, macroeconomic forecast scenarios, 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" (notion of watch list), all existing contracts between the Group and this counterparty are transferred into Stage 2 (to the extent that this approach does not lead to a distortion compared with an analysis of the 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 (thus, the threshold is different depending on whether it is a Sovereign portfolio or a Large Corporates portfolio, for instance). These thresholds may be expressed as an absolute or relative increase in the probability of default. 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 6 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 (lifetime expected credit losses), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity. Accordingly, the amount of impairment is the difference between the gross carrying amount of the asset and the present value of future cash flows deemed to be recoverable, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring through to the instrument's maturity.

Financial guarantees are taken into account in the estimation of the recoverable cash flows when they are integral part of the contractual characteristics of the related loans and they are not recognised separately.

If the financial guarantees don't meet these criteria and as a consequence their effects cannot be taken into account in the calculation of impairment, a separate asset is recorded in the balance sheet under Other Assets. The book value of this asset is representative of the expected credit losses, recorded in the balance sheet within the impairment of assets, for which the Group is almost certain to receive a compensation. Changes in the carrying amount of this asset are recorded in the income statement under Cost of risk.

Irrespective of the Stage in which the exposures are classified, cash flows are discounted using the initial effective interest rate of the financial asset. The amount of impairment is included in the net carrying amount of the credit impaired financial asset. Impairment allocations/reversals are recorded in the income statement under Cost of risk.

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 macro-economic factors are determined by an expert.

### Restructured loans

Loans issued or acquired by the Group may be restructured due to financial difficulties. This takes the shape of a contractual modification of the initial terms of the loan (e.g. lower interest rates, rescheduled loan payments, partial debt forgiveness, or additional collateral). This adjustment of the contractual terms is strictly linked to the borrower's financial difficulties and/or insolvency (whether they have already become insolvent or are certain to do so if the loan is not restructured).

Where they still pass the SPPI test, restructured loans are still recognised in the balance sheet and their amortised cost before credit risk allowance is adjusted for a discount representing the restructuring loss. This discount is equal to the difference between the present value of the new contractual cash flows resulting from the restructuring of the loan and the amortised cost before credit risk allowance less any partial debt forgiveness; it is booked to Cost of risk in the income statement. As a result, the amount of interest income subsequently recognised into income is still computed using the initial effective interest rate of the loan and based on the net carrying amount of the asset after impairment during at least the first year following the restructuring.

Post-restructuring, these financial assets are 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 recorded under Financial assets measured at fair value through profit or loss. The difference between the net present value of these restructured loans and the initial fair value of the new assets is recorded under Cost of Risk in the income statement.

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.

## ASSESSMENT METHOD OF EXPECTED CREDIT LOSSES

The methodology for calculating impairments and provisions for expected credit losses in Stage 1 and Stage 2 was developed in the Basel framework used which was used as a basis for choosing the methods for assessing the calculation parameters (probability of default and loss rate for outstanding loans under the Basel advanced approaches – IRBA and IRBF – and provisioning rate for outstanding loans under the standardised approach).

The Group portfolios have been segmented to ensure homogeneous risk characteristics and better correlation with macroeconomic variables, both local and global. This segmentation makes it possible to address all the Group's specificities. It is consistent with or similar to the one defined in the Basel framework to ensure the uniqueness of the historical records of losses and defaults.

The nature of the variables used in the expected credit loss assessment models is presented in Chapter 4 of the present Universal Registration Document.

Expected losses are assessed based on the above-mentioned parameters, supplemented with in-house analyses of each counterparty's credit quality, performed either individually or statistically.

## CRISES: WAR IN UKRAINE, COVID-19 CRISIS AND ECONOMIC CONSEQUENCES

To take account of the uncertainties relating to the Covid-19 crisis, the Group updated as at 31 December 2022 the model and post-model adjustments set out since the beginning of the health crisis in line with 2021.

In 2022, the Group reviewed the parameters used in the models on the basis of the new macroeconomic scenarios (see Note 1) taking into account the specific conditions created by the war in Ukraine.

The impacts of the adjustments to models and post-models on the determination of expected credit losses are described hereinafter.

## UPDATE OF THE MODELS AND PARAMETERS USED TO ESTIMATE THE EXPECTED CREDIT LOSSES

### GDP adjustment

The containment measures taken by governments in the context of the Covid-19 crisis resulted in a sudden decline in economic activity reflected in high volatility in quarterly GDP growth rates (year-on-year) in the 2021 and 2022 forecasts in the countries where the Group operates.

Furthermore, the authorities adopted financial support measures for households and businesses to help them cope with the sudden deterioration in activity. Therefore, there will likely be a time-lag between the deterioration in the portfolios' credit quality and that of activity, the first being delayed with respect to the second.

In order to account for this time-lag, the Group revised its models in 2020, using for each quarter between 2020 and 2022 an average of the changes in GDP over the last eight quarters compared to a base of 100 in 2019. This adjustment has not been used to determine the GDP rates for 2023 to 2026.

As at 31 December 2022, the GDP rates used in the models have been determined as follows:

- for each quarter of 2022, the Group used in its models an average of the changes in GDP over the last eight quarters compared to a base of 100 in 2019. This adjustment has been applied to each of the three scenarios (SG Favourable, SG Central and SG Stress) for the GDP series used in the modelling of expected credit losses (see paragraph 6 in Note 1).

The data displayed for 2022 in the table below correspond to the weighted average of the GDP growth rates of the three scenarios, adjusted as described above;

- the data displayed for the years 2023 to 2026 in the table below correspond to the weighted average of the GDP growth rates of the three scenarios.

	2022	2023	2024	2025	2026
Euro area	(1.4)	(1.2)	0	0.6	1.0
France	(1.8)	(0.9)	0.1	0.6	1.0
United States of America	0.9	(1.4)	(0.1)	1.4	1.8
China	3.0	3.1	3.6	3.7	4.2

### Impacts on the estimation of expected credit losses

Thus, as at 31 December 2022, the adjustments made to the macroeconomic variables and to the probabilities of default have resulted in a decrease of EUR 10 million in the amount of impairments and provisions for credit risk (EUR 445 million for the 2021 financial year). The impact of these adjustments is due to:

- an EUR 1 million residual increase for the above-mentioned GDP adjustments that ended on 31 December 2022;
- a decrease of EUR 11 million reflecting the updated weightings of the macro-economic scenarios presented in Note 1 (removal of the "SG Extended" scenario).

In addition, owing to the degraded macroeconomic conditions and geopolitical backdrop linked to the war in Ukraine, all our Russian counterparts (EUR 2 billion) have been ranked "Sensitive" (notion of watch list) and the related exposures transferred to Stage 2.

Other exposures were identified after supplementary analysis as requiring transfer to Stage 3 (EUR 0.6 billion). The impact of these transfers on the calculation of expected credit losses amounts to EUR 427 million as at 31 December 2022 (including the supplementary adjustment detailed in the "Other adjustments" paragraph).

## ADJUSTMENTS IMPLEMENTED TO SUPPLEMENT THE APPLICATION OF THE MODELS

### Sectoral adjustments

The Group can supplement the models with two types of sectoral adjustments: the first relates to the possible revision of the expected credit loss estimates of some sectors (with no impact on the classification of loans); the second, implemented since 2020 in relation with Covid-19 crisis, supplements the analysis of the increase in credit risk and may lead to additional transfers to Stage 2.

### Estimate of the expected credit losses

The different models used to estimate the expected credit losses may be supplemented with sectoral adjustments that increase or decrease the amount of expected credit losses. These adjustments improve the anticipation the cycle of defaults or recoveries in some cyclical sectors that have known peaks of default in the past or that are particularly vulnerable to the current crisis and whose Group exposure exceeds a threshold reviewed and fixed yearly by the Risk Division.

These sectoral adjustments are reviewed and updated on a quarterly basis by the Risk Division and approved by General Management according to the materiality threshold.

The main sectors concerned are the commercial real-estate sector, as well as leisure, oil and gas, cruise operators and airline sectors.



At the time when these adjustments are reviewed and where consistent with the provisioning horizon, a quantitative analysis of the possible impact of climate risks on the determination of the expected credit losses has been integrated.

The total sectoral adjustments thus amount to EUR 741 million as at 31 December 2022 (EUR 536 million as at 31 December 2021). These changes stem from the implementation of specific adjustments to take account of the impact of the commodities supply issues resulting from the war in Ukraine and the impact of a lasting stagflation on the most exposed sectors.

### ADDITIONAL CRITERION OF TRANSFER TO STAGE 2

Since 2020 and the onset of the Covid-19 crisis, to supplement the criteria for the transfer to underperforming loans classified as Stage 2, applied at an individual level, an additional expert analysis had been conducted on the outstanding portfolios existing at the end of this year and for which the increase in credit risk has been deemed significant since their granting. The subsequent productions are not affected by these provisions. As a result of this analysis, conducted half-yearly and in line with the governance set up during the Covid-19 crisis, additional transfers have been made to Stage 2 underperforming loans for all the outstanding loans of the sectors regarded by the Group as most affected by the Covid-19 crisis and granted prior to the crisis. As at 31 December 2022, the remaining affected sectors are Naval, aeronautical & railway construction, air and space transport, hotels, catering and leisure. For the loans outstanding concerned, in addition to these transfers to Stage 2, the provision has been estimated taking account of the sectoral adjustments (described above) that might have been applied.

These adjustments amount to EUR 17 million as at 31 December 2022 (EUR 19 million as at 31 December 2021). These movements have decreased over 2022 due to the expiry of some contracts concerned on these sectors classified as Stage 2.

### Other adjustments

Adjustments based on expert opinion have also been made to reflect the heightened credit risk on some portfolios, when this heightened risk has not been detectable through a line-by-line analysis of the loans outstanding:

- for the scope of entities lacking developed models for estimating the correlations between the macroeconomic variables and the probability of default; and
- for the scopes on which models are developed and when these models cannot reflect future risk not observed in historical records.

These adjustments amount to EUR 796 million as at 31 December 2022 (EUR 399 million as at 31 December 2021).

This is mainly due to the account taken of:

- the specific risk on the portfolio of offshore loans to Russian corporate customers owing to the geopolitical situation;
- risks resulting from the specific economic context, such as rising inflation and interest rates, on vulnerable customers and the more particularly exposed portfolios, and that are not taken into account by the models.

### CONSIDERATION OF THE SUPPORT MEASURES IN THE ASSESSMENT OF THE SIGNIFICANT INCREASE IN CREDIT RISK

Despite the absence of material defaults, while most Covid-19 support measures have now come to an end, the Group maintains a conservative provisioning policy in an uncertain environment, in particular in France with the start of PGE repayments for customers having benefited from a two-year repayment exemption, and in all areas with the gradual spread of the economic shock triggered by the war in Ukraine and the context of rising interest rates and inflation.



## NOTE 3.8.1 OVERVIEW

The tables of this note do not lay out the IAS 39 impairment related to financial instruments of insurance subsidiaries. This impairment is presented in the Note 4.3.

Since 2022, the measurement adopted is the accounting outstanding amounts (Balance Sheet and Off-Balance Sheet). For the sake of rationalisation, all the quantitative information related to credit risk is presented in this Note.

## PRESENTATION OF BALANCE SHEET AND OFF-BALANCE SHEET OUTSTANDING AMOUNTS

In 2022, the Group has refined the identification of the credit-risk bearing financial assets presented in Note 4.4 and has consequently adopted a more granular presentation (Guarantee deposits paid, Other miscellaneous receivables bearing credit risk, Clearing houses bearing credit risk). This revision also made it possible to reduce the "Restatements: excluded items" line.

The opening limit as at 31 December 2021 has been restated with no impact on the amount of provisions and impairments for credit risk.

(In EURm)		31.12.2022	31.12.2021
Debt instruments at fair value through other comprehensive income	Note 3.3	37,199	43,180
Securities at amortised cost	Note 3.5	21,430	19,371
Due from banks at amortised cost	Note 3.5	66,903	55,972
Due from central banks <sup>(1)</sup>		204,553	177,510
Customer loans at amortised cost	Note 3.5	506,529	497,164
Guarantee deposits paid	Note 4.4	68,884	77,584
Others		3,895	3,756
o/w other miscellaneous receivables bearing credit risk <sup>(2)</sup>	Note 4.4	3,633	3,494
o/w due from clearing houses bearing credit risk	Note 4.4	262	262
<b>NET VALUE OF ACCOUNTING OUTSTANDING AMOUNTS (BALANCE SHEET)</b>		<b>909,393</b>	<b>874,537</b>
Impairment of loans at amortised cost	Note 3.8	11,031	11,357
<b>GROSS VALUE OF ACCOUNTING OUTSTANDING AMOUNTS (BALANCE SHEET)</b>		<b>920,424</b>	<b>885,894</b>
Retreatments: items excluded		(1,454)	(1,304)
o/w insurance – Guarantee deposits paid		(1,454)	(1,304)
<b>GROSS VALUE OF ACCOUNTING AMOUNTS (BALANCE SHEET) AFTER RETREATMENTS</b>		<b>918,970</b>	<b>884,590</b>
Financing commitments		216,571	192,273
Guarantee commitments		94,727	79,095
<b>GROSS VALUE OF OFF BALANCE-SHEET ACCOUNTING AMOUNTS</b>		<b>311,298</b>	<b>271,368</b>
<b>TOTAL OF ACCOUNTING AMOUNTS (BALANCE-SHEET AND OFF BALANCE-SHEET)</b>		<b>1,230,268</b>	<b>1,155,958</b>

(1) Included in line Cash, due from central banks.

(2) This amount is presented net of impairment (EUR 295 million as at 31 December 2022 – see Note 4.4).



# OUTSTANDING AMOUNTS SUBJECT TO IMPAIRMENT AND PROVISIONS BY IMPAIRMENT STAGE AND BY ACCOUNTING CATEGORY

(In EURm)	31.12.2022		31.12.2021	
	Outstanding amounts	Impairment/provisions	Outstanding amounts	Impairment/provisions
<b>Financial assets at fair value through other comprehensive income</b>	<b>37,199</b>	<b>8</b>	<b>43,180</b>	<b>8</b>
Performing assets outstanding (Stage 1)	37,192	1	43,172	1
Underperforming assets outstanding (Stage 2)	1	1	1	1
Doubtful assets outstanding (Stage 3)	6	6	7	6
<b>Financial assets at amortised cost<sup>(1)</sup></b>	<b>881,771</b>	<b>11,031</b>	<b>841,410</b>	<b>11,357</b>
Performing assets outstanding (Stage 1)	820,736	1,042	781,316	1,148
Underperforming assets outstanding (Stage 2)	44,689	2,134	43,254	1,674
Doubtful assets outstanding (Stage 3)	16,346	7,855	16,840	8,535
<b>o/w lease financing</b>	<b>29,500</b>	<b>896</b>	<b>30,508</b>	<b>889</b>
Performing assets outstanding (Stage 1)	24,340	110	24,733	113
Underperforming assets outstanding (Stage 2)	3,536	169	4,294	184
Doubtful assets outstanding (Stage 3)	1,624	617	1,481	592
<b>Financing commitments</b>	<b>216,571</b>	<b>467</b>	<b>192,273</b>	<b>427</b>
Performing assets outstanding (Stage 1)	204,724	166	184,412	165
Underperforming assets outstanding (Stage 2)	11,564	251	7,650	231
Doubtful assets outstanding (Stage 3)	283	50	211	31
<b>Guarantee commitments</b>	<b>94,727</b>	<b>431</b>	<b>79,095</b>	<b>461</b>
Performing assets outstanding (Stage 1)	90,332	57	74,398	52
Underperforming assets outstanding (Stage 2)	3,716	116	3,926	82
Doubtful assets outstanding (Stage 3)	679	258	771	327
<b>TOTAL OF ACCOUNTING AMOUNTS (BALANCE-SHEET AND OFF BALANCE-SHEET)</b>	<b>1,230,268</b>	<b>11,937</b>	<b>1,155,958</b>	<b>12,253</b>

(1) Including Central Banks for EUR 204,553 million as at 31 December 2022 (versus EUR 177,510 million as at 31 December 2021).

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 at the closing date for assets measured at fair value through other comprehensive income as well as for financing and guarantee commitments, this information is not presented below.

## ASSETS AT AMORTISED COST: OUTSTANDING AMOUNTS AND IMPAIRMENTS BY BASEL PORTFOLIO

(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	220,569	291	215	221,075	6	2	77	85
Institutions	161,666	592	53	162,311	8	2	24	34
Corporates	247,792	20,415	9,237	277,444	622	1,402	4,266	6,290
o/w SME	42,271	7,859	5,746	55,876	226	317	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	-	-	-	-	-	-	-	-
<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>

(In EURm)	31.12.2021							
	Assets at amortised cost				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	193,939	549	106	194,594	6	2	67	75
Institutions	131,811	541	12	132,364	10	4	12	26
Corporates	258,698	20,695	9,090	288,483	569	1,037	4,433	6,039
o/w SME	41,566	9,377	6,207	57,150	190	440	2,067	2,697
Retail	195,752	21,420	7,570	224,742	561	628	4,017	5,206
o/w VSB	23,897	4,635	2,271	30,803	124	219	1,363	1,706
Others	1,116	49	62	1,227	2	3	6	11
<b>TOTAL</b>	<b>781,316</b>	<b>43,254</b>	<b>16,840</b>	<b>841,410</b>	<b>1,148</b>	<b>1,674</b>	<b>8,535</b>	<b>11,357</b>

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 (HighQuality 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.

**ASSETS AT AMORTISED COST: 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>	31.12.2022							
	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>

Over 80% of all financing and guarantee commitments have Western Europe, North America or France as their country of counterparty.

<i>(In EURm)</i>	31.12.2021							
	Assets at amortised cost				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	401,258	27,315	8,082	436,655	461	961	3,585	5,007
Western European countries (excl. France)	152,010	5,065	2,482	159,557	202	212	944	1,358
Eastern European (countries EU)	49,483	4,364	1,104	54,951	132	230	646	1,008
Eastern Europe (excluding EU)	19,748	1,486	362	21,596	148	21	297	466
North America	79,582	1,463	161	81,206	22	78	49	149
Latin America and Caribbean	7,573	561	195	8,329	6	13	73	92
Asia-Pacific	34,960	724	621	36,305	17	12	351	380
Africa and Middle East	36,702	2,276	3,833	42,811	160	147	2,590	2,897
<b>TOTAL</b>	<b>781,316</b>	<b>43,254</b>	<b>16,840</b>	<b>841,410</b>	<b>1,148</b>	<b>1,674</b>	<b>8,535</b>	<b>11,357</b>

**ASSETS AT AMORTISED COST: 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.

31.12.2022								
(In EURm)	Assets at amortised cost				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>

31.12.2021								
(In EURm)	Outstanding amounts				Impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	56,273	54	-	56,327	1	-	-	1
2	160,207	156	-	160,363	3	1	-	4
3	40,391	175	-	40,566	8	3	-	11
4	79,668	980	-	80,648	65	8	-	73
5	80,740	4,271	-	85,011	256	86	-	342
6	22,442	9,998	-	32,440	184	446	-	630
7	3,158	7,346	-	10,504	26	474	-	500
Default (8, 9, 10)	-	-	9,311	9,311	-	-	4,485	4,485
Other method	338,437	20,274	7,529	366,240	605	656	4,050	5,311
<b>TOTAL</b>	<b>781,316</b>	<b>43,254</b>	<b>16,840</b>	<b>841,410</b>	<b>1,148</b>	<b>1,674</b>	<b>8,535</b>	<b>11,357</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.

## NOTE 3.8.2 IMPAIRMENT OF FINANCIAL ASSETS

## BREAKDOWN

(In EURm)	Amount as at 31.12.2021	Allocations	Write-backs available	Net impairment losses	Write-backs used	Currency and scope effects	Amount as at 31.12.2022
<b>Financial assets at fair value through other comprehensive income</b>							
Impairment on performing outstanding (Stage 1)	1	1	(1)	-		-	1
Impairment on underperforming outstanding (Stage 2)	1	-	-	-		-	1
Impairment on doubtful outstanding (Stage 3)	6	1	-	1	-	(1)	6
<b>TOTAL</b>	<b>8</b>	<b>2</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>8</b>
<b>Financial assets measured at amortised cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Impairment on performing assets outstanding (Stage 1)	1,148	770	(724)	46		(152)	1,042
Impairment on underperforming assets outstanding (Stage 2)	1,674	1,717	(1,163)	554		(94)	2,134
Impairment on doubtful assets outstanding (Stage 3)	8,535	3,827	(2,963)	864	(1,282)	(262)	7,855
<b>TOTAL</b>	<b>11,357</b>	<b>6,314</b>	<b>(4,850)</b>	<b>1,464</b>	<b>(1,282)</b>	<b>(508)</b>	<b>11,031</b>
<b>o/w lease financing and similar agreements</b>	<b>889</b>	<b>378</b>	<b>(295)</b>	<b>83</b>	<b>(59)</b>	<b>(17)</b>	<b>896</b>
Impairment on performing assets outstanding (Stage 1)	113	50	(51)	(1)		(2)	110
Impairment on underperforming assets outstanding (Stage 2)	184	92	(96)	(4)		(11)	169
Impairment on doubtful assets outstanding (Stage 3)	592	236	(148)	88	(59)	(4)	617

## VARIATIONS OF PROVISIONS ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

Due to lack of significant variations of depreciations on financial assets measured at fair value through other comprehensive income, 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 31.12.2021</b>	<b>1,148</b>	<b>113</b>	<b>1,674</b>	<b>184</b>	<b>8,535</b>	<b>592</b>	<b>11,357</b>
Production & Acquisition <sup>(1)</sup>	394	40	153	14	128	9	675
Derecognition <sup>(2)</sup>	(163)	(7)	(216)	(9)	(1,725)	(79)	(2,104)
Transfer from stage 1 to stage 2 <sup>(3)</sup>	(55)	(6)	613	36	-	-	558
Transfer from stage 2 to stage 1 <sup>(3)</sup>	19	3	(202)	(26)	-	-	(183)
Transfer to stage 3 <sup>(3)</sup>	(9)	(1)	(136)	(16)	941	90	796
Transfer from stage 3 <sup>(3)</sup>	1	-	88	2	(167)	(10)	(78)
Allocations & Write-backs without stage transfer <sup>(3)</sup>	(154)	(30)	172	(17)	382	28	400
Currency effect	15	-	8	-	20	(5)	43
Scope effect	(155)	(2)	(18)	(1)	(262)	(8)	(435)
Other variations	1	-	(2)	2	3	-	2
<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>

(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 AS AT 31 DECEMBER 2022

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).

	Stage 1		Stage 2		Stage 3		Stock of outstanding amounts transferred as of 31 December	Stock of impairment associated with transferred outstanding amounts
(In EURm)	Outstanding amounts	Impairment	Outstanding amounts	Impairment	Outstanding amounts	Impairment		
Transfer from Stage 1 to Stage 2	(19,221)	(55)	15,060	613	-	-	15,060	613
Transfer from Stage 2 to Stage 1	8,244	19	(10,548)	(202)	-	-	8,244	19
Transfer from Stage 3 to Stage 1	265	1	-	-	(360)	(36)	265	1
Transfer from Stage 3 to Stage 2	-	-	904	88	(1,019)	(131)	904	88
Transfer from Stage 1 to Stage 3	(2,356)	(9)	-	-	2,438	570	2,438	570
Transfer from Stage 2 to Stage 3	-	-	(2,083)	(136)	1,892	371	1,892	371
Currency effect on contracts that change Stage	212	-	65	-	1	-	278	-

### NOTE 3.8.3 CREDIT RISK PROVISIONS

#### BREAKDOWN

(In EURm)	Amount as at 31.12.2021	Allocations	Write-backs available	Net impairment losses	Currency and scope effects	Amount as at 31.12.2022
<b>Financing commitments</b>						
Provisions on performing assets outstanding (Stage 1)	165	146	(147)	(1)	2	166
Provisions on underperforming assets outstanding (Stage 2)	231	173	(150)	23	(3)	251
Provisions on doubtful assets outstanding (Stage 3)	31	73	(85)	(12)	31	50
<b>TOTAL</b>	<b>427</b>	<b>392</b>	<b>(382)</b>	<b>10</b>	<b>30</b>	<b>467</b>
<b>Guarantee commitments</b>						
Provisions on performing assets outstanding (Stage 1)	52	54	(49)	5	-	57
Provisions on underperforming assets outstanding (Stage 2)	82	78	(41)	37	(3)	116
Provisions on doubtful assets outstanding (Stage 3)	327	159	(188)	(29)	(40)	258
<b>TOTAL</b>	<b>461</b>	<b>291</b>	<b>(278)</b>	<b>13</b>	<b>(43)</b>	<b>431</b>

## VARIATIONS OF PROVISIONS ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

(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 31.12.2021</b>	<b>165</b>	<b>231</b>	<b>31</b>	<b>427</b>	<b>52</b>	<b>82</b>	<b>327</b>	<b>461</b>	<b>888</b>
Production & Acquisition <sup>(1)</sup>	69	17	11	97	19	10	21	50	147
Derecognition <sup>(2)</sup>	(48)	(48)	(14)	(110)	(10)	(11)	(75)	(96)	(206)
Transfer from stage 1 to stage 2 <sup>(3)</sup>	(16)	80	-	64	(5)	23	-	18	82
Transfer from stage 2 to stage 1 <sup>(3)</sup>	3	(23)	-	(20)	1	(9)	-	(8)	(28)
Transfer to stage 3 <sup>(3)</sup>	-	(5)	21	16	-	(2)	31	29	45
Transfer from stage 3 <sup>(3)</sup>	-	1	(2)	(1)	-	1	(11)	(10)	(11)
Allocations & Write-backs without stage transfer <sup>(3)</sup>	(9)	(5)	3	(11)	(2)	26	(35)	(11)	(22)
Currency effect	2	3	-	5	-	1	6	7	12
Scope effect	-	-	-	-	(1)	(2)	(7)	(10)	(10)
Other variations	-	-	-	-	3	(3)	1	1	1
<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>

(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.

## BREAKDOWN OF TRANSFERS BETWEEN STAGES FOR OFF-BALANCE SHEET COMMITMENTS AS AT 31 DECEMBER 2022

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 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)	Financing commitments						Total of transferred outstanding amounts subject to impairment	Total impact of transfers on provisions
	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		
Transfer from Stage 1 to Stage 2	(2,707)	(16)	2,216	80	-	-	2,216	80
Transfer from Stage 2 to Stage 1	839	3	(1,464)	(23)	-	-	839	3
Transfer from Stage 3 to Stage 1	9	-	-	-	(14)	(1)	9	-
Transfer from Stage 3 to Stage 2	-	-	27	1	(21)	(1)	27	1
Transfer from Stage 1 to Stage 3	(94)	-	-	-	73	4	73	4
Transfer from Stage 2 to Stage 3	-	-	(113)	(5)	67	17	67	17
Currency effect on contracts that change Stage	44	-	39	-	-	-	83	-

(In EURm)	Guarantee commitments						Total of transferred outstanding amounts subject to impairment	Total impact of transfers on provisions
	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		
Transfer from Stage 1 to Stage 2	(1,632)	(5)	1,287	23	-	-	1,287	23
Transfer from Stage 2 to Stage 1	428	1	(602)	(9)	-	-	428	1
Transfer from Stage 3 to Stage 1	7	-	-	-	(8)	(1)	7	-
Transfer from Stage 3 to Stage 2	-	-	57	1	(50)	(10)	57	1
Transfer from Stage 1 to Stage 3	(107)	-	-	-	76	14	76	14
Transfer from Stage 2 to Stage 3	-	-	(116)	(2)	106	17	106	17
Currency effect on contracts that change Stage	23	-	6	-	1	-	30	-



**NOTE 3.8.4 QUALITATIVE INFORMATION OF CHANGES IN IMPAIRMENT/PROVISIONS ON CREDIT RISK**

The variations in credit risk impairment and provisions since 31 December 2021 are mainly linked to:

- the transfer to covered losses of Stage 3 loans for EUR 1.3 billion included in the Derecognition item.

This is in line with the Group strategy regarding the monitoring of non-performing loans (NPL), through write-offs and sales of its portfolios of defaulted exposures.

Uncovered losses amount to EUR 318 million;

- the transfer of EUR 4.7 billion of outstanding loans to Stage 3 as a result of the defaults observed. This transfer resulted in an increase in impairment and provisions of EUR 841 million mainly including:
  - 13% on the offshore portfolios of Russian customers,
  - 87% on the other portfolios;

Particularly, this variation concerns:

- EUR 2.6 billion of outstanding amounts for which the impairment and provisions amount to EUR 586 million as at 31 December 2022. These contracts were in Stage 1 as at 31 December 2021,
- EUR 2.1 billion of outstanding amounts for which the impairment and provisions amount to EUR 404 million as at 31 December 2022. These contracts were in Stage 2 as at 31 December 2021;
- the transfer of loans to Stage 2 due to downgraded ratings, transfer to "sensitive" or 30 days overdue for EUR 18.6 billion. This transfer was linked in particular to the economic environment affected by geopolitical tensions linked to the war in Ukraine and high economic uncertainties. It resulted in a EUR 639 million increase in impairment and provisions including:
  - 24% on the offshore portfolios of Russian customers,
  - 76% on the other portfolios;
- the sale of Rosbank and the insurance subsidiaries in Russia (see Note 2.1) resulted, excluding currency effect (EUR 48 million in the Currency effect item), a EUR 445 million decrease in impairment and provisions, included in the Scope item.

**NOTE 3.8.5 COST OF RISK****ACCOUNTING PRINCIPLES**

Cost of risk only includes net reversals of impairments and loss allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

The Group proceed to a write off by recognising a loss on the bad loan and a reversal of impairment in Cost of risk when a debt is forgiven or when there are no longer any hopes of future recovery. The lack of future hopes of recovery is documented when a certificate issued as proof that the debt is uncollectible is delivered by the relevant authority or when strong circumstantial evidences are identified (years in default, provisions at 100%, lack of recent recoveries, specificities of the case).

However, a write-off in accounting terms does not imply debt forgiveness in the legal sense as recovery actions on cash due by the counterparty are pursued particularly if the latter's fortune improve. In case of recoveries on an exposure previously written-off, such recoveries are recognised as Amounts recovered on irrecoverables loans on the year of collection.

(In EURm)

	2022	2021
Net allocation to impairment losses	(1,465)	(633)
<i>On financial assets at fair value through other comprehensive income</i>	(1)	1
<i>On financial assets at amortised cost</i>	(1,464)	(634)
Net allocations to provisions	(23)	9
<i>On financing commitments</i>	(10)	44
<i>On guarantee commitments</i>	(13)	(35)
Losses not covered on irrecoverable loans	(318)	(193)
Amounts recovered on irrecoverable loans	132	137
Effect from guarantee not taken into account for the calculation of impairment	27	(20)
<b>TOTAL</b>	<b>(1,647)</b>	<b>(700)</b>
<i>o/w cost of risk on sound outstanding classified in Stage 1</i>	(59)	(100)
<i>o/w cost of risk on doubtful loans classified in Stage 2</i>	(618)	350
<i>o/w cost of risk on doubtful loans classified in Stage 3</i>	(970)	(950)

**NOTE 3.9 Fair value of financial instruments measured at amortised cost****ACCOUNTING PRINCIPLES****Definition of fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market inputs based on assumptions that market operators would use to set the price of the instrument in question.

For financial instruments that are not recognised at fair value on the balance sheet, the figures disclosed in this note and broken down according to the fair value hierarchy as described in Note 3.4, should not be taken as an estimate of the amount that would be realised if all such financial instruments were to be settled immediately.

The fair value of financial instruments includes accrued interest if applicable.

**NOTE 3.9.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST**

		31.12.2022			
(In EURm)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from banks	66,903	66,671	-	53,339	13,332
Customer loans	506,529	480,808	-	196,219	284,589
Debt securities	21,430	20,974	6,424	10,549	4,001
<b>TOTAL</b>	<b>594,862</b>	<b>568,453</b>	<b>6,424</b>	<b>260,107</b>	<b>301,922</b>

		31.12.2021			
(In EURm)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from banks	55,972	55,971	-	39,759	16,212
Customer loans	497,164	497,336	-	206,266	291,070
Debt Securities	19,371	19,203	6,391	10,307	2,505
<b>TOTAL</b>	<b>572,507</b>	<b>572,510</b>	<b>6,391</b>	<b>256,332</b>	<b>309,787</b>

**NOTE 3.9.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST**

	<b>31.12.2022</b>				
(In EURm)	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Due to banks	132,988	132,986	255	118,308	14,423
Customer deposits	530,764	503,259	-	438,567	64,692
Debt securities issued	133,176	131,290	22,838	106,619	1,833
Subordinated debt	15,946	15,947	-	15,947	-
<b>TOTAL</b>	<b>812,874</b>	<b>783,482</b>	<b>23,093</b>	<b>679,441</b>	<b>80,948</b>

	<b>31.12.2021</b>				
(In EURm)	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Due to banks	139,177	139,186	113	136,510	2,562
Customer deposits	509,133	509,067	-	498,338	10,729
Debt securities issued	135,324	135,317	22,551	110,092	2,674
Subordinated debt	15,959	15,960	-	15,960	-
<b>TOTAL</b>	<b>799,593</b>	<b>799,530</b>	<b>22,664</b>	<b>760,900</b>	<b>15,965</b>

**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 floating-rates loans, receivables and lease financing transactions and fixed-rate loans with an initial maturity of less than or equal to one year, fair value is taken to be the same as the gross carrying amount adjusted for any allowance, assuming there has been no significant change in credit spreads on the counterparties in question since they were recognised in the balance sheet.

**DEBTS**

The fair value of debts, in the absence of an actively traded market for these liabilities, is taken to be the same as the value of future cash flows discounted to present value at the market rates prevailing on the balance sheet date. When the debt is a listed instrument, its fair value is its market value.

For 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.

If no active market exists, the fair value of the securities is calculated by discounting expected cash flows to present value based on the market rates. 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 hereafter. 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)	31.12.2022	31.12.2021
<b>Loan commitments</b>		
To banks	84,882	60,870
To customers	228,036	200,224
<i>Issuance facilities</i>	83	83
<i>Confirmed credit lines</i>	202,401	185,065
<i>Others</i>	25,552	15,076
<b>Guarantee commitments</b>		
On behalf of banks	6,598	5,279
On behalf of customers <sup>(1)</sup>	88,779	74,433
<b>Securities commitments</b>		
Securities to be delivered	38,200	32,999
<b>Acquisition of tangible assets commitments</b>		
Purchase of vehicles and underlying assets subject to an operating lease	6,344	4,682

(1) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.

**COMMITMENTS RECEIVED**

(In EURm)	31.12.2022	31.12.2021
<b>Loan commitments</b>		
From banks	86,440	69,878
<b>Guarantee commitments</b>		
From banks	127,233	121,852
Other commitments <sup>(1)</sup>	178,486	161,679
<b>Securities commitments</b>		
Securities to be received	38,452	35,391

(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)	31.12.2022	31.12.2021
Book value of assets pledged as security for liabilities <sup>(1)</sup>	357,694	331,262
Book value of assets pledged as security for transactions in financial instruments <sup>(2)</sup>	85,671	85,822
Book value of assets pledged as security for off-balance sheet commitments	3,709	2,715
<b>TOTAL</b>	<b>447,074</b>	<b>419,799</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**

(In EURm)	31.12.2022	31.12.2021
<b>Fair value of securities purchased under resale agreements</b>	<b>150,615</b>	<b>100,327</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

	31.12.2022		31.12.2021	
	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	14,992	11,876	18,705	15,304
Securities at fair value through other comprehensive income	11,355	9,090	11,251	9,062
Securities at amortised cost	249	239	-	-
<b>TOTAL</b>	<b>26,596</b>	<b>21,205</b>	<b>29,956</b>	<b>24,366</b>

#### SECURITIES LENDING

	31.12.2022		31.12.2021	
	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	12,455	-	14,373	-
Securities at fair value through other comprehensive income	249	-	241	-
Securities at amortised cost	8	-	8	-
<b>TOTAL</b>	<b>12,712</b>	<b>-</b>	<b>14,622</b>	<b>-</b>

#### SECURITISATION ASSETS FOR WHICH THE COUNTERPARTIES TO THE ASSOCIATED LIABILITIES HAVE RECOURSE ONLY TO THE TRANSFERRED ASSETS

	31.12.2022	31.12.2021
(In EURm)		
<b>Customers loans</b>		
Carrying amount of transferred assets	4,613	5,461
Carrying amount of associated liabilities	4,188	4,977
Fair value of transferred assets (A)	4,750	5,628
Fair value of associated liabilities (B)	4,188	4,991
<b>Net position (A) - (B)</b>	<b>562</b>	<b>637</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 2022, 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 2022****ASSETS**

	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
	Amount of assets not subject to offsetting	Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments received as collateral	
(In EURm)								
Derivative financial instruments (see Notes 3.1 and 3.2)	11,397	192,172	(94,785)	108,784	(70,657)	(9,292)	-	28,835
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)	50,098	200,497	(99,980)	150,615	(7,927)	(1,634)	(61,768)	79,286
Guarantee deposits pledged (see Note 4.4)	54,730	14,154	-	68,884	-	(14,154)	-	54,730
Other assets not subject to offsetting	1,145,775	-	-	1,145,775	-	-	-	1,145,775
<b>TOTAL</b>	<b>1,265,951</b>	<b>415,632</b>	<b>(194,765)</b>	<b>1,486,818</b>	<b>(85,580)</b>	<b>(25,119)</b>	<b>(61,768)</b>	<b>1,314,351</b>

## LIABILITIES

		Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements <sup>(1)</sup>			
	Amount of liabilities not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	Net amount
(In EURm)								
Derivative financial instruments (see Notes 3.1 and 3.2)	14,778	198,239	(94,785)	118,232	(70,657)	(14,154)	-	33,421
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	170,222	(99,980)	113,894	(7,927)	-	(51,400)	54,567
Guarantee deposits received (see Note 4.4)	63,341	10,965	-	74,306	-	(10,965)	-	63,341
Other liabilities not subject to offsetting	1,056,503	-	-	1,056,503	-	-	-	1,056,503
TOTAL	1,210,509	398,292	(194,765)	1,414,036	(85,580)	(25,119)	(51,400)	1,251,937

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect.

## NOTE 3.12.2 AT 31 DECEMBER 2021

## ASSETS

		Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements <sup>(1)</sup>			
	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments received as collateral	Net amount
(In EURm)								
Derivative financial instruments (see Notes 3.1 and 3.2)	17,748	176,550	(80,704)	113,594	(70,403)	(13,415)	(129)	29,647
Securities lent	7,210	7,413	-	14,623	(6,266)	-	-	8,357
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	27,841	168,315	(95,828)	100,328	(9,925)	(511)	(38,360)	51,532
Guarantee deposits pledged (see Note 4.4)	63,074	14,510	-	77,584	-	(14,510)	-	63,074
Other assets not subject to offsetting	1,158,320	-	-	1,158,320	-	-	-	1,158,320
<b>TOTAL</b>	<b>1,274,193</b>	<b>366,788</b>	<b>(176,532)</b>	<b>1,464,449</b>	<b>(86,594)</b>	<b>(28,436)</b>	<b>(38,489)</b>	<b>1,310,930</b>



## LIABILITIES

		Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements <sup>(1)</sup>			
	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	Net amount
(In EURm)								
Derivative financial instrument (see Notes 3.1 and 3.2)	22,503	175,233	(80,704)	117,032	(70,404)	(14,510)	-	32,118
Amount payable on borrowed securities (see Note 3.1)	28,647	17,174	-	45,821	(6,266)	-	-	39,555
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	27,794	162,950	(95,828)	94,916	(9,925)	-	(35,158)	49,833
Guarantee deposits received (see Note 4.4)	58,742	13,926	-	72,668	-	(13,926)	-	58,742
Other liabilities not subject to offsetting	1,063,149	-	-	1,063,149	-	-	-	1,063,149
<b>TOTAL</b>	<b>1,200,835</b>	<b>369,283</b>	<b>(176,532)</b>	<b>1,393,586</b>	<b>(86,595)</b>	<b>(28,436)</b>	<b>(35,158)</b>	<b>1,243,397</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.

## NOTE 3.13 Contractual maturities of financial liabilities

<i>(In EURm)</i>	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2022
Due to central banks	8,361	-	-	-	8,361
Financial liabilities at fair value through profit or loss	197,843	29,651	39,005	34,119	300,618
Due to banks	49,803	39,639	42,213	1,333	132,988
Customer deposits	475,608	27,233	23,101	4,822	530,764
Debts securities issued	34,158	24,030	46,583	28,405	133,176
Subordinated debt	3	-	6,062	9,881	15,946
Other liabilities	100,859	1,969	2,864	1,861	107,553
<b>TOTAL LIABILITIES</b>	<b>866,635</b>	<b>122,522</b>	<b>159,828</b>	<b>80,421</b>	<b>1,229,406</b>
Loan commitments granted and others <sup>(1)</sup>	139,147	44,876	110,979	24,260	319,262
Guarantee commitments granted	44,414	23,233	14,540	13,190	95,377
<b>TOTAL COMMITMENTS GRANTED</b>	<b>183,561</b>	<b>68,109</b>	<b>125,519</b>	<b>37,450</b>	<b>414,639</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 disposal; 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, 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.

	2022			2021		
	Income	Expense	Net	Income	Expense	Net
(In EURm)						
<b>Transactions with banks</b>	<b>133</b>	<b>(110)</b>	<b>23</b>	<b>161</b>	<b>(107)</b>	<b>54</b>
<b>Transactions with customers</b>	<b>3,100</b>		<b>3,100</b>	<b>3,028</b>		<b>3,028</b>
<b>Financial instruments operations</b>	<b>2,475</b>	<b>(2,432)</b>	<b>43</b>	<b>2,288</b>	<b>(2,379)</b>	<b>(91)</b>
Securities transactions	495	(991)	(496)	532	(1,105)	(573)
Primary market transactions	162		162	213		213
Foreign exchange transactions and derivatives instruments	1,818	(1,441)	377	1,543	(1,274)	269
<b>Loan and guarantee commitments</b>	<b>974</b>	<b>(424)</b>	<b>550</b>	<b>894</b>	<b>(261)</b>	<b>633</b>
<b>Various services</b>	<b>2,653</b>	<b>(1,195)</b>	<b>1,458</b>	<b>2,791</b>	<b>(1,095)</b>	<b>1,696</b>
Asset management fees	329		329	659		659
Means of payment fees	1,072		1,072	921		921
Insurance product fees	200		200	256		256
Underwriting fees of UCITS	75		75	93		93
Other fees	977	(1,195)	(218)	862	(1,095)	(233)
<b>TOTAL</b>	<b>9,335</b>	<b>(4,161)</b>	<b>5,174</b>	<b>9,162</b>	<b>(3,842)</b>	<b>5,320</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 8.4).

Leased assets are depreciated, excluding residual value, over the life of the lease; the latter corresponds to the non-cancellable lease term adjusted for any option to extend the contract that the lessee is reasonably certain to exercise and any early termination options that the lessee is reasonably certain not to exercise (see Note 8.4). Lease payments are recognised as income according to the straight-line method over the term of the lease. Meanwhile, the purpose of the accounting treatment of the income from invoices for maintenance services related to operating leases is to reflect, over the term of the service agreement, a constant margin between this income and the expenses incurred in providing the service.

Income and expenses, and capital gains or losses on investment properties and leased assets, as well as income and expense on maintenance services related to operating lease activities, are recorded under Income and expenses from other activities on the Real estate leasing and Equipment leasing lines.

These lines also include the losses incurred in the event of a decline in the unguaranteed residual value of finance-lease transactions, and the capital gains or losses on disposal related to unleased assets once the lease finance agreements are terminated.

The leases granted by the Group entities may include the maintenance service of the leased equipment. In this case, the portion of rentals corresponding to this maintenance service is spread over the duration of the service (generally the lease contract duration) and, when necessary, considers the progress of the service provided when it is not linear.

**Real estate development activities**

As the sale of real estate off plan (housing, office property, retail areas, etc.) is an ongoing service, the margin of this activity is progressively recognised over the construction programme's duration until the delivery date to the customer. It is recognised under income when this margin is positive and under expenses when this margin is negative.

The margin recognised at each closing period reflects the programme's estimated margin forecast and its stage of completion at the end of the period which depends on the progress in terms of marketing and the project.

(In EURm)	2022			2021		
	Income	Expense	Net	Income	Expense	Net
Real estate development	69	-	69	79	-	79
Real estate leasing	34	(130)	(96)	40	(56)	(16)
Equipment leasing <sup>(1)</sup>	12,490	(9,466)	3,024	11,630	(9,532)	2,098
Other activities	628	(928)	(300)	488	(850)	(362)
<b>TOTAL</b>	<b>13,221</b>	<b>(10,524)</b>	<b>2,697</b>	<b>12,237</b>	<b>(10,438)</b>	<b>1,799</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, of which EUR 753 million related to the car sales result as at 31 December 2022 (vs EUR 443 million as at 31 December 2022). Most of the Group's long-term lease agreements are 36-month to 48-month leases.

**NOTE 4.3 Insurance activities**

MAKING  
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Insurance activities (life insurance, personal protection and non-life insurance) add to the range of products included in the banking services offered to Group customers.

These activities are carried out by dedicated subsidiaries, subject to regulations specific to the insurance sector.

The rules for measuring and accounting for risks associated with insurance contracts are specific to the Insurance sector as well as the presentation of income and expenses on the Group's insurance activities that are disclosed in this note and which are classified on the basis of their function.

**DEFERRED APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES**

The amendments to IFRS 17 and IFRS 4 published by IASB on 25 June 2020 as well as the Regulation (EU) 2020/2097 published by the European Commission on 15 December 2020 allow financial conglomerates falling within the scope of Directive 2002/87/EC to defer until 1 January 2023 the implementation of IFRS 9 by their entities belonging to the insurance sector.

The Group has therefore maintained the decision that all its insurance subsidiaries will defer the effective date of IFRS 9 and will continue to apply IAS 39 as adopted by the European Union. The Group maintained the necessary arrangements to forbid all transfers of financial instruments between its insurance sector and any other sector in the Group that would lead to a derecognition of the instrument by the seller, except for transfers of financial instruments measured at fair value through profit or loss by both sectors involved in such transfers.

In accordance with the ANC recommendation of 2 June 2017 related to the consolidated statements of banking institutions with the international accounting standards, separate lines in the consolidated financial statements for clarification purposes: Investments of insurance activities under balance sheet assets, Insurance contracts related liabilities under balance sheet liabilities and Net income from insurance activities under Net banking income in the income statement.

The main subsidiaries concerned are Sogécap, Antarius, Sogelife, Oradea Vie, Komerční Pojistovna A.S. and Sogessur.

**NOTE 4.3.1 INSURANCE CONTRACTS RELATED LIABILITIES****ACCOUNTING PRINCIPLES****Underwriting reserves of insurance companies**

Underwriting reserves correspond to the commitments of insurance companies with respect to policyholders and the beneficiaries of policies.

In accordance with IFRS 4 on insurance contracts, life and non-life underwriting reserves continue to be measured under the same local regulations, with the exception of certain prudential provisions that are cancelled (liquidity risk provision) or recalculated economically (mainly, overall management reserve).

Risks covered by non-life insurance policies are principally linked to home, car and accident protection guarantees. Underwriting reserves comprise reserves for unearned premiums (share of premium income relating to subsequent financial years) and for outstanding claims.

Risks covered by life insurance policies are principally death, invalidity and incapacity for work. Life insurance underwriting reserves mainly comprise actuarial reserves, which correspond to the difference between the present value of commitments falling to the insurer and those falling to the policyholder, and the reserve for claims incurred but not settled.

In saving-life insurance products:

- underwriting reserves of saving-life insurance contracts invested in EUR-denominated policies with profit sharing clauses consist primarily of mathematical provisions and provisions for profit-sharing;
- underwriting reserves of saving-life insurance contracts invested in unit-linked policies or with a significant insurance clause (mortality, invalidity, etc.) are measured at the inventory date according to the realisation value of the assets underlying these contracts.

Under the principles defined in IFRS 4, and in compliance with local regulations applicable with respect thereto, life insurance policies with discretionary profit-sharing features are subject to "mirror accounting", whereby any changes in the value of financial assets liable to affect policyholders are recorded in Deferred profit-sharing. This reserve is calculated to reflect the potential rights of policyholders to unrealised gains on financial instruments measured at fair value or their potential share of unrealised losses.

To demonstrate the recoverability of the deferred profit-sharing asset in the event of an unrealised net loss, two approaches are verified by the Group in order to show that the liquidity requirements caused by an unfavourable economic environment would not require assets to be sold in the event of unrealised losses:

- the first approach consists in simulating deterministic ("standardised" or extreme) stress scenarios. This is used to show that in these scenarios no significant losses would be realised on the assets existing at the balance sheet date for the scenarios tested;
- the aim of the second approach is to ensure that in the long or medium term, the sale of assets to meet liquidity needs would not generate any significant losses. The approach is verified considering projections based on extreme scenarios.

Moreover, a Liability Adequacy Test (LAT) is also carried out quarterly at the level of each consolidated entities operating in the insurance. This test involves comparing the carrying amount of insurance liabilities with the average economic value using a stochastic model of future cash flows. This test takes into account all of the future cash flows from policies, including benefits, management charges, fees, policy options and guarantees related to the contracts; It does not include future premiums. If the test concludes that the book value is insufficient, the value of insurance liabilities will be adjusted with a corresponding entry in the income statement.

### Classification of financial liabilities

At initial recognition, financial liabilities resulting from the Group's insurance activities are classified in the following accounting categories:

- financial liabilities measured at fair value through profit or loss: these are derivative financial liabilities;
- financial liabilities measured at fair value option through profit or loss: these are non-derivative financial liabilities that were initially designated by the Group to be measured at fair value through profit or loss (using the option). These include investment contracts without both discretionary profit-sharing clauses and insurance component, that do not meet the definition of an insurance contract under IFRS 4 (unit-linked insurance contracts only) and are thus governed by IAS 39.

## BREAKDOWN

(In EURm)	31.12.2022	31.12.2021
Underwriting reserves of insurance companies	138,140	151,148
Financial liabilities of insurance companies	3,548	4,140
Financial liabilities at fair value through profit or loss	579	520
Financial liabilities at fair value through profit or loss (fair value option)	2,969	3,620
<b>TOTAL</b>	<b>141,688</b>	<b>155,288</b>

## UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In EURm)	31.12.2022	31.12.2021
Life insurance underwriting reserves for unit-linked policies	42,850	44,138
Other life insurance underwriting reserves	93,134	94,280
Non-life insurance underwriting reserves	2,147	2,020
Deferred profit-sharing booked in liabilities	9	10,710
<b>TOTAL</b>	<b>138,140</b>	<b>151,148</b>
Attributable to reinsurers	(681)	(776)
Deferred profit-sharing booked in assets <sup>(1)</sup>	(1,175)	-
<b>Underwriting reserves of insurance net of the share attributable to reinsurers</b>	<b>136,284</b>	<b>150,372</b>

(1) In accordance with the CNC Recommendation of 19 December 2008, a recoverability test was carried out on the provisions for deferred profit-sharing booked as assets, to verify that the deduction of this amount from the future profit-sharing of policyholders is highly probable. The accounting method used to determine the deferred profit-sharing booked as assets takes into account the fair value of the assets compared to their historical value. The recoverability test uses cash flow forecasts relying on different economic scenarios based on historical collection and repurchases; this test is conclusive, as the results achieved do not call for the sale of assets with an unrealised loss. Secondly, cash flows projections were carried out based on a scenario in a deteriorated environment in terms of turnover, market conditions and exit rate. Thus, in a scenario of a rate increase (immediate and maintained over the projection horizon) and a fall in turnover of up to more than 50%, the sales of assets necessary to meet liquidity needs on the projection horizon do not generate capital losses based on the inventory situation.

## STATEMENT OF CHANGES IN UNDERWRITING RESERVES EXCLUDING DEFERRED PROFIT SHARING

(In EURm)	Life insurance underwriting reserves for unit-linked policies	Other life insurance underwriting reserves	Non-life insurance underwriting reserves
<b>Reserves as at 1 January 2022</b>	<b>44,138</b>	<b>94,280</b>	<b>2,020</b>
Net allocation to insurance reserves	1,600	(2,576)	172
Revaluation of unit-linked policies	(4,702)	-	-
Charges deducted from unit-linked policies	(284)	-	-
Transfers and allocation adjustments	821	(821)	-
New customers	958	444	-
Profit-sharing	268	1,479	-
Others	51	328	(45)
<b>Reserves as at 31 December 2022</b>	<b>42,850</b>	<b>93,134</b>	<b>2,147</b>

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed as at 31 December 2022. This test assesses whether recognised insurance liabilities are

adequate, using current estimates of future cash flows under insurance policies. The result of the test as at 31 December 2022 does not show any insufficiency of technical liabilities.

## UNDERWRITING RESERVES OF INSURANCE COMPANIES BY REMAINING MATURITY

(In EURm)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2022
<b>Underwriting reserves of insurance companies</b>	<b>4,643</b>	<b>9,836</b>	<b>38,758</b>	<b>84,903</b>	<b>138,140</b>

## NOTE 4.3.2 INVESTMENTS OF INSURANCE ACTIVITIES

**ACCOUNTING PRINCIPLES****Classification of financial instruments**

When initially recognised, financial assets from Group insurance activities are classified into one of the following four categories:

- financial assets at fair value through profit or loss: these are financial assets held for trading purposes (see definition in Note 3.1), which by default include derivative financial assets not qualifying as hedging instruments and non-derivative financial assets designated by the insurance entity upon initial recognition to be carried at fair value through profit or loss (using the option). In particular, insurance entities measure at fair value using the option the financial assets representing unit-linked contracts in order to eliminate the accounting mismatch with the related insurance liabilities, as well as interests in UCITS over which a significant influence exists;
- available-for-sale financial assets: these are non-derivative financial assets held for an indeterminate period, which the insurance entity may sell at any time. By default, they are any assets that do not fall into one of the other categories. These instruments are measured at fair value against Unrealised or deferred gains and losses. Interests accrued or paid on debt securities are recognised in profit or loss using the effective interest rate method while dividend income earned on equity securities is recorded under Net gains and losses on available-for-sale financial assets. If there is an objective evidence on an individual basis, the total accumulated unrealised loss previously recorded in shareholders' equity is reclassified in profit or loss under Net Income from insurance activities;
- loans and receivables: these include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired, and not designated upon initial recognition to be carried at fair value through profit or loss (in accordance with the fair value option). They are measured at amortised cost, and impairment, determined on an individual basis, may be recorded if appropriate;
- held-to-maturity financial assets: these are non-derivative financial assets with fixed or determinable payments and a fixed maturity, that are quoted in an active market and which the Group has the intention and ability to hold to maturity. They are measured at their amortised cost and may be subject to impairment as appropriate whether objective evidence of impairment exists individually.

All these categories are presented on the insurance entity's balance sheet under the Investments of insurance companies, which also includes investment properties held by insurance entities and hedge derivatives assessed in accordance with the accounting principles respectively presented in Note 8.4 and Note 3.2.

**Reclassification of financial assets**

After their initial recognition, financial assets may not be later reclassified as Financial assets at fair value through profit or loss.

A non-derivative financial asset initially recognised under Financial assets at fair value through profit or loss as an asset held for trading purposes may only be reclassified out of this category under specific conditions framed by IAS 39 standard.

**IMPAIRMENT****Impairment of financial assets measured at amortised cost**

For debt instruments not measured at fair value through net income, the criteria used by the insurance entity's insurance entities to assess individually objective evidence of impairment include the following conditions:

- a significant decline in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfil its overall commitments, implying then a risk of loss for the insurance entity (the appreciation of this deterioration can be based on the evolution of the rating of the issuers or the variations of the credit spreads changes observed on these markets);
- the occurrence of late payment of coupons and more generally of arrears of more than 90 days;
- or, regardless of whether or not any past-due payments are recorded. There is objective evidence of impairment or legal proceedings have been initiated (bankruptcy, legal settlement, compulsory liquidation).

If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity financial assets, are impaired, an impairment is recognised for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees. This discount is calculated using the financial assets' original effective interest rate. The amount of this impairment is deducted from the carrying value of the impaired financial asset.

The allocations and reversals of impairments are recorded under "Net income from investments" in the Net income from insurance activities. The impaired loans or receivables are remunerated for accounting purposes by the reversal over time of the discounting to present value, which is recorded under interest income in the Net income from insurance activities.

**Impairment of available-for-sale financial assets**

An available-for-sale financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of this asset.

For listed equity instruments, a significant or prolonged decline in their price below their acquisition cost constitutes objective evidence of impairment. For this purpose, insurance entities consider as impaired listed shares showing an unrealised loss greater than 50% of their acquisition price on the balance sheet date, as well as listed shares for which the quoted prices have been below their acquisition price on every trading day for at least the last 24 months before the balance sheet date. Further factors, such as the financial situation of the issuer or its development outlook, can lead the insurance entities to consider that the cost of its investment may not be recovered even if the abovementioned criteria are not met. An impairment loss is then recorded through net income equal to the difference between the last quoted price of the security on the balance sheet date and its acquisition price.

For unlisted equity instruments, the criteria used to assess the evidence of impairment are identical to those mentioned above. The value of these instruments at the balance sheet date is determined using the valuation methods described in Note 3.4.

The criteria for the impairment of debt instruments are similar to those for the impairment of financial assets measured at amortised cost.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in shareholders' equity under Unrealised or deferred gains and losses and subsequent objective evidence of impairment emerges, insurance entities recognise the total accumulated unrealised loss previously recorded in shareholders' equity in the income statement among under net income from investments in the Net income from insurance activities for equity instruments and under Cost of risk for debt instruments.

This cumulative loss is measured as the difference between the acquisition cost (net of any repayments of principal and amortisation) and the present fair value, less any impairment of the financial asset that has already been recorded through profit or loss.

Impairment losses recognised through profit or loss on an equity instrument classified as available-for-sale are only reversed through profit or loss when the instrument is sold. Once an equity instrument has been recognised as impaired, any further loss of value is recorded as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit or loss if they subsequently recover in value following an improvement in the issuer's credit risk.

**OTHER ACCOUNTING PRINCIPLES**

Accounting principles relative to fair value, initial recognition of financial instruments, derecognition of financial instruments, derivative financial instruments, interest income and expense, transferred financial assets and offsetting of financial instruments are similar to those described in Note 3 "Financial instruments".

**OVERVIEW**

(In EURm)	31.12.2022	31.12.2021
Financial assets at fair value through profit or loss (trading portfolio)	837	211
<i>Shares and other equity instruments</i>	17	36
<i>Trading derivatives</i>	820	175
Financial assets at fair value through profit or loss (fair value option)	78,319	84,448
<i>Bonds and other debt instruments</i>	32,942	34,280
<i>Shares and other equity instruments</i>	44,980	49,592
<i>Loans, receivables and repo transactions</i>	397	576
Hedging derivatives	121	353
Available-for-sale financial assets	74,263	88,486
<i>Debt instruments</i>	59,296	74,084
<i>Equity instruments</i>	14,967	14,402
Due from banks <sup>(2)</sup>	4,282	4,771
Customer loans	82	69
Held-to-maturity financial assets	-	22
Real estate investments	511	538
<b>TOTAL INVESTMENTS OF INSURANCE ACTIVITIES<sup>(1)(2)</sup></b>	<b>158,415</b>	<b>178,898</b>

(1) Investments in other Group companies that are made in representation of unit-linked liabilities are kept in the Group's consolidated balance sheet without any significant impact thereon.

(2) o/w EUR 1,270 million current accounts as at 31 December 2022 vs EUR 1,207 million as at 31 December 2021.



**ANALYSIS OF FINANCIAL ASSETS DEPENDING ON THEIR CONTRACTUAL CHARACTERISTICS**

The following table shows the carrying value of the financial assets included in Net investments from insurance activities, whereby those assets whose contractual conditions give rise to cash-flows on set dates which are solely payments of principal and interest (basic instruments). Basic instruments held among a trading portfolio or those are managed and whose performance is evaluated on a fair value basis (i.e., financial instruments measured at fair value through profit or loss using fair value option) are presented in the column Other instruments.

(In EURm)	31.12.2022					
	Carrying amount			Fair value		
	Basic instruments	Other instruments	Total	Basic instruments	Other instruments	Total
Financial assets at fair value through profit or loss	-	79,156	79,156	-	79,156	79,156
Hedging derivatives	-	121	121	-	121	121
Available-for-sale financial assets	57,155	17,108	74,263	57,155	17,108	74,263
Due from banks	2,627	1,655	4,282	2,648	1,659	4,307
Customer loans	82	-	82	82	-	82
Held-to-maturity financial assets	-	-	-	-	-	-
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>59,864</b>	<b>98,040</b>	<b>157,904</b>	<b>59,885</b>	<b>98,044</b>	<b>157,929</b>

(In EURm)	31.12.2021					
	Carrying amount			Fair value		
	Basic instruments	Other instruments	Total	Basic instruments	Other instruments	Total
Financial assets at fair value through profit or loss	-	84,659	84,659	-	84,659	84,659
Hedging derivatives	-	353	353	-	353	353
Available-for-sale financial assets	71,537	16,949	88,486	71,537	16,949	88,486
Due from banks	2,559	2,212	4,771	2,717	2,265	4,982
Customer loans	69	-	69	70	-	70
Held-to-maturity financial assets	22	-	22	22	-	22
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>74,187</b>	<b>104,173</b>	<b>178,360</b>	<b>74,346</b>	<b>104,226</b>	<b>178,572</b>

**FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

(In EURm)	31.12.2022			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss using fair value option	17	815	5	837
Financial assets at fair value through profit or loss using the fair value option	66,013	10,261	2,045	78,319
Hedging derivatives	-	121	-	121
Available-for-sale financial assets	63,100	4,465	6,698	74,263
<b>TOTAL</b>	<b>129,130</b>	<b>15,662</b>	<b>8,748</b>	<b>153,540</b>

(In EURm)	31.12.2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss using fair value option	36	174	1	211
Financial assets at fair value through profit or loss using the fair value option	72,819	9,638	1,991	84,448
Hedging derivatives	-	353	-	353
Available-for-sale financial assets	78,236	4,827	5,423	88,486
<b>TOTAL</b>	<b>151,091</b>	<b>14,992</b>	<b>7,415</b>	<b>173,498</b>

## CHANGES IN AVAILABLE FOR SALE FINANCIAL ASSETS

(In EURm)

2022

<b>Balance as at 1 January</b>	<b>88,486</b>
Acquisitions	9,861
Disposals/redemptions	(12,146)
Transfers to held-to-maturity financial assets	-
Change in scope and others	(706)
Gains and losses on changes in fair value recognised directly in equity during the period	(11,094)
Changes in impairment of debt instruments recorded in profit or loss	-
Impairment on equity instruments recognised in profit or loss	(147)
Translation differences	9
<b>Balance as at 31 December</b>	<b>74,263</b>

## UNREALISED GAINS AND LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME

(In EURm)

31.12.2022

	Capital gains	Capital losses	Net revaluation
<b>Unrealised gains and losses of insurance companies</b>	<b>88</b>	<b>(960)</b>	<b>(872)</b>
<i>On available-for-sale equity instruments</i>	2,527	(289)	2,238
<i>On available-for-sale debt instruments and assets reclassified as loans and receivables</i>	570	(5,670)	(5,100)
<i>Deferred profit-sharing</i>	(3,009)	4,999	1,990

31.12.2021

(In EURm)

	Capital gains	Capital losses	Net revaluation
<b>Unrealised gains and losses of insurance companies</b>	<b>431</b>	<b>(82)</b>	<b>349</b>
<i>On available-for-sale equity instruments</i>	2,892	(70)	2,822
<i>On available-for-sale debt instruments and assets reclassified as loans and receivables</i>	5,904	(292)	5,612
<i>Deferred profit-sharing</i>	(8,365)	280	(8,085)

## FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EURm)

31.12.2022

31.12.2021

<b>Fair value of securities purchased under resale agreements</b>	<b>2</b>	<b>4</b>
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The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term. Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

## NOTE 4.3.3 NET INCOME FROM INSURANCE ACTIVITIES

## ACCOUNTING PRINCIPLES

## Income and expense related to insurance contracts

Income and expense related to insurance contracts issued by Group insurance companies, associated fee income and expense, and income and expense related to investments of insurance companies are recorded under Net income from insurance activities in the income statement.

Other income and expense are recorded under the appropriate headings.

Changes in the provision for deferred profit-sharing are recorded under Net income from insurance activities in the income statement or under Unrealised or deferred gains and losses under the appropriate headings for the underlying assets in question.

The following table shows the breakdown (after eliminating intercompany transactions):

- income and expense from insurance activities and associated investments on a separate line under Net Banking Income: Net income from insurance activities;

- funding costs of insurance activities recorded under Interest and similar expense;

- impairment debt instruments of insurance activities and the deferred profit-sharing recorded under Cost of risk.

(In EURm)	2022	2021
Net premiums	14,228	15,692
Net income from investments	1,414	3,540
Cost of benefits (including changes in reserves) <sup>(1)</sup>	(13,367)	(16,984)
Other net technical income (expense)	(64)	(10)
<b>Net income from insurance activities</b>	<b>2,211</b>	<b>2,238</b>
Funding costs	(5)	(5)
Cost of risk	-	-
<i>o/w impairment of debt instruments</i>	-	2
<i>o/w which deferred profit sharing</i>	-	(2)

(1) o/w EUR 1,022 million in respect of deferred profit-sharing as at 31 December 2022 (vs EUR 2,966 million as at 31 December 2021).

## NET INCOME FROM INVESTMENTS

(In EURm)	2022	2021
Dividend income on equity instruments	1,085	878
Interest income	1,607	1,664
<i>On available-for-sale financial assets</i>	1,429	1,472
<i>On loans and receivables</i>	150	161
<i>Other net interest income</i>	28	31
Net gains or losses on financial instruments at fair value through profit or loss	(1,105)	848
Net gains or losses on available-for-sale financial instruments	(182)	145
<i>Capital gain or loss on sale of debt instruments</i>	(139)	25
<i>Capital gain or loss on sale of equity instruments</i>	104	142
<i>Impairment values on equity instruments</i>	(147)	(22)
Net gains or losses on real estate investments	9	5
<b>TOTAL NET INCOME FROM INVESTMENTS</b>	<b>1,414</b>	<b>3,540</b>

**NOTE 4.3.4 MANAGEMENT OF INSURANCE RISKS**

The Group carries out its insurance activities through the distribution and reinsurance acceptance of a wide range of life insurance, protection and health insurance, and non-life insurance policies. Since the life insurance business is predominant on the French market in the Group's insurance activities, the market risks of financial assets in terms of technical liabilities constitute the most significant exposure. Within market risks, the insurance business line is sensitive to shocks in interest rates, equity markets and credit spreads. In connection with the life insurance savings activity, a risk of withdrawals is also significant.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks undergo regular monitoring and are reported to the General Management of both the entities concerned and the business lines.

Risk management techniques are based on the following:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile and the guarantees provided;
- regular monitoring of indicators on product claims rates in order to adjust certain product parameters, such as pricing or the level of guarantee, if necessary;
- implementation of a reinsurance plan to protect the business line from major/serial claims;
- application of policies on risk, provisioning and reinsurance.

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy just like objectives on long-term performance. The optimisation of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analysed by the Finance and Risk Department of the insurance business line.

Risk management related to financial markets (interest rates, credit and shares) and to ALM is based on the following:

- monitoring short- and long-term cash flows (match between the term of a liability and the term of an asset, liquidity risk management);
- particular monitoring of policyholder behaviour (redemption);
- close monitoring of financial markets;
- hedging of exchange rate risks (both rising and falling);
- defining thresholds and limits per counterparty, per rating issuer and per category of assets;
- stress tests, the results of which are presented annually at entities' Board of Directors' meetings, as part of the ORSA report (Own Risk and Solvency Assessment), transferred to the ACPR after approval by the Board;
- application of policies related to ALM and investment risks.

**BREAKDOWN OF NET INVESTMENTS BY RATING OF BASIC INSTRUMENTS**

The following table shows the gross carrying amounts after eliminating intercompany transactions.

(In EURm)	31.12.2022			
	Available-for-sale financial assets	Due from banks	Customer loans	Total
AAA	2,766	207	-	2,973
AA+/AA/AA-	28,315	759	-	29,074
A+/A/A-	13,254	447	-	13,701
BBB+/BBB/BBB-	12,213	185	-	12,398
BB+/BB/BB-	600	-	-	600
B+/B/B-	-	-	-	-
CCC+/CCC/CCC-	-	-	-	-
CC+/CC/CC-	-	-	-	-
Lower than CC-	-	-	-	-
Without rating	7	1,029	82	1,118
<b>TOTAL BEFORE IMPAIRMENT</b>	<b>57,155</b>	<b>2,627</b>	<b>82</b>	<b>59,864</b>
Impairment	-	-	-	-
<b>Carrying amount</b>	<b>57,155</b>	<b>2,627</b>	<b>82</b>	<b>59,864</b>

The rating scale is the scale used for Solvency2 purposes, which calls for the second highest rating determined by the rating agencies (Standard & Poor's, Moody's Investors Service and Fitch Ratings) to be used. The ratings in question apply to issues or, where these are not available, to issuers.

**NOTE 4.4 Other assets and liabilities****NOTE 4.4.1 OTHER ASSETS**

(In EURm)	31.12.2022	31.12.2021
Guarantee deposits paid <sup>(1)</sup>	68,884	77,584
Settlement accounts on securities transactions	3,895	4,265
o/w due from clearing houses bearing credit risk	262	262
Prepaid expenses	1,385	1,120
Miscellaneous receivables <sup>(2)</sup>	9,336	8,473
o/w miscellaneous receivables bearing credit risk <sup>(3)</sup>	3,928	3,778
Miscellaneous receivables – insurance	1,991	1,874
<b>GROSS AMOUNT</b>	<b>85,491</b>	<b>93,316</b>
Impairments	(419)	(418)
Credit risk <sup>(3)</sup>	(295)	(284)
Other risks	(124)	(134)
<b>NET AMOUNT</b>	<b>85,072</b>	<b>92,898</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 1,258 million as at 31 December 2022, compared to EUR 952 million as at 31 December 2021.

(3) Net value of miscellaneous receivables bearing credit risk amounts to EUR 3,633 million as at 31 December 2022, compared to EUR 3,494 million as at 31 December 2021 (see Note 3.8).

**NOTE 4.4.2 OTHER LIABILITIES**

(In EURm)	31.12.2022	31.12.2021
Guarantee deposits received <sup>(1)</sup>	74,306	72,668
Settlement accounts on securities transactions	4,759	5,343
Expenses payable on employee benefits	2,610	2,754
Lease liability	2,104	2,318
Deferred income	1,297	1,688
Miscellaneous payables <sup>(2)</sup>	17,097	12,623
Miscellaneous payables – insurance	5,380	8,911
<b>TOTAL</b>	<b>107,553</b>	<b>106,305</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 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 Personnel expenses and related party transactions

#### ACCOUNTING PRINCIPLES

Personnel expenses include all expenses related to personnel, including employee benefits and expenses related to payments based on Societe Generale shares.

Short-term employee benefits are recorded under Personnel expenses during the period according to the services provided by the employee.

The accounting principles relating to post-employment benefits and other long-term benefits are described in Note 5.2.

Personnel expenses include related party transactions, within the meaning of IAS 24.

The Group's related parties include the members of the Board of Directors, corporate officers (the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officers), their respective spouses and any children residing in the family home, subsidiaries which are either controlled exclusively or jointly by the Group, and companies over which Societe Generale exercises significant influence.

#### NOTE 5.1.1 PERSONNEL EXPENSES

(In EURm)

	2022	2021
Employee compensation	(7,244)	(6,785)
Social security charges and payroll taxes	(1,655)	(1,734)
Net pension expenses – defined contribution plans	(709)	(764)
Net pension expenses – defined benefit plans	(61)	(136)
Employee profit-sharing and incentives	(383)	(345)
<b>TOTAL</b>	<b>(10,052)</b>	<b>(9,764)</b>
<i>Including net expenses from share – based payments</i>	<i>(196)</i>	<i>(197)</i>

**NOTE 5.1.2 RELATED-PARTY TRANSACTIONS****REMUNERATION OF THE GROUP'S MANAGERS**

This includes amounts effectively paid by the Group to Directors and corporate officers as remuneration (including employer contributions) and other benefits as indicated below according to the nomenclature of IAS 24 – paragraph 17.

(In EURm)	2022	2021
Short-term benefits	10.0	9.9
Post-employment benefits	0.4	0.4
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	2.4	2.8
<b>TOTAL</b>	<b>12.8</b>	<b>13.1</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 2022 for a total amount of EUR 2.3 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 2022 under IAS 19 for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Ms Lebot and Mr. Aymerich and the three staff-elected Directors) is EUR 5.7 million.

**NOTE 5.2 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.

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. 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 12 months after the closing date shall be discounted.



## DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In EURm)	Provisions as at 31.12.2021	Allocations	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions as at 31.12.2022
Post-employment benefits	1,711	93	(80)	13	(96)	(454)	(3)	1,171
Other long-term benefits	422	282	(37)	245	(60)	-	(3)	604
Termination benefits <sup>(1)</sup>	168	153	(47)	106	(31)	(13)	(3)	227
<b>TOTAL</b>	<b>2,301</b>	<b>528</b>	<b>(164)</b>	<b>364</b>	<b>(187)</b>	<b>(467)</b>	<b>(9)</b>	<b>2,002</b>

(1) Termination benefits include in particular the expenses from voluntary redundancy related to the New French Retail Banking organisation project presented by the Group in Q4 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 equated with the post-employment benefits.

### NOTE 5.2.1 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 5.2.2 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 as described in the Chapter 3 "Corporate Governance" of the present Universal Registration Document. This allowance depends in particular on the beneficiary's seniority within Societe Generale. Since 4 July 2019, date of publication of the ordinance ending the so-called "random rights" defined benefit pension plans in application of the *Loi Pacte*, this plan is closed to new employees and the rights of beneficiaries were frozen on 31 December 2019.

In Switzerland, the plan is managed by a personal protection insurance institution (the Foundation), comprised of employer and employee representatives. The employer and its employees pay contributions to the Foundation. Pension benefits are revalued at a guaranteed rate of return and converted to annuities (or lump-sum payment) also at a guaranteed conversion rate (cash balance scheme). Because of this minimum guaranteed return, the plan is considered similar to a defined benefit plan.

In recent years, the Societe Generale Group has actively implemented a policy of converting defined benefit plans to defined contribution plans.

In the United Kingdom, the defined benefit plan has been closed to new employees for nearly 20 years, and the benefits of the last beneficiaries were frozen in 2015. The plan is managed by an independent institution (Trustee).

Similarly, in the United States, defined benefit plans were closed to new employees in 2015 and the vesting of new benefits was frozen.

## RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

(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 OF THE BALANCE SHEET<sup>(1)</sup></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.

(In EURm)	31.12.2021			
	France	United Kingdom	Others	Total
A – Present value of defined benefit obligations	1,277	934	1,125	3,336
B – Fair value of plan assets	77	1,003	618	1,699
C – Fair value of separate assets	1,330	-	1	1,331
D – Change in asset ceiling	-	-	-	-
<b>A - B - C + D = Net balance</b>	<b>(130)</b>	<b>(69)</b>	<b>505</b>	<b>306</b>
<b>ON THE LIABILITIES SIDE OF THE BALANCE SHEET</b>	<b>1,201</b>	<b>-</b>	<b>510</b>	<b>1,711</b>
<b>ON THE ASSETS SIDE OF THE BALANCE SHEET<sup>(1)</sup></b>	<b>1,331</b>	<b>69</b>	<b>5</b>	<b>1,405</b>

(1) o/w EUR 1,331 million of separate assets recorded under Financial assets at fair value through profit or loss and EUR 74 million linked to surplus assets under Other assets.

## COMPONENTS OF THE COST OF DEFINED BENEFITS

(In EURm)	2022	2021
Current service cost including social security contributions	90	132
Employee contributions	(5)	(5)
Past service cost/curtailments	(20)	2
Transfer via the expense	0	0
Net interest	2	2
<b>A – Components recognised in income statement</b>	<b>67</b>	<b>131</b>
Actuarial gains and losses on assets	802	(159)
Actuarial gains and losses due to changes in demographic assumptions	2	(11)
Actuarial gains and losses due to changes in economic and financial assumptions	(917)	(46)
Actuarial gains and losses due to experience	(1)	(20)
Change in asset ceiling	22	0
<b>B – Components recognised in unrealised or deferred gains and losses</b>	<b>(92)</b>	<b>(236)</b>
<b>C = A + B TOTAL COMPONENTS OF THE COST OF DEFINED BENEFITS</b>	<b>(25)</b>	<b>(105)</b>

## CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

(In EURm)

	2022	2021
<b>Balance as at 1 January</b>	<b>3,336</b>	<b>3,319</b>
Current service cost including social security contributions	90	132
Past service cost/curtailments	(20)	2
Settlements	-	0
Net interest	43	28
Actuarial gains and losses due to changes in demographic assumptions	2	(11)
Actuarial gains and losses due to changes in economic and financial assumptions	(917)	(45)
Actuarial gains and losses due to experience	(1)	(20)
Foreign exchange adjustment	(10)	102
Benefit payments	(190)	(156)
Change in consolidation scope	(33)	(0)
Transfers and others	(2)	(15)
<b>Balance as at 31 December</b>	<b>2,298</b>	<b>3,336</b>

## CHANGES IN THE FAIR VALUE OF FUNDING ASSETS

(In EURm)

	Plan assets		Separate assets	
	2022	2021	2022	2021
<b>Balance as at 1 January</b>	<b>1,699</b>	<b>1,655</b>	<b>1,331</b>	<b>1,150</b>
Interest expenses on assets	29	22	12	4
Actuarial gains and losses on assets	(466)	(24)	(336)	183
Foreign exchange adjustment	(10)	103	-	-
Employee contributions	5	5	-	-
Employer contributions to plan assets	13	16	-	-
Benefit payments	(79)	(78)	(5)	(4)
Change in consolidation scope	(9)	-	-	-
Transfers and others	-	-	-	(2)
Change in asset ceiling	(22)	-	-	-
<b>Balance as at 31 December</b>	<b>1,160</b>	<b>1,699</b>	<b>1,002</b>	<b>1,331</b>

### INFORMATION AND TERMS REGARDING FUNDING ASSETS

Funding assets include plan assets and separate assets.

Funding assets represent around 95% of Group obligations, with different rates depending on the country.

Accordingly defined benefit plan obligations in France, the United Kingdom and the United States are fully hedged, while they are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 65% bonds, 16% equities and 19% other investments. Directly held Societe Generale shares are not significant.

Funding assets excess is EUR 257 million.

Employer contributions to be paid to post-employment defined benefit plans for 2023 are estimated at EUR 14 million.

Plan hedging strategies are defined locally in connection with the Finance and Human Resources Departments of the entities, by ad hoc structures (Trustees, Foundations, Joint structures etc.) if necessary. Besides, liability investment or financing strategies are monitored at Group level through a global governance system. Committee meetings, with the participation of representatives of the Human Resources Department, the Finance Department and the Risk Division, are organised in order to define Group guidelines for employee benefits investment and management, to validate decisions and to follow up the associated risks for the Group.

Depending on the duration of each plan and local regulations, funding assets are invested in equities and/or in fixed income products, whether guaranteed or not.

The actual returns on plan and separate assets can be broken down as follows:

(In EURm)	2022	2021
Plan assets	(437)	(2)
Separate assets	(325)	191

### MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2022	31.12.2021
<b>Discount rate</b>		
France	3.62%	0.85%
United-Kingdom	4.80%	1.81%
Others	4.07%	1.55%
<b>Long-term inflation</b>		
France	2.45%	2.07%
United-Kingdom	3.30%	3.47%
Others	2.01%	1.79%
<b>Future salary increase</b>		
France	1.48%	1.44%
United-Kingdom	N/A	N/A
Others	1.40%	1.35%
<b>Average remaining working lifetime of employees (in years)</b>		
France	7.84	8.37
United-Kingdom	3.07	4.09
Others	8.83	9.12
<b>Duration (in years)</b>		
France	11.63	13.90
United-Kingdom	12.69	16.21
Others	11.94	14.55

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

(Percentage of item measured)	31.12.2022	31.12.2021
<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	-6%	-7%
<b>Variation in future salary increase</b>		
Impact on the present value of defined benefit obligations at 31 December N	+0.5%	+0.5%
	1%	2%

Disclosed sensitivities are averages of the variations weighted by the present value of the defined benefit obligations. Note that a 100 bp increase in discount rates and inflation rates would result in a 11% decrease in liabilities and a rise of 7% in liabilities, respectively.

A decrease in the discount rates and the inflation rates of 100 bp would result in a 13% increase in liabilities and a 6% decrease in liabilities, respectively.

## BREAKDOWN OF FUTURE PAYMENTS OF BENEFITS

(In EURm)	2022	2021
N+1	166	157
N+2	150	147
N+3	163	154
N+4	165	165
N+5	152	166
N+6 to N+10	853	816

## NOTE 5.3 Share-based payment plans

### ACCOUNTING PRINCIPLES

Societe Generale, and its subsidiaries, share-based payments include:

- payments in equity instruments;
- cash payments whose amount depends on the performance of equity instruments.

Share-based payments systematically give rise to an operating expense recognised as Personnel expenses in the amount of the fair value of the share-based payments granted to employees and according to their terms of settlement.

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these instruments, measured at the vesting date, is spread over the vesting period and recorded in shareholders' equity under Issued common stocks and capital reserves. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under Personnel expenses from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (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 based 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)	31.12.2022			31.12.2021		
	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	104	92	196	145	48	193

The description of Societe Generale stock-options plans and free share plans, which supplements this note, is presented in Chapter 3 of the present Universal Registration Document (Corporate governance).

## EMPLOYEE SHARE OWNERSHIP PLAN

On 17 May 2022, as part of the Group's employee share ownership policy, Societe Generale offered its employees the opportunity to subscribe to a reserved capital increase at a share price of 18.47 euros, i.e. a 20 percent discount compared to the average market price of the Societe Generale shares during the 20 trading days prior to this date. 12,759,346 shares were subscribed, representing, for the Group, an expense for the financial year 2022 of 44 million euros after taking into account the legal five-year restriction period of the shares.

The valuation model used compares the gain that the employee would have obtained had he immediately received the Societe Generale shares with the notional cost represented for him by the five-year blocking period. The notional cost of this restriction on the disposal of

the shares is valued as the net cost of a cash purchase of Societe Generale shares financed by a five-year open, non-revolving, credit facility, and a five-year forward sale of the same shares. The main market parameters used to value this notional restriction cost on the date of attribution are the following:

- average share price of Societe Generale (during the subscription period): EUR 25.08;
- interest rate of a five-year open credit facility applicable to market stakeholders benefiting from the restricted shares: 3.17%.

The notional cost of the restriction on disposal thus valued accounts for 12.7% of the average share price of Societe Generale on the date of attribution.

## 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**

(In EURm)	2022	2021
Current taxes	(1,274)	(1,272)
Deferred taxes	(286)	(425)
<b>TOTAL</b>	<b>(1,560)</b>	<b>(1,697)</b>

**RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE**

(In EURm)	2022		2021	
	In %	In EURm	In %	In EURm
<b>Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill</b>		<b>4,492</b>		<b>8,143</b>
<b>Group effective tax rate</b>	<b>34.72%</b>		<b>20.84%</b>	
Permanent differences	0.77%	35	0.75%	61
Differential on securities with tax exemption or taxed at reduced Rate <sup>(1)</sup>	-13.20%	(593)	1.28%	104
Tax rate differential on profits taxed outside France	2.33%	104	3.13%	255
Changes in the measurement of deferred tax assets/liabilities <sup>(2)</sup>	1.21%	54	2.41%	196
Normal tax rate applicable to French companies (including 3.3% national contribution)	25.83%		28.41%	

(1) In 2022, this amount includes the tax effect of the disposal of Rosbank.

(2) In 2021, this amount includes a EUR 130 million decrease in the unrecognised portion of deferred tax assets for the French tax group.

In compliance with the French tax provisions that define the ordinary corporate tax rate, the latter was lowered to 25% in 2022 (article 219 of the French Tax Code), plus the existing national contribution (CSB) of 3.3%, 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.

Furthermore, under the parent-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to taxation of a portion of fees and expenses of 1% or 5% at the full statutory tax rate.



**NOTE 6.2 Tax assets and liabilities****TAX ASSETS**

(In EURm)	31.12.2022	31.12.2021
Current tax assets	819	982
Deferred tax assets	3,877	3,830
o/w deferred tax assets on tax loss carry-forwards	1,662	1,719
o/w deferred tax assets on temporary differences	2,215	2,111
<b>TOTAL</b>	<b>4,696</b>	<b>4,812</b>

**TAX LIABILITIES**

(In EURm)	31.12.2022	31.12.2021
Current tax liabilities	735	760
Provisions for tax adjustments	72	76
Deferred tax liabilities	831	741
<b>TOTAL</b>	<b>1,638</b>	<b>1,577</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 three years (from 2023 to 2025), extrapolated to 2026, 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 2026 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 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.

The updated projections show that the Group's activated tax loss-carry forwards may likely be used against its future taxable income.

### NOTE 6.3 Deferred tax assets recognised on tax loss carry-forwards and deferred tax assets not recognised

As at 31 December 2022, 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)	31.12.2022	Statutory time limit on carry-forwards	Expected recovery period
<b>Total deferred tax assets relating to tax loss carry-forwards</b>	<b>1,662</b>	-	-
o/w French tax group	1,404	Unlimited <sup>(1)</sup>	8 years
o/w US tax group	193	20 years <sup>(2)</sup>	7 years
Others	65	-	-

(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)	31.12.2022	31.12.2021
French tax group	520	520
US tax groups	277	291
SG Singapore	82	82
SG de Banques en Guinée Équatoriale <sup>(1)</sup>	36	40
SG Kleinwort Hambros Limited	29	33

(1) Including EUR 10 million of tax carry forward and EUR 26 million temporary differences as at 31 December 2022, versus respectively EUR 9 million and EUR 31 million as at 31 December 2021.

Others deferred tax relating to tax loss carry-forwards and temporary differences not recognised as assets in the balance sheet respectively amounts to EUR 50 million and EUR 2 million as at 31 December 2022.

At the same time, United States of America non-recognised differed tax assets have reduced of EUR 14 million due to the recognition in the balance sheet in 2022 of EUR 33 million differed taxes and to a foreign exchange effect of EUR +19 million.

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 9).

### PILLAR II: TAX REFORM – GLOBAL MINIMUM CORPORATE TAX RATE

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 tax rate of 15% on the profit. This set of measures would be applied Country-by-Country to multinational enterprises earnings with revenue exceeding EUR 750 million.

A set of rules referred to as “Pillar II” was published by the OECD on 20 December 2021, followed by the publication of a draft European Directive on 22 December 2021 regarding their implementation within the European Union. Following the unanimous agreement of the Member States, this Directive was formally adopted and published in the Official Journal of the European Union on 22 December 2022. The rules are to be implemented through the tax systems of the 27 Member States before 31 December 2023 for application to the fiscal years opened from 1 January 2024 on.

A project structure has been set up at Group level in order to perform the preliminary analysis of the provisions in this Directive, to conduct a study of the impacts for the Group and take the necessary measures to ensure compliance with it when it comes into force.

## NOTE 7 SHAREHOLDERS' EQUITY



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Equity are the resources contributed to the Group by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings). It also includes resources received when financial instruments are issued and for which the issuer has no contractual obligation to deliver cash to the holders of these instruments.

Equity has no contractual maturity, and when compensation is awarded to shareholders or holders of other equity instruments, it does not affect the income statement but directly reduces the retained earnings in the equity.

The statement "Changes in Shareholders' Equity" presents the various changes that affect the components of equity over the reporting period.

### NOTE 7.1 Treasury shares and shareholders' equity issued by the Group

#### ACCOUNTING PRINCIPLES

##### Treasury shares

Societe Generale shares held by the Group are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is recognised in Retained earnings.

Recognition of shares issued by Group subsidiaries, which are bought and sold by the Group, is described in Note 2.

##### Shareholders' equity issued by the Group

Financial instruments issued by the Group are booked in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to deliver cash to the holders of the securities.

When they are classified as equity, securities issued by Societe Generale are recorded under Other equity instruments. If they are issued by Group subsidiaries, these securities are recognised under Non-controlling interests. External costs associated with issuing equity instruments are deducted directly from equity at their after-tax amount.

When they are classified as debt instruments, securities issued by the Group are recorded under Debt securities issued or Subordinated debt depending on their characteristics. They are accounted for in the same way as other financial liabilities measured at amortised cost (see Note 3.6).

**NOTE 7.1.1 ORDINARY SHARES AND CAPITAL RESERVES**

(In EURm)	31.12.2022	31.12.2021
Issued capital	1,062	1,067
Issuing premiums and capital reserves	21,377	21,513
Elimination of treasury stock	(1,191)	(667)
<b>TOTAL</b>	<b>21,248</b>	<b>21,913</b>

**ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.**

(Number of shares)	31.12.2022	31.12.2021
Ordinary shares	849,883,778	853,371,494
Including treasury stock with voting rights <sup>(1)</sup>	48,737,016	22,209,068
Including shares held by employees	79,097,967	67,299,221

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

As at 31 December 2022, 16,247,062 Societe Generale shares were acquired on the market at a cost price of EUR 468 million, for the purpose of cancellation, in accordance with the decision of the General Meeting of 19 May 2021. The capital reduction by cancellation of securities was carried out on 1 February 2022.

On 18 July 2022, a capital increase, reserved for Group employees and retirees as part of the Global Employee Share Ownership Plan open in

43 countries, was carried out for a total amount of EUR 235 million, resulting in the issuance of 12,759,346 new Societe Generale shares.

As at 31 December 2022, Societe Generale S.A.'s fully paid up capital amounted to EUR 1,062,354,722.50 and was made up of 849,883,778 shares with a nominal value of EUR 1.25.

**NOTE 7.1.2 TREASURY STOCK**

As at 31 December 2022, the Group held 50,082,406 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 5.9% of the capital of Societe Generale S.A.

The amount deducted by the Group from its equity for treasury shares (and related derivatives) came to EUR 1,191 million, including EUR 67 million in shares held for trading activities.

The change in treasury stock over 2022 breaks down as follows:

(In EURm)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	1	(28)	(497)	(524)
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	(11)	(55)	(66)

The variation of EUR -497 million in treasury shares and active capital management is mainly due to:

- EUR +468 million relating to the capital reduction on 1 February 2022 by cancellation of 16,247,062 Societe Generale shares acquired in 2021;

- EUR -914 million relating to the acquisition on the market of 41,674,813 Societe Generale shares, for the purpose of cancellation, in accordance with the decision of the General Meeting of 17 May 2022. The capital reduction by cancellation of shares was carried out on 1 February 2023.

**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 2022, perpetual deeply subordinated notes issued by Societe Generale S.A. and recognised under Group shareholders'

equity in Other equity instruments totalled EUR 9,136 million, valued at historical rate.

The change in the amount of undated deeply subordinated notes issued by the Group is explained by two issuances made over the year.

Issuance Date	Amount in local currency at 31.12.2021	Repurchases and redemptions in 2022	Amount in local currency at 31.12.2022	Amount in millions of euros at historical rate	Remuneration
18 December 2013	USD 1,750 M		USD 1,750 M	1,273	7.875%, from 18 December 2023, USD 5-year Mid Swap Rate +4.979%
29 September 2015	USD 1,250 M		USD 1,250 M	1,111	8% from 29 September 2025, USD 5-year Mid Swap rate +5.873%
6 April 2018	USD 1,250 M		USD 1,250 M	1,035	6.750% from 6 April 2028, USD 5-year Mid Swap rate +3.929%
4 October 2018	USD 1,250 M		USD 1,250 M	1,105	7.375% from 4 October 2023, USD 5-year Mid Swap rate +4.302%
16 April 2019	SGD 750 M		SGD 750 M	490	6.125% from 16 April 2024, SGD 5-year Mid Swap rate +4.207%
12 September 2019	AUD 700 M		AUD 700 M	439	4.875% from 12 September 2024, AUD 5-year Mid Swap rate +4.036%
18 November 2020	USD 1,500 M		USD 1,500 M	1,264	5.375% from 18 November 2030, USD 5-year Mid Swap rate +4.514%
26 May 2021	USD 1,000 M		USD 1,000 M	818	4.75% from 26 May 2026, USD 5-year Mid Swap rate +3.931%
15 July 2022	-		SGD 200 M	141	8.25% from 15 December 2027, SGD 5-year Mid Swap rate +5.6%
22 November 2022	-		USD 1,500 M	1,460	9.3750% from 22 May 2028, USD 5-year Mid Swap rate +5.385%

**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 2022, the amount of other equity instruments issued by the Group's subsidiaries and recognised under Non-controlling interests totalled EUR 800 million.

Issuance Date	Amount	Remuneration
18 December 2014 (step-up clause after 12 years)	EUR 800m	4.125%, from 2026 5-year Mid Swap rate +4.150% annually

**SUMMARY OF CHANGES IN EQUITY INSTRUMENTS ISSUED**

Changes related to the perpetual subordinated notes and deeply subordinated notes included in Shareholder's equity, Group share are detailed below:

	2022			2021		
	Deeply subordinated notes	Perpetual subordinated notes	Total	Deeply subordinated notes	Perpetual subordinated notes	Total
(In EURm)						
Remuneration paid booked under reserves	(581)	-	(581)	(623)	-	(623)
Changes in nominal values	1,602	-	1,602	(1,517)	(244)	(1,761)
Tax savings on remuneration payable to shareholders and recorded under profit or loss	150	-	150	177	9	186
Issuance fees relating to subordinated notes	(9)	-	(9)	(4)	-	(4)

**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 -88 million in Group share and EUR +543 million in Non-controlling interests) mainly relates to the

decrease in the ownership interest in ALD from 79.82% to 75.94% (see Note 2.1).

**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)	2022	2021
Net income, Group share	2,018	5,641
Attributable remuneration to subordinated and deeply subordinated notes	(587)	(586)
Issuance fees related and deeply subordinated notes	(9)	(4)
<b>Net income attributable to ordinary shareholders</b>	<b>1,422</b>	<b>5,051</b>
Weighted average number of ordinary shares outstanding <sup>(1)</sup>	822,437,425	846,261,490
<b>Earnings per ordinary share (in euros)</b>	<b>1.73</b>	<b>5.97</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	822,437,425	846,261,490
<b>Diluted earnings per ordinary share (in euros)</b>	<b>1.73</b>	<b>5.97</b>

(1) Excluding treasury shares.

**NOTE 7.2.2 DIVIDENDS PAID**

Dividends paid by the Group in 2022 amounted to EUR 2,125 million and are detailed in the following table:

	2022			2021		
(In EURm)	Group Share	Non-controlling interests	Total	Group Share	Non-controlling interests	Total
Paid in shares	-	-	-	-	-	-
Paid in cash	(1,371)	(754)	(2,125)	(468)	(193)	(661)
<b>TOTAL</b>	<b>(1,371)</b>	<b>(754)</b>	<b>(2,125)</b>	<b>(468)</b>	<b>(193)</b>	<b>(661)</b>

**NOTE 7.3 Unrealised or deferred gains and losses****BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES**

	31.12.2022				
	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
(In EURm)					
Translation differences	690	(12)	678	722	(44)
Revaluation of debt instruments at fair value through other comprehensive income	(597)	112	(485)	(325)	(160)
Revaluation of available-for-sale financial assets	(873)	217	(656)	(636)	(20)
Revaluation of hedging derivatives	(232)	(59)	(291)	(308)	17
<b>Subtotal of unrealised gains and losses with subsequent recycling in the income statement</b>	<b>(1,012)</b>	<b>258</b>	<b>(754)</b>	<b>(547)</b>	<b>(207)</b>
Actuarial gains and losses on defined benefit plans <sup>(2)</sup>	93	(27)	66	56	10
Revaluation of own credit risk of financial liabilities at fair value through profit or loss <sup>(3)</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>(560)</b>	<b>144</b>	<b>(416)</b>	<b>(218)</b>	<b>(198)</b>

	Changes of the period				
	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
(In EURm)					
<b>Allocation to retained earnings</b>					
Actuarial gains and losses on defined benefit plans	(235)	60	(175)	(170)	(5)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss	40	(10)	30	30	-
<b>TOTAL</b>	<b>(195)</b>	<b>50</b>	<b>(145)</b>	<b>(140)</b>	<b>(5)</b>
Translation differences <sup>(1)</sup>	1,820	(12)	1,808	1,804	4
Revaluation of debt instruments at fair value through other comprehensive income	(731)	147	(584)	(434)	(150)
Revaluation of available-for-sale financial assets	(1,223)	321	(902)	(885)	(17)
Revaluation of hedging derivatives	(380)	(53)	(433)	(441)	8
<b>Variation of unrealised gains and losses with subsequent recycling in the income statement</b>	<b>(514)</b>	<b>403</b>	<b>(111)</b>	<b>44</b>	<b>(155)</b>
Actuarial gains and losses on defined benefit plans <sup>(2)</sup>	92	(26)	66	56	10
Revaluation of own credit risk of financial liabilities at fair value through profit or loss <sup>(3)</sup>	671	(174)	497	499	(2)
Revaluation of equity instruments at fair value through other comprehensive income	(26)	2	(24)	(25)	1
<b>Variation of unrealised gains and losses without subsequent recycling in the income statement</b>	<b>737</b>	<b>(198)</b>	<b>539</b>	<b>530</b>	<b>9</b>
<b>TOTAL OF VARIATION</b>	<b>223</b>	<b>205</b>	<b>428</b>	<b>574</b>	<b>(146)</b>
<b>TOTAL OF CHANGES</b>	<b>28</b>	<b>255</b>	<b>283</b>	<b>434</b>	<b>(151)</b>

31.12.2021

(In EURm)	o/w				
	Gross value	Tax	Net value	Net Group share	Non-controlling interests
Translation differences	(1,130)	-	(1,130)	(1,082)	(48)
Revaluation of debt instruments at fair value through other comprehensive income	134	(35)	99	109	(10)
Revaluation of available-for-sale financial assets	350	(104)	246	249	(3)
Revaluation of hedging derivatives	148	(6)	142	133	9
<b>Subtotal of unrealised gains and losses with subsequent recycling in the income statement</b>	<b>(498)</b>	<b>(145)</b>	<b>(643)</b>	<b>(591)</b>	<b>(52)</b>
Actuarial gains and losses on defined benefit plans <sup>(2)</sup>	236	(61)	175	170	5
Revaluation of own credit risk of financial liabilities at fair value through profit or loss <sup>(3)</sup>	(386)	99	(287)	(287)	-
Revaluation of equity instruments at fair value through other comprehensive income	60	(4)	56	56	-
<b>Subtotal of unrealised gains and losses without subsequent recycling in the income statement</b>	<b>(90)</b>	<b>34</b>	<b>(56)</b>	<b>(61)</b>	<b>5</b>
<b>TOTAL</b>	<b>(588)</b>	<b>(111)</b>	<b>(699)</b>	<b>(652)</b>	<b>(47)</b>

(1) The variation in Group's translation differences of EUR 1,804 million is mainly related to the depreciation of euro against the US dollar (EUR 736 million) and to the variation of the translation on the Russian Rouble due to the sale of Rosbank (EUR 1,022 million).

(2) Gains and losses presented in these items are transferred into Retained earnings for the next financial year opening.

(3) During the derecognition of a financial liability, potential realised gains and losses attributable to Group own credit risk are subject to transfer into Retained earnings for the next financial year opening.



## NOTE 8 ADDITIONAL DISCLOSURES

### NOTE 8.1 Segment reporting

#### NOTE 8.1.1 DEFINITION OF SEGMENT REPORTING

The Group is managed on a matrix basis that takes into account its different business lines and the geographical breakdown of its activities. Segment reporting information is therefore presented under both criteria.

The Group includes in the results of each sub-division all operating income and expenses directly related to its activity. Income for each sub-division, except for the Corporate Centre, also includes the return on equity allocated to it, based on the estimated rate of return on Group equity. The return on the sub-division's book equity is then reallocated to the Corporate Centre. Transactions between sub-divisions are carried out under the same terms and conditions as those applying to non-Group customers.

The Group's core businesses are managed through three strategic pillars:

- French Retail Banking, which includes the domestic networks Societe Generale, Cr dit du Nord and Boursorama;
- International Retail Banking & Financial Services, which consists of:
  - International Retail Banking, including consumer finance activities,
  - Financial Services to Corporates (operational vehicle leasing and fleet management, equipment and vendor finance),
  - Insurance activities;

- Global Banking and Investor Solutions which comprises:

- Global Markets and Investors Services,
- Financing and Advisory,
- Asset and Wealth Management.

In addition to the strategic pillars, the Corporate Centre acts as the Group's central funding department. As such, it recognises the carrying cost of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's Asset and Liability Management (ALM) and income from the Group's management of its assets (management of its industrial and bank equity portfolio and of its real estate assets). Income or expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Centre.

Segment income take intra-group transactions into account, while these transactions are eliminated from segment assets and liabilities.

The tax rate levied on each business line is based on the standard tax rate applicable in each country where the division makes profits. Any difference with respect to the Group's tax rate is allocated to the Corporate Centre.

For the purpose of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the booking entities.

## NOTE 8.1.2 SEGMENT REPORTING BY DIVISION AND SUB-DIVISION

(In EURm)	2022										
	International Retail Banking and Financial Services					Global Banking and Investor Solutions					
	French Retail Banking*	International Retail Banking	Financial Services	Insurance	Total	Global Markets and Investors Services	Financing and Advisory	Asset management*	Total	Corporate Centre <sup>(1)</sup>	Total group Societe Generale
Net banking income	8,839	5,153	2,957	1,012	9,122	6,708	3,374	-	10,082	16	28,059
Operating expenses <sup>(2)</sup>	(6,473)	(2,794)	(1,149)	(391)	(4,334)	(4,705)	(1,929)	-	(6,634)	(1,189)	(18,630)
<b>Gross operating income</b>	<b>2,366</b>	<b>2,359</b>	<b>1,808</b>	<b>621</b>	<b>4,788</b>	<b>2,003</b>	<b>1,445</b>	<b>-</b>	<b>3,448</b>	<b>(1,173)</b>	<b>9,429</b>
Cost of risk	(483)	(637)	(68)	-	(705)	5	(426)	-	(421)	(38)	(1,647)
<b>Operating income</b>	<b>1,883</b>	<b>1,722</b>	<b>1,740</b>	<b>621</b>	<b>4,083</b>	<b>2,008</b>	<b>1,019</b>	<b>-</b>	<b>3,027</b>	<b>(1,211)</b>	<b>7,782</b>
Net income from investments accounted for using the equity method	8	1	-	-	1	6	3	-	6		15
Net income/expense from other assets <sup>(4)</sup>	57	11	-	-	11	3	-	-	6	(3,364)	(3,290)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	-	-
<b>Earnings before Tax</b>	<b>1,948</b>	<b>1,734</b>	<b>1,740</b>	<b>621</b>	<b>4,095</b>	<b>2,017</b>	<b>1,022</b>	<b>-</b>	<b>3,039</b>	<b>(4,575)</b>	<b>4,507</b>
Income tax	(504)	(441)	(394)	(161)	(996)	(458)	(118)	-	(576)	516	(1,560)
<b>Consolidated Net Income</b>	<b>1,444</b>	<b>1,293</b>	<b>1,346</b>	<b>460</b>	<b>3,099</b>	<b>1,559</b>	<b>904</b>	<b>-</b>	<b>2,463</b>	<b>(4,059)</b>	<b>2,947</b>
Non controlling interests	(1)	453	267	3	723	35	1	-	36	171	929
<b>Net income, Group Share</b>	<b>1,445</b>	<b>840</b>	<b>1,079</b>	<b>457</b>	<b>2,376</b>	<b>1,524</b>	<b>903</b>	<b>-</b>	<b>2,427</b>	<b>(4,230)</b>	<b>2,018</b>
<b>Segment assets</b>	<b>300,473</b>	<b>124,734</b>	<b>45,735</b>	<b>162,483</b>	<b>332,952</b>	<b>591,685</b>	<b>172,360</b>	<b>-</b>	<b>764,045</b>	<b>89,348</b>	<b>1,486,818</b>
<b>Segment liabilities<sup>(3)</sup></b>	<b>308,602</b>	<b>89,678</b>	<b>15,532</b>	<b>149,005</b>	<b>254,215</b>	<b>637,903</b>	<b>72,044</b>	<b>-</b>	<b>709,947</b>	<b>141,272</b>	<b>1,414,036</b>

## 2021

	International Retail Banking and Financial Services					Global Banking and Investor Solutions					Total group Societe Generale
	French Retail Bank-ing*	International Retail Bank-ing	Financial Services	Insurance	Total	Global Markets and Investors Services*	Financing and Advisory*	Asset management*	Total*	Corporate Centre <sup>(1)</sup>	
(In EURm)											
Net banking income	8,489	5,000	2,154	963	8,117	5,650	2,929	239	8,818	374	25,798
Operating expenses <sup>(2)</sup>	(6,248)	(2,914)	(916)	(373)	(4,203)	(4,301)	(1,765)	(184)	(6,250)	(889)	(17,590)
<b>Gross operating income</b>	<b>2,241</b>	<b>2,086</b>	<b>1,238</b>	<b>590</b>	<b>3,914</b>	<b>1,349</b>	<b>1,164</b>	<b>55</b>	<b>2,568</b>	<b>(515)</b>	<b>8,208</b>
Cost of risk	(125)	(429)	(75)	-	(504)	(2)	(63)	-	(65)	(6)	(700)
<b>Operating income</b>	<b>2,116</b>	<b>1,657</b>	<b>1,163</b>	<b>590</b>	<b>3,410</b>	<b>1,347</b>	<b>1,101</b>	<b>55</b>	<b>2,503</b>	<b>(521)</b>	<b>7,508</b>
Net income from investments accounted for using the equity method	1	-	-	-	-	4	-	-	4	1	6
Net income/expense from other assets <sup>(4)</sup>	23	18	1	(1)	18	(8)	(1)	-	(9)	603	635
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	(114)	(114)
<b>Earnings before Tax</b>	<b>2,140</b>	<b>1,675</b>	<b>1,164</b>	<b>589</b>	<b>3,428</b>	<b>1,343</b>	<b>1,100</b>	<b>55</b>	<b>2,498</b>	<b>(31)</b>	<b>8,035</b>
Income tax	(592)	(405)	(270)	(165)	(840)	(284)	(155)	(13)	(452)	187	(1,697)
<b>Consolidated Net Income</b>	<b>1,548</b>	<b>1,270</b>	<b>894</b>	<b>424</b>	<b>2,588</b>	<b>1,059</b>	<b>945</b>	<b>42</b>	<b>2,046</b>	<b>156</b>	<b>6,338</b>
Non controlling interests	(2)	334	169	3	506	27	1	-	28	165	697
<b>Net income, Group Share</b>	<b>1,550</b>	<b>936</b>	<b>725</b>	<b>421</b>	<b>2,082</b>	<b>1,032</b>	<b>944</b>	<b>42</b>	<b>2,018</b>	<b>(9)</b>	<b>5,641</b>
<b>Segment assets</b>	<b>299,249</b>	<b>135,993</b>	<b>41,362</b>	<b>181,148</b>	<b>358,503</b>	<b>505,796</b>	<b>149,202</b>	<b>315</b>	<b>655,313</b>	<b>151,384</b>	<b>1,464,449</b>
<b>Segment liabilities<sup>(3)</sup></b>	<b>304,877</b>	<b>101,650</b>	<b>13,834</b>	<b>166,055</b>	<b>281,539</b>	<b>636,754</b>	<b>57,221</b>	<b>31</b>	<b>694,006</b>	<b>113,164</b>	<b>1,393,586</b>

\* Following the steering changes at the end of 2021 resulting from the sale of Lyxor, Private Banking is part of the pillar French Retail Banking since 1 January 2022. The 2021 data have been restated mainly to reflect this transfer.

(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.

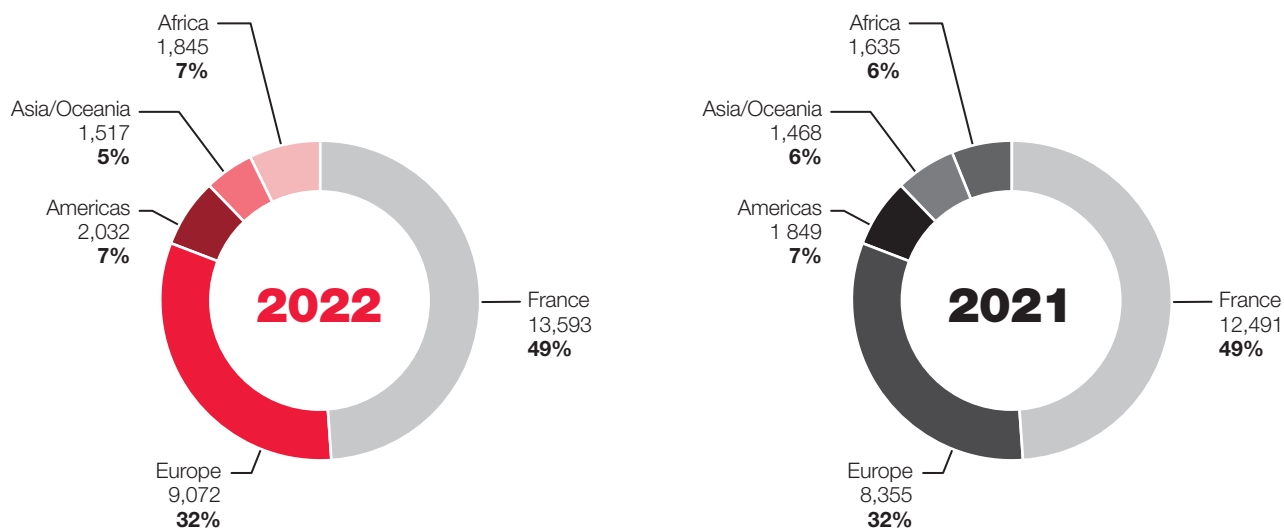
(2) These amounts include Personnel expenses, Other operating expenses and Amortisation, depreciation and impairment of tangible and intangible fixed assets.

(3) Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

(4) 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 (see Note 2.1).

## NOTE 8.1.3 SEGMENT REPORTING BY GEOGRAPHICAL REGION

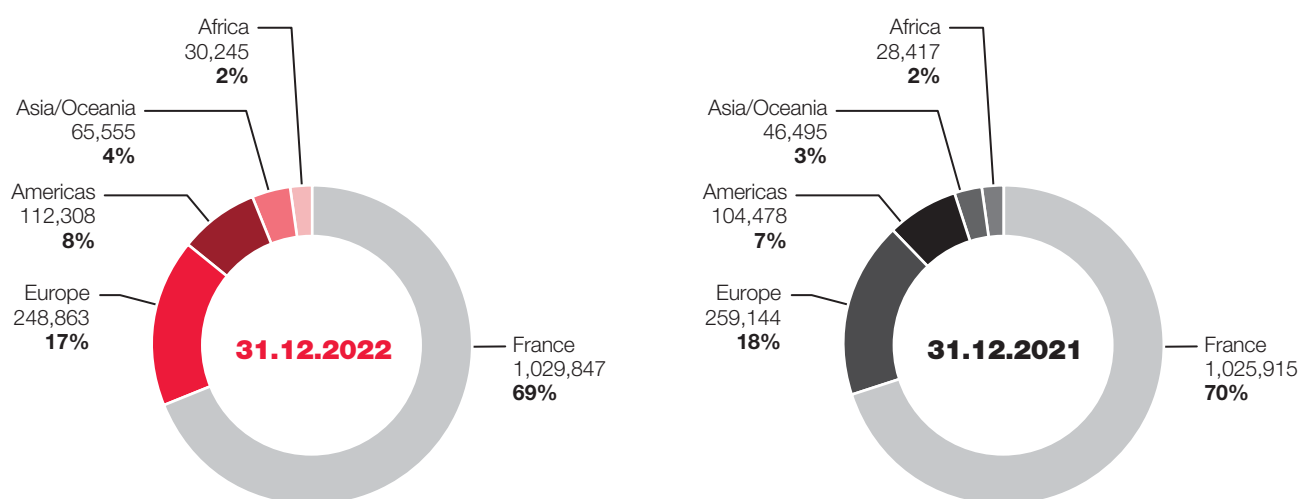
## GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME (IN EURM)



As at 31 December 2022, the amount of net banking income is EUR 28,059 million compared to EUR 25,798 million as at 31 December 2021.

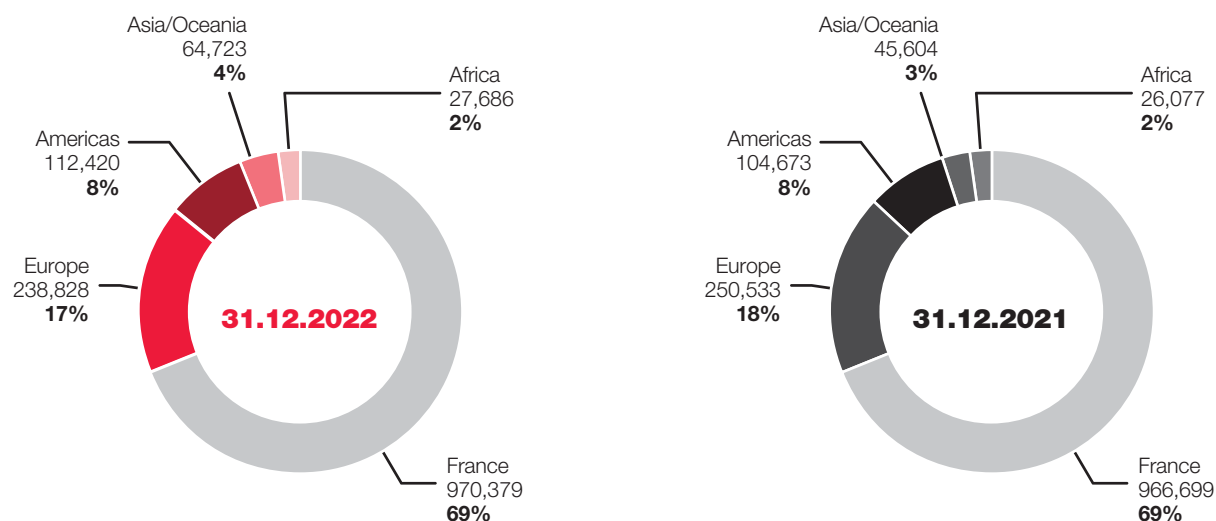
## GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN EURM)

## ASSETS



As at 31 December 2022, the amount of assets is EUR 1,486,818 million compared to EUR 1,464,449 million as at 31 December 2021.

## LIABILITIES



As at 31 December 2022, the amount of liabilities (except shareholder equity) is EUR 1,414,036 million compared to EUR 1,393,586 million as at 31 December 2021.

Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

## NOTE 8.2 Other operating expenses

## ACCOUNTING PRINCIPLES

The Group records operating expenses under expenses, according to the type of services to which they refer and the rate of use of said services.

Rentals include real estate and equipment leasing expenses, which do not result in a recognition of a lease liability and right-of-use asset (see Note 8.4).

Taxes and levies are only booked when the triggering event provided for by law occurs. If the obligation to pay the tax arises from the gradual operation of an activity, the expense must be spread out over the same period. Finally, if the obligation to pay is generated when a threshold is reached, the expense is only recorded once the threshold is reached.

Taxes and levies cover all contributions levied by a public authority and include the contributions paid to the Single Resolution Fund and the Deposit Insurance and Resolution Fund, the systemic risk tax, and contributions for ACPR control costs, which are recognised 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)

	2022	2021
Rentals	(348)	(323)
Taxes and levies	(1,359)	(993)
Data & telecom (excluding rentals)	(2,574)	(2,371)
Consulting fees	(1,351)	(1,157)
Other	(1,377)	(1,337)
<b>TOTAL</b>	<b>(7,009)</b>	<b>(6,181)</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 n°806/2014 of 15 July 2014 then determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF). In addition to this instrument, the National Resolution Fund (NRF) exists for institutions subject to this resolution mechanisms, but that have no SRF.

The Single Resolution Fund, established in January 2016, shall receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the

Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments.

In 2022, the Group's contributions to the SRF and the NRF were as follows:

- cash contributions (85%) for a total of EUR 863 million (versus EUR 586 million in 2021) of which EUR 811 million for the SRF and EUR 52 million for the NRF. These contributions are non-tax-deductible in France and have been recorded in the income statement in Other administrative expenses, among Taxes and levies;
- irrevocable payment commitments (15%) backed by a cash collateral for EUR 142 million related to the SRF (versus EUR 96 million in 2021) recorded as an asset in the balance sheet, among Other assets.

## NOTE 8.3 Provisions

### ACCOUNTING PRINCIPLES

Under balance sheet liabilities, Provisions are comprised of provisions for financial instruments, disputes and employee benefits.

## OVERVIEW

(In EURm)	Provisions as at 31.12.2021	Allocations	Write-backs available	Net allocation	Write-backs used	Currency and others	Provisions as at 31.12.2022
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	888	683	(660)	23	-	(13)	898
Provisions for employee benefits (see Note 5)	2,301	528	(164)	364	(187)	(476)	2,002
Provisions for mortgage savings plans and accounts commitments	316	32	(223)	(191)	-	-	125
Other provisions*	1,345	616	(347)	269	(43)	(17)	1,554
<b>TOTAL</b>	<b>4,850</b>	<b>1,859</b>	<b>(1,394)</b>	<b>465</b>	<b>(230)</b>	<b>(506)</b>	<b>4,579</b>

\*including provisions for legal disputes, fines, penalties and commercial disputes.

**NOTE 8.3.1 COMMITMENTS UNDER MORTGAGE SAVINGS AGREEMENTS****ACCOUNTING PRINCIPLES**

In France, *Comptes d'épargne-logement* (CEL or mortgage savings accounts) and *Plans d'épargne-logement* (PEL or mortgage savings plans) are special savings schemes for individual customers which are governed by Law 65-554 of 10 July 1965. These products combine an initial deposit phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. The lending phase is subject to the prior existence of the savings phase and is therefore inseparable from it. The savings deposits collected and loans granted are measured at amortised cost.

These instruments create two types of commitments for the Group: the obligation to pay interest on customer savings for an indeterminate future period at an interest rate established at the inception of the mortgage savings agreement, and the obligation to subsequently lend to the customer at an interest rate also established at the inception of the savings agreement.

If it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Group, a provision is recorded on the liabilities side of the balance sheet. Any changes in these provisions are recognised as net banking income under Net interest income. These provisions only relate to commitments arising from PEL/CEL that are outstanding at the date of calculation.

Provisions are calculated for each generation of mortgage savings plans (PEL), with no netting between different PEL generations, and for all mortgage saving accounts (CEL) making up a single generation.

During the deposit phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observations of past customer behaviour.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable on the basis of deposits that are currently recognised in the balance sheet at the date of calculation and on the basis of historical observations of past customer behaviour.

A provision is recognised if the discounted value of expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated on the basis of interest rates available to individual customers for equivalent savings and loan products, with a similar estimated life and date of inception.

**OUTSTANDING DEPOSITS IN PEL/CEL ACCOUNTS**

(In EURm)	31.12.2022	31.12.2021
PEL accounts	17,846	18,789
Less than 4 years old	773	714
Between 4 and 10 years old	8,774	10,411
More than 10 years old	8,299	7,664
CEL accounts	1,629	1,513
<b>TOTAL</b>	<b>19,475</b>	<b>20,302</b>

**OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS**

(In EURm)	31.12.2022	31.12.2021
Less than 4 years old	-	0
Between 4 and 10 years old	1	3
More than 10 years old	6	7
<b>TOTAL</b>	<b>7</b>	<b>10</b>

## PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In EURm)	31.12.2021	Allocations	Write-backs	31.12.2022
PEL accounts	302	1	(223)	80
<i>Less than 4 years old</i>	2	1	-	3
<i>Between 4 and 10 years old</i>	36	-	(34)	2
<i>More than 10 years old</i>	264	-	(189)	75
CEL accounts	14	31	-	45
<b>TOTAL</b>	<b>316</b>	<b>32</b>	<b>(223)</b>	<b>125</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 2022. 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 2022.

### METHODS USED TO ESTABLISH PROVISION VALUATION INPUTS

The inputs used to estimate future customer behaviour are derived from historical observations of customer behaviour patterns over a long period (more than 10 years). The values of these inputs can be

adjusted whenever changes are made to regulations that may undermine the effectiveness of past data as an indicator of future customer behaviour.

The values of the different market inputs used, notably interest rates and margins, are calculated on the basis of observable data and constitute a best estimate, at the date of valuation, of the future value of these items for the period in question, in line with the Retail Banking Division's policy of interest rate risk management.

The discount rates used are derived from the zero-coupon swaps versus Euribor yield curve at the valuation date, averaged over a 12-month period.

### NOTE 8.3.2 OTHER PROVISIONS

Other provisions include provisions for restructuring (except staff costs), provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

The Group is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, the Group and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of the Group's current business. In recent years, litigation with investors and the number of disputes involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Group entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

In preparing its financial statements, the Group assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgment and taking into account all information available when financial statements are prepared. In particular, the Group takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court decisions already taken, as well as its experience and the experiences of other companies dealing with similar cases (assuming that the Group has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter, the Group carries out a detailed examination of outstanding disputes that present a significant risk. The description of those disputes is presented in Note 9 "Information on risks and litigation".



**NOTE 8.4 Tangible and intangible fixed assets****ACCOUNTING PRINCIPLES****Tangible and intangible fixed assets**

Tangible and intangible fixed assets include operating and investment fixed assets. Equipment assets held for operating leases purpose are included in operating tangible assets, while buildings held for leasing purposes are included in investment property.

Tangible and intangible fixed assets are carried at their purchase price on the asset side of the balance sheet, less depreciation, amortisation and impairment.

The purchase price of fixed assets includes borrowing costs incurred to fund a lengthy construction period for the fixed assets, along with all other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets. Software developed internally is recorded on the asset side of the balance sheet in the amount of the direct cost of development.

As soon as they are fit for use, fixed assets are depreciated or amortised using the component-based approach. Each component is depreciated or amortised over its own useful life. The Group has applied this approach to its operating properties, breaking down its assets into components with depreciation periods of 10 to 50 years. Depreciation periods for fixed assets other than buildings depend on their useful life, which is usually estimated at 3 to 20 years.

Any residual value of the asset is deducted from its depreciable amount. If there is a subsequent decrease or increase in this initial residual value, the depreciable amount of the asset is adjusted, leading to a prospective modification of the depreciation schedule.

Depreciation and amortisation are recorded in the income statement under Amortisation, depreciation and impairment of tangible and intangible fixed assets.

Fixed assets grouped into Cash Generating Units are tested for impairment whenever there is any indication that their value may have diminished. Allocations and reversals of provisions for impairment are recorded in profit or loss under Amortisation, depreciation and impairment of tangible and intangible fixed assets.

Realised capital gains and losses on operating fixed assets are recognised under Net income from other assets.

Investment properties are depreciated using the component-based method. Each component is depreciated over its own useful life, ranging from 10 to 50 years.

Profits or losses on investment property, including amortisation and depreciation, are recognised under Income from other activities and Expense from other activities (see Note 4.2).

**Assets under operating leases**

The cars under operating leases related to fleet management by the Group are amortised on a straight-line basis over the lease term, which averages between 3 and 5 years. The depreciable value of these cars corresponds to their purchase cost less their residual value.

The purchase cost of the rental cars includes the purchase price of the cars, as well as the direct upfront costs necessary to make them available to lessees. Their residual value is an estimate of their resale value at the end of the contract. This estimate is based on statistical data and is reviewed at least once a year to take account of price fluctuations on the market for second-hand vehicles. In the event of a decrease or increase in the residual value from its initial estimate, that change in estimate shall result, on a vehicle-by-vehicle basis, in an adjustment to its remaining depreciable value in order to modify its depreciation plan prospectively.

Profit or losses on operating lease assets, including depreciation and impairment, are recognised under Income from other activities and Expenses from other activity (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 nine year leases with an early-termination option at the end of three and six year term (leases referred to as "3/6/9"); at the end of the nine year term, if no new agreement is signed, the initial lease is renewed by tacit agreement for a five year term. This five year term may be modified depending on the quality of the location, the completion of major investments, or the planned closure of a group of designated branches.

**Changing the lease term**

The term must be modified in case of a change of circumstances which lead the lessee to revise the exercise of the options included in the lease contract or in case of events which contractually oblige the lessee to exercise (or not) an option that had not been included (or is included) in the lease contract.

Following a change in the lease term, the lease obligation must be reassessed to reflect those changes by using a revised discount rate for the remaining estimated term of the contract.

**ACCOUNTING TREATMENT BY THE GROUP AS A LESSEE**

On the commencement date (on which the leased asset is made available for use), the lessee must record a lease liability on the liabilities side of the balance sheet and a right-of-use asset on the assets side of the balance sheet except for the exemptions described below.

In the income statement, the lessee must recognise an interest expense calculated on the lease liability under Net banking income and a depreciation of the right-of-use under Amortisation, depreciation and impairment of tangible and intangible fixed assets.

The rental payments will partly reduce the lease liability and partly remunerate this liability in the form of interest expense.

**Exemptions and exclusions**

The Group does not apply the new lease treatment to contracts with a term of less than one year (including renewal options), nor to contracts on low-value items by applying the exemption threshold of USD 5,000 as indicated in the standard's Basis for Conclusions (the threshold should be measured against the replacement cost per unit of the leased asset).

**Rental payment amounts**

The payments to be considered for the measurement of the lease liability include fixed and variable rental payments based on an index (e.g. consumer price index or construction cost index), plus, where applicable, the funds that the lessee expects to pay the lessor for residual value guarantees, purchase options, or early termination penalties.

However, variable lease payments that are indexed on the use of the leased asset (indexed on revenue or mileage, for example) are excluded from the measurement of lease liability. This variable portion of the rental payments is recorded in the net income over time according to fluctuations in contractual indexes fluctuations.

Rental payments have to be considered based on their amount net of value-added tax. In addition, for building leases, occupancy taxes and property taxes passed on by lessors will be excluded from lease liabilities because their amount, as set by the competent public authorities, is variable.

**Recognition of the lease liability**

The liability initial amount is equal to the discounted value of the rental payments that will be payable over the lease period.

This lease liability is then measured at the amortised cost using the effective interest rate method: part of each rental payment will then be booked as interest expenses in the income statement, and part will be gradually deducted from the lease liability on the balance sheet.

After the commencement date, the amount of the lease liability may be adjusted if the lease is amended, the lease period is re-estimated, or to account for contractual changes in the rental payments related to the application of indices or rates.

As applicable, the lessee must also recognise a provision in its liabilities to cover the costs of restoring the leased asset that would be assumed when the lease ends.

**Recognition of the right-of-use**

On the availability date of the leased asset, the lessee must enter a right-of-use asset, on the assets side of the balance sheet, for an amount equal to the initial value of the lease liability, plus, as applicable, initial direct costs (e.g. issuance of an authenticated lease, registration fees, negotiation fees, front-end fee, leasehold right, lease premium, etc), advance payments, and restoration costs.

This asset is then depreciated on a straight-line basis over the lease period that is applied for measuring the lease liability.

After the commencement date, the asset's value may be adjusted if the lease is amended, as it is the case for the lease liability.

Rights-of-use is presented on the lessee's balance sheet under the items of fixed assets where properties of the same type that are held in full ownership are entered. If the lease stipulates the initial payment of a leasehold right to the former tenant of the premises, the amount of that right is stated as a separate component of the right of use and presented under the same heading as the latter.

**Lease discount rates**

The Group uses the lessees' incremental borrowing rate to discount the rental payments as well as the amount of lease liabilities. For the entities which can directly refinance themselves on their local markets, the incremental borrowing rate is set at the lessee entity level, not at the Group level, in consideration of the borrowing terms and that entity's credit risk. For the entities which refinance themselves through the Group, the incremental borrowing rate is set by the Group.

The discount rates are set according to the currency, the country of the lessee entities and the maturity estimated of the contracts.

## CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In EURm)	31.12.2021	Increases/ allowances	Disposals/ reversals	Other movements	31.12.2022
<b>Intangible Assets</b>					
Gross value	8,410	974	(146)	(258)	8,980
Amortisation and impairments	(5,677)	(637)	110	106	(6,098)
<b>Tangible Assets (w/o assets under operating leases)</b>					
Gross value	11,463	509	(519)	(422)	11,031
Depreciation and impairments	(6,859)	(544)	439	222	(6,742)
<b>Assets under operating leases</b>					
Gross value	31,080	12,075	(9,524)	(698)	32,933
Depreciation and impairments	(8,514)	(3,749)	3,070	331	(8,862)
<b>Investment Property</b>					
Gross value	32	9	(13)	2	30
Depreciation and impairments	(20)	(1)	2	-	(19)
<b>Rights-of-use</b>					
Gross value	3,181	402	(249)	(113)	3,221
Amortisation and impairments	(1,128)	(447)	119	71	(1,385)
<b>TOTAL</b>	<b>31,968</b>	<b>8,591</b>	<b>(6,711)</b>	<b>(759)</b>	<b>33,089</b>

## BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In EURm)	31.12.2022	31.12.2021
Payments due in less than five years	25,016	22,371
<i>Payments due in less than one year</i>	8,081	8,319
<i>Payments due from one to two years</i>	6,628	5,905
<i>Payments due from two to three years</i>	5,788	5,090
<i>Payments due from three to four years</i>	3,639	2,437
<i>Payments due from four to five years</i>	880	620
Payments due in more than five years	43	168
<b>TOTAL</b>	<b>25,059</b>	<b>22,539</b>

## INFORMATIONS RELATIVE TO LEASES ON TANGIBLE ASSETS USED BY THE GROUP

**Property Leases**

Most of the leases (more than 90%) involve building leases contracted for the lease of commercial and office space:

- the commercial spaces are branches in the Group's French and international retail banking networks. In France, the majority of property leases contracted are 9-year commercial leases with early termination options at three and six years (so-called "3/6/9" leases). If a new contract is not signed by the end of that 9-year period, the initial lease is automatically extended;
- the office buildings are leased for certain departments reporting to the Group's French headquarters or the local head offices of the main foreign subsidiaries, and for certain locations in the main international financial centres: London, New York, Hong Kong...

Outside France, residual lease periods are generally below 10 years. In some countries, such as Russia, leases can be annual, with optional automatic renewal. In other locations, specifically London and New York, lease periods can be as long as 25 years.

**Equipment Leases**

Other leases (less than 10%) are mainly computer equipment leases and a very small percentage of vehicle leases.

## OVERVIEW TABLE OF LEASE TRANSACTION COSTS AND SUBLEASE INCOME

(In EURm)	31.12.2022			
	Real estate	IT	Others	Total
Lease	(440)	(47)	(8)	(495)
Interest expenses on lease liabilities	(37)	(0)	(0)	(37)
Depreciation charge for right-of-use assets	(361)	(42)	(4)	(407)
Expense relating to short-term leases	(29)	(1)	(3)	(33)
Expense relating to leases of low-value assets	(1)	(4)	(1)	(6)
Expense relating to variable lease payments	(12)	(0)	(0)	(12)
Sublease income	11	-	-	11

(In EURm)	31.12.2021			
	Real estate	IT	Others	Total
Lease	(470)	(45)	(8)	(523)
Interest expenses on lease liabilities	(39)	-	-	(39)
Depreciation charge for right-of-use assets	(385)	(41)	(3)	(429)
Expense relating to short-term leases	(36)	-	(3)	(39)
Expense relating to leases of low-value assets	(2)	(4)	(2)	(8)
Expense relating to variable lease payments	(8)	-	-	(8)
Sublease income	14	-	-	14

**NOTE 8.5 Companies included in the consolidation scope**

				Group ownership interest		Group voting interest	
				As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Country		Activity	Method*				
South Africa							
(1)	SG JOHANNESBURG	Bank	FULL	100	100	100	100
Algeria							
	ALD AUTOMOTIVE ALGERIE SPA	Specialist Financing	FULL	75.94	79.81	99.99	99.99
	SOCIETE GENERALE ALGERIE	Bank	FULL	100	100	100	100
Germany							
	ALD AUTOLEASING D GMBH	Specialist Financing	FULL	75.94	79.82	100	100
	ALD INTERNATIONAL GMBH	Specialist Financing	FULL	75.94	79.82	100	100
	ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	FULL	75.94	79.82	100	100
	ALD LEASE FINANZ GMBH	Specialist Financing	FULL	100	100	100	100
	BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Specialist Financing	FULL	99.94	99.94	90	51
	BDK LEASING UND SERVICE GMBH	Specialist Financing	FULL	100	100	100	100
	CAR PROFESSIONAL FUHRPARKMANAGEMENT UND BERATUNGSGESELLSCHAFT MBH & CO. KG	Specialist Financing	FULL	75.94	79.82	100	100
	CARPOOL GMBH	Broker	FULL	75.94	79.82	100	100
(6)	FLEETPOOL GMBH	Specialist Financing	FULL	75.94	0	100	0
	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	75.94	79.82	100	100
	RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	100	100	100
(2)	RED & BLACK AUTO GERMANY 5 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	0	100	0	100
	RED & BLACK AUTO GERMANY 6 UG	Financial Company	FULL	100	100	100	100
	RED & BLACK AUTO GERMANY 7	Financial Company	FULL	100	100	100	100
	RED & BLACK AUTO GERMANY 8	Financial Company	FULL	100	100	100	100
(6)	RED & BLACK AUTO GERMANY 9 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	0	100	0
	SG EQUIPMENT FINANCE GMBH	Specialist Financing	FULL	100	100	100	100
(1)	SG FRANCFORT	Bank	FULL	100	100	100	100
	SOCIETE GENERALE EFFEKTEN GMBH	Financial Company	FULL	100	100	100	100

				Group ownership interest		Group voting interest	
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Germany		SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	FULL	100	100	100
	(1)	SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100
	(1)	SOGESSUR DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100
Australia							
		SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	FULL	100	100	100
	(1)	SOCIETE GENERALE SYDNEY BRANCH	Bank	FULL	100	100	100
Austria							
		ALD AUTOMOTIVE FUHRPARKMANAGEMENT UND LEASING GMBH	Specialist Financing	FULL	75.94	79.82	100
	(1)	SG VIENNE	Bank	FULL	100	100	100
Belarus							
		ALD AUTOMOTIVE LLC	Specialist Financing	FULL	75.94	79.82	100
Belgium							
		AXUS FINANCE SRL	Specialist Financing	FULL	75.94	79.82	100
		AXUS S.A./NV	Specialist Financing	FULL	75.94	79.82	100
		BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	FULL	60.74	60.74	100
		PARCOURS BELGIUM	Specialist Financing	FULL	75.94	79.82	100
	(1)	SG BRUXELLES	Bank	FULL	100	100	100
	(1)	SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	FULL	100	100	100
		SOCIETE GENERALE IMMOBEL	Financial Company	FULL	100	100	100
Benin							
		SOCIETE GENERALE BENIN	Bank	FULL	93.43	93.43	94.1
Bermuda							
		CATALYST RE INTERNATIONAL LTD.	Insurance	FULL	100	100	100
Brazil							
		ALD AUTOMOTIVE S.A.	Specialist Financing	FULL	75.94	79.82	100
		ALD CORRETORA DE SEGUROS LTDA	Specialist Financing	FULL	75.94	79.82	100
		BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100
		SOCIETE GENERALE EQUIPMENT FINANCE S/A – ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100
Bulgaria							
		ALD AUTOMOTIVE EOOD	Specialist Financing	FULL	75.94	79.82	100
Burkina Faso							
		SOCIETE GENERALE BURKINA FASO	Bank	FULL	51.27	51.27	52.61

				Group ownership interest		Group voting interest	
				As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Country		Activity	Method*				
Cayman Islands							
	AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100	100
Cameroon							
	SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08
Canada							
	13406300 CANADA INC. (EX-SOCIETE GENERALE CANADA)	Bank	FULL	100	100	100	100
(1)	SOCIETE GENERALE (CANADA BRANCH)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE CAPITAL CANADA INC	Broker	FULL	100	100	100	100
Chile							
	ALD AUTOMOTIVE LIMITADA	Specialist Financing	FULL	75.94	79.82	100	100
China							
	SOCIETE GENERALE (CHINA) LIMITED	Bank	FULL	100	100	100	100
	SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	FULL	100	100	100	100
Colombia							
	ALD AUTOMOTIVE S.A.S	Specialist Financing	FULL	75.94	79.82	100	100
Congo							
	SOCIETE GENERALE CONGO	Bank	FULL	93.47	93.47	93.47	93.47
South Korea							
	SG SECURITIES KOREA CO. LTD.	Broker	FULL	100	100	100	100
(1)	SG SEOUL	Bank	FULL	100	100	100	100
Ivory Coast							
	SOCIETE GENERALE CAPITAL SECURITIES WEST AFRICA	Portfolio Management	FULL	71.25	71.25	99.98	99.98
	SOCIETE GENERALE CÔTE D'IVOIRE	Bank	FULL	73.25	73.25	73.25	73.25
Croatia							
	ALD AUTOMOTIVE D.O.O. ZA. OPERATIVNI I FINANCIJSKI LEASING	Specialist Financing	FULL	75.94	79.82	100	100
	ALD FLEET SERVICES D.O.O. ZA. TRGOVINU I USLUGE	Specialist Financing	FULL	75.94	79.82	100	100
Curacao							
(2)	SGA SOCIETE GENERALE ACCEPTANCE N.V	Financial Company	FULL	0	100	0	100
Denmark							
	ALD AUTOMOTIVE A/S	Specialist Financing	FULL	75.94	79.82	100	100
	NF FLEET A/S	Specialist Financing	FULL	60.75	63.85	80	80
United Arab Emirates							
(1)	SOCIETE GENERALE, DIFC BRANCH (EX-SOCIETE GENERALE DUBAI)	Bank	FULL	100	100	100	100



Country		Activity	Method*	Group ownership interest		Group voting interest	
				As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Spain							
	ALD AUTOMOTIVE S.A.U.	Specialist Financing	FULL	75.94	79.82	100	100
	ALTURA MARKETS, SOCIEDAD DE VALORES, S.A.	Broker	EJV	50	50	50	50
(1)	GENEFIM SUCURSAL EN ESPANA	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SG EQUIPMENT FINANCE IBERIA, E.F.C, S.A.U (EX-SG EQUIPMENT FINANCE IBERIA, E.F.C, S.A.)	Specialist Financing	FULL	100	100	100	100
	SOCGEN FINANCIACIONES IBERIA, S.L.	Bank	FULL	100	100	100	100
	SOCGEN INVERSIONES FINANCIERAS S.L. (EX-SOCGEN INVERSIONES FINANCIERAS S.A.)	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
(6)	SOLUCIONES DE RENTING Y MOVILIDAD, S.L. (SOCIEDAD UNIPERSONAL)	Specialist Financing	FULL	75.94	0	100	0
Estonia							
	ALD AUTOMOTIVE EESTI A.S.	Specialist Financing	FULL	56.96	59.87	75.01	75.01
United States of America							
	AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
	SG AMERICAS EQUITIES CORP.	Financial Company	FULL	100	100	100	100
	SG AMERICAS OPERATIONAL SERVICES, LLC	Services	FULL	100	100	100	100
	SG AMERICAS SECURITIES HOLDINGS, LLC	Bank	FULL	100	100	100	100
	SG AMERICAS SECURITIES, LLC	Broker	FULL	100	100	100	100
	SG AMERICAS, INC.	Financial Company	FULL	100	100	100	100
	SG CONSTELLATION, INC.	Financial Company	FULL	100	100	100	100
	SG EQUIPMENT FINANCE USA CORP.	Specialist Financing	FULL	100	100	100	100
	SG MORTGAGE FINANCE CORP.	Financial Company	FULL	100	100	100	100
	SG MORTGAGE SECURITIES, LLC	Portfolio Management	FULL	100	100	100	100
	SG STRUCTURED PRODUCTS, INC.	Specialist Financing	FULL	100	100	100	100
(5)	SGAIH, INC.	Financial Company	FULL	0	100	0	100
(1)	SOCIETE GENERALE (NEW YORK)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE FINANCIAL CORPORATION	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE INVESTMENT CORPORATION	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE LIQUIDITY FUNDING, LLC	Financial Company	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
Finland							
	AXUS FINLAND OY	Specialist Financing	FULL	75.94	79.82	100	100
	NF FLEET OY	Specialist Financing	FULL	60.75	63.85	80	80
France							
	29 HAUSSMANN EQUILIBRE	Portfolio Management	FULL	87.1	87.1	87.1	87.1
	29 HAUSSMANN EURO RDT	Portfolio Management	FULL	58.1	58.1	58.1	58.1
	29 HAUSSMANN SELECTION EUROPE – K	Financial Company	FULL	45.23	45.23	45.23	45.23
	29 HAUSSMANN SELECTION MONDE	Portfolio Management	FULL	68.7	68.7	68.7	68.7
	908 REPUBLIQUE	Real Estate and Real Estate Financing	ESI	40	32	40	40
	AIR BAIL	Specialist Financing	FULL	100	100	100	100
	AIX – BORD DU LAC – 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
	AIX – BORD DU LAC – 4	Real Estate and Real Estate Financing	EJV	50	50	50	50
	ALD	Specialist Financing	FULL	75.94	79.82	75.94	79.82
	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
	AMUNDI CREDIT EURO – P	Financial Company	FULL	57.43	57.43	57.43	57.43
	ANNEMASSE-ILOT BERNARD	Real Estate and Real Estate Financing	FULL	80	80	80	80
	ANTALIS S.A.	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
(3)	AVIVA INVESTORS RESERVE EUROPE	Financial Company	FULL	0	69.35	0	69.35
	BANQUE COURTOIS	Bank	FULL	100	100	100	100
	BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN	Bank	FULL	50	50	50	50
	BANQUE KOLB	Bank	FULL	100	99.97	100	99.97
	BANQUE LAYDERNIER	Bank	FULL	100	100	100	100
	BANQUE NUGER	Bank	FULL	100	100	100	100
	BANQUE POUYANNE	Bank	ESI	35	35	35	35
	BANQUE RHONE-ALPES	Bank	FULL	99.99	99.99	99.99	99.99

Country	Activity	Method*	Group ownership interest		Group voting interest	
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France	BANQUE TARNEAUD	Bank	FULL	100	100	100
	BAUME LOUBIERE	Real Estate and Real Estate Financing	ESI	40	40	40
	BERLIOZ	Insurance	FULL	84.05	84.05	84.05
	(3) BOURSORAMA INVESTISSEMENT	Services	FULL	0	100	0
	(6) BOURSORAMA MASTER HOME LOANS FRANCE	Specialist Financing	FULL	100	0	100
	BOURSORAMA S.A.	Broker	FULL	100	100	100
	BREMAN LEASE S.A.S.	Specialist Financing	FULL	75.94	79.82	100
	CARBURAUTO	Group Real Estate Management Company	EJV	50	50	50
	CENTRE IMMO PROMOTION	Real Estate and Real Estate Financing	FULL	60	60	60
	CHARTREUX LOT A1	Real Estate and Real Estate Financing	FULL	100	100	100
	COMPAGNIE FINANCIERE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100
	COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)	Group Real Estate Management Company	FULL	100	100	100
	COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS	Specialist Financing	FULL	99.89	99.89	99.89
	CONTE	Group Real Estate Management Company	EJV	50	50	50
	CRÉDIT DU NORD	Bank	FULL	100	100	100
	DARWIN DIVERSIFIE 0-20	Portfolio Management	FULL	89.94	89.94	89.94
	DARWIN DIVERSIFIE 40-60	Portfolio Management	FULL	79.78	79.78	79.78
	DARWIN DIVERSIFIE 80-100	Portfolio Management	FULL	78.34	78.34	78.34
	DISPONIS	Specialist Financing	FULL	99.99	99.99	100
	ECHIQUEUR AGENOR EURO SRI MID CAP	Insurance	FULL	40.85	40.85	40.85
	ESNI – COMPARTIMENT SG-CRÉDIT CLAIMS – 1	Financial Company	FULL	100	100	100
	ETOILE CAPITAL	Financial Company	FULL	99.99	100	99.99
	ETOILE MULTI GESTION EUROPE-C	Insurance	FULL	51.59	51.59	51.59
	ETOILE MULTI GESTION USA – PART P	Insurance	FULL	35.18	35.18	35.18
	F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	FULL	100	80	100
	FCC ALBATROS	Portfolio Management	FULL	100	100	51
	(6) FCT LA ROCHE	Specialist Financing	FULL	100	0	100
	FEEDER LYX E ST50 D6	Portfolio Management	FULL	100	100	100
	FEEDER LYXOR CAC40 D2-EUR	Portfolio Management	FULL	100	100	100

					Group ownership interest		Group voting interest	
					As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Country			Activity	Method*				
France	(3)	FEEDER LYXOR CAC40 D6	Insurance	FULL	0	100	0	100
	(2)	FEEDER LYXOR EURO STOXX 50 – D9	Financial Company	FULL	0	99.98	0	99.98
		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	99.64	100	99.64
		GENEFIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
		GENEFINANCE	Portfolio Management	FULL	100	100	100	100
		GENEGIS I	Group Real Estate Management Company	FULL	100	100	100	100
		GENEGIS II	Group Real Estate Management Company	FULL	100	100	100	100
		GENEPIERRE	Real Estate and Real Estate Financing	FULL	56.56	56.68	56.56	56.68
		GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
	(6)	HAGA NYGATA	Specialist Financing	FULL	100	0	100	0
	(6)	HIPPOLYTE	Specialist Financing	FULL	100	0	100	0
		HYUNDAI CAPITAL FRANCE (EX SEFIA)	Specialist Financing	ESI	49.95	99.89	50	100
		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
		JSJ PROMOTION	Real Estate and Real Estate Financing	ESI	45	45	45	45
		LA CORBEILLERIE	Real Estate and Real Estate Financing	ESI	40	24	40	40

			Group ownership interest		Group voting interest		
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France	LA FONCIERE DE LA DEFENSE	Real Estate and Real Estate Financing	FULL	100	99.99	100	100
	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
	LES JARDINS DE L'ALCAZAR	Real Estate and Real Estate Financing	ESI	30	30	30	30
	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
	LYX ACT EURO CLIMAT-D3EUR	Insurance	FULL	100	100	100	100
	LYX ACT EURO CLIMAT-DEUR	Insurance	FULL	100	100	100	100
	LYXOR ACTIONS EURO CLIMAT D4 EUR	Insurance	FULL	100	100	100	100
	LYXOR GL OVERLAY F	Portfolio Management	FULL	87.27	87.27	87.27	87.27
	LYXOR SKYFALL FUND	Insurance	FULL	88.98	88.98	88.98	88.98
	MEDITERRANEE GRAND ARC	Real Estate and Real Estate Financing	EJV	50	50	50	50
	NORBAIL IMMOBILIER	Real Estate and Real Estate Financing	FULL	100	100	100	100
	NORBAIL SOFERGIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	NORMANDIE 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	Real Estate and Real Estate Financing	FULL	100	100	100	100
	ORADEA VIE	Insurance	FULL	100	100	100	100
	ORPAVIMOB	Specialist Financing	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest		Group voting interest		
				As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
France	(5)	PACTIMO	Real Estate and Real Estate Financing	FULL	0	100	0	100
		PARCOURS	Specialist Financing	FULL	75.94	79.82	100	100
		PARCOURS ANNECY	Specialist Financing	FULL	75.94	79.82	100	100
		PARCOURS BORDEAUX	Specialist Financing	FULL	75.94	79.82	100	100
		PARCOURS NANTES	Specialist Financing	FULL	75.94	79.82	100	100
		PARCOURS STRASBOURG	Specialist Financing	FULL	75.94	79.82	100	100
		PARCOURS TOURS	Specialist Financing	FULL	75.94	79.82	100	100
		PAREL	Services	FULL	100	100	100	100
		PHILIPS MEDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
		PIERRE PATRIMOINE	Financial Company	FULL	100	100	100	100
		PRAGMA	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6)	PRIMONIAL DOUBLE IMMO	Real Estate and Real Estate Financing	FULL	100	0	100	0
		PRIORIS	Specialist Financing	FULL	94.89	94.89	95	95
		PROGEREAL (EX-PROGEREAL S.A.)	Real Estate and Real Estate Financing	ESI	25.01	25.01	25.01	25.01
		PROJECTIM	Real Estate and Real Estate Financing	FULL	100	60	100	60
		RED & BLACK AUTO LEASE FRANCE 1	Financial Company	FULL	75.94	79.82	100	100
		RED & BLACK CONSUMER FRANCE 2013	Financial Company	FULL	100	100	100	100
	(2)	RED & BLACK HOME LOANS FRANCE 1	Financial Company	FULL	0	100	0	100
	(6)	RED & BLACK HOME LOANS FRANCE 2	Financial Company	FULL	100	0	100	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
		SAINT-MARTIN 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SARL BORDEAUX-20-26 RUE DU COMMERCE	Real Estate and Real Estate Financing	ESI	30	30	30	30

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
France	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	80	100	100
	SAS BF3 NOGENT THIERS	Real Estate and Real Estate Financing	ESI	20	20	20	20
	SAS BONDUES – CŒUR DE BOURG	Real Estate and Real Estate Financing	ESI	25	20	25	25
	SAS COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	75	75	75	75
	SAS FOCH SULLY	Real Estate and Real Estate Financing	FULL	90	90	90	90
	SAS MERIGNAC OASIS URBAINE	Real Estate and Real Estate Financing	FULL	90	90	90	90
	(2) SAS MS FRANCE	Real Estate and Real Estate Financing	ESI	0	40	0	40
	SAS NOAHO AMENAGEMENT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS NORMANDIE RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS NOYALIS	Real Estate and Real Estate Financing	ESI	28	28	28	28
	SAS ODESSA DEVELOPPEMENT	Real Estate and Real Estate Financing	ESI	49	49	49	49
	SAS PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	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	80	100	100
	(6) SAS RESIDENCE AUSTRALIS	Real Estate and Real Estate Financing	FULL	77	0	77	0
	SAS RESIDENCIAL	Real Estate and Real Estate Financing	FULL	68.4	68.4	68.4	68.4

Country	Activity	Method*	Group ownership interest		Group voting interest	
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France	SAS ROANNE LA TRILOGIE	Real Estate and Real Estate Financing	ESI	41	41	41
	SAS SCENES DE VIE	Real Estate and Real Estate Financing	EJV	50	50	50
	SAS SOAX PROMOTION	Real Estate and Real Estate Financing	FULL	58.5	58.5	58.5
	SAS SOGEBROWN POISSY	Real Estate and Real Estate Financing	FULL	100	50	100
	SAS SOGEMYSJ	Real Estate and Real Estate Financing	FULL	51	51	51
	(5) SAS SOGEPROM TERTIAIRE	Real Estate and Real Estate Financing	FULL	0	100	0
	SAS SOJEPRIM	Real Estate and Real Estate Financing	FULL	100	80	100
	SAS TIR A L'ARC AMENAGEMENT	Real Estate and Real Estate Financing	EJV	50	40	50
	SAS TOUR D2	Real Estate and Real Estate Financing	JO	50	50	50
	SAS VILLENEUVE D'ASCQ – RUE DES TECHNIQUES BUREAUX	Real Estate and Real Estate Financing	EJV	50	40	50
	SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	FULL	60	60	60
	SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	ESI	49	49	49
	SCCV BAC GALLIENI	Real Estate and Real Estate Financing	FULL	51	51	51
	(2) SCCV BAHIA	Real Estate and Real Estate Financing	FULL	0	51	0
	SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	EJV	50	50	50
	SCCV BOURG BROU	Real Estate and Real Estate Financing	FULL	60	60	60
	SCCV BRON CARAVELLE	Real Estate and Real Estate Financing	EJV	50	50	50
	SCCV CAEN CASERNE MARTIN	Real Estate and Real Estate Financing	FULL	100	100	100
	SCCV CAEN PANORAMIK	Real Estate and Real Estate Financing	ESI	40	40	40
	SCCV CANNES JOURDAN	Real Estate and Real Estate Financing	EJV	50	50	50
	SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	EJV	50	50	50



				Group ownership interest		Group voting interest	
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France		Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	FULL	100	100	100	100
		Real Estate and Real Estate Financing	FULL	100	67	100	67
	SCCV CLICHY BAC D’ASNIERES	Real Estate and Real Estate Financing	FULL	75	100	75	100
		Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6) SCCV COLOMBES	Real Estate and Real Estate Financing	ESI	28.66	0	49	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	40	50	50
	(6) SCCV EIFFEL FLOQUET	Real Estate and Real Estate Financing	FULL	51	0	51	0
	SCCV EPRON – ZAC L’OREE DU GOLF	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV 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
	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

Country	Activity	Method*	Group ownership interest		Group voting interest	
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France	SCCV JA LE HAVRE 22 COTY	Real Estate and Real Estate Financing	ESI	40	40	40
	SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	50	50	50
	SCCV KYMA MERIGNAC	Real Estate and Real Estate Financing	ESI	30	30	30
	SCCV LA BAULE – LES JARDINS D'ESCOUBLAC	Real Estate and Real Estate Financing	ESI	25	25	25
	SCCV LA MADELEINE – PRE CATELAN	Real Estate and Real Estate Financing	FULL	51	40.8	51
	SCCV LA MADELEINE SAINT-CHARLES	Real Estate and Real Estate Financing	EJV	50	40	50
	SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	EJV	50	50	50
	SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	ESI	49	49	49
	SCCV LE BOUSCAT CARRE SOLARIS	Real Estate and Real Estate Financing	ESI	25	25	25
	(6) SCCV LE CENTRAL C1.4	Real Estate and Real Estate Financing	ESI	33.4	0	33.4
	(6) SCCV LES BASTIDES FLEURIES	Real Estate and Real Estate Financing	FULL	64.29	0	64.29
	SCCV LES ECRIVAINS	Real Estate and Real Estate Financing	FULL	70	70	70
	SCCV LES PATIOS D'OR DE FLEURY LES AUBRAIS	Real Estate and Real Estate Financing	FULL	64	64	80
	SCCV LES SUCRES	Real Estate and Real Estate Financing	EJV	50	50	50
	SCCV LESQUIN PARC	Real Estate and Real Estate Financing	EJV	50	40	50
	SCCV L'IDEAL – MODUS 1.0	Real Estate and Real Estate Financing	FULL	80	80	80
	SCCV LILLE – JEAN MACE	Real Estate and Real Estate Financing	ESI	33.4	26.72	33.4
	SCCV LOOS GAMBETTA	Real Estate and Real Estate Financing	ESI	35	35	35
	(6) SCCV MARCQ EN BAROEUL GABRIEL PERI	Real Estate and Real Estate Financing	ESI	20	0	20
	SCCV MARQUETTE CALMETTE	Real Estate and Real Estate Financing	EJV	50	40	50
	SCCV MEHUL	Real Estate and Real Estate Financing	FULL	70	70	70

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
France	SCCV MONROC – LOT 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV MONS EQUATION	Real Estate and Real Estate Financing	ESI	50	40	50	50
	(2) SCCV MONTREUIL ACACIA	Real Estate and Real Estate Financing	FULL	0	80	0	80
	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
	(2) SCCV PARK OCEAN II	Real Estate and Real Estate Financing	ESI	0	35	0	35
	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
	SCCV ROUEN 27 ANGLAIS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV ROUSSET – LOT 03	Real Estate and Real Estate Financing	FULL	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	40	50	50
	SCCV SENSORIUM LOGEMENT	Real Estate and Real Estate Financing	EJV	50	40	50	50
	SCCV SOGAB ILE DE FRANCE	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCCV SOGAB ROMAINVILLE	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCCV SOGEPROM LYON HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV SOPRAB IDF (EX SCCV ROMAINVILLE DUMAS)	Real Estate and Real Estate Financing	FULL	70	70	70	70

				Group ownership interest		Group voting interest		
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
France		SCCV ST MARTIN DU TOUCH ILOT S9	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV TALENCE PUR	Real Estate and Real Estate Financing	FULL	95	95	95	95
	(2)	SCCV TASSIN -190 CDG	Real Estate and Real Estate Financing	ESI	0	35	0	35
	(6)	SCCV TOULOUSE LES IZARDS	Real Estate and Real Estate Financing	FULL	51	0	51	0
		SCCV TRETS CASSIN LOT 4	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCCV VERNAISON – RAZAT	Real Estate and Real Estate Financing	EJV	50	50	50	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	Real Estate and Real Estate 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
		SCCV VILLENEUVE D'ASCQ- RUE DES TECHNIQUES	Real Estate and Real Estate Financing	EJV	50	40	50	50
	(6)	SCCV VILLENEUVE VILLAGE BONGARDE	Real Estate and Real Estate Financing	FULL	51	0	51	0
		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	40	50	50
		SCI 1134, AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI 637 ROUTE DE FRANS	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI AQPRIM PROMOTION	Real Estate and Real Estate Financing	FULL	79.8	79.8	50	50
		SCI ASC LA BERGEONNERIE	Real Estate and Real Estate Financing	EJV	42	42	50	50

				Group ownership interest		Group voting interest	
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France		SCI AVARICUM	Real Estate and Real Estate Financing	FULL	99	99	99
		SCI CENTRE IMMO PROMOTION RESIDENCES	Real Estate and Real Estate Financing	FULL	80	80	100
		SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50
		SCI DU PARC SAINT ETIENNE	Real Estate and Real Estate Financing	ESI	40	40	40
		SCI ETAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50
		SCI LA MANTILLA COMMERCES	Real Estate and Real Estate Financing	FULL	100	100	100
		SCI L'ACTUEL	Real Estate and Real Estate Financing	ESI	30	30	30
		SCI LAVOISIER	Real Estate and Real Estate Financing	FULL	80	80	80
	(2)	SCI LE DOMAINE DU PLESSIS	Real Estate and Real Estate Financing	ESI	0	20	0
		SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	EJV	40	40	40
		SCI LE MANOIR DE JEREMY	Real Estate and Real Estate Financing	ESI	40	40	40
	(2)	SCI LES BAIGNOTS	Real Estate and Real Estate Financing	ESI	0	40	0
		SCI LES CASTELLINES	Real Estate and Real Estate Financing	ESI	30	30	30
		SCI LES JARDINS DE LA BOURBRE	Real Estate and Real Estate Financing	ESI	40	40	40
		SCI LES JARDINS D'IRIS	Real Estate and Real Estate Financing	FULL	60	60	60
		SCI LES JARDINS DU BLAVET	Real Estate and Real Estate Financing	ESI	40	40	40
		SCI LES PORTES DU LEMAN	Real Estate and Real Estate Financing	FULL	70	70	70
	(2)	SCI LIEUSAINTE RUE DE PARIS	Real Estate and Real Estate Financing	EJV	0	50	0
		SCI LINAS CŒUR DE VILLE 1	Real Estate and Real Estate Financing	FULL	71	70	71
		SCI LOCMINE – LAMENNAIS	Real Estate and Real Estate Financing	ESI	30	30	30

				Group ownership interest		Group voting interest		
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
France		SCI L'OREE DES LACS	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCI MONTPELLIER JACQUES CŒUR	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6)	SCI PRIMO E+	Real Estate and Real Estate Financing	FULL	100	0	100	0
	(6)	SCI PRIMO N+	Real Estate and Real Estate Financing	FULL	100	0	100	0
	(6)	SCI PRIMO N+2	Real Estate and Real Estate Financing	FULL	100	0	100	0
	(6)	SCI PRIMO N+3	Real Estate and Real Estate Financing	FULL	100	0	100	0
		SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	100	80	100	100
		SCI PROJECTIM MARCQ CŒUR DE VILLE	Real Estate and Real Estate Financing	FULL	60	48	60	60
		SCI PRONY	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI QUINTEFEUILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI 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
	(2)	SCI RHIN ET MOSELLE 2	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI RIVAPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI SAINT-OUEN L'AUMONE – L'OISE	Real Estate and Real Estate Financing	EJV	38	38	38	38
		SCI SAINT-DENIS WILSON	Real Estate and Real Estate Financing	FULL	60	60	60	60
		SCI SCS IMMOBILIER D'ENTREPRISES	Real Estate and Real Estate Financing	FULL	52.8	52.8	66	66
		SCI SOGECIP	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI SOGECTIM	Real Estate and Real Estate Financing	FULL	100	80	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest	
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France	SCI SOGEPROM LYON RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100
	SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	FULL	80	80	80
	SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	FULL	100	100	100
	SCI VILLA EMILIE	Real Estate and Real Estate Financing	ESI	35	35	35
	SCI VITAL BOUHOT 16-22 NEUILLY-SUR-SEINE	Real Estate and Real Estate Financing	ESI	40	40	40
	SERVIPAR	Specialist Financing	FULL	75.94	79.82	100
	SG 29 HAUSSMANN	Financial Company	FULL	100	100	100
	SG ACTIONS EURO	Insurance	FULL	47.75	47.75	47.75
	SG ACTIONS EURO SELECTION	Financial Company	FULL	40.05	40.05	40.05
	SG ACTIONS FRANCE	Portfolio Management	FULL	38.14	38.14	38.14
	SG ACTIONS LUXE-C	Insurance	FULL	84.25	84.25	84.25
	SG ACTIONS MONDE	Insurance	FULL	67.59	67.59	67.59
	SG ACTIONS MONDE EMERGENT	Insurance	FULL	60.05	60.05	60.05
	SG ACTIONS US	Portfolio Management	FULL	65.06	65.06	65.06
	(3) SG ACTIONS US TECHNO	Insurance	FULL	0	85.08	0
	(6) SG AMUNDI MONETAIRE ISR	Portfolio Management	FULL	100	0	100
	(6) SG BLACKROCK ACTIONS US ISR	Portfolio Management	FULL	100	0	100
	(6) SG BLACKROCK FLEXIBLE ISR	Portfolio Management	FULL	100	0	100
	SG CAPITAL DEVELOPPEMENT	Portfolio Management	FULL	100	100	100
	SG FINANCIAL SERVICES HOLDING	Portfolio Management	FULL	100	100	100
	SG FLEXIBLE	Portfolio Management	FULL	92.48	92.48	92.48
	SG OBLIG ETAT EURO-R	Insurance	FULL	79.94	79.94	79.94
	SG OBLIGATIONS	Insurance	FULL	82.92	82.92	82.92
	SG OPCIMMO	Real Estate and Real Estate Financing	FULL	97.95	97.95	97.95
	SG OPTION EUROPE	Broker	FULL	100	100	100
	SG VALOR ALPHA ACTIONS FRANCE	Financial Company	FULL	72.77	72.77	72.77
	(6) SGA 48-56 DESMOULINS	Real Estate and Real Estate Financing	FULL	99	0	99
	SGA AXA IM US CORE HY LOW CARBON	Insurance	FULL	100	100	100

				Group ownership interest		Group voting interest	
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France		SGA AXA IM US SD HY LOW CARBON	Insurance	FULL	100	100	100
		SGA INFRASTRUCTURES	Insurance	FULL	100	100	100
		SGB FINANCE S.A.	Specialist Financing	FULL	50.94	50.94	51
		SGEF S.A.	Specialist Financing	FULL	100	100	100
		SGI 10-16 VILLE L'EVEQUE	Insurance	FULL	100	100	100
		SGI 1-5 ASTORG	Insurance	FULL	100	100	100
		SGI HOLDING SIS	Group Real Estate Management Company	FULL	100	100	100
		SGI PACIFIC	Insurance	FULL	89.24	86.17	89.53
		SHINE	Financial Company	FULL	90.9	80.6	90.9
		SNC CŒUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	ESI	30	30	30
	(2)	SNC COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	0	100	0
		SNC D'AMENAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33
		SNC NEUILLY ILE DE LA JATTE	Real Estate and Real Estate Financing	ESI	40	40	40
		SNC PROMOSEINE	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33
		SOCIETE ANONYME DE CREDIT A L'INDUSTRIE FRANCAISE (CALIF)	Bank	FULL	100	100	100
		SOCIETE CIVILE IMMOBILIERE CAP THALASSA	Real Estate and Real Estate Financing	ESI	45	45	45
		SOCIETE CIVILE IMMOBILIERE CAP VEYRE	Real Estate and Real Estate Financing	ESI	50	50	50
		SOCIETE CIVILE IMMOBILIERE DE DIANE	Real Estate and Real Estate Financing	ESI	30	30	30
		SOCIETE CIVILE IMMOBILIERE DE PIERLAS	Real Estate and Real Estate Financing	ESI	28	28	28
		SOCIETE CIVILE IMMOBILIERE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	100	99.99	100
		SOCIETE CIVILE IMMOBILIERE ESTEREL TANNERON	Real Estate and Real Estate Financing	ESI	30	30	30
		SOCIETE CIVILE IMMOBILIERE FONTENAY – ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50
		SOCIETE CIVILE IMMOBILIERE GAMBETTA DEFENSE V	Real Estate and Real Estate Financing	ESI	20	20	20
		SOCIETE CIVILE IMMOBILIERE LE BOTERO	Real Estate and Real Estate Financing	ESI	30	30	30



Country	Activity	Method*	Group ownership interest		Group voting interest	
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France	SOCIETE CIVILE IMMOBILIERE LES HAUTS DE L'ESTAQUE	Real Estate and Real Estate Financing	ESI	35	35	35
	SOCIETE CIVILE IMMOBILIERE LES HAUTS DE SEPTEMES	Real Estate and Real Estate Financing	ESI	25	25	25
	SOCIETE CIVILE IMMOBILIERE MIRECRAU	Real Estate and Real Estate Financing	ESI	35	35	35
	(2) SOCIETE CIVILE IMMOBILIERE NAXOU	Real Estate and Real Estate Financing	FULL	0	100	100
	(2) SOCIETE CIVILE IMMOBILIERE TOULDI	Real Estate and Real Estate Financing	FULL	0	100	100
	SOCIETE CIVILE IMMOBILIERE VERT COTEAU	Real Estate and Real Estate Financing	ESI	35	35	35
	SOCIETE DE BOURSE GILBERT DUPONT	Financial Company	FULL	100	100	100
	SOCIETE DE LA RUE EDOUARD VII	Portfolio Management	FULL	100	99.91	100
	SOCIETE DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	100	99.98	100
	SOCIETE DU PARC D'ACTIVITE DE LA VALENTINE	Real Estate and Real Estate Financing	ESI	30	30	30
	(5) SOCIETE FINANCIERE D'ANALYSE ET DE GESTION	Financial Company	FULL	0	100	100
	SOCIETE GENERALE	Bank	FULL	100	100	100
	SOCIETE GENERALE CAPITAL FINANCE	Portfolio Management	FULL	100	100	100
	SOCIETE GENERALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100
	SOCIETE GENERALE FACTORING	Specialist Financing	FULL	100	100	100
	(5) SOCIETE GENERALE PARTICIPATIONS INDUSTRIELLES	Portfolio Management	FULL	0	100	100
	SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER "SOGEBAIL"	Real Estate and Real Estate Financing	FULL	100	100	100
	SOCIETE GENERALE REAL ESTATE	Real Estate and Real Estate Financing	FULL	100	100	100
	SOCIETE GENERALE SCF	Financial Company	FULL	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100
	SOCIETE GENERALE SFH	Specialist Financing	FULL	100	100	100
	(6) SOCIETE GENERALE VENTURES	Portfolio Management	FULL	100	0	0
	SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100
	SOCIETE MARSEILLAISE DE CREDIT	Bank	FULL	100	100	100

				Group ownership interest		Group voting interest	
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France	SOFIDY CONVICTIONS IMMOBILIERES	Insurance	FULL	35.1	35.1	35.1	35.1
	SOGÉ BEAUJOIRE	Group Real Estate Management Company	FULL	100	99.99	100	100
	SOGÉ PERIVAL I	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉ PERIVAL II	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉ PERIVAL III	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉ PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉACT.SELEC.MON	Portfolio Management	FULL	99.78	99.78	99.78	99.78
	(6) SOGEAX	Real Estate and Real Estate Financing	FULL	60	0	60	0
	SOGECAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉCAP	Insurance	FULL	100	100	100	100
	SOGÉCAP – DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
	SOGÉCAP DIVERSIFIE 1	Portfolio Management	FULL	100	100	100	100
	SOGÉCAP EQUITY OVERLAY (FEEDER)	Insurance	FULL	100	100	100	100
	SOGÉCAP LONG TERME N°1	Financial Company	FULL	100	100	100	100
	SOGECAPIMMO 2	Insurance	FULL	90.71	89.39	90.84	90.84
	SOGEFIM HOLDING	Portfolio Management	FULL	100	100	100	100
	SOGEFIMUR	Specialist Financing	FULL	100	100	100	100
	SOGEFINANCEMENT	Specialist Financing	FULL	100	100	100	100
	SOGEFINERG FRANCE	Specialist Financing	FULL	100	100	100	100
	SOGÉFONTENAY	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉLEASE FRANCE	Specialist Financing	FULL	100	100	100	100
	SOGEMARCHE	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉPARTICIPATIONS	Portfolio Management	FULL	100	100	100	100
	SOGÉPIERRE	Financial Company	FULL	100	100	100	100
	SOGÉPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(5) SOGÉPROM ALPES	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SOGÉPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGÉPROM CENTRE-VAL-DE-LOIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100

				Group ownership interest		Group voting interest	
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
France		SOGEPROM COTE D'AZUR	Real Estate and Real Estate Financing	FULL	100	100	100
	(5)	SOGEPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	0	100	0
		SOGEPROM ENTREPRISES	Real Estate and Real Estate Financing	FULL	100	100	100
		SOGEPROM LYON	Real Estate and Real Estate Financing	FULL	100	100	100
		SOGEPROM PARTENAIRES	Real Estate and Real Estate Financing	FULL	100	100	100
		SOGEPROM REALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100
	(5)	SOGEPROM RESIDENCES	Real Estate and Real Estate Financing	FULL	0	100	0
		SOGEPROM SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100
		SOGEPROM SUD REALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100
		SOGESSUR	Insurance	FULL	100	100	100
		SOGEVIMMO	Group Real Estate Management Company	FULL	98.75	85.55	98.75
		ST BARNABE 13004	Real Estate and Real Estate Financing	EJV	50	50	50
		STAR LEASE	Specialist Financing	FULL	100	100	100
		TEMSYS	Specialist Financing	FULL	75.94	79.82	100
	(6)	TRANSACTIS	Services	EJV	50	0	50
		TREEZOR S.A.S.	Financial Company	FULL	95.12	100	95.12
		URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100
	(6)	VALMINCO	Portfolio Management	FULL	100	0	100
		VALMINVEST	Group Real Estate Management Company	FULL	100	100	100
		VG PROMOTION	Real Estate and Real Estate Financing	ESI	35	35	35
		VIENNE BON ACCUEIL	Real Estate and Real Estate Financing	EJV	50	50	50
		VILLA D'ARMONT	Real Estate and Real Estate Financing	ESI	40	40	40
Ghana							
	SOCIETE GENERAL GHANA PLC (EX-SOCIETE GENERALE GHANA LIMITED)	Bank	FULL	60.22	60.22	60.22	60.22

				Group ownership interest		Group voting interest	
				As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Country		Activity	Method*				
Gibraltar							
	HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	FULL	100	100	100	100
	SG KLEINWORT HAMBROS BANK (GIBRALTAR) LIMITED	Bank	FULL	100	100	100	100
(1) (6)	SG KLEINWORT HAMBROS BANK LIMITED GIBRALTAR BRANCH	Bank	FULL	100	0	100	0
Greece							
	ALD AUTOMOTIVE S.A. LEASE OF CARS	Specialist Financing	FULL	75.94	79.82	100	100
Guinea							
	SOCIETE GENERALE GUINEE	Bank	FULL	57.93	57.94	57.93	57.94
Equatorial Guinea							
	SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE	Bank	FULL	52.44	52.44	57.23	57.23
Hong Kong							
	SG ASSET FINANCE (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
	SG 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
	SG CORPORATE FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
	SG CORPORATE FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
	SG FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
	SG FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
(1)	SG HONG KONG	Bank	FULL	100	100	100	100
	SG LEASING (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
	SG SECURITIES (HK) LIMITED	Broker	FULL	100	100	100	100
	SG SECURITIES ASIA INTERNATIONAL HOLDINGS LIMITED	Broker	FULL	100	100	100	100
(1)	SGL ASIA HK	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE ASIA LTD	Financial Company	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 5 LIMITED	Financial Company	FULL	100	100	100	100
Hungary							
	ALD AUTOMOTIVE MAGYARORSZAG AUTOPARK-KEZELO ES FINANSZIROZO KORLATOLT FELELOSSEGU TARSASAG	Specialist Financing	FULL	75.94	79.82	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest	
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Jersey Island						
	ELMFORD LIMITED	Services	FULL	100	100	100
	HANOM I LIMITED	Financial Company	FULL	100	100	100
	HANOM II LIMITED	Financial Company	FULL	100	100	100
	HANOM III LIMITED	Financial Company	FULL	100	100	100
	J D CORPORATE SERVICES LIMITED	Services	FULL	100	100	100
	KLEINWORT BENSON CUSTODIAN SERVICES LIMITED	Bank	FULL	100	100	100
	SG HAMBROS NOMINEES (JERSEY) LIMITED	Financial Company	FULL	100	100	100
	SG HAUSSMANN FUND (EX-LYXOR MASTER FUND)	Financial Company	FULL	100	100	100
	SG KLEINWORT HAMBROS BANK (CI) LIMITED	Bank	FULL	100	100	100
(1) (6)	SG KLEINWORT HAMBROS BANK LIMITED JERSEY BRANCH	Bank	FULL	0	100	0
	SG KLEINWORT HAMBROS CORPORATE SERVICES (CI) LIMITED	Portfolio Management	FULL	100	100	100
	SG KLEINWORT HAMBROS TRUST COMPANY (CI) LIMITED	Financial Company	FULL	100	100	100
	SGKH TRUSTEES (CI) LIMITED	Services	FULL	100	100	100
Isle of Man						
	KBBIOM LIMITED	Bank	FULL	100	50	100
	KBTIOM LIMITED	Bank	FULL	100	100	100
Guernsey Island						
	CDS INTERNATIONAL LIMITED	Services	FULL	100	100	100
	HAMBROS (GUERNSEY NOMINEES) LTD	Services	FULL	100	100	100
	HTG LIMITED	Services	FULL	100	100	100
	KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	FULL	100	100	100
(1)	SG KLEINWORT HAMBROS BANK (CI) LIMITED, GUERNSEY BRANCH	Bank	FULL	100	100	100
(1) (6)	SG KLEINWORT HAMBROS BANK LIMITED GUERNSEY BRANCH	Bank	FULL	100	0	100
India						
	ALD AUTOMOTIVE PRIVATE LIMITED	Specialist Financing	FULL	75.94	79.82	100
(1)	SG MUMBAI	Bank	FULL	100	100	100
	SOCIETE GENERALE GLOBAL SOLUTION CENTRE INDIA	Services	FULL	100	100	100
	SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	Broker	FULL	100	100	100

				Group ownership interest		Group voting interest	
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Ireland							
	ALD RE DESIGNATED ACTIVITY COMPANY	Insurance	FULL	75.94	79.82	100	100
	IRIS SPV PLC SERIES MARK	Financial Company	FULL	100	100	100	100
	IRIS SPV PLC SERIES SOGECAP	Financial Company	FULL	100	100	100	100
	MERRION FLEET MANAGEMENT LIMITED	Specialist Financing	FULL	75.94	79.82	100	100
	NB SOG EMER EUR – I	Financial Company	FULL	100	100	100	100
(1)	SG DUBLIN	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS PRIVATE INVESTMENT OFFICE SERVICES LIMITED	Bank	FULL	100	100	100	100
	SGBT FINANCE IRELAND DESIGNATED ACTIVITY COMPANY	Specialist Financing	FULL	100	100	100	100
(2)	SOCIETE GENERALE HEDGING DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	0	100	0	100
	SOCIETE GENERALE SECURITIES SERVICES, SGSS (IRELAND) LIMITED (EX-SOCIETE GENERALE SECURITIES SERVICES (IRELAND) LTD)	Financial Company	FULL	100	100	100	100
Italy							
	ALD AUTOMOTIVE ITALIA S.R.L	Specialist Financing	FULL	75.94	79.82	100	100
	FIDITALIA S.P.A	Specialist Financing	FULL	100	100	100	100
	FRAER LEASING SPA	Specialist Financing	FULL	74.99	75.02	74.99	75.02
(6)	MORIGI FINANCE S.R.L.	Specialist Financing	FULL	100	0	100	0
(6)	RED & BLACK AUTO ITALY S.R.L	Specialist Financing	FULL	100	0	100	0
	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	Specialist Financing	FULL	100	100	100	100
(1)	SG MILAN	Bank	FULL	100	100	100	100
(1)	SOCECAP S.A. RAPPRESENTANZA GENERALE PER L'ITALIA	Insurance	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES S.P.A.	Bank	FULL	100	100	100	100
(1)	SOGESSUR S.A.	Insurance	FULL	100	100	100	100
Japan							
(1)	SG TOKYO	Bank	FULL	100	100	100	100
	SOCIETE GENERALE HAUSSMANN MANAGEMENT JAPAN LIMITED	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100
Latvia							
	ALD AUTOMOTIVE SIA	Specialist Financing	FULL	56.96	59.86	75	75

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
Lithuania							
	UAB ALD AUTOMOTIVE	Specialist Financing	FULL	56.96	59.86	75	75
Luxembourg							
	ALD INTERNATIONAL SERVICES S.A.	Specialist Financing	FULL	75.94	79.82	100	100
	AXUS LUXEMBOURG S.A.	Specialist Financing	FULL	75.94	79.82	100	100
	BARTON CAPITAL S.A.	Financial Company	FULL	100	100	100	100
	CODEIS COMPARTIMENT A0084	Insurance	FULL	100	100	100	100
	CODEIS COMPARTIMENT A0076	Financial Company	FULL	100	100	100	100
	CODEIS SECURITIES S.A.	Financial Company	FULL	100	100	100	100
	COVALBA	Financial Company	FULL	100	100	100	100
	GOLDMAN SACHS 2 G EM M DBP ID	Financial Company	FULL	100	100	100	100
	IVEFI S.A.	Financial Company	FULL	100	100	100	100
(2)	LYXOR EURO 6M – CLASS SI	Insurance	FULL	0	64.37	0	64.37
	MOOREA GLB BALANCED	Insurance	FULL	68.08	68.08	68.08	68.08
	PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
(2)	RED & BLACK AUTO LEASE GERMANY 2 S.A.	Financial Company	FULL	0	79.82	0	100
	RED & BLACK AUTO LEASE GERMANY S.A.	Real Estate and Real Estate Financing	FULL	75.94	79.82	100	100
	SALINGER S.A.	Bank	FULL	100	100	100	100
	SG ISSUER	Financial Company	FULL	100	100	100	100
	SGBT ASSET BASED FUNDING S.A.	Financial Company	FULL	100	100	100	100
	SGBTCI	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 S.A.	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 S.A.	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE RE S.A.	Insurance	FULL	100	100	100	100
	SOCIETE IMMOBILIERE DE L'ARSENAL	Group Real Estate Management Company	FULL	100	100	100	100
	SOGELIFE	Insurance	FULL	100	100	100	100
(6)	SOLYS	Financial Company	FULL	100	0	100	0
	SPIRE S.A. – COMPARTIMENT 2021-51	Insurance	FULL	100	100	100	100
	SURYA INVESTMENTS S.A.	Specialist Financing	FULL	100	100	100	100
(6)	ZEUS FINANCE LEASING S.A.	Specialist Financing	FULL	75.94	0	100	0

				Group ownership interest		Group voting interest	
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Madagascar							
	BFV – SOCIETE GENERALE (EX-BANKY FAMPANDROSOANA VAROTRA SG)	Bank	FULL	70	70	70	70
Malaysia							
(6)	ALD MHC MOBILITY SERVICES MALAYSIA SDN BHD	Specialist Financing	FULL	45.56	0	60	0
Malta							
(2)	LNG MALTA INVESTMENT 1 LIMITED	Financial Company	FULL	0	100	0	100
(2)	LNG MALTA INVESTMENT 2 LIMITED	Financial Company	FULL	0	100	0	100
Morocco							
	ALD AUTOMOTIVE S.A. MAROC	Specialist Financing	FULL	35.23	36.58	50	50
	ATHENA COURTAGE	Insurance	FULL	58.28	58.23	99.93	99.9
	FONCIMMO	Group Real Estate Management Company	FULL	57.67	57.65	100	100
	LA MAROCAINE VIE	Insurance	FULL	79.24	79.77	99.98	99.98
	SG MAROCAINE DE BANQUES	Bank	FULL	57.67	57.65	57.67	57.65
	SOCIETE D'EQUIPEMENT DOMESTIQUE ET MENAGER “EQDOM”	Specialist Financing	FULL	31.19	30.97	53.98	53.72
	SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.67	57.65	100	100
	SOCIETE GENERALE OFFSHORE	Financial Company	FULL	57.64	57.62	99.94	99.94
	SOGECAPITAL GESTION	Financial Company	FULL	57.64	57.62	99.94	99.94
	SOGECAPITAL PLACEMENT	Portfolio Management	FULL	57.66	57.62	99.98	99.94
	SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.67	57.65	100	100
Mauritius							
	SG SECURITIES BROKING (M) LIMITED	Broker	FULL	100	100	100	100
Mauritania							
(6)	SOCIETE GENERALE MAURITANIE	Bank	FULL	95.5	0	95.5	0
Mexico							
	ALD AUTOMOTIVE S.A. DE C.V.	Specialist Financing	FULL	75.94	79.82	100	100
	ALD FLEET S.A. DE CV SOFOM ENR	Specialist Financing	FULL	75.94	79.82	100	100
	SGFP MEXICO, S.A. DE C.V.	Financial Company	FULL	100	100	100	100
Monaco							
	SOCIETE DE BANQUE MONACO	Bank	FULL	100	100	100	100
(1)	SOCIETE GENERALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	100	100	100	100
Norway							
	ALD AUTOMOTIVE AS	Specialist Financing	FULL	75.94	79.82	100	100
	NF FLEET AS	Specialist Financing	FULL	60.75	63.85	80	80



Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
New Caledonia							
	CREDICAL	Specialist Financing	FULL	88.34	87.07	98.05	96.64
	SOCIETE GENERALE CALEDONIENNE DE BANQUE	Bank	FULL	90.09	90.1	90.09	90.1
Netherlands							
	ALVARENGA INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
	ASTEROLD B.V.	Financial Company	FULL	100	100	100	100
	AXUS FINANCE NL B.V.	Specialist Financing	FULL	75.94	79.82	100	100
	AXUS NEDERLAND BV	Specialist Financing	FULL	75.94	79.82	100	100
	BRIGANTIA INVESTMENTS B.V.	Financial Company	FULL	100	100	100	100
	CAPEREA B.V.	Specialist Financing	FULL	100	100	100	100
(6)	FORD FLEET MANAGEMENT B.V.	Specialist Financing	FULL	38.05	0	50.1	0
	HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
	HORDLE FINANCE B.V.	Financial Company	FULL	100	100	100	100
	MONTALIS INVESTMENT BV	Specialist Financing	FULL	100	100	100	100
(1)	SG AMSTERDAM	Bank	FULL	100	100	100	100
	SG EQUIPMENT FINANCE BENELUX BV	Specialist Financing	FULL	100	100	100	100
	SOGLEASE B.V.	Specialist Financing	FULL	100	100	100	100
	SOGLEASE FILMS	Specialist Financing	FULL	100	100	100	100
	TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
Peru							
	ALD AUTOMOTIVE PERU S.A.C.	Specialist Financing	FULL	75.94	79.82	100	100
Poland							
	ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	75.94	79.82	100	100
	SG EQUIPMENT LEASING POLSKA SP Z.O.O.	Specialist Financing	FULL	100	100	100	100
(1)	SOCIETE GENERALE S.A. ODDZIAL W POLSCE	Bank	FULL	100	100	100	100
(1)	SOGECAP SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
(1)	SOGESSUR SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
French Polynesia							
	BANQUE DE POLYNESIE	Bank	FULL	72.1	72.1	72.1	72.1
	SOGLEASE BDP “SAS”	Specialist Financing	FULL	72.1	72.1	100	100
Portugal							
	SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENS S.A.	Specialist Financing	FULL	75.94	79.82	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
Czech Republic							
	ALD AUTOMOTIVE S.R.O.	Specialist Financing	FULL	75.94	79.82	100	100
	ESSOX SRO	Specialist Financing	FULL	80	80	100	100
	FACTORING KB	Financial Company	FULL	60.73	60.73	100	100
	KB PENZIJNI SPOLECNOST, A.S.	Financial Company	FULL	60.73	60.73	100	100
	KB REAL ESTATE	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
	KB SMARTSOLUTIONS, S.R.O.	Bank	FULL	60.73	60.73	100	100
	KOMERCNI BANKA A.S	Bank	FULL	60.73	60.73	60.73	60.73
	KOMERCNI POJISTOVNA A.S	Insurance	FULL	80.76	80.76	100	100
	MODRA PYRAMIDA STAVEBNI SPORITELNA AS	Financial Company	FULL	60.73	60.73	100	100
	PROTOS	Financial Company	FULL	60.73	60.73	100	100
	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Specialist Financing	FULL	80.33	80.33	100	100
	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	0.06	0.61	40	40
Romania							
	ALD AUTOMOTIVE SRL	Specialist Financing	FULL	72.79	75.89	100	100
	BRD – GROUPE SOCIETE GENERALE S.A.	Bank	FULL	60.17	60.17	60.17	60.17
	BRD ASSET MANAGEMENT SAI S.A.	Portfolio Management	FULL	60.17	60.15	100	100
	BRD FINANCE IFN S.A.	Financial Company	FULL	80.48	80.48	100	100
	BRD SOGELEASE IFN S.A.	Specialist Financing	FULL	60.17	60.17	100	100
	S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	FULL	75	75	75	75
	SOCIETE GENERALE 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 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
United Kingdom							
	ACR	Financial Company	FULL	100	100	100	100
	ALD AUTOMOTIVE GROUP LIMITED	Specialist Financing	FULL	75.94	79.82	100	100
	ALD AUTOMOTIVE LIMITED	Specialist Financing	FULL	75.94	79.82	100	100
(1)	BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	FENCHURCH NOMINEES LIMITED	Bank	FULL	100	100	100	100
(6)	FORD FLEET MANAGEMENT UK LIMITED	Specialist Financing	FULL	38.05	0	100	0
	FRANK NOMINEES LIMITED	Bank	FULL	100	100	100	100
(1)	HORDLE FINANCE B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	JWB LEASING LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
	KBIM STANDBY NOMINEES LIMITED	Bank	FULL	100	100	100	100
	KBPB NOMINEES LIMITED	Bank	FULL	100	100	100	100
	KH COMPANY SECRETARIES LIMITED	Bank	FULL	100	100	100	100
	KLEINWORT BENSON FARMLAND TRUST (MANAGERS) LIMITED	Bank	FULL	75	75	75	75
	LANGBOURN NOMINEES LIMITED	Bank	FULL	100	100	100	100
(6)	RED & BLACK AUTO LEASE UK 1 PLC	Specialist Financing	FULL	75.94	0	100	0
	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 (LONDON) NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	SG HAMBROS TRUST COMPANY LIMITED	Financial Company	FULL	100	100	100	100
	SG HEALTHCARE BENEFITS TRUSTEE COMPANY LIMITED	Financial Company	FULL	100	100	100	100
	SG INVESTMENT LIMITED	Financial Company	FULL	100	100	100	100
	SG KLEINWORT HAMBROS BANK LIMITED	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS LIMITED	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS TRUST COMPANY (UK) LIMITED	Bank	FULL	100	100	100	100
	SG LEASING (ASSETS) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (GEMS) LIMITED	Specialist Financing	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	
United Kingdom	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
	(2) SG LEASING (UTILITIES) LIMITED	Specialist Financing	FULL	0	100	0	100
	SG LEASING IX	Specialist Financing	FULL	100	100	100	100
	(1) SG LONDRES	Bank	FULL	100	100	100	100
	SOCGEN NOMINEES (UK) LIMITED	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE EQUIPMENT FINANCE LIMITED	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE INTERNATIONAL LIMITED	Broker	FULL	100	100	100	100
	SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED	Financial Company	FULL	100	100	100	100
	STRABUL NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	(1) TYNEVOR B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
Russian Federation							
	ALD AUTOMOTIVE OOO	Specialist Financing	FULL	75.94	79.82	100	100
(4)	CJSC SG FINANCE (EX-CLOSED JOINT STOCK COMPANY SG FINANCE)	Specialist Financing	FULL	0	99.97	0	100
(4)	LLC RUSFINANCE	Bank	FULL	0	99.97	0	100
(4)	LLC TELSYPOM	Services	FULL	0	99.97	0	100
(4)	PJSC ROSBANK	Bank	FULL	0	99.97	0	99.97
(4)	RB CAPITAL ASSET MANAGEMENT LIMITED LIABILITY COMPANY	Real Estate and Real Estate Financing	FULL	0	99.97	0	100
(4)	RB FACTORING LLC	Specialist Financing	FULL	0	99.97	0	100
(4)	RB LEASING LLC	Specialist Financing	FULL	0	99.97	0	100
(4)	RB SERVICE LLC	Group Real Estate Management Company	FULL	0	99.97	0	100
(4)	RB SPECIALIZED DEPOSITARY LLC	Financial Company	FULL	0	99.97	0	100
(4)	RB TRADING LIMITED LIABILITY COMPANY	Specialist Financing	FULL	0	99.97	0	100
(4)	SOCIETE GENERALE STRAKHOVANIE LLC	Insurance	FULL	0	99.99	0	100
(4)	SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	FULL	0	99.99	0	100
Senegal							
	SOCIETE GENERALE SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
Serbia							
	ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	FULL	75.94	79.82	100	100

				Group ownership interest		Group voting interest	
Country		Activity	Method*	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Singapore							
	SG MARKETS (SEA) PTE. LTD.	Broker	FULL	100	100	100	100
	SG SECURITIES (SINGAPORE) PTE. LTD.	Broker	FULL	100	100	100	100
(1)	SG SINGAPOUR	Bank	FULL	100	100	100	100
	SG TRUST (ASIA) LTD	Financial Company	FULL	100	100	100	100
Slovakia							
	ALD AUTOMOTIVE SLOVAKIA S.R.O.	Specialist Financing	FULL	75.94	79.82	100	100
	ESSOX FINANCE S.R.O	Specialist Financing	FULL	80	80	100	100
(1)	KOMERCNI BANKA SLOVAKIA	Bank	FULL	60.73	60.73	100	100
(1)	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	FULL	80.33	80.33	100	100
Slovenia							
	ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	75.94	79.82	100	100
Sweden							
	ALD AUTOMOTIVE AB	Specialist Financing	FULL	75.94	79.82	100	100
	NF FLEET AB	Specialist Financing	FULL	60.75	63.85	80	80
(1)	SOCIETE GENERALE S.A. BANKFILIAL SVERIGE	Bank	FULL	100	100	100	100
Switzerland							
	ALD AUTOMOTIVE AG	Specialist Financing	FULL	75.94	79.82	100	100
	SG EQUIPMENT FINANCE SCHWEIZ AG	Specialist Financing	FULL	100	100	100	100
(1)	SG ZURICH	Bank	FULL	100	100	100	100
	SOCIETE GENERALE PRIVATE BANKING (SUISSE) S.A.	Bank	FULL	100	100	100	100
Taiwan							
(1)	SG SECURITIES (HONG KONG) LIMITED TAIPEI BRANCH	Broker	FULL	100	100	100	100
(1)	SG TAIPEI	Bank	FULL	100	100	100	100
Chad							
	SOCIETE GENERALE TCHAD	Bank	FULL	56.91	56.86	67.92	67.83
Thailand							
	SOCIETE GENERALE SECURITIES (THAILAND) LTD.	Broker	FULL	100	100	100	100
Togo							
(1)	SOCIETE GENERALE TOGO	Bank	FULL	93.43	93.43	100	100

Country		Activity	Method*	Group ownership interest		Group voting interest	
				As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Tunisia							
	UNION INTERNATIONALE DE BANQUES	Bank	FULL	55.1	55.1	52.34	52.34
Turkey							
	ALD AUTOMOTIVE TURIZM TICARET ANONIM SIRKETI	Specialist Financing	FULL	75.94	79.82	100	100
(1)	SG ISTANBUL	Bank	FULL	100	100	100	100
Ukraine							
	ALD AUTOMOTIVE UKRAINE LIMITED LIABILITY COMPANY	Specialist Financing	FULL	75.94	79.82	100	100

\* FULL: Full consolidation – JO: Joint Operation – EJV: Equity (Joint Venture) – ESI: Equity (significant influence) – EFS: Equity For Simplification (Entities controlled by the Group that are consolidated using the equity method for simplification because are not significant).

(1) Branches.

(2) Entities wound up.

(3) Removed 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 standards body), dated 2 December 2016 is available on Societe Generale group website at: <https://investors.societegenerale.com/en/publications-documents>.

**NOTE 8.6 Fees paid to Statutory Auditors**

The consolidated financial statements of Societe Generale Group are certified jointly by Ernst & Young et Autres represented by M. Micha Missakian and M. Vincent Roty, on the one hand, and Deloitte et Associés represented by Mr Jean-Marc Mickeler and Mrs Maud Monin, on the other hand.

On the proposal of the Board of Directors and following the recommendation of the Audit and Internal Control Committee of Societe Generale (CACI), the Annual General Meeting held on 23 May 2018 renewed the mandates of Ernst & Young et Autres and of Deloitte et Associés, for six years.

In accordance with the European regulation on the audit reform, the CACI implements a specific approval policy of the non-audit services of Statutory Auditors ("SACC") and their network by to verify its compliance before to the launch of the mission.

A synthesis of the SACC (approved or refused) is presented to every session of the CACI.

The fees by type of mission (audit or non-audit) are submitted to an annual review by the CACI.

Lastly, the Finance Departments of the entities and business divisions annually appraise the quality of the audits performed by Deloitte et Associés and Ernst & Young et Autres. The conclusions of this survey are presented to the CACI.

The table below presents the auditors' fees invoiced by Ernst & Young et Autres, on the one hand, and Deloitte et Associés, on the other hand to Societe Generale S.A. and its subsidiaries. These amounts do not include the auditors' fees invoiced by their respective networks.

		Ernst & Young et Autres		Deloitte et Associés		Total	
		2022	2021*	2022	2021*	2022	2021*
<i>(In EURm excluded VAT)</i>							
Statutory audit, certification, examination of parent company and consolidated accounts	Issuer	4	4	4	4	8	8
	Fully consolidated subsidiaries	4	3	7	6	11	9
<b>SUB-TOTAL AUDIT</b>		<b>8</b>	<b>7</b>	<b>11</b>	<b>10</b>	<b>19</b>	<b>17</b>
Non-audit services (SACC)	Issuer	-	1	-	1	-	2
	Fully consolidated subsidiaries	1	-	1	-	2	-
<b>TOTAL</b>		<b>9</b>	<b>8</b>	<b>12</b>	<b>11</b>	<b>21</b>	<b>19</b>

\* The amounts have been restated compared with the published financial statements for the year ended 31 December 2021 in order to present only the amounts of fees invoiced by Ernst & Young et Autres, on the one hand, and Deloitte et Associés, on the other hand, to Societe Generale S.A. and its subsidiaries, excluding the fees charged by their network.

Services other than the certification of accounts consist mainly of extended audit procedures (agreed procedures) and comfort letters. They also include services specifically and exclusively entrusted to the auditors for EUR 0.7 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.

- 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 new proceeding before the Supreme Court is still pending.
- In August 2009, Societe Generale Private Banking (Switzerland) ("SGPBS"), along with several other financial institutions, was named as a defendant in a putative class action that was ultimately transferred to the US District Court for the Northern District of Texas. The plaintiffs sought to represent a class of individuals who were customers of Stanford International Bank Ltd. (SIBL), an Antiguan bank, with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16 February 2009. The plaintiffs alleged that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants were responsible for those alleged losses. The plaintiffs further sought to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they were alleged to have been fraudulent transfers. The Official Stanford Investors Committee (OSIC) was permitted to intervene and filed a complaint against SGPBS and the other defendants seeking similar relief. Following motions to dismiss, the Court ultimately in April 2015 permitted the substantial majority of the claims to proceed.



On 7 November 2017, the US District Court denied the plaintiffs' motion for class certification. On 3 May 2019, several hundred individual plaintiffs filed motions to intervene in the pending OSIC action seeking recovery in their individual capacities for losses on their Stanford investments. By order of 18 September 2019 the court denied the motions to intervene. One group of plaintiffs appealed the denial, which was rejected by the court of appeal on 3 February 2021, and the remaining group of plaintiffs initiated a separate action in Texas state court in Houston in November 2019, now pending in the US District Court for the Southern District of Texas.

On 12 February 2021, all parties in the litigation filed motions for summary judgment. SGPBS seeks dismissal of all pending claims, and OSIC, renewing a prior unsuccessful motion for summary judgement seeks return of a USD 95 million transfer to SGPBS in 2008. Discovery has been completed.

On 19 January 2022, the US District Court for the Northern District of Texas asked the Judicial Panel for Multidistrict Litigation to remand the case to US District Court for the Southern District of Texas in Houston, where it was originally filed, for further proceedings, including trial. The following day, on 20 January 2022, the US District Court for the Northern District of Texas ruled on the pending motions for summary judgment denying SGPBS's and OSIC's motions. The case was formally remanded to the Southern District of Texas in Houston by order of 28 January 2022, and the trial as to all defendants is to commence on 27 February 2023. On 3 January 2023, SGPBS entered into an agreement settling the litigation brought by OSIC as well as the pending intervenor claims brought by certain individual plaintiffs also pending in the Southern District of Texas, in an amount covered by reserves in Société Générale S.A.'s accounts following a financial guarantee provided by Société Générale S.A. to SGPBS. This settlement is subject to review and approval by the US District Court for the Northern District of Texas, which oversees the wind-up of the Stanford estate.

In the same matter, a pre-contentious claim (*requête en conciliation*) was initiated in Geneva in November 2022 by the Joint Liquidators of SIBL, appointed by the courts in Antigua, representing the same investors as those represented by the US plaintiffs. SGPBS will defend against that claim in this proceeding, would it be notified of its continuation.

- 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") 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. On 19 August 2022, one of the stayed putative class actions was voluntarily dismissed by plaintiffs. 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), were voluntarily dismissed with prejudice.

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 antitrust and state law claims against Societe Generale. 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 has 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.

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.

In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- Beginning on 15 January 2019, Societe Generale and SG Americas Securities, LLC, along with other financial institutions, were named in three putative antitrust class actions in the US District Court in Manhattan, which were consolidated. Plaintiffs alleged that the USD ICE Libor panel banks conspired to make artificially low submissions to that benchmark in order to profit on their trading in derivatives tied to USD ICE Libor. Plaintiffs were seeking to certify a class comprised of US residents (individuals and entities) that transacted with a defendant in floating rate debt instruments or interest rate swaps tied to USD ICE Libor and received a payment at any time between 1 February 2014 to the present, regardless of when the instrument was purchased. By order dated 26 March 2020, the District Court dismissed the action. Plaintiffs appealed that ruling. On 6 April 2021, the Second Circuit permitted a new proposed class representative to intervene as a plaintiff in the appeal. The original proposed class representatives withdrew from the action. On 14 February 2022, the Second Circuit dismissed the remaining plaintiff's appeal for lack of standing leaving undisturbed the District Court's dismissal. This litigation is now concluded.
- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale reached a settlement of USD 18 million, which was approved by the Court on 6 August 2018. 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. Discovery is proceeding as to Societe Generale and the other remaining 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 has been transferred to the Competition Appeal Tribunal. Societe Generale is defending both actions.
- 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, who considered that the decisions handed down by the French Supreme Administrative Court on 10 December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15 September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then

confirmed its position by publishing a reasoned opinion on 28 April 2016 and by referring the matter to the Court of Justice of the European Union on 8 December 2016. The Court of Justice of the European Union rendered its judgement on 4 October 2018 and sentenced France for failure by the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale has continued to assert its rights with the competent courts and the tax authorities, which it expects to be treated diligently and in accordance with the law. On 23 June 2020, the Administrative Court of Appeal of Versailles issued a ruling in favour of Societe Generale on our 2002 and 2003 Suez claims, followed by an enforcement in our favour. The judgment of Versailles held that the advance payment was not compatible with the Parent-Subsidiary Directive: the French Supreme Administrative Court, which had also received a request for a priority question of constitutionality, also pointed out that the advance payment was incompatible with Article 4 of the Parent-Subsidiary Directive but that a question should be referred to the ECJ for a preliminary ruling in order to ascertain this. The Court of Luxembourg has confirmed on 12 May 2022 that the *précompte* was incompatible with the Parent-Subsidiary Directive.

- 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.
  - 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.
  - 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.
  - On 1 June 2021, a shareholder of Societe Generale initiated an action designated by him as a “derivative action” (*action ut singuli*) before the Commercial Court of Paris against the CEO of the Company (*Directeur Général*), Mr. Frédéric Oudéa. Plaintiff is seeking an order that Mr. Oudéa pay to Societe Generale an amount equal to fines paid to the U.S. and French treasuries under the convention judiciaire d’intérêt public of 24 May 2018 between Societe Generale and the Financial Public Prosecutor (the “CJIP”) and the Deferred Prosecution Agreement of 5 June 2018 between Societe Generale and the United States Department of Justice (the “DPA”).
- Societe Generale voluntarily joined these proceedings at the first procedural hearing in order to seek the dismissal of the claims made by the plaintiff. Thereafter, the plaintiff filed a brief asking the court to dismiss the case with prejudice, and the parties asked the court to put an end to these proceedings. By order dated 15 February 2022, the Commercial Court of Paris therefore took note of the termination of the proceedings. This matter is therefore definitively over.
- 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.
  - Like other financial institutions, Societe Generale is subject to audits by the tax authorities regarding its securities lending/borrowing and equity and index derivatives activities. The 2017, 2018 and 2019 audited years are the subject of notifications of proposals of tax adjustments in respect of the application of a withholding tax. These proposals are contested by the Group.

- On 19 August 2022, a Russian fertiliser company, EuroChem North West-2 (“EuroChem”), a wholly owned subsidiary of EuroChem AG, filed a claim against Société Générale 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. Société Générale 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 13 December 2022. A case management conference (“CMC”) is expected to take place in the course of the first quarter of 2023.
- SG Americas Securities, LLC (“SGAS”) has received requests for information 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. The inquiry follows a number of regulatory settlements in 2022 with other firms covering similar matters. SGAS is cooperating with the investigation.

## 6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.*

*This statutory auditors' report includes information required by required by European regulations and French law, such as information about the appointment of the statutory auditors or the verification of the information concerning the Group presented in the management report.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Year ended December 31, 2022

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, 2022.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2022 and of the results of its operations for the year then ended 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 the 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, 2022 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. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

### ASSESSMENT OF THE IMPAIRMENT OF CUSTOMER LOANS

#### Risk identified

Customer loans and receivables carry a credit risk which exposes the Société Générale Group to a potential loss if its client or counterparty is unable to meet its financial commitments. The Société Générale Group recognizes impairment intended 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 detailed 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, 2022, total customer loan outstandings exposed to credit risk totaled M€ 506,529; impairment totaled M€ 10,634.

We considered the assessment of the impairment of customer loans to be a key audit matter as this requires Management to exercise judgment and make estimates, particularly concerning the economic sectors and geographic areas most affected by the crisis.

#### Our response

Our work mainly 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.

With the help of our credit risk modeling specialists, our audit work notably consisted in:

- obtaining an understanding of the Société Générale 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 the Group;
- examining the main parameters adopted by the Group to classify the loans and assess impairment in stages 1 and 2 as at December 31, 2022;
- assessing the capacity of modes and parameter adjustments, 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 assessment of expected credit losses for a sample of stage 1 and 2 loan portfolios;
- testing, as at December 31, 2022, for a selection of the most significant loans to corporate clients, the main criteria used to classify stage 3 loans, as well as the assumptions used to assess 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 in the changing context of the pandemic and, in particular, the information required by IFRS 7 “Financial instruments: Disclosures” with regard to credit risk.

## RECOVERABILITY OF DEFERRED TAX ASSETS IN FRANCE

### Risk identified

As at December 31, 2022 deferred tax assets on tax loss carryforwards were recorded in an amount of M€ 1,662, and more specifically in an amount of M€ 1,404 for the France tax group.

As stated in Note 6 “Income tax” to the consolidated financial statements, the Société Générale Group calculates deferred taxes at the level of each tax entity and recognizes deferred tax assets when it is considered probable that the relevant tax entity has future taxable profits against which temporary differences and tax loss carryforwards can be offset, within a given timeframe. As at December 31, 2022, this timeframe is eight years for the France tax group.

In addition, as stated in Notes 6 “Income tax” and 9 “Information on risks and litigation” to the consolidated financial statements, certain tax loss carryforwards are challenged by the French tax authorities and are therefore liable to be called into question.

Given the importance of the assumptions used to assess the recoverability of deferred tax assets in France, notably on future taxable profits, and the judgment exercised by Management in this respect, we considered this issue to be a key audit matter.

### Our response

Our audit approach consisted in assessing the probability that the Société Générale Group would 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.

With the support of tax specialists, our work notably consisted in:

- comparing the projected results of the previous years with the actual results of the corresponding fiscal years, in order to assess the reliability of the tax business plan preparation process;
- obtaining an understanding of the 2023 budget drawn up by Management and approved by the Board of Directors, as well as of the assumptions underlying projections for the 2023-2025 period, 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 tax profit extrapolation methods after the 2023-2025 period;
- reviewing the assumptions underlying sensitivity tests in the event of adverse scenarios defined by the Société Générale Group;
- analyzing the sensitivity of the tax loss recovery period under a range of assumptions determined by us;
- analyzing the situation of the Société Générale Group, notably by taking note of the opinions of its external tax advisers regarding its tax loss carryforwards in France, partly challenged by the tax authorities.

We also examined the information provided by the Société Générale 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

As part of the management of the interest rate risk generated by its retail banking activities in France in particular, the Société Générale Group handles 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;
- the determination of the criteria adopted to schedule the outstandings’ maturities by including behavioral criteria;

- the performance of tests on over-hedging, the disappearance of hedged items, efficiency and the external reversal of hedging transactions entered into with internal Société Générale Group counterparties.

As at December 31, 2022, the amount of hedged portfolio remeasurement differences was M€ (2,262) in assets and M€ (9,659) 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.

With the support of financial modelling experts, where necessary, 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 Société Générale 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 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.

## MEASUREMENT OF GOODWILL

### Risk identified

The accounting recognition of external growth transactions leads the Société Générale Group to record goodwill in the asset side of the consolidated balance sheet. This goodwill represents the difference

between the acquisition cost of the activities or securities of companies acquired and the share of identifiable net assets acquired and liabilities assumed at the acquisition date. As at December 31, 2022, the net value of goodwill amounted to M€ 3,781.

The Société Générale Group must determine the presence or absence of indications of loss in value on this goodwill. The comparison of the net carrying amount of uniform business groupings, divided into CGUs, and their recoverable amount is a key component in assessing the potential need to record an impairment. The value in use of CGUs was calculated using the discounted cash flow method based on distributable profits calculated at CGU level.

As disclosed in Notes 1.5 "Use of estimates and judgment" and 2.2 "Goodwill" to the consolidated financial statements, the models and data used to value these CGUs are based on accounting estimates resulting from the exercise of Management judgment, notably concerning the following assumptions:

- future distributable profits of activities or companies acquired, whether five-year budget forecasts or the extrapolation for an additional year to calculate the terminal value;
- discount and growth rates applied to forecast flows.

For this reason, we considered the measurement of goodwill to be a key audit matter.

### Our response

Our audit approach is based on obtaining an understanding of control procedures relating to (i) goodwill impairment tests and (ii) the preparation of business plans, implemented within the Société Générale Group to assess future changes in structures and activities, and to identify indications of impairment loss on these assets.

Procedures on the financial statements for the year ended December 31, 2022, conducted with our valuation specialists, notably consisted in:

- assessing the way groupings of uniform businesses are determined and, where appropriate, change;
- analyzing the methodology applied in the current context;
- comparing prior year profit forecasts with actual results for the relevant years, to assess the reliability of the budget process;
- conducting a critical review of business plans prepared by Management and approved by the Board of Directors based on our knowledge of activities, and of the assumptions adopted by Management beyond the five-year period to establish projections enabling the determination of terminal values;
- conducting a critical analysis of the main assumptions and parameters used (growth rate, cost of capital, discount rate) with regard to available internal and external information (macro-economic scenarios, financial analysts' consensus, etc.);
- independently recalculating the valuation of the CGUs;
- assessing the sensitivity analyses of results to change in key parameters, in particular when the recoverable amount is close to the net carrying amount.

We also reviewed the information submitted by the Société Générale Group on goodwill, disclosed in Notes 1.5 "Use of estimates and judgment" and 2.2 "Goodwill" to the consolidated financial statements.

## VALUATION OF COMPLEX FINANCIAL INSTRUMENTS

### Risk identified

Within the scope of its market activities, the Société Générale Group holds financial instruments for trading purposes. As at December 31, 2022 M€ 235,444 are recognized in fair value levels 2 and 3 in the asset side, and M€ 293,845 are recognized in the liability side of the Société Générale Group's balance sheet, i.e. 59% and 85%, respectively, of financial assets and liabilities measured at fair value.

To determine the fair value of these instruments, the Société Générale Group uses techniques or in-house valuation models based on parameters and data, some of which are not observable in the market, which can defer the recognition of the margin in the income statement for transactions involving such financial instruments, as stated in Note 3.4 "Fair value of financial instruments measured at fair value", point 7 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.

Due to the complexity of modelling in determining fair value, the multiplicity of models used, and the use of Management 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 a mixed approach using both tests on internal control processes relating to the valuation of complex financial instruments and substantive procedures.

With the support of experts in the valuation of financial instruments included in the audit team, our work 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 relating reserves or value adjustments;
- testing the key controls relating to the independent verification of the valuation parameters, and analyzing certain market parameters used to provide input for the valuation models, by reference to external data;
- obtaining an understanding of the bank's analysis principles and performing tests of controls, on a sampling basis, as regards the process used to explain the changes in fair value; in addition, performing "analytical" IT procedures on the daily control data relating to certain activities;
- obtaining the quarterly results of the independent verification process performed on the models;
- obtaining the quarterly results of the valuation adjustment process using 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 there was no external data, we controlled the existence of reserves or the non-material nature of the related issues;

- performing counter-valuations of a selection of complex derivative financial instruments using our tools;
- analyzing the transaction observability criteria, among others, used to determine the fair value hierarchy of such instruments, and to estimate deferred margin amounts and we compared the new methods adopted by the Société Générale Group to recognize these margins over time with the information presented in Note 3.4 "Fair value of financial instruments measured at fair value", point 7 to the consolidated financial statements.

We also assessed the compliance of the methods underlying the estimates with the principles described in Note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements.

## IT RISK RELATING TO MARKET ACTIVITIES

### Risk identified

The Market Activities of the Global Banking & Investor Solutions (GBIS) division constitute an important activity of the Société Générale Group, as illustrated by the significance of the financial instruments positions 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 IT 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 the processor 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, the Société Générale Group is exposed to new risks, particularly those 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 Société Générale 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 Société Générale Group. With the support of information system specialists included in our 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 the Société Générale Group on access rights, notably at sensitive periods in a professional career (recruitment, transfer, resignation, end of contract) with, where applicable, extended procedures in the event of ineffective control identified during the financial year;



- the potential privileged access to applications and infrastructure;
- the management of changes made to applications, and more specifically the separation between development and business environments;
- the security policies in general and their deployment in IT applications (for example, those related to passwords);
- the handling of IT incidents during the financial year;
- the governance and the control environment on a sample of applications.

Regarding 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 the Société Générale 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 committees as well as any incidents during the financial year.

## ASSESSMENT OF THE RISK RELATING TO LEGAL, REGULATORY OR ARBITRAL PROCEEDINGS INVOLVING THE SOCIÉTÉ GÉNÉRALE GROUP

### Risk identified

The Société Générale Group is a party to a number of proceedings, including civil, administrative and criminal proceedings as indicated in Note 8.3.2 "Other provisions" to the consolidated financial statements. Other provisions amounted to M€ 1,554 as at December 31, 2022 and include provisions for litigation, among others.

As indicated in Note 9 "Information on risks and disputes" to the consolidated financial statements, proceedings representing a significant 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 some of the regulatory and administrative authorities' investigations and of the class actions, the significant amount of management judgment exercised in assessing the risks and the financial repercussions for the Group, we consider the assessment of the risk relating to legal, regulatory or arbitral proceedings to which the Société Générale Group is a party to be a key audit matter.

### Our response

Our approach, which includes the involvement of tax experts, consisted in:

- obtaining an understanding of the litigation provision assessment process set up by the bank to assess litigation provisions;
- conducting interviews with the Group's legal and tax departments and the functions affected by the ongoing proceedings in order to monitor the development of the main legal proceedings and ongoing investigations by legal and tax authorities and regulators;
- obtaining and reviewing 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 the Group's external advisers involved in the relevant cases;
- assessing the suitability of the information provided in the notes to the financial statements.

## REASSESSMENT OF THE RESIDUAL VALUES OF VEHICLES LEASED BY THE 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 8.4 "Property, plant and equipment and intangible assets" to the consolidated financial statements. The depreciation period used is the estimated 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 reviewed at least once annually. The methods of calculating these residual values are determined by the Group.

The calculations are based on statistical data.

The difference between the re-estimated residual value and the initial residual value represents a change in estimate and is amortized on a straight-line basis over the remaining lease term.

As at December 31, 2022, the total amount of depreciation thus determined for the fleet amounted to M€ 8,862 as indicated in the variation table set out in Note 8.4 "Property, plant and equipment and intangible assets" to the consolidated financial statements.

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 exceptionally high prices in 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 obtained an understanding of the residual value reassessment process set up by the 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 including IT system experts in 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 2022;
- conducting tests to ensure that data from the fleet management systems were correctly entered in the residual value calculation tool and testing key data security controls;
- comparing the data from these calculations with the amounts recorded in the accounts;
- checking, on a sampling basis, the accounting translation of changes in estimated residual values;
- checking that the estimates selected were based on documented methods that comply with the principles described in the notes to the financial statements.

## Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information given in the Board of Directors' Group 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 (*Code de commerce*) is included in the Group management report, it being specified that, in accordance with 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.

## Report on Other Legal and Regulatory Requirements

### FORMAT OF PREPARATION 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 regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation 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 Chief Executive Officer's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of December 17, 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

On the basis of our work, we conclude that the preparation 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 AUDITOR

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, 2022, Deloitte & Associés and ERNST & YOUNG et Autres were in their twentieth and eleventh 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 risk 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 consolidated 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 made on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw

attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- evaluates the overall presentation of the consolidated financial statements and assesses whether these consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

## REPORT TO THE AUDIT AND INTERNAL CONTROL COMMITTEE

We submit to the Audit and Internal Control Committee a report which includes in particular a description of the scope of the audit and the

audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, 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 as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). 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 13, 2023

The Statutory Auditors

*French original signed by*

DELOITTE & ASSOCIES

ERNST & YOUNG et Autres

Jean-Marc Mickeler

Maud Monin

Micha Missakian

Vincent Roty

## 6.4 SOCIETE GENERALE MANAGEMENT REPORT

### BALANCE SHEET ANALYSIS

(In EURbn at 31 December)

	31.12.2022	31.12.2021	Change
Interbank and money market assets	267	231	36
Loans to customers	363	341	22
Securities transactions	508	484	24
o.w. securities purchased under repurchase agreements	248	198	50
Other assets	189	178	11
o.w. option premiums	69	87	(18)
Tangible and intangible assets	3	3	-
<b>TOTAL ASSETS</b>	<b>1,330</b>	<b>1,237</b>	<b>93</b>

(In EURbn at 31 December)

	31.12.2022	31.12.2021	Change
Interbank and cash liabilities <sup>(1)</sup>	363	336	27
Customer deposits	434	399	35
Bonds and subordinated debt <sup>(2)</sup>	30	27	3
Securities transactions	295	261	34
o.w. securities sold under repurchase agreements	219	192	27
Other liabilities and provisions	172	176	(4)
o.w. option premiums	76	96	(20)
Shareholder's equity	36	38	(2)
<b>TOTAL LIABILITIES</b>	<b>1,330</b>	<b>1,237</b>	<b>93</b>

(1) Including negotiable debt instruments.

(2) Including undated subordinated capital notes.

2022 was dominated by spiking inflation which pushed commodity and food prices sky high, a direct consequence of the war in Ukraine. Post-pandemic economic recovery was coupled with a failure of supply to keep pace with surging demand, which was exacerbated by the ongoing heavy restrictions imposed in China that disrupted production chains and transport of goods.

Mounting inflationary pressures prompted the US Federal Reserve (Fed) and the European Central Bank (ECB) to tighten monetary policy and announce a series of rate hikes, which put paid to the era of negative rates. Equity markets corrected sharply in response during the first three quarters of the year before the picture brightened in the fourth quarter as inflation stabilised.

Societe Generale posted a solid performance while keeping both cost and risk under control in a complex geopolitical and economic environment dogged by uncertainty.

At 31 December 2022, the balance sheet total stood at EUR 1,330 billion, up EUR 93 billion from the position at 31 December 2021.

The positive EUR 35.7 billion change in the Interbank and money market assets line was due in large part to the increase in central bank receivables for EUR 26.9 billion, of which EUR 21.4 billion from the French Central Bank (*Banque de France*) to meet regulatory requirements. Bank loans (the Other assets line) also increased to the tune of EUR 11 million and were predominantly directed to Group subsidiaries.

Interbank and cash liabilities increased to the tune of EUR 27.2 billion, for the main part due to borrowings from banks which rose by EUR 38.4 billion, most of which was accounted for by borrowings from Group subsidiaries and issuance of euro medium-term notes (EMTN) debt securities for EUR 7.9 billion. Borrowings from the *Banque de France* declined by EUR 20.3 billion, 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 September 2022.

Loans to customers rose by EUR 22.1 billion, mainly on an increase in current accounts (EUR 15.2 billion), in particular at the Group's investment firms, and a rise in cash facilities for EUR 7.4 billion on back of sharper demand for corporate finance. Despite robust home loan activity in the first half of the year, home loans declined of EUR 4 billion following a rolled-over housing securitisation transaction that reduced net receivables by EUR 6.3 billion.

Customer deposits increased by EUR 35.6 billion, chiefly owing to the EUR 27.9 billion rise in fixed-term deposits, mirroring investor appetite for this type of product amid a rising rate environment. Current accounts payable rose EUR 11.9 billion. Conversely, term borrowings by financial institutions contracted by EUR 5.2 billion.

The Fed and the ECB made major key rate hikes throughout 2022. In this context, money market transactions secured by securities offered enhanced liquidity, particularly on sovereign debt. Accordingly, securities purchased and sold under repurchase agreements rose respectively by EUR 49.9 billion and EUR 27.6 billion. In the wake of advancing rates on both French and US 10-year Treasury notes, outstandings from bonds and commercial paper rose by EUR 10 billion. By contrast, bearish equity markets pushed securities transaction outstandings down by EUR 34.7 billion.

Fixed-income and forex derivative trading surged in 2022 against a backdrop dominated by rising interest rates and US dollar appreciation against the major currencies. Conversely, weaker stock market and index volatility resulted in smaller premiums paid and received on derivative instruments for EUR 18 billion and EUR 20 billion, respectively.

Societe Generale has a diversified range of funding sources and channels:

- stable resources consisting of equity and subordinated debt (EUR 66 billion);
- customer deposits, up EUR 36 billion, which make up a significant share (33%) of total balance sheet resources;
- resources (EUR 237 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 118 billion);
- resources from securities sold under repurchase agreements to customers and banks (EUR 219 billion), which rose vs. 2021.

## INCOME STATEMENT ANALYSIS

	2022			2021			Changes 2022-2021 (%)		
	France	Outside France	Societe Generale	France	Outside France	Societe Generale	France	Outside France	Societe Generale
(In EURbn)									
<b>Net banking income</b>	<b>9,678</b>	<b>3,068</b>	<b>12,746</b>	<b>8,125</b>	<b>2,827</b>	<b>10,952</b>	<b>19</b>	<b>9</b>	<b>16</b>
Total operating expenses	(8,584)	(1,826)	(10,410)	(7,887)	(1,649)	(9,536)	9	11	9
<b>Gross operating income</b>	<b>1,094</b>	<b>1,242</b>	<b>2,336</b>	<b>238</b>	<b>1,178</b>	<b>1,416</b>	<b>360</b>	<b>5</b>	<b>65</b>
Cost of risk	(424)	(175)	(599)	(133)	26	(107)	219	(773)	460
<b>Operating income</b>	<b>670</b>	<b>1,067</b>	<b>1,737</b>	<b>105</b>	<b>1,204</b>	<b>1,309</b>	<b>538</b>	<b>(11)</b>	<b>33</b>
Income/(loss) on long-term investments	(1,828)	(251)	(2,079)	604	57	661	(403)	(540)	(415)
<b>Operating income before tax</b>	<b>(1,158)</b>	<b>816</b>	<b>(342)</b>	<b>709</b>	<b>1,261</b>	<b>1,970</b>	<b>(263)</b>	<b>(35)</b>	<b>(117)</b>
Income tax	390	(308)	82	414	(389)	25	(6)	(21)	228
<b>Net income</b>	<b>(768)</b>	<b>508</b>	<b>(260)</b>	<b>1,123</b>	<b>872</b>	<b>1,995</b>	<b>(168)</b>	<b>(42)</b>	<b>(113)</b>

In 2022, within an uncertain and complex geopolitical and economic environment, Societe Generale generated gross operating income of EUR 2.3 billion, a gain of EUR 0.9 billion compare to 2021, showing a rebound of 65%.

- net banking income (NBI) amounted to EUR 12.7 million, up EUR 1.7 billion (+16%) compare to 2021. Income rose across all our businesses:
  - French Retail Banking's net banking income grew by EUR 0.8 billion year-on-year. Retail Banking reported a sound financial performance on the back of steady growth in fees (+8% vs. 2021).

Societe Generale continued to execute on the merger with Crédit du Nord throughout the year. The legal merger took effect on schedule on 1 January 2023. SG is the Group's new retail bank in France and it has bold ambitions: it aims to be a top-tier banking partner, serving 10 million clients in the French market,

- Global Banking & Investor Solutions also delivered: revenue was up by EUR 0.4 billion, driven by robust momentum across all business lines:
  - the Equity and Equity Derivatives businesses grew revenue by 24%, continuing the healthy performance recorded in 2021. Growth was driven by brisk client activity and solid risk management in a mixed environment,

- amid highly volatile interest rates, revenue generated by Fixed Income and Currencies rebounded strongly from 2021 to gain 69% in 2022,
  - Financing & Advisory activities posted an excellent performance with revenues up 26% vs. 2021. They benefitted from solid market momentum in Asset Finance and activities related to Natural Ressources. Global Transaction and Payment Services posted a record performance benefitting of rising interest rates;
  - the Corporate Centre, which includes management of the Group's investment portfolio, saw a EUR 0.9 billion increase in its net banking income year-on-year, essentially from higher dividends received from the subsidiaries.
- general operating expenses climbed 9% to EUR 0.9 billion year-on-year:
- management overheads came out at EUR 5 billion at 31 December 2022, an increase of EUR 0.6 billion (+15%) relative to 2021. This increase is explained notably by the higher contribution to the Single Resolution Fund (SRF) accounted for EUR 0.3 billion and the Group's transformation costs,
  - payroll expense totalled EUR 5.4 billion, which is EUR 0.2 billion more (+5%) than in 2021. Payroll in 2022 included the rise of employee's fixed and variable remuneration. Expenses relating to defined benefit pension plans increased EUR 0.1 billion in a context of rates hikes;
- the net cost of risk was EUR 0.6 billion at 31 December 2022, an increase of EUR 0.5 billion year-on-year. As the default outstanding loans remain under control within the cost of risk, the cautious provisionning policy explains the increase of the costs of the year.
- Their combined effect pushed up operating income by EUR 0.4 billion vs. 2021 to EUR 1.7 billion at 31 December 2022;
- in 2022, Societe Generale posted a loss on fixed assets of EUR 2.1 billion, 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. To recap, gains of EUR 0.7 billion recorded in 2021 related mainly to the disposal of Lyxor Asset Management and Lyxor International Asset Management;
- at EUR 0.1 billion, income tax reflects the divergence in results between branches outside France and the performance in France, impacted by the Rosbank disposal.
- Net loss after tax amounted to EUR 0.3 billion at end-2022 vs. a gain of EUR 2 billion at the 2021 year-end.

## TRADE PAYABLES PAYMENT SCHEDULE

(In EURm)	31.12.2022						31.12.2021					
	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	41	90	-	-	-	131	41	91	-	-	-	132

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 department responsible 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.



	31.12.2022					
	Payables due					
	0 day (indicative)	1-30 days	31-60 days	61-90 days	91 days and more	Total (1 day and more)
<b>(A) Payment delay tranches</b>						
Number of invoices concerned	26	1,188	634	291	6,798	8,937
Total amount of invoices (incl. tax) concerned (in EURm)	-	13	8	7	36	64
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.

	31.12.2022					
	Receivables due					
	0 day (indicative)	1-30 days	31-60 days	61-90 days	91 days and more	Total (1 day and more)
<b>(A) Payment delay tranches</b>						
Number of invoices concerned	-	115	86	112	1,721	2,034
Total amount (incl. tax) of invoices concerned (in EURm) <sup>(1)</sup>	-	7	10	2	64	83
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 38 million of disputed payables.

## SOCIETE GENERALE FINANCIAL RESULTS: FIVE-YEAR SUMMARY

(In EURm)	2022	2021	2020	2019	2018
<b>Financial position at year end</b>					
Share capital (in EURm) <sup>(1)</sup>	1,062	1,067	1,067	1,067	1,010
Number of shares outstanding <sup>(1)</sup>	849,883,778	853,371,494	853,371,494	853,371,494	807,917,739
<b>Total income from operations (in EURm)</b>					
Revenue excluding tax <sup>(2)</sup>	32,519	27,128	27,026	34,300	30,748
Earnings before tax, depreciation, amortisation, provisions, employee profit sharing and general reserve for banking risks	292	2,470	365	3,881	19
Employee profit sharing during the year	12	15	6	11	11
Income tax	(82)	(25)	141	(581)	(616)
Earnings after tax, depreciation, amortisation and provisions	(260)	1,995	(1,568)	3,695	1,725
Dividends paid <sup>(3)</sup>	1,877	1,877	0	1,777	1,777
<b>Adjusted earnings per share (in EUR)</b>					
Earnings after tax but before depreciation, amortisation and provisions	0.43	2.91	0.24	5.16	0.72
Net income	(0.31)	2.34	(1.84)	4.33	2.14
Dividend paid per share	1.70	1.65	0.55	2.20	2.20
<b>Employees</b>					
Headcount <sup>(4)</sup>	42,450	43,162	44,544	46,177	46,942
Total payroll (in EURm)	3,938	3,554	3,408	3,754	3,128
Employee benefits (Social Security and other) (in EURm)	1,535	1,655	1,475	1,554	1,525

(1) At 31 December 2022, Societe Generale's fully paid-up capital amounted to EUR 1,062,354,722.50, comprising of 849,883,778 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) Average headcount restated compared to the financial statements published in 2021 and 2020.



## Main changes in the investment portfolio in 2022

In 2022, Societe Generale carried out the following transactions:

Outside France	In France
<b>Creation</b>	<b>Creation</b>
-	-
<b>Acquisition of interest</b>	<b>Acquisition of interest</b>
-	-
<b>Acquisition</b>	<b>Acquisition</b>
-	Parel
<b>Increase of interest</b>	<b>Increase of interest</b>
-	-
<b>Subscription to capital increases</b>	<b>Subscription to capital increases</b>
EPI Company	Boursorama SA, ALD, Shine, Societe Generale Ventures, Treezor and Transactis
<b>Full disposal</b>	<b>Full disposal</b>
Rosbank	-
<b>Reduction of interest<sup>(1)</sup></b>	<b>Reduction of interest<sup>(1)</sup></b>
-	Sogémarché

(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 2022:

Crossing above the threshold				Crossing below the threshold			
Threshold	Companies	% of capital at 31.12.2022	% of capital at 31.12.2021	Threshold	Companies	% of capital at 31.12.2022	% of capital at 31.12.2021
5%	EPI Company	7.46%	0%	5%	EPI Interim Company	0%	6.25%
10%				10%			
20%				20%			
33.33%	Société Services Fiduciaire <sup>(1)</sup>	33.33%	0%	33.33%			
50%				50%			
66.66%	Parel <sup>(1)</sup>	100%	0%	66.66%	SG Acceptance Rosbank	0% 0%	100% 99.97%

(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. 511-4-2 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;
- ICE FUTURES Canada for canola;
- CME group for corn, soybean, soybean oil, soybean meal, wheat, oats, cattle, lean hogs, milk and rice;
- Minneapolis Grain Exchange for wheat;
- SGX for rubber;
- TOCOM 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 2022, 19,470 dormant bank accounts were closed. The total amount deposited with the *Caisse des Dépôts et Consignations* was EUR 30,301,720.93.

Some 329,839 bank accounts were identified as dormant at the end of December 2022, representing an estimated total of EUR 1,751,728,690.03.

## 6.5 FINANCIAL STATEMENTS

### 6.5.1 PARENT COMPANY BALANCE SHEET

#### ASSETS

(In EURm)		31.12.2022	31.12.2021
Cash, due from central banks and post office accounts		165,341	138,486
Treasury notes and similar securities	Note 2.1	51,946	46,992
Due from banks	Note 2.3	216,750	187,185
Customer loans	Note 2.3	495,642	444,357
Bonds and other debt securities	Note 2.1	109,607	104,622
Shares and other equity securities	Note 2.1	74,833	109,629
Affiliates and other long-term securities	Note 2.1	812	943
Investments in related parties	Note 2.1	22,188	23,850
Tangible and intangible fixed assets	Note 7.2	2,980	2,939
Treasury stock	Note 2.1	1,130	630
Accruals, other accounts receivables and other assets	Note 3.2	188,731	177,663
<b>TOTAL</b>		<b>1,329,960</b>	<b>1,237,296</b>

#### OFF-BALANCE SHEET ITEMS

(In EURm)		31.12.2022	31.12.2021
Loan commitments granted	Note 2.3	306,565	249,393
Guarantee commitments granted	Note 2.3	233,347	221,912
Commitments made on securities		30,204	20,729

#### LIABILITIES AND SHAREHOLDERS' EQUITY

(In EURm)		31.12.2022	31.12.2021
Due to central banks and post office accounts		8,230	5,118
Due to banks	Note 2.4	340,748	314,011
Customer deposits	Note 2.4	550,236	497,734
Liabilities in the form of securities i	Note 2.4	119,613	113,037
Accruals, other accounts payables and other liabilities	Note 3.2	236,525	234,551
Provisions	Note 7.3	10,205	11,250
Long-term subordinated debt and notes	Note 6.4	28,311	23,639
<b>Shareholders' Equity</b>			
Common stock	Note 6.1	1,062	1,067
Additional paid-in capital	Note 6.1	21,330	21,556
Retained earnings	Note 6.1	13,960	13,338
Net income	Note 6.1	(260)	1,995
<b>SUB-TOTAL</b>		<b>36,092</b>	<b>37,956</b>
<b>TOTAL</b>		<b>1,329,960</b>	<b>1,237,296</b>

## OFF-BALANCE SHEET ITEMS

(In EURm)		31.12.2022	31.12.2021
Loan commitments received from banks	Note 2.4	85,354	67,942
Guarantee commitments received from banks	Note 2.4	62,807	64,927
Commitments received on securities		33,928	26,352

## 6.5.2 INCOME STATEMENT

(In EURm)		31.12.2022	31.12.2021
Interest and similar income	Note 2.5	18,373	15,060
Interest and similar expense	Note 2.5	(17,164)	(13,504)
Dividend income	Note 2.1	2,816	1,915
Fee income	Note 3.1	5,320	4,932
Fee expense	Note 3.1	(2,388)	(2,169)
Net income from the trading portfolio	Note 2.1	6,176	4,428
Net income from short-term investment securities	Note 2.1	(190)	533
Income from other activities		423	186
Expense from other activities		(620)	(429)
<b>Net banking income</b>	<b>Note 7.1</b>	<b>12,746</b>	<b>10,952</b>
Personnel expenses	Note 4.1	(5,360)	(5,129)
Other operating expenses <sup>(1)</sup>		(4,548)	(3,892)
Impairment, amortisation and depreciation		(502)	(515)
<b>Gross operating income</b>		<b>2,336</b>	<b>1,416</b>
Cost of risk	Note 2.6	(599)	(107)
<b>Operating income</b>		<b>1,737</b>	<b>1,309</b>
Net income from long-term investments	Notes 2.1	(2,079)	661
<b>Operating income before tax</b>		<b>(342)</b>	<b>1,970</b>
Income tax	Note 5	82	25
<b>Net Income</b>		<b>(260)</b>	<b>1,995</b>
<b>Earnings per ordinary share</b>	<b>Note 6.3</b>	<b>(0.32)</b>	<b>2.36</b>
<b>Diluted earnings per ordinary share</b>		<b>(0.32)</b>	<b>2.36</b>

(1) O/w. EUR 732 million related to the 2022 contribution to the Single Resolution Fund (SRF) (EUR 476 million at 31 December 2021).

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 2023.

### 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.

#### 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 takes account of both the uncertainties about the economic consequences of the war in Ukraine and those that remain with regard to the Covid-19 pandemic, as well as of the current macroeconomic conditions. 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 2022, 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. Crises: Covid-19, war in Ukraine and economic consequences

The lifting of the Covid-19-related restrictions in several major economies has supported economic activity even if the lockdowns in Mainland China have hampered it.

However, 2022 has been marked by the war in Ukraine. The conflict, with its loss of human life and the suffering caused, has significant economic costs and is accompanied with a very high degree of uncertainty.

In the euro area, the supply difficulties, the increase in energy costs, the decline in purchasing power with high inflation and the tightening of economic policies are the main bottlenecks to growth. If pandemic-related risks have decreased significantly in the short-term, the strong uncertainties related to the war in Ukraine jeopardise these prospects and a pronounced slowdown is anticipated in 2023.

In this context, Societe Generale has updated the macroeconomic scenarios selected to prepare its statutory statements as at 31 December 2022 and has also continued applying certain adjustments to its models to take account of the uncertainties related to the war in Ukraine and the aftermath of the Covid-19 pandemic. In particular, Societe Generale uses macro-economic scenarios in its measurement models for credit risk impairment and provisions (see Note 2.6) and in tests regarding deferred tax assets recovery (see Note 5).

### MACRO-ECONOMIC SCENARIOS AND WEIGHTING

As at 31 December 2022, Societe Generale has selected three scenarios to factor in the uncertainties relating to the war in Ukraine, the ongoing Covid-19 pandemic and the current macro-economic context. The SG Extended scenario, drafted specifically in the context of the sanitary crisis, has become obsolete owing to the management and evolution of the crisis during 2022.

The assumptions selected to draw up the scenarios are listed below:

- the central scenario (SG Central), weighted at 60%, predicts a sharp economic slowdown in 2023, and only a modest rebound in growth in 2024. In 2023, inflation will remain high, close to 5.5% before dropping below 3% in 2024 and returning to target in the mid-term. The ECB will continue tightening its monetary policy in the short term, but a possible easing might start at the end of 2023. The weighting applied to the Central scenario is increased to 60% as at 31 December 2022 (50% as at 31 December 2021) in conjunction with the removal of the SG Extended scenario;
- 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 (situation observed in several economies in 2021/2022 following releases from lockdowns). In both cases, stronger growth has a positive impact on employment and/or the profitability of companies;
- the stressed scenario (SG Stress), weighted at 30%, 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 ensure the consistency and relevance of the scenarios thus constructed.

### 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 come with a one-year repayment exemption. At the end of that year, the customer may 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 are set by the State and are applicable 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). This share of the guarantee premium kept by the bank is assimilated to interest income.

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 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.

Provisions and impairment for credit risk recognised for the State Guaranteed Loan facilities take into account the impact of the French State guarantee. The models for calculating impairment and provisions for credit risk also take into account the probabilities of exercise of the extension options, the share of the loan not guaranteed by the State as well as the waiting period before enforcement of the guarantee.

At 31 December 2022, the State Guaranteed Loan outstanding represents some EUR 7.8 billion (including EUR 2.07 billion of underperforming loans and EUR 1.01 billion of doubtful loans). The amount of credit risk impairment and provisions recorded as at 31 December 2022 related to these State Guaranteed Loan facilities represent approximately EUR 108 million (including EUR 43 million of underperforming loans and EUR 54 million of doubtful loans), without predominance of a specific sector.

Based on the scenarios presented above, and after taking into account methodological adjustments and support measures, the cost of risk for the financial year 2022 represents a net loss of EUR 599 million, increasing by EUR 492 million compared to the 2021 financial year.

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 extensions have not had any significant impact on the financial statements of Societe Generale as at 31 December 2022.

## CONSEQUENCES OF THE WAR IN UKRAINE

Societe Generale announced the termination of its banking activities in Russia in April 2022 and sold its Rosbank subsidiary in May 2022. The impact of this sale on the financial statements of Societe Generale are described in Note 2.1.

Outside Russia, Societe Generale holds Russian counterparty credit exposures (EUR 1.1 billion). As a result of an assessment of the changes in these credit exposures, Societe Generale has classified them as “underperforming loans” or “doubtful loans” when necessary (see Note 2.6.2).

## 6. Merger of the retail banking network with Crédit du Nord

Societe Generale had announced on 7 December 2020 its project to merge the retail banking networks of Societe Generale and Crédit du Nord to form a new network (Vision 2025 project). The project detailing the organisation planned for the New Retail Bank in France was presented by Societe Generale to its staff representative bodies during the fourth quarter of 2021.

In the course of 2022, the bank finalised the preparation of the legal merger of Societe Generale and Crédit du Nord, which is effective since 1 January 2023. After the merger, all the subsidiaries held by Crédit du Nord will be merged within Societe Generale. In the context of these mergers, the differences between the net assets absorbed and the book value of the derecognised investments in subsidiaries will lead to the recognition in Societe Generale's accounts of a merger bonus of approximately EUR 2.8 billion (i.e., a positive difference recognised in profit or loss for the share of retained earnings accumulated by the absorbed entity and, in equity for the residual amount).

## 7. Acquisition of LeasePlan by ALD

On 6 January 2022, Societe Generale announced the signing by Societe Generale and ALD of two separate Memoranda of Understanding providing for the acquisition by ALD of 100% of the capital of LeasePlan. Completion is expected during the first half of 2023, notably subject to receiving the remaining regulatory approvals and to the performance of other standard conditions precedent.

The purchase of LeasePlan, for a total amount of EUR 4.5 billion, would be financed through a combination of cash and shares.

As part of this acquisition, ALD announced the successful completion on 16 December 2022 of a capital increase with shareholders' preferential subscription rights (“Rights Issue”) for an amount of approximately EUR 1.2 billion. Before this capital increase, Societe Generale held 79.8% of ALD's share capital. In line with its commitment to remain ALD's long-term majority shareholder, Societe Generale subscribed for an amount of approximately EUR 803 million of new shares representing approximately 66.3% of the capital increase, following which it holds approximately 75.9% of the ALD's share capital following settlement-delivery.

Accordingly, upon closing of the acquisition of LeasePlan, Societe Generale would remain majority shareholder of ALD with a shareholding of 52.6%. This shareholding may be brought down to 51% in case of exercise of the warrants attached to the shares which would be awarded to LeasePlan's shareholders to allow them to increase their pro forma shareholding up to 32.9% of ALD's share capital.



## 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

	31.12.2022				31.12.2021			
	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
(In EURm)								
<b>Trading securities</b>	<b>32,051</b>	<b>74,610</b>	<b>42,851</b>	<b>149,512</b>	<b>26,742</b>	<b>109,347</b>	<b>51,139</b>	<b>187,228</b>
<b>Short-term investment securities</b>	<b>19,747</b>	<b>197</b>	<b>13,119</b>	<b>33,063</b>	<b>20,106</b>	<b>190</b>	<b>10,153</b>	<b>30,449</b>
Gross book value	20,260	217	13,193	33,670	20,175	209	10,410	30,794
Impairment	(513)	(20)	(74)	(607)	(69)	(19)	(257)	(345)
<b>Long-term investment securities</b>	<b>53</b>	<b>-</b>	<b>53,475</b>	<b>53,528</b>	<b>56</b>	<b>-</b>	<b>43,321</b>	<b>43,377</b>
Gross book value	53	-	53,475	53,528	56	-	43,321	43,377
Impairment	-	-	-	-	-	-	-	-
Related receivables	95	26	162	283	88	92	9	189
<b>TOTAL</b>	<b>51,946</b>	<b>74,833</b>	<b>109,607</b>	<b>236,386</b>	<b>46,992</b>	<b>109,629</b>	<b>104,622</b>	<b>261,243</b>

(1) As at 31 December 2022, the amount of bonds and other debt securities includes EUR 1,454 million of securities issued by public organizations.

(2) As at 31 December 2021, the amount of bonds and other debt securities includes EUR 1,351 million of securities issued by public organizations.

## ADDITIONAL INFORMATION ON SECURITIES

(In EURm)	31.12.2022	31.12.2021
Estimated market value of short-term investment securities		
Unrealised capital gains <sup>(1)</sup>	104	1,008
Estimated value of long-term investment securities		
Premiums and discounts relating to short-term and long-term investment securities	292	143
Investments in mutual funds:	15,310	17,888
▪ French mutual funds	8,527	9,045
▪ Foreign mutual funds	6,783	8,843
of which mutual funds which reinvest all their income	5	4
Listed securities <sup>(2)</sup>	361,737	360,427
Subordinated securities	110	110
Securities lent	71,453	62,158

(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 2022, the amount of listed trading securities is EUR 274,544 million (285,452 million as at 31 December 2021).

## NOTE 2.1.2 AFFILIATES, INVESTMENTS IN RELATED PARTIES AND OTHER LONG-TERM SECURITIES

### AFFILIATES AND OTHER LONG TERM SECURITIES

(In EURm)	31.12.2022	31.12.2021
Banks	332	346
Others	585	670
<b>Affiliates and other long-term securities before impairment</b>	<b>917</b>	<b>1,016</b>
Impairment	(105)	(73)
<b>TOTAL</b>	<b>812</b>	<b>943</b>

The main changes are related to the inclusion in the consolidation perimeter during the year of Societe Generale Mauritanie, Societe Generale Ventures and Transactis entities requiring their

reclassification from the category "Affiliates and other long term securities" to "Investments in related parties" for EUR -95 million.

### INVESTMENTS IN RELATED PARTIES

(In EURm)	31.12.2022	31.12.2021
<b>Banks</b>	<b>8,843</b>	<b>11,905</b>
Listed	1,862	5,355
Unlisted	6,981	6,550
<b>Others</b>	<b>16,487</b>	<b>15,652</b>
Listed	1,948	1,156
Unlisted	14,539	14,496
<b>Investments in related parties before impairment</b>	<b>25,330</b>	<b>27,557</b>
Impairment	(3,142)	(3,707)
<b>TOTAL</b>	<b>22,188</b>	<b>23,850</b>

All transactions with the related parties were concluded under normal market conditions.

On 18 May 2022, Societe Generale announced the completion of the disposal of Rosbank.

A loss on derecognition of EUR -3,401 million was recognised in the income statement for the period in consideration of the disposal of all Rosbank shares with a gross book value of EUR 3,497 million and the price paid by the buyer.

The loss on disposal was recorded:

- on the section “Net income from long-term investments” for EUR -2,686 million before tax (see Note 2.1.6 - Net income from long-term investments); and
- on the section “Net income from foreign exchange transactions” for EUR -714 million (foreign exchange loss recognized at the date of disposal on the position of securities denominated in foreign currencies).

This loss on disposal was partly offset by the recovery of the impairment previously recognised on the Rosbank shares, recorded under the section “Net income from long-term investments” for EUR +859 million.

The other main changes are:

- the capital increase of ALD with preferential subscription rights: EUR +791 million;
- the capital increase of Boursorama SA: EUR +400 million;
- the entry in the consolidation perimeter of Societe Generale Mauritanie, Societe Generale Ventures and Transactis during the year: reclassification from the category “Affiliates and other long term securities” to “Investments in related parties” for EUR +95 million;
- the full acquisition of Parel shares held by Genefinance and Sogeparts: EUR +61 million;
- the capital increases of Shine: EUR +38 million;
- the capital decrease of Sogemarche: EUR -40 million.

The main changes in the impairment are as follow:

- the impairment of Societe Generale Securities Services SPA: EUR -251 million;
- the impairment of Banco Societe Generale Brasil: EUR -30 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 intent to cancel them are recorded as Long-term equity investments and presented under “Treasury stock” on the assets side of the balance sheet.

	31.12.2022			31.12.2021		
	Quantity	Book value <sup>(2)</sup>	Market value	Quantity	Book value <sup>(2)</sup>	Market value
(In EURm)						
Trading securities <sup>(1)</sup>	282,892	7	7	47,777	2	2
Short-term investment securities	7,061,203	209	166	5,962,006	160	180
Long-term equity investments <sup>(3)</sup>	41,674,813	914	979	16,247,062	468	491
<b>TOTAL</b>	<b>49,018,908</b>	<b>1,130</b>	<b>1,151</b>	<b>22,256,845</b>	<b>630</b>	<b>673</b>

Nominal value: EUR 1.25.

Market value per share: EUR 23.48 as at 31 December 2022.

- (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. Following the implementation of the Societe Generale 2022 share buyback program, the liquidity contract was suspended and as of 31 December 2022 no Societe Generale shares were held under this contract.
- (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. The capital reduction by cancellation of shares was carried out on 1 February 2023. At 31 December 2021, 16,247,062 Societe Generale shares were purchased on the market at a cost price of EUR 468 million, for the purpose of cancellation on 1 February 2022 in accordance with the decision of the General Meeting of 19 May 2021.

## NOTE 2.1.4 DIVIDEND INCOME

(In EURm)	2022	2021
Dividends from shares and other equity securities	17	23
Dividends from affiliates and other long-term securities	2,799	1,892
<b>TOTAL</b>	<b>2,816</b>	<b>1,915</b>

Dividends received from investments in the trading portfolio have been classified under “Net income from the trading portfolio and short-term investment securities”.

The amount of dividends on affiliates and other long-term securities received in respect of the 2022 financial year returns to a pre-crisis level linked to the Covid-19 pandemic.

## NOTE 2.1.5 NET INCOME FROM THE TRADING PORTFOLIO AND SHORT-TERM INVESTMENT SECURITIES

(In EURm)	2022	2021
<b>Net income from the trading portfolio:</b>	<b>6,176</b>	<b>4,428</b>
Net income from operations on trading securities <sup>(1)</sup>	(11,130)	27,074
Net income from forward financial instruments	18,538	(23,197)
Net income from foreign exchange transactions	(1,232)	551
<b>Net income from short-term investment securities:</b>	<b>(190)</b>	<b>533</b>
Gains on sale	500	603
Losses on sale	(427)	(59)
Allocation of impairment	(531)	(39)
Reversal of impairment	268	28
<b>TOTAL</b>	<b>5,986</b>	<b>4,961</b>

(1) Of which EUR 1,631 million of received dividends on trading portfolio.

## 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.

	2022	2021
<b>Long-term investment securities</b>	<b>-</b>	<b>(9)</b>
Net capital gains (or losses) on sale	-	(9)
Net allocation to impairment	-	-
<b>Investments in subsidiaries and affiliates</b>	<b>(2,093)</b>	<b>589</b>
Gains on sale <sup>(1)</sup>	59	557
Losses on sale <sup>(1)</sup>	(2,686)	-
Allocation to impairment <sup>(2)</sup>	(356)	(23)
Reversal of impairment <sup>(2)</sup>	890	55
Subsidies granted to affiliates (subsidiaries)	-	-
Net income from long term investment (see Note 7.2)	14	81
<b>TOTAL</b>	<b>(2,079)</b>	<b>661</b>

(1) As at 31 December 2022, the main sale is related to the full disposal of Rosbank for EUR -2,686 million (excluding currency effect).

(2) Allocations and write-backs 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 recognized 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 recognized 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 *prorata 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

(In EURm)	Fair Value Trading transactions	Hedging transactions	Total at	
			31.12.2022	31.12.2021
<b>Firm transactions</b>	<b>12,143,737</b>	<b>18,201</b>	<b>12,161,938</b>	<b>12,133,297</b>
Transactions on organised markets	3,036,343	96	3,036,439	3,051,645
Interest rate futures	776,802	-	776,802	763,728
Foreign exchange futures	1,932,872	-	1,932,872	1,946,901
Other futures contracts	326,669	96	326,765	341,016
OTC agreements	9,107,394	18,105	9,125,499	9,081,652
Interest rate swaps	7,151,923	17,913	7,169,836	7,747,976
Currency financing swaps	1,143,875	192	1,144,067	940,558
Forward Rate Agreements (FRA)	787,632	-	787,632	366,517
Other	23,964	-	23,964	26,601
<b>Optional transactions</b>	<b>3,687,286</b>	<b>202</b>	<b>3,687,488</b>	<b>3,708,609</b>
Interest rate options	1,781,146	-	1,781,146	1,675,125
Foreign exchange options	565,644	202	565,846	670,182
Equity and index options	1,096,715	-	1,096,715	1,315,274
Other options	243,781	-	243,781	48,028
<b>TOTAL</b>	<b>15,831,023</b>	<b>18,403</b>	<b>15,849,426</b>	<b>15,841,906</b>

## NOTE 2.2.2 FAIR-VALUE OF THE TRANSACTIONS QUALIFIED AS HEDGING

(In EURm)	31.12.2022	31.12.2021
<b>Firm transactions</b>	<b>(5,079)</b>	<b>1,688</b>
Transactions on organised markets	(14)	38
Interest rate futures	-	-
Foreign exchange futures	-	-
Other forward contracts	(14)	38
OTC agreements	(5,065)	1,650
Interest rate swaps	(5,165)	1,738
Currency financing swaps	100	(88)
Forward Rate Agreements (FRA)	-	-
Other	-	-
<b>Optional transactions</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>(5,079)</b>	<b>1,688</b>

## 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>2,183,240</b>	<b>3,058,972</b>	<b>3,311,553</b>	<b>3,608,173</b>	<b>12,161,938</b>
Transactions on organised markets	1,300,512	911,936	280,116	543,875	3,036,439
OTC agreements	882,728	2,147,036	3,031,437	3,064,298	9,125,499
<b>Optional transactions</b>	<b>730,230</b>	<b>798,515</b>	<b>1,187,135</b>	<b>971,608</b>	<b>3,687,488</b>
<b>TOTAL</b>	<b>2,913,470</b>	<b>3,857,487</b>	<b>4,498,688</b>	<b>4,579,781</b>	<b>15,849,426</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

(In EURm)	31.12.2022	31.12.2021
<b>Demand deposits and loans</b>	<b>5,448</b>	<b>7,382</b>
Current accounts	4,571	6,744
Overnight deposits and loans	877	638
Loans secured by notes-overnight	-	-
<b>Term accounts and loans</b>	<b>211,336</b>	<b>179,824</b>
Term deposits and loans	94,231	83,369
Securities purchased under resale agreements	115,479	94,713
Subordinated and participating loans	989	1,192
Loans secured by notes and securities	-	-
Related receivables	637	550
<b>Due from banks before impairment</b>	<b>216,784</b>	<b>187,206</b>
Impairment	(34)	(21)
<b>TOTAL <sup>(1)(2)</sup></b>	<b>216,750</b>	<b>187,185</b>

(1) As at 31 December 2022 doubtful loans amounted to EUR 64 million (of which EUR 27 million were non-performing loans) against EUR 45 million (of which EUR 17 million were non-performing loans) as at 31 December 2021.

(2) Including amounts receivable from subsidiaries: EUR 92,322 million as at 31 December 2022 against EUR 83,462 million as at 31 December 2021.

## NOTE 2.3.2 CUSTOMER LOANS

(In EURm)	31.12.2022	31.12.2021
Overdrafts	46,774	31,581
Discount of trade notes	1,432	1,407
Other loans <sup>(1)(2)(3)</sup>	315,535	309,556
Loans secured by notes and securities	246	204
Securities purchased under resale agreements	132,082	102,909
Related receivables	1,585	1,057
<b>Customer loans before impairment</b>	<b>497,654</b>	<b>446,714</b>
Impairment	(2,012)	(2,357)
<b>TOTAL <sup>(4)(5)</sup></b>	<b>495,642</b>	<b>444,357</b>

(1) Including pledged loan: EUR 89,132 million (EUR 86,822 million as at 31 December 2021) of which amounts eligible for refinancing with Banque de France: EUR 8,529 million as at 31 December 2022 (EUR 7,312 million as at 31 December 2021).

(2) Of which participating loans: EUR 2,241 million as at 31 December 2022 (EUR 2,097 million as at 31 December 2021).

(3) As at 31 December 2022 doubtful loans amounted to EUR 5,517 million (of which EUR 2,097 million were non-performing loans) against EUR 5,726 million (of which EUR 2,166 million were non-performing loans) as at 31 December 2021.

(4) Of which amounts receivable from subsidiaries: EUR 136,988 million as at 31 December 2022 (EUR 113,524 million as at 31 December 2021).

(5) Including restructured loans: EUR 4,138 million as at 31 December 2022 (EUR 5,090 million as at 31 December 2021).



The detail of other loans is composed of:

(In EURm)	31.12.2022	31.12.2021
Short-term loans	98,733	91,362
Export loans	12,920	12,383
Equipment loans	51,669	51,400
Housing loans	72,512	76,479
Lease financing agreements	-	-
Other loans	79,701	77,932
<b>TOTAL</b>	<b>315,535</b>	<b>309,556</b>

### NOTE 2.3.3 COMMITMENTS GRANTED

(In EURm)	31.12.2022	31.12.2021
<b>Loan commitments</b>	<b>306,565</b>	<b>249,393</b>
To banks	84,295	61,178
To customers	222,270	188,215
<b>Guarantee commitments</b>	<b>233,347</b>	<b>221,912</b>
On behalf of banks	110,203	117,685
On behalf of customers	123,144	104,227

Commitments granted to subsidiaries are those granted to related parties for EUR 85,489 million as at 31 December 2022 (EUR 69,796 million as at 31 December 2021).

### 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.

In 2017, Societe Generale proceeded to a securitisation in order to substitute in the assets, eligible bonds as the Eurosystem refinancing guaranty for housing loans. The bonds are presented in the assets on the balance sheet within the investment portfolio for an amount of EUR 4,382 million as at 31 December 2021.

On 27 January 2022, Societe Generale ended the securitisation by the buy back of the entire portfolio of the housing loans, the simultaneous repayment of the bonds and the liquidation of the fund. These operations have had no significant impact on the bank's net income.

On 24 February 2022, Societe Generale has proceeded to a new similar securitisation operation. For this purpose, Societe Generale has transferred EUR 10,625 million housing loans to a securitisation mutual fund. To capitalise the acquisition, the fund has issued bonds which were fully subscribed by Societe Generale. The bonds are presented in the assets on the balance sheet for an amount of EUR 9,460 million as at 31 December 2022 as a result of the underlying housing loans amortisation.

On 27 January 2023, a bond buyback was carried out as part of this securitisation operation for an amount of EUR 3,410 million.

**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**

(In EURm)

	31.12.2022	31.12.2021
<b>Demand deposits</b>	<b>24,327</b>	<b>26,404</b>
Demand deposits and current accounts	24,327	26,404
Borrowings secured by notes - overnight	-	-
<b>Term deposits</b>	<b>212,249</b>	<b>194,509</b>
Term deposits and borrowings	212,249	194,509
Borrowings secured by notes and securities	-	-
<b>Related payables</b>	<b>732</b>	<b>288</b>
<b>Securities sold under repurchase agreements</b>	<b>103,440</b>	<b>92,810</b>
<b>TOTAL</b>	<b>340,748</b>	<b>314,011</b>

Related parties payables amount to EUR 125,274 million as at 31 December 2022 (EUR 107,154 million as at 31 December 2021).

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. The residual amount of TLTRO borrowings recognised as liabilities on the balance sheet is EUR 41.4 billion as at 31 December 2022, as a result of the EUR 19.2 billion repaid early during the fourth quarter 2022.

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. As Societe Generale has no doubt that it will be able to benefit from the bonus rates provided for, the latter have been considered to determine the amount of interest recognised in the profit or loss for the TLTRO loans: this amount has been computed based on a weighted rate spreading the bonus over the expected life of the drawdowns concerned.

On 27 October 2022, the ECB modified the calculation method of the interest rate applying to the last period of TLTRO III. The effect of these changes resulted in an adjustment of the effective interest rate applied between 23 June 2022 to 22 November 2022 and the implementation of new calculation methods from 23 November 2022 (application of the mean of the average deposit facility rates (DFR) over the period).

As at 31 December 2022, the total cost of the TLTRO borrowings including interests and bonuses is between -0.34% and -0.89% depending on the draw dates. For the financial year 2022, the total amount of interests and bonuses on the TLTRO borrowings recorded as a deduction from Interest and similar expense amounts to EUR 314 million; this amount includes the bonuses on the borrowings repaid early (some EUR 32 million of negative interest income as at 31 December 2022).

## NOTE 2.4.2 CUSTOMER DEPOSITS

(In EURm)	31.12.2022	31.12.2021
<b>Regulated savings accounts</b>	<b>55,037</b>	<b>57,652</b>
Demand	38,607	40,179
Term	16,430	17,473
<b>Other demand customer deposits</b>	<b>181,535</b>	<b>166,133</b>
Businesses and sole proprietors	112,153	90,103
Individual customers	42,607	41,767
Financial customers	21,046	26,341
Others	5,729	7,922
<b>Other term customer deposits</b>	<b>196,530</b>	<b>174,497</b>
Businesses and sole proprietors	70,905	53,336
Individual customers	808	76
Financial customers	113,380	117,510
Others	11,437	3,575
<b>Related payables</b>	<b>1,119</b>	<b>384</b>
<b>Securities sold to customers under repurchase agreements</b>	<b>116,015</b>	<b>99,068</b>
<b>TOTAL</b>	<b>550,236</b>	<b>497,734</b>

Related parties due to customers amount EUR 137,465 million as at 31 December 2022 (EUR 113,509 million as at 31 December 2021).

## 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.

(In EURm)	31.12.2022	31.12.2021
Loan notes	-	-
Bond borrowings	-	-
Interbank market certificates and negotiable debt instruments	119,023	112,598
Related payables	590	439
<b>TOTAL</b>	<b>119,613</b>	<b>113,037</b>

Related parties payables amount for EUR 341 million as at 31 December 2022 (EUR 342 million as at 31 December 2021).

**NOTE 2.4.4 COMMITMENTS RECEIVED**

(In EURm)	31.12.2022	31.12.2021
Loan commitments received from banks	85,354	67,942
Guarantee commitments received from banks	62,807	64,927

Related parties commitments amount for EUR 10,517 million as at 31 December 2022 (EUR 13,096 million as at 31 December 2021).

**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.

(In EURm)	2022			2021		
	Income	Expense	Net	Income	Expense	Net
<b>Transactions with banks</b>	<b>3,136</b>	<b>(3,143)</b>	<b>(7)</b>	<b>1,152</b>	<b>(1,096)</b>	<b>56</b>
Transactions with central banks, post office accounts and banks <sup>(1)</sup>	2,178	(1,934)	244	655	(660)	(5)
Securities sold under repurchase agreements and borrowings secured by notes and securities	958	(1,209)	(251)	497	(436)	61
<b>Transactions with customers</b>	<b>10,429</b>	<b>(7,127)</b>	<b>3,302</b>	<b>8,976</b>	<b>(5,162)</b>	<b>3,814</b>
Trade notes	16	-	16	13	-	13
Other customer loans	8,428	-	8,428	8,434	-	8,434
Overdrafts	479	-	479	222	-	222
Regulated savings accounts	-	(469)	(469)	-	(482)	(482)
Other customer deposits	-	(5,131)	(5,131)	-	(4,379)	(4,379)
Securities sold/bought under repurchase agreements and borrowings secured by notes and securities	1,506	(1,527)	(21)	307	(301)	6
<b>Bonds and other debt securities</b>	<b>2,401</b>	<b>(3,576)</b>	<b>(1,175)</b>	<b>2,662</b>	<b>(4,213)</b>	<b>(1,551)</b>
<b>Other interest expenses and related income</b>	<b>2,407</b>	<b>(3,318)</b>	<b>(911)</b>	<b>2,270</b>	<b>(3,033)</b>	<b>(763)</b>
<b>TOTAL</b>	<b>18,373</b>	<b>(17,164)</b>	<b>1,209</b>	<b>15,060</b>	<b>(13,504)</b>	<b>1,556</b>

(1) Negative interests on TLTRO borrowings are 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:

(In EURm)	2022	2021
Short-term loans	2,364	1,233
Export loans	323	190
Equipment loans	935	851
Housing loans	1,097	1,149
Other customer loans	3,709	5,011
<b>TOTAL</b>	<b>8,428</b>	<b>8,434</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.

(In EURm)	Amount as at 31.12.2021	Allocations	Reversals	Change in scope and reclassifying	Amount as at 31.12.2022
Provisions on credit risk (See Note 2.6.2.2)	1,594	1,134	(875)	11	1,864
Provision on commitments related to mortgage saving agreements (PEL/CEL) (See Note 2.6.2)	275	23	(190)	-	108
Provisions on forward financial instruments (See Note 2.6.3)	6,451	1,344	(2,888)	375	5,282
Provisions on employee benefits (See Note 4.2)	1,882	459	(617)	(7)	1,717
Provisions for tax adjustments (See Note 5.2)	52	-	(40)	-	12
Other provisions on risks and expenses*	996	476	(256)	6	1,222
<b>TOTAL</b>	<b>11,250</b>	<b>3,436</b>	<b>(4,866)</b>	<b>385</b>	<b>10,205</b>

\* including provisions for legal disputes, fines, penalties and commercial disputes.

### NOTE 2.6.2 IMPAIRMENT AND PROVISIONS FOR CREDIT RISK

#### CRISES: WAR IN UKRAINE, COVID-19 CRISIS AND ECONOMIC CONSEQUENCES

To account for uncertainties related to the Covid-19 crisis, Societe Generale updated as at 31 December 2022 the model and post-model adjustments defined since the beginning of the health crisis, in keeping with 2021.

In 2022, Societe Generale revised the parameters used in the models based on the new macro-economic scenarios (see Note 1), taking account of the specific conditions created by the war in Ukraine.

The impact of these model and post-model adjustments on the determination of the impairment and provisions for credit risk are described hereafter.

#### UPDATE OF THE MODELS AND PARAMETERS USED TO ESTIMATE THE IMPAIRMENT AND PROVISIONS FOR CREDIT RISK

In line with the adjustments made since the onset of the health crisis, Societe Generale has adjusted the GDP growth rates in its models to better reflect the impact of the economic scenarios on the impairment and provisions for credit risk: for each quarter of 2022, Societe Generale has used in its models the average change in GDP over the last eight quarters compared to a base of 100 in 2019. This adjustment has been applied to each of the three scenarios (*SG Favourable*, *SG Central* and *SG Stress*) for the GDP series used to model the impairment and provisions for credit risk. It has however not been retained to determine the GDP growth rates for 2023 to 2026.

Furthermore, owing to the degraded macro-economic conditions related to the war in Ukraine, all Russian counterparties have been classified as underperforming assets. A supplementary analysis has helped identify, among this population, the outstanding loans requiring transfer to doubtful loans. The impact of these transfers on the calculation of provisions and impairment for credit risk amounts to EUR 259 million as at 31 December 2022 (including EUR 73 million on the outstanding loans transferred to doubtful loans).

## ADJUSTMENTS SUPPLEMENTING THE APPLICATION OF MODELS

To better reflect the heightened credit risk on some portfolios or business sectors, Societe Generale updated the current adjustments to supplement the application of models such as sectoral adjustments and the adjustments used in the simplified models.



A qualitative analysis of the potential impact of climate risks on the determination of the impairment and provisions for credit risk has been integrated as part of the review of these adjustments, whenever compatible with the provisioning horizon. (see Note 1).

## ADDITIONAL CRITERION OF TRANSFER TO UNDERPERFORMING LOANS

Lastly, Societe Generale has carried out an additional expert analysis on the outstanding loans portfolio for which the increase in credit risk has been deemed significant since their granting. This study has resulted in supplementary transfers to the underperforming loans category of all the loans granted before the crisis to sectors regarded by Societe Generale as particularly affected by said crisis.

### 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 31.12.2021	Net cost of risk	Other income statement	Used Reversals	Change in scope and reclassifying	Amount as at 31.12.2022
Banks	21	13	-	-	-	34
Customer loans	2,357	166	-	(556)	45	2,012
Other	83	-	-	(1)	2	84
<b>TOTAL <sup>(1)</sup></b>	<b>2,461</b>	<b>179</b>	<b>-</b>	<b>(557)</b>	<b>47</b>	<b>2,130</b>

(1) Of which impairment for non-performing loans: EUR 1,790 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, macro-economic 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 31.12.2021	Net cost of risk	Change in scope and reclassifying	Amount as at 31.12.2022
Provisions for off-balance sheet commitments to banks	-	7	-	7
Provisions for off-balance sheet commitments to customers	167	(50)	2	119
Collective provisions for credit risk on performing loans	442	(9)	3	436
Collective provisions for credit risk on under performing loans	985	312	5	1,302
<b>TOTAL</b>	<b>1,594</b>	<b>260</b>	<b>10</b>	<b>1,864</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)	2022	2021
Net allocations to impairment and provisions for receivable and off-balance sheet commitments	(438)	(61)
Losses not covered and amounts of recoveries on loans written off	(161)	(46)
<b>TOTAL</b>	<b>(599)</b>	<b>(107)</b>
<i>of which gain on revaluation of currency hedge of provisions</i>	<i>1</i>	<i>2</i>

## NOTE 2.6.3 COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS/PLANS (CEL/PEL)

## ACCOUNTING PRINCIPLES

*Comptes d'épargne-logement* (CEL or mortgage savings accounts) and *plans d'épargne-logement* (PEL or mortgage savings plans) are special savings schemes for individual customers under French Law 65-554 of 10th July 1965. These saving schemes combine an initial phase when deposits are made in specific interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans to the depositors, on regulated terms and conditions, both phases being inseparable. Both the savings deposits collected and the loans granted are recognised at amortised cost.

These instruments create two types of commitments for Societe Generale: the obligation to subsequently lend to the customer at an interest rate established at the inception of the savings agreement and the obligation to remunerate customer savings for an indeterminate future period at an interest rate also established at the inception of the mortgage savings agreement.

As if it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Company: a provision is recorded on the liabilities side of the balance sheet. Any change in these provisions is recognised as net banking income under "Net interest income". These provisions only relate to commitments arising from PEL/CEL that are outstanding at the date of calculation.

Provisions are calculated for each generation of mortgage savings plans (PEL), with no netting between the different PEL generations, and for all mortgage saving accounts (CEL) which constitute a single generation.

During the deposits phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of historical observed past customer behaviour.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable based on the amount of balance sheet deposits at the date of calculation on one side and on the historical observed past customer behaviour on the other.

A provision is recorded if the discounted value of the expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated based on the interest rates offered to individual customers for equivalent savings and loan instruments (with similar estimated life and date of inception).



**OUTSTANDING DEPOSITS IN MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)**

(In EURm)

	31.12.2022	31.12.2021
<b>Mortgage savings plans (PEL)</b>	<b>14,687</b>	<b>15,703</b>
Less than 4 years old	458	444
Between 4 and 10 years old	6,988	8,502
More than 10 years old	7,241	6,757
<b>Mortgage savings accounts (CEL)</b>	<b>1,248</b>	<b>1,198</b>
<b>TOTAL</b>	<b>15,935</b>	<b>16,901</b>

**OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)**

(In EURm)

	31.12.2022	31.12.2021
Less than 4 years old	-	0
Between 4 and 10 years old	1	2
More than 10 years old	4	7
<b>TOTAL</b>	<b>5</b>	<b>9</b>

**PROVISIONS FOR COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)**

(In EURm)

	31.12.2021	Allocations	Reversals	31.12.2022
<b>Mortgage savings plans (PEL)</b>	<b>262</b>	<b>1</b>	<b>(190)</b>	<b>73</b>
less than 4 years old	0	1	-	1
between 4 and 10 years old	34	-	(32)	2
more than 10 years old	228	-	(158)	70
<b>Mortgage savings accounts (CEL)</b>	<b>13</b>	<b>22</b>	<b>-</b>	<b>35</b>
<b>TOTAL</b>	<b>275</b>	<b>23</b>	<b>(190)</b>	<b>108</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 2022, 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 2022.

**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.

(In EURm)	Amount as at 31.12.2021	Net allocations	Reversals	Change in scope and reclassifying	Amount as at 31.12.2022
Provisions for forward financial instruments	6,451	1,344	(2,888)	375	5,282

**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.

(In EURm)	31.12.2022	31.12.2021
Short-term investment securities	607	345
Long-term investment securities	-	-
Affiliates and other long-term securities	195	73
Investments in related parties	3,142	3,707
<b>TOTAL</b>	<b>3,854</b>	<b>4,125</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)	2022			2021		
	Income	Expense	Net	Income	Expense	Net
Transactions with banks	77	(38)	39	86	(43)	44
Transactions with customers	1,693	(33)	1,660	1,595	(27)	1,567
Securities transactions	453	(869)	(416)	449	(999)	(550)
Primary market transactions	55	-	55	103	-	103
Foreign exchange transactions and forward financial instruments	343	(470)	(127)	265	(408)	(143)
Loan and guarantee commitments	914	(554)	360	840	(401)	439
Services	1,785	-	1,785	1,594	-	1,594
Other	-	(424)	(424)	-	(291)	(291)
<b>TOTAL</b>	<b>5,320</b>	<b>(2,388)</b>	<b>2,932</b>	<b>4,932</b>	<b>(2,169)</b>	<b>2,763</b>

### NOTE 3.2 Accruals, other assets and liabilities

#### NOTE 3.2.1 ACCRUALS, OTHER ACCOUNTS RECEIVABLES AND OTHER ASSETS

(In EURm)	31.12.2022	31.12.2021
<b>Other assets</b>	<b>130,051</b>	<b>136,990</b>
Guarantee deposits paid <sup>(1)</sup>	56,599	44,834
Miscellaneous receivables	2,578	3,157
Premiums on options purchased	69,484	87,172
Settlement accounts on securities transactions	1,282	1,709
Other	108	118
<b>Accruals and similar</b>	<b>58,764</b>	<b>40,757</b>
Prepaid expenses	523	406
Deferred taxes	2,969	3,073
Accrued income	1,828	1,183
Others <sup>(2)</sup>	53,444	36,095
<b>Accruals, other accounts receivables and other assets before impairment</b>	<b>188,815</b>	<b>177,747</b>
Impairment	(84)	(84)
<b>TOTAL</b>	<b>188,731</b>	<b>177,663</b>

(1) Mainly relates to guarantee deposits paid on financial instruments.

(2) Including derivative instruments valuation for EUR 44,005 million as at 31 December 2022 (EUR 24,238 million as at 31 December 2021).

**NOTE 3.2.2 ACCRUALS, OTHER ACCOUNTS PAYABLES AND OTHER LIABILITIES**

(In EURm)	31.12.2022	31.12.2021
<b>Securities transactions</b>	<b>75,213</b>	<b>69,128</b>
Amounts payable for borrowed securities	25,792	23,598
Other amounts due for securities	49,421	45,530
<b>Other liabilities</b>	<b>125,733</b>	<b>138,602</b>
Guarantee deposits received <sup>(1)</sup>	47,359	39,489
Miscellaneous payables	184	716
Premiums on options sold	76,100	96,277
Settlement accounts on securities transactions	1,806	1,948
Other securities transactions	19	16
Related payables	265	156
<b>Accruals and similar</b>	<b>35,579</b>	<b>26,821</b>
Accrued expenses	4,118	3,668
Deferred taxes	18	12
Deferred income	2,104	1,708
Other <sup>(2)(3)</sup>	29,339	21,433
<b>TOTAL</b>	<b>236,525</b>	<b>234,551</b>

(1) Mainly relates to guarantee deposits received on financial instruments.

(2) Including derivative instruments valuation for EUR 14,081 million (EUR 9,781 million as at 31 December 2021).

**BREAKDOWN OF AMOUNTS PAYABLE FOR BORROWED SECURITIES**

(In EURm)	31.12.2022	31.12.2021
<b>GROSS BOOK VALUE OF AMOUNTS PAYABLE FOR BORROWED SECURITIES</b>	<b>200,349</b>	<b>184,969</b>
<b>Borrowed securities from trading securities deducted from related payables<sup>(1)</sup></b>	<b>174,557</b>	<b>161,371</b>
Treasury notes and similar securities	123,136	111,953
Shares and other equity securities	41,410	32,986
Bonds and other debt securities	10,011	16,432
<b>NET TOTAL</b>	<b>25,792</b>	<b>23,598</b>

(1) Including re-lent securities for EUR 39,358 million as at 31 December 2022 (EUR 29,466 million as at 31 December 2021).

## 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)	2022	2021
Employee compensation	3,616	3,357
Social security benefits and payroll taxes	1,522	1,553
Employer contribution, profit sharing and incentives	222	219
<b>TOTAL</b>	<b>5,360</b>	<b>5,129</b>
<b>Average staff<sup>(1)</sup></b>	<b>42,450</b>	<b>43,162</b>
In France	38,107	38,929
Outside France	4,343	4,233

(1) Average staff adjusted compared to financial statements published in 2021.

Analysis of employer contribution, profit sharing and incentives for the last five years:

(In EURm)	2022	2021	2020	2019	2018
<b>Societe Generale</b>	<b>220</b>	<b>219</b>	<b>71</b>	<b>168</b>	<b>223</b>
Profit sharing	12	15	6	11	11
Incentives	144	163	22	99	150
Employer contribution	64	41	43	58	62
<b>Subsidiaries</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>222</b>	<b>219</b>	<b>71</b>	<b>168</b>	<b>223</b>

#### NOTE 4.1.2 REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICERS

Total attendance fees paid in 2022 to the Company's directors amounted to EUR 1.7 million. The remuneration paid in 2022 to the senior management (Chairman of the Board, the Chief Executive Officer and his Deputies) amounted to EUR 6.6 million (including

EUR 2.2 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 2014, 2015 and 2017 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**

(In EURm)	Amount at 31.12.2021	Net allowances	Used Reversals	Change at scope	Amount at 31.12.2022
Post-employment benefits	1,236	(29)	(362)	(4)	841
Other long-term benefits	536	275	(80)	(3)	728
Termination benefits	110	58	(20)	-	148
<b>TOTAL</b>	<b>1,882</b>	<b>304</b>	<b>(462)</b>	<b>(7)</b>	<b>1,717</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

(In EURm)	31.12.2022	31.12.2021
A - Present value of defined benefit obligations	1,705	2,508
B - Fair value of plan assets	893	1,355
C - Fair value of separate assets	903	1,203
D - Change in assets ceiling	-	-
E - Unrecognised items	-	-
<b>A - B - C + D - E = Net balance</b>	<b>(91)</b>	<b>(50)</b>
On the liabilities side of the balance sheet	841	1,236
On the asset side of the balance sheet <sup>(1)</sup>	(932)	(1,286)

(1) This item includes excess in plan assets for EUR 29 million and separate assets for EUR 903 million as at 31 December 2022 against EUR 83 million and EUR 1,203 million as at 31 December 2021.



**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: 79% bonds, 10% equities and 11% other investments. Societe Generale's own financial instruments directly held are not significant.

Excess in funding assets amounted to EUR 202 million.

Employer contributions to be paid to post-employment defined benefit plans for 2023 are estimated at EUR 3.1 million.

**MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA**

(In percentage)

	31.12.2022	31.12.2021
<b>Discount rate</b>		
France	3.61%	0.85%
United Kingdom	4.80%	1.81%
Other	4.31%	1.94%
<b>Long-term inflation</b>		
France	2.45%	2.07%
United Kingdom	3.30%	3.47%
Other	2.07%	1.83%
<b>Future salary increase net of inflation</b>		
France	1.60%	1.60%
United Kingdom	N/A	N/A
Other	0.60%	0.63%
<b>Average remaining working lifetime of employees (in years)</b>		
France	7.09	7.46
United Kingdom	2.93	4.00
Other	7.90	8.26
<b>Duration (in years)</b>		
France	11.70	13.96
United Kingdom	12.74	16.23
Other	13.52	16.18

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 2022 are briefly described below:

<b>Issuer</b>	<b>Societe Generale</b>
<b>Year of grant</b>	<b>2022</b>
<b>Type of plan</b>	<b>Performance shares</b>
Number of free shares granted	2,562,491
Shares delivered	
Shares forfeited as at 31.12.2022	38,924
Shares outstanding as at 31.12.2022	2,523,567
Number of shares reserved as at 31.12.2022	2,523,567

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 158 million, and yearly expense is EUR 52 million.

**NOTE 4.3.3 INFORMATION RELATED TO TREASURY SHARES FOR 2022 AND 2021 PLANS**

The number of treasury shares acquired in relation to the 2021 plans is 2,513,550 for a cost of EUR 83 million.

The number of treasury shares acquired in relation to the 2022 plans is 982,500 for a cost of EUR 23 million as at 31 December 2022. The required additional 1,637,920 treasury shares will be acquired during the first quarter of 2023, so as to reach the total number of shares granted. At the end of January 2023, half of the shares have already been bought back.

## 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 2022, 198 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

(In EURm)

	2022	2021
Current taxes	224	305
Deferred taxes	(142)	(280)
<b>TOTAL</b>	<b>82</b>	<b>25</b>

2022 income tax includes a gain of EUR 7 million related to the effect of the tax consolidation compared to a loss of EUR 7 million for 2021 (198 subsidiaries included in the tax group in 2022 compared to 213 in 2021). The 2021 loss of tax integration was mostly related to the difference between the tax rate applicable to the re-billings of subsidiaries whose turnover is less than EUR 250 million and the tax rate applicable to the tax group. The tax rate is now the same for the re-billings of all subsidiaries and the tax group.

In compliance with the French tax provisions that define the ordinary corporate tax rate, the latter has been lowered to 25% in 2022 (article 219 of the French Tax Code) plus the existing national contribution (CSB) of 3.3%, i.e. a compound tax rate of 25.83%.

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. This portion of fees and expenses is 12% of gross capital gains only if the Company realises a net long-term capital gain.

Furthermore, under the parent-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to the taxation of a portion of fees and expenses of 1% or 5% at the full statutory tax rate.

**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.

(In EURm)	Amount as at 31.12.2021	Net allocations	Used Reversals	Change in scope and reclassifying	Amount as at 31.12.2022
<b>Provisions for tax adjustments</b>	<b>52</b>	<b>(40)</b>	<b>(0)</b>	<b>0</b>	<b>12</b>

**NOTE 5.3 Deferred tax assets**

(In EURm)	31.12.2022	31.12.2021
Tax loss carryforwards	1,603	1,649
Gains on sales of assets to companies included in the tax consolidation, in France	(120)	(132)
Other (primarily relating to other reserves)	1,486	1,557
<b>TOTAL</b>	<b>2,969</b>	<b>3,074</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 2023 to 2025) extrapolated to 2026, 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 2026 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.

The updated projections show that Societe Generale's activated tax loss-carry forwards may likely be used against its future taxable income.

#### NOTE 5.4 Deferred tax assets recognised on tax loss carry-forwards and deferred tax assets not recognised

As at 31 December 2022, based on the tax system of each franchise and a realistic projection of their tax income or expense, the projected period for deferred tax asset recovery is indicated in the table below:

(In EURm)	31.12.2022	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets relating to tax loss carryforwards	1,603		
o.w. French tax group	1,404	Unlimited <sup>(1)</sup>	8 years
o.w. US tax group	193	20 years <sup>(2)</sup>	7 years
others	6		

(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.

Furthermore, as at 31 December 2022, deferred tax assets and liabilities not recognised on the asset side of the balance sheet concerned in particular:

(In EURm)	31.12.2022	31.12.2021
French tax group	520	520
Franchises in the United States of America	272	287
SG Singapore	82	82

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).

## NOTE 6 SHAREHOLDERS' EQUITY

### NOTE 6.1 Changes in shareholders' equity

(In EURm)	Capital Stock	Additional paid-in-capital	Retained earnings				Net income of the period	Shareholders' equity
			Legal reserve	Special reserves	Other reserves	Retained earnings		
<b>As at 31 December 2020</b>	<b>1,067</b>	<b>21,556</b>	<b>107</b>	<b>2,097</b>	<b>1,435</b>	<b>11,722</b>	<b>(1,568)</b>	<b>36,416</b>
Change in accounting methodology	-	-	-	-	-	13	-	13
<b>As at 1 January 2021</b>	<b>1,067</b>	<b>21,556</b>	<b>107</b>	<b>2,097</b>	<b>1,435</b>	<b>11,735</b>	<b>(1,568)</b>	<b>36,429</b>
<b>2020 Income Allocation</b>	-	-	-	-	-	<b>(1,568)</b>	<b>1,568</b>	-
Increase/Decrease in capital stock	-	-	-	-	-	-	-	-
Net income of the period	-	-	-	-	-	-	1,995	1,995
Dividends paid	-	-	-	-	-	(468)	-	(468)
Other movements	-	-	-	-	-	-	-	-
<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>
<b>2021 Income Allocation</b>	-	-	-	-	-	<b>1,995</b>	<b>(1,995)</b>	-
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>

During the first semester of 2022 Societe Generale carried out a capital reduction of EUR 20.3 million by cancelling 16,247,062 shares, with an impact on the issue premium of EUR 445.3 million and on the legal reserve of EUR 2 million.

During the second half of 2022 Societe Generale performed a capital increase reserved for employees of EUR 15.9 million, with a EUR 219.7 million issuing premium.

At 31 December 2022, Societe Generale's fully paid-up capital amounted to EUR 1,062,354,722.50 and comprised 849,883,778 shares with a nominal value of EUR 1.25.

The dividend distribution paid out by Societe Generale in 2022 amounted to EUR 1.371 million after the elimination of the treasury stock dividend for EUR 10 million.

On 2 February 2023 Societe Generale reduced its capital by EUR 52 million through the cancellation of 41,674,813 shares, with an impact on the share premium of EUR 858.4 million and on the legal reserve of EUR 3.6 million.

**NOTE 6.2 Proposed distribution of income**

At the Annual General Meeting of 23 May 2023, the Board of Directors will propose an allocation of income for the year ended 31 December 2022 and dividend distribution under the following terms:

(In EURm)	2022
Net income	(260)
Unappropriated retained earnings	10,323
<b>TOTAL INCOME TO BE APPROPRIATED</b>	<b>10,063</b>
Dividend	1,445
Retained earnings	8,618
<b>TOTAL APPROPRIATED INCOME</b>	<b>10,063</b>

The dividend corresponds to EUR 1.70 per share with a par value of EUR 1.25.

The amount of dividend of EUR 1.445 million to be paid to shareholders is calculated on the basis of an existing number of shares as at 31 December 2022.

**NOTE 6.3 Net earnings per share**

(In EURm)	31.12.2022	31.12.2021
<b>Net income attributable to ordinary shareholders</b>	<b>(260)</b>	<b>1,995</b>
Weighted average number of ordinary shares outstanding	822,437,425	846,261,490
<b>Earnings per ordinary share (in EUR)</b>	<b>(0.32)</b>	<b>2.36</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	822,437,425	846,261,490
<b>Diluted earnings per ordinary share (in EUR)</b>	<b>(0.32)</b>	<b>2.36</b>

(1) The number of shares used in the dilution calculation is computed using the "share buy-back" method and takes into account free shares issues and stock-option plans.

**NOTE 6.4 Subordinated debt****ACCOUNTING PRINCIPLES**

This item includes borrowings, whether or not in the form of securitised debt, with fixed-term or undetermined duration, which in the event of liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Any accrued interest payable in respect of subordinated debt is recorded as related payables and as an expense in the income statement.

(In million) Issuance date	Currency	Amount issued	Maturity date	31.12.2022	31.12.2021
<b>Undated deeply subordinated capital notes</b>					
18 December 2013	USD	1750	Undetermined duration	1,641	1,545
29 September 2015	USD	1250	Undetermined duration	1,172	1,104
6 April 2018	USD	1250	Undetermined duration	1,172	1,104
4 October 2018	USD	1250	Undetermined duration	1,172	1,104
16 April 2019	SGD	750	Undetermined duration	524	491
12 September 2019	AUD	700	Undetermined duration	446	448
18 November 2020	USD	1500	Undetermined duration	1,406	1,324
26 May 2021	USD	1000	Undetermined duration	938	883
15 July 2022	SGD	200	Undetermined duration	140	-
22 November 2022	USD	1500	Undetermined duration	1,406	-
<b>SUB-TOTAL</b>				<b>10,017</b>	<b>8,003</b>
<b>Subordinated long-term debts and notes</b>					
21 July 2000	EUR	78	31 July 2030	6	7
16 August 2005	EUR	226	18 August 2025	216	216
07 April 2008	EUR	250	6 April 2023	155	155
15 April 2008	EUR	321	15 April 2023	321	321
28 April 2008	EUR	50	6 April 2023	50	50
14 May 2008	EUR	90	6 April 2023	90	90
14 May 2008	EUR	50	6 April 2023	50	50
14 May 2008	EUR	150	6 April 2023	150	150
30 May 2008	EUR	79	15 April 2023	79	79
10 June 2008	EUR	300	12 June 2023	260	260
30 June 2008	EUR	40	30 June 2023	40	40
07 June 2013	EUR	1000	7 June 2023	1,000	1,000
17 January 2014	USD	1000	17 January 2024	938	883
23 February 2018	EUR	1000	23 February 2028	1,000	1,000
27 February 2015	EUR	1250	27 February 2025	1,250	1,250
14 April 2015	USD	1500	14 April 2025	1,406	1,324
15 April 2015	EUR	150	7 April 2026	150	150
2 June 2015	AUD	125	2 June 2027	-	80
10 June 2015	AUD	50	10 June 2025	32	32
12 June 2015	JPY	27800	12 June 2025	198	213
12 June 2015	JPY	2500	12 June 2025	18	19
22 July 2015	USD	50	23 July 2035	47	44
30 September 2015	JPY	20000	30 September 2025	142	153
21 October 2015	EUR	70	21 October 2026	70	70
24 November 2015	USD	1000	24 November 2025	938	883
24 November 2015	USD	500	24 November 2045	469	441



(In million) Issuance date	Currency	Amount issued	Maturity date	31.12.2022	31.12.2021
03 June 2016	JPY	15000	03 June 2026	107	115
27 June 2016	USD	500	27 June 2036	469	441
20 July 2016	AUD	325	20 July 2028	207	208
19 August 2016	USD	1000	19 August 2026	938	883
13 October 2016	AUD	150	13 October 2026	96	96
16 December 2016	JPY	10000	16 December 2026	71	77
24 January 2017	AUD	200	24 January 2029	127	128
19 May 2017	AUD	500	19 May 2027	414	416
23 June 2017	JPY	5000	23 June 2027	-	39
18 July 2017	JPY	5000	27 July 2027	-	39
7 March 2018	JPY	6500	7 March 2028	46	50
13 April 2018	JPY	6500	13 April 2028	46	50
17 April 2018	JPY	6500	17 April 2028	46	50
24 October 2018	JPY	13100	24 October 2028	93	101
18 April 2019	AUD	300	18 May 2034	191	192
8 July 2020	USD	500	08 July 2035	469	441
24 November 2020	EUR	1000	24 November 2030	1,000	1,000
1 March 2021	USD	1000	1 March 2041	938	883
1 April 2021	EUR	1000	30 June 2031	1,000	1,000
30 June 2021	JPY	7000	30 June 2031	49	54
19 July 2021	JPY	7000	12 July 2032	49	54
9 December 2021	AUD	80	9 December 2031	51	51
19 January 2022	USD	750	21 January 2043	703	-
15 June 2022	USD	1250	15 January 2033	1,172	-
5 September 2022	EUR	500	6 September 2032	500	-
20 October 2022	JPY	10000	20 October 2032	71	-
<b>SUB-TOTAL<sup>(1)</sup></b>				<b>17,928</b>	<b>15,328</b>
<b>Related payables</b>				<b>366</b>	<b>308</b>
<b>TOTAL<sup>(1)(2)</sup></b>				<b>28,311</b>	<b>23,639</b>

(1) The bank's global subordinated debt expense, net of tax and of the repurchase impact, amounted to EUR 1,326 million in 2022 (compared with EUR 1,108 million in 2021).

(2) Including debt with related parties EUR 43 million as at 31 December 2022 (EUR 43 million as at 31 December 2021).

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	
	2022	2021	2022	2021	2022	2021
Net interest and similar income <sup>(2)</sup>	2,951	2,595	446	371	460	370
Net fee income	2,407	2,195	322	309	114	168
Net income from financial transactions	4,566	3,649	1,163	1,075	(2)	27
Other net operating income	(246)	(314)	47	66	1	1
<b>Net banking income</b>	<b>9,678</b>	<b>8,125</b>	<b>1,978</b>	<b>1,821</b>	<b>573</b>	<b>566</b>

(In EURm)	Asia/Oceania		Total	
	2022	2021	2022	2021
Net interest and similar income <sup>(2)</sup>	168	135	4,025	3,471
Net fee income	89	90	2,932	2,762
Net income from financial transactions	259	210	5,986	4,961
Other net operating income	1	5	(197)	(242)
<b>Net banking income</b>	<b>517</b>	<b>440</b>	<b>12,746</b>	<b>10,952</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 recognized 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	
	Technical wiring	10-30 years
	Securities and surveillance installations	
	Plumbing	
Fixtures and fittings	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 3 to 20 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

(In EURm)	31.12.2021	Acquisition/ Allocations	Disposals/ Reversals	Scope variation and other movements	31.12.2022
<b>Intangible assets</b>					
Gross book value	5,018	424	(41)	2	5,403
Impairment and amortisation	(3,245)	(301)	32	(4)	(3,518)
<b>Tangible operating assets</b>					
Gross book value	3,659	152	(127)	10	3,694
Impairment and depreciation	(2,496)	(213)	116	(8)	(2,601)
<b>Tangible non-operating assets</b>					
Gross book value	10	-	-	(1)	9
Impairment and depreciation	(7)	-	-	-	(7)
<b>TOTAL</b>	<b>2,939</b>	<b>62</b>	<b>(20)</b>	<b>(1)</b>	<b>2,980</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.

(In EURm)	31.12.2022	31.12.2021
<b>Operating fixed assets</b>		
Gains on sale	17	88
Losses on sale	(3)	(7)
<b>TOTAL</b>	<b>14</b>	<b>81</b>

**NOTE 7.3 Breakdown of assets and liabilities by term of maturity**

(In EURm)	Outstanding as at 31 December 2022					
	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>416,761</b>	<b>162,210</b>	<b>288,271</b>	<b>159,199</b>	<b>(204,442)</b>	<b>821,999</b>
Due from banks	219,311	77,468	93,508	30,905	(204,442)	216,750
Customer loans	177,801	47,552	181,100	89,189	-	495,642
Bonds and other debt securities:	19,649	37,190	13,663	39,105	-	109,607
<i>Trading securities</i>	14,390	27,003	1,459	-	-	42,852
<i>Short-term investment securities</i>	4,910	7,996	100	95	-	13,101
<i>Long-term investment securities</i>	349	2,191	12,104	39,010	-	53,654
<b>Liabilities</b>	<b>674,877</b>	<b>156,027</b>	<b>266,185</b>	<b>117,950</b>	<b>(204,442)</b>	<b>1,010,597</b>
Due to banks	220,249	76,257	178,399	69,917	(204,074)	340,748
Customer deposits	432,074	55,275	44,446	18,808	(367)	550,236
Liabilities in the form of securities issued	22,554	24,495	43,340	29,225	(1)	119,613

**NOTE 7.4 Transactions in foreign currencies****ACCOUNTING PRINCIPLES**

Gains and losses arising from ordinary activities in foreign currencies are recognized 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 recognized 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)	31.12.2022				31.12.2021			
	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	653,595	656,457	316,771	342,021	613,387	615,135	373,684	361,197
USD	420,317	418,187	785,562	734,925	410,505	408,844	711,327	696,403
GBP	79,238	79,213	201,577	201,147	64,809	65,439	177,947	172,373
JPY	69,360	68,777	98,327	123,035	43,542	42,886	76,804	86,614
Other currencies	107,450	107,326	472,245	477,458	105,053	104,992	430,353	437,961
<b>TOTAL</b>	<b>1,329,960</b>	<b>1,329,960</b>	<b>1,874,482</b>	<b>1,878,586</b>	<b>1,237,296</b>	<b>1,237,296</b>	<b>1,770,115</b>	<b>1,754,548</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, the list of which was updated by the Ministerial order of 2 March 2022 (published on 16 March 2022).

As of 31 December 2022, Societe Generale did not directly or indirectly own any business in the States and territories concerned.

**NOTE 7.6 Table of subsidiaries and affiliates****2022***(In thousands of euros 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 (%)
<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	1,480,097	100.00
<b>SG FINANCIAL SERVICES HOLDING</b>	<b>Portfolio management</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	1,641,835	212,569	100.00
<b>SOCIETE GENERALE INTERNATIONAL LIMITED</b>	<b>Brokerage and clearing</b>				
One Bank Street – London E14 4SG – United Kingdom	Global Banking and Investor Solutions	GBP	1,150,000	282,055	100.00
<b>CREDIT DU NORD</b>	<b>French Retail Banking</b>				
28, place Rihour – 59800 Lille – France	French Retail Banking	EUR	890,263	2,604,057	100.00
<b>GENEFINANCE</b>	<b>Portfolio management</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	1,000,000	236,704	100.00
<b>SG KLEINWORT HAMBROS LIMITED</b>	<b>Asset management</b>				
One Bank Street – Canary Wharf – E14 4SG – London – United Kingdom	Global Banking and Investor Solutions	GBP	466,651	6,214	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	39,359,000	100.00
<b>SOGEMARCHE</b>	<b>Real estate</b>				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	440,000	40	100.00
<b>SOCIETE GENERALE SECURITIES SERVICES SPA</b>	<b>Credit institution</b>				
Via Benigno Crespi, 19 A – 20159 Milano – Italy	Global Banking and Investor Solutions	EUR	111,309	185,211	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	280,689	100.00
<b>SALINGER S.A.</b>	<b>Portfolio management</b>				
15, avenue Émile Reuter L2420 Luxembourg – Luxembourg	Global Banking and Investor Solutions	EUR	100	314,967	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	163,581	100.00
<b>BANCO SOCIETE GENERALE BRASIL S/A</b>	<b>Investment Banking</b>				
Avenida Paulista, 2300 – Cerqueira Cesar – Sao Paulo – SP CEP 01310-300 – Brazil	Global Banking and Investor Solutions	BRL	2,956,929	(1,326,137)	100.00

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(3) Financial statements not yet audited for French companies.

## 2022

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
2,983,087	2,983,087	0	0	733,871	323,185	0	1 EUR = 1.0666 USD
2,136,144	2,136,144	1,992,985	0	1,127,456	1,133,209	469,525	
1,590,260	1,590,260	986,470	3,747	332,535	186,278	169,646	1 EUR = 0.88693 GBP
1,410,256	1,410,256	16,746,960	0	861,416	219,025	0	
1,076,025	1,076,025	415,906	0	237,182	247,461	50,000	
598,484	598,484	0	0	175,705	27,678	0	1 EUR = 0.88693 GBP
586,505	586,505	0	0	34,442	34,445	38,429	
547,945	547,945	268,385	412	25,005,000	4,941,000	9,485	1 EUR = 140.66 JPY
460,400	460,400	0	0	25,905	2,452	0	
745,062	368,590	0	0	148,447	29,262	0	
340,974	340,974	9,678	0	245,765	72,444	60,937	
315,184	315,184	0	0	(2,209)	(2,322)	0	
433,032	278,418	387,862	0	475,606	191,068	0	1 EUR = 7.3582 CNY
905,612	261,116	0	4,958	262,838	61,580	0	1 EUR = 5.63861 BRL

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(In thousands of euros 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>(2)</sup>	Share of capital held (%)
<b>SOGEAMPUS</b>	<b>Real estate</b>				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	241,284	41,704	100.00
<b>GENEGIS I</b>	<b>Office space</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	192,900	14,299	100.00
<b>SOCIETE GENERALE ALGERIE</b>	<b>International Retail Banking</b>				
Residence El Kerma – 16105 Gué de Constantine – Wilaya d'Alger – Algeria	International Retail Banking and Financial Services	DZD	20,000,000	32,463,187	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	3,142	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	144,559,081	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	213,778	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	150,000	89,211	100.00
<b>SG SECURITIES (SINGAPORE) PTE. LTD.</b>	<b>Brokerage</b>				
8 Marina boulevard – #12-01 – Marina Bay financial Centre Tower 1 – Singapore – Singapore	Global Banking and Investor Solutions	SGD	99,058	7,329	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	422,749	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	69,253	6,382	100.00
<b>PAREL</b>	<b>Brokerage and clearing</b>				
11-13, cours Valmy – Tour Pacific – 92800 – Puteaux France	Global Banking and Investor Solutions	EUR	15,250	46,494	100.00
<b>SG VENTURES</b>	<b>Portfolio management</b>				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	55,710	(247)	100.00
<b>SG FACTORING SPA</b>	<b>Factoring</b>				
Via Trivulzio, 7 – 20146 Milan – Italy	Global Banking and Investor Solutions	EUR	11,801	33,324	100.00
<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	44,287	100.00

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## 2022

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	87,699	0	24,205	3,495	2,172	
196,061	196,061	19,195	0	211,842	3,189	656	
182,339	182,339	0	2,732	23,328,627	6,645,399	22,426	1 EUR = 146.4129 DZD
155,837	155,837	0	0	754	1,709	6,489	
153,041	153,041	0	0	68,768,946	12,716,848	13,198	1 EUR = 1344.09 KRW
119,992	119,992	55,347	0	9,882	2,273	0	
103,360	103,360	0	103,878	43,750	4,958	0	1 EUR = 1.444 CAD
104,841	89,587	0	0	56,092	32,095	67,664	1 EUR = 1.43 SGD
1,573,453	79,667	0	0	(1,292)	(1,234)	0	capital = 1 USD 1 EUR = 1.0666 USD
69,253	69,253	0	0	13,755	4,361	3,924	
61,324	61,324	12,472	305,989	20,257	(2,939)	0	
55,710	55,502	0	0	2,378	2,428	0	
46,100	46,100	987,772	1,945,600	11,752	3,999	0	
42,365	42,365	0	0	2,495	24,470	0	1 EUR = 1.0666 USD

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(In thousands of euros 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 (%)
<b>SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD.</b>	<b>Brokerage on equity markets</b>				
Level 25, 1-7 Bligh street – Sydney, NSW 2000 – Australia	Global Banking and Investor Solutions	AUD	100,000	(41,410)	100.00
<b>SG AUSTRALIA HOLDINGS LTD.</b>	<b>Portfolio management</b>				
Level 25, 1-7 Bligh street – Sydney, NSW 2000 – Australia	Global Banking and Investor Solutions	AUD	19,500	(218)	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 – Hong Kong	Global Banking and Investor Solutions	USD	154,972	154,316	100.00
<b>SOCIETE GENERALE EQUIPMENT FINANCE S.A.</b>	<b>Portfolio management</b>				
17, cours Valmy – 92800 Puteaux – France	International Retail Banking and Financial Services	EUR	201,397	2,956	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	299,935	100.00
<b>BOURSORAMA S.A.</b>	<b>Online banking</b>				
44, rue Traversière 92100 Boulogne-Billancourt – France	French Retail Banking	EUR	51,171	924,566	100.00
<b>SOCIETE GENERALE IMMOBEL</b>	<b>Real estate</b>				
11, rue des Colonies – 1000 Bruxelles – Belgique	Global Banking and Investor Solutions	EUR	25,062	2,505	100.00
<b>SOCIETE GENERALE SCF</b>	<b>Mortgages</b>				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	150,000	138,850	100.00
<b>VALMINVEST</b>	<b>Office space</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	248,877	13,080	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	96	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	(1,575)	100.00
<b>SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED</b>	<b>Investment Banking</b>				
One Bank Street, Canary Wharf – E14 4SG – London – United Kingdom	Global Banking and Investor Solutions	GBP	157,823	103,826	98.96
<b>TREEZOR</b>	<b>Electronic money institution</b>				
41, rue de Prony 75017 Paris – France	Corporate Centre	EUR	5,061	42,772	95.12
<b>SOCIETE GENERALE CONGO</b>	<b>International Retail Banking</b>				
Avenue Amilcar Cabral – Brazzaville – Congo	International Retail Banking and Financial Services	XAF	11,860,000	(191,011)	93.47

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Gross (In EUR)	Net (In EUR)						Revaluation differences
62,745	33,867	101,956	318,613	10,700	(1,312)	0	1 EUR = 1.5693 AUD
12,352	12,129	0	0	1,535	78	0	1 EUR = 1.5693 AUD
146,513	146,513	404,899	0	465,853	141,365	326,179	1 EUR = 1.0666 USD
281,549	281,549	598,869	0	22,892	68,929	0	
375,000	375,000	48,852	26,598,852	423,071	55,438	0	
1,468,841	1,468,841	9,352,071	0	123,358	(165,138)	0	
25,061	25,061	0	0	953	604	657	
150,000	150,000	12,110,844	16,476,687	27,585	15,968	0	
249,427	249,427	0	0	16,040	9,302	9,009	
237,555	12,553	0	0	0	(29)	0	
59,634	24,346	0	0	0	158	0	
187,403	187,403	3,155,367	0	6,537	13,555	29,159	1 EUR = 0.88693 GBP
62,925	62,925	0	0	9,116	(16,543)	0	
26,900	20,062	0	13,030	18,714,624	3,869,509	0	1 EUR = 655.957 XAF

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(In thousands of euros or local currency)

		Registered capital (local currency) <sup>(1)</sup>		Shareholders' equity other than capital (local currency) <sup>(2)</sup>	Share of capital held (%)
Company/Head Office or Establishment	Activity/Division				
<b>SHINE</b>	<b>Online banking</b>				
5, rue Charlot – 75003 – Paris– France	French Retail Banking	EUR	4	(14,321)	90.90
<b>ALD</b>	<b>Automobile leasing and financing</b>				
1-3, rue Eugène et Armand Peugeot – Le Corosa – 92500 Rueil Malmaison – France	International Retail Banking and Financial Services	EUR	848,618	1,950,867	75.94
<b>BANQUE DE POLYNESIE</b>	<b>Retail banking</b>				
355, Bd Pomaré, BP 530, 98713 Papeete – Tahiti – French Polynesia	International Retail Banking and Financial Services	XPF	1,380,000	7,695,850	72.10
<b>SOCIETE GENERALE DE BANQUES EN COTE D’IVOIRE</b>	<b>International Retail Banking</b>				
5 & 7, avenue J. Anoma, 01 BP 1355 – Abidjan 01 – Ivory Coast	International Retail Banking and Financial Services	XOF	15,555,555	235,571,127	71.84
<b>KOMERCNI BANKA A.S</b>	<b>International Retail Banking</b>				
Na Prikope 33 – Building Register number 969 – 114 07 Praha 1 – Czech Republic	International Retail Banking and Financial Services	CZK	19,004,926	79,973,904	60.35
<b>BRD – GROUPE SOCIETE GENERALE</b>	<b>International Retail Banking</b>				
B-dul Ion Mihalache nr. 1-7 Sector 1 – Bucharest – Roumania	International Retail Banking and Financial Services	RON	696,902	6,635,070	60.17
<b>SOCIETE GENERALE CAMEROUN</b>	<b>International Retail Banking</b>				
78 avenue Joss, BP 4042 – Douala – Cameroon	International Retail Banking and Financial Services	XAF	12,500,000	92,950,559	58.08
<b>SG MAROCAINE DE BANQUES</b>	<b>International Retail Banking</b>				
55, boulevard Abdelmoumen – Casablanca – Morocco	International Retail Banking and Financial Services	MAD	2,152,500	10,219,758	57.67
<b>GENEFIM</b>	<b>Real estate lease finance</b>				
29, boulevard Haussmann – 75009 Paris – France	French Retail Banking	EUR	72,779	29,169	57.62
<b>UNION INTERNATIONALE DE BANQUES</b>	<b>International Retail Banking</b>				
65, avenue Habib Bourguiba – 1000A Tunis – Tunisia	International Retail Banking and Financial Services	TND	172,800	435,580	52.34
<b>B) Affiliates (10% to 50% owned by Societe Generale)</b>					
<b>TRANSACTIS</b>	<b>Payment</b>				
1, boulevard des Bouvets – 92000 – Nanterre – France	Global Banking and Investor Solutions	EUR	46,948	341	50.00
<b>S.A. SOGEPARTICIPATIONS</b>	<b>Portfolio management</b>				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	411,267	306,519	24.58
<b>SOCIETE GENERALE CALEDONIENNE DE BANQUE</b>	<b>Retail banking</b>				
44, rue de l’Alma BP G2 98848 Noumea Cedex – New Caledonia	International Retail Banking and Financial Services	XPF	1,068,375	14,435,424	20.60

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Gross (In EUR)	Net (In EUR)						Revaluation differences
46,100	46,100	5,000	0	13,423	(18,305)	3,754	
1,947,662	1,947,662	100,000	0	120,990	293,833	348,346	
12,397	12,397	446	132,431	6,240,323	1,556,299	6,123	1 EUR = 119.33174 XPF
30,504	30,504	171,439	6,910	206,471,836	78,209,298	34,241	1 EUR = 655.957 XOF
1,462,151	1,462,151	3,226,433	535,218	37,135,162	17,258,777	466,093	1 EUR = 24.116 CZK
216,623	216,623	1,018,434	46,901	3,271,347	1,323,899	313,907	1 EUR = 4.9495 RON
16,940	16,940	0	48,390	89,684,834	22,267,652	0	1 EUR = 655.957 XAF
141,505	141,505	436,824	757,157	4,706,758	1,027,669	15,977	1 EUR = 11.1519 MAD
89,846	89,846	2,935,213	0	40,180	(8,622)	17,457	
46,100	46,100	12,034	86,524	502,527	114,802	3,557	1 EUR = 3.32405 TND
23,474	23,474	60,974	0	168,172	521	0	
234,000	234,000	0	0	22,007	25,259	69,240	
16,266	16,266	137,320	70,000	9,493,428	2,876,554	2,544	1 EUR = 119.33174 XPF

2022

(In thousands of euros 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 (%)
<b>CAISSE DE REFINANCEMENT DE L'HABITAT</b>	<b>Housing loan refinancing</b>				
3, rue de La Boétie – 75008 Paris – France	Corporate Centre	EUR	578,384	24,273	16.19
<b>CREDIT LOGEMENT</b>	<b>Credit institution</b>				
50, boulevard Sébastopol – 75003 Paris – France	Corporate Centre	EUR	1,259,850	213,044	13.50
<b>GENEO CAPITAL ENTREPRENEUR</b>	<b>Portfolio management</b>				
14, boulevard du Général Leclerc 92200 Neuilly-sur-Seine – France	French Retail Banking	EUR	303,148	3,639	10.70

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2022

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Gross (In EUR)	Net (In EUR)						Revaluation differences
94,215	94,215	0	0	468,423	1,177	0	
171,037	171,037	219,920	0	316,364	120,412	24,030	
30,000	30,000	0	0	0	367	0	

## Table of subsidiaries and affiliates (continued)

	Book value of shares held		Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Dividends received during the year	Remarks				
(In thousands of euros)	Gross	Net								
II – INFORMATION CONCERNING OTHER SUBSIDIARIES AND AFFILIATES										
A) Subsidiaries not included in paragraph 1:										
1°) French subsidiaries	72,932	59,890					6,157,399	0	91,569	Revaluation difference: 0
2°) Foreign subsidiaries	304,984	72,061	1,615,219	90,807	104,830	Revaluation difference: 1,447				
B) Affiliates not included in paragraph 1:										
1°) French companies	6,853	5,518	600	0	642	Revaluation difference: 0				
2°) Foreign companies	9,794	6,687	33,103	0	974	Revaluation difference: 0				

## NOTE 8 INFORMATION ON RISKS AND LITIGATION

Every quarter, the 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 Societe Generale 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 the bank. 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 Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carry forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale will not fail to assert its rights before the competent courts. By a decision handed down on the 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 SG struck-out and applied to the UK court for damages. On 3 April 2017, the UK

court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15 May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected Societe Generale's arguments relating to service of the claims issued against Goldas, which are therefore time-barred. On 18 December 2018, the Supreme Court refused permission to appeal to both Societe Generale and Goldas. On 16 February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against the Paris Commercial Court's 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. 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 new proceeding before the Supreme Court is still pending.
- 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") the dismissal on 30 November 2021 of the legal proceedings brought by the DOJ in this matter (see Chapter 4.11 of the 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. On 19 August 2022, one of the stayed putative class actions was voluntarily dismissed by plaintiffs. 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), were voluntarily dismissed with prejudice.

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 antitrust and state law claims against Societe Generale. 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 has 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.

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.

In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- Beginning on 15 January 2019, Societe Generale and SG Americas Securities, LLC, along with other financial institutions, were named in three putative antitrust class actions in the US District Court in Manhattan, which were consolidated. Plaintiffs alleged that the USD ICE Libor panel banks conspired to make artificially low submissions to that benchmark in order to profit on their trading in derivatives tied to USD ICE Libor. Plaintiffs seek to certify a class comprised of

US residents (individuals and entities) that transacted with a defendant in floating rate debt instruments or interest rate swaps tied to USD ICE Libor and received a payment at any time between 1 February 2014 to the present, regardless of when the instrument was purchased. By order dated 26 March 2020, the District Court dismissed the action. Plaintiffs appealed that ruling. On 6 April 2021, the Second Circuit permitted a new proposed class representative to intervene as a plaintiff in the appeal. The original proposed class representatives withdrew from the action. On 14 February 2022, the Second Circuit dismissed the remaining plaintiff's appeal for lack of standing leaving undisturbed the District Court's dismissal. This litigation is now concluded.

- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale reached a settlement of USD 18 million, which was approved by the Court on 6 August 2018. On 7 November 2018, a group of individual entities that elected to opt out of the settlement filed a lawsuit against SG, SG Americas Securities, LLC and several other financial institutions. SG Americas Securities, LLC was dismissed by order dated 28 May 2020. Discovery is proceeding as to SG and the other remaining defendants. On 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 has been transferred to the Competition Appeal Tribunal. Societe Generale is defending both actions.
- 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, who considered that the decisions handed down by the French Supreme Administrative Court on 10 December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15 September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 28 April 2016 and by referring the matter to the Court of Justice of the European Union on 8 December 2016. The Court of Justice of the European Union rendered its judgement on 4 October 2018 and sentenced France for failure by the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale has continued to assert its rights with the competent courts and the tax authorities, which it expects

to be treated diligently and in accordance with the law. On 23 June 2020, the Administrative Court of Appeal of Versailles issued a ruling in favour of Societe Generale on our 2002 and 2003 Suez claims, followed by an enforcement in our favour. The judgment of Versailles held that the advance payment was not compatible with the Parent-Subsidiary Directive: the French Supreme Administrative Court, which had also received a request for a priority question of constitutionality, also pointed out that the advance payment was incompatible with Article 4 of the Parent-Subsidiary Directive but that a question should be referred to the ECJ for a preliminary ruling in order to ascertain this. The Court of Luxembourg has confirmed on 12 May 2022 that the *précompte* was incompatible with the Parent-Subsidiary Directive.

- 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 Societe Generale 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 may also be exposed to claim 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 SG entities indirectly from BLMIS through so-called "feeder funds" that were invested in BLMIS and from which the SG entities received redemptions. The suit alleges that the amounts that the SG entities received are avoidable and recoverable under the US Bankruptcy Code and New York state law. The BLMIS Trustee seeks to recover, in the aggregate, approximately USD 150 million from the SG entities. The SG entities are defending the action. In decisions dated 22 November 2016 and 3 October 2018, the Court rejected most of the claims brought by the BLMIS Trustee. The Trustee appealed to the US Court of Appeals for the Second Circuit. By order dated

25 February 2019, the Second Circuit vacated the judgements and remanded for further proceedings. On 1 June 2020, the United States Supreme Court denied Defendant-Appellees' petition for a writ of certiorari. The case is now before the Bankruptcy Court for further proceedings. The SG defendants filed a motion to dismiss on 29 April 2022. The motion was denied by order dated 7 October 2022.

- 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.
- 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.
- On 1 June 2021, a shareholder of Societe Generale initiated an action designated by him as a "derivative action" ('action ut singuli') before the Commercial Court of Paris against the CEO of the Company (*Directeur Général*), Mr. Frédéric Oudéa. Plaintiff is seeking an order that Mr. Oudéa pay to Societe Generale an amount equal to fines paid to the U.S. and French treasuries under the *Convention judiciaire d'intérêt public* 24 May 2018 between Societe Generale and the Financial Public Prosecutor (the "CJIP") and the Deferred Prosecution Agreement of 5 June 2018 between Societe Generale and the United States Department of Justice (the "DPA").

Societe Generale voluntarily joined these proceedings at the first procedural hearing in order to seek the dismissal of the claims made by the plaintiff. Thereafter, the plaintiff filed a brief asking the court to dismiss the case with prejudice, and the parties asked the court to put an end to these proceedings. By order dated 15 February 2022, the Commercial Court of Paris therefore took note of the termination of the proceedings. This matter is therefore definitively over.

- 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.
- Like other operators in the Paris marketplace, Societe Generale is subject to a tax review of its equity market transactions. Discussions with the administration are continuing.
- On 19 August 2022, a Russian fertilizer 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 13 December 2022. A case management conference ("CMC") is expected to take place in the course of the first quarter of 2023.
- Like other financial institutions, Societe Generale is subject to audits by the tax authorities regarding its securities lending/borrowing and equity and index derivatives activities. The 2017, 2018 and 2019 audited years are the subject of notifications of proposals of tax adjustments in respect of the application of a withholding tax. These proposals are contested by the Group.
- In August 2009, Societe Generale Private Banking (Switzerland) ("SGPBS"), along with several other financial institutions, was named as a defendant in a putative class action that was ultimately transferred to the US District Court for the Northern District of Texas. The plaintiffs sought to represent a class of individuals who were customers of Stanford International Bank Ltd. (SIBL), an Antiguan bank, with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16 February 2009. The plaintiffs alleged that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants were responsible for those alleged losses. The plaintiffs further sought to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they were alleged to have been fraudulent transfers. The Official Stanford Investors Committee (OSIC) was permitted to intervene and filed a complaint against SGPBS and the other defendants seeking similar relief. Following motions to dismiss, the Court ultimately in April 2015 permitted the substantial majority of the claims to proceed.

On 7 November 2017, the US District Court denied the plaintiffs' motion for class certification. On 3 May 2019, several hundred individual plaintiffs filed motions to intervene in the pending OSIC action seeking recovery in their individual capacities for losses on their Stanford investments. By order of 18 September 2019 the court denied the motions to intervene. One group of plaintiffs appealed the denial, which was rejected by the court of appeal on 3 February 2021, and the remaining group of plaintiffs initiated a separate action in Texas state court in Houston in November 2019, now pending in the US District Court for the Southern District of Texas.

On 12 February 2021, all parties in the litigation filed motions for summary judgment. SGPBS seeks dismissal of all pending claims, and OSIC, renewing a prior unsuccessful motion for summary judgement seeks return of a USD 95 million transfer to SGPBS in 2008. Discovery has been completed.

On 19 January 2022, the US District Court for the Northern District of Texas asked the Judicial Panel for Multidistrict Litigation to remand the case to US District Court for the Southern District of Texas in Houston, where it was originally filed, for further proceedings, including trial. The following day, on 20 January 2022, the US District Court for the Northern District of Texas ruled on the pending motions for summary judgment denying SGPBS's and OSIC's motions. The case was formally remanded to the Southern District of Texas in Houston by order of 28 January 2022, and the trial as to all defendants is to commence on 27 February 2023. On 3 January 2023, SGPBS entered into an agreement settling the litigation brought by OSIC as well as the pending intervenor claims brought by certain individual plaintiffs also pending in the Southern District of Texas, in an amount covered by reserves in Société Générale S.A.'s accounts following a financial guarantee provided by Société Générale S.A. to SGPBS. This settlement is subject to review and approval by the US District Court for the Northern District of Texas, which oversees the wind-up of the Stanford estate.

In the same matter, a pre-contentious claim (*requête en conciliation*) was initiated in Geneva in November 2022 by the Joint Liquidators of SIBL, appointed by the courts in Antigua, representing the same investors as those represented by the US plaintiffs. SGPBS will defend against that claim in this proceeding, would it be notified of its continuation.

## 6.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.*

*This statutory auditors' report includes information required by European Regulations and French law, such as information about the appointment of the statutory auditors or the verification of the management report and the 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, 2022

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, 2022.

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, 2022 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 the 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, 2022 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. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the 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 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 RELATING TO CUSTOMER LOANS

## Risk identified

Customer loans and receivables carry a credit risk which exposes Société Générale to a potential loss if its client or counterparty is unable to meet its financial commitments.

Société Générale recognizes impairment intended to cover this risk.

The accounting principles used for the measurement of individual impairment, on the one hand, and collective provisions, on the other hand, 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 based on 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 context.

In addition, Société Générale uses judgment and makes accounting estimates to measure the level of individual impairment for doubtful loans.

As at December 31, 2022, outstanding customer loans exposed to credit risk totaled M€365,326; total impairment amounted to M€2,012 and provisions amounted to M€1,738.

We considered the assessment of impairment and provisions relating to customer loans to be a key audit matter as this requires Management to exercise judgment and make estimates, particularly concerning the economic sectors and geographical areas most weakened by the crisis.

## Our response

Our work mainly 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.

With the support of credit risk management experts, our audit work mainly consisted in:

- obtaining an understanding of the Société Générale Group'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 Société Générale;
- assessing the main parameters used by Société Générale to measure the collective provisions as at December 31, 2022;
- 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 crisis;
- assessing, using data analysis tools, the measurement of the collective provisions on a sample of portfolios;
- testing, as at December 31, 2022, on a selection of the most significant loans to corporate clients, the main criteria used to classify doubtful loans, 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, 2022, deferred tax assets on tax loss carryforwards were recorded in the amount of M€1,662, including M€1,404 for the France tax groups.

As stated in Note 5 "Taxes" to the financial statements, Société Générale 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, 2022, 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, therefore, are liable to be called into question.

Given the importance of the assumptions used to assess the recoverability of 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 Société Générale would 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.

With the support of tax specialists, our procedures mainly consisted in:

- comparing the projected results of the previous years with the actual results of the corresponding years, in order to assess the reliability of the tax business plan development process;
- obtaining an understanding of the 2023 budget drawn up by Management and approved by the Board of Directors, as well as the assumptions underlying the projections over the 2023-2025 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 purchase of Leaseplan);
- assessing the relevance of the methods used to extrapolate the tax results after the 2023-2025 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 Société Générale, 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 examined the information provided by Société Générale, 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, Société Générale holds financial instruments for trading purposes. As at December 31, 2022, M€ 149,512 are recorded in this respect under assets on Société Générale's balance sheet.

To determine the fair value of these instruments, Société Générale 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 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 is based on the key internal control processes related to the valuation of complex financial instruments.

With the support of experts in the valuation of financial instruments included in the audit team, 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 assessing 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 price verification 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 assessed the compliance of the methods underlying the estimates with 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 (GBIS) division 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 IT 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 personnel via the information systems or underlying databases;
- a failure in the process 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, Société Générale is exposed to new risks, particularly those 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 Société Générale 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 Société Générale. With the support of specialists in information systems included in our 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 Société Générale 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 anomalies identified during the financial year;
- the potential privileged access to applications and infrastructure;
- the change management relating to applications, and more specifically the separation between development and business environments;
- the security policies in general and their deployment in IT applications (for example, those related to passwords);
- the handling of IT incidents during the financial year;
- the governance and control environment on a sample of applications.

Regarding 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 Société Générale 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 committees as well as any incidents occurring during the financial year.

## ASSESSMENT OF THE LEGAL RISK RELATING TO LEGAL, REGULATORY AND ARBITRAL PROCEEDINGS INVOLVING SOCIÉTÉ GÉNÉRALE

## Risk identified

Société Générale is a party to a number of proceedings, including several civil, administrative and criminal proceedings as indicated in Notes 2.6.6 "Other provisions for contingencies and losses" and 5.2 "Tax provisions".

Other provisions for contingencies and losses amounted to M€ 1,222 and included in particular provisions for litigation and tax provisions which amounted to M€ 12 as at December 31, 2022.

As indicated in Note 8 "Information on risks and disputes" to the financial statements, the disputes displaying a significant 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 and the significant amount of Management's judgment in assessing the risks and financial repercussions for Société Générale, we consider that the assessment of the risk relating to legal, regulatory or arbitration proceedings involving Société Générale constitutes a key audit matter.

## Our response

Our approach, which includes the involvement of tax experts, consisted in:

- obtaining an understanding of the litigation provision assessment process set up by the bank to evaluate litigation provisions;
- 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 by legal and tax authorities, and regulators;
- obtaining and reviewing 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 the Group's external advisers involved in the relevant cases;
- assessing the suitability 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 of € 23 billion (including €3.4 billion in impairment).

As stated in Note 2.1 "Securities portfolio" to the financial statements, they are recognized at their purchase price excluding acquisition costs.

The bank 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 considered the valuation 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 Société Générale's structure and activities, and identify any indicators of impairment of these assets.

With the support of experts in the valuation of financial instruments, works on the financial statements for the year ended December 31, 2022 consisted notably 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 analysts' consensus, etc.);
- assessing the sensitivity analyses of the results to the key parameters, notably via comparison with multiples;
- testing, via sampling, the arithmetical accuracy of the value-in-use calculations used by the Société Générale.

Lastly, we assessed the information concerning equity securities, other long-term securities and shares in affiliated companies published 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 laws and regulations.

### INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS PROVIDED TO THE SHAREHOLDERS

We have no matters to report as to the fair presentation and the 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 the shareholders except for the matter described below.

We have the following matter to report regarding the fair presentation and the consistency with the financial statements of the information relating to payment deadlines referred to in Article D.441-6 of the French Commercial Code (*Code de commerce*): 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 (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code (*Code de commerce*) relating to the remuneration 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 consolidation scope. 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 (*Code de commerce*), 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 and the identity of the shareholders and holders of voting rights and cross-shareholdings has been properly disclosed in the management report.

## Report on Other Legal and Regulatory Requirements

### FORMAT OF PREPARATION 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 statutory auditor regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation 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 Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018.

On the basis of our work, we conclude that the preparation 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 & ASSOCIES and on May 22, 2012 for ERNST & YOUNG et Autres.

As at December 31, 2022, DELOITTE & ASSOCIES and ERNST & YOUNG et Autres were in their twentieth and eleventh 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 operations.

The Audit and Internal Control Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk 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 made on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the 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 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 significant deficiencies, if any, 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 as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). 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 13, 2023

The Statutory Auditors

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ERNST & YOUNG et Autres

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