

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).

**A further 1,600,000 European Style Cash Settled Short Certificates
relating to the ordinary shares of DBS Group Holdings Ltd
with a Daily Leverage of -5x**

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S\$1.50 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 21 June 2018 including such further base listing documents as may be issued from time to time (the “**Base Listing Document**”), as supplemented by an addendum to the Base Listing Document dated 5 November 2018 (the “**Addendum**”), 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.

The Certificates shall be consolidated and form a single series with an existing issue of 1,600,000 European Style Cash Settled Short Certificates relating to the ordinary shares of DBS Group Holdings Ltd (DLC SOCGEN5XSHORT DBS (DFW)) issued by the Issuer and listed on the SGX-ST, in which dealings commenced on 7 November 2018 and details of which are contained in the Supplemental Listing Document dated 5 November 2018.

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).

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 an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

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

The Certificates constitute general unsecured obligations of the Issuer and of no other person, and the guarantee dated 21 June 2018 (the “**Guarantee**”) and entered into by the Guarantor constitutes general unsecured 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 22 April 2019.

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.

18 April 2019

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

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

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document, the Base Listing Document and the Addendum 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, the Base Listing Document and the Addendum 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. Accordingly, Certificates, or interests thereon, 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 or maintain a position in the Certificates. 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. 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 Addendum. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

Table of Contents

	<i>Page</i>
Risk Factors	6
Terms and Conditions of the Certificates	15
Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities	23
Summary of the Issue	36
Information relating to the European Style Cash Settled Short Certificates on Single Equities	38
Information relating to the Company	53
Information relating to the Designated Market Maker	54
Supplemental Information relating to the Guarantor	55
Supplemental General Information	56
Placing and Sale	58
Appendix I	
Appendix II	

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 and of no other person, and the Guarantee constitutes general unsecured 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 risen sharply on the Expiry Date;
- (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 will 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 27 to 31 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short 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 Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);
- (l) investors should note that there are leveraged risks because the Certificates integrate an inverse 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;
- (m) 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 inverse 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;
- (n) investors should note that the Air Bag Mechanism (as defined below) reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (o) 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 increase 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 the following day or (ii) a sharp intraday increase in the price of the Underlying Stock of 20% or greater (comparative to the previous closing price of the Underlying Stock or the previous observed price in case of an air bag previously on the same day) during the Observation Period. Investors may refer to pages 46 to 47 of this document for more information;
- (p) 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 33 to 35 of this document for more information;

- (q) 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;
- (r) 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;
- (s) 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;

- (t) 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;

- (u) 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;
- (v) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may rise. 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;
- (w) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website;
- (x) 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;
- (y) 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;
- (z) 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 is subject to FATCA and, as a result, is required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide us with such certification, the Issuer and the Guarantor 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 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;

(aa) U.S. withholding tax

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

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

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

The Issuer has determined that generally Certificates should not be “delta-one” transactions within the meaning of the relevant notices and, therefore, should not be Specified Certificates

subject to withholding tax under Section 871(m) Regulations. Investors are advised that the Issuer's determination is binding on all Non-U.S. Holders of the Certificates, but it is not binding on the IRS and the IRS may therefore disagree with the Issuer's determination.

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

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

Investors should consult their tax adviser regarding the potential application of Section 871(m) Regulations to their investment in the Certificates; and

(bb) risk factors relating to the BRRD

French 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. As a Directive, the BRRD is not directly applicable in France and had to be transposed into national legislation. The French ordonnance No. 2015-1024 of 20 August 2015 transposed the BRRD into French law and amended the French Code monétaire et financier for this purpose. The French ordonnance has been ratified by law no. 2016-1691 dated 9 December 2016 (Loi n°2016-1691 du 9 décembre 2016 relative à la transparence, à la lutte contre la corruption et à la modernisation de la vie économique) which also incorporates provisions which clarify the implementation of the BRRD.

The stated aim of the BRRD and Regulation (EU) No. 806/2014 of the European Parliament and of the Council of the European Union of 15 July 2014 (the "**SRM Regulation**") is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions, investment firms, certain financial institutions and certain holding companies (each a relevant entity). The regime provided for by the BRRD is, among other things, stated to be needed to provide the 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 relevant entity so as to ensure the continuity of the relevant entity's critical financial and economic functions while minimising the impact of a relevant entity's failure on the economy and financial system (including taxpayers' exposure to losses).

Under the SRM Regulation a centralised power of resolution is established and entrusted to the Single Resolution Board (the "**SRB**") and to the national resolution authorities.

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 relevant entity under resolution in accordance with a set order of priority (the "**Bail-in Tool**").

The conditions for resolution under the French Code monétaire et financier implementing the BRRD are deemed to be met when: (i) the Resolution Authority or the relevant supervisory authority determines that the relevant entity 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 minimising reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the relevant entity 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 where the conditions for resolution are met, write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the relevant entity or its group will no longer be viable unless such write down or conversion power is exercised or when the relevant entity requires extraordinary public financial support (except when extraordinary public financial support is provided in the form defined in Article L. 613-48 III, 3° of the French Code monétaire et financier).

The Bail-in Tool or the exercise of write-down/conversion powers by the Resolution Authority with respect to capital instruments (including subordinated debt instruments) 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 resolutions measures, including the Bail-in Tool. In addition, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Tool could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such power.

In addition to the Bail-in Tool, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to relevant entities that meet the conditions for resolution, which may include (without limitation) the sale of the relevant entity'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 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.

Since 1 January 2016, French credit institutions (such as the Issuer and the Guarantor) have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article L. 613-44 of the French Code monétaire et financier. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at avoiding institutions to structure their liabilities in a manner that impedes the effectiveness of the Bail-in Tool. From January 2019, G-SIBs (global systemically important banks) such as

the Issuer and the Guarantor will also have to comply with the total loss absorbing capacity (TLAC) requirements.

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 banks' resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The application of any resolution measure under the French BRRD implementing provisions or any suggestion of such application with respect to the Issuer, the Guarantor or the Group could materially adversely affect the rights of Certificate Holders, the price or value of an investment in the Certificates and/or the ability of the Issuer or the Guarantor to satisfy its obligations under the Certificates, and as a result investors may lose their entire investment.

Moreover, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Tool or the exercise of write-down/conversion powers by the Resolution Authority independently of a resolution measure with respect to capital instruments (including subordinated debt instruments) or in combination with a resolution measure when it determines that the institution or its group will no longer be viable could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such powers.

Implementation of BRRD in Luxembourg

The BRRD was implemented by the Luxembourg act dated 18 December 2015 (the "**BRR Act 2015**"). Under the BRR Act 2015, the competent authority is the CSSF and the resolution authority is the CSSF acting as Resolution Council (le Conseil de *résolution*).

The BRR Act 2015 provides for certain resolution measures, including the power to impose in certain circumstances a suspension of activities. Any suspension of activities can, to the extent determined by the CSSF, result in the partial or complete suspension of the performance of agreements entered into by a Luxembourg incorporated credit institution or investment firm. The BRR Act 2015 also grants the power to the Resolution Council to take a number of resolution measures including (i) a forced sale of a Luxembourg incorporated credit institution or investment firm (sale of business), (ii) the establishment of a bridge institution or, (iii) the forced transfer of all or part of the assets, rights or obligations of a Luxembourg incorporated credit institution or investment firm (asset separation) and (iv) the application of the general bail-in tool. The powers set out in the BRR Act 2015 will impact how credit institutions, investment firms or relevant financial institutions (such as SG Issuer) established in Luxembourg, are managed as well as, in certain circumstances, the rights of creditors.

If the general bail-in tool and the statutory write-down and conversion power become applicable to SG Issuer, the Certificates may be subject to write-down or conversion into equity (ordinary shares or other instrument of ownership) on any application of the bail-in tool, which may result in such Certificates' holders losing some or all of their investment (notably, the amount of the outstanding may be reduced, including to zero). Subject to certain conditions, the terms of the obligations owed under the Certificates may also be varied by the Resolution Council (e.g. as to maturity, interest and interest payment dates). The exercise of any power under the BRR Act 2015 or any suggestion of such exercise could materially

adversely affect the rights of the holders of the Certificates, the price or value of their investment in any Certificates and/or the ability of SG Issuer to satisfy its obligations under any Certificate.

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 significant credit institutions and financial groups, in the framework of a Single Resolution Mechanism and a Single Resolution Fund, established a centralised power of resolution and entrusted to a Single Resolution Board and to the national resolution authorities of participating EU Member States (including Luxembourg and the CSSF through the Resolution Council). Since 1 January 2015, the Single Resolution Board works in close cooperation with the Resolution Council, in particular in relation to the elaboration of resolution planning, and has assumed full resolution powers since 1 January 2016.

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, the Base Listing Document and the Addendum.

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 Addendum. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	A further 1,600,000 European Style Cash Settled Short Certificates relating to the ordinary shares of DBS Group Holdings Ltd (the “ Underlying Stock ”)
	The Certificates shall be consolidated and form a single series with an existing issue of 1,600,000 European Style Cash Settled Short Certificates relating to the ordinary shares of DBS Group Holdings Ltd issued by the Issuer and listed on the SGX-ST, in which dealings commenced on 7 November 2018.
Company:	DBS Group Holdings Ltd (RIC: DBSM.SI)
Underlying Price ³ and Source:	S\$25.18 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 1.50
Management Fee (p.a.) ⁴ :	0.40%
Gap Premium (p.a.) ⁵ :	4.60%, is a hedging cost against extreme market movements overnight.
Stock Borrowing Cost ⁶ :	The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock.
Rebalancing Cost ⁶ :	The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock.

³ These figures are calculated as at, and based on information available to the Issuer on or about 5 November 2018. 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 5 November 2018.

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

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

⁶ These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

Launch Date:	16 April 2019
Closing Date:	18 April 2019
Expected Listing Date:	22 April 2019
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 28 October 2021
Expiry Date:	5 November 2021 (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:	3 November 2021 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate Please refer to the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section on pages 38 to 52 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as:

Product (for t from 1 to Valuation Date) of $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$, where:

“t” refers to “**Observation Date**” which means each Exchange Business Day from (and including) the Exchange Business Day immediately preceding 7 November 2018 to the Valuation Date; and

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

Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 38 to 52 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 Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the “Specific Definitions relating to the Leverage Inverse Strategy” section on pages 19 to 22 below.

Initial Exchange Rate: 1

Final Exchange Rate: 1

Air Bag Mechanism: The “**Air Bag Mechanism**” refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more (“**Air Bag Trigger Price**”) during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall 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 Inverse 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 20 to 22 below and the “Description of Air Bag Mechanism” section on pages 44 to 45 of this document for further information of the Air Bag Mechanism.

Underlying Stock Currency:	Singapore Dollar (“ SGD ”)
Settlement Currency:	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 (“ SGX-ST ”)
Relevant Stock Exchange for the Underlying Stock:	The SGX-ST
Business Day and Exchange Business Day:	A “ Business Day ” or an “ Exchange 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.
Warrant Agent:	The Central Depository (Pte) Limited (“ CDP ”)
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 Inverse Strategy including the Stock Borrowing 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 dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

Specific Definitions relating to the Leverage Inverse Strategy

Description of the Leverage Inverse Strategy

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

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse 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 Inverse 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 Inverse Strategy Formula

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

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

On Observation Date(1):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

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

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

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

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

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

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

$$SB_{t-1,t} = -\text{Leverage} \times \frac{\text{CB} \times \text{ACT}(t - 1, t)}{\text{DayCountBasisRate}}$$

CB means the Cost of Borrowing applicable that is equal to 2%.

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

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

TC means the Transaction Costs applicable (including Stamp Duty) that are equal to :
0.04%

Leverage -5

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

Rate_t means, in respect of each Observation Date(t), the SGD Swap Offer Rate (SOR) Reference Rate, as published on Reuters RIC SGDTRDONF=ABSG or any successor page

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

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

where

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

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

DayCountBasisRate 365

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 Inverse 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 Inverse Strategy Level in accordance with the following provisions :

(1) for k = 1 :

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

(2) for k > 1 :

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

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

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

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

IRC_{IR(k-1),IR(k)}

means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows :

$$IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left| \frac{IS_{IR(k)}}{IS_{IR(k-1)} \times Rfactor_t} - 1 \right| \right) \times TC$$

IS_{IR(k)}

means the Underlying Stock Price in respect of IR(k) computed as follows :

(1) for k=0

$$IS_{IR(0)} = S_{IRD-1} \times Rfactor_{IRD}$$

(2) for k=1 to n

means in respect of IR(k), the lowest price of the Underlying Stock during the respective Intraday Restrike Observation Period

(3) with respect to IR(C)

$$IS_{IR(C)} = S_{IRD}$$

In each case, subject to the adjustments and provisions of the Conditions.

IR(k)

For k=0, means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date;

For k=1 to n, means the kth Intraday Restrike Event on the relevant Intraday Restrike Date.

IR(C)

means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.

n

means the number of Intraday Restrike Events that occurred on the

relevant Intraday Restrike Date.

Intraday Restrike Event	<p>means in respect of an Observation Date(t) :</p> <p>(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $IS_{IR(0)}$ as of such Calculation Time.</p> <p>(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $IS_{IR(k)}$ as of such Calculation Time.</p>
Calculation Time	<p>means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.</p>
TimeReferenceOpening	<p>means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).</p>
TimeReferenceClosing	<p>means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).</p>
Intraday Restrike Event Observation Period	<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>
Intraday Restrike Event Time	<p>means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.</p>

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 Addendum 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 21 June 2018, 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) or the Regulator (as defined below), 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 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 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

- (ii) that the 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.

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

“**Bail-In Power**” means any power existing from time to time under any laws, regulations, rules or requirements in effect in France, relating to the transposition of 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, the “**BRRD**”), including without limitation pursuant to French decree-law No. 2015-1024 dated 20 August 2015 (*Ordonnance portant diverses dispositions d'adaptation de la législation au droit de l'Union européenne en matière financière*) (as amended from time to time, the “**20 August 2015 Decree Law**”), Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (as amended from time to time, the “**Single Resolution Mechanism Regulation**”), or otherwise arising under French law, and in each case the instructions, rules and standards created thereunder, pursuant to which the obligations of a Regulated Entity (or an affiliate of such Regulated Entity) can be reduced (in part or in whole), cancelled, suspended, transferred, varied or otherwise modified in any way, or securities of a Regulated Entity (or an affiliate of such Regulated Entity) can be converted into shares, other securities, or other obligations of such Regulated Entity or any other person, whether in connection with the implementation of a bail-in tool following placement in resolution or otherwise.

“**Regulated Entity**” means any entity referred to in Section I of Article L.613-34 of the French *Code monétaire et financier* as modified by the 20 August 2015 Decree Law, which includes certain credit institutions, investment firms, and certain of their parent or holding companies established in France.

“**Relevant Resolution Authority**” means the *Autorité de contrôle prudentiel et de résolution* (the ACPR), the Single Resolution Board established pursuant to the Single Resolution Mechanism Regulation, and/or any other authority entitled to exercise or participate in the exercise of any Bail-in Power from time to time (including the Council of the European Union and the European Commission when acting pursuant to Article 18 of the Single Resolution Mechanism Regulation).

“**Regulator**” means the European Central Bank and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Issuer 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 under the laws and regulations in effect in France and the European Union applicable to the Issuer or other members of its group.

Upon the exercise of any Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Certificates, the Issuer will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Bail-in Power. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Bail-in Power 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 another person, as a result of the exercise of the Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Issuer, nor the exercise of any Bail-in Power by the Relevant Resolution Authority or the Regulator 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.

If the Relevant Resolution Authority or the Regulator exercises the Bail-in Power with respect to less than the total Amounts Due, unless otherwise instructed by the Issuer or the Relevant Resolution Authority or the Regulator, any cancellation, write-off or conversion made in respect of the Certificates pursuant to the Bail-in Power will be made on a pro-rata basis.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer, shall be borne by any Certificate Holder.

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 a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date. In that case:-

- (i) that fifth Exchange Business Day shall be deemed to be the Valuation Date

notwithstanding the Market Disruption Event; and

- (ii) the Issuer shall determine the Final Reference Level on the basis of its good faith estimate of the Final Reference Level that would have prevailed on that fifth Exchange Business Day but for the Market Disruption Event.

"Market Disruption Event" means the occurrence or existence on the Valuation Date 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.

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(c).

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 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(c) 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.
- (c) *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 or impracticality 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. 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.

15. 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.

16. Contracts (Rights of Third Parties) Act, Chapter 53B 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, Chapter 53B 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, the Base Listing Document and the Addendum. Terms used in this Summary are defined in the Conditions.

Issuer: SG Issuer

Company: DBS Group Holdings Ltd

The Certificates: European Style Cash Settled Short Certificates relating to the Underlying Stock

Number: A further 1,600,000 Certificates

The Certificates shall be consolidated and form a single series with an existing issue of 1,600,000 European Style Cash Settled Short Certificates relating to the ordinary shares of DBS Group Holdings Ltd issued by the Issuer and listed on the SGX-ST, in which dealings commenced on 7 November 2018.

Form: The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 21 June 2018 (the “**Master Instrument**”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “**Master Warrant Agent Agreement**”) and made between the Issuer, the Guarantor and the Warrant Agent.

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 22 April 2019.
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 a qualified in its entirety by reference to the detailed information appearing elsewhere in this document, the Base Listing Document and the Addendum.

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

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

European style cash settled short 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 Inverse 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 decrease and are seeking short-term leveraged inverse 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 Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees
--------------------	---	---------------------------

Daily Fees	=	<table border="1"> <tr> <td style="text-align: center;">Daily Management Fee Adjustment</td> </tr> <tr> <td style="text-align: center;">1 – Management Fee x ACT (t-1;t) / 360</td> </tr> </table>	Daily Management Fee Adjustment	1 – Management Fee x ACT (t-1;t) / 360
		Daily Management Fee Adjustment		
1 – Management Fee x ACT (t-1;t) / 360				
	x	<table border="1"> <tr> <td style="text-align: center;">Daily Gap Premium Adjustment</td> </tr> <tr> <td style="text-align: center;">1 – Gap Premium (t-1) x ACT (t-1;t) / 360</td> </tr> </table>	Daily Gap Premium Adjustment	1 – Gap Premium (t-1) x ACT (t-1;t) / 360
Daily Gap Premium Adjustment				
1 – Gap Premium (t-1) x 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	=	<table border="1"> <tr> <td style="text-align: center;">t'=0</td> </tr> <tr> <td style="text-align: center;">Notional Amount</td> </tr> </table>	t'=0	Notional Amount	x	<table border="1"> <tr> <td style="text-align: center;">t=1</td> </tr> <tr> <td style="text-align: center;">Leverage Inverse Strategy daily performance⁸ x Daily Fees</td> </tr> </table>	t=1	Leverage Inverse Strategy daily performance ⁸ x Daily Fees	x	<table border="1"> <tr> <td style="text-align: center;">t=2</td> </tr> <tr> <td style="text-align: center;">Leverage Inverse Strategy daily performance x Daily Fees</td> </tr> </table>	t=2	Leverage Inverse Strategy daily performance x Daily Fees	x ...	<table border="1"> <tr> <td style="text-align: center;">t=i</td> </tr> <tr> <td style="text-align: center;">Leverage Inverse Strategy Daily performance x Daily Fees</td> </tr> </table>	t=i	Leverage Inverse Strategy Daily performance x Daily Fees
		t'=0														
Notional Amount																
t=1																
Leverage Inverse Strategy daily performance ⁸ x Daily Fees																
t=2																
Leverage Inverse Strategy daily performance x Daily Fees																
t=i																
Leverage Inverse Strategy Daily performance x Daily Fees																

Value of Certificates	=	<table border="1"> <tr> <td style="text-align: center;">t=0</td> </tr> <tr> <td style="text-align: center;">Notional Amount</td> </tr> </table>	t=0	Notional Amount	x	<table border="1"> <tr> <td style="text-align: center;">Product of the daily Leverage Inverse Strategy Performance</td> </tr> <tr> <td style="text-align: center;">Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance</td> </tr> </table>	Product of the daily Leverage Inverse Strategy Performance	Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance	x	<table border="1"> <tr> <td style="text-align: center;">Product of the Daily Fees (Hedging Fee Factor)</td> </tr> <tr> <td style="text-align: center;">Daily Fees x Daily Fees</td> </tr> </table>	Product of the Daily Fees (Hedging Fee Factor)	Daily Fees x Daily Fees
		t=0										
Notional Amount												
Product of the daily Leverage Inverse Strategy Performance												
Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance												
Product of the Daily Fees (Hedging Fee Factor)												
Daily Fees x Daily Fees												

Final Value of Certificates	=	<table border="1"> <tr> <td style="text-align: center;">t=0</td> </tr> <tr> <td style="text-align: center;">Notional Amount</td> </tr> </table>	t=0	Notional Amount	x	<table border="1"> <tr> <td style="text-align: center;">Final Reference Level x Final Exchange Rate</td> </tr> <tr> <td style="text-align: center;">÷</td> </tr> <tr> <td style="text-align: center;">Initial Reference Level x Initial Exchange Rate</td> </tr> </table>	Final Reference Level x Final Exchange Rate	÷	Initial Reference Level x Initial Exchange Rate	x	<table border="1"> <tr> <td style="text-align: center;">Hedging Fee Factor</td> </tr> </table>	Hedging Fee Factor
		t=0										
Notional Amount												
Final Reference Level x Final Exchange Rate												
÷												
Initial Reference Level x Initial Exchange Rate												
Hedging Fee Factor												

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

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

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

⁷ "t" refers to "Observation Date" which means each Exchange Business Day from (and including) the Exchange Business Day immediately preceding the Expected Listing Date to the Valuation Date.

⁸ Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse 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 DBS Group Holdings Ltd
Expected Listing Date:	03/07/2018
Expiry Date:	18/07/2018
Initial Reference Level:	1,000
Initial Exchange Rate:	1
Final Reference Level:	1,200
Final Exchange Rate:	1
Issue Price:	1.5 SGD
Notional Amount per Certificate:	1.5 SGD
Management Fee (p.a.):	0.40%
Gap Premium (p.a.):	4.60%
Strike Level:	Zero

Hedging Fee Factor

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

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

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

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 4.60\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9872\% \approx 99.9861\%$$

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

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

$$\text{HFF (2)} = 99.9861\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 4.60\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9861\% \times 99.9967\% \times 99.9617\% \approx 99.9445\%$$

The same principle applies to the following Exchange 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 99.7919% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9861%
5/7/2018	99.9722%
6/7/2018	99.9583%
9/7/2018	99.9167%
10/7/2018	99.9028%
11/7/2018	99.8889%
12/7/2018	99.8751%
13/7/2018	99.8612%
16/7/2018	99.8196%
17/7/2018	99.8057%
18/7/2018	99.7919%

Cash Settlement Amount

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

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.7919\% \\ &= 119.75\% \end{aligned}$$

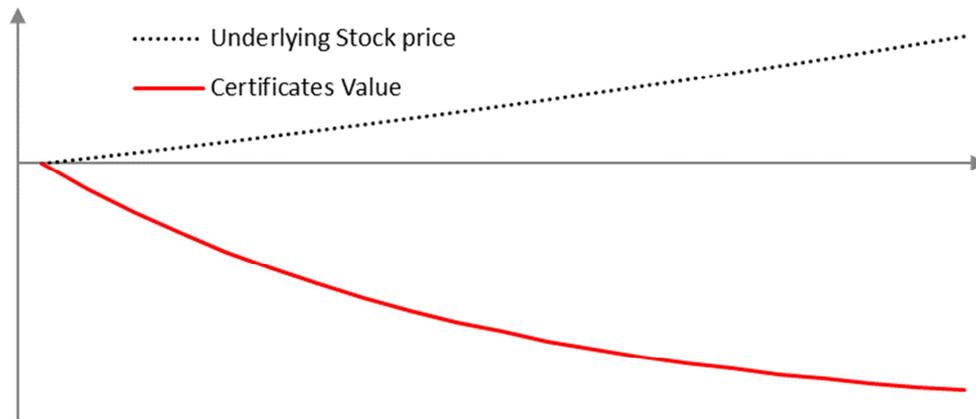
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.75\% \times 1.50 \text{ SGD} \\ &= \mathbf{1.796 \text{ SGD}} \end{aligned}$$

Illustration on how returns and losses can occur under different scenarios

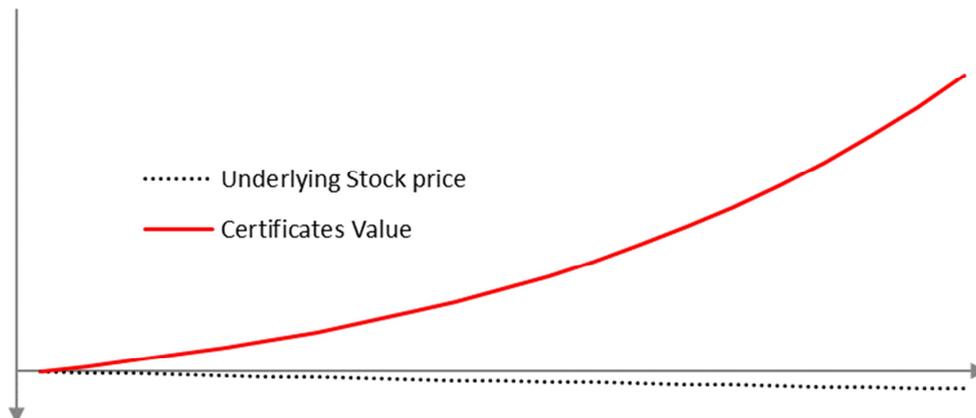
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. Illustrative examples

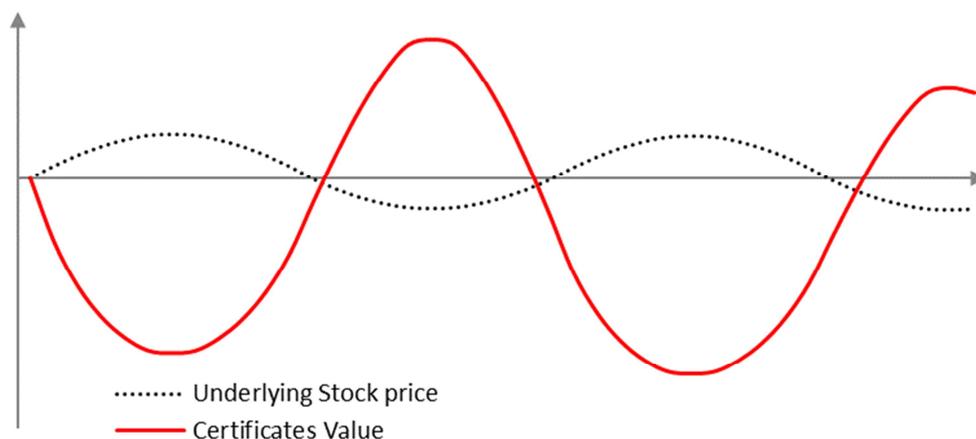
Scenario 1 – Upward Trend



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	1.5	1.35	1.22	1.09	0.98	0.89
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

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	1.5	1.65	1.82	2.00	2.20	2.42
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

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	1.5	1.35	1.49	1.34	1.47	1.32
Accumulated Return		-10.00%	-1.00%	-10.90%	-1.99%	-11.79%

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 maximum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Inverse Strategy is reset using the maximum 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 Inverse Strategy, 30 minutes after the Air Bag trigger.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period.

The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

Air Bag Mechanism timeline

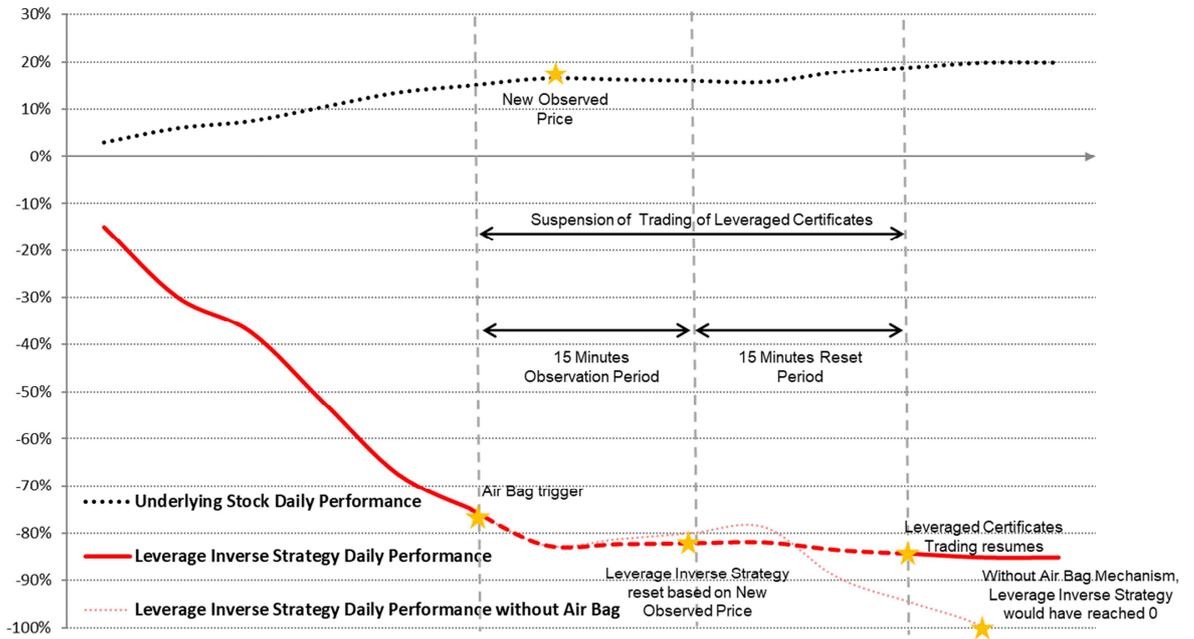
Air Bag Trigger	Observation Period	Resumption of Trading
More than 45 minutes before Market Close	First 15 minutes after Air Bag Trigger	Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger
45 minutes before Market Close		Next trading day at Market Open
30 to 45 minutes before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

With **Market Close** defined as:

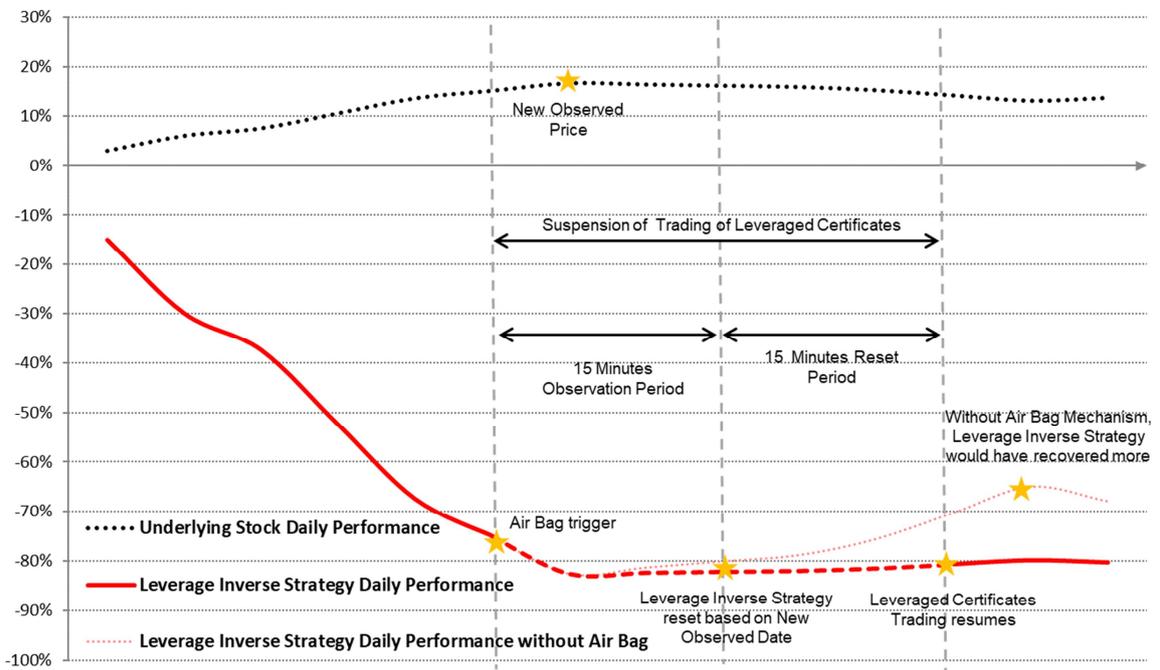
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

Illustrative examples of the Air Bag Mechanism

Scenario 1 – Upward Trend after Air Bag trigger



Scenario 2 – Downward Trend after Air Bag trigger



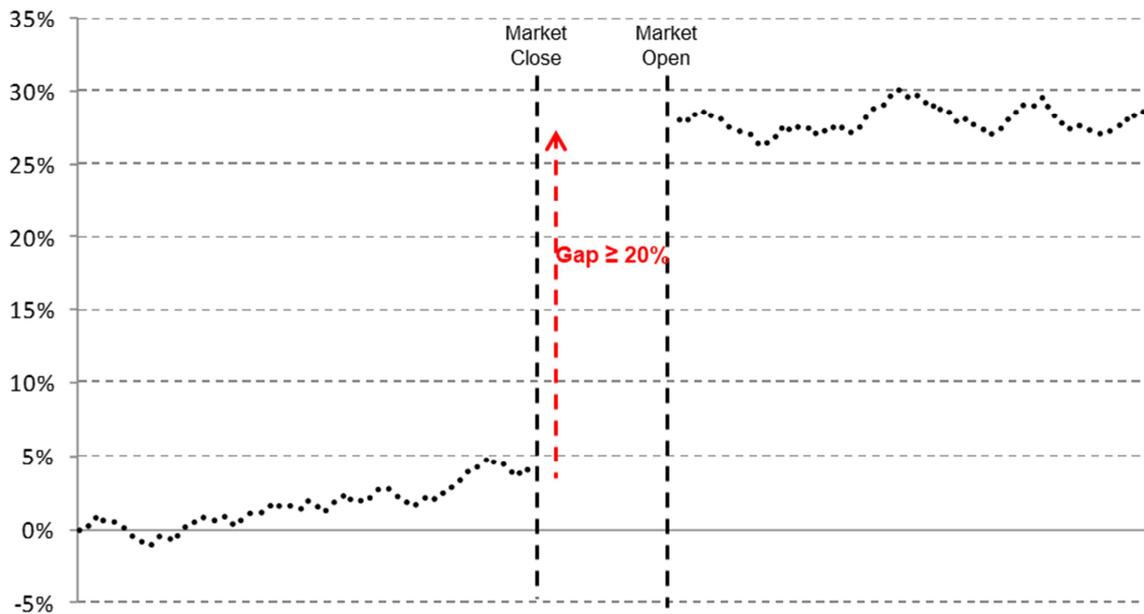
Scenarios where the investor may lose the entire value of the investment

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 rise 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 above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens the following day, and the Certificates would lose their entire value in such event.

Underlying Stock Performance

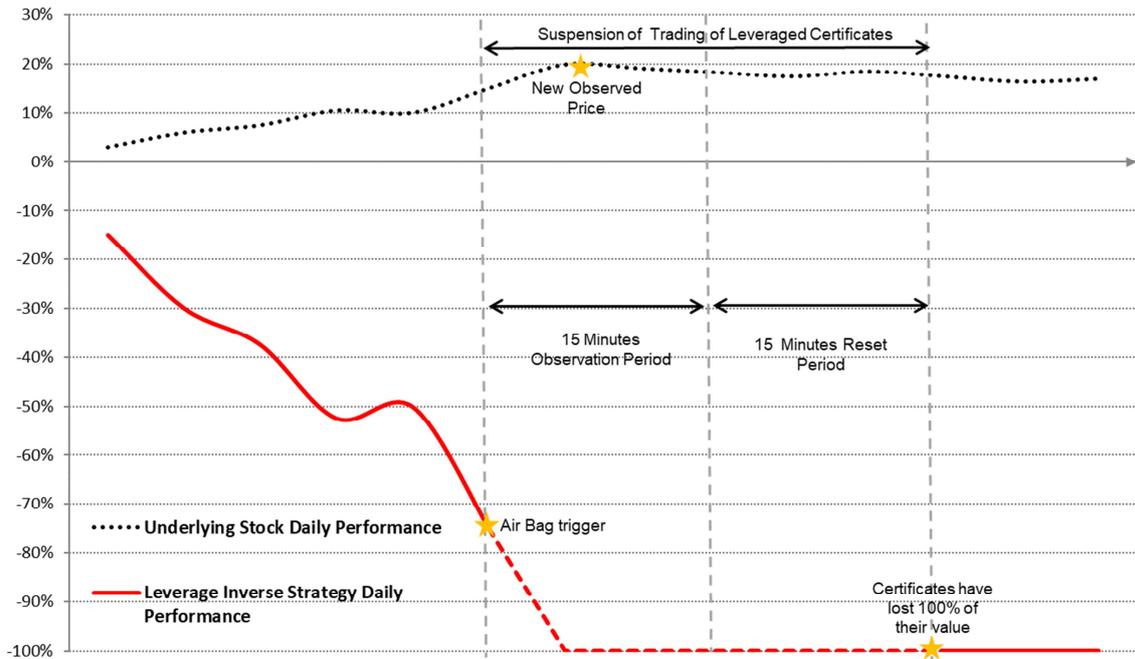


DLC Performance



Scenario 2 – Sharp intraday rise 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 rises by 20% or more compared to the previous closing price of the Underlying Stock or the previous observed price in case of an air bag previously on the same day within the 15 minute Observation Period. 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 rises 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):

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

$$S_t = \$51$$

$$Div_t = \$0$$

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

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)
1.5	1.35	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$57.5, which is 15% above \$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)
1.5	1.425	-5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$230, which is 15% above \$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)
1.5	1.125	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$80, the Underlying Stock Reference Price.

4. Bonus Issues

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

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

$$S_t = \$85$$

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

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

$$R = \$0$$

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.5	1.35	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$95.83, which is 15% above \$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)
1.5	1.125	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$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 the SGX-ST at <http://www.sgx.com>. The Issuer has not independently verified any of such information.

DBS Group Holdings Limited (“**DBS**” or the “**Company**”) is the holding company for DBS Bank, a leading financial services group in Asia, with over 280 branches across 17 markets.

Headquartered and listed in Singapore, DBS has a growing presence in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. Its capital position and "AA-" and "Aa1" credit ratings are among the highest in Asia-Pacific. DBS has been recognised for its leadership in the region, having been named “Asia’s Best Bank” by The Banker, a member of the Financial Times group, and “Best Bank in Asia-Pacific” by Global Finance. The bank has also been named “Safest Bank in Asia” by Global Finance for six consecutive years from 2009 to 2014.

DBS provides a full range of services in consumer, SME and corporate banking activities across Asia. As a bank born and bred in Asia, DBS understands the intricacies of doing business in the region’s most dynamic markets. These market insights and regional connectivity have helped to drive the bank’s growth as it sets out to be the Asian bank of choice.

DBS is committed to building lasting relationships with customers, and positively impacting communities through supporting social enterprises, as it banks the Asian way. It has also established a SGD 50 million foundation to strengthen its corporate social responsibility efforts in Singapore and across Asia.

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 2018 and has been extracted and reproduced from an announcement by the Company dated 28 March 2019 in relation to the same. Further information relating to the Company may be located on the web-site of the SGX-ST at <http://www.sgx.com>.

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 : 10 ticks or S\$0.20 whichever is greater
- (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), the DMM will not provide the bid price. In such an instance, the DMM will provide the offer price only;
- (iii) where the Certificates are suspended from trading for any reason;
- (iv) 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;
- (v) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;
- (vi) 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;
- (vii) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;
- (viii) if the stock market experiences exceptional price movement and volatility;
- (ix) when it is a public holiday in Singapore and/or the SGX-ST is not open for dealings; and
- (x) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

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

SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR

The information set out in Appendix II of this document is a reproduction of the Guarantor's audited consolidated financial statements for the year ended 31 December 2018.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 86 of the Base Listing Document, and the Addendum.

1. Save as disclosed in this document and the Base Listing Document (as amended and supplemented by the Addendum), 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 third 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, the Addendum and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 30 June 2018 or the Guarantor since 31 December 2018, 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) the Addendum;
 - (g) this document; and
 - (h) 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, Chapter 289 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 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 Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance.

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 the 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 2002/92/EC (as amended, the Insurance Mediation 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 Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, the Prospectus Directive); 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 the Certificates.

United Kingdom

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates will be required to 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 Financial Services and Markets Act, as amended (the “**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any 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**”). Accordingly, Certificates, or interests thereon, 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 or maintain a position in the Certificates. 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. 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 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, (ii) it is not purchasing any Certificates for the account or benefit of any U.S. person and (iii) it will not make offers, sales, re-sales, trades, pledges, redemptions, transfers or deliveries of any Certificates (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person.

Exercise of Certificates will be conditional upon certification that each person exercising a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised 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) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, ten per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC’s regulations by virtue of its participants being non-U.S. persons; or (vii) any other “U.S. person” as such term may be defined in Regulation S under the Securities Act or the regulations adopted under the Commodity Exchange Act.

APPENDIX I

REPRODUCTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 OF DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018 and has been extracted and reproduced from an announcement by the Company dated 28 March 2019 in relation to the same.

Financial statements

DBS Group Holdings Ltd and its Subsidiaries

Consolidated Income Statement	103
Consolidated Statement of Comprehensive Income	104
Balance Sheets	105
Consolidated Statement of Changes in Equity	106
Consolidated Cash Flow Statement	107

Notes to the Financial Statements

1 Domicile and Activities	109
2 Summary of Significant Accounting Policies	
3 Critical Accounting Estimates	117
4 Transition to SFRS(I) 9	118

Income Statement

5 Net Interest Income	122
6 Net Fee and Commission Income	
7 Net Trading Income	
8 Net Income from Investment Securities	
9 Other Income	
10 Employee Benefits	
11 Other Expenses	123
12 Allowances for Credit and Other Losses	
13 Income Tax Expense	126
14 Earnings Per Ordinary Share	

Balance Sheet: Assets

15 Classification of Financial Instruments	127
16 Cash and Balances with Central Banks	130
17 Government Securities and Treasury Bills	
18 Bank and Corporate Securities	
19 Loans and Advances to Customers	131
20 Financial Assets Pledged or Transferred	133
21 Other Assets	134
22 Deferred Tax Assets/ Liabilities	
23 Subsidiaries and Consolidated Structured Entities	135
24 Associates	136
25 Unconsolidated Structured Entities	137
26 Acquisition	
27 Properties and Other Fixed Assets	138
28 Goodwill and Intangibles	139

Balance Sheet: Liabilities

29 Deposits and Balances from Customers	140
30 Other Liabilities	
31 Other Debt Securities	
32 Subordinated Term Debts	143

Balance Sheet: Share Capital and Reserves

33 Share Capital	145
34 Other Equity Instruments	146
35 Other Reserves and Revenue Reserves	
36 Non-controlling Interests	149

Off-Balance Sheet Information

37 Contingent Liabilities and Commitments	150
38 Financial Derivatives	151

Additional Information

39 Hedge Accounting	153
40 Share-based Compensation Plans	157
41 Related Party Transactions	158
42 Fair Value of Financial Instruments	159
43 Credit Risk	164
44 Liquidity Risk	172
45 Capital Management	175
46 Segment Reporting	

DBS Bank Ltd

Income Statement	178
Statement of Comprehensive Income	179
Balance Sheet	180
Notes to the Supplementary Financial Statements	181
Directors' Statement	184
Independent Auditor's Report	188

Consolidated income statement

for the year ended 31 December 2018

In \$ millions	Note	2018	2017
Interest income		13,798	10,833
Interest expense		4,843	3,042
Net interest income	5	8,955	7,791
Net fee and commission income	6	2,780	2,622
Net trading income	7	1,178	1,058
Net income from investment securities	8	131	424
Other income	9	139	379
Non-interest income		4,228	4,483
Total income		13,183	12,274
Employee benefits	10	3,188	2,825
Other expenses	11	2,626	2,380
Total expenses		5,814	5,205
Profit before allowances		7,369	7,069
Allowances for credit and other losses	12	710	1,894
Profit before tax		6,659	5,175
Income tax expense	13	1,006	671
Net profit		5,653	4,504
Attributable to:			
Shareholders		5,577	4,371
Non-controlling interests		76	133
		5,653	4,504
Basic and diluted earnings per ordinary share (\$)	14	2.15	1.69

(The notes on page 109 to 177 as well as the Risk management section on pages 72 to 90 form part of these financial statements)

Consolidated statement of comprehensive income

for the year ended 31 December 2018

In \$ millions	2018	2017
Net profit	5,653	4,504
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Translation differences for foreign operations	(94)	(178)
Other comprehensive income of associates	3	(4)
Gains (losses) on debt instruments classified at fair value through other comprehensive income/ available-for-sale financial assets ^(a) and others		
Net valuation taken to equity	(105)	391
Transferred to income statement	(151)	(365)
Taxation relating to components of other comprehensive income	16	4
Items that will not be reclassified to income statement:		
Gains (losses) on equity instruments classified at fair value through other comprehensive income (net of tax) ^(a)	(154)	–
Fair value change from own credit risk on financial liabilities designated at fair value (net of tax)	111	(109)
Other comprehensive income, net of tax	(374)	(261)
Total comprehensive income	5,279	4,243
Attributable to:		
Shareholders	5,201	4,114
Non-controlling interests	78	129
	5,279	4,243

(a) Arising from the adoption of SFRS(I) 9 on 1 Jan 2018, realised gains or losses on equity instruments classified as "Fair Value through Other Comprehensive Income" are not reclassified to the income statement. Previously, FRS 39 required realised gains or losses on available-for-sale equity instruments to be reclassified to the income statement.

(The notes on page 109 to 177 as well as the Risk management section on pages 72 to 90 form part of these financial statements)

Balance sheets

as at 31 December 2018

In \$ millions	Note	The Group			The Company		
		31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
Assets							
Cash and balances with central banks	16	22,185	26,463	26,840	–	–	–
Government securities and treasury bills	17	47,278	39,753	33,401	–	–	–
Due from banks		40,178	35,975	30,018	24	13	18
Derivatives	38	17,029	17,585	25,757	54	36	29
Bank and corporate securities	18	58,197	55,589	45,417	–	–	–
Loans and advances to customers	19	345,003	323,099	301,516	–	–	–
Other assets	21	13,418	12,066	11,042	5	2	–
Associates	24	838	783	890	–	–	–
Subsidiaries	23	–	–	–	28,153	24,357	22,285
Properties and other fixed assets	27	1,450	1,233	1,572	–	–	–
Goodwill and intangibles	28	5,175	5,165	5,117	–	–	–
Total assets		550,751	517,711	481,570	28,236	24,408	22,332
Liabilities							
Due to banks		22,648	17,803	15,915	–	–	–
Deposits and balances from customers	29	393,785	373,634	347,446	–	–	–
Derivatives	38	16,692	18,003	24,497	18	28	22
Other liabilities	30	18,440	16,615	15,895	100	66	50
Other debt securities	31	45,712	40,716	27,745	4,141	4,078	2,400
Subordinated term debts	32	3,599	1,138	3,102	3,599	630	645
Total liabilities		500,876	467,909	434,600	7,858	4,802	3,117
Net assets		49,875	49,802	46,970	20,378	19,606	19,215
Equity							
Share capital	33	10,898	11,082	10,670	10,900	11,092	10,690
Other equity instruments	34	2,812	1,812	1,812	2,812	1,812	1,812
Other reserves	35	3,701	4,256	4,322	180	170	168
Revenue reserves	35	31,634	30,308	27,805	6,486	6,532	6,545
Shareholders' funds		49,045	47,458	44,609	20,378	19,606	19,215
Non-controlling interests	36	830	2,344	2,361	–	–	–
Total equity		49,875	49,802	46,970	20,378	19,606	19,215

(The notes on page 109 to 177 as well as the Risk management section on pages 72 to 90 form part of these financial statements)

Consolidated statement of changes in equity

for the year ended 31 December 2018

In \$ millions	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Other equity instruments	Other reserves	Revenue reserves	Total Shareholders' funds			
2018								
Balance at 1 January	11,082	1,812	4,256	30,308	47,458	2,344	49,802	
Impact of adopting SFRS(I) 9 on 1 January	–	–	(86)	95	9	–	9	
Balance at 1 January after adoption of SFRS(I) 9	11,082	1,812	4,170	30,403	47,467	2,344	49,811	
Purchase of treasury shares	(303)	–	–	–	(303)	–	(303)	
Draw-down of reserves upon vesting of performance shares	119	–	(119)	–	–	–	–	
Issue of perpetual capital securities	–	1,000	–	–	1,000	–	1,000	
Cost of share-based payments	–	–	112	–	112	–	112	
Dividends paid to shareholders ^(a)	–	–	–	(4,432)	(4,432)	–	(4,432)	
Dividends paid to non-controlling interests	–	–	–	–	–	(85)	(85)	
Change in non-controlling interests	–	–	–	–	–	(7)	(7)	
Redemption of preference shares issued by a subsidiary	–	–	–	–	–	(1,500)	(1,500)	
Total comprehensive income	–	–	(462)	5,663	5,201	78	5,279	
Balance at 31 December	10,898	2,812	3,701	31,634	49,045	830	49,875	
2017								
Balance at 1 January	10,670	1,812	4,322	27,805	44,609	2,361	46,970	
Draw-down of reserves upon vesting of performance shares	106	–	(106)	–	–	–	–	
Issue of shares pursuant to Scrip Dividend Scheme	306	–	–	–	306	–	306	
Cost of share-based payments	–	–	110	–	110	–	110	
Transfers	–	–	78	(78)	–	–	–	
Dividends paid to shareholders ^(a)	–	–	–	(1,681)	(1,681)	–	(1,681)	
Dividends paid to non-controlling interests	–	–	–	–	–	(123)	(123)	
Change in non-controlling interests	–	–	–	–	–	(23)	(23)	
Total comprehensive income	–	–	(148)	4,262	4,114	129	4,243	
Balance at 31 December	11,082	1,812	4,256	30,308	47,458	2,344	49,802	

(a) Includes distributions of \$74 million paid on capital securities classified as equity (2017: \$75 million)

(The notes on page 109 to 177 as well as the Risk management section on pages 72 to 90 form part of these financial statements)

Consolidated cash flow statement

for the year ended 31 December 2018

In \$ millions	2018	2017
Cash flows from operating activities		
Profit before tax	6,659	5,175
Adjustments for non-cash and other items:		
Allowances for credit and other losses	710	1,894
Depreciation of properties and other fixed assets	331	297
Share of profits or losses of associates	(29)	(11)
Net (gain)/ loss on disposal, net of write-off of properties and other fixed assets	(86)	18
Net gain on divestment of subsidiary	–	(350)
Net loss on disposal of interest in associate	–	7
Net income from investment securities	(131)	(424)
Cost of share-based payments	112	110
Interest expense on subordinated term debts	47	62
Profit before changes in operating assets and liabilities	7,613	6,778
Increase/ (Decrease) in:		
Due to banks	5,037	1,993
Deposits and balances from customers	19,598	18,121
Other liabilities	1,498	(2,118)
Other debt securities and borrowings	5,351	13,019
(Increase)/ Decrease in:		
Restricted balances with central banks	(276)	(1,118)
Government securities and treasury bills	(7,878)	(6,700)
Due from banks	(4,488)	(6,153)
Bank and corporate securities	(2,817)	(10,394)
Loans and advances to customers	(22,854)	(19,685)
Other assets	(1,176)	3,844
Tax paid	(891)	(709)
Net cash used in operating activities (1)	(1,283)	(3,122)
Cash flows from investing activities		
Dividends from associates	25	38
Proceeds from disposal of interest in associates	11	74
Acquisition of interest in associate	(69)	–
Proceeds from disposal of properties and other fixed assets	105	1
Purchase of properties and other fixed assets	(533)	(360)
Proceeds from divestment of subsidiary	–	735
Net proceeds from acquisition of new business	262	4,783
Change in non-controlling interests	(7)	(23)
Net cash (used in)/ generated from investing activities (2)	(206)	5,248

Consolidated cash flow statement

for the year ended 31 December 2018

In \$ millions	2018	2017
Cash flows from financing activities		
Issue of perpetual capital securities	1,000	–
Issue of subordinated term debts	3,013	–
Interest paid on subordinated term debts	(56)	(74)
Redemption/ purchase of subordinated term debts	(508)	(1,897)
Redemption of preference shares issued by a subsidiary	(1,500)	–
Purchase of treasury shares	(303)	–
Dividends paid to non–controlling interests	(85)	(123)
Dividends paid to shareholders of the Company, net of scrip dividends ^(a)	(4,432)	(1,375)
Net cash used in financing activities (3)	(2,871)	(3,469)
Exchange translation adjustments (4)	(109)	(96)
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	(4,469)	(1,439)
Cash and cash equivalents at 1 January	18,693	20,132
Impact of adopting SFRS(I) 9 on 1 January	(3)	–
Cash and cash equivalents at 31 December (Note 16)	14,221	18,693

(a) Includes distributions paid on capital securities classified as equity

(The notes on page 109 to 177 as well as the Risk management section on pages 72 to 90 form part of these financial statements)

Notes to the financial statements

for the year ended 31 December 2018

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2018 were authorised for issue by the Directors on 15 February 2019.

1. Domicile and Activities

The Company, DBS Group Holdings Ltd, is incorporated and domiciled in the Republic of Singapore and has its registered office at 12 Marina Boulevard, Marina Bay Financial Centre Tower Three, Singapore 018982.

The Company is listed on the Singapore Exchange.

The Company is an investment holding, treasury and funding vehicle for the group. Its main subsidiary is DBS Bank Ltd. (the Bank), which is wholly owned and engaged in a range of commercial banking and financial services, principally in Asia.

The financial statements relate to the Company and its subsidiaries (the Group) and the Group's interests in associates.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

Compliance with Singapore Financial Reporting Standards (International) (SFRS(I))

Singapore-incorporated companies listed on the Singapore Exchange reporting under Singapore Financial Reporting Standards (FRS) are required to apply Singapore Financial Reporting Standards (International) (SFRS(I)) from 1 January 2018. Accordingly, the financial statements of the Company and the consolidated financial statements of the Group are prepared in accordance with SFRS(I) from 1 January 2017. The convergence had no material impact on the financial statements and on the Group's accounting policies, except for those relating to SFRS(I) 9 Financial Instruments. These are the first financial statements that are prepared in accordance with SFRS(I). SFRS(I) 1 First time adoption of Singapore Financial Reporting Standards (International) was applied as part of the transition.

Comparatives relating to financial instruments were not restated as the Group applied the optional exemptions in SFRS(I) 1 and SFRS(I) 9. Refer to Note 4 for the impact of adopting SFRS(I) 9.

The Group also elected the exemption that allows companies not to retrospectively apply SFRS(I) 1 for business combinations. Consequently, the Group's accounting treatment for past business combinations remain unchanged from FRS.

As permitted by Section 201(10)(b) of the Companies Act (the Act), the Company's income statement has not been included in these financial statements.

The financial statements are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated.

Financial statements in the previous financial years

The financial statements of the Company and the consolidated financial statements of the Group in the previous financial years are prepared in accordance with FRS and related Interpretations promulgated by the Accounting Standards Council (ASC). In accordance with Section 201(18) of the Act, the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning are modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" (MAS Notice 612) issued by the Monetary Authority of Singapore (MAS). Other than the above modification to FRS related to MAS Notice 612, there are no significant differences between International Financial Reporting Standards (IFRS) and FRS in terms of their application to the Group.

2.2 Significant estimates and judgement

The preparation of financial statements requires management to exercise judgement, use estimates and make assumptions in the application of policies and in reporting the amounts in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity, are disclosed in Note 3.

2.3 New or amended SFRS(I) and Interpretations effective for 2018 year-end

On 1 January 2018, the Group adopted the following revised SFRS(I) that are issued by the ASC and relevant for the Group.

- SFRS(I) 9: Financial Instruments
- SFRS(I) 15: Revenue from Contract with Customers

2.3.1 SFRS(I) 9: Financial Instruments

SFRS(I) 9, which replaces the FRS 39, includes revised guidance on the classification and measurement of financial instruments; more timely recognition of expected credit losses (ECL) of financial assets; and introduces revised requirements for general hedge accounting. Except for the provisions relating to the presentation of gains and losses on financial liabilities designated at fair value, which were early adopted by the Group from 1 January 2017, the requirements of SFRS(I) 9 were adopted from 1 January 2018.

The main changes to the accounting policies from the implementation of SFRS(I) 9 are summarised under Note 4, and mainly affect Note 2.9, Note 2.11 and Note 2.19.

Singapore banks are required to maintain the Minimum Regulatory Loss Allowances (MRLA) of at least 1% of the gross carrying amount of selected credit exposures net of collaterals per MAS Notice 612. For periods when Stage 1 and 2 ECL fall below MRLA, the shortfall is appropriated from retained earnings in the shareholders' funds into a non-distributable Regulatory Loss Allowance Reserve (RLAR) account.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018. The aggregate impact from the transition to SFRS(I) 9 was a net increase of \$9 million in the Group shareholders' funds.

The tables in Note 4 summarise the transition impact on adoption of SFRS(I) 9, including information on classification and measurement, and ECL.

2.3.2 SFRS(I) 15: Revenue from Contract with Customers

From 1 January 2018, SFRS(I) 15 replaced the existing revenue recognition guidance and established a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue is recognised when a performance obligation is satisfied, which could either be at a point in time or when the obligation is satisfied over time. SFRS(I) 15 applies mainly to "fee and commission income".

The adoption of SFRS(I) 15 does not have a material impact on the Group's consolidated financial statements.

2.4 New SFRS(I) and Interpretations effective for future periods

The significant new SFRS(I) that is applicable to the Group for future reporting period, and which have not been early adopted is SFRS(I) 16 Leases (effective 1 January 2019).

SFRS(I) 16 Leases replaces the existing lease accounting guidance and requires almost all leases to be recognised on the balance sheet. It also changes the way in which lease expenses are presented in the income statement.

The Group will apply SFRS(I) 16 on 1 January 2019, using the modified retrospective approach. The cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

On transition, the estimated impact to retained earnings is a net decrease of approximately \$84 million. On the balance sheet, the Group will recognise estimated new right-of-use assets and lease liabilities of \$1.8 billion and \$1.9 billion respectively.

A) General Accounting Policies

A summary of the significant group accounting policies is described further below starting with those relating to the entire financial statements, followed by those relating to the income statement, the balance sheet and other specific topics. This does not reflect the relative importance of these policies to the Group.

2.5 Group Accounting

Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases.

The acquisition method is used to account for business combinations. Please refer to Note 2.13 for the Group's accounting policy on goodwill.

All intra-group transactions and balances are eliminated on consolidation.

Associates

Associates are entities over which the Group has significant influence but no control, where the Group generally holds a shareholding of between and including 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method.

2.6 Foreign currency treatment

Functional and presentation currency

Items in the financial statements are measured using the functional currency of each entity in the Group, this being the currency of the primary economic environment in which the entity operates. The Group's financial statements are presented in Singapore dollars, which is the functional currency of the Company.

Foreign currency transactions and balances

Transactions in foreign currencies are measured using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity undertaking the transaction at the exchange rates at the balance sheet date. Foreign exchange differences arising from this translation are recognised in the income statement within "Net trading income".

Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rates at the date of the transaction.

Non-monetary assets and liabilities measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined, which is generally the balance sheet date.

Unrealised foreign exchange differences arising from non-monetary financial assets and liabilities classified as fair value through profit or loss (FVPL) are recognised in the income statement as trading income.

Non-monetary financial assets that are classified at fair value through other comprehensive income (i.e. FVOCI) relates mainly to FVOCI equities. Refer to Note 2.9 for the accounting treatment of FVOCI equities.

Subsidiaries and branches

The results and financial position of subsidiaries and branches whose functional currency is not Singapore dollars ("foreign operations") are translated into Singapore dollars in the following manner:

- Assets and liabilities are translated at the exchange rates at the balance sheet date;
- Income and expenses in the income statement are translated at exchange rates prevailing at each month-end, approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated under capital reserves in equity. When a foreign operation is partially or fully disposed of, or when share capital is repaid, such exchange differences are recognised in the income statement as part of the gain or loss.

For acquisitions prior to 1 January 2005, the foreign exchange rates at the respective dates of acquisition were used. Please refer to Note 28 for an overview of goodwill recorded. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management.

In preparing the segment information, amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Please refer to Note 46 for further details on business and geographical segment reporting.

B) Income Statement

2.8 Income recognition

Interest income and interest expense

Interest income and interest expense as presented in Note 5 arise from all interest-bearing financial assets and financial liabilities regardless of their classification and measurement, with the exception of the Group's structured investment deposits which are carried at FVPL. Interest expense on such structured investment deposits is presented together with other fair value changes in trading income.

Interest income and interest expense are recognised on a time-proportionate basis using the effective interest method. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

Fee and commission income

The Group earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates agreed with customers, net of expected waivers based on historical experience, and net of expenses directly related to it. The Group generally satisfies its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include underwriting fees, brokerage fees, bancassurance sales commission and variable service fees, and fees related to the completion of corporate finance transactions.
- For a service that is provided over a period of time, fee and commission income is recognised on equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services can be billed to customers in advance or periodically over time. Such fees include the income from issuance of financial guarantees and bancassurance fixed service fees.

The Group does not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include brokerage fees paid, card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

Dividend income

Dividend income is recognised when the right to receive payment is established. This is generally the ex-dividend date for listed equity securities, and the date when shareholders approve the dividend for unlisted equity securities. Dividend income arising from financial assets classified as FVPL is recognised in "Net trading income", while those arising from FVOCI or AFS financial assets is recognised in "Net income from investment securities".

Allowances for credit and other losses

Please refer to Note 2.11 for the accounting policy on impairment of financial assets.

C) Balance Sheet

2.9 Financial assets

Initial recognition

Purchases and sales of all financial assets are recognised on the date that the Group enters into the contractual arrangements with counterparties. When the Group acts as a trustee or in a fiduciary capacity for assets it does not directly control or benefit from, the assets and the corresponding income belonging to a customer are excluded from the financial statements.

Financial assets are initially recognised at fair value, which is generally the transaction price.

Classification and subsequent measurement

The Group applied the classification and measurement requirements under SFRS(I) 9 for the year ended 2018. The 2017 comparative period was not restated and requirements under FRS 39 were applied. Please refer to Note 4 for further details on the key differences between FRS 39 and SFRS(I) 9 and the transition impact of classification and measurement.

Policy applicable from 1 January 2018

SFRS(I) 9 replaces the classification and measurement model in FRS 39 with a model that categorises debt-like financial assets based on the business model within which the assets are managed, and whether the assets constitute a "basic lending arrangement" where their contractual cash flows represent solely payments of principal and interest (SPPI). Interest is defined as consideration for the time value of money, credit risk, other basic lending risks and may include a profit margin.

The classification of the financial assets and the associated accounting treatment is as follows:

- Debt instruments are measured at **amortised cost** when they are in a "hold to collect" (HTC) business model and have contractual cash flows that are SPPI in nature. The objective of a HTC business model is to collect contractual principal and interest cash flows. Sales are incidental to the objective and expected to be either insignificant or infrequent. These assets consist primarily of loans in the "Consumer Banking/ Wealth Management" and "Institutional Banking" segments as well as debt securities from the "Others" segment.
- Debt instruments are measured at **fair value through other comprehensive income** (FVOCI) when they are in a "hold to collect & sell" (HTC & S) business model and have cash flows that are SPPI in nature. Both the collection of contractual cash flows and sales are integral to achieving the objective of the HTC & S business model. Assets measured at FVOCI comprise mainly of debt securities from "Treasury Markets" and the "Others" segment.

Unrealised gains or losses on FVOCI debt instruments are recorded in other comprehensive income and accumulated in FVOCI reserves. When they are sold, the accumulated fair value adjustments in FVOCI are reclassified to the income statement as “Net income from investment securities”.

- Debt instruments are measured at **fair value through profit or loss** (FVPL) when:
 - i) the assets are not SPPI in nature;
 - ii) the assets are not part of a “HTC” or “HTC & S” business model; or
 - iii) the assets are designated at FVPL to eliminate or significantly reduce the measurement or recognition inconsistencies that would otherwise arise from measuring assets or liabilities on different bases.

Assets measured at FVPL are mainly recorded in the “Treasury Markets” segment. Realised and unrealised gains or losses on FVPL financial assets, except interest income, are taken to “Net trading income” in the income statement in the period they arise.

- Subsequent changes in fair value of non-trading equity can be taken through profit or loss or comprehensive income, as elected. The Group generally elects its non-trading equity instruments to be classified as FVOCI. Apart from dividend income, all other gains and losses on FVOCI equity instruments are recorded in other comprehensive income and accumulated in FVOCI reserves, and not reclassified to profit or loss upon derecognition.
- Derivatives (including derivatives embedded in financial liabilities but separated for accounting purposes) are also classified as held for trading unless they are designated as hedging instruments. Derivatives are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as hedging instruments in cash flow or net investment hedges are included in “Net trading income”.

Reclassification

Reclassification of financial assets are prohibited unless the Group changes its business model for managing financial assets. In practice, this is expected to be infrequent.

Determination of fair value

The fair value of financial assets is the price that would be received if the asset is sold in an orderly transaction between market participants at the measurement date. Fair value is generally estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value. The determination of fair value is considered a significant accounting policy for the Group and further details are disclosed in Note 42.

Offsetting

Financial assets and liabilities are presented net when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle them on a net basis, or realise the asset and settle the liability simultaneously.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred together with substantially all the risks and rewards of ownership.

The Group enters into certain transactions where it transfers financial assets recognised on its balance sheet but retains either all or a portion of the risks and rewards of the transferred financial assets. In such cases, the transferred financial assets are not derecognised from the balance sheet. Such transactions include repurchase transactions

described in Note 2.12. They also include transactions where control over the financial asset is retained, for example, by a simultaneous transaction (such as options) with the same counterparty to which the asset is transferred. These are mainly transacted in the “Treasury Markets” segment. In such cases, the Group continues to recognise the asset to the extent of its continuing involvement which is the extent to which it is exposed to changes in the value of the transferred asset.

Please refer to Note 20 for disclosures on transferred financial assets.

2.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and non-restricted balances with central banks which are readily convertible into cash.

2.11 Impairment

The Group applied the impairment requirements under SFRS(I) 9 for the year ended 2018. The 2017 comparative period was not restated and requirements under FRS 39 were applied. Please refer to Note 4 for further details on the key differences between FRS 39 and SFRS(I) 9 and the transition impact of impairment.

Policy applicable from 1 January 2018

Expected Credit Loss (ECL)

All financial assets, except for financial assets classified or designated as FVPL and equity securities, are subject to impairment assessment and recognition of ECL. This requirement also extends to off-balance sheet financial instruments such as financial guarantees and undrawn loan commitments.

Under SFRS(I) 9, ECL will be assessed using an approach which classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile. A financial asset is classified under:

- Stage 1, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. Stage 1 ECL will be the credit loss that is expected to result from a default occurring within the next 12 months.
- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. Stage 2 ECL will be the life-time expected credit loss arising from a default during the remaining life of the asset.
- Stage 3, if it has been credit-impaired with an objective evidence of default. Stage 3 ECL are also measured as life-time expected credit loss.

The Group’s application of the impairment requirements under SFRS(I) 9 is described in greater detail below.

Measurement of ECL

ECL are unbiased estimates of credit losses determined by evaluating a range of possible outcomes, taking into account past events, current conditions and assessments of future economic conditions. The ECL associated with a financial asset is typically a product of its probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted using the original effective interest rate to the reporting date.

The Group leverages the models/ parameters implemented under the Basel II Internal Ratings-Based (IRB) framework where feasible and available, with appropriate adjustments to meet the SFRS(I) 9 requirements. For portfolios without appropriate Basel models/ parameters, other relevant historical information, loss experience or proxies will be utilised, with a view to maximise the use of available information that is reliable and supportable.

Assessment of significant increase in credit risk

The analysis underpinning the assessment of whether a financial asset has experienced a significant increase in credit risk since origination is dependent on a range of qualitative and quantitative factors.

For wholesale exposures, a financial asset is deemed to have experienced a significant increase in credit risk when:

- The observed change in its PD, as observed by downgrades in the Group's internal credit risk rating for this asset between initial recognition and reporting date, is more than pre-specified thresholds; or
- It is placed within internal credit "watchlists" for closer scrutiny of developing credit issues.

For retail exposures, days past due is the main driver, supplemented with a PD-based criterion.

In any event, all retail and wholesale exposures that are more than 30 days past due are considered to have experienced a significant increase in credit risk and are classified as Stage 2.

A Stage 2 exposure can migrate back to Stage 1 if it is assessed that there is evidence of a sustainable improvement in its credit profile.

The Group has not adopted the low credit risk exemption.

Definition of default for credit-impaired financial assets

Exposures are classified as Stage 3 if these are deemed to be credit-impaired or have demonstrated objective evidence of default as at the reporting date. The definition of default that is applied under SFRS(I) 9 is consistent with that specified in the Basel regulatory capital rules.

The Group assesses whether there is evidence that a financial asset or a group of financial assets is impaired at each balance sheet date. The Group carries out regular and systematic reviews of all credit facilities extended to customers. The criteria that the Group uses to determine whether there is evidence of default include:

- Significant financial difficulty, including breach of covenants and/or financial conditions;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Granting of a concession, that the Group would not otherwise consider, for economic or legal reasons relating to the borrower's financial difficulty;
- High probability of bankruptcy.

A Stage 3 exposure that is restructured can be upgraded to Stage 2 if there are reasonable grounds to conclude that the obligor is able to service future principal and interest payments on the credit facility in accordance with the restructured terms.

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of future recoveries.

ECL Modelling – Point-in-Time and Forward-Looking Adjustments

Portfolio-specific adjustments are made to the Group's existing credit rating models and processes to meet the requirements of SFRS(I) 9.

For the wholesale portfolios, credit risk cycle indices (CCIs) have been developed for significant industries and geographies using expected default frequencies. Expected default frequency is a market-based default risk measure driven by equity prices, market volatility and leverage. CCIs are then used as inputs to convert the

through-the-cycle PDs derived from Basel models/ parameters into the point-in-time equivalents, and to incorporate forward-looking factors. LGD are determined using historical loss data, which are adjusted for both the latest and forecasted recovery experience. Basel EAD are reduced by contractual repayments to derive the forecasted EAD for Stage 2 exposures. No adjustments are made to Basel EAD for Stage 1 exposures.

For retail portfolios, historical loss experience is adjusted to determine the forecast loss rates, taking into account relevant macroeconomic variables, such as property-price indices and unemployment rates.

Expected Life

When measuring the Stage 2 ECL, cash flows over the expected remaining life of the financial asset are considered. In most instances, this is the same as the remaining contractual life which represents the maximum contractual period over which the Group is exposed to the credit risk of the borrower.

However, the expected remaining life of some retail revolving products (e.g. credit cards) may exceed the contractual maturity. For these products, a behavioural expected remaining life is estimated.

Expert credit judgement and post model adjustments

The measurement of ECL requires the application of expert credit judgement. These include:

- Assignment of credit risk ratings and determination of whether exposures should be placed on credit watchlists;
- Assessment of whether a significant increase in credit risk has occurred;
- Determination of the forecast loss rates;
- Adjustments to modelled output;
- Application of thematic overlays based on risk themes that are discussed at the Board Risk Management Committee. As at 31 December 2018, an overlay was made to address the geo-political tensions between US and China.

Governance framework

The measurement of ECL is subject to a robust governance framework as described below.

- The Group ECL Review Committee (Review Committee) is the overarching committee for ECL related matters and comprises representatives from senior management across the Group. Significant changes to ECL models and methodologies and the application of thematic overlays are subject to the oversight and approval of the Review Committee.
- The Review Committee is supported by the Group ECL Operating Committee (Operating Committee) which comprises cross functional representatives and subject matter experts. The Operating Committee is responsible for the implementation of ECL across the Group. The Operating Committee also recommends changes to ECL models, methodologies and thematic overlays to the Review Committee; provides oversight over system design, infrastructure and development; and establishes principles and significant policies pertaining to ECL.
- Location ECL committees are established for key locations to support location-specific ECL implementation issues and governance.
- ECL models are subject to an independent assurance process, which is managed by the Risk Management Group (RMG), and are also reviewed regularly. This assurance process covers the review of the underlying ECL methodology including its logic and conceptual soundness, together with the integrity of model inputs and outputs.

2.12 Repurchase agreements

Repurchase agreements (Repos) are treated as collateralised borrowings. The amount borrowed is reflected as a financial liability either as “Due to banks” or “Deposits and balances from customers”. The securities sold under repos are treated as pledged assets and remain on the balance sheet at amortised cost or fair value depending on their classification.

Reverse repurchase agreements (Reverse repos) are treated as collateralised lending. The amount lent is reflected as a financial asset as “Cash and balances with central banks”, “Due from banks” or “Loans and advances to customers”.

Amounts paid and received in excess of the amounts borrowed and lent on the repos and reverse repos are amortised as interest expense and interest income respectively using the effective interest method.

2.13 Goodwill

Goodwill arising from business combinations generally represents the excess of the acquisition cost over the fair value of identifiable assets acquired and liabilities and contingent liabilities assumed on the acquisition date. Goodwill is stated at cost less impairment losses and is tested at least annually for impairment.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units (CGU) or group of CGUs expected to benefit from the combination’s synergies.

An impairment loss is recognised when the carrying amount of a CGU, or group of CGUs, including the goodwill, exceeds the applicable recoverable amount. The recoverable amount of a CGU or CGU group is the higher of the CGU’s or CGU group’s fair value less cost to sell and its value-in-use. An impairment loss on goodwill is recognised in the income statement and cannot be reversed in subsequent periods.

2.14 Properties and other fixed assets

Properties (including investment properties) and other fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Generally, the useful lives are as follows:

Leasehold land	100 years or over the remaining lease period, whichever is shorter. Leasehold land where the unexpired lease period is more than 100 years is not depreciated.
Buildings	50 years or over the remaining lease period, whichever is shorter.
Computer software	3 – 5 years
Office equipment, furniture and fittings	5 – 10 years

Please refer to Note 27 for the details of properties and other fixed assets and their movements during the year.

2.15 Financial liabilities

Initial recognition, classification and subsequent measurement

Financial liabilities are initially recognised at fair value. The Group generally classifies and measures its financial liabilities in accordance with the purpose for which the financial liabilities are incurred and managed. Accordingly:

- Financial liabilities are classified as **financial liabilities at fair value through profit or loss** if they are incurred for the purpose of repurchasing in the near term (“**held for trading**”), and this may include debt securities issued and short positions in securities for the purpose of ongoing market-making or trading. Financial liabilities at fair value through profit or loss can also be designated by management on initial recognition (“**designated at fair value through profit or loss**”) if doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise, or if the financial liability contains an embedded derivative that would otherwise need to be separately recorded. Financial liabilities in this classification are usually within the “Treasury Markets” segment.

Realised or unrealised gains or losses on financial liabilities held for trading and financial liabilities designated under the fair value option, except interest expense, are taken to “Net trading income” in the income statement in the period they arise. Interest expense on structured investment deposits at fair value through profit or loss is also presented together with other fair value changes in “Net trading income”.

With effect from 1 January 2017, the Group has early adopted the requirements under SFRS(I) 9 that allows for changes to the fair value of financial liabilities designated under the fair value option that are attributable to a reporting entity’s own credit risk to be taken to revenue reserves through other comprehensive income. These amounts are not transferred to the income statement even when realised.

- Derivative liabilities are treated consistently with derivative assets. Please refer to Note 2.9 for the accounting policy on derivatives.
- Other financial liabilities are carried at **amortised cost** using the effective interest method. These comprise predominantly the Group’s “Deposits and balances from customers”, “Due to banks” and “Other debt securities”.

Where the classification and measurement of financial liabilities do not reflect the management of the financial liabilities, the Group may apply hedge accounting where permissible and relevant to better reflect the management of the financial liabilities. Please refer to Note 2.19 for details on hedging and hedge accounting.

Please refer to Note 15 for further details on the types of financial liabilities classified and measured as above.

Determination of fair value

The fair value of financial liabilities is the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Please refer to Note 42 for further fair value disclosures.

Derecognition

A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

2.16 Loan commitments, letters of credit and financial guarantees

Loan commitments

Loan commitments are not recognised on the balance sheet and are disclosed in Note 37. Upon a loan draw-down, the amount of the loan is generally recognised as “loans and advances to customers” on the Group’s balance sheet.

Letters of credit

Letters of credit are recorded off-balance sheet as contingent liabilities upon issuance, and the corresponding payables to the beneficiaries and receivables from the applicants are recognised on the balance sheet upon acceptance of the underlying documents.

Financial guarantees

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantees are given.

Financial guarantees are subsequently measured at the higher of:

- the amount of the ECL (Note 2.11); and
- the unamortised portion of the fees that were received on initial recognition.

Please refer to Note 2.8 for the principles for recognising the fees.

Off-balance sheet credit exposures are managed for credit risk in the same manner as financial assets.

Please refer to Note 2.11 on the Group's accounting policies on allowances for credit losses.

2.17 Provisions and other liabilities

Provisions for other liabilities of uncertain timing and amounts are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

2.18 Share capital and other instruments classified as equity

Ordinary shares, preference shares and other instruments which do not result in the Group having a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Group, are classified as equity. Distributions arising from such instruments are recognised in equity as there is no contractual obligation to pay distributions on these instruments. Incremental external costs directly attributable to the issuance of such instruments are accounted for as a deduction from equity.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid, including any directly attributable incremental cost is presented as a component within equity, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of the treasury shares is deducted against either the share capital account or retained earnings. When treasury shares are subsequently sold or reissued, any realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserves.

For ordinary and preference shares, interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders at the Annual General Meeting.

D) Other Specific Topics

2.19 Hedging and hedge accounting

As part of the overall risk management of the Group, derivatives and other instruments are used to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions.

Where hedge accounting is not applied, the derivatives are treated in the same way as derivatives held for trading purposes, i.e. realised and unrealised gains and losses are recognised in "Net trading income". The Group applies hedge accounting for economic hedge relationships that meet the hedge accounting criteria. To qualify for hedge accounting, at the inception of each hedging relationship, the Group designates and documents the relationship between the hedging instrument and the hedged item; the risk management objective for undertaking the hedge transaction; and the methods used to assess the effectiveness of the hedge. At inception and on an on-going basis, the Group also assesses and measures the effectiveness of the hedging relationship between the hedging instrument and the hedged item.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between hedging instrument and the hedged item. The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as described below.

• Fair value hedge

For a qualifying fair value hedge, the changes in the fair value of the hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised, using the effective interest method, to the income statement over its remaining maturity.

However, where the hedged item is an equity instrument classified as FVOCI, changes in the fair value of the hedging instrument and the hedged item are both recorded in other comprehensive income and accumulated in FVOCI reserves. The amounts recorded in FVOCI reserves are not subsequently reclassified to the income statement.

• Cash flow hedge

The effective portion of changes in the fair value of a derivative designated and qualifying as a cash flow hedge is recognised in other comprehensive income and accumulated under the cash flow hedge reserve in equity. This amount is reclassified to the income statement in the periods when the hedged forecast cash flows affect the income statement. The ineffective portion of the gain or loss is recognised immediately in the income statement under "Net trading income".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is reclassified from equity to the income statement.

• Net investment hedge

Hedges of net investments in the Group's foreign operations are accounted for in a manner similar to cash flow hedges. On disposal of the foreign operations, the cumulative gain or loss in the capital reserves is reclassified to the income statement as part of the gain or loss on disposal.

Prior to 1 January 2018, valuation components of currency basis spreads were not excluded from the designated hedging instrument.

From 1 January 2018, when designating the hedging instrument, the Group may elect to exclude the valuation components of currency basis spreads and forward points from the hedge relationship on a hedge-by-hedge basis.

The forward points and currency basis spreads which are excluded and recorded in other comprehensive income are:

- reclassified to the income statement when the forecast transaction occurs; or
- amortised to the income statement over the hedging tenor for time-period hedges. The amounts recorded in other comprehensive income are not subsequently reclassified to the income statement for hedges of FVOCI equities.

The Group has elected to apply the SFRS(I) 9 hedge accounting rules in full.

Please refer to Note 39 for further details relating to hedge accounting, including fair value, cash flow and net investment hedges.

2.20 Employee benefits

Employee benefits, which include base pay, cash bonuses, share-based compensation, contribution to defined contribution plans such as the Central Provident Fund and other staff-related allowances, are recognised in the income statement when incurred. For defined contribution plans, contributions are made to publicly or privately administered funds on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations.

Employee entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual unutilised leave as a result of services rendered by employees up to the balance sheet date.

2.21 Share-based compensation

Employee benefits also include share-based compensation, namely the DBSH Share Ownership Scheme (the Scheme), the DBSH Share Plan and the DBSH Employee Share Plan (the Plans). The details of the Scheme and Plans are described in Note 40.

Equity instruments granted and ultimately vested under the Plans are recognised in the income statement based on the fair value of the equity instrument at the date of grant. The expense is amortised over the vesting period of each award, with a corresponding adjustment to the share plan reserves. Monthly contributions to the Scheme are expensed off when incurred.

For the DBSH Share Plan and the DBSH Employee Share Plan, a trust has been set up for each share plan. The employee trust funds are consolidated and the DBSH shares held by the trust funds are accounted for as “treasury shares”, which is presented as a deduction within equity.

2.22 Current and deferred taxes

Current income tax for current and prior periods is recognised as the amount expected to be paid or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The Group considers uncertain tax positions generally at the level of the total tax liability to each tax authority for each period. The liability is determined based on the total amount of current tax expected to be paid, taking into account all tax uncertainties, using either an expected value approach or a single best estimate of the most likely outcome.

Tax assets and liabilities of the same type (current or deferred) are offset when a legal right of offset exists and settlement in this manner is intended. This applies generally when they arise from the same tax reporting group and relate to the same tax authority.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

The amount of deferred tax assets recognised takes into account the likelihood the amount that can be used to offset payable taxes on future profits.

Deferred tax related to fair value re-measurement of FVOCI investments, which are recognised outside profit or loss, is also recognised outside profit or loss, i.e. in other comprehensive income and accumulated in the FVOCI reserves.

3. Critical Accounting Estimates

The Group's accounting policies and use of estimates are integral to the reported amounts in the financial statements. Certain accounting estimates require management's judgement in determining the appropriate methodology for valuation of assets and liabilities. Procedures are in place to ensure that methodologies are reviewed and revised as appropriate. The Group believes its estimates for determining the valuation of its assets and liabilities are appropriate.

The following is a brief description of the Group's critical accounting estimates that involve management's valuation judgement.

3.1 Impairment of financial assets

It is the Group's policy to recognise, through charges against profit, allowances in respect of estimated and inherent credit losses in its portfolio as described in Note 2.11.

The Group applied the impairment requirements under SFRS(I) 9 for financial year ended 2018, resulting in changes in assumptions used in the computation of impairment allowances using the ECL model. The numbers in the comparative period have not been restated.

ECLs are probability-weighted amounts determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions, which will necessarily involve the use of judgement.

In estimating specific allowances under FRS 39, the Group assesses the gap between borrowers' obligations to the Group and their repayment ability. The assessment takes into account various factors, including the economic or business outlook, the future profitability of the borrowers and the liquidation value of collateral. Such assessment requires considerable judgement.

The general allowances under FRS 39 are determined after taking into account historical data and management's assessment of the current economic and credit environment, country and portfolio risks, as well as industry practices.

Please refer to the Risk management section for a further description of the Group's credit risk management framework, policies and procedures.

3.2 Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters.

The fair value of financial instruments without an observable market price in an active market may be determined using valuation models. The choice of model requires significant judgement for complex products especially those in the "Treasury Markets" segment.

Policies and procedures have been established to facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process.

Please refer to Note 42 for further details on fair valuation and fair value hierarchy of the Group's financial instruments measured at fair value.

3.3 Goodwill impairment

The Group performs an impairment review to ensure that the carrying amount of a CGU to which goodwill is allocated does not exceed the recoverable amount of the CGU. Note 28 provides details of goodwill at the reporting date.

The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

3.4 Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's provision for income taxes. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where uncertainty exists around the Group's tax position including resolution of any related appeals or litigation processes, appropriate provisions are provided based on technical merits of the positions with the same tax authority. Note 22 provides details of the Group's deferred tax assets/liabilities. In general, determination of the value of assets/liabilities relating to carry forward tax losses requires judgement.

4. Transition to SFRS(I) 9

4.1 Key differences between FRS 39 and SFRS(I) 9

The key differences between FRS 39 and SFRS(I) 9 are described below. Refer to the Group's 2017 financial statements for details on the accounting policies for FRS 39.

Classification and Measurement of financial assets

	FRS 39 (Prior to 1 Jan 2018)	SFRS(I) 9 (From 1 Jan 2018 onwards)
Classification and measurement	<p>Classification is based on the investment intention of individual instruments and the nature of the instruments. Embedded derivatives are separated from their host instrument or measured in entirety at FVPL.</p> <p>The Group applied the following measurement categories in FRS 39:</p> <p>Amortised cost using the effective interest method</p> <ol style="list-style-type: none"> Loans and receivables which have fixed or determinable payments and are not quoted in an active market. Non-derivative financial assets that the Group intends to hold to maturity are classified as held to maturity. <p>FVPL:</p> <ol style="list-style-type: none"> Non-derivative financial assets that are: <ul style="list-style-type: none"> held for the purpose of short-term selling and market-making; designated under the fair value option if doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise or; if the financial asset contains an embedded derivative that would otherwise need to be separately recorded. <p>Realised or unrealised gains or losses on such financial assets, except interest income, are taken to "Net trading income" in the income statement in the period they arise.</p> <ol style="list-style-type: none"> Derivatives (including derivatives embedded in other contracts but separate for accounting purposes) are classified as assets or liabilities when the fair value is positive or negative respectively. Changes in the fair value of derivatives other than those designated as hedging instruments in cash flow or net investment hedges are included in "Net trading income". <p>Available-for-sale (AFS):</p> <ol style="list-style-type: none"> Non-derivative financial assets held for the purpose of investment or satisfying regulatory liquidity requirements are classified as AFS and initially and subsequently measured at fair value. Unrealised gains or losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the AFS revaluation reserves. When sold or impaired, the accumulated fair value adjustments in the AFS revaluation reserves are reclassified to the income statement. <p>Unquoted equity investments classified as AFS for which fair values cannot be reliably determined are carried at cost, less impairment (if any).</p>	<p>Debt instruments are measured at amortised cost, FVOCI or FVPL.</p> <p>Classification of debt instruments is based on the business model in which the debt instruments are held and the contractual terms of the assets ('solely payments of principal and interest' (SPPI) test). Embedded derivatives are not separated i.e. the asset is accounted for in its entirety.</p> <p>Upon derecognition of FVOCI debt instruments cumulative gains or losses in other comprehensive income is recognised in the income statement.</p> <p>Equity instruments are measured at FVOCI or FVPL as elected by the Group.</p> <p>Upon derecognition of FVOCI equity instruments, cumulative gains or losses in other comprehensive income is not recognised in the income statement.</p>

Impairment

Prior to SFRS(I) 9, the Group adopted FRS 39 which was modified by the requirements of MAS Notice 612. The key similarities and differences between the two standards are summarised below:

	FRS 39 (Prior to 1 Jan 2018)	SFRS(I) 9 (From 1 Jan 2018 onwards)
Instruments in scope	<p>Debt instruments that are measured at amortised cost and FVOCI (AFS) are subject to impairment. Off balance sheet credit exposures are also in scope for impairment.</p> <p>AFS equity instruments are subject to impairment.</p>	<p>The scope of financial instruments that are subject to impairment is generally similar between FRS 39 and SFRS(I) 9.</p> <p>However, FVOCI equity instruments are not subject to impairment.</p>
Impaired/ Stage 3	<p>The criteria used to determine objective evidence of impairment is largely similar to SFRS(I) 9.</p> <p>Specific allowances for credit losses are recognised based on the circumstances existing at balance sheet date and is not adjusted for forward looking factors.</p> <p>When there is evidence of an impairment of an AFS financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is reclassified from the available-for-sale revaluation reserve within equity to the income statement as “Allowances for credit and other losses”.</p> <p>For equity investments, impairment losses are not reversed until they are disposed of. For impaired debt instruments that subsequently recover in value, the impairment losses are reversed through the income statement if there has been an identifiable event that led to the recovery.</p>	<p>Stage 3 refers to financial assets and other credit exposures that have been impaired.</p> <p>Lifetime ECL is recognised on such exposures. Lifetime ECL incorporates forward looking factors.</p>
Stage 2	<p>There is no concept of Stage 1 or Stage 2 prior to SFRS(I) 9. As required by MAS Notice 612, the Group maintains general allowances of at least 1% of credit exposures arising from both financial assets and other off-balance sheet credit exposures. (against which specific allowances have not been made), adjusted for collateral held.</p>	<p>Stage 2 refers to financial assets and other off balance sheet credit exposures that have experienced a significant increase in credit risk since its inception.</p> <p>Lifetime ECL is recognised on such exposures.</p>
Stage 1	<p>General allowances are recorded in the income statement.</p>	<p>Stage 1 refers to financial assets and other off balance sheet credit exposures which have not experienced a significant increase in credit risk since inception.</p> <p>Stage 1 exposures are measured at an amount equal to 12 months of ECL.</p>

Hedge accounting

The main concepts of hedge accounting remain unchanged between FRS 39 and SFRS(I) 9. The main change which is relevant to the Group relates to currency basis spreads which is described in Note 2.19.

4.2 Transition impact of adopting SFRS(I) 9 on 1 Jan 2018

The table below reflects the impact of adopting SFRS(I) 9 on the Group's opening balance sheet as at 1 January 2018.

In \$ millions	31 Dec 2017 FRS 39	Transitional impact of classification and measurement	Transitional impact of ECL	1 Jan 2018 SFRS(I) 9
Assets				
Cash and balances with central banks	26,463	–	(3)	26,460
Government securities and treasury bills	39,753	(43)	#	39,710
Due from banks	35,975	–	(20)	35,955
Derivatives	17,585	–	–	17,585
Bank and corporate securities	55,589	(6)	31	55,614
Loans and advances to customers	323,099	–	331	323,430
Other assets	12,066	–	(113) ^(a)	11,953
Associates	783	–	(5) ^(b)	778
Properties and other fixed assets	1,233	–	–	1,233
Goodwill and intangibles	5,165	–	–	5,165
Total assets	517,711	(49)	221	517,883
Liabilities				
Due to banks	17,803	–	–	17,803
Deposits and balances from customers	373,634	–	–	373,634
Derivatives	18,003	–	–	18,003
Other liabilities	16,615	–	163 ^(a)	16,778
Other debt securities	40,716	–	–	40,716
Subordinated term debts	1,138	–	–	1,138
Total liabilities	467,909	–	163	468,072
Total equity	49,802	(49)	58	49,811

Amount under \$500,000

(a) Include current and deferred tax impact

(b) Impact of adoption of SFRS(I) 9 by the Group's associates

4.3 Additional information on impact from classification and measurement

The table below does not reflect reclassifications when the measurement basis between FRS 39 and SFRS(I) 9 remains similar. This will include reclassifications from available-for-sale (AFS) to fair value through other comprehensive income (FVOCI) as they are measured at fair value with changes in fair value being recorded in other comprehensive income.

In \$ millions	Reclassification		31 Dec 2017	Remeasurement	1 Jan 2018
	From FRS 39	To SFRS(I) 9			
Government securities and treasury bills					
Debt instruments that are part of a hold to collect business model ^(a)	AFS	Amortised Cost	9,175	(43)	9,132
Bank and corporate securities					
Debt instruments that are part of a hold to collect business model ^(a)	AFS	Amortised Cost	7,761	(6)	7,755
Unquoted equities previously measured at cost remeasured to fair value	AFS (Cost)	FVOCI	7,333	(36)	7,297
Debt instruments that are not SPPI in nature	AFS	FVPL	178	30	208
Non-trading equities which the Group has elected to adopt FVOCI measurement	FVPL	FVOCI	163	–	163
			87	–	87

(a) As at 31 December 2018, the fair value of the assets which were reclassified from AFS to amortised costs that continue to be recognised on the Group's balance sheet is \$11,780 million

4.4 Additional information on impact of ECL

Prior to 2018, the Group complies with the provisions of MAS Notice 612 where banks maintain, in addition to specific allowances, a prudent level of general allowances of at least 1% of uncollateralised exposures. In response to SFRS(I) 9, MAS issued a revised MAS Notice 612 which requires the Group to maintain a MRLA of 1% of the gross carrying amount of selected credit exposures net of collaterals. Where ECL falls below MRLA, additional loss allowance shall be maintained in a non-distributable RLAR through an appropriation of the Group's retained earnings.

The opening general allowance balance as at 1 January 2018 was \$2,620 million, which is also the amount required under MAS' MRLA as defined in the previous paragraph. This exceeds the Group's estimated stage 1 and 2 ECL of approximately \$2,525 million. Consequently, approximately \$95 million will be transferred from the general allowance balance to RLAR as required by MAS Notice 612, thus increasing shareholders' funds. Taking into account the deferred tax impact and the share of impact for associates, the net increase in shareholders' funds was \$58 million.

The following table is a comparison of impairment allowances determined in accordance with FRS 39, modified by requirements under MAS Notice 612, to the corresponding ECL determined in accordance with SFRS(I) 9 as at 1 January 2018.

In \$ millions	31 Dec 2017 FRS 39		1 Jan 2018 SFRS(I) 9			Impact of ECL
	GP	SP	Stage 1	Stage 2	Stage 3	
Assets						
Cash and balances with central banks	–	–	3	–	–	(3)
Government securities and treasury bills	–	–	#	–	–	#
Due from banks	–	–	20	–	–	(20)
Bank and corporate securities	83	14	12	40	14	31
Loans and advances to customers	2,394	2,276	624	1,439	2,276	331
Other assets	1	90	14	–	90	(13)
Liabilities						
Other liabilities ^(a)	142	139	214	128	139	(200)
Total^(b)	2,620	2,519	887	1,607	2,519	126
Share of impact from associates						(5)
Tax impact						(63)
						58

Amount under \$500,000

(a) ECL on guarantees and other off-balance sheet exposures are recorded in "Other liabilities"

(b) ECL amounts for Stage 1 and 2 exclude ECL relating to debt securities at FVOCI, which are reflected under FVOCI reserves (\$31 million)

5. Net Interest Income

In \$ millions	The Group	
	2018	2017
Cash and balances with central banks and Due from banks	819	621
Customer non-trade loans	8,959	7,096
Trade assets	1,556	1,138
Securities and others	2,464	1,978
Total interest income	13,798	10,833
Deposits and balances from customers	3,488	2,180
Other borrowings	1,355	862
Total interest expense	4,843	3,042
Net interest income	8,955	7,791
Comprising:		
Interest income from financial assets at FVPL	852	625
Interest income from financial assets at FVOCI (2017: AFS)	745	865
Interest income from financial assets at amortised cost	12,201	9,343
Interest expense from financial liabilities at FVPL	(320)	(174)
Interest expense from financial liabilities not at FVPL	(4,523)	(2,868)
Total	8,955	7,791

6. Net Fee and Commission Income

In \$ millions	The Group	
	2018	2017
Brokerage	154	154
Investment banking	128	216
Transaction services ^(b)	647	618
Loan-related	390	409
Cards ^(c)	714	543
Wealth management ^(d)	1,141	966
Others	73	88
Fee and commission income	3,247	2,994
Less: fee and commission expense	467	372
Net fee and commission income^(a)	2,780	2,622

(a) Includes net fee and commission income of \$78 million (2017: \$68 million), which was derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss was \$873 million (2017: \$790 million) during the year

(b) Includes trade & remittances, guarantees and deposit-related fees

(c) Card fees are net of interchange fees paid

(d) Includes \$111 million (2017: \$72 million) that would have been previously classified as other non-interest income. The amount represents fees earned from wealth management treasury products sold on open investment architecture platforms. The change in classification was applied prospectively from 1 April 2017

7. Net Trading Income

In \$ millions	The Group	
	2018	2017
Net trading income ^(a)		
– Foreign exchange	841	553
– Interest rates, credit, equities and others ^(b)	(16)	825
Net (loss)/ gain from financial assets designated at fair value	(12)	21
Net gain/ (loss) from financial liabilities designated at fair value	365	(341)
Total	1,178	1,058

(a) 2018 includes income from assets that are mandatorily classified at FVPL as they are not SPPI in nature

(b) Includes dividend income of \$117 million (2017: \$32 million)

8. Net Income from Investment Securities

In \$ millions	The Group	
	2018	2017
Debt securities		
– FVOCI (2017: AFS)	25	109
– Amortised cost (2017: Loans and receivables)	6	2
Equity securities at FVOCI (2017: AFS) ^(a)	100	313
Total^(b)	131	424
Of which: net gains transferred from FVOCI reserves (2017: AFS revaluation reserves)	5	316

(a) Includes dividend income of \$100 million (2017: \$63 million)

(b) Includes fair value impact of hedges for investment securities

9. Other Income

In \$ millions	The Group	
	2018	2017
Rental income	4	10
Net gain on disposal of properties and other fixed assets	91	1
Others ^{(a)(b)}	44	368
Total	139	379

(a) Includes share of profits or losses of associates and net gains and losses from sale of loans carried at amortised cost

(b) 2017 includes net gain from sale of DBS China Square Limited of \$350 million (refer to Note 23)

10. Employee Benefits

In \$ millions	The Group	
	2018	2017
Salaries and bonuses	2,588	2,276
Contributions to defined contribution plans	167	153
Share-based expenses ^(a)	112	110
Others	321	286
Total	3,188	2,825

(a) Equity settled share-based expenses

11. Other Expenses

In \$ millions	The Group	
	2018	2017
Computerisation expenses ^(a)	939	903
Occupancy expenses ^(b)	443	411
Revenue-related expenses	359	292
Others ^(c)	885	774
Total	2,626	2,380

(a) Includes hire and maintenance costs of computer hardware and software

(b) Includes rental expenses of office and branch premises of \$283 million (2017: \$253 million) and amounts incurred in the maintenance and service of buildings

(c) Includes office administration expenses (e.g. printing, stationery, telecommunications, etc.), and legal and professional fees

In \$ millions	The Group	
	2018	2017
Depreciation expenses	331	297
Hire and maintenance costs of fixed assets, including building-related expenses	560	495
Expenses on investment properties	#	1
Audit fees ^(a) payable to external auditors ^(b) :		
– Auditors of the Company	5	5
– Associated firms of auditors of the Company	4	5
Non-audit related fees payable to external auditors ^(b) :		
– Auditors of the Company	1	1
– Associated firms of auditors of the Company	1	1

Amount under \$500,000

(a) Includes audit related assurance fees

(b) PricewaterhouseCoopers network firms

12. Allowances for Credit and Other Losses

In \$ millions	The Group	
	2018	2017
Specific allowances^{(a)(b)}		
Loans and advances to customers (Note 19)	657	2,238
Investment securities		
– FVOCI (2017: AFS)	(1)	4
– Amortised cost (2017: Loans and receivables)	#	15
Properties and other fixed assets	#	(3)
Off-balance sheet credit exposures	44	123
Others	11	22
General allowances^(c)	(1)	(505)
Total	710	1,894

Amount under \$500,000

(a) 2018 includes Stage 3 ECL

(b) Includes allowances for non-credit exposures of \$2 million (2017: \$15 million)

(c) Refers to Stage 1 and 2 ECL for 2018

The table below shows the movements in specific and general allowances during the year for the Group.

In \$ millions	The Group					Balance at 31 December
	Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Acquisition of new business	Exchange and other movements	
2018						
Specific allowances						
Loans and advances to customers (Note 19)	2,276	657	(618)	14	111	2,440
Investment securities ^(a)	20	(1)	#	–	(1)	18
Properties and other fixed assets	25	#	–	–	(1)	24
Off-balance sheet credit exposures	139	44	–	–	(80)	103
Others	97	11	(41)	–	(4)	63
Total specific allowances	2,557	711	(659)	14	25	2,648
Total general allowances for credit losses	2,525	(1)	–	51	(6)	2,569
Total allowances	5,082	710	(659)	65	19	5,217
2017						
Specific allowances						
Loans and advances to customers (Note 19)	1,270	2,238	(1,210)	38	(60)	2,276
Investment securities	81	19	(21)	–	11	90
Properties and other fixed assets	28	(3)	–	–	–	25
Off-balance sheet credit exposures	69	123	–	–	(53)	139
Others	226	22	(143)	–	(8)	97
Total specific allowances	1,674	2,399	(1,374)	38	(110)	2,627
Total general allowances for credit losses	3,166	(505)	–	13	(54)	2,620
Total allowances	4,840	1,894	(1,374)	51	(164)	5,247

Amount under \$500,000

(a) Opening balance includes transition adjustments as FVOCI equity instruments are no longer subject to impairment on adoption of SFRS(I) 9

The opening balance for total general allowances in 2018 includes Stage 1 and Stage 2 ECL following the adoption of SFRS(I) 9. The corresponding comparatives have not been restated.

The following table outlines the changes in ECL under SFRS(I) 9 in 2018 which are attributable to the following factors:

- Transfers between stages.
- Net portfolio changes, which are determined on an obligor basis i.e. originations with new obligors net of derecognitions from former obligors.
- Remeasurements, which include the impact of changes in model inputs or assumptions, partial repayments, additional drawdowns on existing facilities and changes in ECL following a transfer between stages.
- Model refinements, which reflect the impact of significant changes that have been made to credit models used to estimate ECL. In particular, the retail ECL models were updated to incorporate the 12 months average loss rate that had been adjusted for forecasted macroeconomic variables.

In \$ millions	The Group			Total
	General allowances (Non-impaired)		Specific allowances (Impaired)	
	Stage 1	Stage 2	Stage 3	
2018				
Balance at 1 January	902	1,623	2,519	5,044
Changes in allowances recognised in opening balance that were transferred to (from)	121	(207)	86	–
– Stage 1	(20)	20	–	–
– Stage 2	144	(144)	–	–
– Stage 3	(3)	(83)	86	–
Net portfolio changes	105	(78)	–	27
Remeasurements	68	219	623	910
Model refinements	(119)	(110)	–	(229)
Net write-offs ^(a)	–	–	(659)	(659)
Acquisition of new business	51	–	14	65
Exchange and other movements	(4)	(2)	29	23
Balance at 31 December	1,124	1,445	2,612	5,181
Charge/ (Writeback) in the income statement	175	(176)	709	708

(a) Write-offs net of recoveries

The following table provides additional information on the financial instruments that are subject to ECL as at 31 December 2018. FVPL assets and FVOCI equity instruments are not subject to ECL and therefore not reflected in the table.

In \$ millions	The Group							
	Gross carrying value ^(c)				ECL balances			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2018								
Assets								
Loans and advances to customer	323,982	18,839	5,251	348,072	903	1,299	2,440	4,642
Investment securities								
– Government securities and treasury bills ^(a)	36,661	35	–	36,696	3	–	–	3
– Bank and corporate debt securities ^(a)	41,739	313	46	42,098	26	6	18	50
Others ^(b)	61,655	76	60	61,791	27	1	51	79
Liabilities								
ECL on guarantees and other off-balance sheet exposures	–	–	–	–	165	139	103	407
Total ECL					1,124	1,445	2,612	5,181

(a) Includes loss allowances of \$15 million for debt securities that are classified at FVOCI

(b) Comprise of amounts in "Cash and balances with central banks", "Due from Banks" and "Other assets" that are subject to ECL

(c) Balances exclude off-balance sheet exposures

13. Income Tax Expense

In \$ millions	The Group	
	2018	2017
Current tax expense		
– Current year	1,062	820
– Prior years' provision	(57)	(79)
Deferred tax expense		
– Prior years' provision	2	4
– Origination of temporary differences	(1)	(74)
Total	1,006	671

The deferred tax expense/ (credit) in the income statement comprises the following temporary differences:

In \$ millions	The Group	
	2018	2017
Accelerated tax depreciation	17	5
Allowances for loan losses	(18)	30
Other temporary differences	2	(105)
Deferred tax expense/ (credit) to income statement	1	(70)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

In \$ millions	The Group	
	2018	2017
Profit before tax	6,659	5,175
Prima facie tax calculated at a tax rate of 17% (2017: 17%)	1,132	880
Effect of different tax rates in other countries	17	6
Effect of change in country's tax rate ^(a)	34	–
Net income not subject to tax	(39)	(112)
Net income taxed at concessionary rate	(165)	(99)
Expenses not deductible for tax	26	13
Others	1	(17)
Income tax expense charged to income statement	1,006	671

(a) Relates to the remeasurement of deferred taxes due to a change in the applicable tax rate arising from the conversion of India Branch to a wholly-owned subsidiary

Deferred income tax relating to FVOCI (2017: AFS) financial assets and others of \$24 million was credited (2017: \$4 million credited) and own credit risk of \$3 million was debited (2017: \$3 million credited) directly to equity.

Please refer to Note 22 for further information on deferred tax assets/ liabilities.

14. Earnings Per Ordinary Share

Number of shares ('000)	The Group	
	2018	2017
Weighted average number of ordinary shares in issue (basic and diluted)	(a) 2,559,464	2,549,597

In \$ millions	The Group	
	2018	2017
Profit attributable to shareholders	5,577	4,371
Less: Dividends on other equity instruments	(86)	(75)
Adjusted profit	(b) 5,491	4,296

Earnings per ordinary share (\$)

Basic and diluted	(b)/ (a)	2.15	1.69
-------------------	----------	------	------

15. Classification of Financial Instruments

In \$ millions	The Group						Total
	Mandatorily at FVPL ^(c)	FVPL designated	Amortised cost	FVOCI-Debt	FVOCI-Equity	Hedging derivatives	
31 Dec 2018							
Assets							
Cash and balances with central banks	381	–	18,643	3,161	–	–	22,185
Government securities and treasury bills	10,583	–	17,394	19,301	–	–	47,278
Due from banks	10,872	–	27,760	1,546	–	–	40,178
Derivatives	16,761	–	–	–	–	268	17,029
Bank and corporate securities	14,471	–	33,452	8,609	1,665	–	58,197
Loans and advances to customers	1,167	406	343,430	–	–	–	345,003
Other financial assets	–	–	13,062	–	–	–	13,062
Total financial assets	54,235	406	453,741	32,617	1,665	268	542,932
Other asset items outside the scope of SFRS(I) 9 ^(a)							7,819
Total assets							550,751
Liabilities							
Due to banks	1,999	–	20,649	–	–	–	22,648
Deposits and balances from customers	–	1,716	392,069	–	–	–	393,785
Derivatives	16,163	–	–	–	–	529	16,692
Other financial liabilities	1,733	–	15,478	–	–	–	17,211
Other debt securities	217	6,915	38,580	–	–	–	45,712
Subordinated term debts	–	–	3,599	–	–	–	3,599
Total financial liabilities	20,112	8,631	470,375	–	–	529	499,647
Other liability items outside the scope of SFRS(I) 9 ^(b)							1,229
Total liabilities							500,876

In \$ millions	The Group						Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Held to maturity	Hedging derivatives	
31 Dec 2017							
Assets							
Cash and balances with central banks	937	–	22,266	3,260	–	–	26,463
Government securities and treasury bills	9,972	–	–	27,826	1,955	–	39,753
Due from banks	10,747	–	23,589	1,639	–	–	35,975
Derivatives	17,344	–	–	–	–	241	17,585
Bank and corporate securities	13,225	87	26,370	15,907	–	–	55,589
Loans and advances to customers	477	428	322,194	–	–	–	323,099
Other financial assets	–	–	11,666	–	–	–	11,666
Total financial assets	52,702	515	406,085	48,632	1,955	241	510,130
Other asset items outside the scope of FRS 39 ^(a)							7,581
Total assets							517,711
Liabilities							
Due to banks	523	–	17,280	–	–	–	17,803
Deposits and balances from customers	–	1,160	372,474	–	–	–	373,634
Derivatives	17,725	–	–	–	–	278	18,003
Other financial liabilities	1,961	–	13,662	–	–	–	15,623
Other debt securities	187	5,785	34,744	–	–	–	40,716
Subordinated term debts	–	–	1,138	–	–	–	1,138
Total financial liabilities	20,396	6,945	439,298	–	–	278	466,917
Other liability items outside the scope of FRS 39 ^(b)							992
Total liabilities							467,909

In \$ millions	The Group						Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Held to maturity	Hedging derivatives	
1 Jan 2017							
Assets							
Cash and balances with central banks	2,822	–	20,783	3,235	–	–	26,840
Government securities and treasury bills	8,998	–	–	22,441	1,962	–	33,401
Due from banks	5,852	–	22,984	1,182	–	–	30,018
Derivatives	25,307	–	–	–	–	450	25,757
Bank and corporate securities	7,750	57	21,145	16,465	–	–	45,417
Loans and advances to customers	–	459	301,057	–	–	–	301,516
Other financial assets	–	–	10,709	–	–	–	10,709
Total financial assets	50,729	516	376,678	43,323	1,962	450	473,658
Other asset items outside the scope of FRS 39 ^(a)							7,912
Total assets							481,570
Liabilities							
Due to banks	481	–	15,434	–	–	–	15,915
Deposits and balances from customers	–	1,387	346,059	–	–	–	347,446
Derivatives	24,230	–	–	–	–	267	24,497
Other financial liabilities	2,303	–	12,450	–	–	–	14,753
Other debt securities	–	5,049	22,696	–	–	–	27,745
Subordinated term debts	–	–	3,102	–	–	–	3,102
Total financial liabilities	27,014	6,436	399,741	–	–	267	433,458
Other liability items outside the scope of FRS 39 ^(b)							1,142
Total liabilities							434,600

(a) Includes associates, goodwill and intangibles, properties and other fixed assets, and deferred tax assets

(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures

(c) Assets and liabilities are mandatorily classified as FVPL when they are held for trading. In addition, debt-type financial assets that are not SPPI in nature are mandatorily classified as FVPL

Financial assets and liabilities are presented net when there is a legally enforceable right to offset the recognised amounts, and there is intention to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and liabilities offset on the balance sheet

As at 31 December 2018, “Loans and advances to customers” of \$36 million (2017: \$38 million; 1 January 2017: nil) were set off against “Deposits and balances from customers” of \$36 million (2017: \$38 million; 1 January 2017: nil) because contractually the Group has a legally enforceable right to set off these amounts, and intends to settle the loans and the deposits simultaneously at maturity or termination dates.

Financial assets and liabilities subject to netting agreements but not offset on the balance sheet

The Group enters into master netting arrangements with counterparties where it is appropriate and feasible to do so to mitigate counterparty risk. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. Master netting arrangements do not result in an offset of financial assets and liabilities on the balance sheet, as the legal right to offset the transactions is conditional upon default.

These agreements include derivative master agreements (including the International Swaps and Derivatives Association (ISDA) Master Agreement), global master repurchase agreements and global securities lending agreements. The collaterals received and pledged under these agreements are generally conducted under terms that are in accordance with normal market practice. In these agreements, the counterparty is typically allowed to sell or re-pledge those non-cash collateral (i.e. securities) lent or transferred, but has an obligation to return the securities at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to place additional cash collateral, and typically the counterparty has recourse only to the securities.

In addition, the Group receives cash and other collateral such as marketable securities to reduce its credit exposure. The Group also engages in a variety of counterparty credit mitigation arrangements in addition to netting and collateral arrangements.

The disclosures set out in the tables below pertain to financial assets and liabilities that are not offset in the Group’s balance sheet but are subject to master netting arrangements or similar agreements that cover similar financial instruments. The disclosures enable the understanding of both the gross and net amounts, as well as provide additional information on how such credit risk is mitigated.

In \$ millions	The Group					
	Subject to enforceable netting agreement					
	Carrying amounts on balance sheet	Not subject to enforceable netting agreement	Net amounts	Related amounts not offset on balance sheet		
Financial instruments				Financial collateral received/pledged	Net amounts	
31 Dec 2018						
Financial Assets						
Derivatives	17,029	5,827 ^(a)	11,202	8,824 ^(a)	811	1,567
Reverse repurchase agreements	11,629 ^(b)	6	11,623	–	11,619	4
Securities borrowings	73 ^(c)	–	73	70	–	3
Total	28,731	5,833	22,898	8,894	12,430	1,574
Financial Liabilities						
Derivatives	16,692	5,477 ^(a)	11,215	8,824 ^(a)	2,155	236
Repurchase agreements	7,333 ^(d)	648	6,685	–	6,685	–
Securities lendings	1 ^(e)	–	1	#	–	1
Short sale of securities	1,733 ^(f)	1,246	487	487	–	–
Total	25,759	7,371	18,388	9,311	8,840	237
31 Dec 2017						
Financial Assets						
Derivatives	17,585	6,190 ^(a)	11,395	9,696 ^(a)	935	764
Reverse repurchase agreements	5,312 ^(b)	300	5,012	–	4,980	32
Securities borrowings	56 ^(c)	–	56	54	–	2
Total	22,953	6,490	16,463	9,750	5,915	798
Financial Liabilities						
Derivatives	18,003	5,696 ^(a)	12,307	9,696 ^(a)	1,544	1,067
Repurchase agreements	718 ^(d)	577	141	–	141	–
Securities lendings	56 ^(e)	–	56	49	–	7
Short sale of securities	1,961 ^(f)	1,209	752	752	–	–
Total	20,738	7,482	13,256	10,497	1,685	1,074
1 Jan 2017						
Financial Assets						
Derivatives	25,757	8,699 ^(a)	17,058	14,788 ^(a)	1,575	695
Reverse repurchase agreements	6,845 ^(b)	228	6,617	–	6,617	–
Securities borrowings	74 ^(c)	–	74	57	–	17
Total	32,676	8,927	23,749	14,845	8,192	712
Financial Liabilities						
Derivatives	24,497	6,835 ^(a)	17,662	14,788 ^(a)	1,750	1,124
Repurchase agreements	1,423 ^(d)	1,343	80	–	80	–
Short sale of securities	2,303 ^(f)	845	1,458	1,458	–	–
Total	28,223	9,023	19,200	16,246	1,830	1,124

Amount under \$500,000

(a) Related amounts under "Financial instruments" are prepared on the same basis as netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) as set out under MAS Notice 637 (unaudited), which incorporates a conservative stance on enforceable netting. Accordingly, the amounts shown under "Not subject to enforceable netting agreement" are those where either no netting agreements exist or where the netting agreements have not been recognised for computation of CAR

(b) Reverse repurchase agreements are presented under separate line items on the balance sheet, namely "Cash and balances with central banks", "Due from banks" and "Loans and advances to customers"

(c) Cash collateral pledged under securities borrowings are presented under "Other assets" on the balance sheet

(d) Repurchase agreements are presented under separate line items on the balance sheet, namely "Due to banks" and "Deposits and balances from customers"

(e) Cash collateral received under securities lendings are presented under "Other liabilities" on the balance sheet

(f) Short sale of securities are presented under "Other liabilities" on the balance sheet

16. Cash and Balances with Central Banks

In \$ millions	The Group		
	31 Dec 2018	2017	1 Jan 2017
Cash on hand	2,460	2,205	2,938
Non-restricted balances with central banks	11,761	16,488	17,194
Cash and cash equivalents	14,221	18,693	20,132
Restricted balances with central banks ^(a)	7,964	7,770	6,708
Total ^(b)	22,185	26,463	26,840

(a) Mandatory balances with central banks

(b) 2018 balances are net of ECL

17. Government Securities and Treasury Bills

In \$ millions	Mandatorily at FVPL	The Group		Total
		FVOCI	Amortised cost	
31 Dec 2018				
Singapore Government securities and treasury bills (Gross) ^(a)	4,013	1,471	8,630	14,114
Other government securities and treasury bills (Gross) ^(b)	6,570	17,830	8,765	33,165
Less: ECL ^(c)	–	–	(1)	(1)
Total	10,583	19,301	17,394	47,278

In \$ millions	Held for trading	The Group		Total
		Available-for-sale	Held to maturity	
31 Dec 2017				
Singapore Government securities and treasury bills ^(a)	4,406	7,878	1,955	14,239
Other government securities and treasury bills ^(b)	5,566	19,948	–	25,514
Total	9,972	27,826	1,955	39,753

1 Jan 2017

Singapore Government securities and treasury bills ^(a)	3,567	6,454	1,962	11,983
Other government securities and treasury bills ^(b)	5,431	15,987	–	21,418
Total	8,998	22,441	1,962	33,401

(a) Includes financial assets pledged or transferred of \$831 million (2017: \$467 million; 1 Jan 2017: \$70 million) (See Note 20)

(b) Includes financial assets pledged or transferred of \$7,184 million (2017: \$2,109 million; 1 Jan 2017: \$2,740 million) (See Note 20)

(c) ECL for FVOCI securities amounting to \$2 million are not shown in the table, as these securities are recorded at fair value

18. Bank and Corporate Securities

In \$ millions	Mandatorily at FVPL	The Group		Total
		FVOCI	Amortised cost	
31 Dec 2018				
Bank and corporate debt securities (Gross) ^(a)	8,527	8,609	33,489	50,625
Less: ECL ^(c)	–	–	(37)	(37)
Bank and corporate debt securities	8,527	8,609	33,452	50,588
Equity securities ^(b)	5,944	1,665	–	7,609
Total	14,471	10,274	33,452	58,197

In \$ millions	The Group				Total
	Held for trading	Designated at fair value through profit or loss	Loans & receivables	Available-for-sale	
31 Dec 2017					
Bank and corporate debt securities (Gross) ^(a)	9,105	87	26,467	14,630	50,289
Less: Impairment allowances	–	–	(97)	–	(97)
Bank and corporate debt securities	9,105	87	26,370	14,630	50,192
Equity securities ^(b)	4,120	–	–	1,277	5,397
Total	13,225	87	26,370	15,907	55,589
1 Jan 2017					
Bank and corporate debt securities (Gross) ^(a)	5,340	57	21,299	14,897	41,593
Less: Impairment allowances	–	–	(154)	–	(154)
Bank and corporate debt securities	5,340	57	21,145	14,897	41,439
Equity securities ^(b)	2,410	–	–	1,568	3,978
Total	7,750	57	21,145	16,465	45,417

(a) Includes financial assets pledged or transferred of \$1,271 million (2017: \$337 million; 1 Jan 2017: \$414 million) (See Note 20)

(b) Includes financial assets pledged or transferred of less than \$500,000 (2017: \$49 million; 1 Jan 2017: nil) (See Note 20)

(c) ECL for FVOCI securities amounting to \$13 million are not shown in the table, as these securities are recorded at fair value

19. Loans and Advances to Customers

In \$ millions	The Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
Gross	349,645	327,769	305,415
Less: Specific allowances ^(a)	2,440	2,276	1,270
General allowances ^(a)	2,202	2,394	2,629
	345,003	323,099	301,516
Analysed by product			
Long-term loans	155,115	137,003	136,305
Short-term facilities	76,251	72,215	65,894
Housing loans	75,011	73,293	64,465
Trade loans	43,268	45,258	38,751
Gross total	349,645	327,769	305,415
Analysed by currency			
Singapore dollar	141,838	134,558	123,733
Hong Kong dollar	40,898	38,891	35,588
US dollar	110,086	103,943	102,120
Chinese yuan	12,481	11,055	11,577
Others	44,342	39,322	32,397
Gross total	349,645	327,769	305,415

(a) 2018 balances refer to ECL under SFRS(I) 9 (specific allowances: Stage 3 ECL; general allowances: Stage 1 and Stage 2 ECL). 2017 balances refer to specific and general allowances under FRS 39, modified by MAS Notice 612 requirements

Please refer to Note 43.4 for a breakdown of loans and advances to customers by geography and by industry.

The table below shows the movements in specific and general allowances for loans and advances to customers during the year.

In \$ millions	The Group					Balance at 31 December
	Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Acquisition of new business	Exchange and other movements	
2018						
Specific allowances						
Manufacturing	358	139	(190)	–	(5)	302
Building and construction	96	65	(34)	–	–	127
Housing loans	7	6	(3)	–	–	10
General commerce	231	115	(79)	–	1	268
Transportation, storage and communications	1,350	97	(63)	–	122	1,506
Financial institutions, investment and holding companies	22	(2)	(5)	–	3	18
Professionals and private individuals (excluding housing loans)	121	213	(210)	14	(9)	129
Others	91	24	(34)	–	(1)	80
Total specific allowances	2,276	657	(618)	14	111	2,440
Total general allowances	2,063	94	–	51	(6)	2,202
Total allowances	4,339	751	(618)	65	105	4,642
2017						
Specific allowances						
Manufacturing	298	171	(102)	–	(9)	358
Building and construction	136	37	(72)	–	(5)	96
Housing loans	8	–	(1)	–	–	7
General commerce	271	96	(119)	–	(17)	231
Transportation, storage and communications	316	1,727	(681)	–	(12)	1,350
Financial institutions, investment and holding companies	15	25	(10)	–	(8)	22
Professionals and private individuals (excluding housing loans)	71	137	(123)	38	(2)	121
Others	155	45	(102)	–	(7)	91
Total specific allowances	1,270	2,238	(1,210)	38	(60)	2,276
Total general allowances ^(a)	2,629	(522)	–	13	274	2,394
Total allowances	3,899	1,716	(1,210)	51	214	4,670

(a) The methodology for allocating general allowances was modified in 2017 to harmonise the treatment between loans and non-loan assets

The opening balance for total general allowances in 2018 includes Stage 1 and Stage 2 ECL following the adoption of SFRS(I) 9. The corresponding comparatives have not been restated.

Included in loans and advances to customers are loans designated at fair value, as follows:

In \$ millions	The Group		
	31 Dec 2018	2017	1 Jan 2017
Fair value designated loans and advances and related credit derivatives/ enhancements			
Maximum credit exposure	406	428	459
Credit derivatives/ enhancements – protection bought	(406)	(428)	(459)
Cumulative change in fair value arising from changes in credit risk	(47)	(49)	(98)
Cumulative change in fair value of related credit derivatives/ enhancements	47	49	98

Changes in fair value arising from changes in credit risk are determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. These changes in market conditions include changes in a benchmark interest rate, foreign exchange rate or index of prices or rates.

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was a gain of \$2 million (2017: gain of \$49 million). During the year, the amount of change in the fair value of the related credit derivatives/ enhancements was a loss of \$2 million (2017: loss of \$49 million).

20. Financial Assets Pledged or Transferred

The Group pledges or transfers financial assets to third parties in the ordinary course of business. Transferred assets continue to be recognised in the Group's financial statements when the Group retains substantially all their risks and rewards. Among these, as set out below, are securities pledged or transferred pursuant to repurchase or securities lending or collateral swap agreements and for derivative transactions under credit support agreements.

Derecognised assets that were subject to the Group's partial continuing involvement were not material in 2018 and 2017.

Securities

Securities transferred under repurchase, securities lending and collateral swap arrangements are generally conducted under terms in line with normal market practice. The counterparty is typically allowed to sell or re-pledge the securities but has an obligation to return them at maturity. If the securities decrease in value, the Group may, in certain circumstances, be required to place additional collateral.

For repurchase agreements, the securities pledged or transferred continue to be recorded on the balance sheet while cash received in exchange is recorded as a financial liability. The Group also pledges assets to secure its short position in securities and to facilitate settlement operations. The fair value of the associated liabilities approximates the carrying amount of \$6,161 million (2017: \$1,455 million; 1 January 2017: \$2,881 million), which are recorded under "Due to banks", "Deposits and balances from customers" and "Other liabilities" on the balance sheet.

For securities lending and collateral swap transactions, the securities lent continue to be recorded on the balance sheet. As the Group mainly receives other financial assets in exchange, the associated liabilities are not recorded on balance sheet.

In addition, the Group also pledges securities for derivative transactions under credit support agreements. These assets continue to be recorded on the balance sheet. As the related derivative assets and liabilities are managed on a portfolio basis, there is no direct relationship between the securities pledged and the associated liabilities. As such, the associated liabilities are not disclosed.

In \$ millions	The Group		1 Jan 2017
	2018	31 Dec 2017	
Financial assets pledged or transferred			
Singapore Government securities and treasury bills	831	467	70
Other government securities and treasury bills	7,184	2,109	2,740
Bank and corporate debt securities	1,271	337	414
Equity securities	#	49	–
Total	9,286	2,962	3,224

Amount under \$500,000

Covered bonds

Pursuant to the Bank's Global Covered Bond Programme, selected pools of residential mortgages originated by the Bank have been assigned to a bankruptcy-remote structured entity, Bayfront Covered Bonds Pte Ltd (see Notes 23.2 and 31.4). These residential mortgages continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.

As at 31 December 2018, the carrying value of the covered bonds in issue was \$5,268 million (2017: \$5,028 million; 1 January 2017: \$2,227 million), while the carrying value of assets assigned was \$10,506 million (2017: \$12,930 million; 1 January 2017: \$8,636 million). The difference in values is attributable to an intended over-collateralisation required to maintain the credit ratings of the covered bonds in issue, and additional assets assigned to facilitate future issuances.

Other financial assets

The Group also enters into structured funding transactions where it retains the contractual rights to receive cash flows of financial assets extended to third parties but assumes a contractual obligation to pay these cash flows under the issued notes. The carrying amounts and fair values of these financial assets and liabilities both amounted to \$406 million (2017: \$428 million; 1 January 2017: \$516 million).

21. Other Assets

In \$ millions	The Group		
	31 Dec		1 Jan
	2018	2017	2017
Accrued interest receivable	1,507	1,305	1,165
Deposits and prepayments	550	555	423
Receivables from securities business	430	990	643
Sundry debtors and others	8,001	6,491	5,512
Cash collateral pledged ^(a)	2,574	2,325	2,966
Deferred tax assets (Note 22)	356	400	333
Total^(b)	13,418	12,066	11,042

(a) Mainly relates to cash collateral pledged in respect of derivative portfolios

(b) Balances are net of specific and general allowances

22. Deferred Tax Assets/ Liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The deferred tax assets and liabilities are determined after appropriate offsetting as shown in "Other assets" (Note 21) and "Other liabilities" (Note 30) respectively.

Deferred tax assets and liabilities comprise the following temporary differences:

In \$ millions	The Group		
	31 Dec		1 Jan
	2018	2017	2017
Deferred income tax assets			
Allowances for loan losses ^(a)	231	319	356
FVOCI (2017: AFS) financial assets and others	32	8	6
Own credit risk	#	3	#
Other temporary differences	256	239	177
	519	569	539
Amounts offset against deferred tax liabilities	(163)	(169)	(206)
Total	356	400	333
Deferred income tax liabilities			
Accelerated tax depreciation	133	116	114
FVOCI (2017: AFS) financial assets and others	5	5	7
Other temporary differences	103	75	118
	241	196	239
Amounts offset against deferred tax assets	(163)	(169)	(206)
Total	78	27	33
Net deferred tax assets	278	373	300

Amount under \$500,000

(a) Movement in deferred income tax assets between 2017 and 2018 includes impact on SFRS(I) 9 adoption (a decline in deferred tax assets of \$100 million)

23. Subsidiaries and Consolidated Structured Entities

In \$ millions	The Company		
	31 Dec	2017	1 Jan
	2018		2017
Investment in subsidiaries ^(a)			
Ordinary shares	17,682	17,682	17,376
Additional Tier 1 instruments	3,411	2,404	2,446
Other equity instruments	344	344	344
	21,437	20,430	20,166
Due from subsidiaries			
Subordinated term debts	4,913	1,481	1,699
Other receivables	1,803	2,446	420
	6,716	3,927	2,119
Total	28,153	24,357	22,285

(a) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks

23.1 Main operating subsidiaries

The main operating subsidiaries within the Group are listed below.

Name of subsidiary	Incorporated in	Effective shareholding %		
		31 Dec	2017	1 Jan
		2018		2017
Commercial Banking				
DBS Bank Ltd.	Singapore	100	100	100
DBS Bank (Hong Kong) Limited*	Hong Kong	100	100	100
DBS Bank (China) Limited*	China	100	100	100
DBS Bank (Taiwan) Limited*	Taiwan	100	100	100
PT Bank DBS Indonesia*	Indonesia	99	99	99
Stockbroking				
DBS Vickers Securities Holdings Pte Ltd	Singapore	100	100	100

* Audited by PricewaterhouseCoopers network firms outside Singapore

The Group's main subsidiaries are regulated banks and non-bank financial institutions. Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests may restrict the ability of the Company to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group. Since the Group did not have any material non-controlling interests as at the balance sheet dates, any protective rights associated with these did not give rise to significant restrictions in 2017 and 2018.

Please refer to Note 36 for information on non-controlling interests.

23.2 Consolidated structured entity

The structured entity consolidated by the Group is listed below.

Name of entity	Purpose of consolidated structured entity	Incorporated in
Bayfront Covered Bonds Pte Ltd	Covered bond guarantor	Singapore

Bayfront Covered Bonds Pte Ltd is a bankruptcy-remote structured entity established in conjunction with the Bank's USD 10 billion Global Covered Bond Programme (see Note 31.4). As part of the contractual structures that are integral to this programme, the Bank provides funding and hedging facilities to it.

Disposal of interest in subsidiary

On 10 February 2017, the Group entered into an agreement to divest DBS China Square Limited (DCS) to an indirect subsidiary of Manulife Financial Corporation. The transaction was completed on 10 March 2017 and a net gain of \$350 million was recorded for the year ended 31 December 2017.

24. Associates

In \$ millions	The Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
Quoted equity securities	–	–	57
Unquoted equity securities ^(a)	857	796	812
Share of post-acquisition reserves	(19)	(13)	21
Total	838	783	890

(a) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks

The Group's share of income and expenses, assets and liabilities and off-balance sheet items of the associates at 31 December are as follows:

In \$ millions	The Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
Income statement			
Share of income	238	209	155
Share of expenses	(209)	(198)	(202)
Balance sheet			
Share of total assets	2,174	1,793	1,701
Share of total liabilities	1,336	1,010	811
Off-balance sheet			
Share of contingent liabilities and commitments	#	#	#

Amount under \$500,000

24.1 Main associates

The main associates of the Group are listed below.

Name of associate	Incorporated in	Effective shareholding %		
		31 Dec 2018	31 Dec 2017	1 Jan 2017
Unquoted				
Central Boulevard Development Pte Ltd**	Singapore	33.3	33.3	33.3
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	33.3	33.3	33.3
Changsheng Fund Management Company**	China	33.0	33.0	33.0

** Audited by other auditors

As of 31 December 2018, 31 December 2017 and 1 January 2017, no associate was individually material to the Group. As a non-controlling shareholder, the Group's ability to receive dividends is subject to agreement with other shareholders. The associates may also be subject to statutory, contractual or regulatory requirements restricting dividend payments or to repay loans or advances made.

The Group's share of commitments and contingent liabilities of the associates as well as its commitments to finance or otherwise provide resources to them are not material.

25. Unconsolidated Structured Entities

“Unconsolidated structured entities” are structured entities, as defined by SFRS(I) 12, that are not controlled by the Group. In the normal course of business, the Group enters into transactions with these structured entities to facilitate customer transactions and for specific investment opportunities.

While the economic exposures may be the same as those to other type of entities, SFRS(I) 12 specifically requires companies to disclose such exposures arising from transactions with unconsolidated structured entities. The table below reflects exposures to third party securitisation structures where the Group holds an interest in the normal course of business.

As is the case with other types of counterparties, the carrying amount from transactions with unconsolidated structured entities have been included in the Group’s financial statements.

The risks arising from such transactions are subject to the Group’s risk management practices.

The table below represents the Group’s maximum exposure to loss which for on-balance sheet assets and liabilities is represented by the carrying amount, and does not reflect mitigating effects from the availability of netting arrangements and financial instruments that the Group may utilise to economically hedge the risks inherent in third party structured entities, or risk-reducing effects of collateral or other credit enhancements.

In \$ millions	The Group		
	31 Dec 2018	2017	1 Jan 2017
Derivatives	38	100	-
Corporate debt securities	2,693	2,262	1,267
Loans and advances to customers	43	28	19
Total assets	2,774	2,390	1,286
Commitments and guarantees	174	32	23
Maximum Exposure to Loss	2,948	2,422	1,309
Derivatives	#	#	107
Total liabilities	#	#	107

Amount under \$500,000

SFRS(I) 12 also requires additional disclosures where the Group acts as a sponsor to unconsolidated structured entities. The Group is deemed a sponsor of a third party structured entity if it plays a key role in establishing the entity, and has an on-going involvement with the structured entity or if the Group’s name appears in the structured entity’s name.

The Group has not sponsored any structured entity during the financial year.

26. Acquisition

On 31 October 2016, DBS Bank Ltd. agreed to acquire the wealth management and retail banking business of Australia and New Zealand Banking Group Limited (ANZ) in five markets for approximately \$110 million above book value, of which \$53 million represented provisional goodwill. The final goodwill recorded was \$62 million.

The portfolio of businesses being acquired is in Singapore, Hong Kong, China, Taiwan and Indonesia. The acquisition of the businesses in each jurisdiction is independent of each other. With the integration of ANZ Indonesia in February 2018, the Group has completed the acquisition of the businesses in all the five markets.

The Group has received cash of \$5,045 million, largely represented by the difference between the assets acquired (comprising mainly loans and advances to customers) of \$9,229 million and the liabilities assumed (comprising mainly deposit and balances with customers) of \$14,401 million.

The contribution to revenue and net profit from the acquired portfolio for financial year 2018 was \$623 million and \$162 million respectively. The contribution from the progressive consolidation of the acquired portfolio for the financial period from 15 July 2017 to 31 December 2017 was not material.

27. Properties and Other Fixed Assets

In \$ millions	The Group					Subtotal of owner-occupied properties, software and other fixed assets	Total
	Investment properties	Owner-occupied properties	Software	Other fixed assets ^(a)			
2018	(1)	(2)	(3)	(4)	(5)=(2)+(3)+(4)	(6)=(1)+(5)	
Cost							
Balance at 1 January	64	542	1,208	948	2,698	2,762	
Additions	–	13	332	188	533	533	
Acquisition of new business	–	38	–	–	38	38	
Disposals	(2)	(22)	(168)	(65)	(255)	(257)	
Transfer	6	(6)	–	–	(6)	–	
Exchange differences and others	–	5	–	–	5	5	
Balance at 31 December	68	570	1,372	1,071	3,013	3,081	
Less: Accumulated depreciation							
Balance at 1 January	35	135	625	709	1,469	1,504	
Depreciation charge	1	16	180	134	330	331	
Disposals	(1)	(9)	(161)	(62)	(232)	(233)	
Transfer	3	(3)	–	–	(3)	–	
Exchange differences and others	–	4	–	1	5	5	
Balance at 31 December	38	143	644	782	1,569	1,607	
Less: Allowances for impairment	2	22	–	–	22	24	
Net book value at 31 December	28	405	728	289	1,422	1,450	
2017							
Cost							
Balance at 1 January	603	545	1,160	896	2,601	3,204	
Additions	–	9	225	126	360	360	
Acquisition of new business	–	26	–	1	27	27	
Disposals	(1)	(11)	(161)	(52)	(224)	(225)	
Divestment of subsidiary ^(b)	(507)	–	–	(9)	(9)	(516)	
Transfers	(31)	31	–	–	31	–	
Exchange differences and others	#	(58)	(16)	(14)	(88)	(88)	
Balance at 31 December	64	542	1,208	948	2,698	2,762	
Less: Accumulated depreciation							
Balance at 1 January	165	161	620	658	1,439	1,604	
Depreciation charge	2	16	153	126	295	297	
Disposals	(1)	(11)	(147)	(47)	(205)	(206)	
Divestment of subsidiary ^(b)	(129)	–	–	(8)	(8)	(137)	
Transfers	(2)	2	–	–	2	–	
Exchange differences and others	#	(33)	(1)	(20)	(54)	(54)	
Balance at 31 December	35	135	625	709	1,469	1,504	
Less: Allowances for impairment	–	25	–	–	25	25	
Net book value at 31 December	29	382	583	239	1,204	1,233	

Amount under \$500,000

(a) Refers to computer hardware, office equipment, furniture and fittings and other fixed assets

(b) DBS China Square Limited, which owns PWC Building, was divested in 2017 (refer to Note 23)

The total market value of all properties as at 31 December 2018 was \$2,111 million, of which investment properties accounted for \$163 million. The market values are determined using investment method, or using a combination of comparable sales and investment methods. The properties are classified under Level 3 of the fair value hierarchy and the significant unobservable input used for valuation is market yields. As at 31 December 2018, there were no transfers into or out of Level 3.

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to five years, and may contain an option to renew the lease after that date at which time all terms will be renegotiated.

The minimum lease receivables as at the balance sheet date are as follows:

In \$ millions	The Group		
	31 Dec	2017	1 Jan
	2018		2017
Minimum lease receivables^(a)			
Not later than 1 year	5	3	31
Later than 1 year but not later than 5 years	6	4	44
Total	11	7	75

(a) 1 Jan 2017 includes lease receivables from operating leases under PWC Building which was divested in 2017. Refer to Note 23 for disclosure on the sale of DBS China Square Limited, which owned PWC Building

28. Goodwill and Intangibles

The carrying amounts of the Group's goodwill and intangibles arising from business acquisitions are as follows:

In \$ millions	The Group		
	31 Dec	2017	1 Jan
	2018		2017
DBS Bank (Hong Kong) Limited	4,631	4,631	4,631
Others	544	534	486
Total	5,175	5,165	5,117

The carrying amounts of the CGUs are reviewed at least once a year to determine if the goodwill associated with them should be impaired. If a CGU's carrying amount exceeds its recoverable value, a goodwill impairment charge is recognised in the income statement.

The recoverable value is determined based on a value-in-use calculation. The CGU's five-year projected cash flows, taking into account projected regulatory capital requirements, are discounted by its cost of capital to derive its present value. To derive the value beyond the fifth year, a long-term growth rate is imputed to the fifth-year cash flow and then discounted by the cost of capital to derive the terminal value. The long-term growth rate used does not exceed the historical long-term growth rate of the market the CGU operates in. The recoverable value is the sum of the present value of the five-year cash flows and the terminal value.

A growth rate of 4.5% (2017: 4.5%) and discount rate of 9.0% (2017: 9.0%) were assumed in the value-in-use calculation for DBS Bank (Hong Kong) Limited's franchise.

The process of evaluating goodwill impairment involves management judgement and prudent estimates of various factors including future cash flows as well as the cost of capital and long-term growth rates. The results can be highly sensitive to the assumptions used. Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the operating unit to exceed its recoverable amount at 31 December 2018. However, if conditions in Hong Kong and its banking industry were to deteriorate and turn out to be significantly worse than anticipated in the Group's performance forecast, the goodwill may be impaired in future periods.

29. Deposits and Balances from Customers

In \$ millions	The Group		
	2018	31 Dec 2017	1 Jan 2017
Analysed by currency			
Singapore dollar	158,778	156,893	152,115
US dollar	138,153	128,586	112,107
Hong Kong dollar	37,054	35,208	36,234
Chinese yuan	13,073	11,402	9,822
Others	46,727	41,545	37,168
Total	393,785	373,634	347,446
Analysed by product			
Savings accounts	153,443	152,737	140,617
Current accounts	77,140	80,143	73,984
Fixed deposits	159,049	137,696	130,178
Other deposits	4,153	3,058	2,667
Total	393,785	373,634	347,446

30. Other Liabilities

In \$ millions	The Group		
	2018	31 Dec 2017	1 Jan 2017
Cash collateral received ^(a)	1,825	2,128	1,710
Accrued interest payable	848	533	434
Provision for loss in respect of off-balance sheet credit exposures	407	282	453
Payables in respect of securities business	356	823	641
Sundry creditors and others ^(b)	12,449	10,178	9,665
Current tax liabilities	744	683	656
Short sale of securities	1,733	1,961	2,303
Deferred tax liabilities (Note 22)	78	27	33
Total	18,440	16,615	15,895

(a) Mainly relates to cash collateral received in respect of derivative portfolios

(b) Includes income received in advance of \$1,280 million (2017: \$1,387 million; 1 Jan 2017: \$1,493 million) arising from a 15-year regional distribution agreement entered with Manulife Financial Asia Limited, to be amortised on a straight-line basis. \$107 million (2017: \$107 million) of the Manulife income received in advance was recognised as fee income during the year

31. Other Debt Securities

In \$ millions	The Group			The Company		
	2018	31 Dec 2017	1 Jan 2017	2018	31 Dec 2017	1 Jan 2017
Negotiable certificates of deposit (Note 31.1)	4,147	3,793	2,137	–	–	–
Senior medium term notes (Note 31.2)	11,577	8,197	6,519	4,141	4,078	2,400
Commercial papers (Note 31.3)	16,986	17,696	11,586	–	–	–
Covered bonds (Note 31.4)	5,268	5,028	2,227	–	–	–
Other debt securities (Note 31.5)	7,734	6,002	5,276	–	–	–
Total	45,712	40,716	27,745	4,141	4,078	2,400
Due within 1 year	31,870	27,343	17,539	1,700	–	–
Due after 1 year	13,842	13,373	10,206	2,441	4,078	2,400
Total	45,712	40,716	27,745	4,141	4,078	2,400

31.1 Negotiable certificates of deposit issued and outstanding are as follows:

In \$ millions		The Group		
		31 Dec 2018	31 Dec 2017	1 Jan 2017
Currency	Interest Rate and Repayment Terms	2018	2017	2017
Issued by the Bank and other subsidiaries				
HKD	2.07% to 4.22%, payable quarterly	522	286	314
HKD	2.9% to 4.2%, payable annually	38	93	118
HKD	Zero-coupon, payable on maturity	409	338	84
AUD	1.68% to 2.31%, payable on maturity	2,465	2,465	1,455
TWD	0.52% to 0.68%, payable on maturity	178	202	–
IDR	6.2%, payable on maturity	21	–	–
INR	Zero-coupon, payable on maturity	–	–	41
CNY	2.97% to 4.51%, payable on maturity	514	409	125
Total		4,147	3,793	2,137

The outstanding negotiable certificates of deposit as at 31 December 2018 were issued between 20 January 2010 and 27 December 2018 (2017: 22 August 2008 and 27 December 2017; 1 January 2017: 22 August 2008 and 22 December 2016) and mature between 2 January 2019 and 16 March 2021 (2017: 2 January 2018 and 16 March 2021; 1 January 2017: 5 January 2017 and 16 March 2021).

31.2 Senior medium term notes issued and outstanding as at 31 December are as follows:

In \$ millions		The Group			The Company		
		31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
Currency	Interest Rate and Repayment Terms	2018	2017	2017	2018	2017	2017
Issued by the Company							
USD	2.246%, payable semi-annually	1,018	1,000	1,093	1,018	1,000	1,093
USD	Floating rate note, payable quarterly	2,388	2,340	723	2,388	2,340	723
HKD	1.87%, payable annually	94	89	97	94	89	97
HKD	2.78% to 2.8%, payable quarterly	153	155	–	153	155	–
SGD	2.78%, payable semi-annually	488	494	487	488	494	487
Issued by the Bank							
AUD	Floating rate note, payable quarterly	868	313	–	–	–	–
GBP	Floating rate note, payable monthly	572	–	–	–	–	–
GBP	Floating rate note, payable quarterly	3,369	2,254	–	–	–	–
USD	2.35% to 3.12%, payable semi-annually	137	–	1,447	–	–	–
USD	Floating rate note, payable quarterly	2,388	1,383	2,257	–	–	–
USD	1.45%, payable annually	–	–	145	–	–	–
HKD	1.43%, payable annually	102	100	109	–	–	–
HKD	2.24%, payable quarterly	–	–	93	–	–	–
CNH	4.4%, payable annually	–	69	68	–	–	–
Total		11,577	8,197	6,519	4,141	4,078	2,400

The senior medium term notes were issued by the Company and the Bank under its USD 30 billion Global Medium Term Note Programme. The outstanding senior medium term notes as at 31 December 2018 were issued between 16 July 2014 and 24 October 2018 (2017: 16 July 2014 and 12 December 2017; 1 January 2017: 21 February 2012 and 7 September 2016) and mature between 20 February 2019 and 25 July 2022 (2017: 6 March 2018 and 25 July 2022; 1 January 2017: 20 January 2017 and 11 January 2021).

31.3 The commercial papers were issued by the Bank under its USD 5 billion Euro Commercial Paper Programme and USD 15 billion US Commercial Paper Programme. These are zero-coupon papers, or floating rate papers pegged to monthly or quarterly market rates. The outstanding notes as at 31 December 2018 were issued between 28 June 2018 and 26 December 2018 (2017: 28 June 2017 and 22 December 2017; 1 January 2017: 21 September 2016 and 16 December 2016) and mature between 2 January 2019 and 27 June 2019 (2017: 2 January 2018 and 17 July 2018; 1 January 2017: 3 January 2017 and 12 April 2017).

31.4 To augment its sources of wholesale funding, the Bank established a USD 10 billion Global Covered Bond Programme on 16 June 2015. A covered bond is a senior obligation of the Bank backed by a cover pool comprising assets that have been ring-fenced via contractual structures in a bankruptcy-remote structured entity, Bayfront Covered Bonds Pte Ltd. Bayfront Covered Bonds Pte Ltd has provided an unconditional and irrevocable guarantee, which is secured over the cover pool, to the covered bond holders.

The outstanding covered bonds as at 31 December 2018 were issued between 3 June 2016 and 27 November 2018 (2017: 6 August 2015 and 21 November 2017; 1 January 2017: 6 August 2015 and 3 June 2016) and mature between 3 June 2019 and 21 November 2024 (2017: 6 August 2018 and 21 November 2024; 1 January 2017: 6 August 2018 and 3 June 2019).

31.5 Other debt securities issued and outstanding as at 31 December are as follows:

In \$ millions	The Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
Issued by the Bank and other subsidiaries			
Equity linked notes	1,844	1,260	1,521
Credit linked notes	1,249	1,720	1,202
Interest linked notes	3,365	2,495	2,042
Foreign exchange linked notes	386	237	220
Fixed rate bonds	890	290	291
Total	7,734	6,002	5,276

The outstanding securities as at 31 December 2018 were issued between 23 July 2012 and 31 December 2018 (2017: 23 July 2012 and 29 December 2017; 1 January 2017: 4 October 2011 and 30 December 2016) and mature between 2 January 2019 and 1 June 2048 (2017: 2 January 2018 and 20 June 2047; 1 January 2017: 3 January 2017 and 30 August 2046).

32. Subordinated Term Debts

The following subordinated term debts issued by the Company and the Bank are classified as liabilities. These term debt instruments have a junior or lower priority claim on the issuing entity's assets in the event of a default or liquidation.

The subordinated term debts issued by the Company include provisions for them to be written-off if and when the Monetary Authority of Singapore notifies the Company that a write-off of the instruments, or a public sector injection of capital (or equivalent support), is necessary, without which the Company or the Group would become non-viable. These instruments qualify as Tier 2 capital under the Monetary Authority of Singapore Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore (MAS Notice 637), on the basis that the Company is subject to the application of MAS Notice 637.

The subordinated term debts issued by the Bank are in the first instance ineligible as capital instruments under Basel III rules as they lack provisions for conversion to ordinary shares or write-off at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded partial eligibility as Tier 2 capital (subject to a cap) for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013.

In \$ millions	Note	Issue Date	Maturity Date	Interest Payment	The Group		
					31 Dec 2018	2017	1 Jan 2017
Issued by the Company							
S\$250m 3.80% Subordinated Notes due 2028 Callable in 2023	32.1	20 Jan 2016	20 Jan 2028	Jan/ Jul	258	252	252
JPY10,000m 0.918% Subordinated Notes due 2026	32.2	8 Mar 2016	8 Mar 2026	Mar/ Sep	124	118	123
HK\$1,500m 3.24% Subordinated Notes due 2026 Callable in 2021	32.3	19 Apr 2016	19 Apr 2026	Jan/ Apr/ Jul/ Oct	256	260	270
AUD750m 3-month BBSW+1.58% Subordinated Notes due 2028 Callable in 2023	32.4	16 Mar 2018	16 Mar 2028	Mar/ Jun/ Sep/ Dec	723	–	–
EUR600m 1.50% Subordinated Notes due 2028 Callable in 2023	32.5	11 Apr 2018	11 Apr 2028	Apr	934	–	–
CNH950m 5.25% Subordinated Notes due 2028 Callable in 2023	32.6	15 May 2018	15 May 2028	May/ Nov	188	–	–
US\$750m 4.52% Subordinated Notes due 2028 Callable in 2023	32.7	11 Jun 2018	11 Dec 2028	Jun/ Dec	1,025	–	–
JPY7,300m 0.85% Subordinated Notes due 2028 Callable in 2023	32.8	25 Jun 2018	25 Jun 2028	Jun/ Dec	91	–	–
Issued by the Bank							
S\$1,000m 3.10% Subordinated Notes due 2023 Callable in 2018	32.9	14 Aug 2012	14 Feb 2023	Feb/ Aug	–	508	506
S\$1,000m 3.30% Subordinated Notes due 2022 Callable in 2017	32.10	21 Feb 2012	21 Feb 2022	Feb/ Aug	–	–	866
US\$750m 3.625% Subordinated Notes due 2022 Callable in 2017	32.10	21 Mar 2012	21 Sep 2022	Mar/ Sep	–	–	1,085
Total					3,599	1,138	3,102
Due within 1 year					–	508	866
Due after 1 year					3,599	630	2,236
Total					3,599	1,138	3,102

The Company

In \$ millions	Note	Issue Date	Maturity Date	Interest Payment	The Company		
					31 Dec 2018	2017	1 Jan 2017
Issued by the Company							
S\$250m 3.80% Subordinated Notes due 2028 Callable in 2023	32.1	20 Jan 2016	20 Jan 2028	Jan/ Jul	258	252	252
JPY10,000m 0.918% Subordinated Notes due 2026	32.2	8 Mar 2016	8 Mar 2026	Mar/ Sep	124	118	123
HK\$1,500m 3.24% Subordinated Notes due 2026 Callable in 2021	32.3	19 Apr 2016	19 Apr 2026	Jan/ Apr/ Jul/ Oct	256	260	270
AUD750m 3-month BBSW+1.58% Subordinated Notes due 2028 Callable in 2023	32.4	16 Mar 2018	16 Mar 2028	Mar/ Jun/ Sep/ Dec	723	–	–
EUR600m 1.50% Subordinated Notes due 2028 Callable in 2023	32.5	11 Apr 2018	11 Apr 2028	Apr	934	–	–
CNH950m 5.25% Subordinated Notes due 2028 Callable in 2023	32.6	15 May 2018	15 May 2028	May/ Nov	188	–	–
US\$750m 4.52% Subordinated Notes due 2028 Callable in 2023	32.7	11 Jun 2018	11 Dec 2028	Jun/ Dec	1,025	–	–
JPY7,300m 0.85% Subordinated Notes due 2028 Callable in 2023	32.8	25 Jun 2018	25 Jun 2028	Jun/ Dec	91	–	–
Total					3,599	630	645
Due within 1 year					–	–	–
Due after 1 year					3,599	630	645
Total					3,599	630	645

32.1 Interest on the notes is payable at 3.80% per annum up to 20 January 2023. Thereafter, the interest rate resets to the then-prevailing five-year Singapore Dollar Swap Offer Rate plus 1.10% per annum. Interest is paid semi-annually on 20 January and 20 July each year. The notes are redeemable on 20 January 2023 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the six-month Singapore Dollar Swap Offer Rate.

32.2 Interest on the notes is payable semi-annually at 0.918% per annum on 8 March and 8 September each year. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the six-month Singapore Dollar Swap Offer Rate.

32.3 Interest on the notes is payable at 3.24% per annum up to 19 April 2021. Thereafter, the interest rate resets to the then-prevailing five-year Hong Kong Dollar Swap Rate plus 1.90% per annum. Interest is paid quarterly on 19 January, 19 April, 19 July and 19 October each year. The notes are redeemable on 19 April 2021 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the three-month Hong Kong Interbank Offered Rate.

32.4 Interest on the notes is payable quarterly at 3-month Bank Bill Swap Rate (BBSW) plus 1.58% per annum on 16 March, 16 June, 16 September and 16 December each year. The notes are redeemable on 16 March 2023 or on any interest payment date thereafter.

32.5 Interest on the notes is payable at 1.50% per annum up to 11 April 2023. Thereafter, the interest rate resets to the then-prevailing five-year Euro Mid-Swap Rate plus 1.20% per annum. Interest is paid annually on 11 April each year. The notes are redeemable on 11 April 2023 or on any interest payment date thereafter.

32.6 Interest on the notes is payable semi-annually at 5.25% per annum on 15 May and 15 November each year. The notes are redeemable on 15 May 2023 or on any interest payment date thereafter.

32.7 Interest on the notes is payable at 4.52% per annum up to 11 December 2023. Thereafter, the interest rate resets to the then-prevailing five-year US Dollar Mid-Swap Rate plus 1.59% per annum. Interest is paid semi-annually on 11 June and 11 December each year. The notes are redeemable on 11 December 2023 or on any interest payment date thereafter.

32.8 Interest on the notes is payable at 0.85% per annum up to 25 June 2023. Thereafter, the interest rate resets to the then-prevailing six-month JPY London Interbank Offered Rate plus 0.74375% per annum. Interest is paid semi-annually on 25 June and 25 December each year. The notes are redeemable on 25 June 2023 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the three-month JPY London Interbank Offered Rate.

32.9 Interest on the notes is payable at 3.10% per annum up to 14 February 2018. Thereafter, the interest rate resets to the then-prevailing 5-year Singapore Dollar Swap Offer Rate plus 2.085% per annum. Interest is paid semi-annually on 14 February and 14 August each year. The notes are redeemable on 14 February 2018 or on any interest payment date thereafter. Swaps have been entered into to exchange the fixed rate payments on the notes to floating rate payments based on the six-month Singapore Dollar Swap Offer Rate. On 11 January 2016, the Company purchased \$491.75 million of the notes. The remaining outstanding notes have been fully redeemed on 14 February 2018.

32.10 These notes have been fully redeemed in 2017.

For more information on each instrument, please refer to the "Capital Disclosures" section (unaudited) at the Group's website (<http://www.dbs.com/investor/capital-disclosures.html>).

33. Share Capital

The Group announced in February 2018 that it was suspending the Scrip Dividend Scheme ("Scheme"). As such, the Scheme was not applied to the 2017 final and special dividends and to the 2018 dividends.

As at 31 December 2018, the number of treasury shares held by the Group is 12,435,832 (2017: 6,868,515), which is 0.49% (2017: 0.27%) of the total number of issued shares net of treasury shares.

Movements in the number of shares and carrying amount of share capital are as follows:

	The Group				The Company			
	Shares ('000)		In \$ millions		Shares ('000)		In \$ millions	
	2018	2017	2018	2017	2018	2017	2018	2017
Ordinary shares								
Balance at 1 January	2,563,936	2,548,962	11,205	10,899	2,563,936	2,548,962	11,205	10,899
Issue of shares pursuant to Scrip Dividend Scheme	–	14,974	–	306	–	14,974	–	306
Balance at 31 December	2,563,936	2,563,936	11,205	11,205	2,563,936	2,563,936	11,205	11,205
Treasury shares								
Balance at 1 January	(6,869)	(12,852)	(123)	(229)	(6,304)	(11,728)	(113)	(209)
Purchase of treasury shares	(12,255)	–	(303)	–	(12,255)	–	(303)	–
Draw-down of reserves upon vesting of performance shares	6,688	5,983	119	106	–	–	–	–
Transfer of treasury shares	–	–	–	–	6,238	5,424	111	96
Balance at 31 December	(12,436)	(6,869)	(307)	(123)	(12,321)	(6,304)	(305)	(113)
Issued share capital at 31 December			10,898	11,082			10,900	11,092

34. Other Equity Instruments

The following perpetual capital securities issued by the Company are classified as other equity instruments. These instruments are subordinated to all liabilities of the Company and senior only to ordinary shareholders of the Company. Their terms require them to be written-off if and when the Monetary Authority of Singapore notifies the Company that a write-off of the instruments, or a public sector injection of capital (or equivalent support), is necessary, without which the Company or the Group would become non-viable. These instruments qualify as Additional Tier 1 capital under MAS Notice 637, on the basis that the Company is subject to the application of MAS Notice 637.

In \$ millions	Note	Issue Date	Distribution Payment	The Group and The Company		
				31 Dec 2018	31 Dec 2017	1 Jan 2017
Issued by the Company						
S\$805m 4.70% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2019	34.1	3 Dec 2013	Jun/ Dec	803	803	803
US\$750m 3.60% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	34.2	7 Sep 2016	Mar/ Sep	1,009	1,009	1,009
S\$1,000m 3.98% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2025	34.3	12 Sep 2018	Mar/ Sep	1,000	–	–
Total				2,812	1,812	1,812

34.1 Distributions are payable at 4.70% per annum up to 3 June 2019. Thereafter, the distribution rate resets every 5 years to the then-prevailing five-year Singapore Dollar Swap Offer Rate plus 3.061% per annum. Distributions are paid semi-annually on 3 June and 3 December each year, unless cancelled by the Company. The capital securities are redeemable on 3 June 2019 or on any date thereafter.

34.2 Distributions are payable at 3.60% per annum up to 7 September 2021. Thereafter, the distribution rate resets every 5 years to the then-prevailing five-year U.S. Dollar Swap Rate plus 2.39% per annum. Distributions are paid semi-annually on 7 March and 7 September each year, unless cancelled by the Company. The capital securities are redeemable on 7 September 2021 or on any distribution payment date thereafter.

34.3 Distributions are payable at 3.98% per annum up to 12 September 2025. Thereafter, the distribution rate resets every 7 years to the then-prevailing seven-year Singapore Dollar Swap Offer Rate plus 1.65% per annum. Distributions are paid semi-annually on 12 March and 12 September each year, unless cancelled by the Company. The capital securities are redeemable on 12 September 2025 or on any distribution payment date thereafter.

For more information on each instrument, please refer to the “Capital Disclosures” section (unaudited) at the Group’s website (<http://www.dbs.com/investor/capital-disclosures.html>)

35. Other Reserves and Revenue Reserves

35.1 Other reserves

In \$ millions	The Group			The Company		
	2018	31 Dec 2017	1 Jan 2017	2018	31 Dec 2017	1 Jan 2017
FVOCI (2017: AFS) revaluation reserves (bonds)	(176)	31	(60)	–	–	–
FVOCI (2017: AFS) revaluation reserves (equities)	(161)	7	86	–	–	–
Cash flow hedge reserves	(46)	33	19	14	(3)	(1)
General reserves	95	95	95	–	–	–
Capital reserves	(448)	(354)	(180)	–	–	–
Share plan reserves	166	173	169	166	173	169
Others	4,271	4,271	4,193	–	–	–
Total	3,701	4,256	4,322	180	170	168

Movements in other reserves during the year are as follows:

In \$ millions	The Group							Total
	FVOCI/ AFS revaluation reserves (bonds)	FVOCI/ AFS revaluation reserves (equities)	Cash flow hedge reserves	General reserves	Capital reserves ^(b)	Share plan reserves	Other reserves ^{(a)(c)}	
2018								
Balance at 1 January	31	7	33	95	(354)	173	4,271	4,256
Impact of adopting SFRS(I) 9 on 1 January	(49)	(37)	–	–	–	–	–	(86)
Balance at 1 January after adoption of SFRS(I) 9	(18)	(30)	33	95	(354)	173	4,271	4,170
Net exchange translation adjustments	–	–	–	–	(94)	–	–	(94)
Share of associates' reserves	–	–	3	–	–	–	–	3
Cost of share-based payments	–	–	–	–	–	112	–	112
Draw-down of reserves upon vesting of performance shares	–	–	–	–	–	(119)	–	(119)
FVOCI (2017: AFS) financial assets and others:								
– net valuation taken to equity	(161)	(164)	56	–	–	–	–	(269)
– transferred to income statement	(5)	–	(146)	–	–	–	–	(151)
– taxation relating to components of other comprehensive income	8	8	8	–	–	–	–	24
Transfer to revenue reserves upon disposal of FVOCI equities	–	25	–	–	–	–	–	25
Balance at 31 December	(176)	(161)	(46)	95	(448)	166	4,271	3,701
2017								
Balance at 1 January	(60)	86	19	95	(180)	169	4,193	4,322
Net exchange translation adjustments	–	–	–	–	(174)	–	–	(174)
Share of associates' reserves	–	(3)	(1)	–	–	–	–	(4)
Cost of share-based payments	–	–	–	–	–	110	–	110
Draw-down of reserves upon vesting of performance shares	–	–	–	–	–	(106)	–	(106)
Transfer to revenue reserves (Note 35.2)	–	–	–	–	–	–	78	78
FVOCI (2017: AFS) financial assets and others:								
– net valuation taken to equity	198	123	70	–	–	–	–	391
– transferred to income statement	(107) ^(d)	(205)	(53)	–	–	–	–	(365)
– taxation relating to components of other comprehensive income	–	6	(2)	–	–	–	–	4
Balance at 31 December	31	7	33	95	(354)	173	4,271	4,256

(a) In 2017, the Group transferred \$78 million of other reserves to revenue reserves

(b) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, associates and branches, and the related foreign currency financial instruments designated as a hedge

(c) Other reserves mainly relate to share premium of the Bank prior to the restructuring of the Bank under the Company pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act on 26 June 1999

(d) Includes impairment of AFS financial assets of \$4 million

In \$ millions	The Company		Total
	Cash flow hedge reserves	Share plan reserves	
2018			
Balance at 1 January	(3)	173	170
Cost of share-based payments	–	112	112
Draw-down of reserves upon vesting of performance shares	–	(119)	(119)
Cash flow hedge reserves:			
– net valuation taken to equity	26	–	26
– transferred to income statement	(5)	–	(5)
– taxation relating to components of other comprehensive income	(4)	–	(4)
Balance at 31 December	14	166	180
2017			
Balance at 1 January	(1)	169	168
Cost of share-based payments	–	110	110
Draw-down of reserves upon vesting of performance shares	–	(106)	(106)
Cash flow hedge reserves:			
– net valuation taken to equity	(5)	–	(5)
– transferred to income statement	2	–	2
– taxation relating to components of other comprehensive income	1	–	1
Balance at 31 December	(3)	173	170

35.2 Revenue reserves

In \$ millions	The Group	
	2018	2017
Balance at 1 January	30,308	27,805
Impact of adopting SFRS(I) 9 on 1 January	95	–
Balance at 1 January after adoption of SFRS(I) 9	30,403	27,805
Transfers (Note 35.1)	–	(78)
Net profit attributable to shareholders	5,577	4,371
Other comprehensive income attributable to shareholders	86	(109)
Sub-total	36,066	31,989
Less: Final dividends on ordinary shares of \$0.60 paid for the previous financial year (2017: \$0.30 one-tier tax-exempt)	1,538	763
Special dividends on ordinary shares of \$0.50 paid for the previous financial year (2017: nil)	1,282	–
Interim dividends on ordinary shares of \$0.60 paid for the current financial year (2017: \$0.33 one-tier tax-exempt)	1,538	843
Dividends on other equity instruments	74	75
Balance at 31 December ^(a)	31,634	30,308

(a) 2018 includes regulatory loss allowance reserve of \$376 million, which is a non-distributable reserve

35.3 Proposed dividends

Proposed final one-tier tax-exempt dividends on ordinary shares of \$0.60 per share has not been accounted for in the financial statements for the year ended 31 December 2018. This is to be approved at the Annual General Meeting on 25 April 2019.

36. Non-controlling Interests

The following preference shares issued by subsidiaries of the Group are classified as non-controlling interests. These instruments have a deeply subordinated claim on the issuing entity's assets in the event of a liquidation. The instruments are in the first instance ineligible as capital instruments under Basel III rules as they lack provisions for conversion to ordinary shares or write-off at the point of non-viability as determined by the Monetary Authority of Singapore, but are accorded eligibility as Additional Tier 1 capital (subject to a cap) for calculating capital adequacy ratios under the Basel III transitional arrangements for capital instruments issued prior to 1 January 2013.

In \$ millions	Note	Issue Date	Liquidation Preference	Distribution Payment	The Group		
					31 Dec 2018	31 Dec 2017	1 Jan 2017
Issued by the Bank							
S\$800m 4.70% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares Callable in 2020	36.1	22 Nov 2010	\$100	May/ Nov	800	800	800
Issued by DBS Capital Funding II Corporation							
S\$1,500m 5.75% Non-Cumulative, Non-Convertible, Non-Voting, Guaranteed Preference Shares Callable with Step-up in 2018	36.2	27 May 2008	\$250,000	Jun/ Dec	–	1,500	1,500
Non-controlling interests in subsidiaries					30	44	61
Total					830	2,344	2,361

36.1 Dividends are payable if declared by the Board of Directors of the Bank. They are payable semi-annually on 22 May and 22 November each year at 4.70% per annum. The preference shares are redeemable on 22 November 2020 or on any date thereafter.

36.2 Dividends are payable if declared by the Board of Directors of DBS Capital Funding II Corporation. They are payable semi-annually on 15 June and 15 December each year at 5.75% per annum up to 15 June 2018, and thereafter quarterly on 15 March, 15 June, 15 September and 15 December each year at a floating rate of the three-month Singapore Dollar Swap Offer Rate plus 3.415% per annum. The preference shares were redeemed on 18 June 2018.

For more information on each instrument, please refer to the "Capital Disclosures" section (unaudited) at the Group's website (<http://www.dbs.com/investor/capital-disclosures.html>).

37. Contingent Liabilities and Commitments

The Group issues guarantees, performance bonds and indemnities in the ordinary course of business. The majority of these facilities are offset by corresponding obligations of third parties.

Guarantees and performance bonds are generally written by the Group to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amount.

Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

In \$ millions	The Group		
	2018	31 Dec 2017	1 Jan 2017
Guarantees on account of customers	14,990	13,378	15,078
Endorsements and other obligations on account of customers	9,613	7,441	7,636
Undrawn credit commitments ^(a)	272,486	244,397	235,324
Undisbursed and underwriting commitments in securities	7	76	9
Sub-total	297,096	265,292	258,047
Operating lease commitments (Note 37.1)	672	717	549
Capital commitments	81	74	69
Total	297,849	266,083	258,665

Analysed by industry (excluding operating lease and capital commitments)

Manufacturing	42,516	40,884	42,718
Building and construction	24,483	23,540	23,436
Housing loans	5,740	6,849	7,155
General commerce	55,308	47,231	50,338
Transportation, storage and communications	14,454	12,350	13,933
Financial institutions, investment and holding companies	28,654	25,312	22,686
Professionals and private individuals (excluding housing loans)	99,999	87,057	75,615
Others	25,942	22,069	22,166
Total	297,096	265,292	258,047

Analysed by geography^(b) (excluding operating lease and capital commitments)

Singapore	123,899	111,986	105,141
Hong Kong	49,289	44,364	48,334
Rest of Greater China	31,715	26,987	22,533
South and Southeast Asia	28,138	26,280	25,750
Rest of the World	64,055	55,675	56,289
Total	297,096	265,292	258,047

(a) Includes commitments that are unconditionally cancellable at any time by the Group (2018: \$230,291 million; 2017: \$204,338 million; 1 Jan 2017: \$193,016 million)

(b) Based on the location of incorporation of the counterparty or borrower

37.1 The Group has existing significant operating lease commitments including the leasing of office premises in Changi Business Park and Marina Bay Financial Centre in Singapore, and One Island East in Hong Kong. These include lease commitments for which the payments will be determined in the future based on the prevailing market rates in accordance with the lease agreements, of which the related amounts have not been included. The leases have varying terms, escalation clauses and renewal rights.

38. Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following sections outline the nature and terms of the most common types of derivatives used by the Group.

Interest rate derivatives

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate futures are exchange-traded agreements to buy or sell a standard amount of a specified fixed income security or time deposit at an agreed interest rate on a standard future date.

Interest rate options give the buyer, on payment of a premium, the right but not the obligation, to fix the rate of interest on a future deposit or loan, for a specified period and commencing on a specified future date.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds, instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. This category includes combinations of interest rate caps and floors, which are known as interest rate collars.

Foreign exchange derivatives

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Cross currency swaps are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

Currency options give the buyer, on payment of a premium, the right but not the obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Equity derivatives

Equity options give the buyer, on payment of a premium, the right but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

Equity swaps involve the exchange of a set of payments whereby one of these payments is based on an equity-linked return while the other is typically based on an interest reference rate.

Credit derivatives

Credit default swaps involve the transfer of credit risk of a reference asset from the protection buyer to the protection seller. The protection buyer makes one or more payments to the seller in exchange for an undertaking by the seller to make a payment to the buyer upon the occurrence of a predefined credit event.

Commodity derivatives

Commodity contracts are agreements between two parties to exchange cash flows which are dependent on the price of the underlying physical assets.

Commodity futures are exchange-traded agreements to buy or sell a standard amount of a commodity at an agreed price on a standard future date.

Commodity options give the buyer, on payment of a premium, the right but not the obligation, to buy or sell a specific amount of commodity at an agreed contract price on or before a specified date.

38.1 Trading derivatives

Most of the Group's derivatives relate to sales and trading activities. Sales activities include the structuring and marketing of derivatives to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities are entered into principally for dealer's margin or for the purpose of generating a profit from short-term fluctuations in price.

Trading includes mainly market-making and warehousing to facilitate customer orders. Market-making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Warehousing involves holding on to positions in order to liquidate in an orderly fashion with timing of unwinding determined by market conditions and traders' views of markets as they evolve.

38.2 Hedging derivatives

The accounting treatment of the hedge derivative transactions varies according to the nature of the hedge and whether the hedge meets the specified criteria to qualify for hedge accounting. Derivatives transacted as economic hedges but do not qualify for hedge accounting are treated in the same way as derivative instruments held for trading purposes.

Please refer to Note 39 for more details on derivatives used for hedging.

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and hedging purposes outstanding at balance sheet date. They do not represent amounts at risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected as derivative assets or derivative liabilities. Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There were no offset of derivative assets and liabilities in 2018 and 2017.

In \$ millions	The Group								
	31 Dec			2017			1 Jan		
	2018			2017			2017		
	Underlying notional	Assets	Liabilities	Underlying notional	Assets	Liabilities	Underlying notional	Assets	Liabilities
Derivatives held for trading									
Interest rate derivatives									
Forward rate agreements	4,370	–	1	–	–	–	1,000	#	#
Interest rate swaps	1,072,567	6,571	7,092	1,061,438	5,596	5,612	1,079,582	6,728	6,591
Interest rate futures	19,257	9	57	17,648	5	2	14,554	5	3
Interest rate options	9,115	103	73	7,624	85	69	8,002	72	84
Interest rate caps/ floors	31,079	500	867	27,769	385	787	27,707	510	953
Sub-total	1,136,388	7,183	8,090	1,114,479	6,071	6,470	1,130,845	7,315	7,631
Foreign exchange (FX) derivatives									
FX contracts	574,129	3,952	3,819	517,765	5,552	5,901	576,320	8,221	8,063
Currency swaps	196,738	4,058	3,110	207,982	4,889	4,288	207,853	8,368	7,106
Currency options	81,572	473	562	72,219	458	561	94,173	983	1,008
Sub-total	852,439	8,483	7,491	797,966	10,899	10,750	878,346	17,572	16,177
Equity derivatives									
Equity options	7,342	231	385	4,964	67	135	2,934	29	69
Equity swaps	4,319	597	38	3,125	9	82	1,766	21	33
Sub-total	11,661	828	423	8,089	76	217	4,700	50	102
Credit derivatives									
Credit default swaps and others	27,302	197	81	27,070	209	258	31,969	191	192
Sub-total	27,302	197	81	27,070	209	258	31,969	191	192
Commodity derivatives									
Commodity contracts	572	29	43	966	64	21	1,072	115	52
Commodity futures	1,532	36	29	343	22	6	1,217	52	62
Commodity options	570	5	6	631	3	3	742	12	14
Sub-total	2,674	70	78	1,940	89	30	3,031	179	128
Total derivatives held for trading	2,030,464	16,761	16,163	1,949,544	17,344	17,725	2,048,891	25,307	24,230

In \$ millions	The Group								
	31 Dec			2017			1 Jan		
	2018			2017			2017		
	Underlying notional	Assets	Liabilities	Underlying notional	Assets	Liabilities	Underlying notional	Assets	Liabilities
Derivatives held for hedging									
Interest rate swaps held for fair value hedge	14,100	145	60	11,670	113	82	13,398	141	90
Interest rate swaps held for cash flow hedge	750	1	1	1,692	7	#	900	5	1
FX contracts held for fair value hedge	36	–	2	–	–	–	–	–	–
FX contracts held for cash flow hedge	2,932	1	42	3,161	18	63	3,630	106	133
FX contracts held for hedge of net investment	682	1	2	1,717	2	27	1,635	7	21
Currency swaps held for fair value hedge	410	18	#	325	#	–	–	–	–
Currency swaps held for cash flow hedge	14,004	102	422	6,091	100	106	2,089	191	22
Currency swaps held for hedge of net investment	–	–	–	1,767	1	–	–	–	–
Total derivatives held for hedging	32,914	268	529	26,423	241	278	21,652	450	267
Total derivatives	2,063,378	17,029	16,692	1,975,967	17,585	18,003	2,070,543	25,757	24,497
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR) (unaudited)		(8,824)	(8,824)		(9,696)	(9,696)		(14,788)	(14,788)
		8,205	7,868		7,889	8,307		10,969	9,709

Amount under \$500,000

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to \$1,015 billion (2017: \$1,044 billion; 1 January 2017: \$1,125 billion) and \$1,048 billion (2017: \$932 billion; 1 January 2017: \$946 billion) respectively. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

39. Hedge Accounting

The Group enters into hedging transactions to manage exposures to interest rate and foreign currency risks. Hedge accounting is applied to minimise volatility in earnings arising from changes in interest rate and foreign exchange rates.

Please refer to Risk management section for more information on market risk and the Group's risk management practices and Note 2.19 for the Group's accounting policy for hedge accounting.

39.1 Fair value hedge

In accordance with the risk management strategy in place, the Group enters into interest rate swaps to mitigate the risk of changes in interest rates on the fair value of the following:

- issued fixed rate debt;
- a portion of purchased fixed rate bonds; and
- some large exposures to corporate loans.

In such instances, the Group hedges the benchmark interest rate risk

component which is an observable and reliably measurable component of interest rate risk. Specifically, the Group has designated fair value hedge relationships, on a hedge-by-hedge basis, to hedge against movements in the benchmark interest rate. This effectively results in the recognition of interest expense (for fixed rate liabilities), or interest income (for fixed rate assets) at floating rates. The Group also uses cross currency swaps when there is a need to hedge both interest rate and foreign exchange risks.

The Group manages all other risks arising from these exposures, such as credit risk, but hedge accounting is not applied for those risks.

The Group assesses prospective hedge effectiveness by comparing the changes in fair value of the hedged item resulting from movements in the benchmark interest rate with the changes in fair value of the interest rate swaps used to hedge the exposure. The Group determines the hedge ratio by comparing the notional of the derivative with the principal of the debt issued or the bond asset purchased, or the loan granted.

For all interest rate swaps used for hedging purposes, critical terms match or nearly match those of the underlying hedged items.

The Group has identified the following possible sources of ineffectiveness:

- the use of derivatives as a protection against interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties;
- the use of different discounting curves when measuring the fair value of the hedged items and hedging instruments. For derivatives the discounting curve used depends on collateralisation and the type of collateral used; and
- difference in the timing of settlement of hedging instruments and hedged items.

No other significant sources of ineffectiveness were identified in these hedge relationships.

The Group typically uses foreign currency denominated borrowings/ deposits to fund its investments in non-SGD denominated FVOCI equity instruments. To reduce the accounting mismatch on the borrowings/ deposits and FVOCI equity instruments because of foreign exchange rate movements, the Group designates the borrowings/ deposits as the hedging instruments in fair value hedges of the FVOCI equity instruments. The hedge ratio is determined by comparing the principal of the borrowings/ deposits with the investment costs of the FVOCI equity instruments. A potential source of ineffectiveness is a decrease in the fair value of the equity instruments below their investment costs.

The following table sets out the maturity profile of the hedging instruments used in fair value hedges. The amounts shown in the table reflect the notional amounts of derivatives and the carrying amounts of borrowings and deposits. Please refer to Note 38 for the carrying values of the derivatives.

2018 In \$ millions	Type of risk hedged	The Group			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Derivatives (notional)					
Interest rate swaps	Interest rate	2,349	11,406	345	14,100
Currency swaps	Interest rate & Foreign exchange	125	213	72	410
FX contracts	Foreign exchange	36	–	–	36
Total derivatives		2,510	11,619	417	14,546
Non-derivative instruments					
(e.g. borrowings, deposits)	Foreign exchange	1,005	–	–	1,005
Total non-derivative instruments		1,005	–	–	1,005

The table below provides information on hedged items relating to fair value hedges.

2018 In \$ millions	Carrying amounts (including hedge adjustments)	The Group	
		Fair value hedge adjustments included in carrying amounts	
Assets			
Loans and advances to customers	897		4
Government securities and treasury bills ^(a)	1,142		–
Bank and corporate securities ^(a)	6,649		(43)
Liabilities			
Subordinated term debts	729		4
Other debt securities	6,044		38

(a) The carrying amounts of debt and equity instruments at fair value through other comprehensive income do not include fair value hedge adjustments as the hedged assets are measured at fair value. The accounting for the hedge relationship results in a transfer from other comprehensive income to the income statement

For the year ended 31 December 2018, the net gains on hedging instruments used to calculate hedge effectiveness was \$105 million (2017: \$41 million). The net losses on hedged items attributable to the hedged risk amounted to \$103 million (2017: \$47 million).

39.2 Cash flow hedge

The Group is predominantly exposed to variability in future cash flows due to interest rate movements and foreign currency fluctuations against SGD from the following:

- SGD assets subject to repricing, reinvestment or refinancing risk;
- forecasted interest earnings denominated in foreign currency;
- issued floating or fixed rate foreign currency debt; and
- a portion of purchased floating or fixed rate foreign currency bonds.

In accordance with the Group risk management strategy, the Group enters into interest rate swaps, forward contracts or cross currency swaps to protect against the variability of cash flows due to changes in interest rates and/ or foreign currency exchange rates.

In such instances, cash flow hedge relationships are designated. These are applied on a hedge-by-hedge basis, except for cash flows from SGD assets subject to repricing, reinvestment or refinancing risk, for which a portfolio cash flow hedge relationship is designated using interest rate swaps. A dynamic process is applied for this hedge as the portfolio composition can change e.g. due to maturities and new originations. The portfolio cash flow hedge relationships effectively extend the duration of the assets, such that the interest cash flows are transformed from a floating rate basis to a fixed rate basis.

The Group enters into forward contracts to hedge against variability in future cash flows arising from USD-denominated interest income.

The Group also enters into cross currency swaps to mitigate 100% of the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency rates of issued foreign currency debt and a portion of purchased foreign currency bonds. Critical terms of the cross-currency swaps match that of the issued foreign currency debt or purchased foreign currency bonds. In this way, the Group exchanges foreign currency interest and principal cash flows, to SGD cash flows.

The Group manages all other risks derived by these exposures, such as credit risk, but they do not apply hedge accounting for these risks.

The Group assesses hedge effectiveness by comparing the changes in fair value of a hypothetical derivative reflecting the terms of the hedged item due to movements in the hedged risk with the changes in fair value of the derivatives used to hedge the exposure.

The Group determines the hedge ratio by comparing the notional of the derivatives with the SGD assets subject to repricing/ reinvestment/ refinancing risk or amount of forecast earnings denominated in foreign currency or the principal of the debt securities issued or purchased foreign currency bonds.

The Group has identified the following possible sources of ineffectiveness in its cash flow hedge relationships:

- the use of derivatives as a protection against currency and interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties;
- difference in tenor of hedged items and hedging instruments;
- difference in timing of settlement of the hedging instrument and hedged item; and
- designation of off-market hedging instruments.

The following table sets out the maturity profile of the hedging instruments used in cash flow hedges. The amounts shown in the table reflect the notional amounts of derivatives and the carrying amounts of loans and deposits. Please refer to Note 38 for the carrying values of the derivatives.

2018 In \$ millions	Type of risk hedged	The Group			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Derivatives (notional)					
Interest rate swaps	Interest rate	450	300	–	750
Currency swaps	Interest rate & Foreign exchange	1,465	11,424	1,115	14,004
FX contracts	Foreign exchange	2,932	–	–	2,932
Total		4,847	11,724	1,115	17,686

The hedge ineffectiveness arising from these hedges was insignificant.

Please refer to Note 35 for information on the cash flow hedge reserves.

39.3 Net investment hedges

The Group manages currency risk of its net investment in foreign operations (or structural foreign exchange risk) using foreign currency borrowings, FX forwards and FX swaps.

Structural foreign exchange exposures are managed with the primary aim of ensuring that consolidated capital ratios are largely protected from the effect of fluctuations in foreign exchange rates against SGD.

Under the Group's hedging strategy, the carrying amount of these investments could be fully hedged, partially hedged or not hedged at all. The Group regularly reviews its hedging strategy, taking into account the long-term outlook of currency fundamentals and the impact of fluctuations in foreign exchange rates on capital adequacy ratios. As part of this review, the Group reduced its net investment hedges during the year.

The tables below analyses the currency exposure of the Group by functional currency.

In \$ millions	Net investments in foreign operations ^(a)	The Group Financial instruments which hedge the net investments	Remaining unhedged currency exposures
31 Dec 2018			
Hong Kong dollar	12,199	326	11,873
Chinese yuan	2,483	277	2,206
Others	6,094	319	5,775
Total	20,776	922	19,854
31 Dec 2017			
Hong Kong dollar	10,429	9,409	1,020
Chinese yuan	2,276	286	1,990
Others	5,470	2,661	2,809
Total	18,175	12,356	5,819
1 Jan 2017			
Hong Kong dollar	10,422	9,326	1,096
Chinese yuan	2,292	290	2,002
Others	5,534	2,526	3,008
Total	18,248	12,142	6,106

(a) Refers to net tangible assets of subsidiaries, associates and overseas branches

Please refer to Note 35 for information on the capital reserves. Capital reserves include the effect of translation differences on net investments in foreign subsidiaries, associates and branches, and the related foreign currency financial instruments designated for hedge accounting.

40. Share-based Compensation Plans

As part of the Group's remuneration policy, the Group provides various share-based compensation plans to foster a culture that aligns employees' interests with shareholders', enable employees to share in the Bank's performance and enhance talent retention.

Main Scheme/ Plan	Note
DBSH Share Plan (Share Plan) <ul style="list-style-type: none">The Share Plan is granted to Group executives as determined by the Committee appointed to administer the Share Plan from time to time.Participants are awarded shares of the Company or, at the Committee's discretion, their equivalent cash value or a combination.Awards consist of main award and retention award (20% of main award). Dividends on unvested shares do not accrue to employees.The main award vests from 2 to 4 years after grant i.e. 33% will vest 2 years after grant; another 33% will vest on the third year and the remaining 34% plus the retention award will vest 4 years after grant.The awards will lapse immediately upon termination of employment, except in the event of ill health, injury, disability, redundancy, retirement or death.The market price of shares on the grant date is used to estimate the fair value of the shares awarded.Vested and unvested shares are subject to clawback/ malus. Conditions that trigger such clawback/ malus are in the Corporate Governance section of the Annual Report.Shares are awarded to non-executive directors as part of director's remuneration. Details of these awards are disclosed in the Corporate Governance section of the Annual Report.	40.1
DBSH Employee Share Plan (ESP) <ul style="list-style-type: none">The ESP caters to employees not eligible to participate in the above listed Share Plan. Eligible employees are awarded ordinary shares of the Company, their equivalent cash value or a combination of both (at the discretion of the Committee), when time-based conditions are met.The awards structure and vesting conditions are similar to Share Plan.There are no additional retention awards for shares granted to top performers and key employees.However, in specific cases where the award forms part of an employee's annual performance remuneration, the retention award which constitutes 20% of the shares given in the main award will be granted. The shares in the retention award will vest 4 years after the date of grant. For such cases, vested and unvested shares are subject to clawback/ malus. Conditions that trigger such clawback/ malus are in the Corporate Governance section of the Annual Report.	40.1
DBSH Share Ownership Scheme <ul style="list-style-type: none">All Singapore-based employees with at least one year of service who hold the rank of Assistant Vice President and below are eligible.Participants contribute up to 10% of monthly salary and the Group will match up to 5% of monthly base salary to buy units of the Company's ordinary shares.	40.2

40.1 DBSH Share Plan and DBSH Employee Share Plan

The following table sets out the movements of the awards during the year.

Number of shares	The Group			
	2018		2017	
	Share Plan	ESP	Share Plan	ESP
Balance at 1 January	19,238,282	2,338,534	19,663,278	2,287,414
Granted ^(a)	4,329,124	642,731	5,483,617	901,838
Vested	(5,989,489)	(700,182)	(5,372,256)	(610,968)
Forfeited	(388,874)	(248,563)	(536,357)	(239,750)
Balance at 31 December	17,189,043	2,032,520	19,238,282	2,338,534
Weighted average fair value of the shares granted during the year	\$26.24	\$26.46	\$18.58	\$18.50

(a) 2018 includes adjustments (320,063 shares) made to all unvested share awards following the shareholders' approval for the special dividend of \$0.50 per ordinary share at DBSH's Annual General Meeting held on 25 April 2018 in accordance with terms of the Share Plan and ESP

40.2 DBSH Share Ownership Scheme

The outstanding shares held under DBSH Share Ownership Scheme are as follows:

	The Group			
	Number of shares		Market value (in \$ millions)	
	2018	2017	2018	2017
Balance at 1 January	6,967,989	8,388,820	173	145
Balance at 31 December	7,036,093	6,967,989	167	173

41. Related Party Transactions

41.1 Transactions between the Company and its subsidiaries, including consolidated structured entities, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

41.2 During the financial year, the Group had banking transactions with related parties, consisting of associates and key management personnel of the Group. These included the taking of deposits and extension of credit card and other loan facilities. These transactions were made in the ordinary course of business and carried out at arms-length commercial terms, and were not material.

In addition, key management personnel received remuneration for services rendered during the financial year. Non-cash benefits including performance shares were also granted.

41.3 Total compensation and fees to key management personnel^(a) are as follows:

In \$ millions	The Group		
	2018	31 Dec 2017	1 Jan 2017
Short-term benefits ^(b)	51	44	40
Share-based payments ^(c)	32	29	30
Total	83	73	70
Of which: Company Directors' remuneration and fees	16	15	14

(a) Includes Company Directors and members of the Management Committee who have authority and responsibility in planning the activities and direction of the Group. The composition and number of Directors and Management Committee members may differ from year to year. The Management Committee members have increased from 19 in 2017 to 22 in 2018

(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year

(c) Share-based payments are expensed over the vesting period in accordance with SFRS(I) 2

42. Fair Value of Financial Instruments

42.1 Valuation Process

The valuation processes within the Group are governed by the Valuation Policy, which is approved by the Board Risk Management Committee.

The Valuation Policy applies to all financial assets and liabilities that are measured at fair value, covering both market prices as well as model inputs. Financial assets and liabilities are marked directly using reliable and independent quoted market prices where available or by using reliable and independent market parameters (as model inputs) in conjunction with a valuation model.

Valuation models go through an assurance process carried out by the Risk Management Group (RMG), independent of the model developers. This assurance process covers the review of the underlying methodology including its logic and conceptual soundness together with the model inputs and outputs. Model assurances are conducted prior to implementation and subject to regular review or when there are significant changes arising from market or portfolio changes. Where necessary, the Group also imposes model reserves and other adjustments in determining fair value. Models are approved by the Group Market and Liquidity Risk Committee.

A process of independent price verification (IPV) is in place to establish the accuracy of the market parameters used when the marking is performed by the Front Office. The IPV process entails independent checks to compare traders' marks to independent sources such as broker/ dealer quotes or market consensus providers.

Where market parameters are sourced independently for the marking of financial assets and liabilities, or used as inputs into a valuation model, these are checked for reliability and accuracy, for example by reviewing large daily movements or by referencing other similar sources, or transactions.

Valuation adjustments and reserves are taken to account for close-out costs, model and market parameter uncertainty, and any other factor that may affect valuations. Valuation adjustment and reserve methodologies are approved by the Group Market and Liquidity Risk Committee and governed by the Valuation Policy.

The main valuation adjustments and reserves are described below.

Model and Parameter Uncertainty Adjustments

Valuation uncertainties may occur during fair value measurement either due to uncertainties in the required input parameters or uncertainties in the modelling methods used in the valuation process. In such situations, adjustments may be necessary to take these factors into account.

For example, where market data such as prices or rates for an instrument are no longer observable after an extended period of time, these inputs used to value the financial instruments may no longer be relevant in the current market conditions. In such situations, adjustments may be necessary to address the pricing uncertainty arising from the use of stale market data inputs.

Credit Valuation Adjustments

Credit valuation adjustments are taken to reflect the impact on fair value of counterparty credit risk. Credit valuation adjustments are based upon the creditworthiness of the counterparties, magnitude of the current or potential exposure on the underlying transactions, netting and collateral arrangements, and the maturity of the underlying transactions.

Funding Valuation Adjustments

Funding valuation adjustments represent an estimate of the adjustment to fair value that a market participant would make in incorporating funding costs and benefits that arise in relation to uncollateralised derivatives positions.

Day 1 Profit or Loss (P&L) Reserve

In situations where the market for an instrument is not active and its fair value is established using a valuation model based on significant unobservable market parameters, the Day 1 P&L arising from the difference in transacted price and end-of-day model valuation is set aside as reserves. A market parameter is defined as being significant when its impact on the Day 1 P&L is greater than an internally determined threshold. The Day 1 P&L reserve is released to the income statement when the parameters become observable or when the transaction is closed out or amortised over the duration of the transaction. At year end, the unamortised Day 1 P&L was not material.

Bid-Offer Adjustments

The Group often holds, at varying points in time, both long or short positions in financial instruments which are valued using mid-market levels. Bid-offer adjustments are then made to account for close-out costs.

42.2 Fair Value Hierarchy

The fair value hierarchy accords the highest level to observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities and the lowest level to unobservable inputs. The fair value measurement of each financial instrument is categorised in accordance with the same level of the fair value hierarchy as the input with the lowest level that is significant to the entire measurement. If unobservable inputs are deemed significant, the financial instrument will be categorised as Level 3.

Financial instruments that are valued using quoted prices in active markets are classified as Level 1 within the fair value hierarchy. These would include government and sovereign securities, listed equities and corporate debt securities which are actively traded. Derivatives contracts which are traded in an active exchange market are also classified as Level 1 of the valuation hierarchy.

Where fair value is determined using quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group will determine the fair value based on valuation techniques that use market parameters as inputs including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data so that reliability of the fair value measurement is high. These would include corporate debt securities, repurchase, reverse repurchase agreements and most of the Group's OTC derivatives.

The Group classifies financial instruments as Level 3 when there is reliance on unobservable market parameters whether used directly to value a financial asset or liability, or used as inputs to a valuation model, attributing to a significant contribution to the instrument value. These would include all input parameters which are derived from historical data, for example, asset correlations or certain volatilities. Level 3 instruments also include unquoted equity securities which are measured based on the net asset value of the investments. In addition, Level 3 inputs include all stale quoted security prices and other approximations (e.g. bonds valued using credit default swap spreads).

The following tables present assets and liabilities measured at fair value, classified by level within the fair value hierarchy.

In \$ millions	The Group			Total
	Level 1	Level 2	Level 3	
31 Dec 2018				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	8,707	1,876	–	10,583
– Bank and corporate securities	9,323	4,715	433 ^(a)	14,471
– Other financial assets	–	12,826	–	12,826
FVOCI financial assets				
– Government securities and treasury bills	17,907	1,394	–	19,301
– Bank and corporate securities	8,828	1,119	327 ^(a)	10,274
– Other financial assets	27	4,680	–	4,707
Derivatives	52	16,975	2	17,029
Liabilities				
Financial liabilities at FVPL				
– Other debt securities	–	7,132	–	7,132
– Other financial liabilities	1,733	3,715	–	5,448
Derivatives	90	16,593	9	16,692

(a) Increases in Level 3 financial asset at FVPL and FVOCI are mainly due to notes purchased during the year which are marked using approximations and unquoted equities which have to be measured at fair value on SFRS(I) 9 adoption

In \$ millions	The Group			Total
	Level 1	Level 2	Level 3	
31 Dec 2017				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	8,001	1,971	–	9,972
– Bank and corporate securities	9,443	3,844	25	13,312
– Other financial assets	–	12,589	–	12,589
AFS financial assets				
– Government securities and treasury bills	26,907	919	–	27,826
– Bank and corporate securities ^(a)	14,278	1,379	72	15,729
– Other financial assets	–	4,899	–	4,899
Derivatives	27	17,558	–	17,585
Liabilities				
Financial liabilities at FVPL				
– Other debt securities	–	5,972	–	5,972
– Other financial liabilities	1,961	1,683	–	3,644
Derivatives	9	17,992	2	18,003
1 Jan 2017				
Assets				
Financial assets at FVPL				
– Government securities and treasury bills	7,713	1,285	–	8,998
– Bank and corporate securities	5,022	2,743	42	7,807
– Other financial assets	–	9,133	–	9,133
AFS financial assets				
– Government securities and treasury bills	21,352	1,089	–	22,441
– Bank and corporate securities ^(a)	14,510	1,598	115	16,223
– Other financial assets	–	4,417	–	4,417
Derivatives	57	25,699	1	25,757
Liabilities				
Financial liabilities at FVPL				
– Other debt securities	–	5,045	4	5,049
– Other financial liabilities	2,290	1,881	–	4,171
Derivatives	66	24,415	16	24,497

(a) 31 Dec 2017 excludes unquoted equities stated at cost of \$178 million (1 Jan 2017: \$242 million)

The following table presents the changes in Level 3 instruments.

In \$ millions	The Group				
	Financial assets			Financial liabilities	
	FVPL	FVOCI/ AFS	Derivatives	FVPL	Derivatives
	Bank and corporate securities	Bank and corporate securities		Other debt securities	
2018					
Balance at 1 January ^(a)	25	280	–	–	(2)
Purchases/ Issues	392	21	–	(2)	–
Settlements	(6)	(20)	–	–	–
Transfers:					
– Transfers into Level 3	11	59	–	–	–
– Transfers out of Level 3	–	–	–	1	–
Gains/ (losses) recorded in the income statement	11	–	2	1	(7)
Gains/ (losses) recognised in other comprehensive income	–	(13)	–	–	–
Balance at 31 December	433	327	2	–	(9)
2017					
Balance at 1 January	42	115	1	(4)	(16)
Purchases/ Issues	5	1	–	(1)	–
Settlements	(18)	(21)	–	–	–
Transfers:					
– Transfers into Level 3	2	–	–	–	–
– Transfers out of Level 3	–	(17)	(1)	5	8
Gains/ (losses) recorded in the income statement	(6)	11	–	–	6
Gains/ (losses) recognised in other comprehensive income	–	(17)	–	–	–
Balance at 31 December	25	72	–	–	(2)

(a) The opening balance of Level 3 instruments included transition adjustments arising from reclassification of unquoted equities at cost to fair value on adoption of SFRS(I) 9

Economic hedges entered into for Level 2 exposures may be classified within a different category (i.e. Level 1) and similarly, hedges entered for Level 3 exposures may also be classified within a different category (i.e. Level 1 and/ or Level 2). The effects are presented gross in the table.

During the year, the Group transferred financial assets and liabilities from Level 1 to Level 2 due to reduced market activity and from Level 2 to Level 1 arising from increased market activity.

Gains and losses on Level 3 financial assets and liabilities measured at fair value

In \$ millions	The Group		
	Net trading Income	Net income from investment securities	Total
2018			
Total gain for the period included in income statement	7	–	7
Of which:			
Change in unrealised gain/ (loss) for assets and liabilities held at the end of the reporting period	9	–	9
2017			
Total gain for the period included in income statement	–	11	11
Of which:			
Change in unrealised gain/ (loss) for assets and liabilities held at the end of the reporting period	3	–	3

Fair value gains or losses taken to other comprehensive income are reported in the Statement of Comprehensive Income as “Net valuation taken to equity”.

Effect of changes in significant unobservable inputs to reflect reasonably possible alternatives

As at 31 December 2018, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included equity investments, bank and corporate debt securities, interest rate, foreign exchange and credit derivatives.

There are limited inter-relationships between unobservable inputs as the financial instruments are usually categorised as Level 3 because of a single unobservable input.

In assessing whether the unobservable inputs are significant to the valuation, the Group performed sensitivity analysis based on methodologies applied for fair value adjustments. These adjustments reflect the values which the Group estimates to be appropriate to reflect uncertainties in the inputs used (e.g. based on stress testing methodologies on the unobservable input). The methodologies used can be statistical or based on other relevant approved techniques.

The movement in fair value arising from reasonably possible changes to the significant unobservable inputs was assessed as not significant.

In \$ millions	The Group			Classification	Valuation technique	Unobservable input
	31 Dec 2018	2017	1 Jan 2017			
Assets						
Bank and corporate debt securities	433	25	42	FVPL	Discounted cash flows	Credit spreads
Bank and corporate debt securities	–	–	20	AFS	Discounted cash flows	Credit spreads
Equity securities (Unquoted)	327	72	95	FVOCI/ AFS	Net asset value	Net asset value of securities
Derivatives	2	–	1	FVPL	Option & interest rate pricing model	Volatility
Total	762	97	158			
Liabilities						
Other debt securities	–	–	4	FVPL	Discounted cash flows/ Option pricing model	Credit spreads/ Correlations
Derivatives	9	2	16	FVPL	Discounted cash flows/ CDS models/ Option & interest rate pricing model	Credit spreads/ Correlations/ Volatility
Total	9	2	20			

42.3 Own credit adjustments on financial liabilities designated at fair value through profit or loss

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to the Group's own credit risk are recognised in other comprehensive income. As the Group does not hedge changes in own credit risk arising from financial liabilities, presenting the own credit movements within other comprehensive income does not create or increase an accounting mismatch in the income statement.

The change in fair value attributable to changes in own credit risk has been determined as the amount of change in fair value that is attributable to changes in funding spreads above benchmark interest rates. Fair value changes arising from factors other than the Group's own credit risk are insignificant.

The cumulative amounts attributable to changes in own credit risk for these financial liabilities as at 31 December 2018 was immaterial (2017: unrealised loss of \$115 million; 1 January 2017: unrealised loss of \$3 million).

Realised gains or losses attributable to changes in own credit risk for 2018 were insignificant.

42.4 Financial assets & liabilities not carried at fair value

For financial assets and liabilities not carried at fair value in the financial statements, the Group has ascertained that their fair values were not materially different from their carrying amounts at year-end.

For cash and balances with central banks, due from banks, loans and advances to customers, as well as due to banks and deposits and balances from customers, the basis of arriving at fair values is by discounting cash flows using the relevant market interest rates for the respective currencies.

For investment debt securities, subordinated term debts and other debts issued, fair values are determined based on independent market quotes, where available. Where market prices are not available, fair values are estimated using discounted cash flow method.

The fair value of variable interest-bearing as well as short-term financial instruments accounted for at amortised cost is assumed to be approximated by their carrying amounts.

43. Credit Risk

43.1 Maximum exposure to credit risk

The following table shows the exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held, other credit enhancements and netting arrangements. For on-balance sheet financial assets, the maximum credit exposure is the carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the amount the Group would have to pay if the instrument is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

In \$ millions	The Group		
	2018	31 Dec 2017	1 Jan 2017
On-balance sheet			
Cash and balances with central banks (excluding cash on hand)	19,725	24,258	23,902
Government securities and treasury bills	47,278	39,753	33,401
Due from banks	40,178	35,975	30,018
Derivatives	17,029	17,585	25,757
Bank and corporate debt securities	50,588	50,192	41,439
Loans and advances to customers	345,003	323,099	301,516
Other assets (excluding deferred tax assets)	13,062	11,666	10,709
	532,863	502,528	466,742
Off-balance sheet			
Contingent liabilities and commitments (excluding operating lease and capital commitments)	297,096	265,292	258,047
Total	829,959	767,820	724,789

The Group's exposures to credit risk, measured using the expected gross credit exposures that will arise upon a default of the end obligor are as shown in the Group's Pillar 3 Disclosures. These exposures, which include both on-balance sheet and off-balance sheet financial instruments, are shown without taking into account any collateral held or netting arrangements.

Analysis of Collateral

Whilst the Group's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Group's exposure.

The description of collateral for each class of financial asset is set out below.

Balances with central banks, government securities and treasury bills, due from banks and bank and corporate debt securities

Collateral is generally not sought for these assets.

Derivatives

The Group maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions. Please refer to Note 38 for the impact of netting arrangements recognised for the computation of Capital Adequacy Ratio (CAR).

Loans and advances to customers, contingent liabilities and commitments

Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties. Income-producing real estate, which is a sub-set of the Specialised Lending exposure, is fully secured by the underlying assets financed.

The extent to which credit exposures are covered by Basel eligible collateral, besides real estate, after the application of the requisite regulatory hair-cuts, is shown in the Group's Pillar 3 Disclosures. The amounts are a sub-set of the actual collateral arrangements entered by the Group as Basel imposes strict legal and operational standards before collateral can be admitted as credit risk mitigants. As a result, certain collateral arrangements which do not meet its criteria will not be included. Certain collateral types which are not permitted as credit risk mitigants for credit exposures under the Standardised Approach are also excluded.

43.2 Loans and advances to customers

In \$ millions	The Group		1 Jan
	2018	31 Dec 2017	2017
Loans and advances to customers			
Performing Loans			
– Neither past due nor impaired (i)	342,237	320,270	299,602
Pass	339,442	316,787	295,010
Special Mention	2,795	3,483	4,592
– Past due but not impaired (ii)	2,157	1,982	1,397
Non-Performing Loans			
– Impaired (iii)	5,251	5,517	4,416
Total gross loans (Note 19)	349,645	327,769	305,415

(i) Neither past due nor impaired loans by grading and industry

The credit quality of the portfolio of loans and advances that are neither past due nor impaired can be assessed by reference to the loan gradings in MAS Notice 612.

In \$ millions	The Group		Total
	Pass	Special Mention	
31 Dec 2018			
Manufacturing	35,928	255	36,183
Building and construction	76,012	134	76,146
Housing loans	74,119	3	74,122
General commerce	46,134	438	46,572
Transportation, storage and communications	26,380	1,122	27,502
Financial institutions, investment and holding companies	24,616	40	24,656
Professionals and private individuals (excluding housing loans)	29,639	34	29,673
Others	26,614	769	27,383
Total	339,442	2,795	342,237
31 Dec 2017			
Manufacturing	31,082	633	31,715
Building and construction	63,632	567	64,199
Housing loans	72,455	10	72,465
General commerce	49,436	770	50,206
Transportation, storage and communications	26,837	761	27,598
Financial institutions, investment and holding companies	17,001	36	17,037
Professionals and private individuals (excluding housing loans)	28,368	4	28,372
Others	27,976	702	28,678
Total	316,787	3,483	320,270
1 Jan 2017			
Manufacturing	29,184	1,053	30,237
Building and construction	57,416	514	57,930
Housing loans	63,859	3	63,862
General commerce	44,873	1,005	45,878
Transportation, storage and communications	28,815	1,585	30,400
Financial institutions, investment and holding companies	16,535	71	16,606
Professionals and private individuals (excluding housing loans)	24,387	37	24,424
Others	29,941	324	30,265
Total	295,010	4,592	299,602

(ii) Past due but not impaired loans by past due period and industry

In \$ millions	The Group			Total
	Less than 30 days past due	30 to 59 days past due	60 to 90 days past due	
31 Dec 2018				
Manufacturing	110	3	–	113
Building and construction	127	1	10	138
Housing loans	588	88	31	707
General commerce	218	30	5	253
Transportation, storage and communications	175	2	1	178
Financial institutions, investment and holding companies	277	14	27	318
Professionals and private individuals (excluding housing loans)	337	53	23	413
Others	19	17	1	37
Total	1,851	208	98	2,157
31 Dec 2017				
Manufacturing	99	4	1	104
Building and construction	89	2	1	92
Housing loans	529	87	45	661
General commerce	261	25	4	290
Transportation, storage and communications	38	19	1	58
Financial institutions, investment and holding companies	99	19	–	118
Professionals and private individuals (excluding housing loans)	378	74	78	530
Others	119	8	2	129
Total	1,612	238	132	1,982
1 Jan 2017				
Manufacturing	87	3	4	94
Building and construction	45	1	1	47
Housing loans	370	76	23	469
General commerce	108	10	5	123
Transportation, storage and communications	104	24	9	137
Financial institutions, investment and holding companies	53	–	–	53
Professionals and private individuals (excluding housing loans)	298	65	24	387
Others	82	4	1	87
Total	1,147	183	67	1,397

(iii) Non-performing assets (NPAs)

In \$ millions	The Group	
	2018	2017
Balance at 1 January	6,070	4,856
Institutional Banking & Others		
– New NPAs	844	3,046
– Upgrades	(40)	(25)
– Net repayments	(727)	(516)
– Write-offs	(492)	(1,284)
Consumer Banking/ Wealth Management (net movement)	(29)	57
Exchange differences	27	(253)
Acquisition of new business	31	189
Balance at 31 December	5,684	6,070

Non-performing assets by grading and industry

In \$ millions	The Group							
	NPAs			Specific allowances				
	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
31 Dec 2018								
Manufacturing	291	209	72	572	40	190	72	302
Building and construction	143	54	51	248	28	48	51	127
Housing loans	164	8	10	182	–	–	10	10
General commerce	286	267	92	645	8	168	92	268
Transportation, storage and communications	1,376	323	1,170	2,869	200	136	1,170	1,506
Financial institutions, investment and holding companies	22	19	7	48	3	8	7	18
Professionals and private individuals (excluding housing loans)	447	40	17	504	76	36	17	129
Others	80	83	20	183	29	31	20	80
Total non-performing loans	2,809	1,003	1,439	5,251	384	617	1,439	2,440
Debt securities, contingent liabilities and others	201	163	69	433	16	87	69	172
Total	3,010	1,166	1,508	5,684	400	704	1,508	2,612
Of which: restructured assets	744	302	510	1,556	105	126	510	741
31 Dec 2017								
Manufacturing	461	231	125	817	33	200	125	358
Building and construction	145	64	20	229	24	52	20	96
Housing loans	158	6	3	167	–	4	3	7
General commerce	341	232	50	623	11	170	50	231
Transportation, storage and communications	1,548	348	928	2,824	223	199	928	1,350
Financial institutions, investment and holding companies	36	21	9	66	2	11	9	22
Professionals and private individuals (excluding housing loans)	445	32	14	491	78	29	14	121
Others	151	139	10	300	11	70	10	91
Total non-performing loans	3,285	1,073	1,159	5,517	382	735	1,159	2,276
Debt securities, contingent liabilities and others	276	143	134	553	15	94	134	243
Total	3,561	1,216	1,293	6,070	397	829	1,293	2,519
Of which: restructured assets	545	256	47	848	76	182	47	305
1 Jan 2017								
Manufacturing	661	142	101	904	73	124	101	298
Building and construction	263	111	7	381	29	100	7	136
Housing loans	121	8	5	134	–	3	5	8
General commerce	523	310	47	880	48	176	47	271
Transportation, storage and communications	1,147	44	236	1,427	37	43	236	316
Financial institutions, investment and holding companies	62	21	–	83	11	4	–	15
Professionals and private individuals (excluding housing loans)	254	18	8	280	46	17	8	71
Others	238	29	60	327	71	24	60	155
Total non-performing loans	3,269	683	464	4,416	315	491	464	1,270
Debt securities, contingent liabilities and others	170	109	161	440	23	87	161	271
Total	3,439	792	625	4,856	338	578	625	1,541
Of which: restructured assets	467	139	7	613	91	93	7	191

Non-performing assets by geography^(a)

In \$ millions	The Group	
	NPAs	Specific allowances
31 Dec 2018		
Singapore	3,335	1,488
Hong Kong	511	258
Rest of Greater China	411	130
South and Southeast Asia	908	521
Rest of the World	86	43
Total non-performing loans	5,251	2,440
Debt securities, contingent liabilities and others	433	172
Total	5,684	2,612
31 Dec 2017		
Singapore	3,191	1,322
Hong Kong	625	279
Rest of Greater China	436	131
South and Southeast Asia	1,078	489
Rest of the World	187	55
Total non-performing loans	5,517	2,276
Debt securities, contingent liabilities and others	553	243
Total	6,070	2,519
1 Jan 2017		
Singapore	1,725	383
Hong Kong	687	187
Rest of Greater China	432	136
South and Southeast Asia	1,188	425
Rest of the World	384	139
Total non-performing loans	4,416	1,270
Debt securities, contingent liabilities and others	440	271
Total	4,856	1,541

(a) Based on the location of incorporation of the borrower

Non-performing assets by past due period

In \$ millions	The Group		
	31 Dec 2018	2017	1 Jan 2017
Not overdue	1,271	1,448	705
Within 90 days	432	865	698
Over 90 days to 180 days	436	1,097	1,215
Over 180 days	3,545	2,660	2,238
Total past due assets	4,413	4,622	4,151
Total	5,684	6,070	4,856

Secured non-performing assets by collateral type

In \$ millions	The Group		
	31 Dec 2018	2017	1 Jan 2017
Properties	799	959	973
Shares and debentures	185	224	312
Cash deposits	22	33	11
Others	1,551	1,876	1,318
Total	2,557	3,092	2,614

Past due non-performing assets by industry

In \$ millions	The Group		
	31 Dec 2018	2017	1 Jan 2017
Manufacturing	508	657	822
Building and construction	224	176	349
Housing loans	159	143	110
General commerce	497	486	687
Transportation, storage and communications	2,463	2,404	1,295
Financial institutions, investment and holding companies	31	65	74
Professionals and private individuals (excluding housing loans)	220	215	232
Others	108	132	208
Total non-performing loans	4,210	4,278	3,777
Debt securities, contingent liabilities and others	203	344	374
Total	4,413	4,622	4,151

Past due non-performing assets by geography^(a)

In \$ millions	The Group		
	31 Dec 2018	2017	1 Jan 2017
Singapore	2,721	2,548	1,551
Hong Kong	445	498	522
Rest of Greater China	281	301	359
South and Southeast Asia	708	813	1,048
Rest of the World	55	118	297
Total non-performing loans	4,210	4,278	3,777
Debt securities, contingent liabilities and others	203	344	374
Total	4,413	4,622	4,151

(a) Based on the location of incorporation of the borrower

43.3 Credit quality of Government securities and treasury bills and Bank and corporate debt securities

The table below presents an analysis of Government securities and treasury bills and Bank and corporate debt securities for the Group by external rating bands.

Analysed by external ratings	The Group		
	Singapore government securities and treasury bills (Gross)	Other government securities and treasury bills (Gross)	Bank and corporate debt securities (Gross)
In \$ millions			
31 Dec 2018			
AAA	14,114	8,232	21,074
AA- to AA+	–	11,075	4,245
A- to A+	–	9,431	7,296
Lower than A-	–	4,427	4,898
Unrated	–	–	13,112
Total	14,114	33,165	50,625
31 Dec 2017			
AAA	14,239	8,414	20,236
AA- to AA+	–	9,388	5,703
A- to A+	–	3,678	6,369
Lower than A-	–	4,034	5,806
Unrated	–	–	12,175
Total	14,239	25,514	50,289
1 Jan 2017			
AAA	11,983	5,454	16,194
AA- to AA+	–	10,715	5,133
A- to A+	–	1,283	4,146
Lower than A-	–	3,966	4,009
Unrated	–	–	12,111
Total	11,983	21,418	41,593

43.4 Credit risk by geography and industry

Analysed by geography ^(a)	The Group					Total
	Government securities and treasury bills (Gross)	Due from banks (Gross)	Derivatives	Bank and corporate debt securities (Gross)	Loans and advances to customers (Gross)	
In \$ millions						
31 Dec 2018						
Singapore	14,114	610	1,678	16,214	163,449	196,065
Hong Kong	4,916	1,402	833	1,351	54,333	62,835
Rest of Greater China	3,367	18,443	3,032	4,674	50,925	80,441
South and Southeast Asia	4,484	4,408	1,719	5,206	28,377	44,194
Rest of the World	20,398	15,325	9,767	23,180	52,561	121,231
Total	47,279	40,188	17,029	50,625	349,645	504,766
31 Dec 2017						
Singapore	14,239	285	1,884	15,185	155,299	186,892
Hong Kong	3,144	395	1,011	1,502	51,017	57,069
Rest of Greater China	2,924	19,742	2,021	4,443	53,020	82,150
South and Southeast Asia	4,026	2,860	1,362	4,940	24,474	37,662
Rest of the World	15,420	12,693	11,307	24,219	43,959	107,598
Total	39,753	35,975	17,585	50,289	327,769	471,371
1 Jan 2017						
Singapore	11,983	569	2,352	13,398	145,025	173,327
Hong Kong	3,845	148	1,744	1,720	50,223	57,680
Rest of Greater China	2,440	15,576	2,903	2,595	43,060	66,574
South and Southeast Asia	3,964	2,817	1,498	4,594	27,389	40,262
Rest of the World	11,169	10,908	17,260	19,286	39,718	98,341
Total	33,401	30,018	25,757	41,593	305,415	436,184

(a) Based on the location of incorporation of the issuer (for debt securities), counterparty (for derivatives), borrower (for loans) or the issuing bank in the case of bank backed export financing

The Group

Analysed by industry

In \$ millions	Government securities and treasury bills (Gross)	Due from banks (Gross)	Derivatives	Bank and corporate debt securities (Gross)	Loans and advances to customers (Gross)	Total
31 Dec 2018						
Manufacturing	–	–	307	2,586	36,868	39,761
Building and construction	–	–	355	4,359	76,532	81,246
Housing loans	–	–	–	–	75,011	75,011
General commerce	–	–	139	1,199	47,470	48,808
Transportation, storage and communications	–	–	462	3,849	30,549	34,860
Financial institutions, investment and holding companies	–	40,188	14,639	26,667	25,022	106,516
Government	47,279	–	–	–	–	47,279
Professionals and private individuals (excluding housing loans)	–	–	671	–	30,590	31,261
Others	–	–	456	11,965	27,603	40,024
Total	47,279	40,188	17,029	50,625	349,645	504,766

31 Dec 2017

Manufacturing	–	–	195	2,542	32,636	35,373
Building and construction	–	–	426	4,680	64,520	69,626
Housing loans	–	–	–	–	73,293	73,293
General commerce	–	–	179	1,205	51,119	52,503
Transportation, storage and communications	–	–	650	3,840	30,480	34,970
Financial institutions, investment and holding companies	–	35,975	15,394	26,261	17,221	94,851
Government	39,753	–	–	–	–	39,753
Professionals and private individuals (excluding housing loans)	–	–	420	–	29,393	29,813
Others	–	–	321	11,761	29,107	41,189
Total	39,753	35,975	17,585	50,289	327,769	471,371

1 Jan 2017

Manufacturing	–	–	457	2,644	31,235	34,336
Building and construction	–	–	414	3,229	58,358	62,001
Housing loans	–	–	–	–	64,465	64,465
General commerce	–	–	460	1,069	46,881	48,410
Transportation, storage and communications	–	–	669	2,527	31,964	35,160
Financial institutions, investment and holding companies	–	30,018	22,716	19,313	16,742	88,789
Government	33,401	–	–	–	–	33,401
Professionals and private individuals (excluding housing loans)	–	–	740	–	25,091	25,831
Others	–	–	301	12,811	30,679	43,791
Total	33,401	30,018	25,757	41,593	305,415	436,184

44. Liquidity Risk

44.1 Contractual maturity profile of assets and liabilities

The table below analyses assets and liabilities of the Group as at 31 December based on the remaining period as at balance sheet date to the contractual maturity date.

In \$ millions	The Group								Total
	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	No specific maturity	
31 Dec 2018									
Cash and balances with central banks	13,746	1,262	5,313	1,325	539	–	–	–	22,185
Government securities and treasury bills	830	2,040	3,695	8,778	7,448	10,900	13,587	–	47,278
Due from banks	15,478	4,903	5,218	12,983	581	1,015	–	–	40,178
Derivatives ^(a)	17,029	–	–	–	–	–	–	–	17,029
Bank and corporate securities	65	503	2,813	6,423	20,577	12,040	8,167	7,609	58,197
Loans and advances to customers	29,658	55,685	34,803	42,147	67,385	41,553	73,772	–	345,003
Other assets	6,522	1,413	1,590	2,839	130	10	26	888	13,418
Associates	–	–	–	–	–	–	–	838	838
Properties and other fixed assets	–	–	–	–	–	–	–	1,450	1,450
Goodwill and intangibles	–	–	–	–	–	–	–	5,175	5,175
Total assets	83,328	65,806	53,432	74,495	96,660	65,518	95,552	15,960	550,751
Due to banks	11,014	6,217	2,962	1,617	174	664	–	–	22,648
Deposits and balances from customers	262,137	47,670	49,165	31,514	2,428	162	709	–	393,785
Derivatives ^(a)	16,692	–	–	–	–	–	–	–	16,692
Other liabilities	8,620	1,638	2,193	3,085	57	4	9	2,834	18,440
Other debt securities	456	6,672	13,066	11,676	7,771	915	5,156	–	45,712
Subordinated term debts	–	–	–	–	–	–	3,599	–	3,599
Total liabilities	298,919	62,197	67,386	47,892	10,430	1,745	9,473	2,834	500,876
Non-controlling interests	–	–	–	–	–	–	–	830	830
Shareholders' funds	–	–	–	–	–	–	–	49,045	49,045
Total equity	–	–	–	–	–	–	–	49,875	49,875
31 Dec 2017									
Cash and balances with central banks	16,184	5,545	3,201	1,242	291	–	–	–	26,463
Government securities and treasury bills	474	1,038	1,149	5,650	12,383	5,701	13,358	–	39,753
Due from banks	12,127	4,182	6,476	12,075	559	556	–	–	35,975
Derivatives ^(a)	17,585	–	–	–	–	–	–	–	17,585
Bank and corporate securities	57	988	2,612	7,291	16,806	13,984	8,454	5,397	55,589
Loans and advances to customers	28,790	50,041	32,914	45,969	55,605	40,631	69,149	–	323,099
Other assets	6,187	1,412	1,503	2,018	166	51	21	708	12,066
Associates	–	–	–	–	–	–	–	783	783
Properties and other fixed assets	–	–	–	–	–	–	–	1,233	1,233
Goodwill and intangibles	–	–	–	–	–	–	–	5,165	5,165
Total assets	81,404	63,206	47,855	74,245	85,810	60,923	90,982	13,286	517,711
Due to banks	11,652	2,747	1,700	1,129	71	471	33	–	17,803
Deposits and balances from customers	260,035	43,618	38,806	28,618	1,479	364	714	–	373,634
Derivatives ^(a)	18,003	–	–	–	–	–	–	–	18,003
Other liabilities	7,741	1,403	2,087	2,551	87	11	116	2,619	16,615
Other debt securities	3,129	5,657	11,281	7,276	7,056	1,766	4,551	–	40,716
Subordinated term debts	–	–	508	–	–	–	630	–	1,138
Total liabilities	300,560	53,425	54,382	39,574	8,693	2,612	6,044	2,619	467,909
Non-controlling interests	–	–	–	–	–	–	–	2,344	2,344
Shareholders' funds	–	–	–	–	–	–	–	47,458	47,458
Total equity	–	–	–	–	–	–	–	49,802	49,802

In \$ millions	The Group								Total
	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	No specific maturity	
1 Jan 2017									
Cash and balances with central banks	15,674	6,853	2,394	1,300	619	–	–	–	26,840
Government securities and treasury bills	470	1,475	3,178	7,524	6,874	4,452	9,428	–	33,401
Due from banks	11,476	2,971	4,197	10,078	1,082	214	–	–	30,018
Derivatives ^(a)	25,757	–	–	–	–	–	–	–	25,757
Bank and corporate securities	23	1,196	919	4,183	14,889	12,213	8,016	3,978	45,417
Loans and advances to customers	27,832	39,568	28,797	44,478	54,008	39,447	67,386	–	301,516
Other assets	5,543	917	1,316	2,324	143	24	32	743	11,042
Associates	–	–	–	–	–	–	–	890	890
Properties and other fixed assets	–	–	–	–	–	–	–	1,572	1,572
Goodwill and intangibles	–	–	–	–	–	–	–	5,117	5,117
Total assets	86,775	52,980	40,801	69,887	77,615	56,350	84,862	12,300	481,570
Due to banks	10,660	2,877	1,094	926	179	179	–	–	15,915
Deposits and balances from customers	239,622	43,131	34,511	26,475	3,127	187	393	–	347,446
Derivatives ^(a)	24,497	–	–	–	–	–	–	–	24,497
Other liabilities	6,500	1,095	2,095	3,231	37	7	128	2,802	15,895
Other debt securities	1,074	3,516	8,891	4,058	5,972	2,168	2,066	–	27,745
Subordinated term debts	–	–	866	–	–	–	2,236	–	3,102
Total liabilities	282,353	50,619	47,457	34,690	9,315	2,541	4,823	2,802	434,600
Non-controlling interests	–	–	–	–	–	–	–	2,361	2,361
Shareholders' funds	–	–	–	–	–	–	–	44,609	44,609
Total equity	–	–	–	–	–	–	–	46,970	46,970

(a) Derivative financial assets and liabilities are included in the "Less than 7 days" bucket as they are mainly held for trading. Refer to the tables in Note 39 for the maturity profile of hedging derivatives

The above table includes disclosure of the contractual maturity of financial liabilities, which approximates the same analysis on an undiscounted basis, as total future interest payments are not material relative to the principal amounts. Assets and liabilities (including non-maturing savings/ current deposits) are represented on a contractual basis or in a period when it can legally be withdrawn. The cash flows of assets and liabilities may behave differently from their contractual terms.

44.2 Contingent liabilities and commitments

The table below shows the Group's contingent liabilities and commitments based on the remaining period as at the balance sheet date to contractual expiry date.

In \$ millions	The Group				Total
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	
31 Dec 2018					
Guarantees, endorsements and other contingent liabilities	24,603	–	–	–	24,603
Undrawn credit commitments ^(a) and other facilities	241,895	14,759	13,263	2,576	272,493
Operating lease commitments	262	336	60	14	672
Capital commitments	73	8	–	–	81
Total	266,833	15,103	13,323	2,590	297,849
31 Dec 2017					
Guarantees, endorsements and other contingent liabilities	20,819	–	–	–	20,819
Undrawn credit commitments ^(a) and other facilities	217,081	13,146	12,048	2,198	244,473
Operating lease commitments	330	342	42	3	717
Capital commitments	42	32	–	–	74
Total	238,272	13,520	12,090	2,201	266,083
1 Jan 2017					
Guarantees, endorsements and other contingent liabilities	22,714	–	–	–	22,714
Undrawn credit commitments ^(a) and other facilities	206,183	11,970	13,028	4,152	235,333
Operating lease commitments	234	267	42	6	549
Capital commitments	54	12	3	–	69
Total	229,185	12,249	13,073	4,158	258,665

(a) Includes commitments that are unconditionally cancellable at any time by the Group

The Group expects that not all of the contingent liabilities and undrawn credit commitments will be drawn before expiry.

45. Capital Management

The Board is responsible for setting the Group's capital management objective, which is to maintain a strong capital position consistent with regulatory requirements under the MAS Notice 637 and the expectations of various stakeholders, e.g. customers, investors and rating agencies. The Board articulates this objective in the form of capital targets. This objective is pursued while delivering returns to shareholders and ensuring that adequate capital resources are available for business growth and investment opportunities as well as adverse situations, taking into consideration our strategic plans and risk appetite.

The Group's capital management objective is implemented via a capital management and planning process that is overseen by the Capital Committee. The Chief Financial Officer chairs the Capital Committee. The Capital Committee receives regular updates on the Group's current and projected capital position. A key tool for capital planning is the annual Internal Capital Adequacy Assessment Process (ICAAP) through which the Group assesses its forecast capital supply and demand relative to regulatory requirements and internal capital targets. The ICAAP has a three-year horizon and covers various scenarios, including stress scenarios of differing scope and severity.

The Group is subject to and has complied with the capital adequacy requirements set out in the MAS Notice 637, which effects the Basel Committee on Banking Supervision's capital adequacy framework in Singapore, throughout the year. The Group's capital adequacy ratios as at 31 December 2018 have been subject to an external limited assurance review, pursuant to the MAS Notice 609 "Auditor's Report and Additional Information to be submitted with Annual Accounts".

46. Segment Reporting

46.1 Business segment reporting

The business segment results are prepared based on the Group's internal management reporting which reflects the organisation management structure. As the activities of the Group are highly integrated, internal allocation has been made in preparing the segment information. Amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

The Group's various business segments are described below.

Consumer Banking/ Wealth Management

Consumer Banking/ Wealth Management provides individual customers with a diverse range of banking and related financial services. The products and services available to customers include current and savings accounts, fixed deposits, loans and home finance, cards, payments, investment and insurance products.

Institutional Banking

Institutional Banking provides financial services and products to institutional clients including bank and non-bank financial institutions, government-linked companies, large corporates and small and medium-sized businesses. The business focuses on broadening and deepening customer relationships. Products and services comprise the full range of credit facilities from short-term working capital financing to specialised lending. It also provides global transactional services such as cash management, trade finance and securities and fiduciary services, treasury and markets products, corporate finance and advisory banking as well as capital markets solutions.

Treasury Markets

Treasury Markets' activities primarily include structuring, market-making and trading across a broad range of treasury products.

Income from sale of treasury products offered to customers of Consumer Banking/ Wealth Management and Institutional Banking is not reflected in the Treasury Markets segment, but in the respective customer segments.

Others

Others encompass the results of corporate decisions that are not attributed to business segments. It includes earnings on capital deployed into high quality assets, earnings from non-core asset sales and certain other head office items such as centrally raised allowances. DBS Vickers Securities and The Islamic Bank of Asia are also included in this segment.

The following table analyses the results, total assets and total liabilities of the Group by business segment.

In \$ millions	The Group				Total
	Consumer Banking/ Wealth Management	Institutional Banking	Treasury Markets	Others	
2018					
Net interest income	3,596	4,116	319	924	8,955
Net fee and commission income	1,627	1,125	–	28	2,780
Other non-interest income	430	519	353	146	1,448
Total income	5,653	5,760	672	1,098	13,183
Total expenses	3,039	1,839	602	334	5,814
Allowances for credit and other losses	228	550	(20)	(48)	710
Profit before tax	2,386	3,371	90	812	6,659
Income tax expense					1,006
Net profit attributable to shareholders					5,577
Total assets before goodwill and intangibles	115,470	263,125	108,646	58,335	545,576
Goodwill and intangibles					5,175
Total assets					550,751
Total liabilities	212,853	191,287	47,641	49,095	500,876
Capital expenditure	106	16	10	401	533
Depreciation	46	10	3	272	331
2017					
Net interest income	2,843	3,623	563	762	7,791
Net fee and commission income	1,408	1,165	–	49	2,622
Other non-interest income	420	487	293	661	1,861
Total income	4,671	5,275	856	1,472	12,274
Total expenses	2,575	1,755	572	303	5,205
Allowances for credit and other losses	161	2,326	1	(594)	1,894
Profit before tax	1,935	1,194	283	1,763	5,175
Income tax expense					671
Net profit attributable to shareholders					4,371
Total assets before goodwill and intangibles	110,718	246,863	103,158	51,807	512,546
Goodwill and intangibles					5,165
Total assets					517,711
Total liabilities	207,485	177,418	40,209	42,797	467,909
Capital expenditure	87	15	8	250	360
Depreciation	48	13	4	232	297

46.2 Geographical segment reporting

The performance by geography is classified based on the location in which income and assets are recorded. Hong Kong comprises mainly DBS Bank (HK) Limited and DBS HK branch. Rest of Greater China comprises mainly DBS Bank (China) Ltd, DBS Bank (Taiwan) Ltd and DBS Taipei branch. South and Southeast Asia comprises mainly PT Bank DBS Indonesia, DBS India branches and DBS Labuan branch. All results are prepared in accordance with SFRS(I).

In \$ millions	The Group					Total
	Singapore	Hong Kong	Rest of Greater China	South and Southeast Asia	Rest of the World	
2018						
Net interest income	5,664	1,830	675	530	256	8,955
Net fee and commission income	1,722	617	175	206	60	2,780
Other non-interest income	788	294	270	56	40	1,448
Total income	8,174	2,741	1,120	792	356	13,183
Total expenses	3,353	1,057	725	573	106	5,814
Allowances for credit and other losses	408	72	44	183	3	710
Profit before tax	4,413	1,612	351	36	247	6,659
Income tax expense	574	251	81	35	65	1,006
Net profit attributable to shareholders	3,763	1,361	270	1	182	5,577
Total assets before goodwill and intangibles	349,941	90,523	51,283	23,612	30,217	545,576
Goodwill and intangibles	5,137	30	–	8	–	5,175
Total assets	355,078	90,553	51,283	23,620	30,217	550,751
Non-current assets ^(a)	1,633	362	145	144	4	2,288
2017						
Net interest income	5,101	1,439	545	457	249	7,791
Net fee and commission income	1,694	591	139	138	60	2,622
Other non-interest income	1,353	193	171	101	43	1,861
Total income	8,148	2,223	855	696	352	12,274
Total expenses	3,059	958	632	457	99	5,205
Allowances for credit and other losses	1,483	80	131	184	16	1,894
Profit before tax	3,606	1,185	92	55	237	5,175
Income tax expense	392	200	26	(11)	64	671
Net profit attributable to shareholders	3,082	985	66	65	173	4,371
Total assets before goodwill and intangibles	335,902	79,361	49,966	19,731	27,586	512,546
Goodwill and intangibles	5,136	29	–	–	–	5,165
Total assets	341,038	79,390	49,966	19,731	27,586	517,711
Non-current assets ^(a)	1,487	338	118	69	4	2,016

(a) Includes investments in associates, properties and other fixed assets

Income statement

for the year ended 31 December 2018

In \$ millions	Note	Bank	2017
		2018	
Interest income		11,099	8,580
Interest expense		4,540	2,751
Net interest income		6,559	5,829
Net fee and commission income		1,933	1,900
Net trading income		917	1,296
Net income from investment securities		127	405
Other income	2	774	298
Non-interest income		3,751	3,899
Total income		10,310	9,728
Employee benefits		2,085	1,846
Other expenses		1,727	1,603
Total expenses		3,812	3,449
Profit before allowances		6,498	6,279
Allowances for credit and other losses		410	1,730
Profit before tax		6,088	4,549
Income tax expense		781	477
Net profit attributable to shareholders		5,307	4,072

(see notes on pages 181 to 183 which form part of these financial statements)

Statement of comprehensive income

for the year ended 31 December 2018

In \$ millions	Bank	
	2018	2017
Net profit	5,307	4,072
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Translation differences for foreign operations	(107)	(79)
Gains (losses) on debt instruments classified at fair value through other comprehensive income/ available-for-sale financial assets ^(a) and others		
Net valuation taken to equity	(122)	395
Transferred to income statement	(149)	(388)
Taxation relating to components of other comprehensive income	16	5
Items that will not be reclassified to income statement:		
Gains (losses) on equity instruments classified at fair value through other comprehensive income (net of tax) ^(a)	(156)	–
Fair value change from own credit risk on financial liabilities designated at fair value (net of tax)	109	(105)
Other comprehensive income, net of tax	(409)	(172)
Total comprehensive income attributable to shareholders	4,898	3,900

(a) Arising from the adoption of SFRS(I) 9 on 1 Jan 2018, realised gains or losses on equity instruments classified as “Fair Value through Other Comprehensive Income” are not reclassified to the income statement. Previously, FRS 39 required realised gains or losses on available-for-sale equity instruments to be reclassified to the income statement.

(see notes on pages 181 to 183 which form part of these financial statements)

Balance sheet

as at 31 December 2018

In \$ millions	Note	Bank		
		31 Dec 2018	1 Jan 2017	
Assets				
Cash and balances with central banks		15,581	20,302	20,001
Government securities and treasury bills		37,580	33,801	27,281
Due from banks		34,616	27,927	24,971
Derivatives		14,912	16,092	23,994
Bank and corporate securities		54,007	51,999	41,700
Loans and advances to customers		286,658	268,266	249,744
Other assets		9,449	7,802	7,632
Associates		208	148	192
Subsidiaries	3	26,959	33,150	26,381
Properties and other fixed assets		803	711	670
Goodwill and intangibles		334	334	281
Total assets		481,107	460,532	422,847
Liabilities				
Due to banks		19,368	14,353	12,694
Deposits and balances from customers		293,603	284,798	266,934
Derivatives		14,706	16,352	22,944
Other liabilities		11,599	11,536	10,339
Other debt securities		38,982	35,007	24,393
Due to holding company		5,431	2,936	1,029
Due to subsidiaries	4	52,655	51,697	41,205
Subordinated term debts		–	508	2,457
Total liabilities		436,344	417,187	381,995
Net assets		44,763	43,345	40,852
Equity				
Share capital	5	24,452	24,452	24,146
Other equity instruments	6	2,813	1,813	1,813
Other reserves	7	(551)	47	114
Revenue reserves	7	18,049	17,033	14,779
Shareholders' funds		44,763	43,345	40,852
Total equity		44,763	43,345	40,852

(see notes on pages 181 to 183 which form part of these financial statements)

Notes to the supplementary financial statements

for the year ended 31 December 2018

The supplementary financial statements of DBS Bank Ltd (the Bank) are extracted from the Audited Statutory Financial Statements of DBS Bank Ltd and its subsidiaries (the Bank Group) for the financial year ended 31 December 2018. The statutory financial statements of the Bank and the Bank Group which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

1. Summary of Significant Accounting Policies

The accounting policies applied by the Bank and the Bank Group are consistent with those applied by the Group as disclosed in Note 2 of the "Notes to the Financial Statements" (Notes) in the Group's Consolidated Financial Statements.

2. Other Income

Other income includes the following:

In \$ millions	2018	2017
Dividends from subsidiaries	732	20
Dividends from associates	8	7
Total	740	27

3. Subsidiaries

In \$ millions	31 Dec		1 Jan
	2018	2017	2017
Investment in subsidiaries ^{(a)(b)}			
Ordinary shares	10,937	11,273	11,471
Due from subsidiaries			
Other receivables	16,022	21,877	14,910
Total	26,959	33,150	26,381

(a) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks

(b) The carrying amounts presented are net of impairment allowances

4. Due to Subsidiaries

In \$ millions	31 Dec		1 Jan
	2018	2017	2017
Subordinated term debts issued to DBS Capital Funding II Corporation (Note 4.1)	–	1,500	1,500
Due to subsidiaries	52,655	50,197	39,705
Total	52,655	51,697	41,205

4.1 The \$1,500 million 5.75% subordinated notes were issued on 27 May 2008 by the Bank to DBS Capital Funding II Corporation, both wholly-owned subsidiaries of DBSH. Interest is payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018. Thereafter, interest is payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month Singapore Dollar Swap Offer Rate + 3.415% per annum. The notes have been fully redeemed on 18 June 2018.

5. Share Capital

	Number of shares ('000)		In \$ millions	
	2018	2017	2018	2017
Ordinary shares				
Balance at 1 January	2,626,196	2,611,242	23,653	23,347
Issue of shares	–	14,954	–	306
Balance at 31 December	2,626,196	2,626,196	23,653	23,653
Non-cumulative preference shares				
Balance at 1 January				
S\$800m 4.7% Non-Cumulative, Non-Convertible, Non-Voting Preference Shares callable in 2020	8,000	8,000	799	799
Balance at 31 December	8,000	8,000	799	799
Issued share capital at 31 December			24,452	24,452

6. Other Equity Instruments

The following perpetual capital securities issued by the Bank are classified as other equity instruments. These instruments are subordinated to all liabilities of the Bank and senior only to ordinary shareholders of the Bank. Their terms require them to be written off if and when the Monetary Authority of Singapore notifies the Bank that a write-off of the instruments, or a public sector injection of capital (or equivalent support), is necessary, without which the Group would become non-viable. These instruments qualify as Additional Tier 1 capital under MAS Notice 637.

In \$ millions	Issue Date	Distribution Payment	31 Dec		1 Jan
			2018	2017	2017
S\$550m 3.85% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	1 Sep 2016	Sep	550	550	550
US\$185m 4.0% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	1 Sep 2016	Sep	252	252	252
US\$750m 3.60% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2021	7 Sep 2016	Mar/ Sep	1,011	1,011	1,011
S\$1,000m 3.98% Non-Cumulative, Non-Convertible Perpetual Capital Securities First Callable in 2025	12 Sep 2018	Mar/ Sep	1,000	–	–
Total			2,813	1,813	1,813

7. Other Reserves and Revenue Reserves

7.1 Other reserves

In \$ millions	31 Dec		1 Jan
	2018	2017	2017
FVOCI (2017: AFS) revaluation reserves (bonds)	(151)	56	(31)
FVOCI (2017: AFS) revaluation reserves (equities)	(178)	4	97
Cash flow hedge reserves	(63)	39	21
Capital reserves	(159)	(52)	27
Total	(551)	47	114

Movements in other reserves of the Bank during the year are as follows:

In \$ millions	FVOCI/ AFS revaluation reserves (bonds)	FVOCI/ AFS revaluation reserves (equities)	Cash flow hedge reserves	Capital reserves ^(a)	Total
2018					
Balance at 1 January	56	4	39	(52)	47
Impact of adopting SFRS(I) 9 on 1 January	(54)	(49)	–	–	(103)
Balance at 1 January after adoption of SFRS(I) 9	2	(45)	39	(52)	(56)
Net exchange translation adjustments	–	–	–	(107)	(107)
FVOCI (2017: AFS) financial assets and others:					
– net valuation taken to equity	(154)	(167)	32	–	(289)
– transferred to income statement	(6)	–	(143)	–	(149)
– taxation relating to components of other comprehensive income	7	11	9	–	27
Transfer to revenue reserves upon disposal of FVOCI equities	–	23	–	–	23
Balance at 31 December	(151)	(178)	(63)	(159)	(551)
2017					
Balance at 1 January	(31)	97	21	27	114
Net exchange translation adjustments	–	–	–	(79)	(79)
FVOCI (2017: AFS) financial assets and others:					
– net valuation taken to equity	181	121	93	–	395
– transferred to income statement	(94) ^(b)	(221)	(73)	–	(388)
– taxation relating to components of other comprehensive income	–	7	(2)	–	5
Balance at 31 December	56	4	39	(52)	47

(a) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign branches and the related foreign currency instruments designated as a hedge

(b) Includes impairment of AFS financial assets of \$4 million

7.2 Revenue reserves

In \$ millions	2018	2017
Balance at 1 January	17,033	14,779
Impact of adopting SFRS(I) on 1 January	83	–
Balance at 1 January after adoption of SFRS(I) 9	17,116	14,779
Net profit attributable to shareholders	5,307	4,072
Other comprehensive income items attributable to shareholders	86	(105)
Sub-total	22,509	18,746
Less: Dividends paid to holding company	4,422	1,675
Dividends paid on preference shares	38	38
Balance at 31 December ^(a)	18,049	17,033

(a) 2018 includes regulatory loss allowance reserve of \$367 million, which is a non-distributable reserve

Directors' statement

The Directors are pleased to submit their statement to the Members, together with the audited balance sheet of DBS Group Holdings Ltd (the Company or DBSH) and the consolidated financial statements of the Company and its subsidiaries (the Group) for the financial year ended 31 December 2018. These have been prepared in accordance with the provisions of the Companies Act, Chapter 50 (the Companies Act) and the Singapore Financial Reporting Standards (International).

In the opinion of the Directors, the balance sheet of the Company and the consolidated financial statements of the Group, together with the notes thereon, as set out on pages 103 to 177, are drawn up so as to give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and the performance, changes in equity and cash flows of the Group for the financial year ended on that date. As at the date of this statement, there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they fall due.

DBSH Share Plan

During the financial year, time-based awards in respect of an aggregate of 4,010,066 ordinary shares were granted pursuant to the DBSH Share Plan to selected employees of the Group. This included 226,509 ordinary shares comprised in awards granted to the executive Director, Mr Piyush Gupta, which formed part of his remuneration for 2017.

Following shareholders' approval for the special dividend of 50 cents per ordinary share at DBSH's annual general meeting held on 25 April 2018, adjustments were made to all unvested share awards granted under the DBSH Share Plan on 26 April 2018. As a result of such adjustments, the total number of ordinary shares comprised in such unvested share awards increased by 286,509 shares.

In addition, during the financial year, certain non-executive Directors received an aggregate of 32,549 share awards, which formed part of their directors' fees. Details are set out below.

Directors of the Company	Share awards granted during the financial year under review	Share awards vested during the financial year under review
Mr Peter Seah ⁽²⁾	18,443	18,443
Mr Piyush Gupta	243,332 ⁽¹⁾	366,676
Ms Euleen Goh ⁽²⁾	3,554	3,554
Mr Ho Tian Yee ⁽²⁾	2,216	2,216
Mr Olivier Lim ⁽²⁾	299	299
Mr Nihal Kaviratne ⁽²⁾	2,468	2,468
Mr Andre Sekulic ⁽²⁾	2,581	2,581
Mr Danny Teoh ⁽²⁾	2,988	2,988

(1) This represents the aggregate of (a) 226,509 share awards which formed part of Mr Piyush Gupta's remuneration for 2017; and (b) the increase in the total number of ordinary shares comprised in Mr Piyush Gupta's unvested share awards by 16,823 shares arising from adjustments made to all unvested share awards granted under the DBSH Share Plan on 26 April 2018.

(2) The awards of these non-executive Directors formed part of their directors' fees for 2017, which had been approved by the shareholders at DBSH's annual general meeting held on 25 April 2018. All the awards granted to these non-executive Directors during the financial year under review vested immediately upon grant.

Information on the DBSH Share Plan is as follows:

- (i) Awards over DBSH's ordinary shares may be granted to Group executives who hold such rank as may be determined by the Compensation and Management Development Committee of DBSH from time to time. Awards may also be granted to (amongst others) executives of associated companies of DBSH who hold such rank as may be determined by the Compensation and Management Development Committee from time to time, and non-executive Directors of DBSH. As at the date of this statement, the members of the Compensation and Management Development Committee are Mr Andre Sekulic (Chairman), Mr Peter Seah, Ms Euleen Goh, Mr Olivier Lim and Mr Nihal Kaviratne.

The participants of the DBSH Share Plan shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

- (ii) Where time-based awards are granted, participants are awarded ordinary shares of DBSH or, at the Compensation and Management Development Committee's discretion, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee. Dividends on unvested shares do not accrue to employees.

- (iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years. At an Extraordinary General Meeting held on 8 April 2009, the DBSH Share Plan was extended for another ten years, from 18 September 2009 to 17 September 2019, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- (iv) Awards under the DBSH Share Plan may be granted at any time in the course of a financial year, and may lapse by reason of cessation of employment or misconduct of the participant, except in cases such as retirement, redundancy, ill health, injury, disability, death, bankruptcy of the participant, or by reason of the participant, being a non-executive Director, ceasing to be a Director, or in the event of a take-over, winding up or reconstruction of DBSH.
- (v) Subject to the prevailing legislation and the rules of the Singapore Exchange, DBSH will have the flexibility to deliver ordinary shares of DBSH to participants upon vesting of their awards by way of an issue of new ordinary shares and/ or the transfer of existing ordinary shares (which may include ordinary shares held by the Company in treasury).
- (vi) The class and/ or number of ordinary shares of DBSH comprised in an award to the extent not yet vested, and/ or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if DBSH makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

Board of Directors

The Directors in office at the date of this statement are:

Mr Peter Seah	-	Chairman
Mr Piyush Gupta	-	Chief Executive Officer
Dr Bonghan Cho	-	(Appointed 26 April 2018)
Ms Euleen Goh		
Mr Ho Tian Yee	-	Lead Independent Director
Mr Olivier Lim		
Mr Nihal Kaviratne		
Mr Andre Sekulic		
Mr Danny Teoh		
Mr Tham Sai Choy	-	(Appointed 3 September 2018)
Mrs Ow Foong Pheng		

Ms Euleen Goh, Mr Danny Teoh and Mr Nihal Kaviratne will retire in accordance with Article 99 of the Company's Constitution at the forthcoming annual general meeting (AGM) and will offer themselves for re-election at the AGM.

Dr Bonghan Cho and Mr Tham Sai Choy will retire in accordance with Article 105 of the Company's Constitution at the forthcoming AGM and will offer themselves for re-election at the AGM.

Arrangements to enable Directors to acquire shares or debentures

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement, the object of which is to enable the Directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate, save as disclosed in this statement.

Directors' interests in shares or debentures

Each of the following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company and related corporations as stated below:

	Holdings in which Directors have a direct interest		Holdings in which Directors are Deemed to have an interest	
	As at 31 Dec 2018	As at 1 Jan 2018 (or date of appointment if later)	As at 31 Dec 2018	As at 1 Jan 2018 (or date of appointment if later)
DBSH ordinary shares				
Mr Peter Seah	220,661	202,218	–	–
Mr Piyush Gupta	1,169,560	802,884	318,000	318,000
Dr Bonghan Cho	–	–	–	–
Ms Euleen Goh	54,414	50,860	–	–
Mr Ho Tian Yee	44,229	32,013	–	–
Mr Olivier Lim	38,299	10,000	–	–
Mr Nihal Kaviratne	33,768	31,300	–	–
Mr Andre Sekulic	24,575	21,994	–	–
Mr Danny Teoh	41,726	38,738	19,099	19,099
Mr Tham Sai Choy	88,000	88,000	–	–
Mrs Ow Foong Pheng	25,839	25,839	–	–
Share awards (unvested) granted under the DBSH Share Plan				
Mr Piyush Gupta ⁽¹⁾	1,000,845	1,124,189	–	–
DBS Bank 4.7% non-cumulative non-convertible redeemable perpetual preference shares				
Ms Euleen Goh	3,000	3,000	–	–

(1) Mr Piyush Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 40 of the Notes to the 2018 Company's financial statements

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2019.

Audit Committee

The Audit Committee comprises non-executive Directors Mr Danny Teoh (Chairman), Mr Peter Seah, Mr Andre Sekulic, Mrs Ow Foong Pheng, Dr Bonghan Cho and Mr Tham Sai Choy.

The Audit Committee performed its functions in accordance with the Companies Act, the SGX-ST Listing Manual, the Banking (Corporate Governance) Regulations 2005 and the MAS Guidelines for Corporate Governance (which incorporates the Code of Corporate Governance 2012), which include, inter alia, the following:

- (i) reviewing the Group's consolidated financial statements and financial announcements prior to submission to the Board;
- (ii) reviewing the adequacy and effectiveness of the Group's internal controls;
- (iii) reviewing with the external auditor, its audit plan, its audit report, its evaluation of the internal accounting controls of DBS and assistance given by the management to the external auditor;
- (iv) reviewing the internal auditor's plans and the scope and results of audits; and
- (v) overseeing the adequacy and effectiveness of the internal audit function, and the effectiveness, independence and objectivity of the external auditor.

In its review of the audited financial statements for the financial year ended 31 December 2018, the Audit Committee had discussed with management and the external auditor the accounting principles that were applied and their judgement on the items that might affect the financials. Based on the review and discussions with management and the external auditor, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The Audit Committee has received the requisite information from PricewaterhouseCoopers LLP (PwC) and has considered the financial, business and professional relationship between PwC and the Group. It is of the view that such relationship is compatible with maintaining PwC's independence.

The Audit Committee has recommended, to the Board of Directors, the re-appointment of PwC as independent external auditor at the forthcoming AGM of the Company on 25 April 2019.

Independent Auditor

PricewaterhouseCoopers LLP has expressed its willingness to accept re-appointment as independent external auditor.

On behalf of the Directors



Mr Peter Seah



Mr Piyush Gupta

15 February 2019
Singapore

Independent auditor's report

To the members of DBS Group Holdings Ltd (incorporated in Singapore)

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group, as set out on pages 103 to 177, comprise:

- the consolidated income statement of the Group for the year ended 31 December 2018;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the balance sheets of the Group and of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated cash flow statement of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our audit approach

Overview

Materiality <ul style="list-style-type: none">We determined the overall Group materiality based on 5% of the Group's profit before tax.	Group scoping <ul style="list-style-type: none">Full scope audit procedures were performed over the Singapore Operations of DBS Bank Ltd. and DBS Group (HK) Limited ("significant components").We identified DBS Bank Ltd. Hong Kong Branch, DBS Bank (China) Limited, PT Bank DBS Indonesia, DBS Bank (Taiwan) Ltd and DBS Bank Ltd. India Branch as component entities where certain account balances were considered to be significant in size in relation to the Group ("other components"). Consequently, specific audit procedures for the significant account balances of these components were performed to obtain sufficient appropriate audit evidence.	Key audit matters <ul style="list-style-type: none">Specific allowances for loans and advances to customersSFRS(I) 9 expected credit lossGoodwillValuation of financial instruments held at fair value
--	--	--

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

How we determined overall Group materiality	5% of the Group's profit before tax
Rationale for benchmark applied	<ul style="list-style-type: none">We chose 'profit before tax' as in our view, it is the benchmark against which performance of the Group is most commonly measured.We selected 5% based on our professional judgement, noting that it is also within the range of commonly accepted profit-related thresholds.

In performing our audit, we allocated materiality levels to the significant components and other components of the Group. These are less than the overall Group materiality.

How we developed the audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The Group's financial reporting process is dependent on its IT systems. Our audit scope included testing the operating effectiveness of the controls over the integrity of key financial data processed through the IT systems that are relevant to financial reporting.

In establishing the overall Group audit approach, we determined the extent of audit procedures that are needed to be performed across the Group by us, or by other PwC network firms operating under our instruction who are familiar with the local laws and regulations in each of these territories (the "component auditors"). Where the work was performed by component auditors, we determined the level of involvement we needed to have in the procedures to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

In addition, we visited several of the Group's key locations and held a Group audit planning meeting with the auditors of the significant components. We also held regular conference calls with all component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended 31 December 2018. 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 these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Specific allowances for loans and advances to customers</p> <p>As at 31 December 2018, the specific allowances for loans and advances to customers of the Group was \$2,440 million, the majority of which related to Institutional Banking Group ("IBG") customers. Specific allowances refer to loss allowance for credit-impaired exposures (i.e. Stage 3) per SFRS (I) 9. The matter relating to expected credit losses on non-impaired exposures (i.e. Stage 1 and Stage 2) is set out under the 'SFRS(I) 9 expected credit loss' key audit matter.</p> <p>We focused on this area because of the subjective judgements by management in determining the necessity for, and then estimating the size of, allowances against loans and advances.</p> <p>In particular, we focused on specific allowances for loans and advances to IBG customers because any assessment of impairment can be inherently subjective and involve significant judgement over both timing of recognition of any impairment and the estimation of the size of such impairment. This includes:</p> <ul style="list-style-type: none"> the principal assumptions underlying the calculation of specific allowances for loans and advances to IBG customers where there is evidence of impairment losses (including the future profitability of the borrowers and the expected realisable value of collateral held); and the classification of loans and advances in line with MAS Notice 612 ("MAS 612"). 	<p>We assessed the design and evaluated the operating effectiveness of the controls over the specific allowances for loans and advances to IBG customers. These controls included:</p> <ul style="list-style-type: none"> oversight of credit risk by the Credit Risk Committee; timely review of credit risk; the watchlist identification and monitoring process; timely identification of impairment events; classification of loans and advances in line with MAS 612; and the collateral valuation processes. <p>We determined that we could rely on these controls for the purposes of our audit.</p> <p>We inspected a sample of loans and advances to IBG customers to assess whether the classification of the loans and advances is in line with MAS 612 and, where there was evidence of an impairment loss, whether it had been identified in a timely manner including, where relevant, how forbearance had been considered.</p>

Key audit matter	How our audit addressed the key audit matter
<p>We applied judgement in selecting samples focused on borrowers incorporated in China, India and Indonesia, and with exposures to the oil and gas support services and other commodities sectors in view of continued heightened credit risks impacting some parts of the portfolio.</p> <p><i>(Refer also to Notes 3 and 19 to the financial statements)</i></p>	<p>Where impairment had been identified, for a sample of loans and advances, our work included:</p> <ul style="list-style-type: none"> • considering the latest developments in relation to the borrower; • examining the forecasts of future cash flows prepared by management including key assumptions in relation to the amount and timing of recoveries; • comparing the collateral valuation and other sources of repayment to support the calculation of the impairment against external evidence where available, including independent valuation reports; • challenging management’s assumptions; and • testing the calculations. <p>For a sample of performing loans and advances to IBG customers which had not been identified by management as potentially impaired, considering the latest developments in relation to the borrower, we challenged management’s assumptions on whether management’s classification was appropriate, using external evidence where available in respect of the relevant borrower.</p> <p>Based on procedures performed, we have assessed that the specific allowances for loans and advances is appropriate.</p>
<p>SFRS(I) 9 expected credit loss</p> <p>On 1 January 2018, the Group adopted the new SFRS(I) 9 <i>Financial Instruments</i> (“SFRS(I) 9”).</p> <p>SFRS(I) 9 introduced a new impairment measurement framework, referred to as Expected Credit Loss (“ECL”). In estimating ECL over future time periods, significant judgement is required.</p> <p>We focused on the Group’s measurement of ECL on non-impaired exposures (\$2,569 million). This covers both ‘Stage 1’ exposures (where there has not been a significant increase in credit risk), and ‘Stage 2’ exposures (where a significant increase in credit risk has been observed). The ECL framework implemented by the Group involves significant judgement and assumptions that relate to, amongst others:</p> <ul style="list-style-type: none"> • adjustments to the Group’s Basel credit models and parameters; • use of forward-looking and macro-economic information; • estimates for the expected lifetime of revolving credit facilities; • assessment of significant increase in credit risk; and • post model adjustments to account for limitations in the ECL models for example the risk to the portfolio from the current geopolitical trade conditions. <p><i>(Refer also to Notes 4 and 12 to the financial statements)</i></p>	<p>We made a critical assessment of methodologies and assumptions used to estimate the ECL for retail and non-retail portfolios as at 1 January 2018 and 31 December 2018, involving credit risk and accounting specialists to assist us in this assessment. This included assessing refinements in methodologies made during the year.</p> <p>We tested the design and operating effectiveness of key controls focusing on:</p> <ul style="list-style-type: none"> • involvement of governance committees, including review and approval of post model adjustments; • completeness and accuracy of external and internal data inputs into the ECL calculations; and • accuracy and timeliness of allocation of exposures into Stage 1 and Stage 2 based on quantitative and qualitative triggers. <p>The Group’s internal experts performed an independent model validation of the ECL methodologies and assumptions. We reviewed the outcomes from this work as part of our assessment of the ECL estimate.</p> <p>We involved specialists to review selected ECL model source codes to test whether these appropriately reflected the Group’s methodologies.</p> <p>We challenged the rationale and calculation basis of post model adjustments.</p> <p>Overall, we assessed the methodologies and assumptions used by the Group to estimate the ECL on non-impaired exposures to be appropriate.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill</p> <p>As at 31 December 2018, the Group had \$5,175 million of goodwill as a result of acquisitions.</p> <p>We focused on this area as management makes significant judgement in estimating future cash flows in undertaking its annual goodwill impairment testing.</p> <p>The key assumptions used in the discounted cash flow analyses relate to:</p> <ul style="list-style-type: none"> • Cash flow forecasts; • Discount rate; and • Growth rate. <p><i>(Refer also to Notes 3 and 28 to the financial statements)</i></p>	<p>We assessed the appropriateness of management's identification of the Group's cash generating units and the process by which indicators of impairment were identified.</p> <p>For DBS Bank (Hong Kong) Limited's franchise (goodwill of \$4,631 million as at 31 December 2018), we evaluated management's cash flow forecasts and the process by which they were developed. Together with valuation specialists in our team, we assessed discount rate and growth rate assumptions against the Group's own historical performance and available external industry and economic indicators.</p> <p>We reviewed management's sensitivity analysis over the key assumptions to determine whether any reasonably possible change in these assumptions would result in an impairment, and also performed our own stress analysis.</p> <p>We concur with management's assessment that goodwill balances are not impaired as at 31 December 2018.</p>
<p>Valuation of financial instruments held at fair value</p> <p>Financial instruments held by the Group at fair value include derivative assets and liabilities, trading securities, certain debt instruments and other assets and liabilities designated at fair value.</p> <p>The Group's financial instruments are predominantly valued using quoted market prices ('Level 1') or market observable prices ('Level 2'). The valuation of 'Level 3' instruments rely on significant unobservable inputs.</p> <p>We considered the overall valuation of financial instruments (Level 1, 2 and 3) to be a key audit matter given the financial significance to the Group, nature of underlying products and estimation involved to determine fair value.</p> <p>In determining fair value, management also make adjustments to recognise credit risk, funding costs, bid-offer spreads and in other cases parameter and model risk limitations. This is broadly consistent with the banking industry albeit the methodology to calculate some of these adjustments continues to evolve.</p> <p><i>(Refer also to Notes 3 and 42 to the financial statements)</i></p>	<p>We assessed the design and tested the operating effectiveness of the controls over the Group's financial instruments valuation processes, including over Level 3 instruments. These included the controls over:</p> <ul style="list-style-type: none"> • management's testing and approval of new models and revalidation of existing models; • the completeness and accuracy of the pricing data inputs into valuation models; • the monitoring of collateral disputes; and • governance mechanisms and monitoring over the valuation processes by the Group Market and Liquidity Risk Committee, including over derivative valuation adjustments. <p>We determined that we could rely on the controls for the purposes of our audit. In addition, we:</p> <ul style="list-style-type: none"> • engaged our own specialists to use their own models and input sources to determine an independent estimate of fair value for a sample of the Group's Level 1 and Level 2 financial instruments. We compared these to the Group's calculations of fair value to assess individual material valuation differences or systemic bias; • assessed the reasonableness of the methodologies used and the assumptions made for a sample of financial instrument valuations with significant unobservable valuation inputs (Level 3 instruments); • performed procedures on collateral disputes to identify possible indicators of inappropriate valuations; and • performed tests of inputs and assessed the methodology over fair value adjustments, in light of available market data and industry trends. <p>Overall, the valuation of financial instruments held at fair value was within a reasonable range of outcomes.</p>

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 184 to 187 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the Annual Report ("the Other Sections") which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Melvin Poon.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants

Singapore, 15 February 2019

Five-year summary

Group	2018	2017	2016	2015	2014
Selected income statement items (\$ millions)					
Total income ⁽¹⁾	13,183	11,924	11,489	10,801	9,618
Profit before allowances ⁽¹⁾	7,385	6,794	6,517	5,901	5,288
Allowances	710	1,544	1,434	743	667
Profit before tax	6,675	5,250	5,083	5,158	4,700
Net profit excluding one-time items	5,625	4,390	4,238	4,318	3,848
One-time items ⁽²⁾	(48)	(19)	–	136	198
Net profit	5,577	4,371	4,238	4,454	4,046
Selected balance sheet items (\$ millions)					
Total assets	550,751	517,711	481,570	457,834	440,666
Customer loans	345,003	323,099	301,516	283,289	275,588
Total liabilities	500,876	467,909	434,600	415,038	400,460
Customer deposits	393,785	373,634	347,446	320,134	317,173
Total shareholders' funds	49,045	47,458	44,609	40,374	37,708
Per ordinary share (\$)					
Earnings excluding one-time items	2.16	1.69	1.66	1.71	1.55
Earnings	2.15	1.69	1.66	1.77	1.63
Net asset value	18.12	17.85	16.87	15.82	14.85
Dividends ⁽³⁾	1.20	1.43	0.60	0.60	0.58
Selected financial ratios (%)					
Dividend cover for ordinary shares (number of times) ⁽³⁾	1.79	1.17	2.78	2.94	2.80
Net interest margin	1.85	1.75	1.80	1.77	1.68
Cost-to-income ⁽⁴⁾	44.0	43.0	43.3	45.4	45.0
Return on assets ⁽⁴⁾	1.05	0.89	0.92	0.96	0.91
Return on equity ^{(4) (5)}	12.1	9.7	10.1	11.2	10.9
Loan/ deposit ratio	87.6	86.5	86.8	88.5	86.9
Non-performing loan rate	1.5	1.7	1.4	0.9	0.9
Loss allowance coverage ⁽⁶⁾	98	85	97	148	163
Capital adequacy					
Common Equity Tier 1	13.9	14.3	14.1	13.5	13.1
Tier I	15.1	15.1	14.7	13.5	13.1
Total	16.9	15.9	16.2	15.4	15.3
Basel III fully phased-in Common Equity Tier 1 ⁽⁷⁾	13.9	13.9	13.3	12.4	11.9

(1) Total income and profit before allowances for FY2018, FY2017, FY2016 and FY2015 include share of profit or losses of associates

(2) One-time items include impact from remeasurement of deferred taxes due to a change in the applicable tax rate arising from the conversion of India Branch to a wholly-owned subsidiary, gains from divestment of subsidiary, general allowances, ANZ integration cost, gains on sale of investments and a sum donated to National Gallery Singapore

(3) 2017 includes special dividend of \$0.50

(4) Excludes one-time items

(5) Calculated based on net profit attributable to the shareholders net of dividends on preference shares and other equity instruments. Non-controlling interests, preference shares and other equity instruments are not included as equity in the computation of return of equity

(6) Computation for 2018 includes regulatory loss allowance reserve

(7) Calculated by dividing Common Equity Tier 1 Capital after all regulatory adjustments (eg. goodwill) applicable from 1 January 2018 by RWA as at each reporting date

APPENDIX II

REPRODUCTION OF THE GUARANTOR'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The information set out below is a reproduction of the Guarantor's audited consolidated financial statements for the year ended 31 December 2018.

6

FINANCIAL INFORMATION

6.1 CONSOLIDATED FINANCIAL STATEMENTS	300	6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	464
6.1.1 Consolidated balance sheet – Assets	300	6.4 SOCIETE GENERALE MANAGEMENT REPORT	469
6.1.2 Consolidated balance sheet – Liabilities	301	6.5 PARENT COMPANY FINANCIAL STATEMENTS	476
6.1.3 Consolidated income statement	302	6.5.1 Balance sheet	476
6.1.4 Statement of net income and unrealised or deferred gains and losses	303	6.5.2 Income statement	477
6.1.5 Changes in Shareholders' Equity	304	6.6 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS	478
6.1.6 Cash flow statement	306	6.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	526
6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	308		

Note to the consolidated statements: additional information

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 Registration Document (Risks and capital adequacy).

The main characteristics of Societe Generale stock-option plans and free share plans are disclosed in Chapter 3 of the present Registration Document (Corporate governance).

This information belongs to the notes to the consolidated financial statements and has been audited by Statutory Auditors; it is identified as such in Chapters 3 and 4 of the present Registration Document.

6.1 CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 CONSOLIDATED BALANCE SHEET - ASSETS

<i>(In millions of euros)</i>		31.12.2018	01.01.2018⁽¹⁾	31.12.2017
Cash, due from central banks		96,585	114,404	114,404
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	365,550	369,112	419,680
Hedging derivatives	Notes 3.2 and 3.4	11,899	12,718	13,641
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	50,026	50,468	
Available-for-sale assets				139,998
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	12,026	11,592	
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	60,588	53,656	60,866
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	447,229	417,391	425,231
Revaluation differences on portfolios hedged against interest rate risk		338	663	663
Investments of insurance companies	Note 4.3	146,768	147,611	
Held-to-maturity financial assets				3,563
Tax assets	Note 6	5,819	6,292	6,001
Other assets	Note 4.4	67,446	60,449	60,562
Non-current assets held for sale	Note 2.5	13,502	13	13
Investments accounted for using the equity method		249	659	700
Tangible and intangible fixed assets	Note 8.4	26,751	24,200	24,818
Goodwill	Note 2.2	4,652	4,988	4,988
TOTAL		1,309,428	1,274,216	1,275,128

(1) The amounts have been restated following the first time application of IFRS 9 "Financial Instruments" (see Note 1).

6.1.2 CONSOLIDATED BALANCE SHEET - LIABILITIES

<i>(In millions of euros)</i>		31.12.2018	01.01.2018⁽¹⁾	31.12.2017
Due to central banks		5,721	5,604	5,604
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	363,083	368,550	368,705
Hedging derivatives	Note 3.2 and 3.4	5,993	6,146	6,750
Debt securities issued	Notes 3.6 and 3.9	116,339	103,235	103,235
Due to banks	Notes 3.6 and 3.9	94,706	88,621	88,621
Customer deposits	Notes 3.6 and 3.9	416,818	410,633	410,633
Revaluation differences on portfolios hedged against interest rate risk		5,257	6,020	6,020
Tax liabilities	Note 6	1,157	1,608	1,662
Other liabilities	Note 4.4	76,629	69,139	69,139
Non-current liabilities held for sale	Note 2.5	10,454	-	-
Underwriting reserves of insurance companies				130,958
Insurance contracts related liabilities	Note 4.3	129,543	131,717	
Provisions	Note 8.3	4,605	6,345	6,117
Subordinated debt	Note 3.9	13,314	13,647	13,647
TOTAL LIABILITIES		1,243,619	1,211,265	1,211,091
SHAREHOLDERS' EQUITY				
Shareholders' equity, Group share				
Issued common stocks, equity instruments and capital reserves		29,856	29,427	29,427
Retained earnings		28,342	27,698	27,791
Net income		3,864	2,806	2,806
SUB-TOTAL		62,062	59,931	60,024
Unrealised or deferred capital gains and losses	Note 7.3	(1,036)	(1,503)	(651)
SUB-TOTAL EQUITY, GROUP SHARE		61,026	58,428	59,373
Non-controlling interests	Note 2.3	4,783	4,523	4,664
TOTAL EQUITY		65,809	62,951	64,037
TOTAL		1,309,428	1,274,216	1,275,128

(1) The amounts have been restated following the first time application of IFRS 9 "Financial Instruments" (see Note 1).

6.1.3 CONSOLIDATED INCOME STATEMENT

<i>(In millions of euros)</i>		2018⁽¹⁾	2017
Interest and similar income	Note 3.7	22,678	23,679
Interest and similar expense	Note 3.7	(11,659)	(13,263)
Fee income	Note 4.1	9,124	10,504
Fee expense	Note 4.1	(3,600)	(3,681)
Net gains and losses on financial transactions		5,189	5,826
<i>o/w net gains and losses on financial instruments at fair value through profit or loss</i>	Note 3.1	5,119	5,113
<i>o/w net gains and losses on available-for-sale financial assets</i>			713
<i>o/w net gains and losses on financial instruments at fair value through other comprehensive income</i>	Note 3.3	83	
<i>o/w net gains and losses from the derecognition of financial assets at amortised cost</i>		(13)	
Net income of insurance activities	Note 4.3	1,724	
Income from other activities	Note 4.2	10,761	22,045
Expenses from other activities	Note 4.2	(9,012)	(21,156)
Net banking income		25,205	23,954
Personnel expenses	Note 5	(9,561)	(9,749)
Other operating expenses	Note 8.2	(7,366)	(7,083)
Amortisation, depreciation and impairment of tangible and intangible fixed assets		(1,004)	(1,006)
Gross operating income		7,274	6,116
Cost of risk	Note 3.8	(1,005)	(1,349)
Operating income		6,269	4,767
Net income from investments accounted for using the equity method	Note 2.3	56	92
Net income/expense from other assets		(208)	278
Value adjustments on goodwill	Note 2.2	-	1
Earnings before tax		6,117	5,138
Income tax	Note 6	(1,561)	(1,708)
Consolidated net income		4,556	3,430
Non-controlling interests		692	624
Net income, Group share		3,864	2,806
Earnings per ordinary share	Note 7.2	4.24	2.92
Diluted earnings per ordinary share	Note 7.2	4.24	2.92

(1) The presentation of the Group's consolidated income statement is modified as from 2018 following the transition to IFRS 9:

- income and expenses from insurance activities are grouped on a specific line item within the "Net banking income" (see Note 1.4);
- the line item "Cost of risk" is now exclusively dedicated to credit risk (see Note 3.8);
- fair value changes of financial liabilities designated to be measured at fair value through profit or loss (using the fair value option) attributable to changes in own credit risk are now recorded under "Unrealised or deferred gains and losses" (see Note 3.1).

6.1.4 STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

<i>(In millions of euros)</i>	2018	2017
Consolidated net income	4,556	3,430
Unrealised or deferred gains and losses that will be reclassified subsequently into income	24	(2,371)
Translation differences	370	(2,088)
Revaluation of debt instruments at fair value through other comprehensive income	(233)	
<i>Revaluation differences of the period</i>	(193)	
<i>Reclassified into income</i>	(40)	
Revaluation of available-for-sale financial assets ⁽¹⁾	(74)	(218)
<i>Revaluation differences of the period</i>	(54)	69
<i>Reclassified into income</i>	(20)	(287)
Revaluation of hedging derivatives	(120)	(100)
<i>Revaluation differences of the period</i>	(156)	(94)
<i>Reclassified into income</i>	36	(6)
Unrealised gains and losses of entities accounted for using the equity method	1	(20)
Tax related	80	55
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	411	19
Actuarial gains and losses on defined benefits plans	30	42
Revaluation of own credit risk on financial liabilities at fair value through profit or loss	529	
Revaluation of equity instruments through other comprehensive income	1	
Unrealised gains and losses of entities accounted for using the equity method	(3)	
Tax related	(146)	(23)
Total unrealised or deferred gains and losses	435	(2,352)
Net income and unrealised or deferred gains and losses	4,991	1,078
<i>o/w Group share</i>	4,331	504
<i>o/w non-controlling interests</i>	660	574

(1) Unrealised gains and losses on available-for-sale financial assets are related exclusively to insurance activities from the 2018 financial year.

6.1.5 CHANGES IN SHAREHOLDERS' EQUITY

(In millions of euros)	Capital and associated reserves				Total	Retained earnings	Net income, Group share
	Issued common stocks	Issuing premium and capital reserves	Elimination of treasury stock	Other equity instruments			
Shareholders' equity at 1 January 2017	1,010	20,277	(371)	9,680	30,596	29,687	-
Increase in common stock	-	8	-	-	8	-	-
Elimination of treasury stock	-	-	(122)	-	(122)	(29)	-
Issuance/Redemption/ Remuneration of other equity instruments (see Note 7.1)	-	-	-	(1,114)	(1,114)	(540)	-
Equity component of share-based payment plans	-	59	-	-	59	-	-
2017 dividends paid (see Note 7.2)	-	-	-	-	-	(1,762)	-
Effect of changes of the consolidation scope	-	-	-	-	-	419	-
Sub-total of changes linked to relations with shareholders	-	67	(122)	(1,114)	(1,169)	(1,912)	-
Change in unrealised or deferred gains and losses	-	-	-	-	-	19	-
2017 Net income	-	-	-	-	-	-	2,806
Change in equity of associates and joint ventures accounted for the equity method	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	(3)	-
Sub-total	-	-	-	-	-	16	2,806
Shareholders' equity at 31 December 2017	1,010	20,344	(493)	8,566	29,427	27,791	2,806
Appropriation of net income	-	-	-	-	-	2,806	(2,806)
IFRS 9 First time application (see Note 1)	-	-	-	-	-	(93)	-
Shareholders' equity at 1 January 2018	1,010	20,344	(493)	8,566	29,427	30,504	-
Increase in common stock	-	-	-	-	-	-	-
Elimination of treasury stock (see Note 7.1)	-	-	(174)	-	(174)	(12)	-
Issuance/Redemption/ Remuneration of other equity instruments (see Note 7.1)	-	-	-	544	544	(458)	-
Equity component of share-based payment plans (see Note 5.3)	-	59	-	-	59	-	-
2018 dividends paid (see Note 7.2)	-	-	-	-	-	(1,764)	-
Effect of changes of the consolidation scope	-	-	-	-	-	52	-
Sub-total of changes linked to relations with shareholders	-	59	(174)	544	429	(2,182)	-
Change in unrealised or deferred gains and losses	-	-	-	-	-	-	-
2018 Net income	-	-	-	-	-	-	3,864
Change in equity of associates and joint ventures accounted for the equity method	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	20	-
Sub-total	-	-	-	-	-	20	3,864
Shareholders' equity at 31 December 2018	1,010	20,403	(667)	9,110	29,856	28,342	3,864

Unrealised or deferred gains and losses			Non-controlling interests						Total consolidated shareholders' equity
that will be reclassified subsequently into income	that will not be reclassified subsequently into income	Total	Shareholder's Group Share	Capital and reserves	Other equity instruments issued by subsidiaries	Unrealised or deferred gains and losses	Total		
1,670	-	1,670	61,953	2,920	800	33	3,753	65,706	
-	-	-	8	-	-	-	-	8	
-	-	-	(151)	-	-	-	-	(151)	
-	-	-	(1,654)	(33)	-	-	(33)	(1,687)	
-	-	-	59	-	-	-	-	59	
-	-	-	(1,762)	(243)	-	-	(243)	(2,005)	
-	-	-	419	614	-	-	614	1,033	
-	-	-	(3,081)	338	-	-	338	(2,743)	
(2,307)	-	(2,307)	(2,288)	(1)	-	(49)	(50)	(2,338)	
-	-	-	2,806	624	-	-	624	3,430	
(14)	-	(14)	(14)	-	-	-	-	(14)	
-	-	-	(3)	(1)	-	-	(1)	(4)	
(2,321)	-	(2,321)	501	622	-	(49)	573	1,074	
(651)	-	(651)	59,373	3,880	800	(16)	4,664	64,037	
-	-	-	-	-	-	-	-	-	
(393)	(459)	(852)	(945)	(112)	-	(29)	(141)	(1,086)	
(1,044)	(459)	(1,503)	58,428	3,768	800	(45)	4,523	62,951	
-	-	-	-	-	-	-	-	-	
-	-	-	(186)	-	-	-	-	(186)	
-	-	-	86	(33)	-	-	(33)	53	
-	-	-	59	-	-	-	-	59	
-	-	-	(1,764)	(368)	-	-	(368)	(2,132)	
-	-	-	52	(5)	-	-	(5)	47	
-	-	-	(1,753)	(406)	-	-	(406)	(2,159)	
58	412	470	470	-	-	(32)	(32)	438	
-	-	-	3,864	692	-	-	692	4,556	
-	(3)	(3)	(3)	-	-	-	-	(3)	
-	-	-	20	6	-	-	6	26	
58	409	467	4,351	698	-	(32)	666	5,017	
(986)	(50)	(1,036)	61,026	4,060	800	(77)	4,783	65,809	

6.1.6 CASH FLOW STATEMENT

(In millions of euros)

	2018	2017
Consolidated net income (I)	4,556	3,430
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	4,589	4,283
Depreciation and net allocation to provisions	2,343	108
Net income/loss from investments accounted for using the equity method	(53)	(92)
Change in deferred taxes	357	673
Net income from the sale of long-term assets and subsidiaries	(101)	(110)
Other changes	2,256	4,367
Non-cash items included in net income and others adjustments excluding income on financial instruments at fair value through profit or loss (II)	9,391	9,229
Income on financial instruments at fair value through profit or loss	4,901	(5,113)
Interbank transactions	(1,929)	5,200
Customers transactions	(11,732)	(4,996)
Transactions related to other financial assets and liabilities	(1,598)	22,876
Transactions related to other non financial assets and liabilities	(4,643)	(2,228)
Net increase/decrease in cash related to operating assets and liabilities (III)	(15,001)	15,739
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	(1,054)	28,398
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments	(5,928)	(280)
Net cash inflow (outflow) related to tangible and intangible fixed assets	(7,621)	(5,928)
Net cash inflow (outflow) related to investment activities (B)	(13,549)	(6,208)
Cash flow from/to shareholders	(2,543)	(3,836)
Other net cash flows arising from financing activities	(471)	(331)
Net cash inflow (outflow) related to financing activities (C)	(3,014)	(4,167)
Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C)	(17,617)	18,023
Cash, due from central banks (assets)	114,404	96,186
Due to central banks (liabilities)	(5,604)	(5,238)
Current accounts with banks (see Notes 3.5 and 4.3)	22,159	24,639
Demand deposits and current accounts with banks (see Note 3.6)	(11,686)	(14,337)
Cash and cash equivalents at the start of the year	119,273	101,250
Cash, due from central banks (assets)	96,585	114,404
Due to central banks (liabilities)	(5,721)	(5,604)
Current accounts with banks (see Notes 3.5 and 4.3)	24,667	22,159
Demand deposits and current accounts with banks (see Note 3.6)	(13,875)	(11,686)
Cash and cash equivalents at the end of the year	101,656	119,273
Net inflow (outflow) in cash and cash equivalents	(17,617)	18,023

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES	308
NOTE 1.1 Introduction	308
NOTE 1.2 New accounting standards applied by the group as of 1 January 2018	309
NOTE 1.3 Accounting standards, amendments or interpretations to be applied by the Group in the future	310
NOTE 1.4 First application of IFRS 9 “Financial Instruments”	312
NOTE 1.5 Preparation for the first application of IFRS 16 “Leases”	318
NOTE 1.6 Use of estimates and judgment	322
NOTE 2 CONSOLIDATION	323
NOTE 2.1 Consolidation scope	326
NOTE 2.2 Goodwill	326
NOTE 2.3 Additional disclosures for consolidated entities and investments accounted for using the equity method	330
NOTE 2.4 Unconsolidated structured entities	333
NOTE 2.5 Non-current assets held for sale and related debt	335
NOTE 3 FINANCIAL INSTRUMENTS	336
NOTE 3.1 Financial assets and liabilities at fair value through profit or loss	342
NOTE 3.2 Financial derivatives	347
NOTE 3.3 Financial assets at fair value through other comprehensive income	355
NOTE 3.4 Fair value of financial instruments measured at fair value	357
NOTE 3.5 Loans, receivables and securities at amortised cost	366
NOTE 3.6 Debts	369
NOTE 3.7 Interest income and expense	371
NOTE 3.8 Impairment and provisions	373
NOTE 3.9 Fair value of financial instruments measured at amortised cost	379
NOTE 3.10 Commitments and assets pledged and received as securities	381
NOTE 3.11 Transferred financial assets	383
NOTE 3.12 Offsetting financial assets and financial liabilities	385
NOTE 3.13 Contractual maturities of financial liabilities	387
NOTE 4 OTHER ACTIVITIES	388
NOTE 4.1 Fee income and expense	388
NOTE 4.2 Income and expense from other activities	389
NOTE 4.3 Insurance activities	390
NOTE 4.4 Other assets and liabilities	398
NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS	399
NOTE 5.1 Personnel expenses and related party transactions	400
NOTE 5.2 Employee benefits	401
NOTE 5.3 Share-based payment plans	406
NOTE 6 INCOME TAX	407
NOTE 6.1 Income tax	407
NOTE 6.2 Provisions for tax adjustments	408
NOTE 6.3 Tax assets and liabilities	409
NOTE 6.4 Deferred tax assets recognised on tax loss carryforwards	410
NOTE 7 SHAREHOLDERS’ EQUITY	411
NOTE 7.1 Treasury shares and Shareholders’ Equity issued by the Group	411
NOTE 7.2 Earnings per share and dividends	414
NOTE 7.3 Gains and losses recognised in other comprehensive income	415
NOTE 8 ADDITIONAL DISCLOSURES	416
NOTE 8.1 Segment reporting	416
NOTE 8.2 Other operating expenses	420
NOTE 8.3 Provisions	421
NOTE 8.4 Tangible and intangible fixed assets	424
NOTE 8.5 Foreign exchange transactions	425
NOTE 8.6 Companies included in the consolidation scope	426
NOTE 8.7 FEES PAID TO STATUTORY AUDITORS	454
NOTE 8.8 Accounting principles applied up to 31 december 2017 to financial instruments	455
NOTE 9 INFORMATION ON RISKS AND LITIGATION	460

6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 6 February 2019.

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 2018 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date.

These standards are available on the European Commission website at:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_en

The most significant change made to the accounting principles is the application of IFRS 9 “Financial Instruments” as from 1 January 2018.

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 condensed financial statements used to present the data for financial year 2018 is consistent with the format of financial statements proposed by the French Accounting Standard Setter, the *Autorité des Normes Comptables* (ANC), under Recommendation No. 2017-02 of 2 June 2017. The presentation of the comparative data relative to financial year 2017 has not been modified and complies with the provisions of ANC Recommendation No. 2013-04 of 7 November 2013.

The disclosures provided in the notes to the consolidated financial statements of the Societe Generale Group, its activities and the circumstances in which it conducted its operations over the period.



PRESENTATION CURRENCY

The presentation currency of the consolidated financial statements is the euro.

The figures presented in the financial statements and in the notes are expressed in millions of euros, unless otherwise specified. The effect of rounding can generate discrepancies between the figures presented in the financial statements and those presented in the notes.

NOTE 1.2 New accounting standards applied by the group as of 1 January 2018

IFRS 9 “Financial Instruments” (see Note 1.4)
 IFRS 15 “Revenue from Contracts with Customers” and subsequent clarifications
 Amendments to IFRS 4: Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (see Note 1.4)
 Annual improvements (2014-2016)
 Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”
 Amendments to IAS 40 “Transfers of Investment Property”
 IFRIC 22 “Foreign Currency Transactions and Advance Consideration”
 Amendments to IFRS 9 “Prepayment Features with Negative Compensation” (see Note 1.4)

IFRS 9 “FINANCIAL INSTRUMENTS”, SUBSEQUENT AMENDMENTS AND AMENDMENTS TO IFRS 4 RELATED TO THE APPLICATION OF IFRS 9 BY INSURANCE COMPANIES

The impacts of the first-time application of IFRS 9 are presented in Note 1.4 *First-time application of IFRS 9 “Financial Instruments”*.

IFRS 15 “Revenue from Contracts with Customers” and subsequent clarifications

This standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and their interpretations and sets out the new

requirements for recognising revenues earned from all types of contracts entered into with customers, with the exception of leases, insurance contracts, contracts in financial instruments and guarantees.

The recognition of revenues in the income statement shall depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To apply this core principle, IFRS 15 provides a five-step model from the identification of the contract with the customer until the recognition of the related revenue when the performance obligation is fulfilled:



In the Group, the contracts that are the most concerned by the new standard are:

- banking services contracts that lead to the recognition of fee income (packages of banking services, fees related to asset management or to loan syndication, etc.);
- contracts for services linked to leasing activities (such as maintenance services for operational vehicle leasing and fleet management);
- real estate development transactions.

The Group has performed a review of the accounting treatments applied in prior periods for the recognition of revenues generated by contracts with customers and has assessed that they comply with the treatments provided by IFRS 15.

IFRS15 and the other standards, amendments, improvements and interpretations presented below, applicable as from 1 January 2018, have no material impact on the net income and shareholders' equity of the Group.

ANNUAL IMPROVEMENTS (2014-2016)

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IAS 28 “Investments in Associates and Joint Ventures” and IFRS 12 “Disclosure of Interests in Other Entities”.

The amendment to IAS 28 clarifies the measurement of investments in associates or joint ventures held by a venture capital organisation or other qualifying entity.

The amendment to IFRS 12 clarifies the disclosure requirements related to an entity's interest that is classified as held for sale or as discontinued operations in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

AMENDMENTS TO IFRS 2 “CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS”

These amendments clarify how to account for certain types of share-based payment transactions: modelling vesting conditions regardless of settlement method, impacts of tax withholdings on share-based payment transactions, accounting treatment of modifications that change the settlement method (cash versus equity instruments) of the share-based payment transactions.

AMENDMENTS TO IAS 40 "TRANSFERS OF INVESTMENT PROPERTY"

These amendments reinforce the principle according to which the entity shall transfer property into or out of the investment property category. Such a transfer shall occur if and only if property meets, or ceases to meet, the definition of investment property and if there is evidence of a change in management's intentions regarding the use of the property.

IFRIC 22 "FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION"

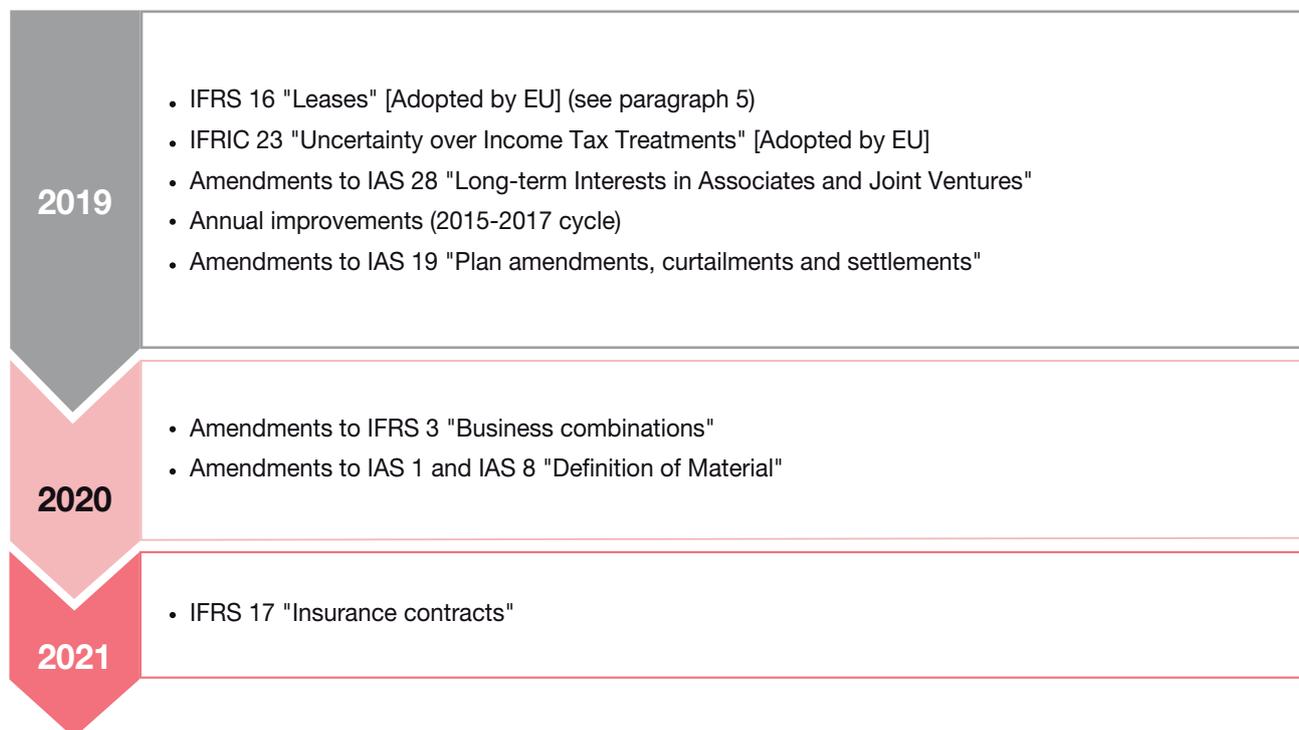
This interpretation clarifies the accounting for foreign currency transactions (payments or prepayments). The transaction shall provide a consideration that is denominated or priced in a foreign currency. Before this transaction, a prepayment asset or a deferred income liability shall be recognised and considered as a non-monetary item. The date of the transaction, for determining the exchange rate, is the date of initial recognition of the non-monetary asset or liability, except when there are multiple payments or receipts in advance, in which case the date of transaction will be established for each payment or receipt.

NOTE 1.3 Accounting standards, amendments or interpretations to be applied by the Group in the future

IASB published accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at 31 December 2018. They are required to be

applied from annual periods beginning on 1 January 2019 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as at 31 December 2018.

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

**IFRS 16 "LEASES"**

IFRS 16 is presented in Note 1.5 *Preparation for the first application of IFRS 16 "Leases"* below.

IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS"

Adopted by the European union on 23 October 2018

This interpretation provides clarifications about the measurement and accounting treatment of income tax when there is uncertainty over income tax treatments. The approach to be used should be the one that provides the best predictions of the resolution of the uncertainty.

The process for identifying, analysing and monitoring tax uncertainties has been reviewed. The Group expects no material effect of this interpretation on equity.

AMENDMENTS TO IAS 28 "LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES"

Issued by IASB on 12 October 2017

The amendments clarify that IFRS 9 "Financial Instruments" shall be applied to financial instruments that form part of the net investment in an associate or a joint venture but to which the equity method is not applied.

ANNUAL IMPROVEMENTS (2015-2017)

Issued by IASB on 12 December 2017

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

AMENDMENTS TO IAS 19 "PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT"

Issued by IASB on 7 February 2018

These amendments clarify how pension expenses are determined in the event of amendment, curtailment or settlement of defined benefit pension plans. In these cases, IAS 19 currently calls for the net cost of the defined benefit asset or liability to be remeasured.

The amendments require the entity to use the updated actuarial assumptions from this remeasurement to determine past service cost and net interest.

AMENDMENTS TO IFRS 3 "BUSINESS COMBINATIONS"

Issued by the IASB on 22 October 2018

The amendments are intended to provide clearer application guidance to make it easier to differentiate between the acquisition of a business and the acquisition of a group of assets, whose accounting treatment is different.

AMENDMENTS TO IAS 1 AND IAS 8 "DEFINITION OF MATERIAL"

Issued by the IASB on 31 October 2018

These amendments are intended to clarify the definition of 'material' in order to facilitate the exercise of judgement during the preparation financial statements, particularly when selecting the information to be presented in the Notes.

IFRS 17 "INSURANCE CONTRACTS"

Issued by IASB on 18 May 2017

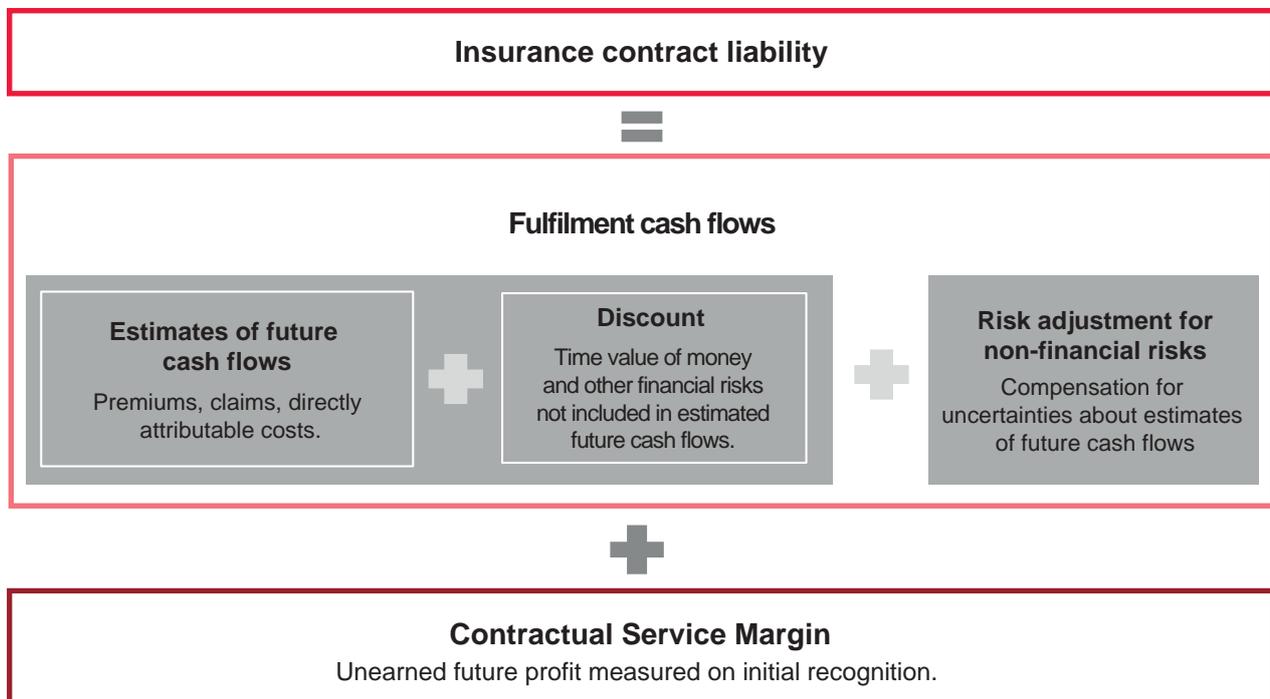
This new standard will replace IFRS 4 "Insurance Contracts" that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts that belong to its application scope (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the balance sheet will be replaced by a current value measurement of insurance contracts.

The general model provided for the measurement of insurance contracts in the balance sheet will be based on a building-blocks approach: a current estimate of future cash flows, a risk adjustment, and a contractual service margin.

Positive contractual service margins will be recognised as income over the duration of the insurance service, whereas negative margins will be immediately recognised as expense, as soon as the insurance contract is identified as onerous.

The general model will be the default measurement model for all insurance contracts.



However IFRS 17 also provides a mandatory alternative model for insurance contracts with direct participation features. Under this model, called “variable fee approach”, the measurement of the insurance contract liability shall take into account the obligation to pay to policyholders a substantial share of the fair value returns on the underlying items, less a fee for future services provided by the insurance contract (changes in the fair value of underlying items due to policyholders are then recognised as an adjustment of the contractual service margin).

A simplified measurement (premium allocation approach) is also allowed by the standard under conditions for short-term contracts (12 months or less) and contracts for which the result of premium allocation approach is closed to the general approach.

These measurement models will have to be applied to homogeneous portfolios of insurance contracts. The level of aggregation of these portfolios will be assessed considering:

- contracts that are subject to similar risks and managed together;
- the year during which contracts are issued; and
- at initial recognition, contracts that are onerous, contracts that have no significant possibility of becoming onerous subsequently, and the remaining contracts.

IASB is currently discussing implementation challenges and concerns raised by stakeholders since IFRS 17 was issued and is considering whether there is a need to amend the Standard. Moreover, in November 2018, Board members decided to defer by one year the mandatory effective date of IFRS 17, so that it would become applicable for annual periods beginning on or after 1 January 2022 if this amendment is issued.

NOTE 1.4 First application of IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39, defining a new set of rules for measuring and classifying financial assets and liabilities, establishing a new methodology for the credit impairment of financial assets and for determining loss allowances for loan and guarantee commitments, and introducing changes in the treatment of hedging transactions, with the exception of macro-hedging transactions which will be covered by a separate standard currently under review by the IASB.

As from 1 January 2018, the Group applies IFRS 9 as adopted by the European Union on 22 November 2016. The Group did not early apply the provisions of IFRS 9 to previous reporting periods. Consequently, the accounting principles applicable to financial instruments have been amended and the disclosures presented in the notes to the consolidated financial statements have been updated, in accordance with the amendments to IFRS 7 issued with IFRS 9.

In accordance with the recommendations provided by the market authorities (ESMA and AMF), the Group elected to early apply, at 1 January 2018, the amendment to IFRS 9 “Prepayment Features with Negative Compensation”, issued by the IASB on 12 October 2017 and adopted by the European Union on 22 March 2018.

IFRS 9 ACCOUNTING PRINCIPLES

Classification and measurement of financial assets and liabilities

Under IFRS 9, financial assets are classified among three categories (Amortised cost, Fair value through profit or loss, and Fair value through other comprehensive income), based on their contractual cash flow characteristics and the entity’s business model for managing these assets.

IFRS 9 carries forward the rules for classifying and measuring financial liabilities as they appear in IAS 39, without modification. The only exception applies to financial liabilities designated to be measured at fair value through profit or loss (using the fair value option), in which case the portion of the fair value changes attributable to changes in own credit risk is recorded under *Unrealised or deferred gains and losses* without subsequent reclassification into profit or loss (changes attributable to other factors will continue to be recognised in profit or loss). The scope of financial liabilities designated by the Group to be measured at fair value through profit or loss is not modified by IFRS 9. IFRS 9 also details how to recognise modifications of the terms of financial liabilities that do not result in derecognition.

According to ANC’s Recommendation No. 2017-02 of 2 June 2017, a separate line was added to the income statement under *Net banking income* for clarification purposes.

The principles for the classification and measurement of financial instruments are detailed in Note 3.

Credit risk

IFRS 9 has replaced the incurred loss model provided for in IAS 39 with an expected credit loss (ECL) model. Under this model, impairments and provisions for credit risk are recorded at the initial recognition of the financial assets and of loan and guarantee commitments without waiting for the occurrence of objective evidence of impairment (trigger event).

The application scope and accounting principles for recognising impairment and provisions for credit risk are detailed in Note 3.8.

Hedge accounting

In accordance with the transitional measures provided by IFRS 9, the Group has elected to continue recognising hedging transactions under IAS 39 as adopted by the European Union.

However, additional disclosures related to hedging transactions are provided in Note 3.2 to the 31 December 2018 consolidated financial statements pursuant to amendments to IFRS 7.

TRANSITION REQUIREMENTS

The first-time application of IFRS 9 at 1 January 2018 is retrospective in terms of “Classification and measurement” and “Credit risk”; however, the transitional provisions of IFRS 9 provide the option, taken by the Group, of not restating comparative data for previous financial years.

Consequently, for financial instruments, the data for financial year 2017 which are presented in comparison with the data for financial year 2018 comply with the provisions of IAS 39 as adopted by the European Union. Accounting principles applicable to financial instruments up to 31 December 2017 are presented in the Note 8.8.

Differences in the measurement of financial assets and liabilities resulting from the first-time application of IFRS 9 at 1 January 2018 are recorded directly in equity at that date.

As permitted by the amendment to IFRS 4 “Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts”, as adopted by the European Union on 3 November 2017, the Group has elected to defer the application of IFRS 9 and continue applying IAS 39, as adopted by the European Union, for its insurance subsidiaries (see Note 4.3).

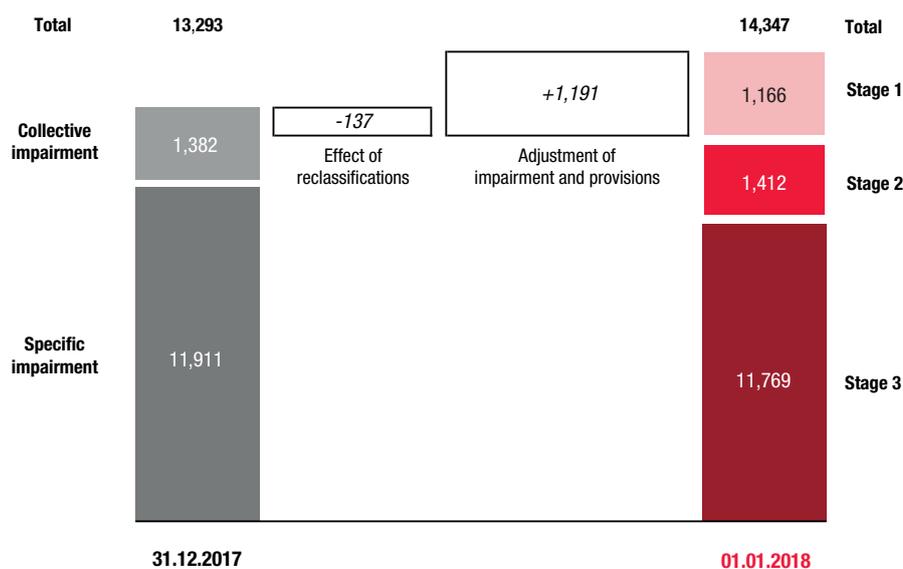
The following table shows the 2018 *Net banking income* prior to this reclassification:

<i>(In millions of euros)</i>	2018	2017
Interest and similar income	24,730	23,679
Interest and similar expense	(14,065)	(13,263)
Fee income	10,798	10,504
Fee expense	(3,874)	(3,681)
Net gains and losses from financial transactions	5,471	5,826
<i>o/w net gains and losses on financial instruments at fair value through profit or loss</i>	5,018	5,113
<i>o/w net gains and losses on available-for-sale financial assets</i>	136	713
<i>o/w net gains and losses on financial instruments at fair value through other comprehensive income</i>	330	
<i>o/w net gains and losses from the derecognition of financial assets at amortised cost</i>	(13)	
Income from other activities	24,097	22,045
Expenses from other activities	(21,952)	(21,156)
NET BANKING INCOME	25,205	23,954

IMPACTS ON IMPAIRMENT AND PROVISIONS

Adjustment of credit risk impairment and provisions at first time application

The following diagram presents the adjustments recorded on credit risk impairment and provisions between the situation as at 31 December 2017 established in compliance with IAS 39 and the situation as at 1 January 2018, established in compliance with IFRS 9.



The increase of impairment and provisions for credit risk is mainly due to the transition from a model based on the recognition of incurred losses to a model based on the recognition of expected losses.

There is a direct match between specific impairment and provisions under IAS 39 and Stage 3 impairment and provisions under IFRS 9 with the exception of impairment on financial assets that are measured at fair value through profit or loss either because they do not satisfy the SPPI criteria under IFRS 9 (reclassified outstandings: EUR 643 million) or they have been reclassified in the trading portfolio regarding their business model (reclassified outstandings: EUR 644 million). Indeed,

the definition of default exposure remains unchanged between the two standards. After an in-depth analysis of methods used to estimate future recoverable cash flows, we found that a large portion of cash flow estimates already include a prospective feature. In cases where the loss assessment method was based on a statistical method, the link between credit losses and macro-economic variables is not relevant.

Moreover, no outstanding has been classified as purchased or originated credit-impaired assets.

However, impairments on groups of homogeneous assets have been replaced by expected credit loss impairments at one year or at maturity:

- outstandings on counterparties with a weakened financial situation since the initial recognition of those financial assets but without any objective evidence of impairment identified individually (watchlist outstanding) have been partly included in the Stage 2 category with expected credit loss impairment calculated at maturity;
- outstandings on counterparties of economic sectors considered as in crisis following loss triggering events on outstandings on

geographical sectors or on countries for which a deterioration of the credit risk has been observed, have been allocated to Stage 1 (expected credit loss impairment at one year) and Stage 2 categories (expected credit loss impairment at maturity) depending on their individual credit risk and taking into account the deterioration of the sector or country between the granting date of the loan and the reporting date.

As a result, the net increase related to the transition to IFRS 9 is limited to EUR 1,054 million and is mainly due to one year expected credit loss impairments and provisions.

BREAKDOWN OF IMPAIRMENT AND PROVISIONS BY ITEM OF THE BALANCE SHEET

(In millions of euros)	Balance as of 31.12.2017 IAS 39/IAS 37			Reclassifi- cation effects	Adjustment of credit risk impairment/ provisions	Balance as of 01.01.2018 IFRS 9			
	Specific assessment	Collective assessment	Total			Stage 1	Stage 2	Stage 3	Total
Impairment of financial assets	11,565	1,311	12,876	(137)	925	997	1,244	11,423	13,664
Impairment of financial assets at amortised cost	11,460	1,311	12,771	(47)	925	992	1,244	11,413	13,649
<i>Customer loans at amortised cost</i>	11,214	1,311	12,525	(52)	888	982	1,217	11,162	13,361
<i>Due from banks at amortised cost</i>	25		25		4	4		25	29
<i>Securities at amortised cost</i>				5	6	6		5	11
<i>Held-to-maturity financial assets</i>									
<i>Other assets</i>	221		221		27		27	221	248
Impairment of financial assets at fair value through other comprehensive income	105	-	105	(90)	-	5	-	10	15
<i>Available-for-sale financial assets</i>	105		105	(105)					
<i>Financial assets at fair value through other comprehensive income</i>				15		5		10	15
Provision for credit risk on commitments	346	71	417		266	169	168	346	683
TOTAL IMPAIRMENT/PROVISIONS	11,911	1,382	13,293	(137)	1,191	1,166	1,412	11,769	14,347

IMPACT ON BALANCE SHEET

Reconciliation of the asset side between IAS 39 and IFRS 9

To determine the classification under IFRS 9 of financial assets recognised on balance sheet as at 31 December 2017, the Group performed a detailed analysis of:

- the characteristics of contractual cash flows based on facts and circumstances at the date of initial recognition of the instruments;
- the business models of its financial assets based on facts and circumstances at 1 January 2018.

Moreover, the Group implemented a new expected credit loss model to estimate impairment on financial assets measured at amortised cost or at fair value through other comprehensive income and on receivables classified among *Other assets* (operating lease receivable and sundry debtors in particular) and to estimate provisions on financial guarantee and loan commitments.

The carrying amount of investments accounted for using the equity method has been adjusted according to IFRS 9 impacts on the financial assets held by those entities.

The following tables reconcile the asset side of the balance sheet as at 31 December 2017, prepared in compliance with IAS 39, and the asset side of the balance sheet as at 1 January 2018, prepared in compliance with IFRS 9.

<i>(In millions of euros)</i>	Reclassifications							Reclassified balances
	Balances at 31.12.2017 IAS 39	of investments of insurance activities	of available-for-sale financial assets	of held-to-maturity financial assets	of non-SPPI loans and receivables	of loans and receivables regarding their business model	Others	
	A	B	C	D	E	F		
Cash, due from central banks	114,404	-	-	-	-	-	-	114,404
Financial assets at fair value through profit or loss	419,680	(54,598)	2,422	-	643	644	537	369,328
Hedging derivatives	13,641	(420)	-	-	-	-	(503)	12,718
Financial assets at fair value through other comprehensive income	N/A	-	49,874	485	-	80	-	50,439
Available-for-sale financial assets	139,998	(84,731)	(55,267)	-	-	-	-	-
Securities at amortised cost	N/A	-	2,971	3,078	-	-	5,650	11,699
Due from banks at amortised cost	60,866	(7,103)	-	-	(5)	(80)	(18)	53,660
Customer loans at amortised cost	425,231	(141)	-	-	(638)	(644)	(5,580)	418,228
Revaluation differences on portfolios hedged against interest rate risk	663	-	-	-	-	-	-	663
Investments of insurance activities	N/A	147,611	-	-	-	-	-	147,611
Held-to-maturity financial assets	3,563	-	-	(3,563)	-	-	-	-
Tax assets	6,001	-	-	-	-	-	-	6,001
Other assets	60,562	-	-	-	-	-	(86)	60,476
Non-current assets held for sale	13	-	-	-	-	-	-	13
Investments accounted for using the equity method	700	-	-	-	-	-	-	700
Tangible and intangible fixed assets	24,818	(618)	-	-	-	-	-	24,200
Goodwill	4,988	-	-	-	-	-	-	4,988
TOTAL	1,275,128	-	-	-	-	-	-	1,275,128

<i>(In millions of euros)</i>	Reclassified balances	Value adjustments			Balance at 01.01.2018 IFRS 9 ⁽¹⁾
		Reclassification effects	Impairment for credit risk	Change in deferred taxes	
		G	H	I	
Cash, due from central banks	114,404	-	-	-	114,404
Financial assets at fair value through profit or loss	369,328	(216)	-	-	369,112
Hedging derivatives	12,718	-	-	-	12,718
Financial assets at fair value through other comprehensive income	50,439	29	-	-	50,468
Available-for-sale financial assets	-	-	-	-	-
Securities at amortised cost	11,699	(100)	(7)	-	11,592
Due from banks at amortised cost	53,660	-	(4)	-	53,656
Customer loans at amortised cost	418,228	50	(887)	-	417,391
Revaluation differences on portfolios hedged against interest rate risk	663	-	-	-	663
Investments of insurance activities	147,611	-	-	-	147,611
Held-to-maturity financial assets	-	-	-	-	-
Tax assets	6,001	-	-	291	6,292
Other assets	60,476	-	(27)	-	60,449
Non-current assets held for sale	13	-	-	-	13
Investments accounted for using the equity method	700	(45)	-	4	659
Tangible and intangible fixed assets	24,200	-	-	-	24,200
Goodwill	4,988	-	-	-	4,988
TOTAL	1,275,128	(282)	(925)	295	1,274,216

(1) Except for insurance subsidiaries (see Note 4.3).

DESCRIPTION OF RECLASSIFICATIONS

Identification of insurance investments (column A)

Following the decision of the Group to defer the application of IFRS 9 for its insurance subsidiaries, all financial assets and real-estate investments held by those entities have been grouped in a specific line of the balance sheet (*Investments of insurance activities*) in which financial assets remain recorded in compliance with IAS 39.

Reclassification of available-for-sale and held-to-maturity financial assets (columns B and C)

Applying IFRS 9 causes the disappearance of the accounting categories *Available-for-sale financial assets* and *Held-to-maturity financial assets*. Consequently, except for instruments grouped in the line *Investments of insurance activities*, instruments previously included in those categories have been reclassified in the new IFRS 9 accounting categories according to the characteristics of their contractual cash flows and their business model.

As of 31 December 2017, except for investments of insurance activities, available-for-sale financial assets included debt securities (bonds and equivalent securities) for EUR 53,464 million and equity securities (shares and equivalent securities) for EUR 1,803 million.

- Debt securities are mainly held as part of the cash management activities for the Bank's own account and as part of the management of HQLA (High Quality Liquid Assets) portfolios included in the liquidity buffer. Those securities, whose contractual cash flows are SPPI, are primarily classified as *Financial assets at fair value through other comprehensive income* for EUR 49,584 million in compliance with their business model which implies regular sales of assets from liquidity buffer portfolios. The business model implying collecting contractual cash flows is only marginally applied by some subsidiaries for their HQLA portfolios which have therefore been classified as *Securities at amortised cost* for EUR 2,971 million;
- The other debt securities belong mainly to residual portfolios of securitisation assets managed in run-off which have therefore been classified as *Financial assets at fair value through profit or loss* for EUR 895 million;
- Equity securities have been classified by default as *Financial assets at fair value through profit or loss* for EUR 1,513 million. The option to measure shares at fair value through other comprehensive income without later reclassification through profit or loss has been chosen in a very few cases by the Group (EUR 290 million).

Financial assets previously classified as *Held-to-maturity financial assets* included exclusively debt securities with SPPI contractual cash flows. Those securities are held for the management of the Group liquidity buffer which implies collecting their contractual cash flows. Consequently, they have been classified as *Securities at amortised cost* for EUR 3,078 million. Marginally, some long-term securities have been classified as *Financial assets at fair value through other comprehensive income* considering their specific business model which can imply selling assets (EUR 485 million).

Marginal amount of non-SPPI loans and receivables (column D)

The amount of loans and receivables that have been reclassified among *Financial assets at fair value through profit or loss* due to the non-SPPI characteristics of their contractual cash flows is limited: EUR 643 million. Those instruments are mainly loans that include prepayment features with compensation that do not reflect the effect of changes in the benchmark interest rate.

Limited impact of reclassifications related to the business model (column E)

Loans and receivables to customers reclassified as *Financial assets at fair value through profit or loss* for EUR 644 million include mainly:

- the portion of syndicated 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 on the secondary market; and
- residual outstandings of CDO (Collateralised Debt Obligations) tranches and ABS (Asset Backed Securities) tranches presented among loans and receivables since their reclassification in 2008 and that are intended to be sold through an organised and pre-determined disposal program.

Other reclassifications (column F)

Hedging derivative instruments, for which the hedged financial asset has been reclassified as *Financial assets at fair value through profit or loss*, have been de-designated and reclassified as trading instruments for an amount of EUR 503 million on the asset side. Moreover, bonds which were considered to be loans and receivables under IAS 39 as those instruments are unquoted, have been reclassified as *Securities at amortised cost* for an amount of EUR 5,612 million.

DESCRIPTION OF VALUE ADJUSTMENTS

Limited effects of reclassifications (column G)

The balance sheet value of financial assets, which have been reclassified according to IFRS 9, has been adjusted based on their new measurement method. Those adjustments include EUR 137 million of credit risk impairment reversal on financial assets reclassified as *Financial assets at fair value through profit or loss*.

Increase in credit risk impairment (column H)

The application of the new accounting model for credit risk causes an adjustment of impairment related to financial assets measured at amortised cost (increase of EUR 925 million). This adjustment concerns mainly loans to customers. The analysis of those adjustments is presented in section "Impact on impairment and provisions".

Tax effects (column I)

The tax effects of those adjustments have changed the amounts of deferred tax assets and liabilities in the Group balance sheet.

Reconciliation of the liability side between IAS 39 and IFRS 9

The following table reconciles the liability side of the balance sheet as at 31 December 2017 prepared in compliance with IAS 39 and the liability side of the balance sheet as at 1 January 2018 prepared in compliance with IFRS 9.

(In millions of euros)	Balances at 31.12.2017 IAS 39	Reclassifications			Value adjustments			Balance at 01.01.2018 IFRS 9(1)
		of insurance liabilities	of own credit risk adjustment	Others	Reclassifi- cations effects	Impairment and provisions for credit risks	Change in deferred taxes	
		A	B	C	D	E	F	
Due to central banks	5,604	-	-	-	-	-	-	5,604
Financial liabilities at fair value through profit or loss	368,705	(759)	-	604	-	-	-	368,550
Hedging derivatives	6,750	-	-	(604)	-	-	-	6,146
Debt securities issued	103,235	-	-	-	-	-	-	103,235
Due to banks	88,621	-	-	-	-	-	-	88,621
Customer deposits	410,633	-	-	-	-	-	-	410,633
Revaluation differences on portfolios hedged against interest rate risk	6,020	-	-	-	-	-	-	6,020
Tax liabilities	1,662	-	-	-	-	-	(54)	1,608
Other liabilities	69,139	-	-	-	-	-	-	69,139
Non-current liabilities held for sale	-	-	-	-	-	-	-	-
Underwriting reserves of insurance companies	130,958	(130,958)	-	-	-	-	-	-
Liabilities related to insurance companies	N/A	131,717	-	-	-	-	-	131,717
Provisions	6,117	-	-	-	(38)	266	-	6,345
Subordinated debt	13,647	-	-	-	-	-	-	13,647
TOTAL LIABILITIES	1,211,091	-	-	-	(38)	266	(54)	1,211,265
SHAREHOLDERS' EQUITY								
Shareholders' equity, Group share								
Issued common stocks, equity instruments and capital reserves	29,427	-	-	-	-	-	-	29,427
Retained earnings	27,791	-	724	-	113	(1,031)	101	27,698
Net income	2,806	-	-	-	-	-	-	2,806
SUB-TOTAL	60,024	-	724	-	113	(1,031)	101	59,931
Unrealised or deferred capital gains and losses	(651)	-	(724)	-	(329)	5	196	(1,503)
SUB-TOTAL EQUITY, GROUP SHARE	59,373	-	-	-	(216)	(1,026)	297	58,428
Non-controlling interests	4,664	-	-	-	(28)	(165)	52	4,523
TOTAL EQUITY	64,037	-	-	-	(244)	(1,191)	349	62,951
TOTAL	1,275,128	-	-	-	(282)	(925)	295	1,274,216

(1) Except for insurance subsidiaries (see Note 4.3).

DESCRIPTION OF RECLASSIFICATIONS

Identification of liabilities related to insurance contracts (column A)

Following the decision of the Group to defer the application of IFRS 9 for its insurance subsidiaries, liabilities related to insurance contracts (underwriting reserves of insurance companies and derivatives instruments) have been grouped in a specific line of the balance sheet (*Insurance contracts related to liabilities*).

OCA (Own Credit risk Adjustment) (column B)

Revaluation differences on financial liabilities designated at fair value through profit or loss using the fair value option, and related to the Group's own credit risk (also called OCA) are now recorded among *Unrealised or deferred capital gains and losses*, without subsequent reclassification in profit or loss. The cumulated differences as at 31 December 2017 amount to EUR -724 million.

Other reclassifications (column C)

Hedging derivative instruments for which the hedged financial asset has been reclassified as *Financial assets at fair value through profit or loss* have been de-designated and reclassified as trading instruments for an amount of EUR 604 million on the liability side.

DESCRIPTION OF VALUE ADJUSTMENTS

Limited increase in provisions for credit risk (column E)

The application of the new accounting model for credit risk causes an adjustment of provisions on guarantee and loan commitments for an amount of EUR 266 million in addition to an adjustment of impairment on the asset side. The analysis of those adjustments is presented in the section "Impacts on impairment and provisions".

Tax effects (column F)

The tax effects of those adjustments have changed the amounts of deferred tax assets and liabilities in the Group's balance sheet.

Equity (columns D, E and F)

The value adjustments recorded as at 1 January 2018 on Group assets and liabilities in compliance with IFRS 9 have been recorded with a

corresponding entry in equity. Those adjustments are mainly due to the application of the new accounting model for credit risk (EUR -1,191 million).

Moreover, adjustments of impairment on debt financial assets at fair value through other comprehensive income have been reclassified from *Unrealised or deferred capital gains and losses* to *Retained earnings* (EUR 5 million).

NOTE 1.5 Preparation for the first application of IFRS 16 "Leases"

This new standard will supersede, as from 1 January 2019, the existing standard, IAS 17. It will modify the accounting requirements for leases,

more specifically in relation to the lessees' financial statements, with very few impacts for the lessors.

ACCOUNTING TREATMENTS PROVIDED BY IFRS 16

For all lease agreements, the lessee will be required to recognise a right-of-use asset in its balance sheet representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In its income statement, the lessee will separately recognise the depreciation of the right-of-use assets and the interest expense on lease liabilities. This treatment is currently applied by lessees to finance-lease transactions and it will then be extended to operating leases as well:

	Income statement	Fixed assets	Liabilities	Off balance sheet rights and obligations
IAS 17	Lease payments in Other operating expenses	---	---	 € € €
IFRS 16	Interest expense in NBI + Amortisation expense		€ € €	---

Scope

IFRS 16 will concern any contract meeting the definition of a lease except for:

- leases to explore for or use non-regenerative resources and leases of biological assets;
- service concession arrangements;

- licences of intellectual property;
- rights held by a lessee under licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Lessees are not required to apply this standard to intangible assets leases (software for example). In preparing the application of the standard, the Group used this option.

The Group, as a lessee, recorded its leases as operating leases until 31 December 2018, and recorded the lease payments as an expense on a straight-line basis over the lease term, pursuant to IAS 17.

These annual lease payments totalled EUR 752 million in 2018, compared to EUR 839 million in 2017 (see Note 8.2).



Property Leases

Most of the leases (>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.
- 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...

At 31 December 2018, there are approximately 4,500 outstanding property leases, including more than 3,500 in France.

The majority of leases contracted in France are nine-year commercial leases with early termination options at three and six years (so-called "3/6/9" leases).

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 (<10%) are mainly computer equipment leases and a very small percentage of vehicle leases.

Simplified procedures

Lessors may choose not to 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. This last simplification applies specifically to small equipment such as personal computers, tablets, telephones,

and small items of office furniture. The IASB mentions a guideline threshold of USD 5,000 in the standard's Basis for Conclusions (the threshold should be measured against the replacement cost per unit of the leased asset).

The Group has decided to apply this exemption threshold of USD 5,000 and has, furthermore, considered the possibility to exclude other lease agreements provided the effect of these exclusions will remain immaterial with regard to its financial statements.

The majority of vehicle leases are contracted with the Group's consolidated entities belonging to the ALD Automotive sub-group. Leases contracted with lessors outside the Group are marginal and fall within the scope of additional exclusions because they are immaterial.

Distinction between leases and service contracts

IFRS 16 introduces new provisions for distinguishing leases from service contracts.

In the lessees' accounts, the standard will no longer separate contracts classified as operating leases from lease financing contracts.

However, the contracts must be analysed to determine whether they meet the definition of a lease, and to separate, as applicable, the various lease components from the non-lease (or service) components.

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 where 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).

If the lessor cannot separate the non-lease (or service) components from the lease components within a single contract, the contract will be qualified as a single lease.

The Group has entered into contracts giving it access to back up sites that can be used if the entities' customary premises should become inaccessible. If these contracts include lease and service components, they will be treated entirely as leases.

Marginally, certain contracts for providing back up sites have been identified as being entirely service contracts. These back up sites are not specifically designed for the entity and do not consist of entire buildings; they only provide areas within building complexes, without pre-defined location within the building complex, and they do not represent virtually all of the capacity of the building complex.

Accounting treatment of lease contracts for the lessees



RECOGNITION OF A LESSEE'S LEASE LIABILITY

On the commencement date (on which the leased asset is made available for use), the lessee must book a lease liability on the liabilities side of its balance sheet. The initial amount of the liability 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.

The amount of the lease liability may be adjusted later 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.

LEASE PERIOD

The lease period to be applied in determining the rental payments to be discounted will match 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.

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 to exercise 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).

If the lessee and the lessor each have the right to terminate the lease without the prior agreement of the other party and with no penalty other than a negligible one, the contract is no longer binding, and thus it no longer creates a lease liability.

In France, the majority of property leases contracted in France are nine-year commercial leases with early termination options at three and six years (so-called "3/6/9" leases). If a new contract is not signed by the end of that nine-year period, the initial lease is automatically extended.

These "3/6/9" commercial leases are generally enforceable for a term of nine years, with an initial three-year non-cancellation period.

LEASE DISCOUNT RATES

The implicit contract rates are not generally known nor easily determined, specifically for building leases. Therefore, the Group has decided to use the lessees' incremental borrowing rate to discount the rental payments as well as the amount of lease liabilities.

The incremental borrowing rate is set by the lessee entity, not by the Group, in consideration of the borrowing terms and that entity's credit risk.

The discount rates to be used by the Group shall be set according to the currency and country of location of the lessee entities.

RENTAL PAYMENT AMOUNTS

The payments to be applied 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) or a benchmark interest rate (Euribor), 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 based on the use of the leased asset (indexed to 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 indexing.

In France, rental payments will be applied 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 A LESSEE'S RIGHT-OF-USE

On the availability date of the leased asset, the lessee must enter a right-of-use to the leased 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, 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.

The asset's value may be adjusted later 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.

Rights-of-use will be 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 leases stipulate the initial payment of a leasehold right to the former tenant of the premises, the amount of that right will be stated as a component of the right of use and presented under the same heading as the latter. At 31 December 2018, the amount of leasehold rights recorded by the Group under Intangible fixed assets was approximately EUR 100 million.

In the income statement, depreciation charges on rights-to-use will be presented with the depreciation charges on fixed assets held in full ownership.

INCOME TAX

Deferred tax will be recorded on the basis of the net amount of taxable and deductible temporary differences.

On the date of the initial recording of the right-of-use and the lease liability, no deferred tax will be recorded if the asset value is equal to the liability value.

The net temporary differences that may result from subsequent changes in the right-to-use and lease liability will result in the recognition of deferred tax.

ORGANISATION OF THE SCHEDULE FOR IMPLEMENTING IFRS 16

In the fourth quarter of 2016, following a preliminary analysis phase on IFRS 16, the Group began scoping work for adapting information systems and processes, and defining the scope of such contracts.

To this end, a project structure was set up under the joint governance of the Group's Finance and Corporate Resources Divisions.

Over the course of 2017, the Group undertook an initial collection of leases on real estate assets and began the collection of contracts for IT equipment to enter into a contract database.

At the same time, the Group undertook development of an in-house calculation and operation tool for lease databases, which will be used to generate the data required to recognise the leases in accordance with IFRS 16.

In 2018, the Group finalised the development of its calculation tool and its entries through the lease databases and tested its features. All personnel involved received training in IFRS 16 and its implementation procedures as well as in the new operation tools and processes in place. In the second half of the year, a full rehearsal was done to test the entire implementation mechanism for IFRS 16.

TRANSITION PROCEDURES

For the first-time application of IFRS 16, the Group chose to implement the amended retrospective approach proposed by the standard.

At 1 January 2019, the amount of the lease liability on outstanding leases will be calculated by discounting residual rental payments with the rate in effect on that date, taking into account the residual maturity of the contracts. The corresponding rights-to-use will be recorded on the balance sheet for an amount equal to the lease liability. Therefore, the first-time application of IFRS 16 will have no impact on the amount of the Group shareholders' equity at 1 January 2019.

On that date, leases that have a remaining life of less than 12 months and those that are automatically renewable will be considered short-term leases (leases of less than one year) and not restated, in accordance with the option offered by IFRS 16.

Pursuant to IFRS 16 in its provisions on the amended retrospective approach, comparative data on financial year 2018 that are presented with regard to 2019 will not be restated.

FIRST-TIME APPLICATION OF IFRS 16

Identification and analysis of the lease contracts were approved by the Group by 31 December 2018. The entry of outstanding leases at 1 January 2019 into the lease databases and their release into the calculation tool to determine the final amount of the lease liability and rights-to-use as of the first-time application date will be finalised during the first quarter of 2019.

At the date of approval of these consolidated financial statements by the Board of Directors, the Group estimates that the first application of IFRS 16 will lead to the recognition of a lease liability and of an asset representative of the rights-to-use for an amount of less than EUR 2.5 billion.

NOTE 1.6 Use of estimates and judgment

When applying the accounting principles disclosed in the following notes for the purpose of preparing the Group's consolidated financial statements, the Management makes assumptions and estimates that may have an impact on figures recorded in the income statement, on the *Unrealised or deferred gains and losses* on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the consolidated financial statements.

In order to make these assumptions and estimates, the Management uses information available at the date of preparation of the consolidated 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 financial statements.

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

- the fair value in the balance sheet of financial instruments not quoted in an active market which are classified as *Financial assets and liabilities at fair value through profit or loss, Hedging derivatives, Financial assets at fair-value through other comprehensive income* or even *Available-for-sale financial assets* for the 2017 financial year (described in Notes 3.1, 3.2, 3.3 and 3.4) and fair value of instruments measured at amortised cost for which this information must be disclosed in the notes to the financial statements (see Note 3.9);
- the amount of impairment and provisions for credit risk related to financial assets measured at amortised cost, or at fair-value through other comprehensive income, loan commitments granted and guarantee commitments granted measured with models or internal assumptions based on historical, current and prospective data (see Note 3.8);
- the amount of impairment on *Goodwill* (see Notes 2.2);

- the provisions recognised under liabilities (in particular, provisions for disputes in a complex legal environment and provisions for employee benefits), including underwriting reserves of insurance companies and deferred profit-sharing (see Notes 4.3, 5.2 and 8.3);
- the amount of deferred tax assets recognised in the balance sheet (see Note 6);
- the assessment of control of the Group over an entity when updating the consolidation scope, mainly when structured entities are concerned (see Note 2);
- the initial value of goodwill determined for each business combination (see Notes 2.1 and 2.2).

For the application of IFRS 9, the Group has expanded the use of estimates and judgement in analysing the contractual cash flow characteristics of financial assets, assessing the increase in credit risk observed since the initial recognition of financial assets, and measuring the amount of expected credit losses on these same financial assets.

The United Kingdom has organised on 23 June 2016 a referendum in which a majority of British citizens voted to leave the European Union (Brexit). This exit must occur on 29 March 2019. The technical agreement concluded between the British government and the European Commission to reshape the economic relations between United Kingdom and the European Union has been rejected by the British parliament in January 2019. In the event of an exit of United Kingdom from the European Union on 29 March 2019 without any consent on a transition agreement, the Group is taking actions to ensure the business continuity for its customers from this date. Those changes of Brexit implementation process have been considered in the assumptions and assessments adopted for the preparation of the Group financial statements.

NOTE 2 CONSOLIDATION



MAKE IT
SIMPLE

The various activities of the Societe Generale Group in France and abroad are carried out by Societe Generale – Parent company (which includes the Societe Generale foreign branches) and by all of the entities that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates). All of these entities make up the scope of the Group consolidation.

Consolidation uses a standardized 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 operations and results made with third parties outside of the Group.

ACCOUNTING PRINCIPLES

The consolidated financial statements of Societe Generale include the financial statements of the parent company and of the main French and foreign companies as well as foreign branches over which the Group exercises control, joint control or significant influence.

Consolidated entities

SUBSIDIARIES

Subsidiaries are the entities over which the Group has exclusive control. The Group controls an entity if and only if the following conditions are met:

- the Group has power over the entity (ability to direct its relevant activities, *i.e.* the activities that significantly affect the entity's returns), through the holding of voting rights or other rights; and
- the Group has exposure or rights to variable returns from its involvement with the entity; and
- the Group has the ability to use its power over the entity to affect the amount of the Group's returns.

Power

When determining voting rights for the purpose of establishing the Group's degree of control over an entity and the appropriate consolidation methods, potential voting rights are taken into account where they can be freely exercised at the time the assessment is made or at the latest when decisions about the direction of the relevant activities need to be made. Potential voting rights are instruments such as call options on ordinary shares outstanding on the market or rights to convert bonds into new ordinary shares.

When voting rights are not relevant to determine whether or not the Group controls an entity, the assessment of this control shall consider all the facts and circumstances, including the existence of one or more contractual arrangements. Power over an investee exists only if the investor has substantive rights that give it the current ability to direct relevant activities without barriers.

Some rights are designed to protect the interests of their holder (protective rights) without giving that party power over the investee to which those rights relate.

If several investors each have substantive rights that give them the unilateral ability to direct different relevant activities, the investor that has the current ability to direct the activities that most significantly affect the variable returns of the investee is presumed to have power over the investee.

Exposure to variable returns

Control exists only if the Group is significantly exposed to the variability of variable returns generated by its investment or its involvement in the entity. These returns, which could be dividends, interest, fees, etc., can be only positive, only negative or both positive and negative.

Link between power and returns

Power over the relevant activities does not give control to the Group if this power does not allow it to affect its returns from its involvement with the entity. If the Group has been delegated decision-making rights that it exercises on behalf and for the benefit of third parties (the principals), it is presumed to act as an agent for these principals, and therefore it does not control the entity when it exercises its decision-making authority. In asset management activities, an analysis shall be performed in order to determine whether the asset manager is acting as agent or principal when managing the net assets of a fund; the fund is presumed to be controlled by the asset manager if the latter is considered as a principal.

Special case of structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Such is the case, for example, when the relevant activities are directed by means of contractual arrangements.

A structured entity often presents certain characteristics such as a limited business activity, a specific and carefully defined purpose, or insufficient capital to fund its activities without the use of subordinated financing.

Structured entities may assume different legal forms: stock companies, partnerships, securitisation vehicles, mutual funds, unincorporated entities, etc.

When assessing the existence of control over a structured entity, all facts and circumstances shall be considered among which:

- the purpose and design of the entity;
- the structuring of the entity;
- risks to which the entity is exposed by way of its design and the Group's exposure to some or all of these risks;
- potential returns and benefits for the Group.

Unconsolidated structured entities are those that are not exclusively controlled by the Group.

JOINT ARRANGEMENTS

Through a joint arrangement (either a joint operation or a joint venture) the Group exercises joint control over an entity if decisions about the direction of its relevant activities require the unanimous consent of the parties that collectively control the entity. Assessing joint control requires an analysis of the rights and obligations of all the parties.

In the case of a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities.

In the case of a joint venture, the parties have rights to the net assets of the entity.

ASSOCIATES

Associates are companies over which the Group exercises significant influence and are accounted for using the equity method in the Group's consolidated financial statements. Significant influence is the power to participate in the financial and operating policies of an entity without exercising control. In particular, significant influence can result from Societe Generale being represented on the Board of Directors or Supervisory Board, from its involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Societe Generale. The Group is assumed to exercise significant influence over the financial and operating policies of an entity when it directly or indirectly holds at least 20% of the voting rights in this entity.

Consolidation rules and methods

The consolidated financial statements are built up from the financial statements of the entities that are included in the consolidation scope. Companies with a fiscal year ending more than three months before or after that of Societe Generale prepare pro-forma statements for a twelve-month period ended 31 December. All significant balances, profits and transactions between Group companies are eliminated.

The results of newly acquired subsidiaries are included in the consolidated financial statements from the date the acquisition became effective and results of subsidiaries disposed of during the fiscal year are included up to the date where the Group relinquished control.

CONSOLIDATION METHODS

The subsidiaries, which may include structured entities over which the Group has exclusive control, are fully consolidated.

In the consolidated balance sheet, full consolidation consists in replacing the value of the subsidiary's equity securities held by the Group with each of the subsidiary's assets and liabilities, in addition to the goodwill recognised when the Group assumed control over the entity (see Note 2.2).

In the income statement and the statement of net income and unrealised or deferred gains and losses, the subsidiary's expense and income items are aggregated with those of the Group.

The share of non-controlling interests in the subsidiary is presented separately in the consolidated balance sheet and income statement. However, in consolidating structured entities that are controlled by the Group, the shares of said entities not held by the Group are recognised as *Debt* in the balance sheet.

In the case of a joint operation, the Group distinctly recognises in its consolidated financial statements its share in the assets and liabilities as well as its share in the related revenue and expense.

Associates and joint ventures are accounted for using the equity method in the consolidated financial statements of the Group. Under the equity method, on initial recognition the investment in an associate is recognised under *Investments accounted for using the equity method* at the cost of the Group's investment in the joint venture or associate, including goodwill and after the date of acquisition the carrying amount is increased or decreased to recognise the changes in the investor's share in the net asset value of the investee.

These investments are tested for impairment if there is objective evidence of impairment. If the recoverable amount of the investment (value in use or market value net of selling costs, whichever is higher) is lower than its carrying amount, an impairment loss is recorded on the balance sheet at the carrying amount of the investment. Impairment allowances and reversals are recorded under *Net income from investments accounted for using the equity method*.

The Group's share in the entity's net income and unrealised or deferred gains and losses is presented on separate lines in the consolidated income statement and the consolidated statement of net income and unrealised or deferred gains and losses. If the Group's share in the losses of an entity consolidated using the equity method becomes greater than or equal to its ownership interest in the company, the Group ceases to recognise its share in subsequent losses unless it is required to do so by legal or implied obligations, in which case it records a provision for said losses.

Capital gains and losses generated on disposal of companies accounted for using the equity method are recorded under Net income/expense from other assets.

TRANSLATION OF FOREIGN ENTITY FINANCIAL STATEMENTS

The balance sheet items of consolidated companies reporting in foreign currencies are translated into euro at the official exchange rates prevailing at the closing date. Income statement items of these companies are translated into euros, at the average month-end exchange rates. Gains and losses arising from the translation of capital, reserves, retained earnings and income are recognised under *Unrealised or deferred gains and losses – Translation differences*. Gains and losses arising from the translation of the capital contribution of foreign branches of Group banks are also included in changes in consolidated shareholders' equity under the same heading.

In accordance with the option allowed under IFRS 1, the Group allocated all differences arising on translation of foreign entity financial statements at 1 January 2004 to consolidated reserves. As a result, if any of these entities are sold, the proceeds from the sale will only include write-backs of those translation differences arising since 1 January 2004

CHANGES IN GROUP'S OWNERSHIP INTEREST IN A CONSOLIDATED ENTITY

In the event of an increase in Group's ownership interest in a subsidiary over which it already exercises control: the differences between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired at this date is recorded under *Consolidation reserves, Group share*.

The cost relative to these transactions is recognised directly in equity.

At this date when the Group loses control of a consolidated subsidiary, any investment retained in the former subsidiary is then remeasured at fair value through profit or loss, at the same time the capital gain or loss is recorded under *Net income/expense from other assets* in the consolidated income statement. The gain or loss on disposal includes a share of goodwill previously allocated to the cash-generating units to which the subsidiary belongs. This share is determined using a relative approach based on the 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

The Group has awarded minority shareholders in some fully consolidated Group subsidiaries commitments to buy out their stakes. For the Group, these buyout commitments are put option sales. 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 that 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 in question. 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 scope of consolidation is presented by location in Note 8.6.

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.

There is no significant change to the consolidation scope at 31 December 2018, compared with the scope applicable at the closing date of 31 December 2017.

NOTE 2.2 Goodwill

**MAKE IT
SIMPLE**

When the Group acquires a company, it integrates in its consolidated balance sheet all of the new subsidiary's assets and liabilities at fair value, as if they had been individually acquired.

But the acquisition price of a company is generally higher than the net revalued amount of its assets and liabilities. The excess value, called goodwill, can represent part of the company's intangible capital (reputation, quality of its personnel, market shares, etc.) which contributes to its overall value, or the value of the future synergies that the Group hopes to develop by integrating the new subsidiary in its existing activities.

In the consolidated balance sheet, the goodwill is recognised as an intangible asset, the useful life of which is presumed to be unlimited; it is not amortised and therefore does not generate any recurring expense in the Group's future results.

However, every year, the Group assesses whether the value of its goodwill has not depreciated. If it has, an irreversible expense is immediately recognised in the Group results, which indicates that the profitability of the intangible capital of the acquired entity is inferior to initial expectations, or that the anticipated synergies have not been fulfilled.

ACCOUNTING PRINCIPLES

The Group uses the acquisition method to recognise its business combinations.

At the acquisition date, all assets, liabilities, off-balance sheet items and contingent liabilities of the acquired entities that are identifiable under the provisions of IFRS 3 "Business Combinations" are measured individually at their fair value regardless of their purpose. The analyses and professional appraisals required for this initial valuation must be carried out within 12 months as from the acquisition date, as must any adjustment to the value based on new information related to facts and circumstances existing at the acquisition date. At the same time, *Non-controlling interests* are valued according to their share of the fair value of the identifiable assets and liabilities of the acquired entity. However, for each business combination, the Group may also choose to measure *Non-controlling interests* initially at their fair value, in which case a fraction of goodwill is allocated.

The acquisition cost is calculated as the total fair value, at the date of acquisition, of all assets given, liabilities incurred or assumed and equity instruments issued in exchange for the control of the acquired entity. The costs directly linked to business combinations are recognised in the income statement for the period except those related to the issuance of equity instruments.

Any contingent consideration is included in the acquisition cost at its fair value on the acquisition date, even if its occurrence is only potential. It is recognised under equity or debt in the balance sheet depending on the settlement alternatives.

If it is recognised as debt, any subsequent adjustments are recorded under income for financial liabilities in accordance with IFRS 9 and within the scope of the appropriate standards for other debts; if it is recognised as equity, these subsequent adjustments are not recognised. Any excess of the price paid over the assessed fair value of the proportion of net assets acquired is recorded on the asset side of the consolidated balance sheet under *Goodwill*. Any deficit is immediately recognised in the income statement. On the date of acquisition of an entity, any stake in this entity already held by the Group is remeasured at fair value through profit or loss. In the case of a step acquisition, goodwill is therefore determined by referring to the fair value on the acquisition date.

At the acquisition date, each item of goodwill is allocated to one or more Cash-Generating Units (CGU's) 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 CGU's, 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 CGU's 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 CGU's.

If the recoverable amount of the CGU's is less than its (their) carrying amount, an irreversible impairment is recorded in the consolidated income statement for the period under *Value adjustments on goodwill*.

At 31 December 2018, goodwill recorded by the 11 CGUs can be broken down as follows:

Pillars	Activities
French Retail Banking	
Societe Generale network	Societe Generale's retail banking network, Boursorama online banking activities, consumer and equipment financing in France
Crédit du Nord	Retail banking network of Crédit du Nord and its 7 regional banks
International Retail Banking and Financial Services	
Europe	Retail banking and consumer finance services in Europe, notably in Germany (Hanseatic Bank, BDK), Italy (Fiditalia), Czech Republic (KB, Essox), Romania (BRD)
Russia	Integrated banking group including Rosbank and its subsidiaries DeltaCredit and Rusfinance
Africa, Mediterranean Basin and Overseas	Retail banking and consumer finance in Africa, Asia, the Mediterranean Basin and Overseas, including in Morocco (SGMA), Algeria (SGA), Tunisia (UIB), Cameroon (SGBC), Côte d'Ivoire (SGBCI) and Senegal (SGBS)
Insurance	Life and non-life insurance activities in France and abroad (including Sogécap, Sogessur, Oradéa Vie and Antarius)
Equipment and Vendor Finance	Financing of sales and professional equipment by Societe Generale Equipment Finance
Auto Leasing Financial Services	Operational vehicle leasing and fleet management services (ALD Automotive)
Global Banking and Investor Solutions	
Global Markets and Investor Services	Market solutions for businesses, financial institutions, the public sector, family offices and a full range of securities services, clearing services, execution, prime brokerage and custody
Financing and Advisory	Advisory and financing services for businesses, financial institutions and the public sector and transaction and payment management services
Asset and Wealth Management	Asset and Wealth Management Solutions in France and abroad

The table below shows the changes in the net values of goodwill recorded by the Cash-Generating Units (CGUs) in 2018:

(In millions of euros)	Net book value at 31.12.2017	Acquisitions and other increases	Disposals and other decreases ⁽¹⁾	Transfers ⁽²⁾	Net book value at 31.12.2018
French Retail Banking	815			(18)	797
Societe Generale network	304			(18)	286
Crédit du Nord	511				511
International Retail Banking & Financial Services	3,209	13	(337)		2,885
Europe	1,787		(337)		1,450
Russia	-				-
Africa, Mediterranean Basin and Overseas ⁽³⁾	231				231
Insurance	335				335
Equipment and Vendor Finance	335				335
Auto Leasing Financial Services	521	13			534
Global Banking and Investor Solutions	964		(12)	18	970
Global Markets and Investor Services	501				501
Financing and Advisory	39			18	57
Asset and Wealth Management	424		(12)		412
TOTAL	4,988	13	(349)		4,652

(1) The goodwill relative to Asset management and private banking in Belgium (SG Private Banking NV) and for the retail banking in Albanian (Banka SG Albania), in Bulgarian (SG Express Bank), in Poland (Eurobank), in Serbia (SG Banka Srbija A.D. Beograd), in Macedonia (Ohridska Banka A.D. Skopje), in Moldova (Mobiasbanca Group SG) and in Montenegro (SG Banka Montenegro A.D.) has been reclassified to "Non-current assets held for sale" (See Note 2.5).

(2) Since 1 January 2018, the activity Global Transaction and Payment Services has been transferred from French Retail Banking to Global Banking and Investor Solutions.

(3) The CGU "Africa, Asia, Mediterranean Basin and Overseas" has been renamed "Africa, Mediterranean Basin and Overseas" without consequences on the amount of goodwill.

The Group performed an annual impairment test at 31 December 2018 for each CGU to which goodwill had been allocated. A CGU is defined as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from the Group's other assets or groups of assets. Impairment tests consist into assessing the recoverable value of each CGU and comparing it with its carrying value. An irreversible impairment loss is recorded in the income statement if the carrying value of a CGU, including goodwill, exceeds its recoverable value. This loss is booked to the impairment of goodwill.

The recoverable amount of a cash-generating unit is calculated using the most appropriate method, generally the discounted cash flow (DCF) method applied to the entire cash-generating unit. The cash flows used in this calculation are income available for distribution generated by all the entities included in the cash-generating unit, taking into account the Group targeted equity allocated to each CGU.

The cash flows were determined this year on a five-year period, with the prospective four-year budgets (from 2019 to 2022) extrapolated over the year 2023, this one corresponding to a "normative" year used to calculate the terminal value:

- allocated equity at 31 December 2018 amounted to 11% of risk-weighted assets, excepted for Crédit du Nord, whose allocated

equity amounted to 10.5%, in accordance with the entity's management guidelines;

- the discount rate is calculated using a risk-free rate grossed up by a risk premium based on the CGU's underlying activities. This risk premium, specific to each activity, is calculated from a series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta). Where appropriate, the risk-free rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free rate available in the area of monetary assignment (mainly US dollar area or Euro area) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or Euro area), in proportion with risk-weighted assets for CGUs covering several countries;
- the growth rates used to calculate the terminal value is determined using forecasts on long-term economic growth and sustainable inflation. These rates are estimated using two main sources, namely the International Monetary Fund and the economic analyses produced by SG Cross Asset Research which provide up 2023 forecasts.

No goodwill impairment was recognised as at 31 December 2018 as a result of the annual CGU impairment test.

The table below presents discount rates and long-term growth rates specific for the CGUs of the Group's three core businesses:

Assumptions at 31 December 2018	Discount rate	Long-term growth rate
French Retail Banking		
Societe Generale network and Crédit du Nord	8%	2%
International Retail Banking and Financial Services		
Retail Banking and Consumer Finance	10.6% to 15.2%	2% to 3%
Insurance	9.1%	2.5%
Equipment and Vendor Finance and Auto Leasing Financial Services	9.6%	2%
Global Banking and Investor Solutions		
Global Markets and Investor Services	11.5%	2%
Financing and Advisory	9.8%	2%
Asset and Wealth Management	9.6%	2%

Budget projections are based on the following main business line and macroeconomic assumptions:

French Retail Banking

Societe Generale network and Crédit du Nord	<ul style="list-style-type: none"> ■ In a challenging environment (regulatory constraints, low inflation, historically low rates), ongoing efforts to shift operations and relationship banking at Societe Generale and Crédit du Nord towards a digital model ■ Confirmation of Boursorama's customer acquisition plan
---	---

International Retail Banking & Financial Services

Europe	<ul style="list-style-type: none"> ■ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations ■ Strict discipline applied to operating expenses and normalisation of cost of risk
Russia	<ul style="list-style-type: none"> ■ Achievement of recovery of activities in Russia in stabilising economic conditions ■ Strict discipline applied to operating expenses and cost of risk
Africa, Mediterranean Basin and Overseas	<ul style="list-style-type: none"> ■ Continued development of Societe Generale's sales network and expansion of services through the mobile banking offer ■ Continued focus on operating efficiency
Insurance	<ul style="list-style-type: none"> ■ Reinforcement of integrated bank insurance model and continued dynamic growth in France and abroad in synergy with the retail banking network, Private Banking and financial services to businesses
Equipment and Vendor Finance	<ul style="list-style-type: none"> ■ Consolidation of leadership in these corporate financing businesses ■ Consolidation of profitability by continuing to focus on activities with the best risk/reward
Auto Leasing Financial Services	<ul style="list-style-type: none"> ■ Reinforcement of leadership of ALD relative to solutions of mobility and continued growth for the long-time leasing to retail customers

Global Banking and Investor Solutions

Global Markets and Investor Services	<ul style="list-style-type: none"> ■ Adaptation of market activities to a competitive environment, coupled with further business and regulatory investments. ■ Consolidation of market-leading franchises (equities) and development of prime brokerage activities ■ Continued of optimization measures and investments in information systems
Financing and Advisory	<ul style="list-style-type: none"> ■ Continuation of origination momentum of financing activities ■ Consolidation of market-leading franchises (commodity and structured financing) ■ Management of cost of risk despite challenging economic conditions
Asset and Wealth Management	<ul style="list-style-type: none"> ■ Continued development of synergies with retail bank networks, both in France or abroad, development of synergies between private banking and Asset and Wealth Management, improvement of commercial and operational efficiency

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value of the variation in certain assumptions.

At 31 December 2018, in light of the risks associated with business activity in the current environment (market volatility, regulatory uncertainties), sensitivities to variations in the discount rate, long-term growth were measured.

According to the results of these tests:

- an increase of 50 basis points applied to all discount rates for the CGUs disclosed in the table above would lead to a decrease of 23.9% in recoverable value and would not generate any additional impairment;
- similarly, a decrease of 50 basis points in long-term growth rates would lead to a decrease of 7.7% in recoverable value and would not generate any additional impairment.

NOTE 2.3 Additional disclosures for consolidated entities and investments accounted for using the equity method

This Note provides additional disclosures for entities included in the consolidation scope.

These disclosures concern entities over which Societe Generale exercises exclusive control, joint control or significant influence,

provided 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 not provided any financial support to these entities outside of any contractual framework for the closing period and as of 31 December 2018 does not intend to support them financially.

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.

Securities issued by structured debt vehicles carry an irrevocable and unconditional guarantee from Societe Generale for payment of amounts due by issuer. These issuers also enter into hedging transactions with Societe Generale to enable them to meet their payment obligations. As of 31 December 2018, the amount of outstanding loans thus guaranteed is EUR 48.3 billion.

As part of its securitization activities on behalf of its clients or investors, Societe Generale grants two liquidity lines to ABCP vehicles (Asset Back Commercial Paper) for a total amount of EUR 21.8 billion as of 31 December 2018.

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 amounted to EUR 4,783 million at 31 December 2018 (vs. EUR 4,664 million at 31 December 2017) and accounted for 7% of total shareholders' equity at 31 December 2018 (vs. 7% at 31 December 2017).

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 Société Générale SA and SG Marocaine de Banques;
- ALD SA, whose data presented here correspond to those of the ALD group;
- Sogécap, fully owned, with the subordinated notes issued in December 2014.

	31.12.2018				
	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
<i>(In millions of euros)</i>					
KOMERCNI BANKA A.S	60.73%	60.73%	220	1,437	(122)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	128	623	(94)
ALD GROUP	79.82%	79.82%	120	658	(50)
SG MAROCAINE DE BANQUES	57.57%	57.57%	39	413	(8)
SOGECAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	152	823	(94)
TOTAL	-	-	692	4,783	(401)

<i>(In millions of euros)</i>	31.12.2017				
	Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	214	1,390	(104)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	122	634	(43)
ALD GROUP	79.82%	79.82%	68	601	(6)
SG MAROCAINE DE BANQUES	57.53%	57.53%	37	409	(7)
SOGECAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	150	801	(83)
TOTAL	-	-	624	4,664	(276)

SUMMARISED FINANCIAL INFORMATION FOR MAIN NON-CONTROLLING INTERESTS

The information below are the data of the entities (excluding Sogécap) taken at 100% and before the elimination of intra-group operations.

<i>(In millions of euros)</i>	31.12.2018			
	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,227	595	969	40,501
BRD - GROUPE SOCIETE GENERALE SA	636	327	62	11,618
ALD GROUP	1,321	561	408	43,681
SG MAROCAINE DE BANQUES	399	100	128	8,583

<i>(In millions of euros)</i>	31.12.2017			
	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,140	567	925	38,655
BRD - GROUPE SOCIETE GENERALE SA	585	310	184	11,701
ALD GROUP	1,272	671	565	37,875
SG MAROCAINE DE BANQUES	384	89	90	7,890

NOTE 2.3.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES AND JOINT VENTURES)

SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES AND ASSOCIATES

<i>(In millions of euros)</i>	Joint ventures		Associates		Total investments accounted for using the equity method	
	2018	2017	2018	2017	2018	2017
Group share:						
Net income	5	19	51	73	56	92
Unrealised or deferred gains and losses (net of tax)		-	(3)	(14)	(3)	(14)
NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES	5	19	48	59	53	78

COMMITMENTS TO RELATED PARTIES

(In millions of euros)

	31.12.2018	31.12.2017
Loan commitments granted	-	-
Guarantee commitments granted	54	75
Forward financial instrument commitments	142	6

NOTE 2.3.4 RESTRICTIONS

SIGNIFICANT RESTRICTIONS ON THE ABILITY TO ACCESS OR USE THE ASSETS OF THE GROUP

Legal, regulatory, statutory or contractual constraints or requirements may restrict the ability of the Group to transfer assets freely to or from entities within the Group.

The ability of consolidated entities to distribute dividends or to grant or repay loans and advances to entities within the Group depends on, among other things, local regulatory requirements, statutory reserves and financial and operating performance. Local regulatory requirements may concern regulatory capital, exchange controls or non-convertibility of the local currency (as it is the case in countries belonging to the West African Economic and Monetary Union or to the Economic and Monetary Community of Central Africa), liquidity ratios (as in the United States) or large exposures ratios that aim to cap the entity's exposure in relation to the Group (regulatory requirement to be fulfilled in most countries in Eastern and Central Europe, Maghreb and sub-Saharan Africa).

The ability of the Group to use assets may also be restricted in the following cases:

- assets pledged as security for liabilities, notably guarantees provided to the central banks, or assets pledged as security for transactions in financial instruments, mainly through guarantee deposits with clearing houses;
- securities that are sold under repurchase agreements or that are lent;
- assets held by insurance subsidiaries in representation of unit-linked liabilities with life-insurance policy holders;
- assets held by consolidated structured entities for the benefit of the third-party investors that have bought the notes or securities issued by the entity;
- mandatory deposits placed with central banks.

NOTE 2.4 Unconsolidated structured entities

The information provided hereafter concerns entities structured but not controlled by the Group. This information is grouped by main type of similar entities, such as Financing activities, Asset management and Others (including Securitisation and Issuing vehicles).

Asset financing includes lease finance partnerships and similar vehicles that provide aircraft, rail, shipping or real estate finance facilities.

Asset management includes mutual funds managed by the Group's asset management subsidiaries.

Securitisation includes securitisation funds or similar vehicles issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches.

The Group's interests in unconsolidated entities that have been structured by third parties are classified among financial instruments in the consolidated balance sheet according to their nature.

NOTE 2.4.1 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group's interests in an unconsolidated structured entity refer to contractual and non-contractual involvements that expose the Group to the variability of returns from the performance of this structured entity.

Such interests can be evidenced by:

- the holding of equity or debt instruments (regardless of their rank of subordination);
- other funding (loans, cash facilities, loan commitments, liquidity facilities...);
- credit enhancement (guarantees, subordinated instruments, credit derivatives...);
- issuance of guarantees (guarantee commitments);
- derivatives that absorb all or part of the risk of variability of the structured entity's returns, except Credit Default Swap (CDS) and options purchased by the Group;
- contracts remunerated by fees indexed to the structured entity's performance;
- tax consolidation agreements.

	Asset financing		Asset management		Others	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
<i>(In millions of euros)</i>						
Total balance sheet⁽¹⁾ of the entity	7,900	8,777	121,154	102,355	27,464	41,067
Net carrying amount of Group interests in unconsolidated structured entities						
Assets	3,232	3,629	5,596	10,452	10,645	13,054
Financial assets at fair value through profit or loss	384	411	4,964	9,906	5,509	7,819
Financial assets at fair value through other comprehensive income	-	-	-	-	56	-
Available-for-sale financial assets	-	85	-	14	-	556
Due from banks and customer loans at amortised cost	1,880	3,127	447	458	3,887	4,677
Securities at amortised cost	963	-	15	-	1,193	-
Others	5	6	170	74	-	2
Liabilities	1,533	1,641	4,701	11,180	5,680	7,580
Financial liabilities at fair value through profit or loss	198	225	3,122	9,549	4,845	6,699
Due to banks and customer deposits	1,313	1,389	1,487	1,580	830	876
Others	22	27	92	51	5	5

(1) For Asset management, NAV (Net Asset Value) of funds.

The Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2018, did not have any intention to provide such support.

The maximum exposure to loss related to interests in unconsolidated structured entities is measured as:

- the amortised cost or fair value⁽¹⁾ for non-derivative financial assets entered into with the structured entity depending on how they are measured on the balance sheet;

- the fair value⁽¹⁾ of derivative financial assets recognised in the balance sheet;
- the notional amount of written Credit Default Swaps (maximum amount to pay);
- the notional amount of loan commitments or guarantee commitments granted.

	Asset financing		Asset management		Others	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
<i>(In millions of euros)</i>						
Amortised cost or fair value ⁽¹⁾ (according to the measurement of the financial instrument) of non-derivative financial assets entered into with the structured entity	2,910	3,190	5,227	5,993	2,450	3,229
Fair value ⁽¹⁾ of derivative financial	248	283	1,268	5,990	4,309	6,295
Notional amount of CDS sold (maximum amount to be paid)	-	-	-	-	-	-
Notional amount of loan or guarantee commitments granted	387	535	1,355	1,536	1,198	788
Maximum exposure to loss	3,545	4,008	7,850	13,519	7,957	10,312

The amount of maximum exposure to loss can be mitigated by:

- the notional amount of guarantee commitments received;
- the fair value⁽¹⁾ of collateral received;

- the carrying amount of surety deposits received.

These mitigating amounts must be capped in case of legal or contractual limitation of their realisable or recoverable amounts. They amounted to EUR 2,407 million and mainly concern Asset financing.

(1) Fair value at the closing date. This fair value can change during the previous exercises.

NOTE 2.4.2 INFORMATION ON UNCONSOLIDATED STRUCTURED ENTITIES SPONSORED BY THE GROUP

The Group may have no ownership interest in a structured entity, but still be considered as a sponsor of this structured entity if it acts or has acted as:

- a structurer;
- an originator for potential investors;
- an asset manager;
- an implicit or explicit guarantor of the entity's performance (in particular via capital or return guarantees granted to mutual fund unit holders).

A structured entity is also considered to be sponsored by the Group if its name includes the name of the Group or the name of one of its subsidiaries.

Conversely, entities that are structured by the Group according to specific needs expressed by one or more customers or investors are considered to be sponsored by said customers or investors.

At 31 December 2018, 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 4,518 million (including EUR 1,708 million for Other structures).

In 2018, no significant revenue has been recognized 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 recognized in profit or loss. Moreover, *Non-current assets held for sale* are no longer amortised or depreciated.

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
Assets	13,502	13
Fixed assets and Goodwill	262	6
Financial assets	11,245	7
<i>Financial assets at fair value through profit or loss</i>	111	7
<i>Hedging derivatives</i>	-	-
<i>Financial assets at fair value through equity</i>	1,429	-
<i>Securities measured at the amortised cost</i>	59	-
<i>Due from banks</i>	324	-
<i>Customer loans</i>	9,322	-
Other assets	1,995	-
Liabilities	10,454	-
Provisions	22	-
Financial liabilities	10,309	-
<i>Financial liabilities at fair value through profit or loss</i>	2	-
<i>Hedging derivatives</i>	-	-
<i>Debt securities issued</i>	116	-
<i>Due to banks</i>	596	-
<i>Customer deposits</i>	9,595	-
<i>Subordinated debt</i>	-	-
Other liabilities	123	-

The *Non-current assets held for sale* and *Non-current liabilities held for sale* items mainly encompass the assets and liabilities of the Group's Albanian, Bulgarian, Polish, Serbian, Moldavian, Montenegrin and Macedonian retail banking arms (Banka SG Albania, SG Express Bank, Eurobank, SG Banka Srbija A.D. Beograd, Mobiasbanca Groupe SG, SG Banka Montenegro A.D., Ohridska Banka A.D. Skopje), the assets and liabilities of the Spanish online banking (Self Trade Bank SA), the assets and liabilities of the Belgian private bank (SG Private Banking NV), the assets and liabilities related to the South African securities

services activity (SG Johannesburg), and the equity accounted investment in La Banque Postale Financement.

The principle applied whereby some *Non-current assets held for sale* (mostly goodwill and fixed assets) are assessed at their lowest accounting value and lowest net fair value for the disposal costs means that all or part of any expected capital loss from the sale of an asset group can be allocated as soon as these assets are reclassified under *Non-current assets held for sale*. In this context, the impairment cost recognised by the Group at 31 December 2018 amounts to EUR -273 million under *Net gains or losses from other assets*.

NOTE 3 FINANCIAL INSTRUMENTS**MAKE IT
SIMPLE**

The financial instruments represent the contractual rights or obligations to receive or to pay cash or other financial assets. The Group's banking activities generally take the form of financial instruments covering a broad spectrum of assets and liabilities, such as loans, investment portfolios (equity, bonds, etc.), deposits, regulated savings accounts, debt securities issued and derivative instruments (swaps, options, forward contracts, credit derivatives, etc.).

In the financial statements, the classification and valuation of financial assets and liabilities depend on their contractual characteristics and the way the entity manages those financial instruments.

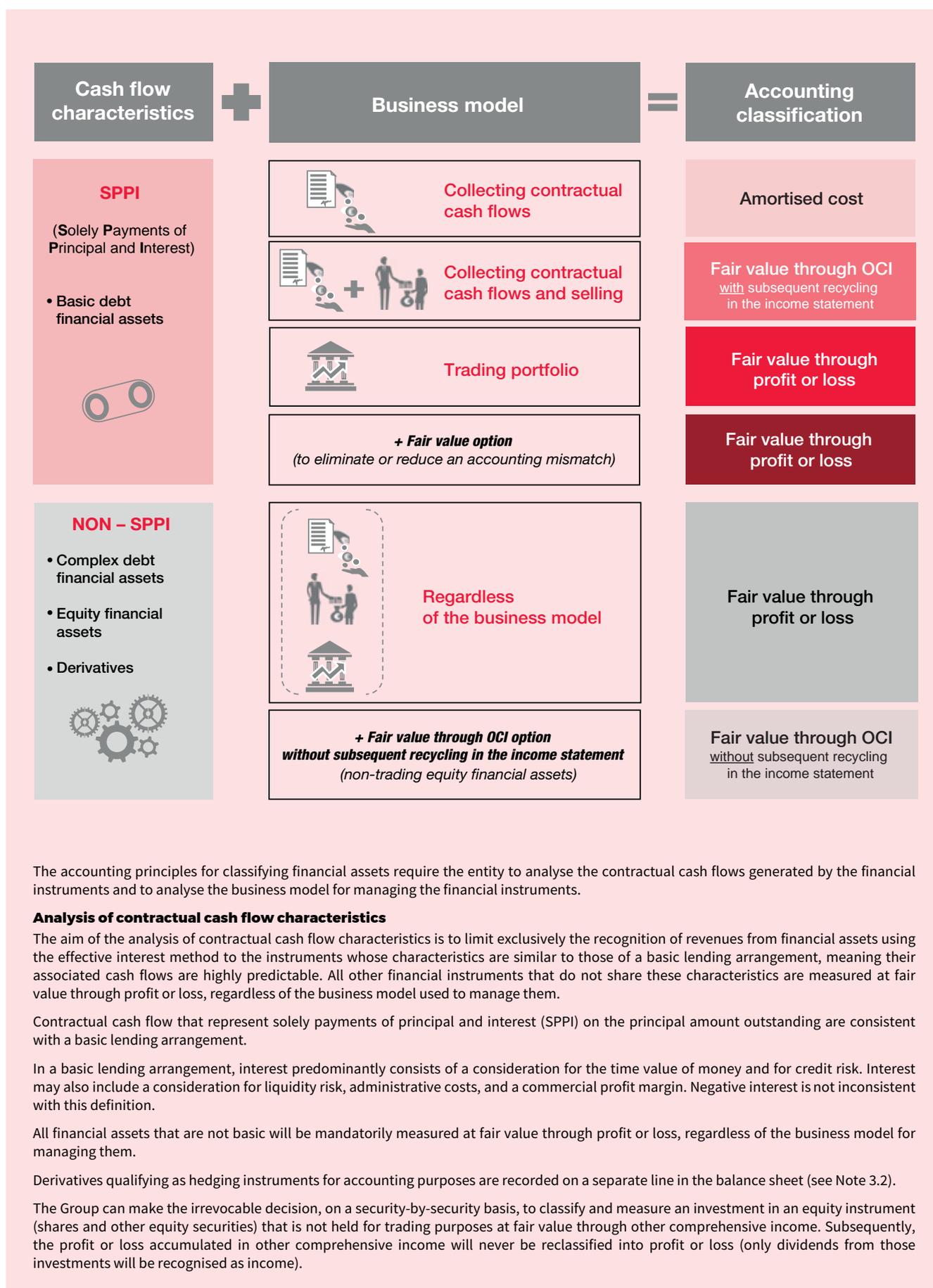
However, this distinction is not applicable to derivative instruments, which are always measured at fair value in the balance sheet, no matter what their purpose is (market activities or hedging transactions).

ACCOUNTING PRINCIPLES

Accounting principles applicable to financial instruments up to 31 December 2017 are presented in the Note 8.8. Accounting principles presented in this Note 3 are those applied as from 1 January 2018 according to the IFRS 9 provisions excluding insurance activities (see Note 4.3).

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 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 exclusively the recognition of revenues from financial assets using the effective interest method 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.

Contractual cash flow 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 an investment in an 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 into profit or loss (only dividends from those investments 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 and selling financial assets ("Collect and Sell" business model);
- and a separate business model for other financial assets, especially those that are held for trading purposes, where collecting contractual cash flows is only incidental.

Fair value option

SPPI financial assets that are not held for trading purposes can be designated, at initial recognition, at fair value through profit or loss if such designation eliminates or significantly reduces discrepancies in the accounting treatment of related financial assets and liabilities (accounting mismatch).

Classification of financial liabilities

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

- *Financial liabilities at fair value through profit or loss*: these are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Group upon initial recognition to be measured at fair value through profit or loss using the fair value option;
- *Debts*: these include the other non-derivative financial liabilities and are measured at amortised cost.

Derivative financial assets and liabilities qualifying as hedging instruments are presented on separate lines of the balance sheet (see Note 3.2).

Reclassification of financial assets

Reclassification of financial assets are only required in the exceptional event that the Group changes the business model used to manage these assets.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation methods used by the Group to establish the fair value of financial instruments are detailed in Note 3.4.

Initial recognition

Financial assets are recognised on the balance sheet:

- at the settlement/delivery date for securities;
- at the trade date for derivatives;
- at the disbursement date for loans.

For instruments measured at fair value, changes in fair value between the trade date and the settlement-delivery date are recorded in net income statement or in other comprehensive income, depending on the accounting classification of the financial assets in question. The trade date is the date on which the contractual commitment becomes binding and irrevocable for the Group.

When initially recognised, financial assets and liabilities are measured at fair value including transaction costs directly attributable to their acquisition or issuance, except for financial instruments recognised at fair value through profit or loss, for which these costs are booked directly to the income statement.

If the initial fair value is based on observable market data, any difference between the fair value and the transaction price, *i.e.* the sales margin, is immediately recognised in the income statement. However, if valuation inputs are not observable or if the valuation models are not recognised by the market, the recognition of the sales margin is then generally recognised in the income statement in a delayed manner. For some instruments, due to their complexity, this margin is recognised at their maturity or upon disposal in the event of early sale. When valuation inputs become observable, any portion of the sales margin that has not yet been recorded is recognised in the income statement at that time (see Note 3.4.7).

Derecognition of financial assets and liabilities

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to ownership of the asset.

The Group also derecognises financial assets over which it has retained the contractual rights to the associated cash flows but is contractually obligated to pass these same cash flows through to a third party (“pass-through agreement”) and for which it has transferred substantially all the risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and, where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset’s transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the income statement for an amount equal to the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealised profit or loss previously recognised directly in equity and for the value of any servicing asset or servicing liability. Indemnities billed to borrowers following the prepayment of their loan are recorded in the income statement on the prepayment date among *Interest and similar income*.

The Group derecognises all or part of a financial liability when it is extinguished, *i.e.* when the obligation specified in the contract is discharged, cancelled or expired.

A financial liability may also be derecognised in the event of a substantial amendment to its contractual conditions or where an exchange is made with the lender for an instrument whose contractual conditions are substantially different.

ANALYSIS OF CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS

The Group has established procedures for determining if financial assets pass the SPPI test at initial recognition (loans granting, acquisition of securities, etc.).

All contractual terms shall be analysed, particularly those that could change the timing or amount of contractual cash flows. A contractual term that permits the borrower or the lender to prepay or to return the debt instrument to the issuer before maturity remains consistent with SPPI cash flows, provided the prepayment amount primarily represents the principal remaining due and accrued but unpaid contractual interest, which may include a reasonable compensation. The fact that such compensation can be either positive or negative is not inconsistent with the SPPI nature of cash flows.

The prepayment compensation is considered as reasonable especially when:

- the amount is calculated as a percentage of the outstanding amount of the loan and is capped by regulations (in France, for example, compensation for the prepayment of mortgage loans by individuals is legally capped at an amount equal to six months of interest or 3% of the principal outstanding), or is limited by competitive market practices;
- the amount is equal to the difference between contractual interest that should have been received until the maturity of the loan and the interest that would be obtained by the reinvestment of the prepaid amount at a rate that reflects the relevant benchmark interest rate.

Some loans are prepayable at their current fair value, while others can be prepayable at an amount that includes the fair value cost to terminate an associated hedging swap. It is possible to consider such prepayment amounts as SPPI provided that they reflect the effect of changes in the relevant benchmark interest rate.



Basic financial assets (SPPI) are debt instruments which mainly include:

- fixed-rate loans,
- variable-rate loans that can include caps or floors,
- fixed or variable-rate debt securities (government or corporate bonds, other negotiable debt securities),
- securities purchased under resale agreements (reverse repos),
- guarantee deposits paid,
- trade receivables.

Contractual terms that would introduce exposure to risks or volatility in the contractual cash flows, unrelated to a basic lending arrangement (such as exposure to changes in equity prices or stock indexes for instance, or leverage features), could not be considered as being SPPI, except if their effect on the contractual cash flows remains minimum.



Non-basic financial assets (non-SPPI) mainly include:

- derivative instruments,
- shares and other equity instruments held by the entity,
- equity instruments issued by mutual funds,
- debt financial assets that can be converted or redeemed into a fixed number of shares (convertible bonds, equity-linked securities, etc.).

When the time value component of interest can be modified according to the contractual term of the instrument, it may be necessary to compare the contractual cash flow with the cash flow that would arise from a benchmark instrument. For instance, that is the case when an interest rate is periodically reset, but the frequency of that reset does not match the tenor of the interest rate (such as an interest rate reset every month to a one-year rate), or when the interest rate is periodically reset to an average of short- and long-term interest rates.

If the difference between the undiscounted contractual cash flows and the undiscounted benchmark cash flows is or may become significant, then the instrument is not considered basic.

Depending on the contractual terms, the comparison with benchmark cash flow may be performed through a qualitative assessment; but in other cases, a quantitative test is required. The difference between contractual and benchmark cash flows has to be considered in each reporting period and cumulatively over the life of the instrument. When performing this benchmark test, the entity considers factors that could affect future undiscounted contractual cash flows: using the yield curve at the date of the initial assessment is not enough, and the entity also has to consider whether the curve could change over the life of the instrument according to reasonably possible scenarios.

Within the Group, the financial instruments concerned by a benchmark test include, for instance, variable-rate housing loans for which interest rates are reset every year based on the twelve-month Euribor average observed over the two months previous to the reset. Another example is loans granted to real estate professionals for which interest is revised quarterly based on the one-month Euribor average observed over the three months previous to the reset. Following the benchmark analysis performed by the Group, it has been concluded that these loans are basic.

Furthermore, a specific analysis of contractual cash flow is required when financial assets are instruments issued by a securitisation vehicle or a similar entity that prioritises payments to holders using multiple contractually-linked instruments that create concentrations of credit risk (tranches). When assessing whether contractual cash flows are SPPI or not, the entity must analyse the contractual terms, as well as the credit risk of each tranche and the exposure to credit risk in the underlying pool of financial instruments. To that end, the entity must apply a “look-through approach” to identify the underlying instruments that are creating the cash flows.

COMPARATIVE DATA

For the balance sheet items impacted by the first time application of IFRS 9, comparative data presented throughout Note 3 are the balances at 1 January 2018. These amounts constitute the balances at 31 December 2017, corrected for reclassifications and value adjustments resulting from the first-time application of IFRS 9 (see Note 1).

The comparative data at 31 December 2017 are available in the consolidated financial statements for financial year 2017, presented in the Chapter 6 of the 2018 Registration Document of the Societe Generale Group, whereas the accounting policies applicable to financial instruments at 31 December 2017 are detailed in Note 8.8.

Furthermore, the Group has elected that all its insurance subsidiaries will defer the effective date of IFRS 9 and will continue to apply IAS 39 as adopted by the European Union. As of 1 January 2018, the financial assets and liabilities of these subsidiaries, and the related income, are presented on separate lines in the balance sheet (*Investments of insurance activities* and *Insurance contracts related liabilities*) and in the income statement (*Net income from insurance activities*). Consequently, the data for financial year 2018 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 Registration Document (Risks and capital adequacy).

NOTE 3.1 Financial assets and liabilities at fair value through profit or loss**OVERVIEW OF IFRS 9 TRANSITION (SEE COMMENTS IN NOTE 1)**

(In millions of euros)	Reclassifications						Value adjustments	Balance at 01.01.2018 IFRS 9
	Balance at 31.12.2017 IAS 39	of investments and liabilities related to insurance activities	of available -for-sale financial assets	of non-SPPI loans and receivables	of loans and receivables regarding the business model	Others		
Financial assets at fair value through profit or loss								
Trading portfolio	342,616	(699)	737	-	644	586	(47)	343,837
Financial assets mandatorily at fair value through profit or loss	N/A	-	1,685	19,992	-	61	(169)	21,569
Financial assets at fair value through profit or loss using the fair value option	77,064	(53,899)	-	(19,349)	-	(110)	-	3,706
TOTAL	419,680	(54,598)	2,422	643	644	537	(216)	369,112
Financial liabilities at fair value through profit or loss								
Trading portfolio	288,689	(759)	-	-	-	604	-	288,534
Financial liabilities at fair value through profit or loss using the fair value option	80,016	-	-	-	-	-	-	80,016
TOTAL	368,705	(759)	-	-	-	604	-	368,550

OVERVIEW OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(In millions of euros)	31.12.2018		01.01.2018	
	Assets	Liabilities	Assets	Liabilities
Trading portfolio	338,312	285,478	343,837	288,534
Financial instruments mandatorily at fair value through profit or loss	24,057		21,569	
Financial instruments at fair value through profit or loss using the fair value option	3,181	77,605	3,706	80,016
TOTAL	365,550	363,083	369,112	368,550
<i>o/w securities purchased/sold under resale/repurchase agreements</i>	<i>129,628</i>	<i>98,874</i>	<i>101,414</i>	<i>105,737</i>

NOTE 3.1.1 TRADING PORTFOLIO**ACCOUNTING PRINCIPLES**

The trading book contains financial assets and liabilities held or accrued for the purpose of capital markets activities.

This portfolio also includes, among other trading assets, physical commodities that are held by the Group as part of its market-maker activity on commodity derivative instruments.

By default, derivative financial instruments are classified into the trading portfolio, unless they qualify as hedging instruments (see Note 3.2).

The financial instruments recorded in the trading portfolio are measured at fair value at the balance sheet date and recognised in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in their fair value and revenues associated to those instruments are recorded in the income statement as *Net gains and losses on financial instruments at fair value through profit or loss*.

TRADING ACTIVITIES

Financial assets held for trading are:

- acquired with the intention of selling them in the short term; or
- held for market-making purposes; or
- acquired for the purposes of the specialised management of a trading portfolio, including derivative financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

**Global market activities**

The trading business model is applied by Global Banking and Investor Solutions to manage its global market activities.

It is also applied for managing syndicated loan commitments and loans that are not intended to be kept by the Group and that have been identified since their origination as to be sold in the short term (within 6 to 12 months) on the secondary market, as well as for loans originated by the Group through originate-to-distribute activities and that are expected to be sold shortly.

Financial assets held in run-off portfolios are also monitored based on their fair value. Although those portfolios are not related to market activities, those assets are presented amongst trading portfolio and are measured at fair value through profit or loss.

These financial assets include tranches of CDOs (Collateralised Debt Obligations) or ABS (Asset-Backed Securities) in which the Group still holds residual lines subject to gradual disposals. In 2008, these financial assets had been reclassified to *Loans* and *receivables* and were transferred to *Financial assets at fair value through profit or loss at 1 January 2018* as a result of the first-time application of IFRS 9.

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 Note 3.1.2 below).

ASSETS

(In millions of euros)

	31.12.2018	01.01.2018
Bonds and other debt securities	29,732	28,006
Shares and other equity securities	49,297	80,059
Loans and securities purchased under resale agreements	135,861	101,110
Trading derivatives ⁽¹⁾	122,983	134,291
Other transaction assets	439	371
TOTAL	338,312	343,837
<i>o/w securities lent</i>	<i>12,411</i>	<i>15,807</i>

(1) See Note 3.2 Financial derivatives.

LIABILITIES

(In millions of euros)

	31.12.2018	01.01.2018
Amounts payable on borrowed securities	51,264	34,844
Bonds and other debt instruments sold short	6,231	5,416
Shares and other equity instruments sold short	1,248	1,002
Borrowings and securities sold under repurchase agreements	98,299	104,090
Trading derivatives ⁽¹⁾	126,946	142,369
Other trading liabilities	1,490	813
TOTAL	285,478	288,534

(1) See Note 3.2 Financial derivatives.

NOTE 3.1.2 FINANCIAL INSTRUMENTS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING PRINCIPLES

Financial assets measured mandatorily at fair value through profit or loss include:

- loans, bonds and bond equivalents that are not held for trading purposes and do not pass the SPPI test (non-basic or non-SPPI instruments);
- shares and share equivalents that are not classified in any other sub-category: trading book at fair value through profit or loss, instruments designated by the Group at fair value through other comprehensive income without subsequent reclassification to profit or loss.

These assets are recorded at fair value in the balance sheet under *Financial assets at fair value through profit or loss* and changes in the fair value of these instruments (excluding interest income) are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*.

BREAKDOWN OF FINANCIAL ASSETS MEASURED MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>(In millions of euros)</i>	31.12.2018	01.01.2018
Bonds and other debt securities	158	159
Shares and other equity securities	1,996	1,560
Loans and receivables and securities purchased under resale agreements	21,903	19,850
TOTAL	24,057	21,569

BREAKDOWN OF LOANS AND RECEIVABLES AND SECURITIES PURCHASED UNDER RESALE AGREEMENTS

<i>(In millions of euros)</i>	31.12.2018	01.01.2018
Short-term loans	2,354	1,316
Equipment loans	15,796	14,325
Other loans	3,753	4,209
TOTAL	21,903	19,850

The loans and receivables recorded in the balance sheet under *Financial assets 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 recognize as basic loans (SPPI).

Until 31 December 2017, almost all these loans were classified as *Financial assets measured at fair value option through profit or loss* in

order to eliminate or significantly reduce accounting mismatches with hedging derivatives that were not accounted for as hedging instruments, or in order to avoid the separate recognition of embedded derivatives.

At 1 January 2018, only EUR 643 million were reclassified from *Loans and receivables* into *Financial assets mandatorily measured at fair value through profit or loss*.

NOTE 3.1.3 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS USING FAIR VALUE OPTION

ACCOUNTING PRINCIPLES

In addition to financial assets and liabilities held for trading, and financial assets measured mandatorily at fair value through profit or loss, the same headings in the financial statements include non-derivative financial assets and liabilities that the Group has designated at fair value through profit or loss. Changes in the fair value of these instruments (including interest) are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*, except the share related to the Group's own credit risk on financial liabilities which is booked under *Unrealised or deferred gains and losses*.

Furthermore, in case of derecognition of a financial liability at fair value through profit or loss using the fair value option before its contractual maturity, gains and losses, if any, related to the Group's own credit risk are booked under *Unrealised or deferred gains and losses* and then reclassified under *Retained earnings* at the beginning of the subsequent financial year.

For financial assets, this option may only be used to eliminate or significantly reduce accounting mismatches that would otherwise arise from applying different accounting treatments to certain related financial assets and liabilities.

For financial liabilities, this option may only be used in the following cases:

- to eliminate or reduce discrepancies in the accounting treatment of certain related financial assets and liabilities;
- when it applies to a hybrid financial instrument with one or more embedded derivatives, which should be recognised separately;
- when a group of financial assets and/or liabilities is managed together and its performance is measured at fair value.

The Group thus recognises structured bonds issued by Societe Generale Corporate and Investment Banking at fair value through profit or loss. These issues 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 millions of euros)

	31.12.2018	01.01.2018
Bonds and other debt securities	1,310	1,045
Loans and securities purchased under resale agreements	819	2,119
Separate assets for employee benefits plans ⁽¹⁾	1,052	542
TOTAL	3,181	3,706

(1) See Note 5.2.1

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.

Changes in fair value attributable to own credit risk generated a gain of EUR 529 million at 31 December 2018, which was recognised in other comprehensive income. Up to this date, the total gains and losses attributable to own credit risk amounted to EUR -195 million (see "Statement of net income and unrealised or deferred gains and losses" and "Changes in shareholders' equity").

At 31 December 2017, changes in fair value attributable to own credit risk were recognised in the income statement.

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.

At 31 December 2018, the difference between the fair value of financial liabilities measured using the fair value option through profit or loss (EUR 77,605 million versus EUR 80,016 million at 31 December 2017) and their amount redeemable at maturity (EUR 78,080 million versus EUR 79,597 million at 31 December 2017) stood at EUR -475 million (EUR 419 million at 31 December 2017).

NOTE 3.1.4 NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>(In millions of euros)</i>	2018	2017
Net gain/loss on trading portfolio (excluding derivatives)	(6,091)	10,440
Net gain/loss on financial instruments at fair value through profit or loss ⁽¹⁾⁽²⁾	941	
Net gain/loss on financial instruments measured using fair value option	4,277	(5,131)
Net gain/loss on derivative instruments	6,263	(1,272)
Net gain/loss on hedging transactions ⁽³⁾	35	-
<i>Net gain/loss on fair value hedging derivatives</i>	(947)	(2,746)
<i>Revaluation of hedged items attributable to hedged risks⁽⁴⁾</i>	982	2,746
Net gain/loss on foreign exchange transactions	(306)	1,076
TOTAL OF NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	5,119	5,113
<i>o/w gains on financial instruments at fair value through other comprehensive income</i>	103	

(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 realised and unrealised gains during the financial year on Euribor securities in the amount of EUR 319 million.

(3) This item includes only the net gain/loss on hedging transactions related to financial instruments. For the hedging transactions related to non-financial assets and liabilities, the net gain/loss on hedging transactions is included under the profit and loss account of the hedged item.

(4) This item includes the revaluation of fair value hedged items, including the change in revaluation differences in portfolios hedged against interest rate risk.

Insofar as income and expenses recorded in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole. It should be noted that the income shown here does not include the refinancing cost of these financial instruments, which is shown under interest expense and interest income.

NOTE 3.2 Financial derivatives**MAKE IT SIMPLE**

Derivative instruments are financial instruments for which the value changes according to that of an underlying item and can be accompanied by a leverage effect. The items underlying these instruments are various (interest rates, exchange rates, equity, indexes, commodities, credit rating...), as are their forms (forward contracts, swaps, calls and puts...).

The Group may use these derivative instruments for their market activities to provide to its customers solutions to meet their risk management or revenue optimisation needs. In that case, they are accounted for as trading derivatives.

The Group may also use derivative instruments to manage and hedge its own risks. In which case, they are qualified as hedging derivatives. Hedging transactions can concern individual items or transactions (micro-hedging relationships) or portfolios of financial assets and liabilities that can generate a structural interest-rate risk (macro-hedging relationships).

Contrary to other financial instruments, derivative instruments are always measured at fair value in the balance sheet, regardless their purpose (market activities or hedging transactions). The fair value adjustments of trading derivatives are directly recognised in the income statement. However, the accounting method used on hedging transactions aims to neutralise in the income statement the effects of the revaluation of hedging derivatives, as long as the hedge is effective.

ACCOUNTING PRINCIPLES

Derivatives are financial instruments meeting the following three criteria:

- their value changes in response to the change in a specified interest rate, foreign exchange rate, share price, index of prices, commodity price, credit rating, etc.;
- they require little to no initial investment;
- they are settled at a future date.

All financial derivatives are recognised at fair value in the balance sheet as financial assets or financial liabilities. They are considered to be trading derivatives by default, unless they are designated as hedging instruments for accounting purposes.

Special case - Financial derivatives having Societe Generale shares as their underlying instrument

Financial derivatives having Societe Generale shares as their underlying instrument or shares in Group subsidiaries and whose liquidation entails the payment of a fixed amount in cash (or another financial asset) against a fixed number of Societe Generale shares (other than derivatives) are equity instruments. These instruments, and any related premiums paid or received, are recognised directly in equity, and any changes in the fair value of these derivatives are not recorded. For sales of put options on Societe Generale shares and forward on Societe Generale shares, a debt is recognised for the value of the notional with a contra entry in equity.

Other financial derivatives having Societe Generale shares as their underlying instrument are recorded in the balance sheet at fair value in the same manner as derivatives with other underlying instruments.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host instrument.

Where the host contract is a financial asset, the entire hybrid contract is measured at fair value through profit or loss because its contractual cash flows do not pass the SPPI test.

Where the host contract is a financial liability and is not measured at fair value through profit or loss, the Embedded derivative is separated from the host contract if:

- at acquisition, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; and
- it would meet the definition of a derivative.

Once separated, the derivative is recognised at fair value in the balance sheet under *Financial assets* or *Financial liabilities at fair value through profit or loss* under the aforementioned conditions. The host contract is classified as a financial liability and measured in accordance with its accounting category.

NOTE 3.2.1 TRADING DERIVATIVES

ACCOUNTING PRINCIPLES

Trading derivatives are recorded in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*.

Changes in the fair value of financial derivatives involving counterparties which subsequently went into default are recorded under *Net gains and losses on financial instruments at fair value through profit or loss* until the termination date of these instruments. At this termination date, receivables and debts on these counterparties are recognised at fair value in the balance sheet. Any further impairment of these receivables is recognised under *Cost of risk* in the income statement.

BREAKDOWN OF TRADING DERIVATIVES

(In millions of euros)	31.12.2018		01.01.2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate instruments	74,253	73,835	89,508	92,183
Foreign exchange instruments	19,246	19,466	16,553	17,797
Equities & index Instruments	21,450	23,675	19,959	22,732
Commodities Instruments	5,708	6,081	5,948	6,070
Credit derivatives	2,224	2,704	2,245	2,562
Other forward financial instruments	102	1,185	78	1,025
TOTAL	122,983	126,946	134,291	142,369

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentration and to implement a proactive risk and capital management approach. All credit derivatives, regardless of their

purpose, are measured at fair value through profit or loss and cannot be qualified as hedging instruments for accounting purposes. Accordingly, they are recognised at fair value among trading derivatives.

BREAKDOWN OF TRADING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

(In millions of euros)	31.12.2018	01.01.2018
Interest rate instruments	11,489,020	12,222,014
Firm instruments	9,476,579	10,039,177
<i>Swaps</i>	7,868,534	7,984,206
<i>FRAs</i>	1,608,045	2,054,971
Options	2,012,441	2,182,837
Foreign exchange instruments	3,823,369	3,261,527
Firm instruments	2,661,823	2,455,220
Options	1,161,546	806,307
Equity and index instruments	1,086,822	913,578
Firm instruments	154,988	135,363
Options	931,834	778,215
Commodities instruments	190,706	189,203
Firm instruments	139,558	149,532
Options	51,148	39,671
Credit derivatives	293,463	312,198
Other forward financial instruments	38,423	35,303
TOTAL	16,921,803	16,933,823

NOTE 3.2.2 HEDGING DERIVATIVES

According to the transitional provisions of IFRS 9, the Group made the choice to maintain the IAS 39 provisions related to hedge accounting. Consequently, equity instruments do not qualify for hedge accounting regardless of their accounting category.

ACCOUNTING PRINCIPLES

In order to be hedged against certain market risks, the Group sets up hedging derivatives. From an accounting standpoint, the Group designates the hedging transaction as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation, depending on the risk and on the instruments that are hedged.

To designate an instrument as a hedging derivative, the Group must document the hedging relationship in detail, from the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged and the associated risk management strategy, the type of financial derivative used and the valuation method that will be used to measure its effectiveness.

A derivative designated as a hedging instrument must be highly effective in offsetting the change in fair value or cash flows arising from the hedged risk. This effectiveness is verified when changes in the fair value or cash flows of the hedged instrument are almost entirely offset by changes in the fair value or cash flows of the hedging instrument, with the expected ratio between the two changes ranging from 80% to 125%. Effectiveness shall be assessed both when the hedge is first set up and throughout its life. Effectiveness is measured each quarter prospectively (expected effectiveness over the future periods) and retrospectively (effectiveness measured on past periods). Where the effectiveness falls outside the range specified above hedge accounting is discontinued.

Hedging derivatives are recognised in the balance sheet under *Hedging derivatives*.

Fair value hedges

The purpose of these hedges is to protect the Group against an adverse fluctuation in the fair value of an instrument which could affect profit or loss if the instrument were derecognised from the balance sheet.

Changes in the fair value of the hedging derivative are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*; for interest rate derivatives, however, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

In the balance sheet, the carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. To the extent that the hedge is highly effective, changes in the fair value of the hedged item and changes in the fair value of the hedging derivative are accurately offset through profit or loss, the difference corresponding to an ineffectiveness gain or loss.

Prospective effectiveness is assessed via a sensitivity analysis based on probable market trends or via a regression analysis of the statistical relationship (correlation) between certain components of the hedged item and the hedging instrument. Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is terminated or sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value attributable to the hedged risk and the cumulative adjustments previously recognised under hedge accounting are amortised over its remaining life. Hedge accounting is also discontinued if the hedged item is sold prior to maturity or redeemed early.

Cash flow hedges

The purpose of interest rate cash flow hedges is to protect against changes in future cash flows associated with a financial instrument on the balance sheet (loans, securities or floating-rate notes) or with a highly probable future transaction (future fixed rates, future prices, etc.). The purpose of these hedges is to protect the Group against adverse fluctuations in the future cash-flows of an instrument or transaction that could affect profit or loss.

The effective portion of changes in the fair value of hedging derivatives is booked to *Unrealised or deferred gains and losses*, while the ineffective portion is recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. For interest rate derivatives, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

The effectiveness of the hedge is assessed using the hypothetical derivative method, which consists in i) creating a hypothetical derivative bearing exactly the same characteristics as the instrument being hedged (in notional terms, in terms of the date on which the rates are reset, in terms of the rates themselves, etc.), but which moves in the opposite direction and whose fair value is nil when the hedge is set up, then ii) comparing the expected changes in the fair value of the hypothetical derivative with those of the hedging instrument (sensitivity analysis) or performing a regression analysis on the prospective effectiveness of the hedge. Here, only any “over-hedging” is deemed ineffective.

Amounts directly recognised in equity in respect of the revaluation of cash flow hedging derivatives are subsequently reclassified to *Interest income and expense* in the income statement at the same time as the cash flows being hedged.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. Amounts previously recognised directly in equity are reclassified under *Interest income and expense* in the income statement over the periods during which interest income is affected by cash flows arising from the hedged item. If the hedged item is sold or redeemed earlier than expected or if the hedged forecast transaction ceases to be highly probable, unrealised gains and losses recognised in equity are immediately reclassified in the income statement.

Hedging of a net investment in a foreign operation

The purpose of a hedge of a net investment in a foreign company is to protect against exchange rate risk.

The hedged item is an investment in a country whose currency differs from the Group's functional currency. The hedge therefore serves to protect the net position of a foreign subsidiary or branch against an exchange rate risk linked to the entity's functional currency.

The effective portion of the changes in the fair value of a hedging derivative designated for accounting purposes as a hedge of a net investment is recognised in equity under *Unrealised or deferred gains and losses*, while the ineffective portion is recognised in the income statement.

Macro-fair value hedges

In this type of hedge, interest rate derivatives are used to globally hedge against structural interest rate risks usually arising from Retail Banking activities. When accounting for these transactions, the Group applies the IAS 39 "carve-out" standard as adopted by the European Union, which facilitates:

- the application of fair value hedge accounting to macro-hedges used for asset-liability management, including customer demand deposits in the fixed-rate positions being hedged;
- the performance of effectiveness tests required by IAS 39 as adopted by the European Union.

The accounting treatment of financial derivatives designated as macro-fair value hedges is similar to that of other fair value hedging instruments. Changes in the fair value of the portfolio of macro-hedged instruments are reported on a separate line in the balance sheet under *Revaluation differences on portfolios hedged against interest rate risk* through profit or loss.

BREAKDOWN OF HEDGING DERIVATIVES

(In millions of euros)	31.12.2018		01.01.2018	
	Assets	Liabilities	Assets	Liabilities
Fair value hedge	11,666	5,767	12,456	5,978
Interest rate instruments	11,650	5,765	12,403	5,974
Foreign exchange instruments	16	2	53	4
Equity and index Instruments	-	-	-	-
Cash flow hedge	105	204	168	132
Interest rate instruments	27	140	49	103
Foreign exchange instruments	78	38	110	25
Equity and index Instruments	-	26	9	4
Net investment hedge	128	22	94	36
Foreign exchange instruments	128	22	94	36
TOTAL	11,899	5,993	12,718	6,146

The Group sets up hedging relationships recognised for accounting purposes as fair value hedges in order to protect its fixed-rate financial assets and liabilities (primarily loans/borrowings, securities issued and fixed-rate securities) against changes in long-term interest rates. The hedging instruments used mainly consist of interest rate swaps.

Through some of its Corporate and Investment Banking operations, the Group is exposed to future cash flow changes in its short and

medium-term funding requirements, and sets up hedging relationships recognised for accounting purposes as cash flow hedges. Highly probable funding requirements are determined using historic data established for each activity and representative of balance sheet outstandings. These data may be increased or decreased with changes in management methods.

BREAKDOWN OF HEDGING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

(In millions of euros)	31.12.2018	01.01.2018
Interest rate instruments	488,398	418,956
Firm instruments	487,149	417,334
<i>Swaps</i>	486,994	417,040
<i>FRA</i> s	155	294
Options	1,249	1,622
Foreign exchange instruments	14,747	12,483
Firm instruments	14,747	12,483
Equity and index instruments	74	148
Options	74	148
TOTAL	503,219	431,587

MATURITIES OF HEDGING FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

These items are presented according to the contractual maturity of the financial instruments.

(In millions of euros)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2018
Interest rate instruments	53,511	27,588	178,615	228,684	488,398
Foreign exchange instruments	5,515	7,554	1,409	269	14,747
Equity and index instruments	1	14	59	-	74
Other forward financial instruments	-	-	-	-	-
TOTAL	59,027	35,156	180,083	228,953	503,219

BREAKDOWN OF FAIR VALUE HEDGED ITEMS

(In millions of euros)	31.12.2018		
	Carrying amount of the hedged item ⁽¹⁾	Cumulative change in the fair value of the hedged item ⁽²⁾	Change in the fair value of the hedged item booked during the period ⁽²⁾
Hedge of interest rate risk	1,007,558	8,018	943
Hedged assets	389,869	1,521	(230)
<i>Due from banks, at amortised cost</i>	19,856	19	(6)
<i>Customer loans, at amortised cost</i>	314,759	336	(10)
<i>Securities at amortised cost</i>	594	25	11
<i>Financial assets at fair value through other comprehensive income</i>	33,190	642	124
<i>Customer loans (macro hedged)</i>	21,470	499	(349)
Hedged liabilities	617,689	6,497	1,173
<i>Debt securities issued</i>	196,883	745	232
<i>Due to banks</i>	124,633	114	(20)
<i>Customer deposits</i>	220,383	219	48
<i>Subordinated debts</i>	13,697	1	120
<i>Customer deposits (macro hedged)</i>	62,093	5,418	793
Hedge of currency risk	783	16	39
Hedged assets	31	1	1
<i>Customer loans, at amortised cost</i>	31	1	1
Hedged liabilities	752	15	38
<i>Due to banks</i>	752	15	38
TOTAL	1,008,341	8,034	982

(1) The carrying amount of the macro-hedged items represents the sum of the hedged outstanding and the revaluation differences on portfolios hedged against interest rate risk.

(2) Changes in fair value attributable to the hedged risk only and used to determine the ineffective portion of the fair value of the hedging instrument. This change is excluding accrued interests for the items hedged against interest rate risk.

At 31 December 2018, EUR 396 million of cumulative change of fair value remain to be amortized because of the disappearance of the hedging instrument.

BREAKDOWN OF FAIR VALUE HEDGING INSTRUMENTS

(In millions of euros)	31.12.2018				
	Commitments (notional amounts)	Fair value ⁽²⁾		Change in fair value recorded during the period	Ineffectiveness recognised during the period
		Assets	Liabilities		
Hedge of interest rate risk	169,944	11,650	5,765	(909)	34
Firm instruments – Swaps	168,695	11,645	5,765	(909)	34
For hedged assets	37,271	314	1,380	(138)	(18)
For hedged portfolios of assets (macro hedge) ⁽¹⁾	20,986	955	1,436	323	(33)
For hedged liabilities	52,178	2,111	612	(358)	3
For hedged portfolios of liabilities (macro hedge) ⁽¹⁾	58,260	8,265	2,337	(736)	82
Optional instruments	1,249	5	-	(0)	(0)
For hedged assets portfolios of assets (macro hedge) ⁽¹⁾	1,249	5	-	(0)	(0)
Hedge of currency risk	2,055	16	30	(38)	1
Firm instruments	2,055	16	2	(38)	(0)
For hedged liabilities	2,055	16	2	(38)	0
Non-derivative financial instruments		-	28	(0)	1
For hedged assets		-	28	(0)	1
TOTAL	171,999	11,666	5,795	(947)	35

(1) For macro fair value transactions, the commitment described above equals to the net hedging derivatives position in order to represent the economic exposure from these instruments. This position should be linked with the carrying amount of the hedged items which represents the hedged exposure.

(2) The fair value of interest rate hedging derivatives includes accrued interests.

BREAKDOWN OF CASH FLOW HEDGED ITEMS

The following table describes the change of fair value of hedged items used to book the ineffective portion of the hedge during the current period. Regarding the cash flow hedges, the change of fair value of hedged items is assessed using the hypothetical derivative method described in the accounting principles above.

(In millions of euros)	31.12.2018
	Change in the fair value
Hedge of interest rate risk	54
Hedged assets	16
Customer loans, at amortised cost	2
Financial assets at fair value through other comprehensive income	8
Customer loans (macro hedged)	6
Hedged liabilities	38
Debt securities issued	2
Due to banks	(0)
Customer deposits (macro hedged)	36
Hedge of currency risk	33
Hedged liabilities	33
Due to banks	33
Forecasted transactions	0
Hedge of equity risk	46
Forecast transactions	46
TOTAL	133

BREAKDOWN OF CASH FLOWS HEDGING INSTRUMENTS

	31.12.2018					
	Commitments (notional amounts)	Fair value		Changes in value booked during the period		Cumulative changes in value recorded in unrealized or deferred gains and losses
		Asset	Liability	Portion booked in unrealized or deferred gains and losses	Ineffectiveness recorded during the period	
<i>(In millions of euros)</i>						
Hedge of interest rate risk	15,965	27	140	(54)	(0)	(100)
Firm instruments – Swaps	15,810	27	139	(45)	(0)	(96)
<i>For hedged assets</i>	2,257	1	10	(10)	-	(9)
<i>For hedged portfolios of assets (macro hedge)⁽¹⁾</i>	4,775	5	43	(6)	(0)	(27)
<i>For hedged liabilities</i>	3,047	0	2	7	(0)	5
<i>For hedged portfolios of liabilities (macro hedge)⁽¹⁾</i>	5,731	21	84	(36)	0	(65)
Firm instruments – FRAs	155	-	1	(9)	(0)	(4)
<i>For hedged liabilities</i>	155	-	1	(9)	(0)	(4)
Hedge of currency risk	5,599	89	39	(33)	0	(13)
Firm instruments	5,599	78	38	(33)	0	(13)
<i>For hedged assets</i>	674	8	31	0	-	0
<i>For hedged liabilities</i>	4,925	70	7	(33)	0	(13)
Non-derivative financial instruments	-	11	1	(0)	-	(0)
<i>For future hedged transactions</i>	-	11	1	(0)	-	(0)
Hedge of equity risk	74	0	26	(46)	(7)	(15)
Optional instruments	74	0	26	(46)	(7)	(15)
<i>For hedged future transactions</i>	74	0	26	(46)	(7)	(15)
TOTAL	21,638	116	205	(133)	(7)	(128)

(1) For the macro hedge transactions, the commitment described above equals to the net hedging derivatives position in order to represent the economic exposure from these instruments.

In 2018, EUR 36 millions of unrealised or deferred gains and losses have been transferred into net income, following the accounting of the cash flow hedge effects in the profit and loss.

BREAKDOWN OF NET INVESTMENT HEDGED ITEMS

(In millions of euros)	31.12.2018	
	Change in the fair value of the hedged item during the period ⁽¹⁾	Cumulative translation differences related to the hedged items
Hedge of currency risk	172	1,212
Hedged net investment in GBP	24	297
Hedged net investment in CZK	11	(173)
Hedged net investment in RUB	161	959
Hedged net investment in RON	(14)	20
Hedged net investment in USD	(39)	(15)
Hedged net investment in KRW	(1)	(31)
Hedged net investment (other currencies)	30	155

(1) Changes in fair value attributable to the hedged risk only and used to determine the ineffective portion of the fair value of the hedged instruments.

BREAKDOWN OF NET INVESTMENT HEDGE INSTRUMENTS

(In millions of euros)	31.12.2018					
	Hedging derivatives commitments(1)	Carrying amount ⁽¹⁾		Changes in value booked during the period		Cumulative changes in value booked in unrealized or deferred gains and losses
		Asset	Liability	Portion booked in unrealized or deferred gains and losses	Ineffective portion booked during the period	
Hedge of currency risk	6,992	128	2,515	(191)	18	(1,212)
Firm instruments	6,992	128	22	(107)	18	(93)
Hedged net investment in GBP	1,491	21	3	(10)	1	64
Hedged net investment in CZK	1,065	3	-	(1)	(4)	6
Hedged net investment in RUB	752	83	-	(136)	26	(99)
Hedged net investment in RON	689	1	-	16	(2)	(7)
Hedged net investment in USD	461	-	4	34	(3)	9
Hedged net investment in KRW	497	-	7	1	(0)	9
Hedged net investment (other currencies)	2,037	20	8	(11)	(0)	(75)
Non derivatives instruments	-	-	2,493	(84)	-	(1,119)
Hedged net investment in GBP	-	-	346	(15)	-	(362)
Hedged net investment in CZK	-	-	839	(6)	-	166
Hedged net investment in RUB	-	-	348	(52)	-	(860)
Hedged net investment in RON	-	-	45	(0)	-	(13)
Hedged net investment in USD	-	-	199	9	-	6
Hedged net investment in KRW	-	-	-	-	-	22
Hedged net investment (other currencies)	-	-	716	(20)	-	(78)

(1) The net position of the derivatives hedge instruments (notional amounts) represents the economic exposure from these hedging instruments. This position should be linked with the carrying amount of the hedged items which represents the exposure to hedge.

In 2018, EUR 9 millions of unrealized or deferred gains and losses have been transferred into the net income, following the recognition of the foreign hedged net investment translation differences in net income.

NOTE 3.3 Financial assets at fair value through other comprehensive income**OVERVIEW OF IFRS 9 TRANSITION (SEE COMMENTS ON NOTE 1)**

(In millions of euros)	Balance at 31.12.2017 IAS 39	Reclassifications			Value adjustments	Balances at 01.01.2018 IFRS 9
		of available- for-sale financial assets	of held-to- maturity financial assets	of loans and receivables regarding the business model		
Debt instruments	N/A	49,584	485	80	29	50,178
<i>Bonds and other debt securities</i>	N/A	49,584	485	80	29	50,178
<i>Loans and receivables and securities purchased under resale agreements</i>	N/A	-	-	-	-	-
Shares and other equity securities	N/A	290	-	-	-	290
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	N/A	49,874	485	80	29	50,468

OVERVIEW OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In millions of euros)	31.12.2018	01.01.2018
Debt instruments	49,736	50,178
<i>Bonds and other debt securities</i>	49,696	50,178
<i>Loans and receivables and securities purchased under resale agreements</i>	40	-
Shares and other equity securities	290	290
TOTAL	50,026	50,468
<i>o/w securities lent</i>	483	27

NOTE 3.3.1 DEBT INSTRUMENTS**ACCOUNTING PRINCIPLES**

Debt instruments (loans and receivables, bonds and bond equivalents) are classified as *Financial assets at fair value through other comprehensive income* where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a Collect and Sell business model.

Accrued or earned income on debt instruments is recorded in profit or loss based on the effective interest rate, under *Interest and similar income*.

At the reporting date, these instruments are measured at fair value, and changes in fair value, excluding income, are recorded under Unrealised or deferred gains and losses, except for foreign exchange differences on money market instruments denominated in local currencies, which are recorded in profit or loss. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under Cost of risk with a corresponding entry to Unrealised or deferred gains and losses. The applicable impairment rules are described in Note 3.8.

BUSINESS MODEL "HOLD TO COLLECT AND SALE"

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 sale” 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 CARRYING AMOUNT

<i>(In millions of euros)</i>	2018
Balance on 1 January	50,178
Acquisitions/disbursements	32,869
Disposals/redemptions	(32,278)
Transfers further to reclassification to (or from) another accounting category	76
Change in scope and others	(1,658)
Changes in fair value during the period	(287)
Change in related receivables	32
Translation differences	804
Balance on 31 December	49,736

BREAKDOWN OF CUMULATED UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY AND THAT WILL BE RECLASSIFIED SUBSEQUENTLY INTO INCOME

<i>(In millions of euros)</i>	31.12.2018
Unrealised gains	416
Unrealised losses	(183)
TOTAL	233

NOTE 3.3.2 EQUITY INSTRUMENTS

ACCOUNTING PRINCIPLES

Equity instruments (shares and share equivalents), that are not held for trading purpose, can be initially designated by the Group to be measured at fair value through other comprehensive income. This option, made instrument by instrument, is irrevocable.

These equity instruments are then measured at fair value and changes in fair value, excluding dividends, are recognised under *Unrealised or deferred gains and losses* with no subsequent reclassification to profit or loss. If the instruments are sold, the associated unrealised or deferred gains and losses are reclassified to *Retained earnings* at the opening of the next financial year. Only dividend income, if it is considered as a return on investment, are recorded in the income statement under *Net gains or losses on financial assets at fair value through other comprehensive income*.

The Group chose only in few cases to designate equity instruments to be measured at fair value through other comprehensive income.

NOTE 3.3.3 NET GAINS AND LOSSES RECOGNISED IN NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In millions of euros)

	2018
Realised gains and losses on sale of debt instruments	39
Dividends incomes on financial assets at fair value through other comprehensive income	44
TOTAL	83

NOTE 3.4 Fair value of financial instruments measured at fair value



**MAKE IT
SIMPLE**

The financial assets and liabilities recognised in the Group balance sheet are measured either at fair value or at amortised cost. In the latter case, the fair value of the instruments is disclosed in the notes (see Note 3.9).

If an instrument is quoted on an active market, its fair value is equal to its market price.

But many financial instruments are not listed (for example, most customer loans and deposits, interbank debts and claims, etc.), or are only negotiable on illiquid markets or over-the-counter markets (which is the case for many derivative instruments).

In such situations, the fair value of the instruments is calculated using measurement techniques or valuation models. Market parameters are included in these models and must be observable; otherwise they are determined based on internal estimates. The models and parameters used are subject to independent validations and internal controls.

ACCOUNTING PRINCIPLES

Definition of fair value

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

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

Fair value hierarchy

For information purposes, in the notes to the consolidated financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the observability level of the inputs used. The fair value hierarchy is composed of the following levels:

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

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

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

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

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

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

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

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

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

This category also includes the fair value of loans and receivables measured at amortised cost in the balance-sheet granted to counterparties whose credit risk is quoted via Credit Default Swap (see Note 3.9).

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

Level 3 instruments carried at fair value on the balance sheet are valued based on financial models with unobservable market inputs or observable inputs that are not quoted on active markets. For the Group, those instruments match with the instruments for which the sales margin is not immediately recognised in profit or loss (see Note 3.4.7).

Accordingly, Level 3 financial instruments include derivatives and repo transactions with longer maturities than those usually traded and/or with specifically-tailored return profiles, structured debts including embedded derivatives valued based on a method using unobservable inputs or long-term equity investments valued based on a corporate valuation method, which is the case for unlisted companies or companies listed on an insufficiently liquid market.

The main L3 complex derivatives are:

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

NOTE 3.4.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE

<i>(In millions of euros)</i>	31.12.2018				01.01.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio*	69,429	144,430	1,470	215,329	97,222	111,414	910	209,546
Bonds and other debt securities	26,059	3,403	270	29,732	25,225	2,612	169	28,006
Shares and other equity securities	43,370	5,926	1	49,297	71,997	8,061	1	80,059
Loans and receivables and securities purchased under resale agreements*	-	134,662	1,199	135,861	-	100,370	740	101,110
Other trading assets	-	439	-	439	-	371	-	371
Trading derivatives	23	119,460	3,500	122,983	38	131,670	2,583	134,291
Interest rate instruments	8	71,628	2,617	74,253	19	87,663	1,826	89,508
Foreign exchange instruments	8	19,038	200	19,246	16	16,411	126	16,553
Equity and index instruments	-	21,211	239	21,450	-	19,535	424	19,959
Commodity instruments	-	5,666	42	5,708	-	5,888	60	5,948
Credit derivatives	-	1,826	398	2,224	-	2,108	137	2,245
Other forward financial instruments	7	91	4	102	3	65	10	78
Financial assets measured mandatorily at fair value through profit or loss	117	21,091	2,849	24,057	151	18,782	2,636	21,569
Bonds and other debt securities	12	36	110	158	2	67	90	159
Shares and other equity securities	105	194	1,697	1,996	149	200	1,211	1,560
Loans and receivables and securities purchased under resale agreements	-	20,861	1,042	21,903	-	18,515	1,335	19,850
Financial assets measured using fair value option through profit or loss*	1,126	1,702	353	3,181	848	1,914	944	3,706
Bonds and other debt securities	1,126	184	-	1,310	848	197	-	1,045
Loans and receivables and securities purchased under resale agreements*	-	466	353	819	-	1,175	944	2,119
Other financial assets	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	1,052	-	1,052	-	542	-	542
Hedging derivatives	-	11,899	-	11,899	-	12,718	-	12,718
Interest rate instruments	-	11,677	-	11,677	-	12,452	-	12,452
Foreign exchange instruments	-	222	-	222	-	257	-	257
Equity and index instruments	-	-	-	-	-	9	-	9
Financial assets measured at fair value through other comprehensive income	48,738	998	290	50,026	48,045	2,130	293	50,468
Bonds and other debt securities	48,738	958	-	49,696	48,045	2,130	3	50,178
Shares and other equity securities	-	-	290	290	-	-	290	290
Loans and receivables	-	40	-	40	-	-	-	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE*	119,433	299,580	8,462	427,475	146,304	278,628	7,366	432,298

* Amounts restated see Note 3.4.2.

NOTE 3.4.2 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

(In millions of euros)	31.12.2018				01.01.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio*	7,787	149,776	969	158,532	6,755	138,911	499	146,165
Amounts payable on borrowed securities	308	50,956	-	51,264	337	34,507	-	34,844
Bonds and other debt instruments sold short	6,231	-	-	6,231	5,416	-	-	5,416
Shares and other equity instruments sold short	1,248	-	-	1,248	1,002	-	-	1,002
Borrowings and securities sold under repurchase agreements*	-	97,330	969	98,299	-	103,591	499	104,090
Other trading liabilities	-	1,490	-	1,490	-	813	-	813
Trading derivatives	81	123,075	3,790	126,946	16	137,181	5,172	142,369
Interest rate instruments	6	70,986	2,843	73,835	-	88,366	3,817	92,183
Foreign exchange instruments	5	19,346	115	19,466	1	17,742	54	17,797
Equity and index instruments	-	23,103	572	23,675	-	21,844	888	22,732
Commodity instruments	-	6,041	40	6,081	-	6,048	22	6,070
Credit derivatives	-	2,484	220	2,704	-	2,171	391	2,562
Other forward financial instruments	70	1,115	-	1,185	15	1,010	-	1,025
Financial liabilities measured using fair value option through profit or loss*	265	39,408	37,932	77,605	334	40,125	39,557	80,016
Hedging derivatives	-	5,993	-	5,993	-	6,146	-	6,146
Interest rate instruments	-	5,905	-	5,905	-	6,077	-	6,077
Foreign exchange instruments	-	62	-	62	-	65	-	65
Equity and index instruments	-	26	-	26	-	4	-	4
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE*	8,133	318,252	42,691	369,076	7,105	322,363	45,228	374,696

* At 1 January 2018, the allocation of repo transactions between the level 2 and the level 3 of fair value was modified comparing with 31 December 2017. The repo transactions finalized by the Group can have the settlement dates much longer than the usual ones operated on the stock market. The parameters utilized to assess the fair value were revised, a part of this operations was reclassified from the level the level 2 to the level 3 (1,416 millions of euros of securities purchased under resale agreements and 1,382 million of euros of securities sold under repurchased agreements were reclassified on level 3 at 1 January 2018).

NOTE 3.4.3 VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AT FAIR VALUE

<i>(In millions of euros)</i>	Balance at 01.01.2018	Acquisitions	Disposals/ redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2018
Trading portfolio*	910	1,276	(707)	(202)	-	116	77	-	1,470
Bonds and other debt securities	169	164	(125)	(35)	-	23	74	-	270
Shares and other equity securities	1	-	-	-	-	-	-	-	1
Loans and receivables and securities purchased under resale agreements*	740	1,112	(582)	(167)	-	93	3	-	1,199
Other trading assets	-	-	-	-	-	-	-	-	-
Trading derivatives	2,583	101	(6)	(89)	195	639	125	(48)	3,500
Interest rate instruments	1,826	33	-	(65)	187	623	62	(49)	2,617
Foreign exchange instruments	126	16	(5)	(8)	1	22	48	-	200
Equity and index instruments	424	32	-	(16)	2	(218)	14	1	239
Commodity instruments	60	20	(1)	-	-	(37)	-	-	42
Credit derivatives	137	-	-	-	5	255	1	-	398
Other forward financial instruments	10	-	-	-	-	(6)	-	-	4
Financial assets measured mandatorily at fair value through profit or loss	2,636	889	(295)	(607)	34	391	71	(270)	2,849
Bonds and other debt securities	90	28	(5)	(3)	-	(1)	-	1	110
Shares and other equity securities	1,211	258	(246)	(70)	26	508	8	2	1,697
Loans and receivables and securities purchased under resale agreements	1,335	603	(44)	(534)	8	(116)	63	(273)	1,042
Financial assets measured using fair value option through profit or loss*	944	-	(204)	(401)	-	10	4	-	353
Bonds and other debt securities	-	-	-	-	-	-	-	-	-
Loans and receivables and securities purchased under resale agreements*	944	-	(204)	(401)	-	10	4	-	353
Other financial assets	-	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-
Interest rate instruments	-	-	-	-	-	-	-	-	-
Foreign exchange instruments	-	-	-	-	-	-	-	-	-
Equity and index instruments	-	-	-	-	-	-	-	-	-
Financial assets measured at fair value option through other comprehensive income	293	-	(1)	-	-	-	(1)	(1)	290
Debt instruments	3	-	(1)	-	-	-	(1)	(1)	-
Equity instruments	290	-	-	-	-	-	-	-	290
Loans and receivables	-	-	-	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE*	7,366	2,266	(1,213)	(1,299)	229	1,156	276	(319)	8,462

* Amounts restated see Note 3.4.2.

FINANCIAL LIABILITIES AT FAIR VALUE

(In millions of euros)	Balance at 01.01.2018	Issues Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2018	
Trading portfolio*	499	868	(476)	(92)	-	170	-	969	
Debt securities issued	-	-	-	-	-	-	-	-	
Amounts payable on borrowed securities	-	-	-	-	-	-	-	-	
Bonds and other debt instruments sold short	-	-	-	-	-	-	-	-	
Shares and other equity instruments sold short	-	-	-	-	-	-	-	-	
Borrowings and securities sold under repurchase agreements*	499	868	(476)	(92)	-	170	-	969	
Other trading liabilities	-	-	-	-	-	-	-	-	
Trading derivatives	5,172	684	(230)	(325)	654	(1,551)	156	(770)	3,790
Interest rate instruments	3,817	17	(53)	(233)	653	(716)	128	(770)	2,843
Foreign exchange instruments	54	13	-	(7)	1	54	-	-	115
Equity and index instruments	888	644	(177)	(83)	-	(727)	27	-	572
Commodity instruments	22	10	-	-	-	8	-	-	40
Credit derivatives	391	-	-	(2)	-	(170)	1	-	220
Other forward financial instruments	-	-	-	-	-	-	-	-	-
Financial liabilities measured using fair value option through profit or loss*	39,557	17,734	(13,528)	(1,883)	198	(5,219)	1,111	(38)	37,932
Hedging derivatives	-	-	-	-	-	-	-	-	-
Interest rate instruments	-	-	-	-	-	-	-	-	-
Foreign exchange instruments	-	-	-	-	-	-	-	-	-
Equity and index instruments	-	-	-	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE*	45,228	19,286	(14,234)	(2,300)	852	(6,600)	1,267	(808)	42,691

* Amounts restated see Note 3.4.2(.

NOTE 3.4.4 VALUATION METHODS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE ON THE BALANCE SHEET

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

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

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for swaps or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions at the balance sheet date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the inputs used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of Market Activities, in accordance with the methodologies defined by the Market Risk Department.

If necessary, these valuations are supplemented by additional reserves (such as bid-ask spreads and liquidity) determined reasonably and appropriately after an analysis of available information.

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA). The Group includes all clients and clearing houses in this adjustment, which also reflects the netting agreements existing for each counterparty.

The CVA is determined on the basis of the Group entity's expected positive exposure to the counterparty, the counterparty's probability of default and the amount of the loss given default. The DVA is determined symmetrically based on the negative expected exposure. These calculations are carried out over the life of the potential exposure, with a focus on the use of relevant and observable market data.

Similarly, an adjustment to take into account the costs or profits linked to the financing of these transactions (FVA, Funding Value Adjustment) is also performed.

Observable data must be: independent, available, publicly distributed, based on a narrow consensus and/or backed up by transaction prices.

For example, consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For long maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of equity options with maturities of more than five years. However, when the residual

maturity of the instrument falls below five years, its fair value becomes sensitive to observable inputs.

In the event of unusual tensions on the markets, leading to a lack of the usual reference data used to measure a financial instrument, the Risk Division may implement a new model in accordance with pertinent available data, similar to methods used by other market players.

SHARES AND OTHER EQUITY SECURITIES

For listed shares, fair value is taken to be the quoted price on the balance sheet date. For unlisted shares, fair value is determined depending on the type of financial instrument and according to one of the following methods:

- valuation based on a recent transaction involving the issuing company (third party buying into the issuing company's capital, appraisal by a professional valuation agent, etc.);
- valuation based on a recent transaction in the same sector as the issuing company (income multiple, asset multiple, etc.);
- proportion of net asset value held.

For unlisted securities in which the Group has significant holdings, valuations based on the above methods are supplemented by a discounted future cash flow valuation based on business plans or on valuation multiples of similar companies.

DEBT INSTRUMENTS HELD IN PORTFOLIO, ISSUES OF STRUCTURED SECURITIES MEASURED AT FAIR VALUE AND FINANCIAL DERIVATIVES

The fair value of these financial instruments is determined based on the quoted price on the balance sheet date or prices provided by brokers on the same date, when available. For unlisted financial instruments, fair value is determined using valuation techniques. Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in the Group's issuer credit risk.

OTHER DEBTS

For listed financial instruments, fair value is taken as their closing quoted price on the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates (including counterparty risks, non-performance and liquidity risks).

CUSTOMER LOANS

The fair value of loans and receivables is calculated, in the absence of an actively traded market for these loans, by discounting the expected cash flows to present value at a discount rate based on interest rates prevailing on the market at the reporting date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

NOTE 3.4.5 ESTIMATES OF MAIN UNOBSERVABLE INPUTS

The following table provides the valuation of Level 3 instruments on the balance sheet and the range of values of the most significant unobservable inputs by main product type.

(In millions of euros)	Value in balance sheet		Main products	Valuation techniques used	Significant unobservable inputs	Range of inputs min & max
	Assets	Liabilities				
Cash instruments and derivatives⁽¹⁾						
Equities/funds	542	26,919	derivatives on funds, equities or baskets of stocks derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets of stocks	Equity volatilities	6.7%; 48.1%
					Equity dividends	0.0%; 20.9%
					Correlations	-77.5%; 98%
					Hedge fund volatilities	8.5%; 20.0%
					Mutual fund volatilities	1.5%; 42.2%
Rates and Forex	5,794	15,512	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-41.1%; 85%
			Forex derivatives	Forex option pricing models	Forex volatilities	1.0%; 32.0%
			Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools	Prepayment modelling	Constant prepayment rates	0.0%; 45%
			Inflation instruments and derivatives	Inflation pricing models	Correlations	64.4%; 88.9%
Credit	398	220	Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0%; 100%
					Recovery rate variance for single name underlyings	0%; 100%
			Other credit derivatives	Credit default models	Time to default correlations	0%; 100%
					Quanto correlations	-50%; 40%
				Credit spreads	0 bps; 1 000 bps	
Commodities	42	40	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	10.6%; 95.8%
Long term equity investments	1,686	-	Securities held for strategic purposes	Net Book Value / Recent transactions	Non applicable	-
TOTAL	8,462	42,691				

(1) Hybrid instruments are broken down by main unobservable inputs.

NOTE 3.4.6 SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Unobservable inputs are assessed carefully, particularly in this persistently uncertain economic environment and market. However, by their very nature, unobservable inputs inject a degree of uncertainty into the valuation of Level 3 instruments.

To quantify this, fair value sensitivity was estimated at 31 December 2018 on instruments whose valuation requires certain unobservable inputs. This estimate was based either on a “standardised” variation in unobservable inputs, calculated for each input on a net position, or on

assumptions in line with the additional valuation adjustment policies for the financial instruments in question.

The “standardised” variation is:

- either the standard deviation of consensus prices (TOTEM, etc.) used to measure an input nevertheless considered as unobservable; or
- the standard deviation of historic data used to measure the input.

SENSITIVITY OF LEVEL 3 FAIR VALUE TO A REASONABLE VARIATION IN UNOBSERVABLE INPUTS

<i>(In millions of euros)</i>	31.12.2018		31.12.2017	
	Negative impact	Positive impact	Negative impact	Positive impact
Shares and other equity instruments and derivatives	(13)	96	(5)	88
Equity volatilities	0	19	0	18
Dividends	(3)	9	0	6
Correlations	(9)	62	(5)	59
Hedge Fund volatility	0	0	0	0
Mutual Fund volatility	(1)	6	0	6
Rates or Forex instruments and derivatives	(6)	58	(6)	50
Correlations between exchange rates and/or interest rates	(4)	55	(4)	45
Forex volatilities	(1)	2	(1)	2
Constant prepayment rates	0	0	0	0
Inflation/inflation correlations	(1)	1	(1)	2
Credit instruments and derivatives	(4)	14	(2)	6
Time to default correlations	(2)	4	(1)	1
Recovery rate variance for single name underlyings	0	0	0	0
Quanto correlations	(2)	10	0	4
Credit spreads	0	0	(1)	1
Commodity derivatives	0	1	0	1
Commodities correlations	0	1	0	1
Long term securities valued using internal models	NA	NA	NA	NA

It should be noted that, given the already conservative valuation levels, this sensitivity is higher for a favourable impact on results than for an unfavourable impact. Moreover, the amounts shown above illustrate the uncertainty of the valuation as of the computation date

on the basis of a reasonable variation in inputs. Future variations in fair value or consequences of extreme market conditions cannot be deduced or forecast from these estimates.

NOTE 3.4.7 DEFERRED MARGIN RELATED TO MAIN UNOBSERVABLE INPUTS

The remaining amount to be recorded in the income statement, resulting from the difference between the transaction price and the amount determined at this date using valuation techniques, minus the amounts recorded in the income statement after initial recognition, is

shown in the table below. This amount is recorded in the income statement spread over the period during which the inputs are expected to be unobservable, or as the inputs become observable.

<i>(In millions of euros)</i>	2018	2017
Deferred margin at 1 January	1,281	1,142
Deferred margin on new transactions during the period	744	880
Margin recorded in the income statement during the period	(788)	(741)
<i>o/w amortisation</i>	(479)	(317)
<i>o/w switch to observable inputs</i>	(45)	(49)
<i>o/w disposed, expired or terminated</i>	(264)	(375)
Deferred margin at 31 December	1,237	1,281

NOTE 3.5 Loans, receivables and securities at amortised cost**OVERVIEW OF IFRS 9 TRANSITION (SEE COMMENTS ON NOTE 1)**

(In millions of euros)	Reclassifications							Value adjustment		Balance at 01.01.2018 IFRS 9
	Balance at 31.12.2017 IAS 39	of insurance activities investments	of available-for-sale financial assets	of held-to-maturity financial assets	of non-SPPI loans and receivables	of loans and receivables regarding the business model	Others	Reclassification effects	Recognition of credit risk impairment based on IFRS 9	
Securities at amortised cost	N/A	-	2,971	3,078	-	-	5,650	(100)	(7)	11,592
Due from banks at amortised cost	60,866	(7,103)	-	-	(5)	(80)	(18)	-	(4)	53,656
Customer loans and receivables at amortised cost	425,231	(141)	-	-	(638)	(644)	(5,580)	50	(887)	417,391
TOTAL	486,097	(7,244)	2,971	3,078	(643)	(724)	52	(50)	(898)	482,639

OVERVIEW OF FINANCIAL ASSETS AT AMORTISED COST

(In millions of euros)	31.12.2018		01.12.2018	
	Carrying amount	o/w impairment	Carrying amount	o/w impairment
Due from banks	60,588	(32)	53,656	(29)
Customer loans	447,229	(11,435)	417,391	(13,361)
Securities	12,026	(10)	11,592	(11)
TOTAL	519,843	(11,477)	482,639	(13,401)

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 is recorded in the income statement under *Interest and similar income*. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under *Cost of risk* with a corresponding impairment of amortised cost under balance sheet assets. The applicable impairment rules are described in Note 3.8.

Loans issued by the Group may be subject to renegotiations for commercial reasons, where the borrowing customer is not experiencing financial difficulties or insolvency. Such efforts are undertaken for customers for which the Group agrees to renegotiate their debt in the interest of preserving or developing a business relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest. Renegotiated loans are derecognised at the renegotiation date, and the new loans contractualised under the renegotiated terms and conditions replace the previous loans in the balance sheet at this same date. The new loans are subject to the SPPI test to determine how they are classified in the balance sheet. If a loan qualifies as SPPI, renegotiation fees received are included in the effective interest rate of the new instrument.

Customer loans at amortised cost include lease receivables where they are classified as finance leases. Leases granted by the Group are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise, they are classified as operating leases (see Note 4.2).

These finance lease receivables represent the Group's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee, plus any unguaranteed residual value, discounted at the interest rate implicit in the lease. In the event of a subsequent reduction in the estimated unguaranteed residual value used to calculate the lessor's investment in the finance lease, the present value of this reduction is recognised as a loss under *Expenses from other activities* in the income statement and as a reduction of finance lease receivables on the asset side of the balance sheet.

BUSINESS MODEL “HOLD TO COLLECT”

Under this model, financial assets are managed to realise 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 millions of euros)

	31.12.2018	01.01.2018
Current accounts	23,958	21,066
Deposits and loans ⁽¹⁾	18,453	15,842
Securities purchased under resale agreements	18,000	16,523
Subordinated and participating loans	91	133
Related receivables	99	94
Due from banks before impairment	60,601	53,658
Credit loss impairment	(32)	(29)
Revaluation of hedged items	19	27
Net due from banks	60,588	53,656

(1) At 31 December 2018, the amount of due from banks with level 3 of impairment was EUR 51 million compared to EUR 100 million at 1 January 2018.

NOTE 3.5.2 CUSTOMER LOANS

(In millions of euros)

	31.12.2018	01.01.2018
Overdrafts ⁽¹⁾	21,230	20,239
Other customer loans ⁽¹⁾	375,982	356,662
Lease financing agreements ⁽¹⁾	32,345	30,310
Securities purchased under resale agreements	26,078	21,004
Related receivables	2,692	2,183
Customer loans before impairment	458,327	430,398
Credit loss impairment	(11,435)	(13,361)
Revaluation of hedged items	337	354
Customer loans	447,229	417,391

(1) At 31 December 2018, the amount of due from banks with level 3 of impairment was EUR 17,818 million compared to EUR 20,569 million at 1 January 2018.

BREAKDOWN OF OTHER CUSTOMER LOANS

<i>(In millions of euros)</i>	31.12.2018	01.01.2018
Trade notes	10,056	10,173
Short-term loans	118,978	108,005
Export loans	11,485	10,395
Equipment loans	57,253	53,983
Housing loans	126,160	124,324
Loans secured by notes and securities	92	89
Other loans	51,958	49,693
Other customer loans	375,982	356,662

ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

<i>(In millions of euros)</i>	31.12.2018	01.01.2018
Gross investments	34,562	32,714
<i>less than one year</i>	8,243	8,525
<i>1-5 years</i>	20,847	18,784
<i>more than five years</i>	5,472	5,405
Present value of minimum payments receivable	30,233	28,827
<i>less than one year</i>	7,576	7,942
<i>1-5 years</i>	18,291	16,852
<i>more than five years</i>	4,366	4,033
Unearned financial income	2,217	2,403
Unguaranteed residual values receivable by the lessor	2,112	1,484

NOTE 3.5.3 **SECURITIES**

<i>(In millions of euros)</i>	31.12.2018	01.01.2018
Government securities	5,826	5,623
Negotiable certificates, bonds and other debt securities	6,106	5,851
Related receivables	79	109
Securities before impairment	12,011	11,583
Impairment	(10)	(11)
Revaluation of hedged items	25	20
Securities	12,026	11,592

NOTE 3.6 Debts

Note: The balance sheet value of financial liabilities at amortised cost was not impacted by the first-time application of IFRS 9.

ACCOUNTING PRINCIPLES

Debts include non-derivative financial liabilities that are not measured at fair value through profit or loss.

They are recognised in the balance sheet according to the type of instrument and counterparty, under *Due to banks*, *Customer deposits*, *Debt securities issued* or *Subordinated debt*.

Subordinated debts are all dated or undated borrowings, whether or not in the form of debt securities, which in the event of the liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Debts are initially recognised at cost, measured as the fair value of the amount borrowed net of transaction fees. These liabilities are measured at period-end 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*.

Mortgage savings accounts and plans are recorded under *Customer deposits – Regulated savings accounts*. A provision may be recorded in respect of CEL mortgage savings accounts and PEL mortgage savings plans (see Note 8.3).

NOTE 3.6.1 DUE TO BANKS

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
Demand deposits and current accounts	13,875	11,686
Overnight deposits and borrowings and others	2,248	2,145
Term deposits	72,965	68,265
Related payables	130	127
Revaluation of hedged items	129	147
Securities sold under repurchase agreements	5,359	6,251
TOTAL	94,706	88,621

NOTE 3.6.2 CUSTOMER DEPOSITS

(In millions of euros)	31.12.2018	31.12.2017
Regulated savings accounts	93,230	92,023
<i>Demand</i>	68,082	66,515
<i>Term</i>	25,148	25,508
Other demand deposits ⁽¹⁾	222,642	216,102
Other term deposits ⁽¹⁾	82,932	85,454
Related payables	387	381
Revaluation of hedged items	219	268
TOTAL CUSTOMER DEPOSITS	399,410	394,228
Securities sold to customers under repurchase agreements	17,408	16,405
TOTAL	416,818	410,633

(1) Including deposits linked to governments and central administrations.

BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
Professionals and corporates	98,459	97,930
Individual customers	72,372	69,591
Financial customers	38,413	36,261
Others ⁽¹⁾	13,398	12,320
TOTAL	222,642	216,102

(1) Including deposits linked to governments and central administrations.

NOTE 3.6.3 DEBT SECURITIES ISSUED

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
Term savings certificates	474	515
Bond borrowings	24,381	22,470
Interbank certificates and negotiable debt instruments	89,913	78,485
Related payables	804	770
Revaluation of hedged items	767	995
TOTAL	116,339	103,235
<i>o/w floating-rate securities</i>	39,121	30,762

NOTE 3.7 Interest income and expense

MAKE IT
SIMPLE

Interest is compensation for a financial service, consisting in a lender making a certain amount of cash available to a borrower for an agreed period of time. Such compensated financing arrangements can be loans, deposits or securities (bonds, negotiable debt securities...).

This compensation is a consideration for the time value of money, and additionally for credit risk, liquidity risk and administrative costs, all borne by the lender for the duration of the financing agreement. The interest can also include a margin used by the lending bank to remunerate equity instruments (such as ordinary shares) that are required by prudential regulation to be issued in relation to the amount of financing granted, so as to guarantee its own solvency.

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

ACCOUNTING PRINCIPLES

Interest income and expense are recorded in the income statement under *Interest and similar income* and *Interest and similar expense* for all financial instruments measured using the effective interest method (instruments at amortised cost and debt instruments at fair value through other comprehensive income) and for all financial instruments mandatorily measured at fair value through profit and loss and interest rate risk hedging derivatives for the portion of income or expenses representative of the effective interest rate.

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is recognised in profit or loss by applying the effective interest rate to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same risk-free interest rate as that used to discount the expected outflow of resources.

(In millions of euros)	2018 ⁽¹⁾			2017		
	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	14,030	(7,021)	7,009	13,830	(8,829)	5,001
Central banks	575	(151)	424	389	(217)	172
Bonds and other debt securities	257	(1,931)	(1,674)		(1,902)	(1,902)
Due from/to banks ⁽²⁾	1,077	(1,354)	(277)	1,219	(1,158)	61
Customer loans and deposits ⁽³⁾	11,435	(2,889)	8,546	11,698	(4,847)	6,851
Subordinated debt	-	(542)	(542)	-	(581)	(581)
Securities lending/borrowing	7	(5)	2	14	(20)	(6)
Repo transactions	679	(149)	530	510	(104)	406
Hedging derivatives	6,358	(4,638)	1,720	6,164	(4,434)	1,730
Financial instruments at fair value through other comprehensive income	622	-	622			
Available-for-sale financial assets				2,424	-	2,424
Held-to-maturity financial assets				141	-	141
Lease financing agreements	1,126	-	1,126	1,120	-	1,120
Real estate lease financing agreements	194	-	194	199	-	199
Non-real estate lease financing agreements	932	-	932	921	-	921
Subtotal interest income/expense on financial instruments using the effective interest method	22,136	(11,659)	10,477			
Financial instruments mandatorily at fair value through profit or loss	542	-	542			
TOTAL INTEREST INCOME AND EXPENSE	22,678	(11,659)	11,019	23,679	(13,263)	10,416
o/w interest income from impaired financial assets	357	-	-	519	-	-

(1) As from 2018, income and expense for the Group's insurance business are presented on a separate line of the income statement entitled "Net income of insurance companies" (see Note 1, paragraph 4).

(2) In 2016, the European Central Bank (ECB) initiated a programme of Targeted Longer-Term Refinancing Operations (TLTRO) whereby participating banks' interest rates are linked to their lending performance. Banks whose stock of loans increased by at least 2.5% over the benchmark period (January 2016 - January 2018) will enjoy lower interest rates over the entire term of the operation, the rate in question being equal to the Eurosystem's deposit facility rate. During the second quarter of 2018, having ascertained that the lending targets were met, the ECB notified the eligible banks that the reduced interest rate would apply. For Societe Generale Group, this rate reduction has led to an adjustment of the accounting value of its debt to the ECB and to the recognition of a profit equal to the difference between the discounted value (computed at the initial interest rate) of the updated contractual cash-flows following the rate reduction and the accounting value of the debt prior to the rate change. This profit amounts to EUR 60 million and is recorded under Interest income in the income statement.

(3) In 2017, Interests expenses on customer loans and deposit included EUR -2,496 million for profit-sharing for insurance policy holders.

These interest expenses include the refinancing cost of financial instruments at fair value through profit or loss, which results are classified in net gains or losses on these instruments. 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 OTHER CUSTOMER LOANS INCOME

(In millions of euros)	2018	2017
Trade notes	479	410
Other customer loans	9,773	10,037
Short-term loans	4,153	3,996
Export loans	321	267
Equipment loans	1,396	1,740
Housing loans	3,182	3,278
Other customer loans	721	756
Overdrafts	835	744
Doubtful outstandings (stage 3)	348	507
TOTAL	11,435	11,698

NOTE 3.8 Impairment and provisions**MAKE IT SIMPLE**

Some financial assets (loans, debt securities) involve credit risk which exposes the Group to a potential loss if the counterparty or the securities issuer were to be unable to respect their financial commitments. To bear this risk, a portion of the contractual interest received by the bank on those assets, called credit margin, compensate it.

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

For loans, receivables and debt securities measured at amortised cost or fair value through other comprehensive income, the expected credit loss, as assessed by the Group, is recognised in profit or loss together with interest income. On balance sheet, this potential loss is recognised as an impairment that reduces the carrying amount of assets measured at amortised cost. Impairment are written-back in case of a subsequent decrease of credit risk.

Potential losses recognised in profit or loss represent initially the credit losses expected by the Group over the year to come. Subsequently, the amount is increased by the expected loss at maturity of the instrument in case of significant increase of risk. The losses are then reassessed if the counterparty or issuer of the security is in default.

For financial assets measured at fair value through profit or loss (including instruments hold by global markets activities), their fair value includes already the expected credit loss, as assessed by the market participant, on the residual lifetime of the instrument.

ACCOUNTING PRINCIPLES**Recognition of expected credit losses**

Debt instruments classified as financial assets at amortised cost or as financial assets at fair value through other comprehensive income, operating lease receivables, customer receivables and income to be received included amongst *Other assets*, as well as loan commitments granted and guarantee commitments issued, are systematically subject to impairment or provisions for expected credit losses. These impairments and provisions are recognised as the loans are granted, the commitments undertaken, or the debt securities purchased, without waiting for the occurrence of an objective evidence of impairment.

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

Credit risk category	Observed deterioration in credit risk since initial recognition of the financial asset		
	Stage 1 Performing assets	Stage 2 Under-performing or downgraded assets	Stage 3 Credit-impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1 ► <i>Maintained if the credit risk has not increased significantly</i>	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument has become credit-impaired / 90 days past due
Measurement of credit risk	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

Exposures classified in Stage 1

At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are purchased or originated credit-impaired instruments.

Exposures classified in Stage 2

To identify Stage 2 exposures, the significant increase in credit risk is assessed by the Group using all available past and forward-looking data (behavioral scores, loan to value indicators, macroeconomic forecast scenarios, etc.). This assessment of changes in credit risk takes account of the following three criteria's:

- **The counterparty's credit rating**

The Group analyses changes in the counterparty's credit rating, as well as any changes in its operating sector, in macroeconomic conditions and in the behaviors of the counterparty that may, above and beyond the review of the credit rating, be a sign of deteriorating credit risk.

If, after a review, a counterparty is deemed "sensitive" (notion of watch list), all contracts between the Group and this counterparty are transferred into Stage 2 and the related impairment and provisions are increased up to the lifetime expected credit losses. Once a counterparty has been placed on a watch list, all new transactions originated with that counterparty are recorded in Stage 1.

- **The magnitude of the change in a counterparty's credit rating**

This magnitude is assessed from contract to contract, from the date of their initial recognition to the balance sheet date.

To determine whether a deterioration or improvement in the credit rating between the date of initial recognition and the balance sheet date is significant enough to prompt a change in the impairment Stage, thresholds are set once a year by the Risk Division. These transfer thresholds between Stage 1 and Stage 2 are determined for each homogenous portfolio of contracts (notion of risk segment) and are calculated based on the probability-of-default curves for each (thus, the threshold is different depending on whether it is a Sovereign portfolio or a Large Corporates portfolio, for instance). The thresholds are therefore differentiated based on the one-year probability of default curves; this assumes there is no distortion with respect to any comparison made with the lifetime probability-of-default curves.

- **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.

Once any one of these three criteria is met, the instrument is transferred from Stage 1 to Stage 2, and the related impairments or provisions are adjusted accordingly.

The first two criteria are symmetrical: a sufficient improvement in the credit rating, or removal from the watch list of sensitive counterparties, results in a return to Stage 1.

Exposures classified in stage 3

To identify Stage 3 exposures (doubtful exposures), the Group determines whether there is an objective evidence of impairment (default event):

- a significant deterioration in the counterparty's financial situation creates a strong probability that it will not be able to meet all of its commitments and thus represents a risk of loss for the Group;
- concessions are granted to the clauses of the loan agreement, in light of the borrower's financial difficulties, that would not have been granted in other circumstances;
- payments more than 90 days past due (with the exception of restructured loans during the probation period, which are deemed subject to impairment as of the first missed payment), whether or not a collection procedure is instigated;
- or, even in the absence of missed payments, the existence of probable credit risk or litigious proceedings (bankruptcy, court-ordered settlement or compulsory liquidation).

The Group applies the impairment contagion principle to all of the defaulting counterparty's exposures. When a debtor belongs to a group, the impairment contagion principle may also be applied to all of the group's exposures.

In the case of a return in Stage 2, the exposures are kept in Stage 2 during a probation period before assessing whether they could be transferred in Stage 1. This probation period in Stage 2 is from six months to two years according to the nature of the risk portfolio to which the exposures belong.

Purchased or originated credit-impaired exposures

Purchased or originated credit-impaired assets are subject to a specific accounting treatment. This treatment leads to recognize into the income statement any subsequent improvement or deterioration in the expected cash flows of the instrument, discounted at the effective interest rate of the instrument after adjustment for credit risk.

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.

Calculation methods used to measure credit losses are disclosed in Chapter 4 of the present Registration Document (Risk factors and capital adequacy), Part 4.5.

Irrespective of the Stage in which the exposures are classified, cash flows are discounted using the initial effective interest rate of the financial asset. The amount of impairment is included in the net carrying amount of the credit impaired financial asset. Impairment allocations/reversals are recorded in profit or loss under *Cost of risk*.

For operating leases and trade receivables, the Group uses the "simplified" approach, under which impairments are calculated as lifetime expected credit losses since their initial recognition, regardless of any subsequent changes in the counterparty's credit risk.

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 recognized in the balance sheet and their amortised cost before credit risk allowance is adjusted for a discount representing the restructuration loss. This discount is equal to the negative 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 are still computed using the initial effective interest rate of the loan.

Post-restructuring, these financial assets are systematically classified in Stage 3 for impairment (credit-impaired exposures), as the borrowers are deemed to be in default. Stage 3 classification is maintained for at least one year, or longer if the Group is uncertain that the borrowers will be able to meet their commitments. Once the loan is no longer classified in Stage 3, the assessment of the significant increase of credit risk will be performed by comparing the credit risk level at the closing date and the level at the initial recognition date of the loan before restructuring.

Where they no longer pass the SPPI test, restructured loans are derecognised and replaced by new loans recognized according to the restructured terms and conditions. These new loans are then classified as *Financial assets measured mandatorily at fair value through profit or loss*.

Restructured loans do not include loans and receivables subject to commercial renegotiations that are loans to customers for which the Group has agreed to renegotiate the debt with the aim of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest.

RECONCILIATION OF IMPAIRMENT AND PROVISIONS BETWEEN IAS 39 AND IFRS 9

The impacts of the IFRS 9 transition on impairments and loss provisions for credit risk are presented in Note 1.

OVERVIEW OF IMPAIRMENT AND PROVISIONS

<i>(In millions of euros)</i>	31.12.2018	01.01.2018
Impairment of financial assets at fair value through other comprehensive income	11	15
Impairment of financial assets at amortised cost	11,673	13,649
<i>Loans and receivables at amortized costs</i>	11,477	13,401
Other assets at amortized costs ⁽¹⁾	196	248
TOTAL IMPAIRMENT OF FINANCIAL ASSETS	11,684	13,664
Provisions on financing commitments	252	281
Provisions on guarantee commitments	386	402
TOTAL CREDIT RISK PROVISIONS	638	683

(1) o/w EUR 131 million of impairments on operating lease receivables as at 31 December 2018, measured using the simplified approach (vs. EUR 132 million as at 1 January 2018); those receivables are presented among miscellaneous receivables (see Note 4.4).

NOTE 3.8.1 IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN OF FINANCIAL ASSETS IMPAIRMENT

<i>(In millions of euros)</i>	Amounts at 01.01.2018	Allocations	Write-backs available	Net allocations	Write-backs used	Currency and scope effects	Amounts at 31.12.2018
Financial assets at fair value through other comprehensive income							
Impairment on performing outstandings (Stage 1)	5	3	(3)	-		(2)	3
Impairment on under-performing outstandings (Stage 2)	-	-	-	-		-	-
Impairment on doubtful outstandings (Stage 3)	10	-	-	-	(1)	(1)	8
TOTAL	15	3	(3)	-	(1)	(3)	11
Financial assets at amortised cost							
Impairment on performing outstandings (Stage 1)	992	662	(672)	(10)		(95)	887
Impairment on under-performing outstandings (Stage 2)	1,244	898	(1,034)	(136)		(70)	1,038
Impairment on doubtful outstandings (Stage 3)	11,413	4,269	(3,153)	1,116	(2,130)	(651)	9,748
TOTAL	13,649	5,829	(4,859)	970	(2,130)	(816)	11,673
<i>o/w Lease financing and similar agreements</i>	842	352	(299)	53	(116)	(12)	767
<i>Impairment on performing outstandings (Stage 1)</i>	80	40	(37)	3		-	83
<i>Impairment of under-performing outstandings (Stage 2)</i>	101	61	(64)	(3)		-	98
<i>Impairment of doubtful outstandings (Stage 3)</i>	661	251	(198)	53	(116)	(12)	586

VARIATION OF IMPAIRMENT ACCORDING TO CHANGES IN THE CARRYING AMOUNT OF FINANCIAL ASSETS

<i>(In millions of euros)</i>	Amounts at 01.01.2018	Production & Acquisition	Derecognition (among which write-offs) and repayments	Transfer between stages of impairment	Other variations	Amounts at 31.12.2018
Financial assets at fair value through other comprehensive income						
Impairment on performing outstandings (Stage 1)	5	2			(4)	3
Impairment on under-performing outstandings (Stage 2)						-
Impairment on doubtful outstandings (Stage 3)	10				(2)	8
TOTAL	15	2	-	-	(6)	11
Financial assets at amortised cost						
Impairment on performing outstandings (Stage 1)	992	408	(420)	(142)	49	887
Impairment of under-performing outstandings (Stage 2)	1,244	277	(442)	126	(167)	1,038
Impairment on doubtful outstandings (Stage 3)	11,413	207	(2,182)	368	(58)	9,748
TOTAL	13,649	892	(3,044)	352	176	11,673
<i>o/w Lease financing and similar agreements</i>	842	53	(315)	17	171	767
<i>Impairment on performing outstandings (Stage 1)</i>	80	28	(20)	(10)	5	83
<i>Impairment on under-performing outstandings (Stage 2)</i>	101	15	(32)	13	1	98
<i>Impairment on doubtful outstandings (Stage 3)</i>	661	9	(263)	14	165	586

Impairment decreased by EUR 2 billion in 2018 mainly on corporate and retail customers doubtful outstandings (stage 3). This decrease is linked to the Group strategy to reduce its defaulted exposures highly covered by impairment.

NOTE 3.8.2 PROVISIONS

BREAKDOWN OF PROVISIONS

<i>(In millions of euros)</i>	Amounts at 01.01.2018	Allocations	Write-backs available	Net impairment losses	Currency and scope effects	Amounts at 31.12.2018
Financing commitments						
Provisions on performing outstandings (Stage 1)	117	83	(100)	(17)	(2)	98
Provisions on under-performing outstandings (Stage 2)	107	93	(82)	11	1	119
Provisions on doubtful outstandings (Stage 3)	57	76	(152)	(76)	54	35
TOTAL	281	252	(334)	(82)	53	252
Guarantee commitments						
Provisions on performing outstandings (Stage 1)	52	37	(38)	(1)	(4)	47
Provisions on under-performing outstandings (Stage 2)	61	68	(79)	(11)	18	68
Provisions on doubtful outstandings (Stage 3)	289	131	(96)	35	(53)	271
TOTAL	402	236	(213)	23	(39)	386

VARIATIONS OF PROVISIONS ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

(In millions of euros)	Amounts at 01.01.2018	Production	Derecognition	Transfer between stages of impairment	Other variations	Amounts at 31.12.2018
Financing commitments						
Provisions on performing outstandings (Stage 1)	117	43	(55)	(10)	3	98
Provisions on under-performing outstandings (Stage 2)	107	28	(35)	20	(1)	119
Provisions on doubtful outstandings (Stage 3)	57	1	(19)	(2)	(2)	35
TOTAL	281	72	(109)	8	0	252
Guarantee commitments						
Provisions on performing outstandings (Stage 1)	52	14	(15)	(5)	1	47
Provisions on under-performing outstandings (Stage 2)	61	11	(6)	6	(4)	68
Provisions on doubtful outstandings (Stage 3)	289	4	(38)	15	1	271
TOTAL	402	29	(59)	16	(2)	386

NOTE 3.8.3 COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk only includes net allocations to impairments losses allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

The Group proceeds to a write off of irrecoverable loans and a reversal of impairment in *Cost of risk* when a debt is waived or when there are no longer any hopes of future recovery. The lack of future hopes of recovery is documented when a relevant authority issues a certificate as proof that the debt is uncollectible or when strong circumstantial evidences are identified (years in default, provisions at 100%, lack of recent recoveries, specificities of the case). According to this policy, the Group doesn't proceed to partial write off of its bad loans.

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 bad loans on the year of collection.

(In millions of euros)	2018	2017
Credit risk	-1,005	-918
Net allocation to impairment losses	-970	-1,034
On financial assets at fair value through other comprehensive income	-	
On financial assets at amortised cost	-970	
Net allocations to provisions	59	9
On financing commitments	82	
On guarantee commitments	-23	
Losses not covered on irrecoverable loans	-263	-151
Amounts recovered on irrecoverable loans	169	258
Other risks		-431
TOTAL	-1,005	-1,349

(1) As from 2018, *Cost of risk* only includes profit or loss items related to the recognition of credit risk, within the meaning of IFRS 9, including the share related to investments of insurance companies (changes in loss allowances and impairments covering credit losses, losses on irrecoverable loans and amounts recovered on previously impaired loans). As a result, changes in provisions for disputes that were previously recorded under *Cost of risk* now impact, depending on the type of dispute, Personnel expenses, Other administrative expenses, Interest and similar income, Interest and similar expense or Income tax.

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 as applicable.

NOTE 3.9.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST

<i>(In millions of euros)</i>	31.12.2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from banks	60,588	60,674	-	43,844	16,830
Customer loans	447,229	451,366	-	187,421	263,945
Securities	12,026	12,113	4,007	7,312	794
TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST	519,843	524,153	4,007	238,577	281,569

NOTE 3.9.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

<i>(In millions of euros)</i>	31.12.2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due to banks	94,706	94,564	244	90,037	4,283
Customer deposits	416,818	417,019	-	406,699	10,320
Debt securities issued	116,339	116,336	22,028	93,564	744
Subordinated debt	13,314	13,316	-	13,316	-
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	641,177	641,235	22,272	603,616	15,347

NOTE 3.9.3 VALUATION METHODS OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST**LOANS, RECEIVABLES AND LEASE FINANCING AGREEMENTS**

The fair value of loans, receivables and lease financing transactions for large corporates and banks is calculated, in the absence of an actively traded market for these loans, by discounting expected cash flows to present value based on the market rates (the benchmark maturity yield published by the Banque de France and the zero-coupon yield) prevailing on the balance sheet date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

The fair value of loans, receivables and lease financing transactions for retail banking customers, essentially comprised of individuals and small or medium-sized companies, is determined, in the absence of an actively traded market for these loans, by discounting the associated expected cash flows to present value at the market rates prevailing on the balance sheet date for similar types of loans and similar maturities.

For all floating-rate loans, receivables and lease financing transactions and fixed-rate loans with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value net of impairment, assuming there has been no significant change in credit spreads on the counterparties in question since they were recognised in the balance sheet.

DEBTS

The fair value of debts, in the absence of an actively traded market for these liabilities, is taken to be the same as the value of future cash flows discounted to present value at the market rates prevailing on the balance sheet date. When the debt is a listed instrument, its fair value is its market value.

When the debt is a listed instrument, its fair value is its market value.

For floating-rate deposits, demand deposits and borrowings with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value. Similarly, the individual fair value of demand deposit accounts is equal to their book value.

SECURITIES

Provided that the security is an instrument traded on an active market, its fair value is equal to the market price.

If no active market exists, the fair value of the securities is calculated by discounting estimated future cash flows from the asset at the market rate on the balance sheet date. For variable-rate securities, and fixed-rate securities with an agreed duration of up to one year, the fair value is assumed to be the carrying amount minus impairments provided there have been no significant fluctuations in credit spreads involving the counterparties concerned since they were recorded on the balance sheet.

NOTE 3.10 Commitments and assets pledged and received as securities**ACCOUNTING PRINCIPLES****Loan commitments**

Loan commitments that are not considered as financial derivatives or that are not measured at fair value through profit and loss for trading purpose are initially recognised at fair value. Thereafter, they are provisioned as necessary in accordance with the accounting principles for *Impairment and provisions* (see Note 3.8).

Guarantee commitments

When considered as non-derivative financial instruments, financial guarantees issued by the Group are initially recognised in the balance sheet at fair value. Thereafter, they are measured at either the amount of the obligation or the amount initially recognised (whichever is higher) less, when appropriate, the cumulative amortisation of a guarantee commission. Where there is objective evidence of impairment, a provision for financial guarantees given is recognised on the liabilities side of the balance sheet (see Note 3.8).

Securities commitments

Securities bought and sold, which are booked to *Financial assets at fair value through profit or loss*, *Financial assets at fair value through other comprehensive income* and *Financial assets at amortised cost* are recognised on the balance sheet at the settlement-delivery date. Between the trade date and the settlement-delivery date, securities receivable or deliverable are not recognized on the balance sheet. Changes in the fair value of securities measured at fair value through profit or loss and securities measured at fair value through other comprehensive income between the trade date and the settlement-delivery date are booked to profit or loss or equity, depending on the accounting classification of the securities in question.

The amounts of commitments and assets pledged and received as securities was not impacted by the first application of IFRS 9.

NOTE 3.10.1 COMMITMENTS**COMMITMENTS GRANTED**

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
Loan commitments		
To banks	19,174	21,983
To customers	199,663	180,004
<i>Issuance facilities</i>	-	-
<i>Confirmed credit lines</i>	181,015	168,874
<i>Others</i>	18,648	11,130
Guarantee commitments		
On behalf of banks	5,020	6,641
On behalf of customers ⁽¹⁾	57,251	61,024
Securities commitments		
Securities to be delivered	38,066	25,711

(1) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.

COMMITMENTS RECEIVED

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
Loan commitments		
From banks	62,447	52,222
Guarantee commitments		
From banks	104,845	91,742
Other commitments ⁽¹⁾	136,702	126,409
Securities commitments		
Securities to be received	41,857	26,958

(1) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 72,768 million at 31 December 2018 versus EUR 62,394 million at 31 December 2017.

NOTE 3.10.2 FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSETS PLEDGED

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
Book value of assets pledged as security for liabilities ⁽¹⁾	348,262	316,565
Book value of assets pledged as security for transactions in financial instruments ⁽²⁾	55,957	45,291
Book value of assets pledged as security for off-balance sheet commitments	2,117	2,515
TOTAL	406,336	364,371

(1) Assets pledged as security for liabilities mainly include loans given as guarantees for liabilities (guarantees notably provided to the central banks).

(2) Assets pledged as security for transactions in financial instruments mainly include security deposit.

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
Fair value of securities purchased under resale agreements	129,628	138,956

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 transactions initiated under trading activities, which are recorded under *Financial liabilities at fair value through profit or loss*.

Securities involved in a reverse repurchase agreement or securities borrowing transaction are not recorded in the Group's balance sheet. For securities received under a reverse repurchase agreement, the right to recover the amounts delivered by the Group is recorded under *Customer Loans and receivables* or *Due from banks* on the asset side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under *Financial assets at fair value through profit or loss*. In the case of a subsequent sale of the borrowed securities, a debt due to the lender of those securities is recognised on the Group balance sheet amongst *Financial liabilities at fair value through profit or loss*.

Securities lending and securities borrowing transactions that are fully matched by cash are assimilated to repurchase and reverse repurchase agreements and are recorded and recognised as such in the balance sheet.

With securities lending and repurchase agreements, the Group remains exposed to issuer default (credit risk) and to increases or decreases of securities value (market risk). The underlying securities cannot simultaneously be used as collateral in other transactions.

NOTE 3.11.1 TRANSFERRED FINANCIAL ASSETS NOT DERECOGNISED**REPURCHASE AGREEMENTS**

	31.12.2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities
<i>(In millions of euros)</i>		
Securities at fair value through profit or loss	19,515	15,371
Securities at fair value through other comprehensive income	11,903	9,743
TOTAL	31,418	25,114

SECURITIES LENDING

	31.12.2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities
<i>(In millions of euros)</i>		
Securities at fair value through profit or loss	11,347	51
Securities at fair value through other comprehensive income	368	-
TOTAL	11,715	51

SECURITISATION ASSETS FOR WHICH THE COUNTERPARTIES TO THE ASSOCIATED LIABILITIES HAVE RECOURSE ONLY TO THE TRANSFERRED ASSETS

Customers loans (In millions of euros)	31.12.2018	31.12.2017
Carrying amount of transferred assets	1,249	904
Carrying amount of associated liabilities	1,086	798
Fair value of transferred assets (A)	1,253	908
Fair value of associated liabilities (B)	1,090	801
NET POSITION (A)-(B)	163	107

The Group remains exposed to the majority of the risks and rewards associated with these receivables; furthermore, these receivables may not be used as collateral or sold outright as part of another transaction.

NOTE 3.11.2 TRANSFERRED FINANCIAL ASSETS PARTIALLY OR FULLY DERECOGNISED

At 31 December 2018, the Group carried out no material transactions resulting in the partial or full derecognition of financial assets leaving the Group with a continuous 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.

ASSETS	Impact of offsetting on the balance sheet			At 31 December 2018	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	
<i>(In millions of euros)</i>								
Derivative financial instruments (see Notes 3.1 and 3.2)	25,601	166,618	(57,337)	134,882	(81,559)	(13,720)	(31)	39,572
Securities lent (see Notes 3.1 and 3.3)	9,367	3,527	-	12,894	(1,745)	(2)	(732)	10,415
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	46,526	224,992	(97,812)	173,706	(21,581)	(304)	(51,925)	99,896
Guarantee deposits pledged (see Note 4.4)	33,099	13,595	-	46,694	-	(13,595)	-	33,099
Other assets not subject to offsetting	941,252	-	-	941,252	-	-	-	941,252
TOTAL ASSETS	1,055,845	408,732	(155,149)	1,309,428	(104,885)	(27,621)	(52,688)	1,124,234

LIABILITIES	Impact of offsetting on the balance sheet			At 31 December 2018	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
	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	
<i>(In millions of euros)</i>								
Derivative financial instruments (see Notes 3.1 and 3.2)	27,918	162,357	(57,337)	132,938	(81,559)	(13,595)	-	37,784
Amount payable on borrowed securities (see Note 3.1)	33,731	17,533	-	51,264	(1,745)	-	-	49,519
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	45,391	174,062	(97,812)	121,641	(21,581)	-	(22,956)	77,104
Guarantee deposits received (See Note 4.4)	29,417	14,026	-	43,443	-	(14,026)	-	29,417
Other liabilities not subject to offsetting	894,333	-	-	894,333	-	-	-	894,333
TOTAL LIABILITIES	1,030,790	367,978	(155,149)	1,243,619	(104,885)	(27,621)	(22,956)	1,088,157

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect.

ASSETS	Amount of assets not subject to offsetting	Impact of offsetting on the balance sheet		At 31 December 2017	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
		Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	
<i>(In millions of euros)</i>								
Derivative financial instruments (see Notes 3.1 and 3.2)	30,291	182,376	(64,576)	148,091	(93,223)	(13,429)	(1)	41,438
Securities lent (see Notes 3.1 and 3.3)	2,534	13,782	-	16,316	(12,028)	-	-	4,288
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	41,458	168,163	(70,659)	138,962	(34,145)	(204)	(51,164)	53,449
Guarantee deposits pledged (see Note 4.4)	28,650	12,334	-	40,984	-	(12,334)	-	28,650
Other assets not subject to offsetting	930,775	-	-	930,775	-	-	-	930,775
TOTAL ASSETS	1,033,708	376,655	(135,235)	1,275,128	(139,396)	(25,967)	(51,165)	1,058,600

Liabilities

LIABILITIES	Amount of liabilities not subject to offsetting*	Impact of offsetting on the balance sheet		At 31 December 2017	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
		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	
<i>(In millions of euros)</i>								
Derivative financial instruments (see Notes 3.1 and 3.2)	31,915	181,935	(64,576)	149,274	(93,223)	(12,334)	-	43,717
Amount payable on borrowed securities (see Note 3.1)	17,486	17,358	-	34,844	(12,028)	-	-	22,816
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	50,646	148,406	(70,659)	128,393	(34,145)	-	(17,620)	76,628
Guarantee deposits received (See Note 4.4)	25,484	13,633	-	39,117	-	(13,633)	-	25,484
Other liabilities not subject to offsetting	859,463	-	-	859,463	-	-	-	859,463
TOTAL LIABILITIES	984,994	361,332	(135,235)	1,211,091	(139,396)	(25,967)	(17,620)	1,028,108

(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 millions of euros)</i>	Up to 3 months	3 months to 1 year	1 to 5 Years	More than 5 years	31.12.2018
Due to central banks	5,721	-	-	-	5,721
Financial liabilities at fair value through profit or loss	310,193	22,209	13,699	16,982	363,083
Due to banks	26,897	26,560	20,135	21,114	94,706
Customer deposits	337,374	36,027	22,013	21,404	416,818
Debt securities issued	26,034	25,017	37,348	27,940	116,339
Subordinated debt	355	2	52	12,905	13,314
Other liabilities	66,231	2,087	5,281	3,03	76,629
TOTAL LIABILITIES	772,805	111,902	98,528	103,375	1,086,610
Loan commitments granted	84,953	19,941	74,835	39,108	218,837
Guarantee commitments granted	24,164	10,472	9,496	18,139	62,271
TOTAL COMMITMENTS GRANTED	109,117	30,413	84,331	57,247	281,108

The flows presented in this note are based on contractual maturities. However, for certain elements of the balance sheet, assumptions could be applied.

For lack of contractual terms and for trading financial instruments (e.g: derivatives), maturities are presented in the first column (up to 3 months).

The guarantee commitments given are scheduled on the basis of the best possible estimate of disposal, if not available they are presented in the first column (up to 3 months).

NOTE 4 OTHER ACTIVITIES**NOTE 4.1 Fee income and expense****ACCOUNTING PRINCIPLES**

Fee income and *Fee expense* combine fees on services rendered and received, as well as fees on commitments, that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under *Interest and similar income* and *Interest and similar expense* (see Note 3.7).

Transactions with customers includes the fees from retail customers from the Group banking activities (in particular credit card fees, account management fees or application fees outside the effective interest rate).

Sundry services provided includes the fees from customers from the other Group activities (in particular, interchange fees, funds management fees or fees on insurance products sold within the network).

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

- fees for ongoing services, such as some payment services, custody fees, or digital service subscriptions are recognised as income over the life of the service;
- fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties on payment incidents are recognised as income when the service is provided.

The amount equivalent to the remuneration for the service provided is composed of fixed and variable contractual compensation whether they are paid in kind or in cash, less any payments due to customers (for example, in case of promotional offers). The variable compensation (for example, discounts based on the provided services volume over a period of time or fees payable subject to the achievement of a performance target, etc.) are included in the amount equivalent to the remuneration for the service provided if and only if this compensation is highly probable not to be subsequently reduced significantly.

The possible mismatch between the payment date of the service provided and the date of execution of the service gives assets and liabilities depending on the type of contract and mismatch which are recognized under *Other Assets* and *Other Liabilities* (see Note 4.4):

- customer contracts generate trade receivables, accrued income or prepaid income;
- supplier contracts generate trade payables, accrued expenses or prepaid expenses.

In syndication deals, the effective interest rate for the share of the issuance retained on the Group's balance sheet is comparable to that applied to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees for services rendered is then recorded under *Fee income* at the end of the syndication period. Arrangement fees are recorded as income when the placement is legally complete.

(In millions of euros)	2018			2017		
	Income	Expense	Net	Income	Expense	Net
Transactions with banks	148	(182)	(34)	133	(168)	(35)
Transactions with customers	3,187	-	3,187	2,971	-	2,971
Financial instruments operations	2,308	(2,334)	(26)	2,416	(2,240)	176
Securities transactions	539	(1,030)	(491)	596	(959)	(363)
Primary market transactions	136		136	208		208
Foreign exchange transactions and financial derivatives	1,633	(1,304)	329	1,612	(1,281)	331
Loan and guarantee commitments	711	(78)	633	748	(62)	686
Sundry services⁽¹⁾	2,770	(1,006)	1,764	4,236	(1,211)	3,025
Asset management fees	634		634	1,427		1,427
Means of payment fees	847		847	813		813
Insurance products fees	228		228	820		820
Underwriting fees of UCITS	85		85	176		176
Other fees	976	(1,006)	(30)	1,000	(1,210)	(211)
TOTAL	9,124	(3,600)	5,524	10,504	(3,681)	6,823

(1) As from 2018, income and expense for the Group's insurance business are presented on a separate line of the income statement entitled "Net income from insurance activities" (see Note 1.4).

NOTE 4.2 Income and expense from other activities**ACCOUNTING PRINCIPLES****Leasing activities**

Leases granted by the Group which do not transfer to the lessee virtually all the risks and benefits associated with ownership of the leased asset are classified as operating leases.

Assets held under operating leases, including investment property, are recorded on the balance sheet under *Tangible and intangible fixed assets* at their acquisition cost, less depreciation and impairment (see Note 8.4).

Leased assets are depreciated, excluding residual value, over the life of the lease. Lease payments are recognised as income according to the straight-line method over the term of the lease. Meanwhile, the purpose of the accounting treatment of income invoiced in respect of maintenance services related to operating lease activities is to reflect a constant margin between this income and the expenses incurred in providing the service over the term of the service agreement.

Income and expenses, and capital gains or losses on investment properties and leased assets, are recorded under *Income and expenses from other activities* on the Real estate leasing and Equipment leasing lines, as well as income and expense on maintenance services related to operating lease activities.

These lines also include losses incurred in the event of a decline in the unguaranteed residual value of finance-lease transactions, and capital gains or losses on disposal related to unleased assets once the lease finance agreements are terminated.

Leases granted by the Group entities may include maintenance service for the leased equipment. In this case, the portion of rentals corresponding to this maintenance service is spread over the duration of the service (generally the lease contract duration) and, when necessary, considers the progress of the service provided when it is not linear.

Real estate development activities

As the sale of real estate off plan (housing, office property, retail areas, etc.) is an ongoing service, the margin of this activity is progressively recognised over the construction programme's duration until the delivery date to the customer. It is recognised under income when this margin is positive and under expenses when this margin is negative.

The margin recognised at each closing period reflects the programme's estimated margin forecast and its stage of completion at the end of the period which depends on the progress in terms of marketing and the project.

	2018			2017		
	Income	Expense	Net	Income	Expense	Net
<i>(In millions of euros)</i>						
Real estate development	76	(2)	74	93	(4)	89
Real estate leasing	34	(40)	(6)	67	(68)	(1)
Equipment leasing	10,102	(7,156)	2,946	9,158	(6,447)	2,711
Other activities ⁽¹⁾⁽²⁾	549	(1,814)	(1,265)	12,727	(14,637)	(1,910)
<i>o/w insurance activities</i>				12,346	(12,052)	294
TOTAL	10,761	(9,012)	1,749	22,045	(21,156)	889

(1) As from 2018, income and expense for the Group's insurance business are presented on a separate line of the income statement entitled "Net income from insurance activities" (see Note 1.4).

(2) For 2017, the Expenses from other activities include EUR 963 million, the exchange value of GBP 813.26 million, in compensation for the settlement agreement between Societe Generale and the Libyan Investment Authority.

NOTE 4.3 Insurance activities

MAKE IT
SIMPLE

Insurance activities (life insurance, personal protection and non-life insurance) add to the range of products included in the banking services offered to Group customers.

These activities are carried out by dedicated subsidiaries, subject to regulations specific to the insurance sector.

The rules for measuring and accounting for risks associated with insurance contracts are specific to the Insurance sector.

DEFERRED APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES

The amendments to IFRS 4 (Applying IFRS 9, “Financial Instruments”, with IFRS 4, Insurance Contracts) allow entities having insurance as their primary activity to delay the application of IFRS 9 until 1 January 2021, meaning they may continue applying IAS 39. The European Commission also extended the deferral option to allow financial conglomerates falling within the scope of Directive 2002/87/EC to elect that all their entities operating in the insurance sector within the meaning of that directive will defer the effective date of IFRS 9 until 1 January 2021.

The Group has elected that all its insurance subsidiaries will defer the effective date of IFRS 9 and will continue to apply IAS 39 as adopted by the European Union. The Group has made the necessary arrangements to forbid all transfers of financial instruments between its insurance sector and any other sector in the Group that would lead to a derecognition of the instrument by the seller, except for transfers of financial instruments measured at fair value through profit or loss by both sectors involved in such transfers.

Starting in financial year 2018, insurance activities are presented on separate lines in the consolidated financial statements for clarification purposes: *Investments of insurance activities* under balance sheet assets, *Insurance contracts related liabilities* under balance sheet liabilities, and *Net income from insurance activities* under *Net banking income* in the income statement.

The main subsidiaries concerned are Sogécap, Antarius, Sogelife, Oradea Vie, Komerčni Pojistovna A.S. and Sogessur.

NOTE 4.3.1 INSURANCE CONTRACTS RELATED LIABILITIES**ACCOUNTING PRINCIPLES****Underwriting reserves of insurance companies**

Underwriting reserves correspond to the commitments of insurance companies with respect to policyholders and the beneficiaries of policies.

In accordance with IFRS 4 on insurance policies, life and non-life underwriting reserves continue to be measured under the same local regulations, with the exception of certain prudential provisions that are cancelled (liquidity risk provision) or recalculated economically (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 life insurance products:

- underwriting reserves of life insurance contracts invested in EUR-denominated vehicles with profit-sharing clauses consist primarily of mathematical provisions and provisions for profit-sharing;
- underwriting reserves of life insurance contracts invested in unit-linked vehicles 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

A liability adequacy test (LAT) is also carried out quarterly using a stochastic model based on parameters assumption consistent with those used for the MCEV (Market Consistent Embedded Value). This test takes into account all of the future cash flows from policies, including benefits, management charges, fees and policy options and guarantees. It does not include future premiums.

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: financial liabilities held for trading, including by default derivative liabilities that do not qualify as hedging instruments, as well as non-derivative financial liabilities initially designated by the Group at fair value through profit or loss (fair value option). These financial liabilities mainly comprise investment contracts without discretionary profit-sharing clauses and with no 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;
- financial liabilities measured at amortised cost: other non-derivative financial liabilities, which are measured at amortised cost.

These financial liabilities are recorded in the balance sheet under *Debts* and *Financial liabilities measured at fair value through profit or loss*, except for derivative liabilities which are recorded under *Insurance contracts related liabilities*.

BREAKDOWN OF INSURANCE CONTRACTS RELATED LIABILITIES

(In millions of euros)	31.12.2018	01.01.2018
Underwriting reserves of insurance companies	128,769	130,958
Financial liabilities of insurance companies	774	759
TOTAL	129,543	131,717

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In millions of euros)	31.12.2018	01.01.2018
Underwriting reserves for unit-linked policies	28,850	29,643
Life insurance underwriting reserves	90,992	89,563
Non-life insurance underwriting reserves	1,418	1,332
Deferred profit-sharing booked in liabilities	7,509	10,420
Total	128,769	130,958
Attributable to reinsurers	(703)	(731)
UNDERWRITING RESERVES OF INSURANCE COMPANIES (INCLUDING PROVISIONS FOR DEFERRED PROFIT-SHARING) NET OF THE SHARE ATTRIBUTABLE TO REINSURERS	128,066	130,227

STATEMENT OF CHANGES IN UNDERWRITING RESERVES

<i>(In millions of euros)</i>	Underwriting reserves for unit-linked policies	Life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at 1 January 2018 (except provisions for deferred profit-sharing)	29,643	89,563	1,332
Allocation to insurance reserves	469	1,233	81
Revaluation of unit-linked policies	(1,895)		
Charges deducted from unit-linked policies	(157)		
Transfers and allocation adjustments	647	(655)	
New customers	21	86	11
Profit-sharing	124	1,351	
Others	(2)	(586)	(6)
Reserves at 31 December 2018 (except provisions for deferred profit-sharing)	28,850	90,992	1,418

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed at 31 December 2018. This test assesses whether recognised insurance liabilities are

adequate, using current estimates of future cash flows under insurance policies. The result of the test at 31 December 2018 does not show any insufficiency of technical liabilities.

UNDERWRITING RESERVES BY REMAINING MATURITY

<i>(In millions of euros)</i>	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2018
Underwriting reserves of insurance companies	11,542	8,891	35,102	73,234	128,769

NOTE 4.3.2 INVESTMENTS OF INSURANCE ACTIVITIES

As of 1 January 2018, derivative and non-derivative financial assets and investment property held by insurance entities are isolated on the balance sheet under Investments of insurance companies.

The accounting principles applicable to financial assets are detailed in Note 8.8.

OVERVIEW OF INVESTMENTS OF INSURANCE ACTIVITIES

<i>(In millions of euros)</i>	31.12.2018	01.01.2018
Financial assets at fair value through profit or loss (trading portfolio)	1,876	1,765
<i>Bonds and other debt instruments</i>	200	200
<i>Shares and other equity instruments</i>	29	38
<i>Trading derivatives</i>	1,647	1,527
Financial assets at fair value through profit or loss (fair value option)	56,240	55,414
<i>Bonds and other debt instruments</i>	27,881	27,174
<i>Shares and other equity instruments</i>	28,085	27,986
<i>Loans, receivables and repo transactions</i>	274	254
Hedging derivatives	409	438
Available-for-sale financial assets	86,299	86,509
<i>Debt instruments</i>	72,613	72,973
<i>Equity instruments</i>	13,686	13,536
Due from banks	7,983	9,195
Customer loans	119	141
Real estate investments	609	618
Total investments of insurance activities before elimination of intercompany transactions	153,535	154,080
Elimination of intercompany transactions	(6,767)	(6,469)
TOTAL INVESTMENTS OF INSURANCE ACTIVITIES AFTER ELIMINATION OF INTERCOMPANY TRANSACTIONS⁽¹⁾⁽²⁾	146,768	147,611

(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 710 million of current accounts at 31 December 2018 (after elimination of intercompany transactions) vs. EUR 1,093 million at 1 January 2018.

The following tables show the carrying amounts and fair value after eliminating intercompany transactions.

ANALYSIS OF FINANCIAL ASSETS DEPENDING ON THEIR CONTRACTUAL CHARACTERISTICS

The following table shows the carrying amount of the financial assets included in *Investments from insurance activities*, whereby those assets whose contractual conditions give rise to cash-flows on set dates that are solely payments of principal and interest (basic instruments) are presented separately from trading assets and assets measured using the fair value option through profit or loss.

<i>(In millions of euros)</i>	31.12.2018				01.01.2018
	Basic instruments	Other instruments	Total carrying amount	Fair value	Total carrying amount
Financial assets at fair value through profit or loss	-	55,177	55,177	55,177	53,899
Hedging derivatives		401	401	401	420
Available-for-sale financial assets	68,261	16,407	84,668	84,668	84,731
Due from banks	2,122	3,672	5,794	6,139	7,103
Customer loans	119	-	119	117	141
TOTAL FINANCIAL INVESTMENTS	70,502	75,657	146,159	146,502	146,294

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

<i>(In millions of euros)</i>	31.12.2018			
	Level 1	Level 2	Level 3	Total
Trading portfolio	29	384	49	462
Financial assets at fair value through profit or loss using the fair value option	48,821	5,516	378	54,715
Hedging derivatives	-	401	-	401
Available-for-sale financial assets	79,104	5,466	98	84,668
TOTAL FINANCIAL ASSETS AT FAIR VALUE	127,954	11,767	525	140,246

<i>(In millions of euros)</i>	31.12.2017			
	Level 1	Level 2	Level 3	Total
Trading portfolio	38	661	-	699
Financial assets at fair value through profit or loss using the fair value option	49,805	3,764	331	53,900
Hedging derivatives	-	420	-	420
Available-for-sale financial assets	79,841	4,814	76	84,731
TOTAL FINANCIAL ASSETS AT FAIR VALUE	129,684	9,659	407	139,750

CHANGES IN AVAILABLE FOR SALE FINANCIAL ASSETS

<i>(In millions of euros)</i>	2018
Balance as of 1 January	84,731
Acquisitions	9,834
Disposals/redemptions	(7,232)
Transfers to held-to-maturity financial assets	-
Change in scope and others	(427)
Gains and losses on changes in fair value recognised directly in equity during the period	(2,153)
Impairment losses on equity instruments recognised in profit and loss	(107)
Translation differences	22
Balance as of 31 December	84,668

UNREALISED GAINS AND LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME

<i>(In millions of euros)</i>	31.12.2018		
	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	384	(47)	337
<i>On equity instruments available-for-sale</i>	1,114	(391)	723
<i>On debt instruments available-for-sale and assets reclassified as loans and receivables</i>	6,338	(477)	5,861
<i>Deferred profit-sharing</i>	(7,068)	821	(6,247)

(In millions of euros)	31.12.2017		
	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	438	(27)	411
On available-for-sale equity instruments	1,537	(38)	1,499
On available-for-sale debt instruments and assets reclassified as loans and receivables	7,748	(327)	7,421
Deferred profit-sharing	(8,847)	338	(8,509)

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In millions of euros)	31.12.2018	31.12.2017
Fair value of securities purchased under resale agreements	8	38

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term.

Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

NOTE 4.3.3 NET INCOME FROM INSURANCE ACTIVITIES

ACCOUNTING PRINCIPLES

Income and expense related to insurance contracts

Income and expense related to insurance contracts issued by Group insurance companies, associated fee income and expense, and income and expense related to investments of insurance companies are recorded under *Net income from insurance activities* in the income statement.

Other income and expense are recorded under the appropriate headings.

Changes in the provision for deferred profit-sharing are recorded under *Net income from insurance activities* in the income statement or under *Unrealised or deferred gains and losses* under the appropriate headings for the underlying assets in question.

The following table shows the breakdown of income and expense from insurance activities and associated investments presented on a separate line under *Net Banking Income: Net income from insurance activities* (after eliminating intercompany transactions).

(In millions of euros)	2018	2017
Net premiums	12,568	11,480
Net income from investments	1,928	3,368
Cost of benefits (including changes in reserves) ⁽¹⁾	(12,541)	(12,771)
Other net technical income (expense)	(231)	2
Net income of insurance activities	1,724	2,079
Funding costs	(7)	(4)
Net banking income of insurance companies	1,717	2,075

(1) o/w: EUR -2,001 million in respect of profit-sharing at 31 December 2018.

NET INCOME FROM INVESTMENTS

<i>(In millions of euros)</i>	2018	2017
Dividend income on equity instruments	617	393
Interest income	2,011	2,047
<i>On available-for-sale financial assets</i>	1,706	1,711
<i>On loans and receivables</i>	293	273
<i>Other net interest income</i>	12	63
Net gains or losses on financial instruments at fair value through profit or loss	(776)	864
Net gains or losses on available-for-sale financial instruments	62	61
<i>Capital gain or loss on sale of debt instruments</i>	(5)	(51)
<i>Capital gain or loss on sale of equity instruments</i>	174	167
<i>Impairment losses on equity instruments</i>	(107)	(55)
Net gains or losses on real estate investments	14	3
TOTAL NET INCOME FROM INVESTMENTS	1,928	3,368

NOTE 4.3.4 MANAGEMENT OF INSURANCE RISKS

There are two main types of insurance risks:

- underwriting risks, particularly risk through life insurance, individual personal protection and non-life insurance. This risk can be biometrical: disability, longevity, mortality, or related to policyholders' behaviour (risk of lapses). To a lesser extent, the Insurance business line is also exposed to non-life and health risks. Such risks can come from pricing, selection, claims management or catastrophic risk;
- risks related to financial markets and ALM: the Insurance business line, mainly through life insurance, is exposed to instabilities on the financial markets (changes in interest rates and stock market fluctuations) which can be made worse by policyholder behaviour.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks are monitored and regularly reported, they are guaranteed by risk policies validated by the Board of Directors of each entity.

Risk management techniques are based on the following:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile and the guarantees provided;
- regular monitoring of indicators on product claims rates in order to adjust certain product parameters, such as pricing or the level of guarantee, if necessary;
- implementation of a reinsurance plan to protect the business line from major/serial claims;

- application of policies on risk, provisioning and reinsurance.

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy as long-term performance objectives. The optimization of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analyzed by the Finance and Risk Department of the insurance business line.

Risk management related to financial markets (interest rates, credit and shares) and to ALM is based on the following:

- monitoring short- and long-term cash flows (match between the term of a liability and the term of an asset, liquidity risk management);
- particular monitoring of policyholder behaviour (redemption);
- close monitoring of financial markets;
- hedging against exchange rate risks (both rising and falling);
- defining thresholds and limits per counterparty, per issuer rating and assets class;
- stress tests, the results of which are presented annually at entities' Board of Directors' meetings, as part of the ORSA report (Own Risk and Solvency Assessment), transferred to the ACPR after approval by the Board;
- application of policies related to ALM and investment risks.

BREAKDOWN BY RATING OF BASIC FINANCIAL INSTRUMENTS

The following tables show the carrying amounts after eliminating intercompany transactions.

<i>(In millions of euros)</i>	31.12.2018			
	Available- for-sale financial assets	Due from banks	Customer loans	Total
AAA	4,146	214	-	4,36
AA+ / AA / AA-	37,692	562	-	38,254
A+ / A/A-	12,809	867	-	13,676
BBB+ / BBB/BBB-	12,769	377	-	13,146
BB+ / BB/BB-	353	102	-	455
B+ / B/B-	5	-	-	5
CCC+ / CCC/CCC-	-	-	-	-
CC+ / CC/CC-	-	-	-	-
Lower than CC-	-	-	-	-
Without rating	487	-	119	606
TOTAL BEFORE IMPAIRMENT	68,261	2,122	119	70,502
Impairment	-	-	-	-
CARRYING AMOUNT	68,261	2,122	119	70,502

The rating scale is the scale used for Solvency 2 purposes, which calls for the second highest rating determined by the rating agencies (Standard & Poor's, Moody's Investors Service and Fitch Ratings) to be used. The ratings in question apply to issues or, where these are not available, to issuers.

NOTE 4.4 Other assets and liabilities**NOTE 4.4.1 OTHER ASSETS**

Other assets are impacted by the transition to IFRS 9 due to the implementation of the simplified impairment model for operating leases (see Note 3.8).

<i>(In millions of euros)</i>	31.12.2018	01.01.2018	31.12.2017
Guarantee deposits paid ⁽¹⁾	46,694	40,978	40,984
Settlement accounts on securities transactions	6,645	7,436	7,436
Prepaid expenses	1,057	989	989
Miscellaneous receivables ⁽²⁾	11,817	9,920	10,378
Miscellaneous receivables - insurance	1,511	1,411	1,033
GROSS AMOUNT	67,724	60,734	60,820
Impairment ⁽³⁾	(278)	(285)	(258)
NET AMOUNT	67,446	60,449	60,562

- (1) Mainly relates to guarantee deposits paid on financial instruments, the fair value of which is taken to be the same as their book value net of impairment for credit risk.
- (2) Miscellaneous receivables primarily include trade receivables, fee income and income from other activities to be received. The operating leases receivables equal to EUR 902 million as of 31 December 2018.
- (3) Impairments on other assets are related to:
- credit risk on operating lease receivables for an amount of EUR 131 million as of 31 December 2018 and EUR 132 million as of 1 January 2018;
 - credit risk on assets acquired by adjudication and sundry debtors for an amount of EUR 110 million as of 31 December 2018 and EUR 116 million as of 1 January 2018;
 - other risks for an amount of EUR 37 million as of 31 December 2018 and EUR 37 million as of 1 January 2018.

NOTE 4.4.2 OTHER LIABILITIES

The balance sheet value of other liabilities was not impacted by the first-time application of IFRS 9.

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
Guarantee deposits received ⁽¹⁾	43,443	39,117
Settlement accounts on securities transactions	6,904	6,816
Expenses payable on employee benefits	2,396	2,542
Deferred income	1,620	1,633
Miscellaneous payables ⁽²⁾	15,609	13,314
Miscellaneous payables - insurance	6,657	5,717
TOTAL	76,629	69,139

- (1) Mainly relates to guarantee deposits received on financial instruments, their fair value is taken to be the same as their book value.
- (2) Miscellaneous payables primarily include trade payables, fee expense and expense from other activities to be paid.

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

**MAKE IT
SIMPLE**

Employee benefits correspond to the compensation granted by the Group to its employees in exchange for work carried out during the annual reporting period.

All forms of compensation for work rendered are recorded in the expenses:

- whether it be paid to employees or to outside social security agencies;
- whether it be paid during the annual reporting period or to be paid by the Group in the future as entitlements to employees (pension plans, retirement benefits...);
- whether it be paid in cash or in Societe Generale shares (free share plans, stock options).

ACCOUNTING PRINCIPLES

Employee benefits are divided into four categories:

- Short-term employee benefits which are employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, such as fixed and variable compensation, annual leave, taxes and social security contributions, mandatory employer contributions and profit-sharing;
- Post-employment benefits, including defined contributions plans and defined benefit plans such as pension plans and retirement benefits;
- Long-term employee benefits which are employee benefits not expected to be settled wholly before twelve months, such as defined variable compensation paid in cash and not indexed to the Societe Generale share, long service awards and time saving accounts;
- Termination benefits.

Information related to the Group headcount is presented in the Chapter 5 of the Registration Document (Corporate Social Responsibility), part 5.

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 long-term benefits are described in Note 5.2. Those related to share-based payments are described in Note 5.3.1.

NOTE 5.1.1 PERSONNEL EXPENSES

<i>(In millions of euros)</i>	2018	2017
Employee compensation	(6,925)	(7,018)
Social security charges and payroll taxes	(1,648)	(1,605)
Net pension expenses - defined contribution plans	(724)	(713)
Net pension expenses - defined benefit plans	78	(112)
Employee profit-sharing and incentives	(342)	(301)
TOTAL	(9,561)	(9,749)
<i>Including net expenses from share-based payments</i>	(227)	(129)

NOTE 5.1.2 RELATED-PARTY TRANSACTIONS**ACCOUNTING PRINCIPLES**

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 three 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.

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.

<i>(In millions of euros)</i>	2018	2017
Short-term benefits	17.9	20.7
Post-employment benefits	0.7	1.5
Long-term benefits	-	-
Termination benefits	1.6	-
Share-based payments	2.8	2.4
TOTAL	23.0	24.6

Related-party transactions

The transactions with members of the Board of Directors, Chief Executive Officers and members of their families included in this note only comprise loans and guarantees outstanding at 31 December 2018 for a total amount of EUR 4.9 million. All other transactions with these individuals are insignificant.

Total amounts provisioned or booked by the Societe Generale Group for the payment of pensions and other benefits

The total amount provisioned or booked by the Societe Generale Group at 31 December 2018 under IAS 19 for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Ms Lebot and Mr. Aymerich, Mr. Cabannes and Mr. Heim and the two staff-elected Directors) is EUR 9.5 million.

NOTE 5.2 Employee benefits

Group entities in France and abroad, may award their employees:

- post-employment benefits, such as pension plans or retirement benefits;
- long-term benefits such as deferred variable remuneration, long-service awards or the *Compte Epargne Temps* (CET) flexible working provisions;
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

<i>(In millions of euros)</i>	Provisions at 31.12.2017	Allocations ⁽¹⁾	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions at 31.12.2018
Provisions for employee benefits	2,100	889	(571)	318	(6)	(6)	(65)	2,341

(1) This amount includes an allocation of EUR 554 million related to the change of hedging strategies for French benefits plans in November 2018 (see Note 5.2.1).

NOTE 5.2.1 POST-EMPLOYMENT BENEFITS**ACCOUNTING PRINCIPLES**

Post-employment benefits can be broken down into two categories: defined contribution pension plans or defined benefit pension plans.

Defined contribution plans

Defined contribution plans limit the Group's liability to the subscriptions paid into the plan but do not commit the Group to a specific level of future benefits. Contributions paid are recorded as an expense for the current year.

Defined benefit plans

Defined benefit plans commit the Group, either formally or constructively, to pay a certain amount or level of future benefits and therefore bear the associated medium or long-term risk.

Provisions are recognised on the liabilities side of the balance sheet under *Provisions*, to cover the whole of these retirement obligations. These provisions are assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

Group can choose to finance defined benefit plans by assets held by a long-term employee benefit fund or by qualifying insurance policies.

Funding assets, made by funds or insurance policies, are classified as plan assets if assets are held by an entity (a fund) that is legally separate from the reporting entity and are available to be used only to pay employee benefits

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

When these plans are financed from funds not classified as plan assets, these funds, classified as separate assets, are displayed separately in the assets of the balance sheet under *Financial assets at fair value through profit or loss*.

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) and differences between actuarial assumptions and real performance are recognised as actuarial gains and losses. Actuarial gains and losses, as well as the return on plan assets excluding amounts expensed as net interest on the net defined benefit liability (or asset) and any change in the effect of the asset ceiling are components used to re-measure the net defined benefit liability (or asset). These components are immediately and fully recognised in shareholder's equity among *Unrealised or deferred gains and losses* and they cannot be subsequently reclassified as income.

In the Group consolidated financial statements, these items that cannot be subsequently reclassified as income are displayed separately in the Statement of net income and unrealised or deferred gain and losses, but are transferred immediately to retained earnings in the Statement of changes in shareholder's equity so that they are presented directly under *Retained earnings* on the liabilities side of the balance sheet.

Where 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.

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 plan such as AGIRC-ARRCO, as well as pension schemes put in place by certain Group entities whose only commitment is to pay annual contributions (PERCO).

In the United Kingdom, the employer pays contributions according to the age of the employees (from 2.5 to 10% of the salary) and can make extra contributions up to 4.5% for the voluntary additional employee contributions.

In the United States, employers fully match the first 8% of employee contributions, within the limit of USD 10,000.

POST-EMPLOYMENT DEFINED BENEFIT PLANS

Post-employment pension plans include schemes offering annuities, plans offering retirement bonuses and mixed plans (cash balance). Benefits paid out in annuities supplement the pensions paid by the mandatory basic plans.

The main defined benefit plans are located in France, Switzerland, the United Kingdom and the United States.

In France, the supplementary pension plan for executive managers, set up in 1991, allocates an annual allowance to beneficiaries covered by Societe Generale as described in the Chapter 3 “Corporate Governance” of the Registration Document. This allowance depends in particular on the beneficiary’s seniority within Societe Generale.

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 millions of euros)

	31.12.2018	31.12.2017
A - Present value of funded defined benefit obligations	2,617	2,953
B - Fair value of plan assets and separate assets	(2,436)	(2,610)
C = A + B Deficit (surplus)	181	343
D - Present value of unfunded defined benefit obligations	412	428
E - Change in asset ceiling	-	8
C + D + E = NET BALANCE RECORDED IN THE BALANCE SHEET	593	779

COMPONENTS OF THE COST OF DEFINED BENEFITS

<i>(In millions of euros)</i>	2018	2017
Current service cost including social security contributions	106	104
Employee contributions	(5)	(5)
Past service cost/curtailments ⁽¹⁾	(212)	(5)
Settlements	(3)	-
Net interest	17	16
A - Components recognised in income statement	(97)	110
Actuarial gains and losses on assets	119	(70)
Actuarial gains and losses due to changes in demographic assumptions	1	(38)
Actuarial gains and losses due to changes in economic and financial assumptions	(148)	57
Actuarial gains and losses due to experience	(3)	12
Change in asset ceiling	-	-
B - Components recognised in unrealised or deferred gains and losses	(31)	(39)
C = A + B TOTAL COMPONENTS OF THE COST OF DEFINED BENEFITS	(128)	71

(1) Some French defined benefit plans have been reviewed in December 2018 implying a decrease of the liabilities.

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

<i>(In millions of euros)</i>	2018	2017
Balance at 1 January	3,381	3,468
Current service cost including social security contributions	106	104
Past service cost/curtailments ⁽¹⁾	(212)	(5)
Settlements	(3)	(23)
Net interest	60	63
Actuarial gains and losses due to changes in demographic assumptions	1	(38)
Actuarial gains and losses due to changes in economic and financial assumptions	(148)	57
Actuarial gains and losses due to experience	(3)	12
Foreign exchange adjustment	12	(92)
Benefit payments	(165)	(167)
Change in consolidation scope	-	1
Transfers and others	-	1
Balance at 31 December	3,029	3,381

(1) Some French defined benefit plans have been reviewed in December 2018 implying a decrease of the liabilities.

CHANGES IN THE FAIRE VALUE OF PLAN ASSETS AND SEPARATE ASSETS

<i>(In millions of euros)</i>	2018	2017
Balance at 1 January	2,610	2,695
Expected return on plan assets	44	47
Expected return on separate assets	6	6
Actuarial gains and losses due to assets	(119)	70
Foreign exchange adjustment	11	(81)
Employee contributions	5	5
Employer contributions to plan assets	22	26
Benefit payments	(135)	(141)
Change in consolidation scope	-	-
Transfers and others	(8)	(17)
Balance at 31 December⁽¹⁾	2,436	2,610

(1) Including EUR 902 million in separate assets at 31 December 2018 (EUR 398 million at 31 December 2017).

INFORMATION REGARDING FUNDING ASSETS

General information regarding funding assets (for all benefits and future contributions)

Funding assets include plan assets and separate assets.

Funding assets represent around 78% of Group obligations, with different rates depending on the country.

Accordingly defined benefit plan obligations in the United Kingdom are fully hedged, those in the United States hedged 89%, while they are only 85% hedged in France and are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 63% bonds, 25% equities and 12% others investments. Directly held Societe Generale shares are not significant.

Funding assets excess is EUR 150 million.

Employer contributions to be paid to post-employment defined benefit plans for 2019 are estimated at EUR 17 million.

Plan hedging strategies are defined locally in connection with the Finance and Human Resources Departments of the entities, by ad hoc

structures (Trustees, Foundations, Joint structures etc.) if necessary. Besides, liability investment or financing strategies are monitored at Group level through a global governance system. Committee meetings, with the participation of representatives of the Human Resources Department, the Finance Department and the Risk Division, are organised in order to define Group guidelines for employee benefits investment and management, to validate decisions and to follow up the associated risks for the Group.

In France, plan hedging strategies of some defined benefit plans has been modified in November 2018, implying a requalification of some plan assets into separate assets. The result is an increase of the liabilities of EUR 554 million and the recognition of a separate assets for the same amount (see Note 3.1.3). At the transfer date, the impact of this change is nil in profit or loss.

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.

ACTUAL RETURNS ON FUNDING ASSETS

The actual returns on plan and separate assets can be broken down as follows:

<i>(In millions of euros)</i>	2018	2017
Plan assets	(42)	112
Separate assets	(27)	11

MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2018	31.12.2017
Discount rate		
Europe	1.80%	1.66%
Americas	4.29%	3.50%
Asia-Oceania-Africa	2.22%	2.11%
Long-term inflation		
Europe	1.93%	2.07%
Asia-Oceania-Africa	1.66%	1.77%
Future salary increase		
Europe	0.60%	0.68%
Asia-Oceania-Africa	2.50%	2.49%
Average remaining working lifetime of employees (in years)		
Europe	8.33	9.46
Americas	7.85	8.25
Asia-Oceania-Africa	14.21	14.39
Duration (in years)		
Europe	14.75	15.76
Americas	15.59	17.53
Asia-Oceania-Africa	11.82	11.09

Assumptions by geographical area are weighted average by the defined benefit obligations (DBO).

The discount yield curves used are AA corporate bonds yield curves (source: Merrill Lynch) observed at the end of October for USD, GBP and EUR, and corrected at the end of December if the change in discount rates had a significant impact.

Inflation rates used for EUR and GBP monetary areas are market rates observed at the end of October, and corrected at the end of December

if the change had a significant impact. Inflation rates used for the other monetary areas are the long-term targets of the central banks.

The average remaining working lifetime of employees is calculated taking into account turnover assumptions.

The assumptions described above have been applied to post-employment benefit plans.

SENSITIVITIES OF DEFINED BENEFIT OBLIGATIONS TO MAIN ASSUMPTION RANGES

<i>(Percentage of item measured)</i>	31.12.2018	31.12.2017
<i>Variation in discount rate</i>	+0.5%	+0.5%
Impact on the present value of defined benefit obligations at 31 December N	-7%	-7%
<i>Variation in long-term inflation</i>	+0.5%	+0.5%
Impact on the present value of defined benefit obligations at 31 December N	5%	5%
<i>Variation in future salary increase</i>	+0.5%	+0.5%
Impact on the present value of defined benefit obligations at 31 December N	2%	2%

Disclosed sensitivities are averages of the variations weighted by the present value of the defined benefit obligations

5.2.2. LONG-TERM BENEFITS**ACCOUNTING PRINCIPLES**

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.

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.

These benefits include deferred compensation settled in cash and not indexed to the Societe Generale share, such as long-term deferred variable remuneration, CET (*Comptes Epargne Temps*) flexible working provisions, or longservice awards.

At 31 December 2018, the net balance of long-term benefits was EUR 428 million. The total cost of long-term benefits was EUR 56 million for 2018.

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 *Issuing premium and capital reserves*. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under *Personnel expenses* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (stock-options granted by unlisted companies or compensation indexed on Societe Generale, or one of its subsidiary, shares), the fair value of the amounts payable is recorded under *Personnel expenses* as an expense over the vesting period against a corresponding liabilities entry recognised in the balance sheet under *Other liabilities – Expenses payable on employee benefits*. This payables item is then remeasured to take into account performance and presence conditions as well as changes in the value of the underlying shares. When the expense is hedged by an equity derivative instrument, the effective portion of the change in the fair value of the hedging derivative is recorded in profit or loss under *Personnel expense* as well.

The Group may award some of its employees stock purchase or subscription options, free shares or rights to a future cash payment indexed to the Societe Generale, or one of its subsidiary, share price.

The options are measured at their fair value when the employees are first notified, without waiting for the conditions that trigger the award to be met, or for the beneficiaries to exercise their options.

Group stock-option plans are measured using a binomial formula when the Group has adequate statistics to take into account the behaviour of the option beneficiaries. When such data are not available, the Black & Scholes model or Monte Carlo model is used. Valuations are performed by independent actuaries.

EXPENSES RECORDED IN THE INCOME STATEMENT

(in millions of euros)	31.12.2018			31.12.2017		
	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	112	59	171	127	58	185

* Amounts restated compared to the 31 December 2018 consolidated financial statements.

The description of Societe Generale stock-options plans and free share plans, which supplements this note, is presented in Chapter 3 of the present Registration Document (Corporate Governance).

NOTE 6 INCOME TAX

MAKE IT SIMPLE

Income tax expenses are presented separately from other taxes which are classified among *Other operating expenses*. They are calculated according to the rates and tax regulations applicable in the countries where each consolidated entity is located.

Income tax presented in the income statement includes current taxes and deferred taxes:

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

ACCOUNTING PRINCIPLES**Current taxes**

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

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

Deferred taxes

Deferred taxes are recognised whenever the Group identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments.

Deferred tax assets and liabilities are measured in each consolidated taxable entity and in accordance with the rules established by the local taxation authorities, upon which their income taxes are payable. This amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realised or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value.

Deferred tax assets can result from deductible temporary differences or from tax loss carry forwards. These deferred tax assets are recorded only if the entity concerned is likely to recover these assets within a set time. These temporary differences or tax loss carry forwards can also be used against future taxable profit.

Tax loss carry forwards are subject to an annual review taking into account the tax system applicable to each relevant tax entity and a realistic projection of their tax income or expense: any previously unrecognised deferred tax assets are recorded in the balance sheet to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered; however, the carrying value of deferred tax assets already recognised in the balance sheet is reduced where a risk of total or partial non-recovery occurs.

Current and deferred taxes are recognised in the consolidated income statement under *Income tax*. However, deferred taxes related to gains and losses recorded under *Unrealised or deferred gains and losses* are also recognised under the same heading in shareholders' equity.

NOTE 6.1 Income tax

(In millions of euros)	2018	2017
Current taxes	(1,204)	(1,035)
Deferred taxes	(357)	(673)
TOTAL	(1,561)	(1,708)

RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE

(In millions of euros)	2018	2017
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill	6,061	5,045
Normal tax rate applicable to French companies (including 3.3% national contribution)	34.43%	34.43%
Permanent differences ⁽¹⁾	1.58%	12.87%
Differential on securities with tax exemption or taxed at reduced rate	-0.10%	-2.23%
Tax rate differential on profits taxed outside France	-10.11%	-10.48%
Impact of non-deductible losses and use of tax losses carried forward	-0.04%	-0.69%
GROUP EFFECTIVE TAX RATE	25.76%	33.90%

(1) At 31 December 2017, the main impact was related to the change in the US tax rate and the appreciation of deferred tax assets of the US tax group for +5.01%, and the change in the French tax rate for +3.23%.

In France, the standard corporate income tax rate is 33.33%. A national contribution payment based on pre-tax earnings (contribution sociale) was introduced in 2000 equal to 3.3% (after a deduction of EUR 0.76 million from basic taxable income).

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. This portion of fees and expenses is 12% of gross capital gains and is applicable only if the company realizes a net long-term capital gain.

Furthermore, under the parent-sub subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate.

The 2018 French Finance Act, adopted on 21 December 2017, includes a gradual reduction in French tax rate. Until 2022, the standard Corporate Income Tax of 33.33% will be brought down to 25%, plus the existing national contribution of 3.3%.

Deferred taxes on French companies are determined by applying the tax rate in effect at the reversal of the temporary difference. Regarding the gradual reduction in French tax rate until 2022:

- for income taxed at the ordinary tax rate, the rate is between 34.43% in 2018 and 25.83% from 2022 (including the national contribution payment);
- for income taxed at reduced rate, the rate is between 4.13% in 2018 and 3.10% from 2022 (including the national contribution payment).

NOTE 6.2 Provisions for tax adjustments**ACCOUNTING PRINCIPLES**

Provisions represent liabilities whose timing or amount cannot be precisely determined.

- Provisions may be recorded:
 - where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange;

and when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions for tax adjustments are booked to *Current taxes* in the income statement under *Income tax*.

Information on the nature and the amount of the associated risks is not disclosed when the Group considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

(In millions of euros)	Provisions at 31.12.2017	Allowances	Available write-backs	Net	Used write-backs	Changes in translation and consolidation scope	Provisions at 31.12.2018
Tax adjustments	162	100	(51)	49	(75)	(1)	135

NOTE 6.3 Tax assets and liabilities**TAX ASSETS**

<i>(In millions of euros)</i>	31.12.2018	01.01.2018	31.12.2017
Current tax assets	1,066	1,236	1,236
Deferred tax assets	4,753	5,056	4,765
<i>o/w deferred tax assets on tax loss carryforwards</i>	2,895	2,970	2,970
<i>o/w deferred tax assets on temporary differences</i>	1,858	2,086	1,795
TOTAL	5,819	6,292	6,001

TAX LIABILITIES

<i>(In millions of euros)</i>	31.12.2018	01.01.2018	31.12.2017
Current tax liabilities	552	995	995
Deferred tax liabilities	605	613	667
TOTAL	1,157	1,608	1,662

Each year, the Group performs a review of tax loss carryforwards, according to the tax system applicable for each relevant tax entity and a realistic forecast of its tax results. For this purpose, tax results are determined based on the forecast of the performance of each business line entering in the Group budgetary path and/or on the strategic review of countries, after being approved by empowered management bodies. In addition, they include accounting and tax adjustments (of which the reversal of deferred tax assets and liabilities bases on temporary differences) applicable to concerned entities and jurisdictions. These adjustments are determined based on historical tax results and on the Group's tax expertise. Beyond the Group budgetary path and/or the strategic review, extrapolations are performed particularly from macro-economic assumptions (for example, the evolution of interest rates).

By nature, the appreciation of macro-economic factors chosen and the internal estimations used to determine the tax results contain risks and uncertainties on their realisation over the estimated horizon of the losses absorption. These risks and uncertainties concern the possibilities of change of tax rules applicable (tax result computation as well as rules of imputation of tax losses carried forward) or the achievement of the strategic assumptions.

To ensure the robustness of the tax result projections, the Group realises sensitivity analysis on the achievement of budgetary and strategic assumptions.

At 31 December 2018, these analyses confirm the probability for the Group to use tax loss carryforwards subject to deferred tax assets against future taxable profit.

NOTE 6.4 Deferred tax assets recognised on tax loss carryforwards

At 31 December 2018, based on the tax system of each entity and a realistic projection of their tax income, the projected period for deferred tax asset recovery is indicated in the table below:

<i>(In millions of euros)</i>	31.12.2018	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets relating to tax loss carryforwards	2,895	-	-
<i>o/w French tax group</i>	<i>2,327</i>	<i>unlimited⁽¹⁾</i>	<i>10 years</i>
<i>o/w US tax group</i>	<i>463</i>	<i>20 years⁽²⁾</i>	<i>7 years</i>
<i>Others</i>	<i>105</i>	-	-

(1) *In accordance with the 2013 French Finance Act, the deduction of previous losses is limited to EUR 1 million plus 50% of the fraction of the taxable income for the fiscal year exceeding this limit. The non-deductible portion of losses may be carried forward to the following fiscal years with no time limit and under the same conditions.*

(2) *Tax losses generated before 31 December 2017.*

At 31 December 2018, the main unrecognised deferred tax assets represent a total of EUR 558 million (compared to EUR 687* million at 31 December 2017). They are mostly related to the US tax group, with EUR 500 million (compared to EUR 629* million at 31 December 2017), SG Kleinwort Hambros Ltd. with EUR 29 million (compared to EUR 30 million at 31 December 2017) and SG Singapour with EUR 29 million (compared to EUR 27 million at 31 December 2017).

With regard to the tax treatment of the loss caused by the actions of Jérôme Kerviel (see Note 9), Societe Generale considers that the judgment of the Versailles Court of Appeal of 23 September 2016 is not likely to call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers there is no need to provision the corresponding deferred tax assets.

However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and confirmed that they intended to call into question the deductibility of the loss caused by the actions of Jérôme Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by a tax adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In the event that the authorities decide, in due course, to confirm their current position, the Societe Generale Group will not fail to assert its rights before the competent courts.

* *Amounts restated compared to the 31 December 2017 published financial statements, including City and State income taxes in addition to Federal income tax in United States of America.*

NOTE 7 SHAREHOLDERS' EQUITY



MAKE IT
SIMPLE

Equity are the resources contributed to the Group by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings). It also includes resources received when financial instruments are issued and for which the issuer has no contractual obligation to deliver cash to the holders of these instruments (such as certain perpetual subordinated notes).

Equity has no contractual maturity, and when compensation is awarded to shareholders or holders of other equity instruments, it does not affect the income statement but directly reduces the retained earnings in the equity.

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

NOTE 7.1 Treasury shares and Shareholders' Equity issued by the Group

ACCOUNTING PRINCIPLES

Treasury shares

Societe Generale shares held by the Group are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is eliminated from the consolidated income statement.

Recognition of shares issued by Group subsidiaries, which are bought and sold by the Group, is described in Note 2.

Shareholders' Equity issued by the Group

Financial instruments issued by the Group are booked in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to deliver cash to the holders of the securities.

When they are classified as equity, securities issued by Societe Generale are recorded under *Other equity instruments*. If they are issued by Group subsidiaries, these securities are recognised under *Non-controlling interests*. External costs associated with issuing equity instruments are deducted directly from equity at their after-tax amount.

When they are classified as debt instruments, securities issued by the Group are recorded under *Debt securities issued* or *Subordinated debt* depending on their characteristics. They are accounted for in the same way as other financial liabilities measured at amortised cost (see Note 3.6).

NOTE 7.1.1 ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	31.12.2018	31.12.2017
Ordinary shares	807,917,739	807,917,739
Including treasury stock with voting rights ⁽¹⁾	5,975,497	6,850,304
Including shares held by employees	51,668,863	49,830,060

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

At 31 December 2018, Societe Generale S.A.'s fully paid up capital amounted to EUR 1,009,897,173.75 and was made up of 807,917,739 shares with a nominal value of EUR 1.25.

NOTE 7.1.2 TREASURY STOCK

At 31 December 2018, the Group held 19,037,552 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 2.36% 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 667 million, including EUR 423 million in shares held for trading purposes.

THE CHANGE IN TREASURY STOCK OVER THE 1ST SEMESTER 2018 BREAKS DOWN AS FOLLOWS:

(In millions of euros)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	(4)	(202)	32	(174)
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	(1)	16	(27)	12

NOTE 7.1.3 EQUITY INSTRUMENTS ISSUED

PERPETUAL SUBORDINATED NOTES

Perpetual subordinated notes issued by the Group, with some discretionary features governing the payment of interest, are classified as equity.

At 31 December 2018, perpetual subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 244 million, valued at historical rate.

Issuance Date	Amount in local currency at 31 December 2017	Repurchases and redemptions in 2018	Amount in local currency at 31 December 2018	Amount in millions of euros at historical rate	Remuneration
1 July 1985	EUR 62 m	-	EUR 62 m	62	BAR (Bond Average Rate) of -0.25% for the period from 1 June to 31 May before each due date
24 November 1986	USD 248 m	-	USD 248 m	182	Average 6-month Euro/Dollar deposit rates communicated by reference banks +0.075%

PERPETUAL DEEPLY SUBORDINATED NOTES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual deeply subordinated notes have been classified as equity and recognised under *Other equity instruments*.

At 31 December 2018, perpetual deeply subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 8,866 million, valued at historical rate.

The variation of the amount of perpetual deeply subordinated notes reflects the redemptions of three notes during the year.

Issuance Date	Amount in local currency at 31 December 2017	Repurchases and redemptions in 2018	Amount in local currency at 31 December 2018	Amount in millions of euros at historical rate	Remuneration
16 June 2008	GBP 506 m	GBP 506 m	-	-	8.875%, from 2018 3-month GBP Libor +3.4% annually
4 September 2009	EUR 905 m		EUR 905 m	905	9.375%, from 2019 3-month Euribor +8.901% annually
6 September 2013	USD 1,250 m	USD 1,250 m	-	-	8.25%, from 29 November 2018 USD 5-year Mid Swap Rate +6.394%
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%
25 June 2014	USD 1,500 m		USD 1,500 m	1,102	6%, from 27 January 2020, USD 5-year Mid Swap Rate +4.067%
7 April 2014	EUR 1,000 m		EUR 1,000 m	1,000	6.75%, from 7 April 2021, EUR 5-year Mid Swap Rate +5.538%
29 September 2015	USD 1,250 m		USD 1,250 m	1,111	8.00% from 29 September 2025, USD 5-year Mid Swap rate +5.873%
13 September 2016	USD 1,500 m		USD 1,500 m	1,335	7.375% from 13 September 2021, USD 5-year Mid Swap rate +6.238%
6 April 2018			USD 1,250 m	1,035	6.750% from 6 April 2028, 5-year Mid Swap rate +3.929%
4 October 2018			USD 1,250 m	1,105	7.375% from 4 October 2023, 5-year Mid Swap rate +4.302%

OTHER EQUITY INSTRUMENTS ISSUED BY SUBSIDIARIES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual subordinated notes issued by the Group's subsidiaries are classified as equity.

At 31 December 2018, 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 800 m	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:

	2018			2017 ⁽¹⁾		
	Deeply subordinated notes	Perpetual subordinated notes	Total	Deeply subordinated notes	Perpetual subordinated notes	Total
(In millions of euros)						
Remuneration paid booked under reserves	(700)	(5)	(705)	(735)	(3)	(738)
Changes in nominal values	544	-	544	(1,114)	-	(1,114)
Tax savings on remuneration payable to shareholders and recorded under reserves	255	2	257	186	1	187
Issuance fees relating to subordinated notes	(10)	-	(10)	-	-	-

(1) Remuneration paid to shareholders of others equity instruments (deeply subordinated notes and perpetual subordinated notes) are now disclosed on the line "Issuance/Redemption/remuneration of equity instruments".

NOTE 7.2 Earnings per share and dividends**ACCOUNTING PRINCIPLES**

Earnings per share are measured by dividing net income attributable to ordinary shareholders by the weighted average number of shares outstanding over the period, excluding treasury shares. Net income attributable to ordinary shareholders takes account of remuneration rights of preferred shareholders, such as holders of preferred shares, subordinated securities or deeply subordinated notes classified in equity. Diluted earnings per share take into account the potential dilution of shareholders' interests in the event dilutive instruments (stock options or free share plans) are converted into ordinary shares. This dilutive effect is determined using the share buyback method.

NOTE 7.2.1 EARNINGS PER SHARE

<i>(In millions of euros)</i>	2018	2017
Net income, Group share	3,864	2,806
Net attributable remuneration to deeply subordinated notes	(452)	(466)
Issuance fees relating to subordinated notes	(10)	-
Net income attributable to ordinary shareholders	3,402	2,340
Weighted average number of ordinary shares outstanding ⁽¹⁾	801,909,473	800,596,132
Earnings per ordinary share (in euros)	4.24	2.92
Average number of ordinary shares used in the dilution calculation	-	50
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	801,909,473	800,596,182
Diluted earnings per ordinary share (in euros)	4.24	2.92

(1) Excluding treasury shares.

NOTE 7.2.2 DIVIDENDS PAID

Dividends paid by the Group to ordinary shareholder's in 2018 amounted to EUR 2,132 million and are detailed in the following table:

<i>(In millions of euros)</i>	2018			2017*		
	Group Share	Non-controlling interests	Total	Group Share	Non-controlling interests	Total
Paid in shares	-	-	-	-	-	-
Paid in cash	(1,764)	(368)	(2,132)	(1,762)	(243)	(2,005)

* Remuneration paid to shareholders of other equity instruments (perpetual subordinated notes and deeply subordinated notes) is now presented in Note 7.1.3 relative to equity instruments issued.

NOTE 7.3 Gains and losses recognised in other comprehensive income**BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES**

(In millions of euros)	01.01.2018				Variation				31.12.2018			
	Gross value	Tax	Net value	Net Group share	Gross value	Tax	Net value	Net Group share	Gross value	Tax	Net value	Net Group share
Translation differences	(1,744)	-	(1,744)	(1,682)	370	(1)	369	384	(1,374)	(1)	(1,375)	(1,298)
Revaluation of debt instruments at fair value through other comprehensive income	466	(109)	357	339	(233)	52	(181)	(170)	233	(57)	176	169
Revaluation of available-for-sale financial assets ⁽¹⁾	411	(114)	297	296	(74)	18	(56)	(53)	337	(96)	241	243
Revaluation of hedging derivatives	(3)	7	4	4	(120)	11	(109)	(104)	(123)	18	(105)	(100)
Unrealised gains and losses of entities accounted for using the equity method	(2)	-	(2)	(1)	1	-	1	1	(1)	-	(1)	-
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	(872)	(216)	(1,088)	(1,044)	(56)	80	24	58	(928)	(136)	(1,064)	(986)
Actuarial gains and losses on defined benefit plans ⁽²⁾	-	-	-	-	30	(4)	26	24	30	(4)	26	24
Revaluation of own credit risk on financial liabilities at fair value through profit or loss ⁽³⁾	(725)	187	(538)	(536)	529	(138)	391	380	(196)	49	(147)	(156)
Revaluation of equity instruments at fair value through other comprehensive income ⁽²⁾	80	(2)	78	77	1	(4)	(3)	8	81	(6)	75	85
Unrealised gains and losses of entities accounted for using the equity method ⁽²⁾	-	-	-	-	(3)	-	(3)	(3)	(3)	-	(3)	(3)
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	(645)	185	(460)	(459)	557	(146)	411	409	(88)	39	(49)	(50)
TOTAL OF UNREALISED GAINS AND LOSSES	(1,517)	(31)	(1,548)	(1,503)	501	(66)	435	467	(1,016)	(97)	(1,113)	(1,036)

(1) Unrealised gains and losses on available-for-sale financial assets are related exclusively to insurance activities from the 2018 financial year.

(2) Gains and losses presented in these items are transferred into Retained earnings at the opening of the next financial year;

(3) In case of derecognition of a financial liability, potential realized gains and losses attributable to Group own credit risk are transferred into Retained earnings at the opening of the next financial year (see Note 3.1).

NOTE 8 ADDITIONAL DISCLOSURES

NOTE 8.1 Segment reporting

NOTE 8.1.1 DEFINITION OF SEGMENT REPORTING

The Group is managed on a matrix basis that takes into account its different business lines and the geographical breakdown of its activities. Segment reporting information is therefore presented under both criteria.

The Group includes in the results of each sub-division all operating income and expenses directly related to its activity. Income for each sub-division, except for the Corporate Centre, also includes the return on equity allocated to it, based on the estimated rate of return on Group equity. The return on the sub-division's book equity is then reallocated to the Corporate Centre. Transactions between sub-divisions are carried out under the same terms and conditions as those applying to non-Group customers.

The Group's core businesses are managed through three strategic pillars:

- French Retail Banking, which includes the domestic networks Societe Generale, 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 millions of euros)	Societe Generale Group		French Retail Banking		Corporate Centre ⁽¹⁾	
	2018	2017	2018	2017*	2018	2017*
Net banking income	25,205	23,954	7,860	8,014	182	(1,147)
Operating Expenses ⁽²⁾	(17,931)	(17,838)	(5,629)	(5,939)	(535)	(374)
Gross operating income	7,274	6,116	2,231	2,075	(353)	(1,521)
Cost of risk	(1,005)	(1,349)	(489)	(547)	(19)	(400)
Operating income	6,269	4,767	1,742	1,528	(372)	(1,921)
Net income from companies accounted for by the equity method	56	92	28	33	7	17
Net income/expense from other assets	(208)	278	74	9	(274)	237
Value adjustments on goodwill	-	1	-	-	-	-
Earnings before tax	6,117	5,138	1,844	1,570	(639)	(1,667)
Income tax	(1,561)	(1,708)	(607)	(511)	168	52
Net income before non-controlling interests	4,556	3,430	1,237	1,059	(471)	(1,615)
Non-controlling interests	692	624	-	-	164	170
Net income, Group share	3,864	2,806	1,237	1,059	(635)	(1,785)

International Retail Banking & Financial Services

(In millions of euros)	International Retail Banking		Financial Services to Corporates		Insurance		Total	
	2018	2017*	2018	2017*	2018	2017*	2018	2017*
Net banking income	5,608	5,278	1,822	1,804	887	832	8,317	7,914
Operating Expenses ⁽²⁾	(3,238)	(3,171)	(955)	(925)	(333)	(308)	(4,526)	(4,404)
Gross operating income	2,370	2,107	867	879	554	524	3,791	3,510
Cost of risk	(335)	(349)	(69)	(51)	-	-	(404)	(400)
Operating income	2,035	1,758	798	828	554	524	3,387	3,110
Net income from companies accounted for by the equity method	14	26	1	16	-	(1)	15	41
Net income/expense from other assets	7	36	1	-	-	-	8	36
Value adjustments on goodwill	-	1	-	-	-	-	-	1
Earnings before tax	2,056	1,821	800	844	554	523	3,410	3,188
Income tax	(474)	(418)	(184)	(224)	(183)	(178)	(841)	(820)
Net income before non-controlling interests	1,582	1,403	616	620	371	345	2,569	2,368
Non-controlling interests	395	361	106	66	3	2	504	429
Net income, Group share	1,187	1,042	510	554	368	343	2,065	1,939

Global Banking and Investor Solutions

(In millions of euros)	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total	
	2018	2017*	2018	2017*	2018	2017*	2018	2017*
Net banking income	5,207	5,678	2,673	2,495	966	1,000	8,846	9,173
Operating Expenses ⁽²⁾	(4,521)	(4,434)	(1,815)	(1,767)	(905)	(920)	(7,241)	(7,121)
Gross operating income	686	1,244	858	728	61	80	1,605	2,052
Cost of risk	(21)	(34)	(53)	30	(19)	2	(93)	(2)
Operating income	665	1,210	805	758	42	82	1,512	2,050
Net income from companies accounted for by the equity method	8	5	(1)	(4)	(1)	-	6	1
Net income/expense from other assets	(1)	-	(1)	(4)	(14)	-	(16)	(4)
Value adjustments on goodwill	-	-	-	-	-	-	-	-
Earnings before tax	672	1,215	803	750	27	82	1,502	2,047
Income tax	(172)	(322)	(101)	(84)	(8)	(23)	(281)	(429)
Net income before non-controlling interests	500	893	702	666	19	59	1,221	1,618
Non-controlling interests	19	21	2	2	3	2	24	25
Net income, Group share	481	872	700	664	16	57	1,197	1,593

* The amounts have been restated compared to 2017 consolidated financial statements considering the new organization of the Group put in place as from 1 September 2017. The restatements are due to the transfer of Global Transaction and Payment Services business from French Retail Banking to Global Banking and Investor Solutions, to the modification of analytical split of results of the Insurance business distributed through French Retail Banking and Private Banking, and to a change in the allocation of overhead costs.

(1) Income and expenses not directly related to business line activities are recorded in the Corporate Centre income. The Net banking income included in 2017 the revaluation differences for debts related to own credit risk of EUR -53 million and compensation of EUR -963 million for the transaction agreement between Societe Generale and the Libyan Investment Authority.

(2) These amounts include Personnel expenses, Other operating expenses and Amortisation, depreciation and impairment of tangible and intangible fixed assets.

(In millions of euros)	Societe Generale Group			French Retail Banking			Corporate Centre ⁽²⁾		
	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017
Segment assets	1,309,428	1,274,216	1,275,128	222,086	213,708	226,346	106,392	117,011	116,737
Segment liabilities ⁽¹⁾	1,243,619	1,211,265	1,211,091	216,934	211,709	230,110	91,819	91,854	92,515

(In millions of euros)	International retail Banking & Financial Services											
	International Retail Banking			Financial Services to Corporates			Insurance			Total		
	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017
Segment assets	128,303	115,992	116,749	42,868	39,542	39,645	148,999	149,784	149,785	320,170	305,318	306,179
Segment liabilities ⁽¹⁾	94,454	91,854	91,853	13,641	12,055	12,106	138,959	141,721	141,676	247,054	245,630	245,635

(In millions of euros)	Global Banking and Investor Solutions											
	Global Markets and Investors Services			Financing and Advisory			Asset and Wealth Management			Total		
	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017
Segment assets	489,757	492,804	494,111	137,064	110,810	97,179	33,959	34,564	34,576	660,780	638,178	625,866
Segment liabilities ⁽¹⁾	616,282	594,024	593,419	47,502	42,699	24,063	24,028	25,350	25,349	687,812	662,072	642,831

* Amounts restated compared to the 31 December 2017 consolidated financial statements, following:

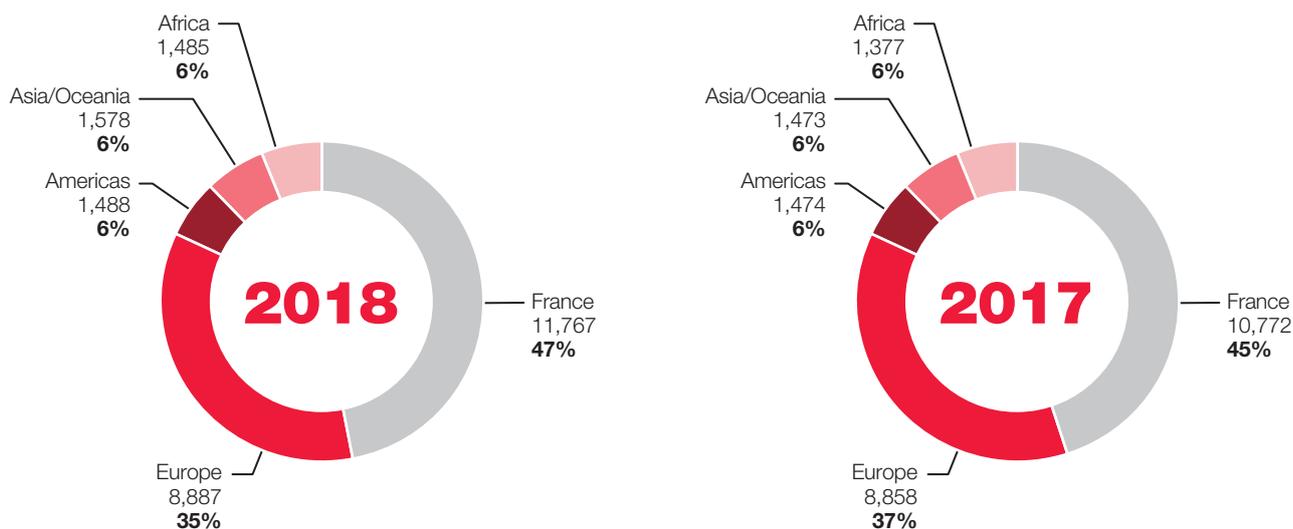
- the first time of application of IFRS 9;
- the relocation of Global Transaction and Payment Services from French Retail Banking to Financing and Advisory.

(1) Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

(2) Assets and liabilities not directly related to the business line activities are recorded on the Corporate Centre's balance sheet. Thus the debt revaluation differences linked to own credit risk and the revaluation differences of the credit derivative instruments hedging the loans and receivables portfolios are allocated to the Corporate Centre.

NOTE 8.1.3 SEGMENT REPORTING BY GEOGRAPHICAL REGION

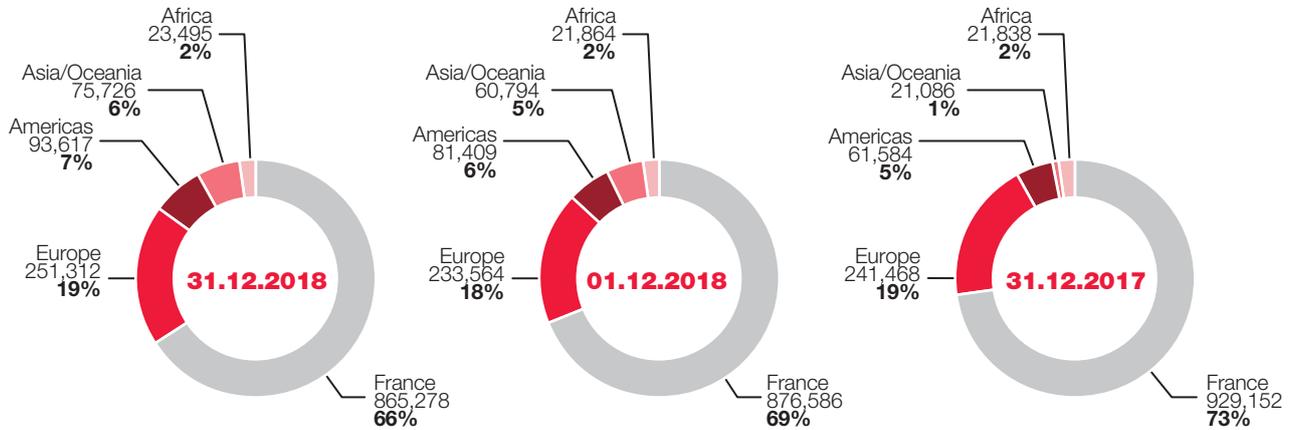
GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME (IN EUR M)



At 31 December 2018, the amount of net banking income was EUR 25,205 million compared to EUR 23,954 million at 31 December 2017.

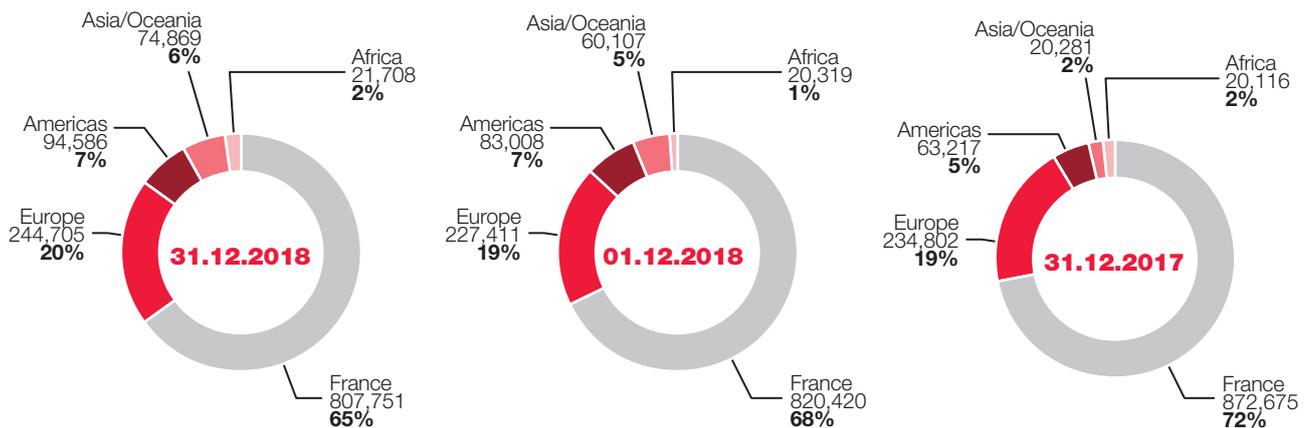
GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN EUR M)

ASSETS



At 31 December 2018, the amount of total assets was EUR 1,309,428 million compared to EUR 1,274,216 million at 1 January 2018* and EUR 1,275,128 million at 31 December 2017.

LIABILITIES



At 31 December 2018, the amount of total liabilities (except shareholder equity) was EUR 1,243,619 million compared to EUR 1,211,265 million at 1 January 2018* and EUR 1,211,091 million at 31 December 2017.

Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

* The amounts have been restated following the first time application of IFRS 9 "Financial Instruments" (see Note 1).

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.

Lease payments include real estate and equipment leasing expenses (mainly computer-related), which are booked over the lease period using the straight-line method.

Taxes and levies are only booked when the triggering event provided for by law occurs. If the obligation to pay the tax arises from the gradual operation of an activity, the expense must be spread out over the same period. Finally, if the obligation to pay is generated when a threshold is reached, the expense is only recorded once the threshold is reached.

Taxes and levies cover all contributions levied by a public authority and include the contributions paid to the Single Resolution Fund and the Deposit Insurance and Resolution Fund, the systemic risk tax, and contributions for ACPR control costs, which are recognised on the income statement at the start of the financial year. The company social solidarity contribution (C3S), based on income generated in previous financial year, is fully recognised on the income statement at 1 January of the current financial year.

Other mainly includes building maintenance and other costs, travel and business expenses, and advertising expenses.

<i>(In millions of euros)</i>	2018	2017
Rentals	(752)	(839)
Taxes and levies	(901)	(919)
Data & telecom (excluding rentals)	(2 400)	(2 265)
Consulting fees (excluding data & telecom)	(1 338)	(1 340)
Other	(1 975)	(1 720)
TOTAL	(7 366)	(7 083)

BREAKDOWN OF TOTAL MINIMUM OPERATING LEASE PAYMENTS

The table below shows the breakdown by time bucket of minimum payments related to operating lease contracts on tangible assets used by the Group. The amounts exclude the actuarial effect.

<i>(In millions of euros)</i>	31.12.2018
in less than one year	423
in one to five years	1,157
in more than five years	808
TOTAL FUTURE MINIMUM OPERATING LEASE PAYMENTS	2,388

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European regulatory framework aimed to enhance the financial stability has been updated by the Directive 2014/49/UE of 16 April 2014 on deposit guarantee schemes and 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 No. 806/2014 of 15 July 2014 has then determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF).

The Single Resolution Fund (SRF), established in January 2016, shall receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the

Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments.

For the year 2018, the Group's contributions to the SRF and the National Resolution Fund (NRF) were as follows:

- Cash contributions (85%) for a total of EUR 425 million, of which EUR 387 million related to the SRF and EUR 38 million related to the NRF, which is non tax-deductible in France and has 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 70 million related to the SRF, recorded as an asset in the balance sheet, among *Other assets*.

NOTE 8.3 Provisions**ACCOUNTING PRINCIPLES**

Under balance sheet liabilities, *Provisions* are comprised of provisions for financial instruments, disputes, employee benefits and income tax adjustments.

As from 1 January 2018, the balance of provisions for credit risk on off balance sheet commitments has been modified due to the first application of IFRS 9. This impact is described in Note 1.

BREAKDOWN OF PROVISIONS

<i>(In millions of euros)</i>	Provisions at 01.01.2018	Allocations	Write-backs available	Net allocation	Write-backs used	Currency and others	Provisions at 31.12.2018
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	683	488	(547)	(59)	-	14	638
Provisions for employee benefits (see Note 5.2)	2,100	889	(571)	318	(6)	(71)	2,341
Provisions for tax adjustments (see Note 6)	162	100	(51)	49	(75)	(1)	135
Provisions for mortgage savings plans and accounts commitments	193	9	(26)	(17)	(5)	-	171
Other provisions ⁽¹⁾	3,207	626	(195)	431	(2,462)	144	1,320
TOTAL	6,345	2,112	(1,390)	722	(2,548)	86	4,605

(1) see Note 8.3.2

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

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
PEL accounts	19,186	19,291
less than 4 years old	3,466	5,847
between 4 and 10 years old	10,555	8,344
more than 10 years old	5,165	5,100
CEL accounts	1,346	1,394
TOTAL	20,532	20,685

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

<i>(In millions of euros)</i>	31.12.2018	31.12.2017
less than 4 years old	1	4
between 4 and 10 years old	26	128
more than 10 years old	11	6
TOTAL	38	138

PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

<i>(In millions of euros)</i>	31.12.2017	Allocations	Write-backs	31.12.2018
PEL accounts	189	-	(31)	158
less than 4 years old	19	-	(16)	3
between 4 and 10 years old	31	-	(11)	20
more than 10 years old	139	-	(4)	135
CEL accounts	4	9	-	13
TOTAL	193	9	(31)	171

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2018, the provisions for PEL and CEL mortgage savings accounts were mainly linked to the risks attached to the commitment to pay interest on the deposits. Provisioning for PEL/CEL savings amounted to 0.83% of total outstandings at 31 December 2018.

METHODS USED TO ESTABLISH PROVISION VALUATION INPUTS

The inputs used to estimate future customer behaviour are derived from historical observations of customer behaviour patterns over a long period (more than 10 years). The values of these inputs can be

adjusted whenever changes are made to regulations that may undermine the effectiveness of past data as an indicator of future customer behaviour.

The values of the different market inputs used, notably interest rates and margins, are calculated on the basis of observable data and constitute a best estimate, at the date of valuation, of the future value of these items for the period in question, in line with the Retail Banking Division's policy of interest rate risk management.

The discount rates used are derived from the zero coupon swaps vs. Euribor yield curve at the valuation date, averaged over a 12-month period.

NOTE 8.3.2 OTHER PROVISIONS

Other provisions include provisions for restructuring, 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".

During the financial year 2018, the Group concluded settlement agreements with US and European authorities to end investigations related to IBOR and to some transactions with Libyan counterparties, and with some US authorities to end investigations related to economic sanctions and anti-money laundering. In the context of those agreements, the Group agreed to pay penalties to those authorities for a total amount of USD 2.7 billion; at the same time, the provision for public right disputes recognised in the Group financial statements has been reversed partially and its outstanding balance amounts to EUR 340 million as at 31 December 2018.

NOTE 8.4 Tangible and intangible fixed assets**ACCOUNTING PRINCIPLES**

Tangible and intangible fixed assets include operating and investment fixed assets. Equipment assets held for operating leases purpose are included in operating tangible assets, while buildings held for leasing purposes are included in investment property.

Tangible and intangible fixed assets are carried at their purchase price on the asset side of the balance sheet, less depreciation, amortisation and impairment.

The purchase price of fixed assets includes borrowing costs incurred to fund a lengthy construction period for the fixed assets, along with all other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets. Software developed internally is recorded on the asset side of the balance sheet in the amount of the direct cost of development.

As soon as they are fit for use, fixed assets are depreciated or amortised using the component-based approach. Each component is depreciated or amortised over its own useful life. The Group has applied this approach to its operating properties, breaking down its assets into components with depreciation periods of 10 to 50 years. Depreciation periods for fixed assets other than buildings depend on their useful life, which is usually estimated at 3 to 20 years.

Any residual value of the asset is deducted from its depreciable amount. If there is a subsequent decrease or increase in this initial residual value, the depreciable amount of the asset is adjusted, leading to a prospective modification of the depreciation schedule.

Depreciation and amortisation are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Fixed assets grouped into Cash Generating Units are tested for impairment whenever there is any indication that their value may have diminished. Allocations and reversals of provisions for impairment are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Realised capital gains and losses on operating fixed assets are recognised under *Net income from other assets*.

Investment properties are depreciated using the component based-method. Each component is depreciated over its own useful life, ranging from 10 to 50 years.

Profits or losses on operating lease assets and on investment property, including amortisation and depreciation, are recognised under *Income from other activities and Expense from other activities* (see Note 4.2).

CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In millions of euros)	Gross book value at 31.12.2017	Acquisitions	Disposals	Changes in translation, consolidation scope and reclassifications	Gross value at 31.12.2018	Depreciation and amortisation of assets at 31.12.2017	Allocations to amortisation and depreciation in 2018	Impairment of assets in 2018	Write-backs from amortisation and depreciation in 2018	Changes in translation, consolidation scope and reclassifications	Net book value at 31.12.2018	Net book value at 31.12.2017
Intangible assets	6,237	801	(119)	(156)	6,763	(4,297)	(435)	(1)	73	95	2,198	1,940
Operating tangible assets	11,016	728	(379)	(314)	11,051	(5,964)	(561)	(5)	207	210	4,938	5,052
Lease assets of specialised financing companies	23,699	10,496	(7,503)	89	26,781	(6,511)	(3,573)	(95)	2,946	50	19,598	17,188
Investment property	777	-	-	(737)	40	(139)	(1)	-	-	117	17	638
TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS	41,729	12,025	(8,001)	(1,118)	44,635	(16,911)	(4,570)	(101)	3,226	472	26,751	24,818

BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS*(In millions of euros)*

	31.12.2018	31.12.2017
payments due in less than one year	3,625	3,400
payments due in 1-5 years	17,077	12,392
payments due in more than five years	787	328
TOTAL MINIMUM FUTURE PAYMENTS RECEIVABLE	21,489	16,120

NOTE 8.5 Foreign exchange transactions**ACCOUNTING PRINCIPLES**

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the entity's functional currency at the prevailing spot exchange rate. Realised or unrealised foreign exchange losses or gains are recognised in the income statement under *Net gains and losses on financial transactions*.

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 operation (see Note 3.2).

At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies measured at fair value (in particular, shares and other equity instruments) are translated into the entity's functional currency at the prevailing spot exchange rate. Foreign exchange losses or gains are recognised either in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*, or under other comprehensive income (*Unrealised and deferred gains and losses*), depending on the accounting of the gains or losses relative to these assets/liabilities.

At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies measured at historical cost are translated into the entity's functional currency at the historical exchange rate on initial recognition.

<i>(In millions of euros)</i>	31.12.2018				31.12.2017			
	Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered	Assets*	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered
EUR	767,029	831,415	28,393	32,198	739,218	790,479	27,723	31,949
USD	257,257	213,653	40,461	41,579	263,408	229,177	51,273	41,661
GBP	44,372	44,012	28,709	10,159	42,140	37,804	15,021	10,321
JPY	68,895	62,273	24,519	33,531	57,884	54,176	17,753	24,588
AUD	5,244	6,663	7,798	6,707	6,284	7,035	4,830	5,910
CZK	35,612	35,102	208	783	34,562	36,175	572	766
RUB	12,286	7,406	113	90	13,938	10,590	37	88
RON	8,166	7,886	56	49	8,011	7,967	168	132
Other currencies	110,567	96,018	24,195	18,514	109,683	101,725	32,740	27,191
TOTAL	1,309,428	1,309,428	154,452	143,610	1,275,128	1,275,128	150,117	142,606

* Amounts restated compared to consolidated financial statements issued in 2018, following the change of allocation of intercompany transactions by currency.

NOTE 8.6 Companies included in the consolidation scope

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
South Africa							
(1)	SG JOHANNESBURG	Bank	FULL	100	100	100	100
Albania							
	BANKA SOCIETE GENERALE ALBANIA SH.A.	Bank	FULL	88.89	88.89	88.89	88.89
Algeria							
	ALD AUTOMOTIVE ALGERIE SPA	Specialist Financing	FULL	79.81	79.81	99.99	99.99
	SOCIETE GENERALE ALGERIE	Bank	FULL	100	100	100	100
Germany							
	AKRUN EINS GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH & CO. OBJEKT SEREN 1 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
	ALD AUTOLEASING D GMBH	Specialist Financing	FULL	79.82	79.82	100	100
	ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	FULL	79.82	79.82	100	100
	ALD INTERNATIONAL SAS & CO. KG	Specialist Financing	FULL	79.82	79.82	100	100
	ALD LEASE FINANZ GMBH	Specialist Financing	FULL	100	100	100	100
	BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Specialist Financing	FULL	99.93	99.91	51	51
	BDK LEASING UND SERVICE GMBH	Specialist Financing	FULL	100	100	100	100
	CAR PROFESSIONAL FUHRPARKMANAGEMENT UND BERATUNGSGESELLSCHAFT MBH & CO. KG	Specialist Financing	FULL	79.82	79.82	100	100
	CARPOOL GMBH	Broker	FULL	79.82	79.82	100	100
	EUROPARC DREILINDEN GMBH	Group Real Estate Management Company	FULL	100	100	100	100
	EUROPARC GMBH	Real Estate and Real Estate Financing	FULL	100	100	100	100
	EUROPARC KERPEN GMBH	Group Real Estate Management Company	FULL	100	100	100	100
	GEFA BANK GMBH	Specialist Financing	FULL	100	100	100	100
	GEFA VERSICHERUNGSDIENST GMBH	Specialist Financing	EFS	100	100	100	100
	HANSEATIC BANK GMBH & CO KG	Specialist Financing	FULL	75	75	75	75
	HANSEATIC GESELLSCHAFT FUR BANKBETEILIGUNGEN MBH	Portfolio Management	FULL	75	75	100	100
	HSCE HANSEATIC SERVICE CENTER GMBH	Services	FULL	75	75	100	100
	INTERLEASING DELLO HAMBURG GMBH	Specialist Financing	FULL	79.82	79.82	100	100
	PEMA GMBH	Specialist Financing	FULL	100	100	100	100
	PODES DREI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKTE WEL 4 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
	PODES GRUNDSTUCKS - VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
	PODES ZWEI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
(2)	RED & BLACK AUTO GERMANY 2 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	0	99.91	0	100
	RED & BLACK AUTO GERMANY 3 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	99.93	99.91	100	100
	RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest		Group voting interest	
				At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
	(6)	RED & BLACK AUTO GERMANY 5 UG (HAFTUNGSBESCHRANKT)	Specialist Financing	100	0	100	0
	(2)	RED & BLACK CAR SALES 1UG	Financial Company	0	79.82	0	100
		SG EQUIPMENT FINANCE GMBH	Specialist Financing	100	100	100	100
		SG EQUIPMENT FINANCE INTERNATIONAL GMBH	Specialist Financing	100	100	100	100
	(1)	SG FRANCFORT	Bank	100	100	100	100
		SOCIETE GENERALE EFFEKTEN GMBH	Financial Company	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	100	100	100	100
	(1)	SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	100	100	100	100
	(1)(5)	SOGECAP RISQUES DIVERS DEUTSCHE NIEDERLASSUNG	Insurance	0	100	0	100
	(1)(6)	SOGESSUR DEUTSCHE NIEDERLASSUNG	Insurance	100	0	100	0
Australia		SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	100	100	100	100
Austria		ALD AUTOMOTIVE FUHRPARKMANAGEMENT UND LEASING GMBH	Specialist Financing	79.82	79.82	100	100
	(3)	SG EQUIPMENT LEASING AUSTRIA GMBH	Specialist Financing	0	100	0	100
	(1)	SG VIENNE	Bank	100	100	100	100
Belgium		AXUS FINANCE SPRL	Specialist Financing	79.82	79.82	100	100
		AXUS SA/NV	Specialist Financing	79.82	79.82	100	100
		BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	60.74	60.74	100	100
		PARCOURS BELGIUM	Specialist Financing	79.82	79.82	100	100
		PEMA TRUCK TRAILER VERHUUR	Specialist Financing	100	100	100	100
	(1)	SG BRUXELLES	Bank	100	100	100	100
	(1)	SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	100	100	100	100
		SOCIETE GENERALE DE FINANCEMENT	Financial Company	100	100	100	100
		SOCIETE GENERALE IMMOBEL	Financial Company	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING NV/SA	Bank	100	100	100	100
Benin		SOCIETE GENERALE BENIN	Bank	90.98	89.64	91.65	90.3
Bermuda		CATALYST RE INTERNATIONAL LTD.	Insurance	100	100	100	100
Brazil		ALD AUTOMOTIVE S.A.	Specialist Financing	79.82	79.82	100	100
		BANCO SOCIETE GENERALE BRASIL S.A.	Bank	100	100	100	100
		MORDENO SOCIEDADES ANONIMAS	Financial Company	100	100	100	100
		SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	100	100	100	100
	(2)	SOCIETE GENERALE S.A. CORRETORA DE CAMBIO. TITULOS E VALORES MOBILIARIOS	Broker	0	100	0	100
British Virgin Islands		TSG HOLDINGS LTD	Services	100	100	100	100
		TSG MANAGEMENT LTD	Services	100	100	100	100
		TSG SERVICES LTD	Services	100	100	100	100
Bulgaria		REGIONAL URBAN DEVELOPMENT FUND	Specialist Financing	51.86	51.86	52	52
		SG EXPRESS BANK	Bank	99.74	99.74	99.74	99.74
		SOCIETE GENERALE FACTORING EOOD	Specialist Financing	99.74	99.74	100	100
		SOGELEASE BULGARIA	Specialist Financing	99.74	99.74	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
Burkina Faso							
	SOCIETE GENERALE BURKINA FASO	Bank	FULL	51.27	51.27	52.61	52.61
Cameroon							
	SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08
Canada							
	KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	FULL	100	100	100	100
	SG CONSTELLATION CANADA LTD.	Specialist Financing	FULL	100	100	100	100
(2)	SG HAMBROS TRUST COMPANY (CANADA) INC	Financial Company	FULL	0	100	0	100
(1)	SOCIETE GENERALE (CANADA BRANCH)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE (CANADA)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE CAPITAL CANADA INC	Broker	FULL	100	100	100	100
Cayman Islands							
	AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100	100
(2)	BRIDGEVIEW II LIMITED	Specialist Financing	FULL	0	100	0	100
	SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	100	100	100	100
China							
	ALD FORTUNE AUTO LEASING & RENTING SHANGHAI CO. LTD	Specialist Financing	ESI	39.91	39.91	50	50
	SOCIETE GENERALE (CHINA) LIMITED	Bank	FULL	100	100	100	100
	SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	FULL	100	100	100	100
South Korea							
	SG SECURITIES KOREA CO. LTD	Broker	FULL	100	100	100	100
(1)	SG SEOUL	Bank	FULL	100	100	100	100
Côte d'Ivoire							
	SOCIETE GENERALE COTE D'IVOIRE	Bank	FULL	73.25	73.25	73.25	73.25
	SOGEBOURSE EN COTE D'IVOIRE	Portfolio Management	FULL	71.25	71.27	99.98	100
Croatia							
	ALD AUTOMOTIVE D.O.O. ZA OPERATIVNI I FINANCIJSKI LEASING	Specialist Financing	FULL	79.82	79.82	100	100
(6)	ALD FLEET SERVICES D.O.O ZA TRGOVINU I USLUGE	Specialist Financing	FULL	79.82	0	100	0
Curaçao							
	SGA SOCIETE GENERALE ACCEPTANCE N.V	Financial Company	FULL	100	100	100	100
Denmark							
	ALD AUTOMOTIVE A/S	Specialist Financing	FULL	79.82	79.82	100	100
	NF FLEET A/S	Specialist Financing	FULL	63.85	63.85	80	80
	PEMA LAST OG- TRAILERUDLEJNING A/S	Specialist Financing	FULL	100	100	100	100
(1)	SG FINANS AS DANISH BRANCH	Specialist Financing	FULL	100	100	100	100
United Arab Emirates							
(1)	SOCIETE GENERALE DUBAI	Bank	FULL	100	100	100	100
Spain							
	ALD AUTOMOTIVE S.A.U	Specialist Financing	FULL	79.82	79.82	100	100
(5)	ALD AUTORENTING S.A.U.	Specialist Financing	FULL	0	79.82	0	100
	ALTURA MARKETS. SOCIEDAD DE VALORES. SA	Broker	EJV	50	50	50	50
(1)	GENEFIM SUCURSAL EN ESPANA	Real Estate and Real Estate Financing	FULL	100	100	100	100
(5)	PARCOURS IBERIA SA	Specialist Financing	FULL	0	79.82	0	100
(6)	REFLEX ALQUILER FLEXIBLE DE VEHICULOS	Specialist Financing	FULL	79.82	0	100	0
	SELF TRADE BANK SA	Broker	FULL	100	100	100	100
	SG EQUIPMENT FINANCE IBERIA. E.F.C. S.A.	Specialist Financing	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
	SOCGEN INVERSIONES FINANCIERAS SA	Financial Company	FULL	100	100	100	100
(1)	SOCIETE GENERALE SUCCURSAL EN ESPANA	Bank	FULL	100	100	100	100
	SODEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
Estonia							
	ALD AUTOMOTIVE EESTI AS	Specialist Financing	FULL	59.87	59.87	75.01	75.01
United States of America							
	AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
(8)	CGI FINANCE INC	Financial Company	FULL	99.89	99.89	100	100
(8)	CGI NORTH AMERICA INC.	Specialist Financing	FULL	99.89	99.89	100	100
(8)	CLASSIC YACHT DOCUMENTATION. INC.	Services	FULL	99.89	99.89	100	100
	LYXOR ASSET MANAGEMENT HOLDING CORP.	Portfolio Management	FULL	100	100	100	100
	LYXOR ASSET MANAGEMENT INC.	Financial Company	FULL	100	100	100	100
	SG AMERICAS EQUITIES CORP.	Financial Company	FULL	100	100	100	100
	SG AMERICAS OPERATIONAL SERVICES. INC.	Services	FULL	100	100	100	100
	SG AMERICAS SECURITIES HOLDINGS. LLC	Bank	FULL	100	100	100	100
	SG AMERICAS SECURITIES. LLC	Broker	FULL	100	100	100	100
	SG AMERICAS. INC.	Financial Company	FULL	100	100	100	100
	SG CONSTELLATION. INC.	Financial Company	FULL	100	100	100	100
	SG EQUIPMENT FINANCE USA CORP.	Specialist Financing	FULL	100	100	100	100
	SG MORTGAGE FINANCE CORP.	Financial Company	FULL	100	100	100	100
	SG MORTGAGE SECURITIES. LLC	Portfolio Management	FULL	100	100	100	100
	SG REINSURANCE INTERMEDIARY BROKERAGE. LLC	Insurance	FULL	100	100	100	100
	SG STRUCTURED PRODUCTS. INC.	Specialist Financing	FULL	100	100	100	100
	SGAIF. LLC	Financial Company	FULL	100	100	100	100
	SGAIH. INC.	Financial Company	FULL	100	100	100	100
(8)	SGB FINANCE NORTH AMERICA INC.	Specialist Financing	FULL	50.94	50.94	100	100
(1)	SOCIETE GENERALE (NEW YORK)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE ENERGY LLC	Financial Company	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
	TENDER OPTION BOND PROGRAM (TAXABLE AND TAX-EXEMPT)	Financial Company	FULL	100	100	100	100
Finland							
	AXUS FINLAND OY	Specialist Financing	FULL	79.82	79.82	100	100
	NF FLEET OY	Specialist Financing	FULL	63.85	63.85	80	80

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
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 MONDE	Portfolio Management	FULL	68.7	68.7	68.7	68.7
	9 RUE DES BIENVENUS	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
	AIR BAIL	Specialist Financing	FULL	100	100	100	100
	AIX - BORD DU LAC - 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
	AIX - BORD DU LAC - 4	Real Estate and Real Estate Financing	EJV	50	50	50	50
	ALD	Specialist Financing	FULL	79.82	79.82	79.82	79.82
	ALD AUTOMOTIVE RUSSIE SAS	Specialist Financing	FULL	79.82	79.82	100	100
	ALPRIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
(6)	AMPERIM	Real Estate and Real Estate Financing	EJV	50	0	50	0
	ANTALIS SA	Financial Company	FULL	100	100	100	100
	ANTARES	Real Estate and Real Estate Financing	ESI	45	45	45	45
	ANTARIUS	Insurance	FULL	100	100	100	100
(6)	ARTISTIK	Real Estate and Real Estate Financing	ESI	30	0	30	0
	AVIVA INVESTORS RESERVE EUROPE	Financial Company	FULL	69.35	69.35	69.35	69.35
(3)	AXA SOGECAP LOAN	Portfolio Management	FULL	0	100	0	100
	BANQUE COURTOIS. SUCESSEUR DE L'ANCIENNE MAISON COURTOIS ET CIE DEPUIS 1760	Bank	FULL	100	100	100	100
	BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN	Bank	FULL	50	50	50	50
	BANQUE KOLB	Bank	FULL	99.97	99.97	99.97	99.97
	BANQUE LAYDERNIER	Bank	FULL	100	100	100	100
	BANQUE NUGER	Bank	FULL	100	100	100	100
	BANQUE POUYANNE	Bank	ESI	35	35	35	35
	BANQUE RHONE ALPES	Bank	FULL	99.99	99.99	99.99	99.99
	BANQUE TARNEAUD	Bank	FULL	100	100	100	100
	BOURSORAMA INVESTISSEMENT	Services	FULL	100	100	100	100
	BOURSORAMA SA	Broker	FULL	100	100	100	100
	BREMANY LEASE SAS	Specialist Financing	FULL	79.82	79.82	100	100
(2)	CAEN - RUE BASSE	Real Estate and Real Estate Financing	FULL	0	100	0	100
(2)	CAEN - RUE DU GENERAL MOULIN	Real Estate and Real Estate Financing	FULL	0	100	0	100
	CARBURAUTO	Group Real Estate Management Company	EJV	50	50	50	50
	CARRERA	Group Real Estate Management Company	EJV	50	50	50	50
	CENTRE IMMO PROMOTION	Real Estate and Real Estate Financing	FULL	60	60	60	60

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
	CHARTREUX LOT A1	Real Estate and Real Estate Financing	FULL	100	100	100	100
	CHEMIN DES COMBES	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
	COMPAGNIE FINANCIERE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100	100
	COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)	Group Real Estate Management Company	FULL	100	100	100	100
	COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS	Specialist Financing	FULL	99.89	99.89	99.89	99.89
	CONTE	Group Real Estate Management Company	EJV	50	50	50	50
(5)	CREDINORD CIDIZE	Financial Company	FULL	0	100	0	100
	CREDIT DU NORD	Bank	FULL	100	100	100	100
	DARWIN DIVERSIFIE 0-20	Portfolio Management	FULL	89.94	88.67	89.94	88.67
	DARWIN DIVERSIFIE 40-60	Portfolio Management	FULL	79.78	79.98	79.78	79.98
	DARWIN DIVERSIFIE 80-100	Portfolio Management	FULL	78.34	78.1	78.34	78.1
	DESCARTES TRADING	Financial Company	FULL	100	100	100	100
	DESSUARD	Real Estate and Real Estate Financing	ESI	40	40	40	40
(5)	DEVILLE AVENUE LECLERC	Real Estate and Real Estate Financing	FULL	0	100	0	100
	DISPONIS	Specialist Financing	FULL	99.99	99.99	100	100
	ESNI - COMPARTIMENT SG-CREDIT CLAIMS -1	Financial Company	FULL	100	100	100	100
	ETOILE CLIQUET 90	Financial Company	FULL	73.52	73.52	73.52	73.52
	ETOILE ID	Financial Company	FULL	100	100	100	100
(6)	ETOILE MULTI GESTION EUROPE-C	Insurance	FULL	51.59	0	51.59	0
(6)	ETOILE VALEURS MOYENNES-C	Insurance	FULL	61.09	0	61.09	0
	F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	FULL	80	80	100	100
	FCC ALBATROS	Portfolio Management	FULL	100	100	51	51
(2)	FCT CODA	Financial Company	FULL	0	100	0	100
	FEEDER LYX E ST50 D5	Portfolio Management	FULL	100	100	100	100
	FEEDER LYX E ST50 D6	Portfolio Management	FULL	100	100	100	100
	FEEDER LYXOR CAC 40	Financial Company	FULL	99.77	99.77	99.77	99.77
	FEEDER LYXOR CAC40 D2-EUR	Portfolio Management	FULL	100	100	100	100
	FEEDER LYXOR STOXX 50	Financial Company	FULL	100	99.56	100	99.56
	FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100
(5)	FIDUCEO	Services	FULL	0	100	0	100
	FINANCIERE PARCOURS	Specialist Financing	FULL	79.82	79.82	100	100
	FINANCIERE UC	Real Estate and Real Estate Financing	FULL	100	100	100	100
	FINASSURANCE SNC	Broker	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

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At	At	At	At	
			31.12.2018	31.12.2017	31.12.2018	31.12.2017	
	GENECAR - SOCIETE GENERALE DE COURTAGE D'ASSURANCE ET DE REASSURANCE	Insurance	FULL	100	100	100	100
	GENECOMI	Specialist Financing	FULL	99.64	99.64	99.64	99.64
	GENEFIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	GENEFINANCE	Portfolio Management	FULL	100	100	100	100
	GENEGIS I	Group Real Estate Management Company	FULL	100	100	100	100
	GENEGIS II	Group Real Estate Management Company	FULL	100	100	100	100
	GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
	IMAPRIM AMENAGEMENT	Real Estate and Real Estate Financing	FULL	70	70	70	70
	IMMOBILIERE PROMEX	Real Estate and Real Estate Financing	ESI	35	35	35	35
(1)	INORA LIFE FRANCE	Insurance	FULL	100	100	100	100
	INTER EUROPE CONSEIL	Financial Company	FULL	100	100	100	100
(5)	INVESTIR IMMOBILIER MAROMME	Real Estate and Real Estate Financing	FULL	0	100	0	100
	INVESTIR IMMOBILIER NORMANDIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	INVESTISSEMENT 81	Financial Company	FULL	100	100	100	100
	KOLB INVESTISSEMENT	Financial Company	FULL	100	100	100	100
	LA BANQUE POSTALE FINANCEMENT	Specialist Financing	ESI	35	35	35	35
	LA CORBEILLERIE	Real Estate and Real Estate Financing	ESI	24	24	40	40
(3)	LA COURTINE	Real Estate and Real Estate Financing	ESI	0	30	0	30
	LA CROIX BOISEE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	LA FONCIERE DE LA DEFENSE	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
	LES ALLEES DE L'EUROPE	Real Estate and Real Estate Financing	ESI	34	34	34	34
	LES CEDRES BLEUS	Real Estate and Real Estate Financing	ESI	40	40	40	40
	LES JARDINS D'ALHAMBRA	Real Estate and Real Estate Financing	ESI	35	35	35	35
	LES JARDINS DE L'ALCAZAR	Real Estate and Real Estate Financing	ESI	30	30	30	30
	LES MESANGES	Real Estate and Real Estate Financing	FULL	55	55	55	55
	LES VILLAS VINCENTI	Real Estate and Real Estate Financing	ESI	30	30	30	30
	L'HESPEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
	LOTISSEMENT DES FLEURS	Real Estate and Real Estate Financing	ESI	30	30	30	30

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
	LYON LA FABRIC	Real Estate and Real Estate Financing	EJV	48.87	48.87	50	50
	LYXOR ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
	LYXOR GL OVERLAY F	Portfolio Management	FULL	87.27	87.27	87.27	87.27
	LYXOR INTERMEDIATION	Broker	FULL	100	100	100	100
	LYXOR INTERNATIONAL ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
	MEDITERRANEE GRAND ARC	Real Estate and Real Estate Financing	EJV	43	43	50	50
	NOAHO	Real Estate and Real Estate Financing	FULL	85	85	85	85
	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
(5)	NORIMMO	Real Estate and Real Estate Financing	FULL	0	100	0	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
	OPERA 72	Group Real Estate Management Company	FULL	99.99	99.99	100	100
	ORADEA VIE	Insurance	FULL	100	100	100	100
	ORPAVIMOB	Specialist Financing	FULL	100	100	100	100
	PACTIMO	Real Estate and Real Estate Financing	FULL	86	86	86	86
	PARCOURS	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS ANNECY	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS BORDEAUX	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS IMMOBILIER	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS NANTES	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS STRASBOURG	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS TOURS	Specialist Financing	FULL	79.82	79.82	100	100
	PAREL	Services	FULL	100	100	100	100
	PHILIPS MEDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
	PRAGMA	Real Estate and Real Estate Financing	FULL	86	86	100	100
(3)	PRIMAXIA	Real Estate and Real Estate Financing	FULL	0	93.74	0	95
	PRIORIS	Specialist Financing	FULL	94.89	94.89	95	95
	PROGEREAL SA	Real Estate and Real Estate Financing	ESI	25.01	25.01	25.01	25.01
	PROJECTIM	Real Estate and Real Estate Financing	FULL	60	60	60	60
	RED & BLACK CONSUMER FRANCE 2013	Financial Company	FULL	100	100	100	100
	RED & BLACK HOME LOANS FRANCE 1	Financial Company	FULL	100	100	100	100
	RIVAPRIM	Real Estate and Real Estate Financing	FULL	100	80	100	80

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
(6)	RIVAPRIM REALISATIONS	Real Estate and Real Estate Financing	FULL	100	0	100	0
	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
	SAINT CLAIR	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SAINT-MARTIN 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
(8)	SARL CS 72 - KERIADENN	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
	SARL D'AMENAGEMENT DU MARTINET	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SARL DE LA COTE D'OPALE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SARL DE LA VECQUERIE	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
	SARL EKO BOUAYE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SARL SEINE CLICHY	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS AMIENS - AVENUE DU GENERAL FOY	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SAS COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	71.62	71.62	75	75
(6)	SAS FOCH SULLY	Real Estate and Real Estate Financing	FULL	87.97	0	90	0
	SAS LOIRE ATLANTIQUE TERTIAIRE	Real Estate and Real Estate Financing	EJV	50	50	50	50
(6)	SAS MERIGNAC OASIS URBAINE	Real Estate and Real Estate Financing	FULL	90	0	90	0
	SAS MS FRANCE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SAS NOAHO AMENAGEMENT	Real Estate and Real Estate Financing	FULL	95.5	95.5	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 PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS PROJECTIM IMMOBILIER	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SAS RESIDENCIAL	Real Estate and Real Estate Financing	FULL	68.4	68.4	68.4	68.4

Country		Activity	Method*	Group ownership interest		Group voting interest	
				At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
(6)	SAS ROANNE LA TRILOGIE	Real Estate and Real Estate Financing	ESI	40.08	0	41	0
	SAS SOGEBROWN POISSY	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SAS SOGEMYSJ	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SAS SOGEPROM TERTIAIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
(6)	SAS SOJEPRIM	Real Estate and Real Estate Financing	FULL	80	0	100	0
(6)	SAS TIR A L'ARC AMENAGEMENT	Real Estate and Real Estate Financing	EJV	40	0	50	0
	SAS TOUR D2	Real Estate and Real Estate Financing	JO	50	50	50	50
	SAS ZAC DU TRIANGLE	Real Estate and Real Estate Financing	FULL	48.7	48.7	51	51
	SC ALICANTE 2000	Group Real Estate Management Company	FULL	100	100	100	100
	SC CHASSAGNE 2000	Group Real Estate Management Company	FULL	100	100	100	100
	SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	FULL	51.6	51.6	60	60
	SCCV 29 ET 31 AVENUE CHARLES DE GAULLE A LA TESTE DE BUCH	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV 3 CHATEAUX	Real Estate and Real Estate Financing	EJV	43	43	50	50
(3)	SCCV ADIVO	Real Estate and Real Estate Financing	ESI	0	26	0	26
	SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	ESI	49	49	49	49
	SCCV BAHIA	Real Estate and Real Estate Financing	FULL	48.7	48.7	51	51
(3)	SCCV BALMA ENTREPRISE	Real Estate and Real Estate Financing	EJV	0	50	0	50
(3)	SCCV BASSENS LES MONTS	Real Estate and Real Estate Financing	FULL	0	70	0	70
	SCCV BLAINVILLE LEMARCHAND	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	EJV	50	50	50	50
(6)	SCCV BOURGOIN 140 ROUTE DE LYON	Real Estate and Real Estate Financing	FULL	78.2	0	80	0
	SCCV BRON CARAVELLE	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
(5)	SCCV CAEN - CHARITE ILOT 3	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SCCV CAEN CASERNE MARTIN	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
	SCCV CAEN PANORAMIK	Real Estate and Real Estate Financing	ESI	40	50	40	50
(5)	SCCV CHARITE - REHABILITATION	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	EJV	100	100	100	100
	SCCV CHARTREUX LOT E	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	FULL	35	35	35	35
	SCCV CITY SQUARE	Real Estate and Real Estate Financing	ESI	50	50	50	50
	SCCV CLICHY BRC	Real Estate and Real Estate Financing	EJV	28	28	28	28
	SCCV COURS CLEMENCEAU	Real Estate and Real Estate Financing	ESI	43	43	50	50
	SCCV CUGNAUX-LEO LAGRANGE	Real Estate and Real Estate Financing	EJV	35	35	35	35
	SCCV EKO GREEN CITY	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
	SCCV EKO PARK OCEAN	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
	SCCV ESPACES DE DEMAIN	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 GAO	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
	SCCV GIGNAC MOUSSELINE	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
	SCCV GIVORS ROBICHON	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
	SCCV HALLUARD	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV HEROUVILLE ILOT A2	Real Estate and Real Estate Financing	ESI	33.33	33.33	33.33	33.33
	SCCV HOUSE PARK	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV JA LE HAVRE 22 COTY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV KYMA MERIGNAC	Real Estate and Real Estate Financing	ESI	30	30	30	30
(6)	SCCV LA MADELEINE SAINT-CHARLES	Real Estate and Real Estate Financing	EJV	40	0	50	0
	SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	EJV	50	50	50	50

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At	At	At	At	
			31.12.2018	31.12.2017	31.12.2018	31.12.2017	
	SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	ESI	49	49	49	49
	SCCV LE BOUSCAT CARRÉ SOLARIS	Real Estate and Real Estate Financing	ESI	25	0	25	0
	SCCV LE COURTIL	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV LE SIX	Real Estate and Real Estate Financing	ESI	24.5	24.5	24.5	24.5
	SCCV LE TEICH COEUR DE VILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCCV LES ECRIVAINS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV LES PATIOS D'OR DE FLEURY LES AUBRAIS	Real Estate and Real Estate Financing	FULL	64	64	80	80
	SCCV LES SUCRES	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
(6)	SCCV LESQUIN PARC	Real Estate and Real Estate Financing	EJV	40	0	50	0
(6)	SCCV LILLE - JEAN MACE	Real Estate and Real Estate Financing	ESI	26.72	0	33.4	0
	SCCV MARCQ PROJECTIM	Real Estate and Real Estate Financing	FULL	64	64	80	80
(3)	SCCV MASSON BEAU	Real Estate and Real Estate Financing	ESI	0	30	0	30
(6)	SCCV MEHUL	Real Estate and Real Estate Financing	FULL	60.2	0	70	0
(6)	SCCV MERIGNAC 53-55 AVENUE LEON BLUM	Real Estate and Real Estate Financing	ESI	30	0	30	0
	SCCV MONROC - LOT 3	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCCV MONTREUIL ACACIA	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCCV NATUREO	Real Estate and Real Estate Financing	ESI	30	30	30	30
(6)	SCCV NICE ARENAS	Real Estate and Real Estate Financing	FULL	100	0	100	0
	SCCV NOAHO HABITAT	Real Estate and Real Estate Financing	FULL	97.75	97.75	100	100
(6)	SCCV NOISY BOISSIERE	Real Estate and Real Estate Financing	FULL	51	0	51	0
	SCCV PARIS ALBERT	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV PARK OCEAN II	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV PRADES BLEU HORIZON	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	FULL	51	51	51	51

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
(6)	SCCV ROMAINVILLE DUMAS	Real Estate and Real Estate Financing	FULL	70	0	70	0
	SCCV ROUEN 27 ANGLAIS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV ROUSSET - LOT 03	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
	SCCV SAY	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV SENGHOR	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV SOGAB ROMAINVILLE	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCCV TALENCE PUR	Real Estate and Real Estate Financing	FULL	95	95	95	95
(6)	SCCV TASSIN - 190 CDG	Real Estate and Real Estate Financing	ESI	35	0	35	0
(3)	SCCV VAULX PABLO PICASSO	Real Estate and Real Estate Financing	EJV	0	47.75	0	50
	SCCV VERNAISON - RAZAT	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
	SCCV VILLA CHANZY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCCV VILLENAVE D'ORNON GARDEN VO	Real Estate and Real Estate Financing	ESI	25	0	25	0
(6)	SCCV VILLEURBANNE TEMPO	Real Estate and Real Estate Financing	FULL	92.8	0	100	0
	SCI 1134. AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCI 637 ROUTE DE FRANS	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI ABARITZ	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI AGIAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI ANGLET PROMOTION	Real Estate and Real Estate Financing	ESI	38.5	38.5	38.5	38.5
	SCI AQPRIM PROMOTION	Real Estate and Real Estate Financing	FULL	79.8	79.8	50	50
	SCI ASC LA BERGEONNERIE	Real Estate and Real Estate Financing	EJV	42	42	50	50
(3)	SCI AUBERVILLIERS CREVECOEUR	Real Estate and Real Estate Financing	ESI	0	35	0	35
	SCI AVARICUM	Real Estate and Real Estate Financing	FULL	99	99	99	99
	SCI BOBIGNY HOTEL DE VILLE	Real Estate and Real Estate Financing	ESI	35	35	35	35

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At	At	At	At	
			31.12.2018	31.12.2017	31.12.2018	31.12.2017	
	SCI BORDEAUX-20-26 RUE DU COMMERCE	Real Estate and Real Estate Financing	ESI	30	0	30	0
	SCI CENTRE IMMO PROMOTION RESIDENCES	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI CHARITE - GIRANDIERE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
(2)	SCI D.S.N.	Real Estate and Real Estate Financing	ESI	0	32.5	0	32.5
	SCI DIAGONALE	Real Estate and Real Estate Financing	FULL	68	68	75	75
	SCI DREUX LA ROTULE NORD	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI DU 84 RUE DU BAC	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI DU PARC SAINT ETIENNE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI ETAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI ETRECHY SAINT NICOLAS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI EUROPARC HAUTE BORNE 1	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SCI EUROPARC ST MARTIN DU TOUCH 2002	Real Estate and Real Estate Financing	FULL	100	100	100	100
(3)	SCI HAUSQUETTE I	Real Estate and Real Estate Financing	ESI	0	40	0	40
	SCI HEGEL PROJECTIM	Real Estate and Real Estate Financing	FULL	68	68	85	85
	SCI LA MANTILLA COMMERCES	Real Estate and Real Estate Financing	FULL	93	93	100	100
	SCI LA MARQUEILLE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI L'ACTUEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI LAVOISIER	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCI LE CERCLE DES ARTS	Real Estate and Real Estate Financing	ESI	37.5	37.5	37.5	37.5
	SCI LE DOMAINE DU PLESSIS	Real Estate and Real Estate Financing	ESI	20	20	20	20
	SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	EJV	40	40	40	40
	SCI LE MANOIR DE JEREMY	Real Estate and Real Estate Financing	ESI	40	40	40	40
(8)	SCI LE PARC DE BORDEROUGE	Real Estate and Real Estate Financing	FULL	60	60	60	60

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At	At	At	At	
			31.12.201830	31.12.201730	31.12.201830	31.12.201730	
	SCI LES BAINOTS	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI LES JARDINS DE LA BOURBRE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI LES JARDINS D'IRIS	Real Estate and Real Estate Financing	FULL	60	60	60	60
	SCI LES JARDINS DU BLAVET	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI LES PORTES DU LEMAN	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCI LES RESIDENCES GENEVOISES	Real Estate and Real Estate Financing	FULL	90	90	90	90
(3)	SCI LES TERRASSES DE BEL AIR	Real Estate and Real Estate Financing	ESI	0	40	0	40
	SCI LIEUSAINTE RUE DE PARIS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI LINAS COEUR DE VILLE 1	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCI LOCMINE- LAMENNAIS	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI L'OREE DES LACS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCI LYON BON LAIT	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCI LYON JOANNES	Real Estate and Real Estate Financing	EJV	47.8	47.8	50	50
	SCI MARSEILLE LE ZEPHYR	Real Estate and Real Estate Financing	FULL	55.9	55.9	65	65
	SCI MONTPELLIER JACQUES COEUR	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCI NOAHO RESIDENCES	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
(8)	SCI PATRIS	Real Estate and Real Estate Financing	EJV	25.8	25.8	30	30
	SCI PORTU ONDOAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI PROJECTIM MARCQ COEUR DE VILLE	Real Estate and Real Estate Financing	FULL	48	48	60	60
	SCI PRONY	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI QUINTEFEUILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI QUINTESENCE-VALESCURE	Real Estate and Real Estate Financing	EJV	50	48	50	50
	SCI REIMS GARE	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
	SCI RESIDENCE DU DONJON	Real Estate and Real Estate Financing	EJV	40	40	40	40
	SCI RHIN ET MOSELLE 1	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RHIN ET MOSELLE 2	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	FULL	100	92	100	100
	SCI RIVAPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	96	100	100
(3)	SCI ROUBAIX FOCH-LECLERC	Real Estate and Real Estate Financing	ESI	0	30	0	30
	SCI RSS INVESTIMMO COTE BASQUE	Real Estate and Real Estate Financing	ESI	20	20	20	20
(8)	SCI SAINT JEAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI SAINT OUEN L'AUMONE - L'OISE	Real Estate and Real Estate Financing	EJV	38	38	38	38
	SCI SAINT-DENIS WILSON	Real Estate and Real Estate Financing	FULL	60	60	60	60
	SCI SCS IMMOBILIER D'ENTREPRISES	Real Estate and Real Estate Financing	FULL	52.8	52.8	66	66
	SCI SOGECIP	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI SOGECTIM	Real Estate and Real Estate Financing	FULL	80	80	100	100
(3)	SCI SOGEPROM ATLANTIQUE	Real Estate and Real Estate Financing	FULL	0	80	0	80
	SCI STRASBOURG ETOILE THUMENAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCI STRASBOURG ROUTE DE WASSELONNE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI VAILLANT COUTURIER	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SCI VALENCE-CHAMPS DE MARS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI VELRI	Group Real Estate Management Company	EJV	50	50	50	50
	SCI VILLA EMILIE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCI VITAL BOUHOT 16-22 NEUILLY SUR SEINE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCPI GENEPIERRE	Real Estate and Real Estate Financing	FULL	45.08	45.08	45.08	45.08

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
	SEFIA	Specialist Financing	FULL	99.89	99.89	100	100
	SERVIPAR	Specialist Financing	FULL	79.82	79.82	100	100
	SG 29 HAUSSMANN	Financial Company	FULL	100	100	100	100
(6)	SG ACTIONS EURO SELECTION	Financial Company	FULL	40.05	0	40.05	0
(6)	SG ACTIONS EURO VALUE-C	Insurance	FULL	64.94	0	64.94	0
	SG ACTIONS FRANCE	Portfolio Management	FULL	38.14	38.14	38.14	38.14
(6)	SG ACTIONS LUXE-C	Insurance	FULL	84.25	0	84.25	0
(6)	SG ACTIONS MONDE EMERGENT	Insurance	FULL	60.05	0	60.05	0
	SG ACTIONS US	Portfolio Management	FULL	65.06	100	65.06	100
	SG CAPITAL DEVELOPPEMENT	Portfolio Management	FULL	100	100	100	100
	SG EUROPEAN MORTGAGE INVESTMENTS	Financial Company	FULL	100	100	100	100
	SG FINANCIAL SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	SG FLEXIBLE	Portfolio Management	FULL	92.48	100	92.48	100
	SG LYXOR GOVERNMENT BOND FUND	Portfolio Management	FULL	100	100	100	100
	SG LYXOR LCR FUND	Portfolio Management	FULL	100	100	100	100
(6)	SG MONE TRESO-E	Insurance	FULL	98.62	0	98.62	0
	SG MONETAIRE PLUS E	Financial Company	FULL	58.93	38.45	58.93	38.45
(6)	SG OBLIG ETAT EURO-R	Insurance	FULL	79.94	0	79.94	0
	SG OPCIMMO	Real Estate and Real Estate Financing	FULL	97.95	97.95	97.95	97.95
	SG OPTION EUROPE	Broker	FULL	100	100	100	100
(5)	SG SERVICES	Specialist Financing	FULL	0	100	0	100
	SG VALOR ALPHA ACTIONS FRANCE	Financial Company	FULL	72.77	75.34	72.77	75.34
	SGB FINANCE S.A.	Specialist Financing	FULL	50.94	50.94	51	51
	SGEF SA	Specialist Financing	FULL	100	100	100	100
(6)	SGI 10-16 VILLE L'EVEQUE	Insurance	FULL	100	0	100	0
(6)	SGI 1-5 ASTORG	Insurance	FULL	100	0	100	0
	SGI HOLDING SIS	Group Real Estate Management Company	FULL	100	100	100	100
(6)	SGI PACIFIC	Insurance	FULL	86.17	0	89.53	0
	SNC COEUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	ESI	25.5	25.5	30	30
	SNC COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SNC D'AMENAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
(5)	SNC DU 10 RUE MICHELET	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SNC ISSY FORUM 10	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SNC ISSY FORUM 11	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SNC NEUILLY ILE DE LA JATTE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SNC PROMOSEINE	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SOCIETE ANONYME DE CREDIT A L'INDUSTRIE FRANCAISE (CALIF)	Bank	FULL	100	100	100	100
(2)	SOCIETE CIVILE IMMOBILIERE 110 RUE DE RICHELIEU	Real Estate and Real Estate Financing	ESI	0	35	0	35

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At	At	At	At	
			31.12.2018	31.12.2017	31.12.2018	31.12.2017	
	SOCIETE CIVILE IMMOBILIERE CAP THALASSA	Real Estate and Real Estate Financing	ESI	45	45	45	45
	SOCIETE CIVILE IMMOBILIERE CAP VEYRE	Real Estate and Real Estate Financing	ESI	50	50	50	50
	SOCIETE CIVILE IMMOBILIERE DE DIANE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIETE CIVILE IMMOBILIERE DE PIERLAS	Real Estate and Real Estate Financing	ESI	28	28	28	28
	SOCIETE CIVILE IMMOBILIERE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
	SOCIETE CIVILE IMMOBILIERE DOMAINE DURANDY	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SOCIETE CIVILE IMMOBILIERE ERICA	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIETE CIVILE IMMOBILIERE ESTEREL TANNERON	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIETE CIVILE IMMOBILIERE FONTENAY - ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIETE CIVILE IMMOBILIERE GAMBETTA DEFENSE V	Real Estate and Real Estate Financing	ESI	20	20	20	20
	SOCIETE CIVILE IMMOBILIERE LE BOTERO	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIETE CIVILE IMMOBILIERE LES HAUTS DE L'ESTAQUE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SOCIETE CIVILE IMMOBILIERE LES HAUTS DE SEPTEMES	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SOCIETE CIVILE IMMOBILIERE MIRECRAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SOCIETE CIVILE IMMOBILIERE NAXOU	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE CIVILE IMMOBILIERE TOULDI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE CIVILE IMMOBILIERE VERT COTEAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SOCIETE DE BOURSE GILBERT DUPONT	Financial Company	FULL	100	100	100	100
	SOCIETE DE LA RUE EDOUARD VII	Portfolio Management	FULL	99.91	99.91	99.91	99.91
(5)	SOCIETE DE REALISATION DU PARC D'ACTIVITES DE TOULOUSE S O P A T	Real Estate and Real Estate Financing	ESI	0	100	0	100
	SOCIETE DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	99.98	99.98	100	100
	SOCIETE DU PARC D ACTIVITE DE LA VALENTINE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIETE EN NOM COLLECTIF PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE FINANCIERE D'ANALYSE ET DE GESTION	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE	Bank	FULL	100	100	100	100
	SOCIETE GENERALE CAPITAL FINANCE	Portfolio Management	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
	SOCIETE GENERALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE DE BANQUE AUX ANTILLES	Bank	FULL	100	100	100	100
	SOCIETE GENERALE FACTORING	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE PARTICIPATIONS INDUSTRIELLES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER SOGEBAIL	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE REAL ESTATE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE SCF	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE SFH	Specialist Financing	FULL	100	100	100	100
	SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100	100
	SOCIETE IMMOBILIERE URBI ET ORBI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE LES PINSONS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIETE MARSEILLAISE DE CREDIT	Bank	FULL	100	100	100	100
	SOGÉ BEAUJOIRE	Group Real Estate Management Company	FULL	99.99	99.99	100	100
	SOGÉ PERIVAL I	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉ PERIVAL II	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉ PERIVAL III	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉ PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉACT.SÉLEC.MON.	Portfolio Management	FULL	99.78	99.78	99.78	99.78
	SOGÉCAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉCAP	Insurance	FULL	100	100	100	100
	SOGÉCAP - DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
	SOGÉCAP DIVERSIFIÉ 1	Portfolio Management	FULL	100	100	100	100
	SOGÉCAP LONG TERME N°1	Financial Company	FULL	100	100	100	100
(6)	SOGÉCAPIMMO 2	Insurance	FULL	89.39	0	90.84	0
	SOGÉFIM HOLDING	Portfolio Management	FULL	100	100	100	100
	SOGÉFIMUR	Specialist Financing	FULL	100	100	100	100
	SOGÉFINANCEMENT	Specialist Financing	FULL	100	100	100	100
	SOGÉFINERG SG POUR LE FINANCEMENT DES INVESTISSEMENTS ECONOMISANT L'ENERGIE	Specialist Financing	FULL	100	100	100	100
	SOGÉFONTENAY	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉLEASE FRANCE	Specialist Financing	FULL	100	100	100	100
	SOGÉMARCHE	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉPARTICIPATIONS	Portfolio Management	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
	SOGEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM ALPES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM ENTREPRISES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM ENTREPRISES REGIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM PARTENAIRES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM SUD REALISATIONS	Real Estate and Real Estate Financing	FULL	90.9	90.9	100	100
	SOGESSUR	Insurance	FULL	100	100	100	100
	SOGEVIMMO	Group Real Estate Management Company	FULL	85.55	100	85.55	100
(5)	SOGINFO - SOCIETE DE GESTION ET D'INVESTISSEMENTS FONCIERS	Group Real Estate Management Company	FULL	0	100	0	100
	ST BARNABE 13004	Real Estate and Real Estate Financing	EJV	43	43	50	50
	STAR LEASE	Specialist Financing	FULL	100	100	100	100
(8)	STRACE	Real Estate and Real Estate Financing	ESI	20	20	20	20
	TEMSYS	Specialist Financing	FULL	79.82	79.82	100	100
(8)	URBANISME ET COMMERCE	Real Estate and Real Estate Financing	FULL	99.88	99.88	99.88	99.88
	URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100	100
(2)	UTEI FEYZIN	Real Estate and Real Estate Financing	ESI	0	30	0	30
	VALMINVEST	Group Real Estate Management Company	FULL	100	100	100	100
	VILLA D'ARMONT	Real Estate and Real Estate Financing	ESI	40	40	40	40

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
Ghana							
	SOCIETE GENERALE GHANA LIMITED	Bank	FULL	60.22	56.67	60.22	56.67
Gibraltar							
	HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	FULL	100	100	100	100
	SG KLEINWORT HAMBROS BANK (GIBRALTAR) LIMITED	Bank	FULL	100	100	100	100
Greece							
	ALD AUTOMOTIVE S.A. LEASE OF CARS	Specialist Financing	FULL	79.82	79.82	100	100
Guinea							
	SG DE BANQUES EN GUINEE	Bank	FULL	57.94	57.94	57.94	57.94
Equatorial Guinea							
	SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE	Bank	FULL	52.44	52.44	57.23	57.23
Hong Kong							
(1)	DESCARTES TRADING HONG KONG BRANCH	Financial Company	FULL	100	100	100	100
	SG ASSET FINANCE (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
(6)	SG CORPORATE FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	0	100	0
	SG FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
	SG FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
(1)	SG HONG KONG	Bank	FULL	100	100	100	100
	SG SECURITIES (HK) NOMINEES LTD	Broker	FULL	100	100	100	100
	SG SECURITIES (HONG-KONG) LTD	Broker	FULL	100	100	100	100
	SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD (HONG-KONG)	Broker	FULL	100	100	100	100
	SOCIETE GENERALE ASIA LTD	Financial Company	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 5 LIMITED	Financial Company	FULL	100	100	100	100
Hungary							
	ALD AUTOMOTIVE MAGYARORSZAG KFT	Specialist Financing	FULL	79.82	79.82	100	100
(5)	MKB-EUROLEASING AUTOPARK KERESKEDELMI ES SZOLGALTATO ZARTKORUEN MUKODO RESZVENYTARSASAG	Specialist Financing	FULL	0	79.82	0	100
(3)	SG EQUIPMENT FINANCE HUNGARY ZRT	Specialist Financing	EFS	0	100	0	100
(3)	SG EQUIPMENT LEASING HUNGARY LTD	Specialist Financing	EFS	0	100	0	100
Jersey Island							
	ELMFORD LIMITED	Services	FULL	100	100	100	100
	HANOM I LIMITED	Financial Company	FULL	100	100	100	100
	HANOM II LIMITED	Financial Company	FULL	100	100	100	100
	HANOM III LIMITED	Financial Company	FULL	100	100	100	100
	JD CORPORATE SERVICES LIMITED	Services	FULL	100	100	100	100
	KLEINWORT BENSON CUSTODIAN SERVICES LIMITED	Bank	FULL	100	100	100	100
(7)	LYXOR MASTER FUND	Financial Company	FULL	100	100	100	100
	NEWMEAD TRUSTEES LIMITED	Financial Company	FULL	100	100	100	100
	SG HAMBROS (FOUNDATIONS) LTD	Financial Company	FULL	100	100	100	100
	SG HAMBROS NOMINEES (JERSEY) LTD	Financial Company	FULL	100	100	100	100
	SG KLEINWORT HAMBROS BANK (CI) LIMITED	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS CORPORATE SERVICES (CI) LIMITED	Portfolio Management	FULL	100	100	100	100
	SG KLEINWORT HAMBROS TRUST COMPANY (CI) LIMITED	Financial Company	FULL	100	100	100	100
	SGKH TRUSTEES (CI) LIMITED	Services	FULL	100	100	100	100
	SOLENTIS INVESTMENT SOLUTIONS PCC	Financial Company	FULL	100	100	100	100
Isle of Man							
	KBBIOM LIMITED	Bank	FULL	50	50	50	50
	KBTIOM LIMITED	Bank	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
Guernsey Island							
	ARAMIS II SECURITIES CO. LTD	Financial Company	FULL	100	100	100	100
	CDS INTERNATIONAL LIMITED	Services	FULL	100	100	100	100
	GRANGE NOMINEES LIMITED	Bank	FULL	100	100	100	100
	GUERNSEY FINANCIAL ADVISORY SERVICES LIMITED	Bank	FULL	100	100	100	100
	GUERNSEY NOMINEES LIMITED	Bank	FULL	100	100	100	100
	HAMBROS (GUERNSEY NOMINEES) LTD	Services	FULL	100	100	100	100
	HTG LIMITED	Services	FULL	100	100	100	100
	K.B. (C.I.) NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(2) KBII PCC LIMITED	Bank	FULL	0	100	0	100
	MISON NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(1) SG HAMBROS BANK (CHANNEL ISLANDS) LTD GUERNSEY BRANCH	Bank	FULL	100	100	100	100
Cayman Islands							
	AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100	100
	(2) BRIDGEVIEW II LIMITED	Specialist Financing	FULL	0	100	0	100
	SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	100	100	100	100
British Virgin Islands							
	TSG HOLDINGS LTD	Services	FULL	100	100	100	100
	TSG MANAGEMENT LTD	Services	FULL	100	100	100	100
	TSG SERVICES LTD	Services	FULL	100	100	100	100
India							
	ALD AUTOMOTIVE PRIVATE LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	(1) SG MUMBAI	Bank	FULL	100	100	100	100
	SOCIETE GENERALE GLOBAL SOLUTION CENTRE PRIVATE	Services	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	Broker	FULL	100	100	100	100
Ireland							
	ALD RE DESIGNATED ACTIVITY COMPANY	Insurance	FULL	79.82	79.82	100	100
	INORA LIFE LTD	Insurance	FULL	100	100	100	100
	IRIS II SPV DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
	MERRION FLEET FINANCE LIMITED	Financial Company	FULL	79.82	79.82	100	100
	MERRION FLEET MANAGEMENT LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	(1) SG DUBLIN	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS PRIVATE INVESTMENT OFFICE SERVICES LIMITED	Bank	FULL	100	100	100	100
	SGBT FINANCE IRELAND DESIGNATED ACTIVITY COMPANY	Specialist Financing	FULL	100	100	100	100
	SGSS (IRELAND) LIMITED	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE HEDGING DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
Italy							
	ALD AUTOMOTIVE ITALIA S.R.L	Specialist Financing	FULL	79.82	79.82	100	100
	FIDITALIA S.P.A	Specialist Financing	FULL	100	100	100	100
	FRAER LEASING SPA	Specialist Financing	FULL	73.85	73.85	73.85	73.85
	SG EQUIPMENT FINANCE ITALY S.P.A.	Specialist Financing	FULL	100	100	100	100
	SG FACTORING SPA	Specialist Financing	FULL	100	100	100	100
	SG LEASING SPA	Specialist Financing	FULL	100	100	100	100
	(1) SG MILAN	Bank	FULL	100	100	100	100
	(1) SOCECAP SA RAPPRESENTANZA GENERALE PER L'ITALIA	Insurance	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES S.P.A.	Bank	FULL	100	100	100	100
	(1) SOGESSUR SA	Insurance	FULL	100	100	100	100
Japan							
	LYXOR ASSET MANAGEMENT JAPAN CO LTD	Portfolio Management	FULL	100	100	100	100
	(1) SG TOKYO	Bank	FULL	100	100	100	100
	(1) SOCIETE GENERALE (NORTH PACIFIC) LTD. TOKYO BRANCH	Bank	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
Latvia							
	ALD AUTOMOTIVE SIA	Specialist Financing	FULL	59.86	59.86	75	75
Lebanon							
	SG DE BANQUE AU LIBAN	Bank	ESI	16.79	16.79	16.85	16.85
Lithuania							
	UAB ALD AUTOMOTIVE	Specialist Financing	FULL	59.86	59.86	75	75
Luxembourg							
	ALD INTERNATIONAL SERVICES S.A.	Specialist Financing	FULL	79.82	79.82	100	100
	AXA IM FIIS US SH.DUR.HIGH YIELD A DIS H	Specialist Financing	FULL	50.58	38	50.58	38
	AXUS LUXEMBOURG SA	Specialist Financing	FULL	79.82	79.82	100	100
	BARTON CAPITAL SA	Financial Company	FULL	100	100	100	100
(2)	CHABON SA	Financial Company	FULL	0	100	0	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
	G FINANCE LUXEMBOURG SA	Financial Company	FULL	100	100	100	100
	IVEFI S.A.	Financial Company	FULL	100	100	100	100
	LX FINANZ S.A.R.L.	Financial Company	FULL	100	100	100	100
	PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
	RED & BLACK AUTO LEASE GERMANY 2 S.A.	Financial Company	FULL	79.82	79.82	100	100
	SG ISSUER	Financial Company	FULL	100	100	100	100
	SGBT ASSET BASED FUNDING SA	Financial Company	FULL	100	100	100	100
	SGBT CI	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE BANK & TRUST	Bank	FULL	100	100	100	100
	SOCIETE GENERALE CAPITAL MARKET FINANCE	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE FINANCING AND DISTRIBUTION	Financial Company	FULL	100	100	100	100
(2)	SOCIETE GENERALE LDG	Bank	FULL	0	100	0	100
	SOCIETE GENERALE LIFE INSURANCE BROKER SA	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE PRIVATE WEALTH MANAGEMENT S.A.	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE RE SA	Insurance	FULL	100	100	100	100
	SOCIETE IMMOBILIERE DE L'ARSENAL	Group Real Estate Management Company	FULL	100	100	100	100
	SOGELIFE	Insurance	FULL	100	100	100	100
Macedonia							
	OHRIDSKA BANKA AD SKOPJE	Bank	FULL	74.53	70.02	75.38	70.96
Madagascar							
	BANKY FAMPANDROSOANA VAROTRA SG	Bank	FULL	70	70	70	70
Malta							
	LNG MALTA INVESTMENT 1 LIMITED	Financial Company	FULL	100	100	100	100
	LNG MALTA INVESTMENT 2 LIMITED	Financial Company	FULL	100	100	100	100
Morocco							
	ALD AUTOMOTIVE SA MAROC	Specialist Financing	FULL	36.57	36.56	50	50
	ATHENA COURTAGE	Insurance	FULL	58.45	58.41	99.93	99.93
	FONCIMMO	Group Real Estate Management Company	FULL	57.57	57.53	100	100
	LA MAROCAINE VIE	Insurance	FULL	89.03	89.02	99.98	99.98
	SG MAROCAINE DE BANQUES	Bank	FULL	57.57	57.53	57.57	57.53
	SOCIETE D' EQUIPEMENT DOMESTIQUE ET MENAGER EQDOM	Specialist Financing	FULL	30.93	45.75	53.72	53.72
	SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.57	57.53	100	100
	SOCIETE GENERALE OFFSHORE	Financial Company	FULL	57.5	57.46	99.88	99.88
	SOGECAPITAL GESTION	Financial Company	FULL	57.53	57.49	99.94	99.94
	SOGECAPITAL PLACEMENT	Portfolio Management	FULL	57.55	57.5	99.96	99.96
	SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.57	57.53	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
Mauritius							
	SG SECURITIES BROKING (M) LIMITED	Broker	FULL	100	100	100	100
Mexico							
	ALD AUTOMOTIVE S.A. DE C.V.	Specialist Financing	FULL	79.82	79.82	100	100
	ALD FLEET SA DE CV SOFOM ENR	Specialist Financing	FULL	79.82	79.82	100	100
	SGFP MEXICO. S.A. DE C.V.	Financial Company	FULL	99.98	100	100	100
Moldavia							
	MOBIASBANCA GROUPE SOCIETE GENERALE	Bank	FULL	79.93	79.93	87.9	87.9
Monaco							
	(1) CREDIT DU NORD - MONACO	Bank	FULL	100	100	100	100
	(1) SMC MONACO	Bank	FULL	100	100	100	100
	(1) SOCIÉTÉ GÉNÉRALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	100	100	100	100
Montenegro							
	SOCIETE GENERALE BANKA MONTENEGRO A.D.	Bank	FULL	90.56	90.56	90.56	90.56
Norway							
	ALD AUTOMOTIVE AS	Specialist Financing	FULL	79.82	79.82	100	100
	NF FLEET AS	Specialist Financing	FULL	63.85	63.85	80	80
	SG FINANS AS	Specialist Financing	FULL	100	100	100	100
New Caledonia							
	CREDICAL	Specialist Financing	FULL	87.07	87.07	96.64	96.64
	SOCIETE GENERALE CALEDONIENNE DE BANQUE	Bank	FULL	90.1	90.1	90.1	90.1
Netherlands							
	ALVARENGA INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
	ASTEROLD B.V.	Financial Company	FULL	100	100	100	100
	AXUS FINANCE NL B.V.	Specialist Financing	FULL	79.82	79.82	100	100
	AXUS NEDERLAND BV	Specialist Financing	FULL	79.82	79.82	100	100
	BRIGANTIA INVESTMENTS B.V.	Financial Company	FULL	100	100	100	100
	COPARER HOLDING	Group Real Estate Management Company	FULL	100	100	100	100
	HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
	HORDLE FINANCE B.V.	Financial Company	FULL	100	100	100	100
	MONTALIS INVESTMENT BV	Specialist Financing	FULL	100	100	100	100
	(1) SG AMSTERDAM	Bank	FULL	100	100	100	100
	SG EQUIPMENT FINANCE BENELUX BV	Specialist Financing	FULL	100	100	100	100
	SOGLEASE B.V.	Specialist Financing	FULL	100	100	100	100
	SOGLEASE FILMS	Specialist Financing	FULL	100	100	100	100
	TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
The Philippines							
	(1)(2) SOCIETE GENERALE MANILA OFFSHORE BRANCH	Bank	FULL	0	100	0	100
Poland							
	ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	79.82	79.82	100	100
	EURO BANK S.A.	Bank	FULL	99.99	99.99	99.99	99.99
	PEMA POLSKA SP.Z O.O.	Services	FULL	100	100	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)(5) SOGECAP RISQUES DIVERS SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	0	100	0	100
	(1) SOGECAP SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
	(1)(6) SOGESSUR SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	0	100	0
	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

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
Portugal							
	SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENZ SA	Specialist Financing	FULL	79.82	79.82	100	100
Czech Republic							
	ALD AUTOMOTIVE SRO	Specialist Financing	FULL	79.82	79.82	100	100
	CATAPS	Services	ESI	0.61	12.15	40	20
	ESSEX SRO	Specialist Financing	FULL	80	80	100	100
	FACTORING KB	Financial Company	FULL	60.73	60.73	100	100
	KB PENZIJNI SPOLECNOST. A.S.	Financial Company	FULL	60.73	60.73	100	100
	KB REAL ESTATE	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
	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
	PEMA PRAHA SPOL. S.R.O.	Specialist Financing	FULL	100	100	100	100
	PROTOS	Financial Company	FULL	60.73	60.73	100	100
(5)	PSA FINANCE CESKA REPUBLIKA SRO	Specialist Financing	FULL	0	80	0	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. A.S.	Group Real Estate Management Company	FULL	60.73	60.73	100	100
	VN 42	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
Romania							
	ALD AUTOMOTIVE SRL	Specialist Financing	FULL	75.89	75.89	100	100
	BRD - GROUPE SOCIETE GENERALE SA	Bank	FULL	60.17	60.17	60.17	60.17
	BRD ASSET MANAGEMENT SAI SA	Portfolio Management	FULL	60.15	60.15	99.97	99.97
	BRD FINANCE IFN S.A.	Financial Company	FULL	80.48	80.48	100	100
	S.C. BRD SOGELEASE IFN S.A.	Specialist Financing	FULL	60.17	60.17	100	100
	S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	FULL	75	75	75	75
	SOCIETE GENERALE EUROPEAN BUSINESS SERVICES S.A.	Services	FULL	100	100	100	100
	SOGEPROM ROMANIA SRL	Real Estate and Real Estate Financing	FULL	100	100	100	100
(1)(6)	SOGESSUR S.A PARIS - SUCURSALA BUCURESTI	Insurance	FULL	100	0	100	0
United Kingdom							
	ACR	Financial Company	FULL	100	100	100	100
	ALD AUTOMOTIVE GROUP LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	ALD AUTOMOTIVE LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	ALD FUNDING LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
(1)(2)	BRIDGEVIEW II LIMITED (UK BRANCH)	Specialist Financing	FULL	0	100	0	100
(1)	BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
(1)	DESCARTES TRADING LONDON BRANCH	Financial Company	FULL	100	100	100	100
	FENCHURCH NOMINEES LIMITED	Bank	FULL	100	100	100	100
	FRANK NOMINEES LIMITED	Bank	FULL	100	100	100	100
(1)	HORDLE FINANCE B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest		Group voting interest	
				At	At	At	At
				31.12.2018	31.12.2017	31.12.2018	31.12.2017
(8)	JWB LEASE HOLDINGS LIMITED	Specialist Financing	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
	LYXOR ASSET MANAGEMENT UK LLP	Financial Company	FULL	100	100	100	100
	MAGPIE ROSE LIMITED	Bank	FULL	100	100	100	100
	PICO WESTWOOD LIMITED	Bank	FULL	100	100	100	100
	ROBERT BENSON. LONSDALE & CO (CANADA) LIMITED	Bank	FULL	100	100	100	100
	SAINT MELROSE LIMITED	Bank	FULL	100	100	100	100
	SG (MARITIME) LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
	SG EQUIPMENT FINANCE (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
(8)	SG EQUIPMENT FINANCE LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
(8)	SG EQUIPMENT FINANCE OPERATING LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
(8)	SG EQUIPMENT FINANCE RENTAL 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 LTD	Financial Company	FULL	100	100	100	100
	SG HEALTHCARE BENEFITS TRUSTEE COMPANY LIMITED	Financial Company	FULL	100	100	100	100
	SG INVESTMENT LIMITED	Financial Company	FULL	100	100	100	100
	SG KLEINWORT HAMBROS BANK LIMITED	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS LIMITED	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS TRUST COMPANY (UK) LIMITED	Bank	FULL	100	100	100	100
	SG LEASING (ASSETS) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (CENTRAL 1) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	FULL	100	100	100	100
(8)	SG LEASING (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (GEMS) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (JUNE) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (MARCH) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (USD) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (UTILITIES) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING IX	Specialist Financing	FULL	100	100	100	100
(2)	SG LEASING XII	Specialist Financing	FULL	0	100	0	100
(1)	SG LONDRES	Bank	FULL	100	100	100	100
	SGFLD LIMITED	Financial Company	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
-2	SOCIETE GENERALE SECURITIES SERVICES UK LIMITED	Broker	FULL	0	100	0	100
	STRABUL NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
(8)	TALOS HOLDING LTD	Financial Company	FULL	100	100	100	100
(8)	TALOS SECURITIES LTD	Broker	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
(2)	THE EIFFEL LIMITED PARTNERSHIP	Specialist Financing	FULL	0	100	0	100
(2)	THE FENCHURCH PARTNERSHIP (EFFECTIVE 11.08.2003)	Financial Company	FULL	0	100	0	100
(1)	TYNEVOR B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
Russian Federation							
	ALD AUTOMOTIVE OOO	Specialist Financing	FULL	79.82	79.82	100	100
	CLOSED JOINT STOCK COMPANY SG FINANCE	Specialist Financing	FULL	99.95	99.95	100	100
	COMMERCIAL BANK DELTACREDIT JOINT STOCK COMPANY	Bank	FULL	99.95	99.95	100	100
	CREDIT INSTITUTION OBYEDINYONNAYA RASCHOTNAYA SISTEMA	Financial Company	FULL	99.95	99.95	100	100
	JSC TELSICOM	Services	FULL	99.95	99.95	100	100
	LLC RUSFINANCE	Bank	FULL	99.95	99.95	100	100
	LLC RUSFINANCE BANK	Bank	FULL	99.95	99.95	100	100
	PJSC ROSBANK	Bank	FULL	99.95	99.95	99.95	99.95
	RB FACTORING LLC	Specialist Financing	FULL	99.95	99.95	100	100
	RB LEASING LLC	Specialist Financing	FULL	99.95	99.95	100	100
	RB SERVICE LLC	Group Real Estate Management Company	FULL	99.95	99.95	100	100
	RB SPECIALIZED DEPOSITARY LLC	Financial Company	FULL	99.95	99.95	100	100
	SG STRAKHOVANIE LLC	Insurance	FULL	99.99	99.99	100	100
	SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	FULL	99.99	99.99	100	100
(2)	SOSNOVKA LLC	Group Real Estate Management Company	FULL	0	99.95	0	100
Senegal							
	SOCIETE GENERALE DE BANQUES AU SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
Serbia							
	ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	FULL	79.82	79.82	100	100
	SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD	Bank	FULL	100	100	100	100
	SOGELEASE SRBIJA D.O.O.	Specialist Financing	FULL	100	100	100	100
Singapore							
	SG MARKETS (SEA) PTE. LTD.	Broker	FULL	100	100	100	100
	SG SECURITIES (SINGAPORE) PTE. LTD.	Broker	FULL	100	100	100	100
(1)	SG SINGAPOUR	Bank	FULL	100	100	100	100
	SG TRUST (ASIA) LTD	Financial Company	FULL	100	100	100	100
Slovakia							
	ALD AUTOMOTIVE SLOVAKIA S.R.O.	Specialist Financing	FULL	79.82	79.82	100	100
	ESOX FINANCE S.R.O	Specialist Financing	FULL	80	80	100	100
(1)	KOMERCNI BANKA BRATISLAVA	Bank	FULL	60.73	60.73	100	100
	PEMA SLOVAKIA SPOL.S.R.O.	Specialist Financing	FULL	100	100	100	100
(1)	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	FULL	80.33	80.33	100	100
Slovenia							
	ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	79.82	79.82	100	100
	SKB LEASING D.O.O.	Specialist Financing	FULL	99.73	99.73	100	100
	SKB BANKA D.D. LJUBLJANA	Bank	FULL	99.73	99.73	99.73	99.73
	SKB LEASING SELECT D.O.O.	Specialist Financing	FULL	99.73	99.73	100	100
Sweden							
	ALD AUTOMOTIVE AB	Specialist Financing	FULL	79.82	79.82	100	100
	NF FLEET AB	Specialist Financing	FULL	63.85	63.85	80	80
	PEMA TRUCK- OCH TRAILERUTHYRNING AB	Specialist Financing	FULL	100	100	100	100
(1)	SG FINANS AS SWEDISH BRANCH	Specialist Financing	FULL	100	100	100	100
(1)	SOCIETE GENERALE SA BANKFILIAL SVERIGE	Bank	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interest		Group voting interest		
			At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017	
Switzerland							
	ALD AUTOMOTIVE AG	Specialist Financing	FULL	79.82	79.82	100	100
	PEMA TRUCK- UND TRAILERVERMIETUNG GMBH	Specialist Financing	FULL	100	100	100	100
	(8) ROSBANK (SWITZERLAND)	Bank	FULL	99.95	99.95	100	100
	SG EQUIPMENT FINANCE SCHWEIZ AG	Specialist Financing	FULL	100	100	100	100
	(1) SG ZURICH	Bank	FULL	100	100	100	100
	SOCIETE GENERALE PRIVATE BANKING (SUISSE) S.A.	Bank	FULL	100	100	100	100
Taiwan							
	(1) SG SECURITIES (HONG KONG) LIMITED TAIPEI BRANCH	Broker	FULL	100	100	100	100
	(1) SG TAIPEI	Bank	FULL	100	100	100	100
Chad							
	SOCIETE GENERALE TCHAD	Bank	FULL	56.86	56.86	67.83	67.83
Thailand							
	SOCIETE GENERALE SECURITIES (THAILAND) LTD.	Broker	FULL	100	100	100	100
Togo							
	(1) SOCIETE GENERALE TOGO	Bank	FULL	89.64	89.64	100	100
Tunisia							
	UNION INTERNATIONALE DE BANQUES	Bank	FULL	55.1	55.1	52.34	52.34
Turkey							
	ALD AUTOMOTIVE TURIZM TICARET ANONIM SIRKETI	Specialist Financing	FULL	79.82	79.82	100	100
	(1) SG ISTANBUL	Bank	FULL	100	100	100	100
Ukraine							
	ALD AUTOMOTIVE UKRAINE LIMITED LIABILITY COMPANY	Specialist Financing	FULL	79.82	79.82	100	100

* FULL: Full consolidation - JO: Joint Operation - EJV: Equity (Joint Venture) - ESI: Equity (significant influence) – EFS: Equity For Simplification (Entities controlled by the Group that are consolidated using the equity method for simplification due to their limited materiality).

(1) Branches.

(2) Entities wound up in 2018.

(3) Removal from the scope in 2018.

(4) Entities sold in 2018.

(5) Merged in 2018.

(6) Newly consolidated in 2018.

(7) Including 48 funds.

(8) Wind up in process.

Additional information related to the consolidation scope and equity investments as required by the regulation 2016-09 of the “Autorité des Normes Comptables” (ANC, the French Accounting standard setter), dated 2 December 2016 is available on the Societe Generale Group website at:

<https://www.societegenerale.com/en/investors/>

NOTE 8.7 FEES PAID TO STATUTORY AUDITORS

The consolidated financial statements of Societe Generale Group are certified jointly by Ernst & Young et Autres represented by Mr. Micha Missakian, on the one hand; and Deloitte et Associés represented by Mr. Jean-Marc Mickeler, on the other hand.

On the proposal of the Board of Directors and following the recommendation of the Audit and Internal Control Committee of Societe Generale (CACI), the Annual General Meeting held on 23 May 2018 renewed the mandates of Ernst & Young et Autres and Deloitte et Associés for six years.

Further to the publication of the European regulation on the audit reform, a new approval policy of the non-audit services of statutory auditors ("SACC") and their network was set up by the CACI to verify its

compliance in relation to the new regulation before to the launch of the mission.

A synthesis of the SACC (approved or refused) is presented to every session of the CACI.

In addition, a report on the fees according to type of mission (audit or non-audit) is submitted each year to the CACI.

Lastly, the Finance Departments of the entities and business units annually appraise the quality of the audits performed by Deloitte et Associés and Ernst & Young et Autres. The conclusions of this survey are presented to the CACI.

AMOUNTS OF STATUTORY AUDITORS' FEES PRESENTED IN THE INCOME STATEMENT

		Ernst & Young et Autres		Deloitte et Associés		TOTAL	
		2018 ⁽¹⁾	2017	2018 ⁽²⁾	2017	2018	2017
<i>(In millions of euros excl. VAT)</i>							
Statutory audit. certification. examination of parent company and consolidated accounts	Issuer	4	7	7	9	11	16
	Fully consolidated subsidiaries	16	17	12	14	28	31
SUB-TOTAL AUDIT		20	24	19	23	39	47
Non-audit services (SACC)	Issuer	2	1	1	1	3	2
	Fully consolidated subsidiaries	1	1	2	1	3	2
TOTAL		23	26	22	25	45	51

(1) Including Ernst and Young network: EUR 14 million

(2) Including Deloitte network: EUR 11 million

The non-audit services provided by statutory auditors this year mainly consisted of missions of compliance review with regard to the regulatory requirements, missions of internal control within the framework of respect of ISAE standards (International Standard on Assurance Engagement), agreed upon procedures or complementary

audits within the scope of issuing of certificates or RSE report (RSE: environmental and social responsibility) and then audit assignments within the framework of project of acquisitions. They include also non-audit services expressly and exclusively entrusted to the statutory auditors for EUR 1.5 million.

NOTE 8.8 Accounting principles applied up to 31 december 2017 to financial instruments**ACCOUNTING PRINCIPLES**

The accounting principles presented hereafter are those applied to financial instruments up to 31 December 2017 in accordance with IAS 39 provisions.

Classification of financial instruments

When initially recognised, financial instruments are presented in the balance sheet under categories that determine their accounting treatment and their subsequent valuation method. This classification depends on the type of financial instrument and the purpose of the transaction.

Financial assets 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 which by default include derivative financial assets not qualifying as hedging instruments and non-derivative financial assets designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option;
- *Loans and receivables*: these include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired and not designated upon initial recognition to be carried at fair value through profit or loss (in accordance with the fair value option). They are measured at amortised cost and impairment determined on an individual or a collective basis may be recorded if appropriate;
- *Held-to-maturity financial assets*: these are non-derivative financial assets with fixed or determinable payments and a fixed maturity that are quoted in an active market and which the Group has the intention and ability to hold to maturity. They are measured at their amortised cost and may be subject to impairment as appropriate. Amortised cost includes premiums and discounts as well as transaction costs;
- *Available-for-sale financial assets*: these are non-derivative financial assets held for an indeterminate period which the Group may sell at any time. By default, they are any assets that do not fall into one of the above three categories. These instruments are measured at fair value against *Unrealised or deferred gains and losses*. Interest accrued or paid on debt securities is recognised in the income statement using the effective interest rate method while dividend income earned on equity securities is recorded in the income statement under *Net gains and losses on available-for-sale financial assets*.

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 carried at fair value through profit or loss in accordance with 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 carried on separate lines of the balance sheet (see 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 as an asset held for trading purposes under *Financial assets at fair value through profit or loss* may be reclassified out of this category when it meets the following conditions:

- if a financial asset with fixed or determinable payments initially held for trading purposes can no longer, after acquisition, be quoted in an active market and the Group has the intention and ability to hold it for the foreseeable future or until maturity then this financial asset may be reclassified as *Loans and receivables*, provided that the eligibility criteria for this category are met at the date of transfer;
- if rare circumstances generate a change in the holding purpose of non-derivative financial assets initially held for trading, then these assets may be reclassified as *Available-for-sale financial assets* or as *Held-to-maturity financial assets* provided that the eligibility criteria for the category in question are met at the date of transfer.

In any case financial derivatives and financial assets measured using the fair value option may not be reclassified out of *Financial assets at fair value through profit or loss*. A financial asset initially recognised under *Available-for-sale financial assets* may be reclassified to *Held-to-maturity financial assets* provided that the eligibility criteria for this category are met. Furthermore, if a financial asset with fixed or determinable payments initially recognised under *Available-for-sale financial assets* can subsequently no longer be quoted in an active market and if the Group has the intention and ability to hold it for the foreseeable future or until maturity then this financial asset may be reclassified to *Loans and receivables* provided that the eligibility criteria for this category are met at the date of transfer.

These reclassified financial assets are transferred to their new category at their fair value at the date of reclassification and are subsequently measured according to the rules that apply to the new category. The amortised cost of financial assets reclassified out of *Financial assets at fair value through profit or loss* or *Available-for-sale financial assets* to *Loans and receivables* and the amortised cost of financial assets reclassified out of *Financial assets at fair value through profit or loss* to *Available-for-sale financial assets* are determined on the basis of estimated future cash flows measured at the date of reclassification. The estimated future cash flows must be reviewed at each closing date. In the event of an increase in estimated future cash flows resulting from an increase in their recoverability the effective interest rate is adjusted prospectively. However, if there is objective evidence that the financial asset has been impaired as a result of an event occurring after reclassification and the loss event in question has a negative impact on the estimated future cash flows of the financial asset, the impairment of this financial asset is recognised under *Cost of risk* in the income statement.

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

Purchases and sales of financial assets recorded under *Financial assets at fair value through profit or loss*, *Held-to-maturity financial assets* and *Available-for-sale financial assets* are recognised in the balance sheet 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 the balance sheet on the date they are paid or at the maturity date for invoiced services.

When initially recognised financial assets and liabilities are measured at fair value including transaction costs directly attributable to their acquisition or their issuance except for financial instruments recognised at fair value through profit or loss for which these costs are booked directly to the income statement.

If the initial fair value is based on observable market data, any difference between the fair value and the transaction price, i.e. the sales margin is immediately recognised in the income statement. However, if valuation inputs are not observable or if the valuation models are not recognised by the market the initial fair value of the financial instrument is deemed to be the transaction price and the sales margin is then generally recognised in the income statement over the life of the instrument. For some instruments, due to their complexity, this margin is recognised at their maturity or in the event of early sale. When valuation inputs become observable, any portion of the sales margin that has not yet been recorded is recognised in the income statement at that time (see Note 3.4.7).

Derecognition of financial assets and liabilities

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to ownership of the asset.

The Group also derecognises financial assets over which it has retained the contractual rights to the associated cash flows but is contractually obligated to pass these same cash flows through to a third party ("pass-through agreement") and for which it has transferred substantially all the risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the income statement for an amount equal to the difference between the carrying value of the asset and the payment received for it adjusted where necessary for any unrealised profit or loss previously recognised directly in equity and for the value of any servicing asset or servicing liability. Indemnities billed to borrowers following the prepayment of their loan are recorded in the income statement on the prepayment date among *Interest and similar income*.

The Group only 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.

Derivative financial instruments

First time application of IFRS 9 did not change the accounting principles applicable to derivative financial instruments. Those principles are presented in Note 3.2.

Financial assets and liabilities at fair value through profit or loss

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

The trading portfolio contains financial assets and liabilities which upon initial recognition are:

- acquired or incurred with the intention of selling or repurchasing them in the short term; or

- held for market making purposes; or
- acquired or incurred 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.

This portfolio also includes among *Other trading assets* physical commodities that are held by the Group as part of its market-maker activity on commodity derivative instruments.

The financial instruments recorded in the trading portfolio are measured at fair value at the balance sheet date and recognised in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in their fair value are recorded in the income statement as *Net gains and losses on financial instruments at fair value through profit or loss*.

In addition to financial assets and liabilities held for trading purposes the item *Financial assets and liabilities at fair value through profit or loss* also include non-derivative financial assets and liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option. Changes in the fair value of these items are recognised through profit or loss under *Net gains and losses on financial instruments at fair value through profit or loss*.

This option is only applied in the following cases:

- when it eliminates or significantly reduces discrepancies in the accounting treatment of certain financial assets and liabilities;
- when it applies to a hybrid instrument containing one or more embedded derivatives that would otherwise be subject to a separate recognition;
- when a group of financial assets and/or liabilities is managed and its performance is measured on a fair value basis.

The Group thus recognises some structured bonds issued by Societe Generale Corporate and Investment Banking at fair value through profit or loss. These issues 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.

The Group also recognises the financial assets held to guarantee the unit-linked policies of its life insurance subsidiaries at fair value through profit or loss to ensure that their accounting treatment matches that of the corresponding insurance liabilities. Under IFRS 4, insurance liabilities must be recognised according to local accounting principles. Revaluations of underwriting reserves on unit-linked policies, which are directly linked to revaluations of the financial assets underlying their policies are therefore recognised in the income statement. The fair value option thus allows the Group to record changes in the fair value of the financial assets through profit or loss so that they match fluctuations in value of the insurance liabilities associated with these unit-linked policies.

Furthermore, in order to simplify their accounting treatment by avoiding the separate recognition of embedded derivatives, the Group applies the fair value option to convertible bonds that are not held for trading purposes.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets held for an indeterminate period which the Group may sell at any time. By default, they are any financial assets that are not classified under *Loans and receivables*, *Financial assets at fair value through profit or loss* or *Held-to-maturity financial assets*.

Interest accrued or paid on fixed-income securities is recognised in the income statement using the effective interest rate method under *Interest and similar income – Transactions in financial instruments*. Dividend income earned on these securities is recorded in the income statement under *Net gains and losses on available-for-sale financial assets*.

At the balance sheet date, available-for-sale financial assets are measured at fair value and any changes in fair value excluding income are booked to *Unrealised or deferred capital gains and losses*, except for foreign exchange losses or gains on foreign-currency monetary assets which are taken to the income statement.

If these financial assets are sold, the unrealised gains and losses booked to equity are reclassified as *Net gains and losses on available-for-sale financial assets*.

If, at the balance sheet date, there is objective evidence of impairment of an available-for-sale financial asset arising from one or more events subsequent to its initial recognition, the unrealised loss previously accumulated in equity is reclassified under *Cost of risk* for debt instruments and under *Net gains and losses on available-for-sale financial assets* for equity instruments. The impairment rules applied by the Group are described hereafter.

Loans and receivables

Loans and receivables 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 by the Group upon initial recognition to be measured at fair value through profit or loss in accordance with the fair value option.

Loans and receivables are recognised in the balance sheet under *Due from banks* or *Customer loans* depending on the type of counterparty. After their initial recognition, they are measured at amortised cost using the effective interest rate method and impairment determined on an individual or a collective basis may be recorded if appropriate (see of the impairment rules hereafter).

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 involve customers whose debt the Group is willing to renegotiate in the interest of maintaining or developing a commercial relationship in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest. Renegotiated loans and receivables are derecognised at the renegotiation date and replaced with the new loans taken out under renegotiated conditions which are recorded on the balance sheet at the same date. 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.

Customer loans 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 Notes 4.2 and 8.4).

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 discounted at the interest rate implicit in the lease plus any unguaranteed residual value. In the event of a subsequent reduction in the estimated unguaranteed residual value used to calculate the lessor's investment in the finance lease, the present value of this reduction is recognised as a loss under *Expenses from other activities* in the income statement and as a reduction of finance lease receivables on the asset side of the balance sheet.

Debts

The first-time application of IFRS 9 did not change the accounting principles applicable to financial liabilities at amortised cost. Those principles are presented in Note 3.6.

Recognition of interest income and expense

Interest income and expense are recognised in the income statement under *Interest and similar income* and *Interest and similar expense* for all financial instruments measured at amortised cost using the effective interest rate method (loans and receivables, debts, held-to-maturity financial assets) and for debt securities classified as *Available-for-sale financial assets*.

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.

When a financial asset or group of similar financial assets has been impaired following an impairment of value, subsequent interest income is recorded on the basis of the effective interest rate used to discount the future cash flows when measuring the loss of value.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same interest rate as that used to discount the expected outflow of resources.

Impairment of financial assets measured at amortised cost

At each balance sheet date, the Group assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognised (a "loss event") and whether that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Notwithstanding the existence of a guarantee, the criteria used to assess objective evidence of credit risk include the following conditions:

- a significant decline in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfill its overall commitments (credit obligations); hence a risk of loss to the bank;
- concessions are granted to the clauses of the loan agreement in light of the borrower's financial difficulties that would not have been granted in other circumstances;
- one or more over 90-day past-due payments are recorded (with the exception of restructured loans on probation which are considered in default at the first missed payment) and/or a collection procedure is initiated;
- 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).

The Group applies the impairment contagion principle to all of the defaulting counterparty's outstanding loans. When a debtor belongs to a group all of the group's outstanding loans are generally impaired as well.

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 impairment is deducted from the carrying value of the impaired financial asset. Allocations to and reversals of impairments are recorded in the income statement under *Cost of risk*. 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 and similar income* in the income statement.

Where there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, be it significant or not, the Group includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment. In a homogenous portfolio as soon as a credit risk is incurred on a group of financial instruments, impairment is recognised without waiting for the risk to individually affect one or more receivables.

Homogeneous portfolios thus impaired can include:

- receivables on counterparties which have encountered financial difficulties since these receivables were initially recognised without any objective evidence of impairment having yet been identified at the individual level (sensitive receivables); or
- receivables on counterparties linked to economic sectors considered as being in crisis further to the occurrence of loss events; or
- receivables on geographical sectors or countries in which a deterioration of credit risk has been assessed.

The amount of impairment on a group of homogeneous assets is calculated on the basis of assumptions on default rates and loss given default or, if necessary, on the basis of *ad hoc* studies. These assumptions are calibrated for each homogeneous group based on its specific characteristics, sensitivity to the economic environment and historical data. They are reviewed periodically by the Risk Division and then adjusted to reflect any relevant current economic conditions. Allocations to and reversals of such impairment are recorded under *Cost of risk*.

Restructuring of loans and receivables

When an asset recorded under *Loans and receivables* is restructured, contractual changes are made to the amount, term or financial conditions of the initial transaction approved by the Group due to the financial difficulties or insolvency of the borrower (whether insolvency has already occurred or will definitely occur unless the debt is restructured) and these changes would not have been considered in other circumstances.

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 any uncertainty remains for the Group as to whether or not the borrowers can 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 to profit or loss under *Cost of risk*.

Restructured financial assets do not include loans and receivables subject to commercial renegotiations and involving customers whose debt the Group has agreed to renegotiate in the interest of maintaining or developing a commercial relationship in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest.

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, the Group considers 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 Group to consider that the cost of its investment may not be recovered even if the above-mentioned criteria are not met. An impairment loss is then recorded through profit or loss 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, the Group recognises the total accumulated unrealised loss previously recorded in shareholders' equity in the income statement under *Cost of risk* for debt instruments and under *Net gains and losses on available-for-sale financial assets* for equity securities.

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.

Provision on loan and guarantee commitments

Provisions for credit risk on loan and guarantee commitments granted by the Group to a third-party may be recorded:

- where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange;
- and when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision where this discounting has a significant impact. Probable losses incurred by the Group in identifying objective evidence of credit risk related to off-balance sheet loan and guarantee commitments are recorded in the income statement under *Cost of risk* against a provision booked to liabilities.

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 “Others 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.

- Beginning in 2006, Societe Generale, along with numerous other banks, financial institutions, and brokers, received requests for information from the US Internal Revenue Service, the Securities and Exchange Commission (“SEC”) and the Antitrust Division of the U.S. Department of Justice (“DOJ”), focused on alleged noncompliance with various laws and regulations relating to the provision to governmental entities of Guaranteed Investment Contracts (“GICs”) and related products in connection with the issuance of tax-exempt municipal bonds. Societe Generale has cooperated with the US authorities. In light of the dormancy of these matters over several years, Societe Generale has determined that they no longer present a material loss contingency risk.
- 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 as 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, the Versailles Court of Appeal rejected on 23 September 2016 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 carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (Conseil d'état) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on the 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 Société Générale and Goldas. On 16 February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against this decision.

- Societe Generale Algeria (“SGA”) and several of its branch managers are being prosecuted for breach of Algerian laws on exchange rates and capital transfers with other countries and on money laundering and the financing of terrorism. The defendants are accused of having failed to make complete or accurate statements to the Algerian authorities on capital transfers in connection with exports or imports made by clients of SGA and on cash payment transactions made at SGA counters. The events were discovered during investigations by the Algerian authorities, which subsequently filed civil claims before the criminal court. Sentences were delivered by the court of appeal against SGA and its employees in some proceedings, while charges were dropped in other ones. To date, fourteen cases have ended in favour of SGA and eleven remain pending, nine of which before the Supreme Court.

- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – Echange d’Images Chèques), which has contributed to the improvement of cheque payments’ security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.

On 20 September 2010, after several years of investigation, the French competition authority ruled that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the Banque de France) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million and Crédit du Nord, its subsidiary, a fine of EUR 7 million. However, in its 23 February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except Banque de France, held that there was no competition law infringement, allowing the banks to recoup the fines paid. On 14 April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3 and 4 November 2016 by the Paris Court of Appeal before which the case was remanded. On 21 December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22 January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision.

- Societe Generale Private Banking (Suisse), along with several other financial institutions, has been named as a defendant in a putative class action that is pending in the US District Court for the Northern District of Texas. The plaintiffs seek to represent a class of individuals who were customers of Stanford International Bank Ltd. (“SIBL”), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16 February 2009. The plaintiffs allege that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants are responsible for those alleged losses. The plaintiffs further seek to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they are alleged to have been fraudulent transfers. The Official Stanford Investors Committee (“OSIC”) was permitted to intervene and filed a complaint against Societe Generale Private Banking (Suisse) and the other defendants seeking similar relief.

The motion by Societe Generale Private Banking (Suisse) to dismiss these claims on grounds of lack of jurisdiction was denied by the court by order filed 5 June 2014. Societe Generale Private Banking

(Suisse) sought reconsideration of the Court’s jurisdictional ruling, which the Court ultimately denied. On 21 April 2015, the Court permitted the substantial majority of the claims brought by the plaintiffs and the OSIC to proceed.

On 7 November 2017, the District Court denied the plaintiffs’ motion for class certification. The plaintiffs sought leave to appeal this decision, which the court of appeal denied on 20 April 2018.

On 22 December 2015, the OSIC filed a motion for partial summary judgment seeking return of a transfer of USD 95 million to Societe Generale Private Banking (Suisse) made in December 2008 (prior to the Stanford insolvency) on the grounds that it is voidable under Texas state law as a fraudulent transfer. Societe Generale Private Banking (Suisse) has opposed this motion.

- On 4 June 2018, Societe Generale announced that it had reached agreements with (i) the U.S. Department of Justice (“DOJ”) and the U.S. Commodity Futures Trading Commission (“CFTC”) in connection with investigations regarding submissions to the British Bankers Association for setting certain London Interbank Offered Rates and the Euro Interbank Offered Rate (the “IBOR matter”), and (ii) the DOJ and the French *Parquet National Financier* (“PNF”) in connection with investigations regarding certain transactions involving Libyan counterparties, including the Libyan Investment Authority (“LIA”) and the bank’s third-party intermediary (the “Libyan matter”).

On 24 May 2018, Societe Generale entered into a “*Convention Judiciaire d’Intérêt Public*” (“CJIP”) with the PNF, approved by the French court on 4 June 2018, to end its preliminary investigation in respect of the Libyan matter. On 5 June 2018, Societe Generale entered into a three-year deferred prosecution agreement (“DPA”) with the DOJ in respect of the IBOR and Libyan matters. Societe Generale Acceptance N.V. (“SGA”), a subsidiary of Societe Generale dedicated to the issuance of investment products, entered a guilty plea in connection with the resolution of the Libyan matter. Also, on 4 June 2018, Societe Generale consented to an order from the CFTC in respect of the IBOR matter.

As part of the settlements, Societe Generale paid penalties totalling approximately USD 1.3 billion to the DOJ, CFTC, and PNF. These penalties include (i) USD 275 million to the DOJ and USD 475 million to the CFTC in respect of the IBOR matter, and (ii) USD 292.8 million to the DOJ and EUR 250.15 million (USD 292.8 million) to the PNF in relation to the Libyan matter.

In connection with the CJIP, which does not involve a recognition of criminal liability, Societe Generale agreed to have the French Anti-Corruption Agency (Agence Française Anticorruption) assess its anti-corruption programme for two years.

In connection with the DPA, Societe Generale agreed to implement a compliance and ethics program designed to prevent and detect violations of the Foreign Corrupt Practices Act and other applicable anti-corruption laws, anti-fraud and commodities laws throughout the Bank’s operations. These actions are in addition to extensive steps undertaken at Societe Generale’s own initiative to strengthen its global compliance and control framework in order to meet the highest standards of compliance and ethics. No independent compliance monitor has been imposed in connection with the DPA. The charges against Societe Generale will be dismissed if the Bank abides by the terms of the agreement, to which the Bank is fully committed.

Societe Generale received credit from the DOJ, CFTC and PNF for its cooperation with their investigations and the Bank has agreed to continue to cooperate with them pursuant to the settlement agreements.

In connection with the IBOR matter, the Bank continues to defend civil proceedings in the United States (as described below) and to respond 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 ("NYDFS").

In the United States, Societe Generale, along with other financial institutions, has been named as a defendant in putative class actions involving the setting of US Dollar Libor, Japanese Yen Libor, and Euribor rates and trading in instruments indexed to those rates. Societe Generale has also been named in several individual (non-class) actions concerning the US Dollar Libor rate. All of these actions are pending in the US District Court in Manhattan (the "District Court").

As to US Dollar Libor, all claims against Societe Generale have been dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that are effectively stayed, and in one individual action in which Societe Generale's motion to dismiss is pending. Certain individual plaintiffs whose claims were dismissed have filed motions for leave to amend their complaints, which Societe Generale has opposed. The class plaintiffs and a number of individual plaintiffs have appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit.

As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products and the plaintiffs have appealed that ruling to the United States Court of Appeals for the Second Circuit. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange, the District Court has allowed certain Commodity Exchange ("CEA") Act claims to proceed to discovery. The plaintiff's deadline to move for class certification in that action is now 21 August 2019.

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.

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.

- 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. The latest court decision rendered is a rejection, on 1 February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale. Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme

Administrative Court on 10 December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15 September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 29 April 2016 and by referring the matter to the Court of Justice of the European Union on 8 December 2016. The Court of Justice of European Union rendered its judgement on 4 October 2018 and sentenced France for failure by the the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale will assert its rights before the competent courts and the French tax authority, from which it expects diligent treatment and in accordance with the law.

- On 19 November 2018, Societe Generale reached settlement agreements with the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"), the U.S. Attorney's Office of the Southern District of New York ("SDNY"), the New York County District Attorney's Office ("DANY"), the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York (together, the "Federal Reserve"), and the NYDFS (collectively, the "U.S. Authorities"), resolving their investigations relating to certain U.S. dollar transactions processed by Societe Generale involving countries, persons, or entities that are the subject of U.S. economic sanctions and implicating New York State laws. The vast majority by value of the sanctions violations involved in the settlements related to Cuba, and stem from a single revolving credit facility extended in 2000. The remaining transactions involved other countries that are the target of U.S. economic sanctions, including Iran. Under the terms of these agreements, Société Generale agreed to pay penalties totaling approximately USD 1.3 billion (EUR 1.2 billion) to the U.S. Authorities, including EUR 53.9 million to OFAC, USD 717.2 million to SDNY, USD 162.8 million to DANY, USD 81.3 million to the Federal Reserve, and USD 325 million to NYDFS.

The Bank signed deferred prosecution agreements with SDNY and DANY, which provide that, following a three-year probation period, the Bank will not be prosecuted if it abides by the terms of the agreements, to which Societe Generale is fully committed.

The Bank will continue to cooperate with the U.S. Authorities in the future, pursuant to the agreements. The Bank has also committed to continue to enhance its compliance program to prevent and detect potential violations of U.S. economic sanctions laws and New York state laws. The Bank also agreed to enhance its oversight of its sanctions compliance program. The Bank has also agreed with the Federal Reserve to retain an independent consultant that will evaluate the Bank's progress on the implementation of enhancements to its sanctions compliance program.

- Also, on 19 November 2018, Societe Generale agreed to a Consent Order with NYDFS relating to components of the Bank's anti-money-laundering ("AML") compliance program in the New York Branch. The Consent Order requires the Bank paid a civil money penalty of USD 95 million (EUR 82 million) in light of deficiencies noted by NYDFS. The Consent Order requires the Bank to continue a series of enhancements to its New York branch's AML compliance program. After a period of 18 months, an independent consultant will conduct an assessment of the Branch's progress on the implementation of its AML compliance program.

- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4 October 2016, and discovery is now proceeding. Societe Generale and certain subsidiaries, along with other financial institutions, have also been named as defendants in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.
- On 30 January 2015, the CFTC served Societe Generale with a subpoena requesting the production of information and documents concerning trading in precious metals done since 1 January 2009. Societe Generale cooperated with the authorities and produced documents in 2015. There has been no contact with the CFTC since that time.
- SG Americas Securities, LLC (“SGAS”), along with other financial institutions, was named as a defendant in several putative class actions alleging violations of US antitrust laws and the CEA in connection with its activities as a US Primary Dealer, buying and selling US Treasury securities. The cases were consolidated in the US District Court in Manhattan, and lead plaintiffs’ counsel appointed. An amended consolidated complaint was filed on 15 November 2017, and SGAS was not named as a defendant. By order dated 15 February 2018, SGAS was dropped as a defendant in an individual “opt out” action alleging similar causes of action. There are no actions pending against SGAS in this matter.
- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale has reached a settlement of USD 18 million, which was preliminarily approved by the Court. A final approval hearing was held on 23 May 2018, and a decision is pending. A separate putative class action behalf of putative classes of indirect purchasers is also pending. An amended complaint was filed on 21 November 2018, and a motion to dismiss was filed on 20 December 2018. On 7 November 2018, a group of individual entities that elected to opt out of the main class action settlement filed a lawsuit against SG, SG Americas Securities, LLC, and several other financial institutions.
- Since August 2015, various former and current employees of the Societe Generale group have been under investigation by German criminal prosecution and tax authorities for their alleged participation in the so called “CumEx” patterns in connection with withholding tax on dividends on German shares. These investigations relate to the administration of a fund, proprietary trading activities and transactions carried out on behalf of clients. The Group entities respond to the requests of the German authorities.

6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

ERNST & YOUNG et Autres

Tour First
TSA 14444
92037 Paris-La Défense cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

DELOITTE & ASSOCIÉS

6, place de la Pyramide
92908 Paris-La Défense Cedex
S.A. au capital de € 1.723.040
572 028 041 R.C.S. Nanterre

SOCIÉTÉ GÉNÉRALE

Société anonyme
17, cours Valmy
92972 Paris-La Défense

For the year ended 31st December 2018

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 European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Societe Generale,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Société Générale for the year ended 31st December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations of the Group for the year then ended and of its financial position and of its assets and liabilities as at 31st December 2018 in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Internal Control Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January

2018 to the issue date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

Emphasis of Matter

Without qualifying the opinion expressed above, we draw your attention to Note 1 on "Significant accounting principles" to the consolidated financial statements which describes the impacts of the first-time application of IFRS 9 "Financial Instruments".

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed to those risks.

These matters were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We do not express an opinion on any components of the consolidated financial statements taken individually.

Measurement of the provision for disputes

Risk identified

A provision for disputes in the amount of €340 million (hereafter “the provision for disputes”) is recognized under liabilities in the balance sheet as at 31 December 2018 to cover the risks of future outflows of resources relating to several disputes in which the Société Générale Group is involved, as stated in Note 8.3.2 “Other provisions” to the consolidated financial statements. Société Générale is subject to investigations and requests for information of a regulatory nature from various authorities presented in Note 9 “Information on risks and litigation” to the consolidated financial statements.

During financial year 2018, Société Générale Group paid penalties of 2.7 billion US dollar following settlement agreements with authorities relating to the following matters:

- the investigation of American authorities relating to certain US dollar transactions involving countries, persons, or entities that are the subject of US economic sanctions;
- Investigations regarding certain transactions with Libyan counterparties;
- Investigations regarding IBOR submissions.

Recoverability of deferred tax assets in France and in the United States

Risk identified

As at December 31, 2018, an amount of MEUR 4,753 was recorded under deferred tax assets.

As stated in Note 6 “Income tax” to the consolidated financial statements, Société Générale Group calculates deferred taxes at the level of each tax entity and recognizes deferred tax assets at the closing date when it is considered probable that future taxable profits will be available against which the tax entity concerned will be able to charge timing differences and tax loss carryforwards, over a determined period of time.

Furthermore, 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 consequently may be called into question.

Given the assumptions used to assess the recoverability of the deferred tax assets in France and in the United States (which represent the most significant part of these assets) and the judgement exercised by Management in this respect, we identified this issue as a key audit matter.

We consider that the measurement of the provision for disputes, which is based on the exercise of Management's judgement, is a key audit matter.

Our response

Our works notably consisted in:

- Monitoring the main legal proceedings and the ongoing investigations undertaken by the judicial authorities and the regulators with the Société Générale Group's legal department;
- Obtaining an understanding of the process for the measurement of the provision for disputes, notably through quarterly discussions with the Société Générale Group's Management;
- Assessing the assumptions used to determine the provision for disputes on the basis of the information that we obtained, in particular from the Société Générale Group's external legal advisers, specialized in these cases;
- Assessing the disclosures on these disputes in the notes to the consolidated financial statements.

Our response

Our audit approach consisted in assessing the probability that the Société Générale Group will be able to make future use of the tax loss carryforwards generated to date, notably based on the ability to make future taxable profits in France and the United States.

With the support of our tax specialists who are part of the audit team, we:

- Compared the projected of the past fiscal years with the actual results of the concerned fiscal years;
- Obtained an understanding of the three-year business plan drawn up by Management and approved by the Board of Directors, and of the assumptions used by Management beyond the three-year period to establish projected results;
- Assessed the sensitivity of these assumptions in the event of unfavourable scenarios defined by Société Générale Group;
- Analyzed Société Générale's situation, and obtained an understanding of the opinion from its external tax advisers regarding its tax loss carryforwards in France, partially challenged by the tax authorities;
- Analyzed the disclosures on deferred tax assets in Notes 6 and 9 to the consolidated financial statements.

Valuation of complex financial instruments

Risk identified

Within the scope of its market activities, Société Générale holds complex financial instruments for trading purposes.

To calculate the fair value of complex instruments, the Group uses techniques or in-house valuation models based on parameters and data that are not all observable in the market, as stated in Note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements. The models and data used to value these instruments are based on Management's estimates.

Due to the use of judgment to determine the instruments' fair value, the complexity of the modelling of the latter and the multiplicity of models used, we consider the valuation of complex financial instruments to be a key audit matter.

Our response

Our audit approach is focused on the key internal control processes related to the valuation of complex financial instruments.

With the support of our specialists in the valuation of financial instruments, we designed an approach including the following main stages:

- We familiarized ourselves with the procedure for the authorization and validation of new products and their valuation models, including the process for the entry of these models into the information systems;

- We assessed the governance relating to the Risk Department's control of the valuation models used;
- More specifically, based on tests, we considered the valuation formulae for certain categories of complex instruments;
- We analyzed certain market parameters used to provide input for the valuation models;
- As regards the profit and loss explanation process, we familiarized ourselves with the analysis principles used by the bank and performed tests of controls. We also performed "analytical" IT procedures on the database for the controls performed on the daily profit and loss explanation process;
- At each quarterly closing, we obtained the results of the process for the independent price verification, and we analyzed the differences in parameters compared to the market data in the event of a significant impact, as well as the accounting treatment of such differences;
- We performed counter-valuations on a selection of complex derivative financial instruments using our tools;
- We considered the compliance of the documented 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, and we analyzed the criteria, particularly the observability of transactions, used to determine the fair value hierarchy.

Information technology risk on derivative financial instruments and structured bonds issued

Risk identified

Société Générale's derivative financial instruments and structured bonds issued constitute an important activity within its market activities, as illustrated by the significance of the net positions of derivative financial instruments in the transaction portfolio in Note 3.2 "Financial derivatives" to the consolidated financial statements.

This activity is highly complex given the nature of the financial instruments processed, the volume of transactions, and the use of numerous information systems interfacing with each other.

The risk of an IT incident could entail the risk of an anomaly in the accounts resulting from an incident in the data processing chains used, or the recording of transactions until they are transferred into the accounting system. Such a risk may notably take the form of:

- Changes made to management and financial information by unauthorized personnel via the information systems or underlying databases;
- A failure in processing or in the transfer of data between systems;
- A service interruption or operating incident, possibly associated with internal or external fraud.

In this context, the monitoring by the Société Générale Group of controls linked to information systems management relating to the above-mentioned activity is essential for the reliability of the accounts and is a key audit matter.

Our response

Our audit approach for this activity is based on the controls related to the information systems management set up by the Société Générale Group. With the support of our experts in information systems, we tested the IT general controls of the applications that we considered to be significant for this activity.

Our works in particular concerned:

- The controls set up by the Société Générale Group on access rights, notably at sensitive periods of a professional career (recruitment, transfer, resignation, end of contract) with, when necessary, extended audit procedures in the event of ineffective control identified during the year ended December 31, 2018;
- Potential privileged access to applications and infrastructure;
- Change management and, more specifically, the separation between development and business environments;
- Security policies in general and their deployment in IT applications (for example, those related to passwords);
- Handling of IT incidents during the audit period;
- Governance and the control environment on a sample of "end user" applications.

For these same applications, and in order to assess the transfer of information flows, we tested the application controls related to the automated interfaces between the systems.

Our tests of the IT general controls and application controls were supplemented by data analytics work on certain IT applications.

First-time application of IFRS 9 “Financial Instruments”

Risk identified

As of 1 January 2018, the Group has applied IFRS 9 “Financial Instruments” (phases 1 and 2) to its financial assets and liabilities except for those related to its insurance activities. This standard introduces new classification and measurement rules for these assets and liabilities, as well as significant changes to rules relating to impairment of financial assets.

As a result of the first-time application of IFRS 9 “Financial Instruments,” Société Générale recognised an impact of €-1.1 billion in equity after tax (mainly with respect to the impairment of loans and receivables classified in stages 1 and 2), published an opening balance sheet as of 1 January 2018, and provided detailed disclosures on the transition of the balance sheet as at 31 December 2017 under IAS 39 to the opening balance sheet under IFRS 9 as of 1 January 2018 (excluding insurance assets and liabilities). The qualitative and quantitative disclosures are mainly described in Notes 1.4 “First-time application of IFRS 9: “Financial Instruments”” and 3 “Financial Instruments”. The determination of that impact including the nature of the disclosures in the notes to the consolidated financial instruments required numerous assumptions and the use of judgement, in particular the significant increase in credit risk criteria, the integration of macro-economic projections and the measurement of expected credit losses.

Furthermore, the Société Générale Group uses its judgement and makes accounting estimates to measure the impairment of the doubtful loans (classified in stage 3).

Given the complexity related to the first-time application of IFRS 9 and the quantity of disclosures to be provided in this respect by the Société Générale Group in the notes to the consolidated financial statements, we considered the first-time application of IFRS 9 “Financial Instruments” to be a key audit matter.

Specific verifications

As required by French law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial performance statement provided for in Article L. 225-102-1 of the French Commercial Code is included in the disclosures relating to the Group presented in the management report, it being specified that, in accordance with Article L. 823-10 of the Code, we have not verified the fairness of the information contained in this statement or its consistency with the consolidated financial statements that must be verified in a report by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Société Générale by your Annual General Meeting held on 18 April 2003 for DELOITTE & ASSOCIES and on 22 May 2012 for ERNST & YOUNG et Autres.

Our response

We have, with the support of our specialists who are part of the audit team, familiarized ourselves with the measures deployed and the analyses performed by the Société Générale Group to implement IFRS 9.

Concerning classification and measurement, our audit procedures notably consisted in reviewing the analyses made by the Group and their breakdown at activity level and testing, based on a sample of contracts, the compliance of the classification of assets determined in Société Générale analyses with regard to the accounting policies described in the notes to consolidated financial statements.

Concerning impairment, our audit procedures notably consisted in:

- Examining the compliance of policies implemented by the Group and methodologies applied at activity level with IFRS 9;
- Familiarizing ourselves with the governance measures and testing key controls implemented at Group level;
- Performing tests on a selection of models set up in the information systems which are used to prepare financial information;
- Performing counter-valuations of expected credit losses on a selection of portfolios as at 1 January 2018;
- Examining (i) the main parameters used by the Société Générale Group to classify outstandings and assess impairment of stages 1 and 2 as at 1 January 2018, and (ii) the consistency of methods applied as at 31 December 2018;
- Testing as at 31 December 2018, the key assumptions used for estimating impairment on loans classified in stage 3, especially on a selection of the most significant corporate loans in France.

Furthermore, we have examined the qualitative and quantitative disclosures published in the notes to the consolidated financial statements with regard to the first-time application of this standard.

As at 31 December 2018, DELOITTE & ASSOCIES was in the sixteenth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the seventh year.

Previously, ERNST & YOUNG Audit was the statutory auditor of Société Générale from 2000 to 2011.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its 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 have been 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 taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these 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 such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit and Internal Control Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 8 March 2019

The Statutory Auditors

French original signed by

Ernst & Young et Autres

Micha MISSAKIAN

Deloitte & Associés

Jean-Marc MICKELER

6.4 SOCIETE GENERALE MANAGEMENT REPORT

Summary balance sheet of Societe Generale

(In EUR bn at 31 st December)	31.12.2018	31.12.2017	Variation
Interbank and money market assets	170	208	(38)
Customer loans	309	264	45
Securities	659	570	89
<i>o.w. securities purchased under resale agreements</i>	259	201	58
Other assets	146	139	7
<i>o.w. option premiums</i>	53	57	(4)
Tangible and intangible fixed assets	3	2	1
TOTAL ASSETS	1,287	1,183	104

(In EUR bn at 31 st December)	31.12.2018	31.12.2017	Variation
Interbank and money liabilities ⁽¹⁾	262	254	8
Customer deposits	380	340	40
Bonds and subordinated debt ⁽²⁾	31	31	-
Securities	456	381	75
<i>o.w. securities sold under repurchase agreements</i>	210	189	21
Other liabilities and provisions	123	142	(19)
<i>o.w. option premiums</i>	58	61	(3)
Equity	35	35	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,287	1,183	104

(1) Including negotiable debt instruments.

(2) Including undated subordinated capital notes.

There were many causes for concern in 2018: on the international level first, with the uncertain outcome to Brexit talks between the UK and the EU, the economic and budgetary policy in Italy, plus Sino-American trade tensions. On the national level, the political/social crisis in December did nothing to help. Moreover, markets businesses had to cope with headwinds in the fourth quarter on world capital markets and retail banking performances are still undercut by low interest rates dragging on lines of credit.

Against this backdrop, Societe Generale nonetheless managed to preserve its solid financial structure in a still tight regulatory climate.

The balance sheet amounts to EUR 1,287 billion, up EUR 104 billion versus 31st December 2017.

The EUR -38 billion slide in Interbank and money market assets is partially the result of the transfer at the end of 2018 of loans initially granted to a subsidiary to Societe Generale New York and the fall in deposits with various Central Banks, which had been higher in 2017 to meet regulatory requirements, specifically the NSFR (Net Stable Funding Ratio) and the need to strengthen the Group's financing structure.

Customer loan outstandings rose EUR 45 billion in 2018, mainly loans granted for EUR 24 billion, liquidity lines for EUR 13 billion and equipment loans for EUR 5 billion. Mortgage loan production remained dynamic and the home loans item rose EUR 3 billion. Still in a competitive climate and undergoing radical digital transformation, the Retail bank saw substantial growth in sight deposits on special regime savings accounts (already up + EUR 5.4 billion in the last two financial years).

The securities transaction item is up EUR 89 billion mainly *via* securities received under repos (EUR 58 billion), bond portfolio outstandings for EUR 19.9 billion following the purchase of Medium-term Notes issued by the Group issuance vehicle and treasury bills up EUR 27.6 billion owing to the increase in securities lending increasing debt liabilities on borrowed securities.

Despite world growth estimated at +3.7% this year, stock markets lost a lot of ground, notably in the fourth quarter, hence the equities portfolio is down EUR 14.7 billion.

Lastly, despite the volatility of stock market indices impacting the valuation of derivatives, other asset and liability accounts, rather volatile, barely shifted except premiums on options instruments which are down by EUR 4.4 billion.

Societe Generale boasts a diversified range of funding sources and channels:

- stable resources consisting of equity and subordinated debt (EUR 67 billion);
- customer deposits, up EUR 40 billion, gathered in the form of deposits which make up a significant share (30%) of total balance sheet resources;
- resources (EUR 155 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 101 billion);
- resources from securities sold under repurchase agreements to customers and banks (EUR 210 billion) up EUR 21 billion.

The Group's financing structure is based on substantial deposit inflows across all its business lines and on the extension of its funding sources, which reflects Societe Generale's efforts to strengthen the structure of its balance sheet in recent years.

Summary income statement of Societe Generale

(In EUR m)	2018			2017			VARIATIONS 18/17 (in %)		
	France	International	Societe Generale	France	International	Societe Generale	France	International	Societe Generale
Net banking income	7,947	2,662	10,609	7,220	2,719	9,939	10	(2)	7
Total operating expenses	(7,733)	(1,730)	(9,463)	(7,804)	(1,803)	(9,607)	(1)	(4)	(1)
Gross operating income	214	932	1,146	(584)	916	332	(137)	2	245
Cost of risk	(17)	(52)	(69)	(542)	(123)	(665)	(97)	(58)	(90)
Operating income	197	880	1,077	(1,126)	793	(333)	(117)	11	(423)
Net income from long-term investments	(54)	86	32	1,092	(68)	1,024	(105)	(226)	(97)
Operating income before income tax	143	966	1,109	(34)	725	691	(521)	33	60
Income tax	722	(106)	616	490	(381)	109	47	(72)	465
Net income	865	860	1,725	456	344	800	90	150	116

In 2018, Societe Generale generated gross operating income of EUR 1.1 billion, up EUR 0.8 billion on 2017.

- There were transactional agreements in 2018 with American and European Authorities, putting an end to their enquiries relating to IBOR submissions and transactions with Libyan counterparties. There were also agreements with certain American Authorities putting an end to their enquiries regarding economic sanctions and the fight against money laundering. As part of these agreements, Societe Generale has agreed to pay penalties totalling some USD 2.7 billion; concomitantly, the provision booked to Societe Generale's accounts for public law litigation has seen writebacks and its balance has thus been reduced to EUR 340 million at 31st December 2018.
- Net banking income (NBI) amounts to EUR 10,609 million in 2018, up EUR 0.7 billion (+7%) on 2017:
 - Retail Banking net banking income in France is down slightly (EUR -0.1 billion) in comparison to 2017. In a still low rates climate and despite the fall in the net interest margin (-9%), the Retail bank put in a resilient financial performance and is pressing on with the transformation of the network and underpinning its business base with target clientele offering growth relays;
 - Global Banking and Investor Solutions businesses show a decline (EUR -1 billion) on 2017, in a negative market context and despite the sound momentum for the Coverage and Investment Banking business. Despite resilient commercial activity the Fixed Income, Credit, Forex and Commodities businesses faced a difficult climate. The Equities business is also down, undercut by a fall in trading business against a backdrop of declining equity markets.

The management of structured portfolios was also undercut by major market movements. The Prime Services businesses are still showing pace, however, and the cash equity businesses are still resilient, with an increase in traded volumes. But this performance is not sufficient to offset the decline in derivatives revenues;

- as regards other financial accounts, which includes the management of the Group's portfolio of stakes, they saw a EUR 1.8 billion increase in net banking income. On the one hand, dividend inflows are up EUR 0.9 billion on 2017. This increase is mainly due to the low amount of dividends paid by the holding company subsidiaries in 2017 owing to the payment of exceptional advances at the end of 2016, while dividends related to FY 2017 were received in 2018. On the other hand, 2017 net banking income was exceptionally undercut to the tune of EUR 963 million for the transactional agreement with the Libyan Investment Authority (LIA) putting an end to the dispute between the two parties.
- General operating costs are down EUR 0.1 billion. Societe Generale has continued with its technological investments to accompany the growth of its businesses while maintaining strict cost control, which is reflected in the limited increase in management fees of EUR -0.2 billion. In 2018, management fees included costs relating to provisions for litigation to the tune of EUR -0.3 billion. Moreover, in December 2018, some defined benefit pension regimes in France have seen a change in scale resulting in a decline of EUR -0.2 billion in related provisions. The favourable variation is also due to the provisions which had been built up in 2017 to the tune of EUR 0.4 billion concerning the transformation of the Retail bank network.

- The CICE amounts to EUR 39 million in 2018 (*versus* EUR 44 million in 2017). It has been used in compliance with the regulation. In 2018, the CICE permitted ongoing technological investments and the underpinning of Societe Generale's commitments in positive transformations: digital strategies, integration of CSR challenges including the climate. Its utilisation has been impacted by the following items:
 - digitalisation of the retail bank offer *via* enrichment and valuation of client knowledge, transformation of networks towards a phygital model (web sites, mobile phones, customer and advisor tablets, process digitalisation) and dematerialisation of proposed services;
 - ongoing development of robust and re-utilisable digital capacities for Global Banking and Investor Solutions, notably in terms of user experience, security, robots (BOTs), and opening of business services (APIs);
 - deployment of Agile@Scale and Continuous Delivery setups in all IT System services, to boost value creation, improve the quality of services, and reduce time-to-market for new products;
 - as part of the technological watch, identification of French startups in a position to provide strategic inspiration and feed the Group with new methodologies, innovative locations and partnerships;
 - continuation of the 'intrapreneurial' programme open to all Societe Generale employees ('Internal Startup Call'), comprising the selection, sponsorship and incubation of internal startups on strategic innovation themes;
 - ongoing digital transformation of tools and usages (private and public Cloud, Big Data and data usage, Open Source, Automation, Security, and collaborative tools, etc.);
 - in the continuity of the technological innovations, continuation of the investments in previous years aimed at providing employees with collaborative, connected and mobile solutions, notably *via* a new ecosystem (Digital Workplace).
- The net cost of risk stands at EUR -69 million at end-2018, down EUR 0.6 billion on 2017. The observed decline reflects the quality of the credit portfolio. Moreover, the net charge for litigation provision which amounted to EUR -0.4 billion in 2017 is now presented in general operating costs.
- The combination of these items pushes up operating income by EUR 1.4 billion in comparison with 2017 and amounts to EUR 1.1 billion at end-2018.
- In 2018, Societe Generale did not book significant gains on fixed assets. Remember that in 2017, Societe Generale generated a gain on fixed assets of EUR 1.0 billion, mainly from the capital gain on the partial disposal of its stake in ALD following its floatation.
- Tax on profits amounts to EUR 0.6 billion (*versus* EUR 0.1 billion in 2017). In 2018, the entity is loss-making from an individual fiscal perspective in France. Moreover, this variation also includes the impact of the French and US fiscal reforms which amounted to EUR 0.4 billion in 2017.
- The after-tax net profit thus amounts to EUR 1.7 billion at end-2018 *versus* EUR 0.8 billion at end-2017.

Trade payables payment schedule

(In EUR m)	31.12.2018						31.12.2017					
	Payables not yet due						Payables not yet due					
	1 to 30 days	31 to 60 days	More than 60 days	More than 90 days	Payables due	Total	1 to 30 days	31 to 60 days	More than 60 days	More than 90 days	Payables due	Total
Trade Payable	44	53	-	-	22	119	42	29	-	-	27	98

Due dates are based on the condition that invoices must be paid within 60 days of receipt.

The processing of Societe Generale France's supplier invoices is largely centralised. The department responsible for this processing books and settles invoices for services requested by all Societe Generale France's corporate and business divisions. The branches of the French network, however, have dedicated teams to process and pay their own invoices.

In accordance with the Group's internal control procedures, invoices are only paid after they have been validated by the departments that

signed for the services. The average time for the payment of invoices after validation is between three and seven days.

In accordance with Article D. 441-4 of the French Commercial Code, as worded pursuant to French Decree No. 2017-350 of 20th March 2017 and implemented pursuant to the Order of 20th April 2017, the information on supplier payment times is as follows:

The banking, insurance and financial services businesses (financing loans and commissions) are excluded from the scope.

	31.12.2018					
	Payables due					
(In EUR m)	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Payment delay						
Number of invoices concerned	-	620	390	193	2,258	3,461
Total amount (excl. tax) of invoices concerned (In EUR m)	-	15	4	2	1	22
Percentage of total purchases (excl. tax) for the year	-	-	-	-	-	-
(B) Invoices excluded from (A) pertaining to disputed payables and receivables, not recorded						
Number of invoices excluded	-	-	-	-	-	-
Total amount (excl. tax) of invoices excluded	-	-	-	-	-	-
(C) Reference payment times used when calculating delay (Article L. 441-6 or L. 443-1 of the French Commercial Code)						
<input checked="" type="checkbox"/> Statutory payment terms (60 days from invoice date or 45 days end of month)						
Contractual payment terms						

Payment terms on accounts receivable

Payment times on Accounts Receivable in Respect of Financing Granted or Services Invoiced are fixed by contract. The initial payment terms set for loan repayments may be amended by means of contractual options (such as prepayment options, or options to defer payments). Compliance with contractual payment terms is monitored as part of the Bank's risk management process (see Chapter 4 of this

Registration Document, "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 7.4 to the parent company financial statements.

The date schedules equate to conditions calculated at 60 days from invoice date.

	31.12.2018					
	Payables due					
(In EUR m)	0 day (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Payment delay						
Number of invoices concerned	-	143	47	35	1,283	1,508
Total amount (excl. tax) of invoices concerned (in EUR m) ⁽¹⁾	-	29	3	2	133	167
Percentage of total purchases (excl. tax) for the year	-	-	-	-	-	-
(B) Invoices excluded from (A) pertaining to disputed payables and receivables, not recorded						
Number of invoices excluded	-	-	-	-	-	-
Total amount (excl. tax) of invoices excluded	-	-	-	-	-	-
(C) Reference payment times used when calculating delay (Article L. 441-6 or L. 443-1 of the French Commercial Code)						
<input checked="" type="checkbox"/> Contractual payment terms (to préciser)						
Statutory payment terms						

(1) Including EUR 91 m of debts at issue.

Five-year summary of Societe Generale

(In EUR m)	2018	2017	2016	2015	2014
Financial position at year-end					
Capital stock (in EUR m) ⁽¹⁾	1,010	1,010	1,010	1,008	1,007
Number of shares issued ⁽²⁾	807,917,739	807,917,739	807,713,534	806,239,713	805,207,646
Results of operations (in EUR m)					
Revenue excluding tax ⁽³⁾	30,748	27,207	27,174	28,365	25,119
Earnings before tax, depreciation, amortisation, provisions, employee profit sharing and general reserve for banking risks	(23)	1,678	5,884	5,809	2,823
Employee profit sharing	11	11	13	15	12
Income tax	(616)	(109)	246	(214)	99
Net income	1,725	800	4,223	1,065	996
Total dividends paid	1,777	1,777	1,777	1,612	966
Earnings per share (in EUR)					
Earnings after tax but before depreciation, amortisation and provisions	0.72	2.20	6.96	7.45	3.37
Net income	2.14	0.99	5.23	1.32	1.24
Dividend paid per share	2.20	2.20	2.20	2.00	1.20
Employees					
Headcount	46,942	46,804	46,445	46,390	45,450
Total payroll (in EUR m)	3,128	3,560	3,696	3,653	3,472
Employee benefits (Social Security and other) (in EUR m)	1,525	1,475	1,468	1,452	1,423

(1) At 31st December 2018, Societe Generale's fully paid-up capital amounted to EUR 1,009,897,173.75 and comprised 807,917,739 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.

Main changes in the investment portfolio in 2018

In 2018, Societe Generale the following transactions affected Societe Generale's investment portfolio:

Outside France	In France
Creation	Creation
	Peers SAS
Acquisition of interest	Acquisition of interest
	Avem Holdings
Acquisition	Acquisition
	Lumo
Increase of interest in	Increase of interest in
	CRH
Subscription to capital increase	Subscription to capital increase
Ohridska Banka, YUP Management, YUP Côte Ivoire, YUP Sénégal, YUP Guinée, YUP Cameroun	
Full disposal	Full disposal
	SG Capital Partenaires SAS
Reduction of interest⁽¹⁾	Reduction of interest⁽¹⁾
SG Asia Ltd., Delta Credit MF Netherlands BV	Soginfo, SG Services, SG Financial Services Holding, Orpavimob

(1) Including capital reductions, dissolution by transfer of assets, mergers and liquidations.

The table below summarizes the significant movements chalked up by the Societe Generale portfolio in 2018:

Threshold	Companies	Increase ⁽¹⁾		Threshold	Companies	Decrease ⁽¹⁾	
		% of the capital 31.12.2018	% of the capital 31.12.2017			% of the capital 31.12.2018	% of the capital 31.12.2017
5%	Havem holdings ⁽²⁾	5%	0%	5%			
10%				10%			
20%				20%			
33.33%				33.33%			
50%				50%			
	Lumo ⁽²⁾	100%	0%	66.66%	Delta Crédit MF Netherlands BV	0%	100%
					Soginfo ⁽²⁾	0%	100%
66.66%	Peers SAS ⁽²⁾	91%	0%		SG Services ⁽²⁾	0%	100%

(1) Threshold crossings by percentage of direct ownership by Societe Generale SA.

(2) Stakes held 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-standing presence in the commodity markets, Societe Generale proposes agricultural commodity derivatives to meet the various needs of its customers, including the risk management needs of business customers (producers, consumers) and exposure to the commodity markets for investors (asset managers, funds, insurance companies).

Societe Generale's offer includes: sugar, cocoa, coffee, cotton, orange juice, corn, wheat, rapeseed, soybean, oats, cattle, lean hogs, milk and rice). Societe Generale makes markets in vanilla products (e.g. forward contracts), options and option strategies, and structured products with additional complexity. Exposure to agricultural commodities can be provided through a single-commodity product or through multi-commodity products, which are mostly used by investors.

Societe Generale manages risks associated with the related positions either on the OTC market by executing transactions with commodity dealers, commodity traders, banks and brokers, or on organised markets:

- 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.

The list above is not fixed and may evolve in the future.

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 activities described above:

- the trading activity is in particular governed by the regulatory framework promulgated in Europe under MiFID II, as in force since 3rd January 2018. It sets limits for positions on certain agricultural commodities, imposes reporting on positions to the trading platform, as well as systematic reporting of all transactions performed to the appropriate regulatory body;
- the business also operates within internal limits, set by teams following risks independently of the operators;
- these teams constantly monitor compliance with these various limits;
- moreover, Societe Generale's trading activity in exchange contracts follows limits set by the Societe Generale clearing broker;
- to prevent behaviour that could be considered disruptive, Societe Generale traders are provided with trading rules and mandates, and receive regular training on business standards and market conduct;
- daily controls are run in order to detect any inappropriate trading. These controls include the monitoring of the CFTC (US Commodity Futures Trading Commission) and exchange requirements on position limits, such that no operator can adopt a market position that poses a danger to market equilibrium.

6.4.2 PUBLICATION ON DORMANT ACCOUNTS

Articles L. 312-19 and L. 312-20 of the French Monetary and Financial Code, as introduced by French Act No. 2014-617 of 13th June 2014 on dormant bank accounts and unclaimed life insurance accounts, also known as the "Eckert Act", which entered into effect on 1st January 2016, require all credit institutions to publish information on dormant bank accounts on an annual basis.

Over 2018, 32,158 dormant bank accounts were closed, and the total sums deposited with the Caisse des Dépôts et Consignations amounted to EUR 31,507,361.03.

At end-December 2018, 344,960 bank accounts were identified as dormant, representing an estimated total of EUR 1,613,533,905.10.

6.5 PARENT COMPANY FINANCIAL STATEMENTS

6.5.1 BALANCE SHEET

ASSETS

<i>(In EUR m)</i>		31.12.2018	31.12.2017
Cash, due from central banks and post office accounts		73,934	90,424
Treasury notes and similar securities	Note 2.1	154,810	127,216
Due from banks	Note 2.3	181,460	191,942
Customer loans	Note 2.3	482,496	390,312
Bonds and other debt securities	Note 2.1	113,202	93,288
Shares and other equity securities	Note 2.1	105,948	120,720
Securities, investments in subsidiaries	Note 2.1	705	592
Investments in subsidiaries	Note 2.1	25,210	26,478
Tangible and intangible fixed assets	Note 7.2	2,596	2,050
Treasury stock	Note 2.1	242	281
Accruals, other accounts receivables and other assets	Note 3.2	146,099	139,355
TOTAL ASSET		1,286,702	1,182,658

OFF-BALANCE SHEET ITEMS

<i>(In EUR m)</i>		31.12.2018	31.12.2017
Loan commitments granted	Note 2.3	226,742	197,307
Guarantee commitments granted	Note 2.3	222,259	187,617
Commitments made on securities		30,243	21,883

LIABILITIES AND SHAREHOLDERS' EQUITY

<i>(In EUR m)</i>		31.12.2018	31.12.2017
Due to central banks and post office accounts		5,661	5,554
Due to banks	Note 2.4	220,077	241,786
Customer deposits	Note 2.4	524,846	459,690
Liabilities in the form of securities issued	Note 2.4	108,350	83,111
Accruals, other accounts payable and other liabilities	Note 3.2	354,296	318,493
Provisions	Note 7.3	14,618	15,588
Long-term subordinated debt and notes	Note 6.4	23,807	23,508
Shareholders' equity			
Common stock	Note 6.1	1,010	1,010
Additional paid-in capital	Note 6.1	20,602	20,444
Retained earnings	Note 6.1	11,710	12,674
Net income	Note 6.1	1,725	800
SUB-TOTAL		35,047	34,928
TOTAL LIABILITIES		1,286,702	1,182,658

OFF-BALANCE SHEET ITEMS

(In EUR m)		31.12.2018	31.12.2017
Loan commitments received	Note 2.4	60,532	51,377
Guarantee commitments received	Note 2.4	50,841	47,127

6.5.2 INCOME STATEMENT

(In EUR m)		2018	2017
Interest and similar income	Note 2.5	24,106	14,879
Interest and similar expense	Note 2.5	(23,778)	(15,249)
Dividend income	Note 2.1	2,933	2,105
Fee income	Note 3.1	4,286	4,165
Fee expenses	Note 3.1	(1,527)	(1,359)
Net income from the trading portfolio	Note 2.1	4,397	5,955
Net income from short-term investment securities	Note 2.1	140	404
Income from other activities ⁽¹⁾		21,747	22,558
Expenses from other activities ⁽¹⁾⁽²⁾		(21,695)	(23,519)
Net banking income		10,609	9,939
Personnel expenses	Note 4.1	(4,908)	(5,307)
Other operating expenses ⁽³⁾		(4,128)	(3,855)
Impairment and amortisation		(427)	(445)
Gross operating income		1,146	332
Cost of risk	Note 2.6	(69)	(665)
Operating income		1,077	(333)
Net income from long-term investments	Notes 2.1 & 7.2	32	1,024
Operating income before tax		1,109	691
Income tax	Note 5	616	109
Net Income		1,725	800
Earnings per ordinary share	Note 6.3	2.15	1.00
Diluted earnings per ordinary share		2.15	1.00

Information about fees paid to Statutory Auditors is disclosed in the notes to the consolidated financial statements of the Societe Generale Group; consequently, this information is not provided in the notes to the parent company financial statements of Societe Generale.

- (1) As part of its market making activities on commodities derivatives, Societe Generale may hold physical commodities stocks. Related incomes and expenses are included in Other banking income and expense for other activities. For the year 2018, income amounts to EUR 21,323 million (EUR 22,459 million in 2017) and expense to EUR 21,391 million (EUR 22,369 million in 2017).
- (2) During 2017, other operating expenses included a EUR 963 million payment (GBP 813.26 million in original currency) related to the transactional agreement concluded between Societe Generale and the Libyan Investment Authority.
- (3) o.w. EUR 349 million related to the 2018 contribution to the Single Resolution Fund (SRF) (EUR 296 million in 2017).

6.6 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements were approved by the Board of Directors on 6 February 2019.

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

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, the ANC, related 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 were subsequently 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.

Accounting policies and valuation methods

In accordance with the accounting principles applicable to French banks, the majority of transactions are recorded using valuation methods that take into account the purpose for which they were made.

In financial intermediation transactions, assets and liabilities are generally carried at historical cost and Impairment is recognised where counterpart risk arises. Revenues and expenses arising from these transactions are recorded over the life of the transaction in accordance with the time period concept. Transactions on forward financial instruments carried out for hedging purposes or to manage the bank's overall interest rate risk are accounted for using the same principles.

Trading transactions are generally marked to market at year-end, except for loans, borrowings and short-term investment securities which are recorded at nominal value (see below). When financial instruments are not quoted in an active market, the market value used is reduced for reasons of prudence. Moreover, a reserve is recorded to cover valuations established on the basis of in-house models (Reserve Policy), which is determined according to the complexity of the model used and the life of the financial instrument.

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. Income statement items of these branches are translated at the average month-end exchange rates. Gains and losses arising from the translation of reserves, retained earnings and net income are included in shareholders' equity under *Other accounts payable* or *Other accounts receivable*. Gains and losses arising from the translation

of the capital contribution of foreign branches are also included in changes in shareholders' equity under the same heading.

Gains and losses arising from the translation of the capital contribution of foreign branches are included under *Other accounts payable* or *Other accounts receivable*. Translation differences relating to branches in the Euro zone (since the Euro implementation) are retained in shareholders' equity and are only recognised in the income statement when these entities are sold.

Use of estimates and judgement

When applying the accounting principles disclosed in the following notes for the purpose of preparing Societe Generale's parent company financial statements, the Management makes assumptions and estimates that may have an impact on figures recorded in the income statement, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the parent company financial statements.

In order to make these assumptions and estimates, the Management uses information available at the date of preparation of the notes to the parent company financial statements and can exercise its judgement. 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 financial statements.

The use of estimates mainly concerns the following valuations:

- 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 (described in Notes 2.1, 2.2 and 3.2);
- impairment of financial assets (see Note 2.6);
- provisions recognised under liabilities (see Notes 2.6, 4.2 and 7.3);
- deferred tax assets recognised in the balance sheet (see Note 5).

The United Kingdom has organised on 23rd June 2016 a referendum following which a majority of British citizens have voted to leave the European Union (Brexit). This exit must occur on 29th March 2019. The technical agreement concluded between the British government and the European Commission to reshape the economic relations between United Kingdom and the European Union has been rejected by the British Parliament in January 2019. In the event of an exit of United Kingdom from the European Union on 29th March 2019 without any consent on a transition agreement, Societe Generale is taking actions to ensure the business continuity for its customers from this date. Those changes of Brexit implementation process have been considered in the assumptions and assessments adopted for the preparation of the parent company financial statements.

Change in accounting estimates of collective provisions

In 2018, Societe Generale made a change in accounting estimates for the recording of collective provisions for credit risk.

In line with the estimates modalities for expected credit losses which are used in the consolidated financial statements of the Group Societe Generale since the application of IFRS 9 as from 1st January 2018, Societe Generale has reviewed accounting estimates of collective provisions for credit risk in its parent company financial statements.

Until 31st December 2017, the amount of collective provisions was notably determined on the basis of historical data on default rates and incurred losses on assets with credit risk characteristics that are similar to those in the portfolio, adjusted to reflect any relevant current economic conditions and, where necessary, the opinion of an expert.

From 2018, the amount of collective provisions for credit risk is now estimated at the expected credit losses at termination calculated on the basis of the downgraded performing assets (homogenous portfolios of credits and commitments with a significant deterioration in credit risk since the initial recognition). See Note 2.6.

NOTE 2 FINANCIAL INSTRUMENTS

NOTE 2.1 Securities portfolio

ACCOUNTING PRINCIPLES

Securities are classified according to:

- their type: public notes (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 by Societe Generale are described in Note 2.6.

TRADING SECURITIES

Trading securities are securities acquired or incurred principally for the purpose 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 frequent buying and selling under normal conditions of competition. Trading securities also include securities linked to a sale commitment in the context of an arbitrage operation done on an organised or assimilated market and securities purchased or sold in 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 cost, excluding acquisition expenses.

They are marked to market at the end of the financial period.

Net unrealised gains or losses, together with net gains or losses on disposals, are recognised in the income statement under *Net income from the trading portfolio*, or, *from short-term investment securities*. Coupon payments received on fixed-income securities in the trading portfolio are recorded in the income statement under *Net interest income from bonds, or other debt securities*.

Trading securities that are no longer held for the purpose of selling them in the near-term, or no longer held for the purpose of market-making activities, or held in 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 of holding strategy;
- or, if after their acquisition debt securities become no longer negotiable in an active market and Societe Generale has the intention and the 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 acquired debt securities or reclassified 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 be not subject to any legal or other form of constraint that might call into question its intention to do so.

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 instruments may be designated as hedged items in hedging transactions using forward financial instruments used to hedge the interest rate risk on identifiable items or groups of similar items.

Long-term investments are recorded according to the same principles as short-term investment securities.

SECURITIES, INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND OTHER LONG-TERM SECURITIES

This category of securities covers *Investments in subsidiaries* and *Affiliates*, when it is deemed useful to Societe Generale's business to hold the said shares in the long term. This notably covers investments that meet the following criteria:

- shares in companies that share Directors or senior managers with Societe Generale and where influence can be exercised over the company in which the 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 *Other long-term equity investments*. 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.

Investments in subsidiaries, Affiliates 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 those 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 carried on the balance sheet at cost excluding acquisition expenses, or at contribution value. At year-end, cost is compared to realisable value. For listed securities, realisable value is defined as the 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, without this depreciation being offset against any unrealised capital gains. Income from these securities is recorded in Dividend income.

Bonds and other debt securities

These securities are carried at cost excluding acquisition expenses and, in the case of bonds, excluding interest accrued and not yet due at the date of purchase. The positive or negative difference between cost and redemption value is amortised to income over the life of the relevant securities and using the actuarial method. Accrued interest on bonds and other short-term investment securities is recorded as related receivables and under Interest and similar income in the income statement.

Short-term investment securities may be reclassified into the Long-term investment securities category provided that:

- exceptional market situations generate a change of holding strategy;
- or, if after their acquisition debt securities become no longer negotiable in an active market and Societe Generale has the intention and the ability to hold them for the foreseeable future or until maturity.

NOTE 2.1.1 TREASURY NOTES, BONDS AND OTHER DEBT SECURITIES, SHARES AND OTHER EQUITY SECURITIES

(In EUR m)	31.12.2018				31.12.2017			
	Treasury notes and similar securities	Shares and other equity securities	Bonds and other debt securities	Total	Treasury notes and similar securities	Shares and other equity securities	Bonds and other debt securities	Total
Trading securities	135,243	104,327	69,581	309,151	107,005	120,062	48,828	275,895
Short-term investment securities								
Gross book value	19,494	1,576	11,586	32,656	20,139	600	10,322	31,061
Impairment	(78)	(31)	(75)	(184)	(76)	(18)	(60)	(154)
Net book value	19,416	1,545	11,511	32,472	20,063	582	10,262	30,907
Long-term investment securities								
Gross book value	64	-	32,072	32,136	68	-	34,177	34,245
Impairment				-				
Net book value	64	-	32,072	32,136	68	-	34,177	34,245
Related receivables	87	76	38	201	80	76	21	177
TOTAL	154,810	105,948	113,202	373,960	127,216	120,720	93,288	341,224

ADDITIONAL INFORMATION ON SECURITIES

(In EUR m)	31.12.2018	31.12.2017
Estimated market value of short-term investment securities		
Unrealised capital gains ⁽¹⁾	453	677
Estimated value of long-term investment securities:		
Premiums and discounts relating to short-term and long-term investment securities	186	135
Investments in mutual funds:		
- French mutual funds	4,069	2,163
- Foreign mutual funds	6,992	8,660
Of which mutual funds which reinvest all their income	1	52
Listed securities ⁽²⁾	316,997	298,034
Subordinated securities	113	113
Securities lent	56,084	45,923

(1) Not including unrealized gains or losses on forward financial instruments, if any, used to hedge short-term investment securities.

(2) The listed trading securities amounted to EUR 254,324 million at 31st December 2018 against EUR 232,955 million at 31th December 2017.

NOTE 2.1.2 SECURITIES, INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND OTHER LONG-TERM SECURITIES**AFFILIATES AND OTHER LONG-TERM SECURITIES**

(In EUR m)	31.12.2018	31.12.2017
Banks	388	371
Others	368	265
Gross book value	756	636
Impairment	(51)	(44)
NET BOOK VALUE⁽¹⁾	705	592

(1) o.w. EUR 69 million from the associate's certificates (French deposit guaranty).

INVESTMENTS IN SUBSIDIARIES

(In EUR m)	31.12.2018	31.12.2017
Banks	26,324	28,539
Listed	5,452	5,618
Unlisted	20,782	22,921
Others	6,509	5,423
Listed	1,156	1,156
Unlisted	5,323	4,267
Gross book value⁽¹⁾	32,743	33,962
Impairment ⁽²⁾	(7,533)	(7,484)
NET BOOK VALUE	25,210	26,478

All transactions with the related parties were concluded under normal market conditions.

(1) The main changes involve:

- the capital decrease of SG FSH: EUR -701 million;
- the merger of Soginfo: EUR -149 million;
- the liquidation of Delta Credit MF Netherlands BV: EUR -149 million;
- the capital decrease of Orpavimob: EUR -21 million;
- the capital decrease of SG Asia Ltd.: EUR -17 million.

(2) The main changes in the depreciation are as follow:

- the impairment of Inter Europe Conseil: EUR -258 million;
- the impairment of SG International Ltd.: EUR -64 million;
- the impairment of SG Securities SPA: EUR -38 million;
- the impairment of Banka Societe Generale Albania: EUR -29 million;
- the impairment of Descartes Trading: EUR -17 million;
- the Rosbank recovery: EUR +87 million;
- the recovery following the liquidation of Delta Credit MF Netherlands BV: EUR +147 million;
- the Fidelity recovery: EUR +111 million.

NOTE 2.1.3 TREASURY SHARES

ACCOUNTING PRINCIPLES

Societe Generale 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 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*.

(In EUR m)	31.12.2018			31.12.2017		
	Quantity	Book value	Market value	Quantity	Book value	Market value
Trading securities ⁽¹⁾	274,599	8	8	232,399	11	11
Short-term investment securities	5,975,497	234	166	6,850,304	270	295
Long-term equity investments						
TOTAL	6,250,096	242	174	7,082,703	281	306

Nominal value: EUR 1.25.

Market value per share: EUR 27.82 at 31st December 2018.

- (1) Societe Generale set up on 22nd August 2011 a liquidity contract which was endowed with EUR 170 million for carrying out transactions on the Societe Generale share. At 31st December 2018, 130,000 Societe Generale shares were held under the liquidity contract, which contained EUR 5 million for the purpose of carrying out transactions in Societe Generale shares.
- (2) The accounting value is assessed according to the notice of the CNC N° 2008-17 approved on 6th November 2008 concerning stock-options and bonus issues of shares.

NOTE 2.1.4 DIVIDEND INCOME

(In EUR m)	2018	2017
Dividends from shares and other equity securities	10	37
Dividends from investments in non-consolidated subsidiaries and affiliates and other long-term securities	2,923	2,068
TOTAL⁽¹⁾	2,933	2,105

(1) Dividends received from investments in the trading portfolio have been classified under "Net income from the trading portfolio and short-term investment securities".

NOTE 2.1.5 NET INCOME FROM THE TRADING PORTFOLIO AND SHORT-TERM INVESTMENT SECURITIES

(In EUR m)	2018	2017
Net income from the trading portfolio:		
Net income from operations on trading securities	(12,658)	11,629
Net income from forward financial instruments	17,748	(6,224)
Net income from foreign exchange transactions	(693)	550
SUB-TOTAL	4,397	5,955
Net income from short-term investment securities:		
Gains on sale	278	485
Losses on sale	(87)	(52)
Allocation of impairment	(73)	(58)
Reversal of impairment	22	29
SUB-TOTAL	140	404
NET TOTAL	4,537	6,360

NOTE 2.1.6 NET INCOME FROM LONG-TERM INVESTMENTS

ACCOUNTING PRINCIPLES

This item covers capital gains or losses realised on disposals, as well as the net allocation to impairment for investments in subsidiaries and affiliates, long-term investment securities.

(In EUR m)	2018	2017
Long-term investment securities:		
Net capital gains (or losses) on sale	-	
Net allocation to depreciations		7
SUB-TOTAL	-	7
Investments in subsidiaries and affiliates:		
Gains on sale ⁽¹⁾	174	1,000
Losses on sale ⁽²⁾	(147)	(711)
Allocation to impairment ⁽³⁾	(419)	(340)
Reversal of impairment ⁽³⁾	361	1,060
Subsidies granted to affiliates (subsidiaries)		
SUB-TOTAL	(31)	1,009
Net income from long term investment (see Note 7.2)	63	8
TOTAL	32	1024

(1) o.w. EUR +119 million concerning the partial disposal of Euroclear and EUR +38 million concerning the merger of SG Services and the merger of Soginfo.

(2) o.w. EUR -147 million concerning the liquidation of Delta Credit MF Netherlands BV compensated by a provision reversal of the same amount.

(3) Almost all of allocations and write-backs concerning subsidiaries (cf. Note 2.1.2 - Investments in subsidiaries).

NOTE 2.2 Operations on forward financial instruments

ACCOUNTING PRINCIPLES

Operations on forward financial instruments relating to interest rates, foreign exchange 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 outstanding transactions and does not represent the potential gain or loss associated with the market or counterpart 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 expenses on these forward financial instruments depends on the purpose for which the transaction was concluded, as follows:

HEDGING TRANSACTIONS

Income and expenses on forward financial instruments used as a hedge and assigned from the beginning to an identifiable item or group of similar items, are recognised in the income statement in the same manner as income and expenses on the hedged items. Income and expenses on interest rate instruments are recorded as net interest income in the same interest income or expense account as the items hedged. Income and expenses on other instruments such as equity instruments, stock market indexes or currencies are recognised under *Net income from the trading portfolio, or, from short-term investment securities*.

Income and expenses on forward financial instruments used to hedge or manage an overall interest rate risk are recognised in the income statement over the life of the instrument under *Net income from the trading portfolio, or, from short-term investment securities*.

TRADING TRANSACTIONS

Trading transactions include 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, together with 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 at the balance sheet date. When financial instruments are not quoted in an active market, this value is generally determined on the basis of in-house 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 according to the size of the position and intended to cover the risk that Societe Generale will be unable to liquidate the investment in one go due to the size of the holding;

- an adjustment for the reduced liquidity of instruments and modelling risks 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, the market value takes into account counterpart risks and the discounted value of future management costs. The corresponding gains or losses are directly recognised as income 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, or, from short-term investment securities*.

Gains or losses corresponding to contracts concluded within the scope of cash management activities managed by the trading room, in order to benefit from any interest rate fluctuations, are recorded when liquidated or over the life of the contract, depending on the type of instrument. Unrealised losses are provisioned at year-end and the corresponding amount is recorded under Net income from the trading portfolio, or, from short-term investment securities.

NOTE 2.2.1 FORWARD FINANCIAL INSTRUMENTS COMMITMENTS

(In EUR m)	Fair Value Trading transactions	Hedging transactions	Total at	
			31.12.2018	31.12.2017
Firm transactions				
Transactions on organized markets				
Interest rate futures	692,014		692,014	552,460
Foreign exchange futures ⁽¹⁾	1,644,515		1,644,515	1,484,340
Other futures contracts	550,171	121	550,292	561,934
OTC agreements				
Interest rate swaps	8,428,271	11,177	8,439,448	8,526,194
Currency financing swaps	860,895	567	861,462	805,265
Forward Rate Agreements (FRA)	904,689		904,689	1,491,975
Other	47,339		47,339	38,313
Optional transactions				
Interest rate options	1,960,587		1,960,587	2,038,182
Foreign exchange options	525,918	211	526,129	359,238
Options on stock exchange indexes and equities	1,182,292	1	1,182,293	1,000,006
Other options	77,522		77,522	66,230
TOTAL	16,874,213	12,077	16,886,290	16,924,137

(1) Amount reviewed against published 2017 financial statements, further to the incorporation of some foreign exchange future operations which were previously excluded.

NOTE 2.2.2 FAIR-VALUE OF THE TRANSACTIONS QUALIFIED AS HEDGING

(In EUR m)	31.12.2018
Firm transactions	
Transactions on organized markets	
Interest rate futures	-
Foreign exchange futures	-
Other forward contracts	(19)
OTC agreements	
Interest rate swaps	3,660
Currency financing swaps	108
Forward Rate Agreements (FRA)	-
Other	-
Optional transactions	
Interest rate options	-
Foreign exchange options	-
Options on stock exchange indexes and equities	-
Other options	-
TOTAL	3,749

NOTE 2.2.3 MATURITIES OF FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

(In EUR m)	Less than 3 months	3 months to one year	1 to 5 years	More than 5 years	Total
Firm transactions					
Transactions on organised markets	311,887	1,594,273	478,292	502,369	2,886,821
OTC agreements	47,156	3,019,241	3,194,279	3,992,262	10,252,938
Optional transactions	25,672	1,445,391	1,079,669	1,195,799	3,746,531
TOTAL	384,715	6,058,905	4,752,240	5,690,430	16,886,290

NOTE 2.3 Loans and borrowings

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 in the case of banks, and commercial loans, overdrafts and other loans to customers. They also include securities purchased from banks and customers under resale agreements, and loans secured by notes and securities.

Only amounts due and customer loans which meet the following criteria are offset on the balance sheet: those with the same counterpart, maturity, currency and accounting entity, and those for which an agreement exists with the counterpart allowing the company to combine the accounts and exercise the right of offset.

Interest accrued on these receivables is recorded as *Related receivables* and recognised in the income statement under *Interest income and expenses*.

Fees received and incremental transaction costs related to the granting of a loan are comparable to interest and spread over the effective life of the loan.

Guarantees and endorsements recorded off-balance sheet represent transactions which have not yet given rise to cash movements, such as irrevocable commitments for the undrawn portion of facilities made available to banks and customers or guarantees given on their behalf.

If a commitment carries an incurred credit risk which makes it probable that Societe Generale will not recover all or part of the amounts due under the counterpart's commitment in accordance with the original terms of the contract, despite the existence of a guarantee, the corresponding outstanding loan is classified as a doubtful loan. 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, regardless of whether any payments have been missed, if it can be assumed that there is an identified risk, or if legal proceedings have been started.

If a loan to a given borrower is classified as doubtful, all outstanding loans or commitments to that borrower 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 in the amount of the 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 are made to the amount, term or financial conditions of the initial transaction approved by the Group, due to the financial difficulties or insolvency of the borrower (whether insolvency has already occurred or will definitely occur unless the debt is restructured), and these changes would not have been considered in other circumstances. 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 any uncertainty remains for the Group as to whether or not the borrowers can 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 to profit or loss under *Cost of risk*.

Restructured financial assets do not include 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 involve customers whose debt the Group is willing to renegotiate in the interest of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force, and without relinquishing any principal or accrued interest.

Renegotiated loans and receivables are derecognised at the renegotiation date and replaced with the new loans, taken under renegotiated conditions, which are recorded on the balance sheet at the same date. 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 EUR m)	31.12.2018	31.12.2017
Deposits and loans		
Demand		
Current accounts	15,485	13,176
Overnight deposits and loans	468	500
Loans secured by notes-overnight		
Term		
Term deposits and loans	75,640	99,465
Subordinated and participating loans	4,244	4,104
Loans secured by notes and securities		
Related receivables	121	254
GROSS AMOUNT	95,958	117,499
Impairment	(24)	(24)
NET AMOUNT	95,934	117,475
Securities purchased under resale agreements	85,526	74,467
TOTAL ⁽¹⁾⁽²⁾	181,460	191,942

(1) At 31st December 2018 doubtful loans amounted to EUR 48 million (of which EUR 17 million were non-performing loans) against EUR 94 million (of which EUR 17 million were non-performing loans at 31st December 2017).

(2) Including amounts receivable from subsidiaries: EUR 79,091 million at 31st December 2018 against EUR 94,433 million at 31st December 2017.

NOTE 2.3.2 CUSTOMER LOANS

(In EUR m)	31.12.2018	31.12.2017
Discount of trade notes	1,661	1,814
Other loans		
Short-term loans	74,060	60,816
Export loans	10,705	9,493
Equipment loans	45,782	40,705
Mortgage loans	63,604	60,622
Other loans	99,359	76,236
SUB-TOTAL ⁽¹⁾⁽²⁾⁽³⁾	293,510	247,872
Overdrafts	15,596	15,986
Related receivables	1,051	996
GROSS AMOUNT	311,818	266,668
Impairment	(2,963)	(3,287)
NET AMOUNT	308,855	263,381
Loans secured by notes and securities	92	89
Securities purchased under resale agreements	173,549	126,842
TOTAL ⁽⁴⁾⁽⁵⁾	482,496	390,312

(1) Including pledged loan: EUR 60,152 million of which amounts eligible for refinancing with Bank of France: EUR 9,612 million at 31st December 2018 (EUR 9,006 million at 31st December 2017).

(2) Of which participating loans: EUR 2,834 million at 31st December 2018 (EUR 2,605 million at 31st December 2017).

(3) At 31st December 2018 doubtful loans amounted to EUR 6,759 million (of which EUR 4,002 million were non-performing loans) against EUR 7,839 million (of which EUR 4,494 million were non-performing loans) at 31st December 2017.

(4) Of which amounts receivable from subsidiaries: EUR 168,233 million at 31st December 2018 (EUR 104,837 million at 31st December 2017).

(5) Including restructured loans: EUR 2,297 million at 31st December 2018 against EUR 2,865 million at 31st December 2017.

NOTE 2.3.3 COMMITMENTS GRANTED

(In EUR m)	31.12.2018	31.12.2017
Commitments granted⁽¹⁾		
Loan commitments		
- To banks	21,465	23,487
- To customers	205,277	173,820
TOTAL	226,742	197,307
Guarantee commitments		
- On behalf of banks	150,762	116,941
- On behalf of customers	71,497	70,676
TOTAL	222,259	187,617

(1) Of which commitments granted to subsidiaries: EUR 92,533 million at 31st December 2018 (EUR 70,171 million at 31st December 2017).

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 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 sale 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 at the benefit of the undertaking are recorded as short-term investment securities (see Note 2.1).

If Societe Generale lodges a cash security deposit with the gaining securitisation undertaking to bear the losses resulting from the failure of debtors of loans and receivables transferred, it records such deposit on the assets side of its balance sheet in the section *Accruals, other accounts receivable and other assets* as a receivable from securitisation undertaking, provided that the possible balance of the deposit will be attributed to it in course of liquidation of the securitisation undertaking.

If the guarantee granted by Societe Generale takes the form of a commitment granted, 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 mortgage loans. For this purpose, Societe Generale has transferred EUR 9,242 million mortgage loans to a securitisation mutual fund. To capitalise the acquisition, the fund has issued bonds which were fully subscribed by Societe Generale, who bears the risks and the profits.

The bonds are presented in the assets on the balance sheet as at 31st December 2017 within the investment portfolio for an amount of EUR 7,640 million at 31st December 2018 (EUR 8,727 million at 31st December 2017).

NOTE 2.4 Debts

ACCOUNTING PRINCIPLES

Amounts due to banks and customer deposits are classified according to their initial duration and type: demand (demand deposits and current accounts) and time deposits and borrowings in the case of banks, and regulated savings accounts and other

deposits in the case of customers. They also include securities sold to banks and customers under repurchase agreements.

Interest accrued on these deposits is recorded as related payables and as an expense in the income statement.

NOTE 2.4.1 DUE TO BANKS

<i>(In EUR m)</i>	31.12.2018	31.12.2017
Demand deposits		
Demand deposits and current accounts	22,721	13,858
Borrowings secured by notes - overnight	-	-
SUB-TOTAL	22,721	13,858
Term deposits		
Term deposits and borrowings	131,862	158,040
Borrowings secured by notes and securities	-	-
SUB-TOTAL	131,862	158,040
Related payables	429	529
TOTAL DEPOSITS	155,012	172,427
Securities sold under repurchase agreements	65,065	69,359
TOTAL⁽¹⁾	220,077	241,786

(1) Including amounts due to subsidiaries: EUR 77,953 million at 31st December 2018 (EUR 77,314 million at 31st December 2017).

NOTE 2.4.2 CUSTOMER DEPOSITS

<i>(In EUR m)</i>	31.12.2018	31.12.2017
Regulated savings accounts		
Demand	43,373	42,093
Term	17,637	18,086
SUB-TOTAL	61,010	60,179
Other demand deposits		
Businesses and sole proprietors	50,722	49,458
Individual customers	33,835	31,206
Financial customers	26,230	24,686
Others	5,935	5,445
SUB-TOTAL	116,722	110,795
Other term deposits		
Businesses and sole proprietors	45,542	53,731
Individual customers	214	352
Financial customers	143,443	107,264
Others	12,458	6,850
SUB-TOTAL	201,657	168,197
Related payables	641	548
TOTAL CUSTOMER DEPOSITS	380,030	339,719
Securities sold to customers under repurchase agreements	144,816	119,971
TOTAL⁽¹⁾	524,846	459,690

(1) Including deposits of subsidiaries: EUR 193,951 million at 31st December 2018 (EUR 132,477 million at 31st December 2017).

NOTE 2.4.3 DEBT SECURITIES ISSUED

ACCOUNTING PRINCIPLES

These liabilities are classified by type of security: loan notes, interbank market certificates, negotiable debt instruments, bonds and other debt securities, but exclude subordinated notes which are classified under *Subordinated debt*.

Interest accrued is recorded as related payables and as an expense in the income statement. Bond issuance and redemption

premiums are amortised using the straight-line or actuarial method 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 recorded as expenses for the period, under *Interest and similar expense* in the income statement.

(In EUR m)	31.12.2018	31.12.2017
Term savings certificates		
Bond borrowings	1,792	1,668
Related payables	20	19
SUB-TOTAL	1,812	1,687
Interbank certificates and negotiable debt instruments	105,933	80,900
Related payables	605	525
TOTAL⁽¹⁾	108,350	83,111

(1) Including commissions related to subsidiaries: EUR 2,506 million at 31st December 2018 (EUR 2,144 million at 31st December 2017)

NOTE 2.4.4 COMMITMENTS RECEIVED

(In EUR m)	31.12.2018	31.12.2017
Commitments received⁽¹⁾		
Loan commitments received from banks	60,532	51,377
Guarantee commitments received from banks	50,841	47,127
TOTAL	111,373	98,504

(1) Including commitments received from subsidiaries: EUR 16,561 million at 31st December 2018 (EUR 11,871 million at 31st December 2017).

NOTE 2.5 Interests 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 financial instruments measured at amortised cost using the effective interest rate method.

The effective interest rate is taken to be the rate used to discount 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 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.

When a financial asset or group of similar financial assets has been impaired following an impairment of value, subsequent interest income is recorded on the basis of the effective interest rate used to discount the future cash flows when measuring the loss of value.

Moreover, except for those related to employee benefits, 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 EUR m)	2018			2017		
	Incomes	Expenses	Net	Incomes	Expenses	Net
Interest income from transactions with banks	3,320	(3,433)	(113)	3,109	(3,190)	(81)
Transactions with central banks, post office accounts and banks	2,132	(2,320)	(188)	2,318	(2,566)	(248)
Securities sold under repurchase agreements and borrowings secured by notes and securities	1,188	(1,113)	75	791	(624)	167
Transactions with customers	9,495	(7,473)	2,022	8,221	(5,971)	2,250
Trade notes	33	-	33	64	-	64
Other customer loans	7,577	-	7,577	6,803	-	6,803
Overdrafts	355	-	355	305	-	305
Special savings accounts	-	(622)	(622)	-	(635)	(635)
Other deposits	-	(4,904)	(4,904)	-	(4,111)	(4,111)
Securities sold/bought under repurchase agreements and borrowings secured by notes and securities	1,530	(1,947)	(417)	1,049	(1,225)	(176)
Bonds and other debt securities	9,336	(9,591)	(255)	2,041	(3,609)	(1,568)
Other interest expenses and related income	1,955	(3,281)	(1,326)	1,508	(2,479)	(971)
TOTAL INTEREST INCOMES/EXPENSES	24,106	(23,778)	328	14,879	(15,249)	(370)

The detail of other customer loans is composed of:

(In EUR m)	2018	2017
Short-term loans	1,619	1,357
Export loans	282	236
Equipment loans	881	944
Mortgage loans	1,319	1,571
Other loans	3,476	2,695
TOTAL	7,577	6,803

NOTE 2.6 Impairment and provisions**NOTE 2.6.1 IMPAIRMENT AND PROVISIONS FOR CREDIT RISKS****NOTE 2.6.1.1 IMPAIRMENT****ACCOUNTING PRINCIPLES**

Depreciations include assets impairment of assets and impairment of securities.

IMPAIRMENT OF ASSETS

Impairment for unrealised losses is equal to the difference between the carrying amount of the asset and the present value of estimated future recoverable cash flows, taking into account any guarantees, discounted at the financial assets' original effective interest rate. Furthermore, this impairment may not be less than the full amount of the accrued interest on the doubtful loan. Impairment, reversals of impairment, losses on bad debts and recovery 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 when the credit risk has been definitively eliminated and regular repayments have resumed according to the original terms of the contract. Similarly, doubtful loans which have been restructured can be reclassified as performing loans. When a loan is restructured, a discount is applied to any differences 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, 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, it 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, the loan is identified as a non-performing loan. A loan is classified as non-performing once the bank asks for an early termination, 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 which have been restructured and for which the borrower has not respected the new conditions are also classified as non-performing.

IMPAIRMENT OF SECURITIES**Short-term investment securities**

■ Shares and other equity securities

At year-end, cost is compared to realisable value. For listed securities, realisable value is defined as the 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, 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 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 the trading portfolio*, or *from short-term investment securities* in the income statement.

Long-term investment securities

Long-term investments are recorded according to the same principles as short-term investment securities, except that 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 and investment in subsidiaries

At year-end, investments in consolidated subsidiaries and affiliates 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, and the average share price over the last three months. Unrealised capital gains are not recognised in the accounts but a depreciation 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 EUR m)	31.12.2018	31.12.2017
Assets impairment:		
Banks	24	24
Customer loans	2,963	3,287
Other	142	82
Sub-total⁽¹⁾	3,129	3,393
Impairment on securities ⁽²⁾	7,768	7,682
TOTAL IMPAIRMENT	10,897	11,075

(1) Of which depreciation for non-performing loans: EUR 2,273 million.

(2) Except Treasury stock.

The change of impairment (excluding securities) breaks down as follows:

(In EUR m)	Net allocations					Amount at 31.12.2018
	Amount at 31.12.2017	Net cost of risk	Other income statement	Used reversals	Change and reclassifying	
Assets' impairment	3,393	303	55	(642)	20	3,129

NOTE 2.6.1.2 PROVISIONS

ACCOUNTING PRINCIPLES

Provisions include:

- provisions for off-balance sheet commitments (relative to commitments granted);
- collective provisions for credit risk.

PROVISIONS FOR OFF-BALANCE SHEET COMMITMENTS (PROVISIONS FOR OFF-BALANCE SHEET GUARANTEES)

Provisions for off-balance sheet commitments represent the Societe Generale's potential losses incurred following the identification of an identified credit risk on an off-balance sheet financing or guarantee commitment that would not be considered as a derivative instrument or designated as financial asset through profit or loss.

COLLECTIVE PROVISIONS FOR CREDIT RISK (LINKED TO DOWNGRADED COMMITMENTS AND LOANS)

In a homogenous portfolio, as soon as a significant deterioration in credit risk is identified on a group of financial instruments, a provision is recognized without waiting for the risk to individually affect one or more receivables.

The provision is calculated for the amount of credit losses that Societe Generale expects to incur over the life of the exposures (lifetime expected credit loss), 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

equals to the present value of the expected credit losses, 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 maturity.

Comments relative to the identification of the downgrading of credit risk:

To identify the exposures under collective provision, Societe Generale determines whether or not there is a significant increase of credit risk based on available historical and prospective information (behaviour scoring, credit ratings, loan to value indicators, macroeconomics scenarios, etc.).

The assessment of changes in credit risk takes account of the following criteria:

- 1st criteria: changes in the counterpart's credit rating as well as a change in operating sector, macroeconomic conditions and the behaviours of the counterpart that may, above and beyond the review of the credit rating, may be a sign of deteriorating credit risk;
- 2nd criteria: changes in the counterpart's credit rating, from contract to contract from the date of first recognition to the balance sheet date;
- 3rd criteria: the existence of amounts past due of more than 30 days.

Once any one of these criteria is met, the relative contract is impaired as described before.

(In EUR m)	Amount at 31.12.2017	Net allocations per net cost of risk	Change and reclassifying	Amount at 31.12.2018
Provisions for off-balance sheet commitments to banks	2	(2)		-
Provisions for off-balance sheet commitments to customers	205	(51)	5	159
Collective provisions for credit risks	825	(285)	4	544
TOTAL	1,032	(338)	9	703

PROVISIONS FOR OFF-BALANCE SHEET COMMITMENTS

Provisions for off-balance sheet commitments represent Societe Generale's probable losses incurred 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 asset through profit and loss.

NOTE 2.6.1.3 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 which are governed by Law 65-554 of 10th July 1965. These products combine an initial deposits phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. Under the current regulation, this last 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 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 also established at the inception of the savings agreement and the obligation to remunerate customer savings for an indeterminate future period at an interest rate established at the inception of the mortgage savings agreement.

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 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) 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 the historical observed past behaviour of customers.

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 the amount of balance sheet deposits at the date of calculation and the historical observed past behaviour of customers.

A provision is recorded 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 MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EUR m)	31.12.2018	31.12.2017
Mortgage savings plans (PEL)		
less than 4 years old	2,752	4,818
between 4 and 10 years old	9,043	7,237
more than 10 years old	4,545	4,485
SUB-TOTAL	16,340	16,540
Mortgage savings accounts (CEL)	1,076	1,119
TOTAL	17,416	17,659

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EUR m)	31.12.2018	31.12.2017
less than 4 years old	1	3
between 4 and 10 years old	22	40
more than 10 years old	10	6
TOTAL	33	49

PROVISIONS FOR COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EUR m)	31.12.2017	Allocations	Reversals	31.12.2018
Mortgage savings plans (PEL)				
less than 4 years old	15	-	(14)	1
between 4 and 10 years old	28	-	(8)	20
more than 10 years old	122	-	(4)	118
SUB-TOTAL	165	-	(26)	139
Mortgage savings accounts (CEL)	4	6	-	10
TOTAL	169	6	(26)	149

The level of provisions is sensitive to the long-term interest rates. Since the long-term rates were low during 2018, the provisions for PEL and CEL mortgage saving accounts are linked to the risks attached to the commitment to remunerate the deposits. Provisioning for PEL/CEL savings amounted to 0.85% of total outstandings as at 31st December 2018.

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 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 2.6.1.4 COST OF RISK**ACCOUNTING PRINCIPLES**

Cost of risk includes allocations, net of reversals, to provisions and to impairments for credit risk, the amount of the loan considered uncollectable and the amount of recoveries on loans written off.

(In EUR m)	2018	2017
Identified risks	36	(177)
Losses not covered by impairment and amounts recovered on write-offs	(105)	(84)
Other risks and litigations ⁽¹⁾	-	(404)
Net allocation to impairment and provisions for receivables and off-balance commitments	(69)	(665)
<i>Including gain (loss) on revaluation of currency hedge of provisions:</i>		
<i>Counterparty risk</i>	(21)	(63)

(1) In 2018, the movements of provisions for litigations are reported in different operating margins according to the accounting classification of the estimated risk.

NOTE 2.6.2 PROVISIONS FOR FORWARD FINANCIAL INSTRUMENTS**ACCOUNTING PRINCIPLES**

Provisions on forward financial instruments are related to unrealized losses calculated on homogeneous sets of forward financial contracts recognized in balance sheet as isolated open positions

They are determined as the difference between the market value estimated at balance sheet closing date and determined at previous balance sheet closing date.

They are recognised in 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 EUR M)	Amount at 31.12.2017	Net Allocations	Used reversals	Change and reclassifying	Amount at 31.12.2018
Provisions for forwards Financial instruments	9,685	887	-	73	10,646

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 fund activity, finder's fees received, arbitrage fees, or

penalties following payment incidents are recognised in income when the service is provided.

In syndication deals, the effective interest rate for the share of the issue retained on Societe Generale's 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 EUR m)	2018			2017		
	Incomes	Expenses	Net	Incomes	Expenses	Net
Transactions with banks	81	(92)	(11)	74	(92)	(18)
Transactions with customers	1,478	(35)	1,443	1,359		1,359
Securities transactions	457	(831)	(374)	507	(771)	(264)
Primary market transactions	44	-	44	112	-	112
Foreign exchange transactions and forward financial instruments	85	(283)	(198)	68	(269)	(201)
Loan and guarantee commitments	657	(174)	483	662	(71)	591
Services	1,484	-	1,484	1,383	-	1,383
Other	-	(112)	(112)	-	(156)	(156)
NET TOTAL	4,286	(1,527)	2,759	4,165	(1,359)	2,806

NOTE 3.2 Accruals, other assets and liabilities**NOTE 3.2.1 ACCRUALS, OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS**

(In EUR m)	31.12.2018	31.12.2017
Other assets		
Guarantee deposits paid ⁽¹⁾	30,784	27,560
Miscellaneous receivables	3,220	2,253
Premiums on options purchased	53,060	57,497
Settlement accounts on securities transactions	3,144	3,195
Other	626	461
SUB-TOTAL	90,834	90,966
Accruals and similar		
Prepaid expenses	402	359
Deferred taxes	4,113	4,032
Accrued income	2,190	1,761
Other ⁽²⁾	48,702	42,319
SUB-TOTAL	55,407	48,471
GROSS AMOUNT	146,241	139,437
Depreciations	(142)	(82)
NET TOTAL	146,099	139,355

(1) Mainly relates to guarantee deposits paid on financial instruments.

(2) Including derivative instruments valuation for EUR 38,391 million (EUR 34,709 million at 31st December 2017).

NOTE 3.2.2 ACCRUALS, OTHER ACCOUNTS PAYABLE AND OTHER LIABILITIES

(In EUR m)	31.12.2018	31.12.2017
Securities transactions		
Amounts payable for securities borrowed	190,147	149,444
Other amounts due for securities	55,824	42,387
SUB-TOTAL	245,971	191,831
Other liabilities		
Guarantee deposits received ⁽¹⁾	23,440	21,550
Miscellaneous payables	531	444
Premiums on options sold	57,532	61,352
Settlement accounts on securities transactions	3,509	3,856
Other securities transactions	-	530
Related payables	199	192
SUB-TOTAL	85,211	87,924
Accruals and similar		
Accrued expenses	3,799	3,054
Deferred taxes	1	6
Deferred income	1,340	1,465
Other ⁽²⁾	17,974	34,213
SUB-TOTAL	23,114	38,738
TOTAL	354,296	318,493

(1) Mainly relates to guarantee deposits received on financial instruments.

(2) Including derivative instruments valuation for EUR 6,313 million (EUR 22,033 million at 31st December 2017).

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* account includes all expenses related to personnel, notably the cost of the legal employee profit-sharing, income related to CICE (Tax Credit for Competitiveness and Employment) and incentive plans for the year, as well as the cost of internal restructuring operations.

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;
- long-term employee benefits are employee benefits that are not expected to be fully settled within twelve months those such deferred remuneration paid in cash and not indexed (long service awards and time saving accounts);
- termination benefits.

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 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 EUR m)	2018	2017
Employee compensation	3,385	3,633
Social security benefits and payroll taxes	1,300	1,483
Employer contribution, profit sharing and incentives	223	191
TOTAL	4,908	5,307
Average staff	46,942	46,804
In France	42,014	41,160
Outside France	4,928	5,644

Analysis of personnel expenses for the last five years:

(In EUR m)	2018	2017	2016	2015	2014
Societe Generale					
Profit sharing	11	11	13	15	12
Incentives	150	136	99	79	90
Employer contribution	62	44	49	43	44
SUB-TOTAL	223	191	161	137	146
Subsidiaries					2
TOTAL	223	191	161	137	148

NOTE 4.1.2 REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICERS

Total attendance fees paid in 2018 to the Company's Directors amounted to EUR 1.7 million.

The remuneration paid in 2018 to the senior management (Chairman of the Board, the Chief Executive Officer and his four deputies)

amounted to EUR 14.8 million (including EUR 5.4 million of variable pay paid in cash or in shares for 2014 to 2017 fiscal years and EUR 3.4 million of long term incentives for the 2012 fiscal year).

NOTE 4.2 Employee benefits

Societe Generale, in France and its branches in foreign countries, may award their employees:

- post-employment benefits, such as pension plans or retirement benefits;

- long-term benefits such as deferred variable remuneration, long service awards or the time service account (*Compte épargne temps (CET)*);

- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS:

(In EUR m)	Amount at 31.12.2017	Net allocations ⁽¹⁾	Used reversals	Change and reclassifying	Amount at 31.12.2018
Provisions for employee benefits	1,759	805	(593)	45	2,016

(1) Net allocations include an allocation of EUR 554 million related to the change of hedging strategies for French benefits plans in November 2018 (cf. Note 4.2.1.2) and a decrease of liabilities in December 2018 according to the revision of some employee benefits in France.

NOTE 4.2.1 POST-EMPLOYMENT BENEFITS**ACCOUNTING PRINCIPLES**

Pension plans may be defined contribution or defined benefit plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans are those that limit Societe Generale's liability to the subscriptions paid into the plan but do not commit the company to a specific level of future benefits. Contributions paid are recorded as an expense for the current year.

DEFINED BENEFIT PLANS

Defined benefit plans commit 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 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.

Societe Generale can choose to finance defined benefit plans by assets held by a long-term employee benefit fund or by qualifying insurance policies.

Funding assets are classified as plan assets if assets are held by an entity (a 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.

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 charge 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.

DEFINED CONTRIBUTION PLANS

Main defined contribution plans provided to employees of the Group 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).

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.

NOTE 4.2.1.1 RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

<i>(In EUR m)</i>	31.12.2018	31.12.2017
Net liabilities recorded in the balance sheet	1,194	874
Assets recorded in the balance sheet	(952)	(469)
Net balance	242	405
Breakdown of the net balance		
Present value of funded defined benefit obligations	2,139	2,459
Fair value of plan assets	(2,012)	(2,182)
A - Actuarial deficit (net balance)	127	277
B - Present value of unfunded defined benefit obligations	115	120
Unrecognised items		
Plan assets impacted by change in asset celling	-	(8)
C - Total unrecognised items	-	(8)
A + B - C Net balance	242	405

(1) This item includes excess in plan assets for EUR 51 million and separate assets for EUR 902 million as of 31st December 2018 against EUR 397 million as of 31st December 2017 (see Note 4.2.1 §1.2).

NOTE 4.2.1.2 INFORMATION REGARDING PLAN ASSETS

Funding assets include plan assets and separate assets.

The breakdown of the fair value of plan assets is as follows: 67% bonds, 26% equities and 7% other investments. Societe Generale's own financial instruments directly held are not significant.

Excess in funding assets are EUR 119 million.

Employer contributions to be paid to post-employment defined benefit plans for 2019 are estimated at EUR 3 million.

In France, plan hedging strategies of some defined benefit plans has been modified in November 2018, implying a requalification of some plan assets into separate assets. The result is an increase of the liabilities of EUR 554 million and the recognition of a separate assets for the same amount. At the transfer date, the impact of this change is nil in profit or loss.

NOTE 4.2.1.3 MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

<i>(In percentage)</i>	31.12.2018	31.12.2017
Discount rate		
Europe	1.96%	1.77%
Americas	4.29%	3.50%
Asia-Oceania-Africa	4.10%	3.36%
Long-term inflation		
Europe	2.06%	2.17%
Asia-Oceania-Africa	2.00%	2.00%
Future salary increase net of inflation		
Europe	0.45%	0.54%
Asia-Oceania-Africa	3.19%	3.06%
Average remaining working lifetime of employees (in years)		
Europe	7.44	8.83
Americas	7.85	8.25
Asia-Oceania-Africa	11.18	12.77
Duration (in years)		
Europe	15.14	16.10
Americas	15.59	17.53
Asia-Oceania-Africa	11.01	10.81

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 4.2.2 OTHER LONG-TERM BENEFITS**ACCOUNTING PRINCIPLES**

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. Long-term benefits are measured in the same way as post-employment benefits.

Societe Generale may award their employees long-term benefits, like long-term deferred variable remunerations, time saving accounts (*Compte Épargne Temps*) or long service awards. They are different from post-employment benefits and termination benefits, which are not fully due within twelve months following the financial year during which the services are rendered by the employees.

The amount of net balance of long-term benefits stands at EUR 553 million.

The total cost of long-term benefits is EUR 110 million.

NOTE 4.3 Free share plans**ACCOUNTING PRINCIPLES**

In the case of share purchase options and free shares plans granted to employees, a provision must be recorded for the loss that the entity will 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 quoted price of the treasury shares at the balance sheet closing date 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 price of treasury shares held and the exercise price (zero in case of free shares) if the entity has already purchased its treasury shares in order to deliver them to the employees.

If vesting conditions such as service or performance conditions must be satisfied for the employees to become entitled to receive shares, the provision expense shall be accounted for the services as they are rendered by the employees during the vesting period.

In the case of share subscription plans, no expense shall be recorded concerning treasury shares that have to be issued.

NOTE 4.3.1 MAIN CHARACTERISTICS OF THE FREE SHARE PLANS OF THE YEAR

The plans for employees for the year ended 31st December 2018 are briefly described below:

Issuer	Societe Generale
Year of grant	2018
Type of plan	Performance shares
Number of free shares granted	1,319,346
Shares delivered	64
Shares forfeited as at 31.12.18	65,257
Shares outstanding as at 31.12.18	1,254,025
Number of shares reserved as at 31.12.18	1,254,025

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 FOR 2018 PLANS

The amount of the debt recorded in the balance sheet for the 2018 plans is EUR 20 million.

NOTE 4.3.3 INFORMATION RELATIVE TO TREASURY SHARES FOR 2018 PLANS

The number of treasury shares acquired in relation to the 2018 plans is 1,254,025 for a cost of EUR 50 million.

NOTE 5 TAXES

ACCOUNTING PRINCIPLES

Current taxes

In the 1989 financial year, Societe Generale opted to apply a tax consolidation regime. At 31st December 2018, 243 subsidiaries had signed a tax consolidation agreement with Societe Generale. Accordingly, all of the tax consolidated companies must record in their financial statements the tax expense they would have paid if they had not been consolidated with Societe Generale for tax purposes.

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 deferred taxes from previous years are adjusted to account for changes in tax rates. The impact of changes to tax rates 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 and are never discounted to present value.

NOTE 5.1 Income tax

(In EUR m)

	2018	2017
Current taxes	565	336
Deferred taxes	51	(227)
TOTAL⁽¹⁾	616	109

(1) 2018 income tax includes a gain of EUR 56 million (against a loss of EUR 7.4 million for 2017). The 2017 loss was primarily related to the deneutralization resulting from the exit of the tax group from Ald entities.

In France, the standard corporate income tax rate is 33.33%. It is supplemented by a national contribution payment based on pre-tax earnings (contribution sociale) introduced in 2000 equal to 3.3% (after a deduction of EUR 0.76 million from basic taxable income).

Long-term capital gains on equity investments are tax exempt, subject to the taxation of a portion of fees and expenses at the full statutory tax rate. This portion of fees and expenses is equal 12% of gross capital gain. This exemption is applicable only if the company realises a net long-term capital gain.

Furthermore, under the parent-subsidary 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 at the full statutory tax rate.

The 2018 French Finance Act, adopted on 21st December 2017, includes a gradual reduction in French tax rate. Until 2022, the standard Corporate Income Tax of 33.33% will be decreased to 25%, plus the existing national contribution of 3.3%.

Deferred taxes in French companies are determined by applying the tax rate in force at the reversal of the temporary difference. Regarding the gradual reduction in French tax rate until 2022:

- for income taxed at the ordinary tax rate, the rate is between 34.43% in 2018 and 25.83% from 2022 (including the national contribution payment);
- for income taxed at reduced rate, the rate is between 4.13% in 2018 and 3.10% from 2022 (including the national contribution payment).

NOTE 5.2 Provisions for tax adjustments

ACCOUNTING PRINCIPLES

Provisions represent liabilities whose timing or amount cannot be precisely determined.

Provisions may be recorded:

- where, by virtue of an obligation related to the corporate income tax towards 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 probable outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions for tax adjustments are booked to current taxes in the income statement under *Income tax*.

Information on the nature and the amount of the associated risks is not disclosed when Societe Generale considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

(In EUR m)	Amount at 31.12.2017	Net allocations	Used reversals	Change and reclassifying	Amount at 31.12.2018
Provisions for tax adjustments	110	34	(75)		69

NOTE 5.3 Deferred taxes

(In EUR m)	31.12.2018	31.12.2017
Tax loss carryforwards	2,815	2,889
Gains on sales of assets to companies included in the tax consolidation, in France	(159)	(155)
Other (primarily relating to other reserves)	1,457	1,299
TOTAL	4,113	4,033

Each year, Societe Generale performs a review of tax loss carryforwards, according to the tax system applicable for each relevant tax entity and a realistic forecast of its tax results. For this purpose, tax results are determined based on the forecast of the performance of each business line entering in Societe Generale budgetary path and/or on the strategic review of entities, after being approved by empowered management bodies. In addition, they include accounting and tax adjustments (of which the reversal of deferred tax assets and liabilities on temporary differences) applicable to concerned entities and jurisdictions. These adjustments are determined based on historical tax results and on the tax expertise. Beyond Societe Generale budgetary path and/or the strategic review, extrapolations are performed particularly from macroeconomic assumptions (for example, the evolution of interest rates).

By nature, the appreciation of macroeconomic factors chosen, and the internal estimations used to determine the tax results contain risks and uncertainties on their realization over the estimated horizon of the losses absorption. These risks and uncertainties concern the possibilities of change of tax rules applicable (tax result computation as well as rules of imputation of tax losses carried forward) or the achievement of the strategic assumptions.

To ensure the robustness of the tax result projections, Societe Generale realizes sensitivity analysis on the achievement of budgetary and strategic assumptions.

At 31st December 2018, these analyses confirm the probability for Societe Generale to use tax loss carryforwards subject to deferred tax assets against future taxable profit.

NOTE 5.4 Deferred tax assets recognised on tax loss carryforwards

At 31st December 2018, 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 EUR m)	31.12.2018	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets recognised to tax loss carryforwards	2,815	0	0
o.w. French tax group	2,327	unlimited ⁽¹⁾	10 years
o.w. US tax group	461	20 years ⁽²⁾	7 years
others	28	0	0

(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 nondeductible 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 31.12.2017

Furthermore, at 31st December 2018, deferred tax assets not recognised on the asset side of the balance sheet concerned our franchises in the United States of America, for EUR 497 million (versus EUR 266 million at 31st December 2017) and in Singapore for EUR 29 million (versus EUR 27 million at 31st December 2017).

With regards to the tax treatment of the loss caused by the actions of Jérôme Kerviel, Societe Generale considers that the judgement of the Versailles Court of Appeal of 23rd September 2016 is not likely to call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers there is no need to provision the corresponding deferred tax assets.

However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and confirmed that they intended to call into question the deductibility of the loss caused by the actions of Jérôme Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by a tax adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale will not fail to assert its rights before the competent courts.

NOTE 6 SHAREHOLDER'S EQUITY**NOTE 6.1 Changes in shareholders' equity**

(In EUR m)	Capital Stock	Additional paid-in-capital	Reserves, unappropriated retained earnings	Shareholders' equity
At 31st December 2016	1,010	20,429	14,437	35,876
Increase/Decrease in capital stock ⁽¹⁾	-	8	-	8
Net income for the period	-	-	800	800
Dividends paid ⁽²⁾	-	-	(1,763)	(1,763)
Other movements ⁽³⁾	-	7	-	7
At 31st December 2017	1,010	20,444	13,474	34,928
Increase in capital stock	-	-	-	-
Net income for the period	-	-	1,725	1,725
Dividends paid ⁽⁵⁾	-	-	(1,764)	(1,764)
Other movements ⁽⁶⁾	-	158	-	158
At 31st December 2018⁽⁷⁾	1,010	20,602	13,435	35,047

(1) In 2017 Societe Generale proceeded with the following capital increase, representing EUR 0.26 million resulting from stock options granted by the Board of Directors, that were exercised by employees with EUR 8.16 million of issuing premiums.

(2) The dividends distribution performed by Societe Generale in 2017 amounted to EUR 1,763 million after elimination of treasury stock dividend for EUR 15.1 million.

(3) EUR 6.35 million related to the merger profit further to the takeover of Eléapart.

(4) At 31st December 2017, Societe Generale's fully paid-up capital amounted to EUR 1,009,897,173.75 and comprised 807,917,739 shares with a nominal value of EUR 1.25.

At 31st December 2017, the amount of Societe Generale's reserves was EUR 3,632,905,672.87 with:

- EUR 100.96 million for the legal reserve
- EUR 2,097.25 million for the long-term capital gain reserve
- EUR 1,434.69 million for other reserves.

(5) The dividends distribution performed by Societe Generale in 2018 amounted to EUR 1,764 million after elimination of treasury stock dividend for EUR 13.4 million.

(6) EUR 158.34 million related to the merger profit further to the takeover of Soginfo.

(7) At 31st December 2018, Societe Generale's fully paid-up capital amounted to EUR 1,009,897,173.75 and comprised 807,917,739 shares with a nominal value of EUR 1.25.

At 31st December 2018, the amount of Societe Generale's reserves was EUR 3,632,931,198.50 with:

- EUR 101.99 million for legal reserve.
- EUR 2,097.25 million long term capital gain reserve.
- EUR 1,434.69 million for other reserve.

NOTE 6.2 Proposal of income assignment

At the Annual General Meeting of 21st May 2019, the Board of Directors will propose an allocation of income for the year ended 31st December 2018 and dividend distribution under the following terms:

(In EUR m)	
Net income	1,725
Unappropriated retained earnings	8,077
TOTAL INCOME TO BE APPROPRIATED	9,802
Dividend	1,777
Retained earnings	8,025
TOTAL APPROPRIATED INCOME	9,802

The dividend corresponds to EUR 2.20 per share with a par value of EUR 1.25.

The amount of dividend of EUR 1,777 million to be paid to shareholders is calculated on the basis of an existing number of shares

on 31st December 2018. It will be proposed to offer of each shareholder the opportunity to opt of payment in new shares of the company, of the dividend to which he is entitled.

NOTE 6.3 Net earnings per shares

(In EUR m)	31.12.2018	31.12.2017
Net income attributable to ordinary shareholders	1,725	800
Weighted average number of ordinary shares outstanding	801,909,473	800,596,132
Earnings per ordinary share (in EUR)	2.15	1.00
Average number of ordinary shares used in the dilution calculation ⁽¹⁾	-	50
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	801,909,473	800,596,182
Diluted earnings per ordinary share (in EUR)	2.15	1.00

(1) The number of shares used in the dilution calculation is computed using the "share buy-back" method and takes into account free shares in stock-option plans.

NOTE 6.4 Subordinated debt

ACCOUNTING PRINCIPLES

This item includes all dated or undated borrowings, whether or not in the form of securitised debt, which in the event of the liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Interest accrued and payable in respect of long-term subordinated debt, if any, is recorded as related payables and as an expense in the income statement.

Issuance date	Currency	Amount issued	Maturity date	31.12.2018	31.12.2017
Undated subordinated capital notes					
1 st July 1985	EUR	348	Undated	62	62
24 th November 1986	USD	500	Undated	216	207
16 th June 2008	GBP	700	Undated	-	570
7 th July 2008	EUR	100	Undated	-	100
4 th September 2009	EUR	1,000	Undated	1,000	1,000
6 th September 2013	USD	1,250	Undated	-	1,042
18 th December 2013	USD	1,750	Undated	1,528	1,459
7 th April 2014	EUR	1,000	Undated	1,000	1,000
25 th June 2014	USD	1,500	Undated	1,310	1,251
29 th September 2015	USD	1,250	Undated	1,092	1,042
13 th September 2016	USD	1,500	Undated	1,310	1,251
6 th April 2018	USD	1,250	Undated	1,092	-
4 th October 2018	USD	1,250	Undated	1,092	-
SUB-TOTAL⁽¹⁾				9,702	8,984
Subordinated long-term debts and notes					
21 st July 2000	EUR	78	31 st July 2030	12	14
30 th January 2003	GBP	450	30 th January 2018	-	142
29 th December 2003	GBP	150	30 th January 2018	-	169
16 th August 2005	EUR	226	18 th August 2025	216	216
15 th May 2006	EUR	135	15 th May 2018	-	125
26 th October 2006	EUR	120	26 th October 2018	-	111
9 th February 2007	EUR	124	11 th February 2019	116	116
16 th July 2007	EUR	135	16 th July 2019	130	130
30 th October 2007	EUR	134	30 th October 2019	129	129
14 th February 2008	EUR	225	14 th February 2018	-	225
26 th March 2008	EUR	550	26 th March 2018	-	331
7 th April 2008	EUR	250	6 th April 2023	155	155
15 th April 2008	EUR	321	15 th April 2023	321	321
28 th April 2008	EUR	50	6 th April 2023	50	50
14 th May 2008	EUR	90	6 th April 2023	90	90
14 th May 2008	EUR	50	6 th April 2023	50	50
14 th May 2008	EUR	150	6 th April 2023	150	150
30 th May 2008	EUR	79	15 th April 2023	79	79

Issuance date	Currency	Amount issued	Maturity date	31.12.2018	31.12.2017
10 th June 2008	EUR	300	12 th June 2023	260	260
30 th June 2008	EUR	40	30 th June 2023	40	40
20 th August 2008	EUR	1,000	20 th August 2018	-	778
7 th June 2013	EUR	1,000	7 th June 2023	1,000	1,000
17 th January 2014	USD	1,000	17 th January 2024	873	834
16 th September 2014	EUR	1,000	16 th September 2026	1,000	1,000
27 th February 2015	EUR	1,250	27 th February 2025	1,250	1,250
14 th April 2015	USD	1,500	14 th April 2025	1,310	1,251
15 th April 2015	EUR	150	7 th April 2025	150	150
2 nd June 2015	AUD	125	2 nd June 2022	77	81
3 rd June 2015	CNH	1,200	3 rd June 2025	152	154
10 th June 2015	AUD	50	10 th June 2025	31	33
12 th June 2015	JPY	27,800	12 th June 2025	221	206
12 th June 2015	JPY	13,300	12 th June 2025	106	99
12 th June 2015	JPY	2,500	12 th June 2025	20	19
22 th July 2015	USD	50	23 rd July 2035	44	42
30 th September 2015	JPY	20,000	30 th September 2025	159	148
21 st October 2015	EUR	70	21 st October 2026	70	70
24 th November 2015	USD	500	24 th November 2045	437	417
24 th November 2015	USD	1,000	24 th November 2025	873	834
19 th May 2016	SGD	425	19 th May 2026	273	265
3 rd June 2016	JPY	15,000	3 rd June 2026	119	111
3 rd June 2016	JPY	27,700	3 rd June 2026	220	205
27 th June 2016	USD	500	26 th June 2036	437	417
20 th July 2016	AUD	325	20 th July 2028	200	212
19 th August 2016	USD	1,000	19 th August 2026	873	834
13 th October 2016	AUD	150	13 th October 2026	92	98
16 th December 2016	JPY	10,000	16 th December 2026	79	74
24 th January 2017	AUD	200	24 th January 2029	123	130
19 th May 2017	AUD	500	19 th May 2027	308	326
23 rd June 2017	JPY	5,000	23 rd June 2027	40	37
18 th July 2017	JPY	5,000	27 th July 2027	40	37
18 th July 2017	AUD	150	19 th May 2027	92	98
23 rd February 2018	EUR	1,000	23 rd February 2028	1,000	-
7 th March 2018	JPY	6,500	7 th March 2028	52	-
13 th April 2018	JPY	6,500	13 th April 2028	52	-
17 th April 2018	JPY	6,500	17 th April 2028	52	-
24 th October 2018	JPY	13,100	24 th October 2028	104	-
SUB-TOTAL⁽¹⁾				13,727	14,110
Related payables				378	414
TOTAL⁽²⁾⁽³⁾				23,807	23,508

(1) The Board of Directors may decide to defer payouts on undated subordinated notes in full or in part in the event that the Ordinary General Meeting called to approve the parent company financial statements has decided not to pay any dividends.

Societe Generale has issued EUR 348 million in undated subordinated notes with warrants for the acquisition of preferential investment certificates attached, all of which are eligible for dividends on income earned from 1st July 1985. These certificates shall only be redeemed in the event of the liquidation of the company and once all unsubordinated debt has been reimbursed in full.

The other securities and borrowings have an early redemption clause as of their tenth year which may only be exercised by Societe Generale.

(2) The bank's global subordinated debt expense, net of tax and of the repurchase impact, amounted to EUR 1,266 million in 2018 (compared with EUR 1,342 million in 2017).

(3) Including debt related to subsidiaries EUR 160 million at 31st December 2018 (85 million at 31st December 2017).

NOTE 7 OTHER INFORMATION**NOTE 7.1 Geographical breakdown of net banking income⁽¹⁾**

(In EUR m)	France		Europe		Americas	
	2018	2017	2018	2017	2018	2017
Net interest and similar income ⁽²⁾	2,437	1,135	643	480	95	24
Net fee income	2,194	2,241	370	398	117	117
Net income from financial transactions	3,436	4,821	624	1,005	85	188
Other net operating income	(120)	(977)	168	22	7	(5)
NET BANKING INCOME	7,947	7,220	1,805	1,905	304	324

(In EUR m)	Asia		Africa		Total	
	2018	2017	2018	2017	2018	2017
Net interest and similar income ⁽²⁾	76	88	10	8	3,261	1,735
Net fee income	73	45	5	5	2,759	2,806
Net income from financial transactions	392	345	-	-	4,537	6,359
Other net operating income	(3)	(1)	-	-	52	(961)
NET BANKING INCOME	538	477	15	13	10,609	9,939

(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**

Premises, equipment and other fixed assets are carried at their purchase price on the assets side of the balance sheet. Borrowing expenses incurred to fund a lengthy construction period for fixed assets are included in the acquisition cost, along with 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 at the amount of the direct cost of development, which includes external expenditure on hardware and services and personnel expenses which can be attributed directly to its production and preparation for use.

As soon as they are fit for use, fixed assets are amortised over their useful life. Any residual value of the asset is deducted from its depreciable amount.

Amortisation is recorded through the income statement under *Impairment and amortisation*.

Where one or several components of a fixed asset are used for different purposes or to generate economic benefits over a different time period from the asset considered as a whole, these components are amortised over their own useful life, through the income statement under *Depreciation and amortisation*.

Societe Generale has applied this approach to its operating property, breaking down its assets into the following minimum components with their corresponding amortisation periods:

Depreciation periods for fixed assets other than buildings depend on their useful life, usually estimated in the following ranges:

Infrastructure	Major structures	50 years
	Doors and windows, roofing	20 years
	Façades	30 years
Technical installations	Elevators	
	Electrical installations	
	Electricity generators	
	Air conditioning, extractors	
	Technical wiring	10-30 years
	Security and surveillance installations	
Fixtures and fittings	Plumbing	
	Fire safety equipment	
	Finishings, surroundings	10 years

Depreciation periods for fixed assets other than buildings depend on their useful life, usually estimated in the following ranges:

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	3-5 years
Concessions, patents, licences, etc	5-20 years

NOTE 7.2.1 CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

<i>(In EUR m)</i>	Gross book value 31.12.2017	Acquisitions	Disposals	Other movements	Gross book value at 31.12.2018	Accumulated impairment and amortisation 2018.12	Net book value 31.12.2018
Operating assets							
Intangible assets	3,391	433	(5)	(1)	3,818	(2,449)	1,369
Tangible assets	2,677	234	(142)	492	3,261	(2,036)	1,225
Non-operating assets							
Tangible assets	10	-	-	-	10	(8)	2
TOTAL	6,078	667	(147)	491	7,089	(4,493)	2,596

NOTE 7.2.2 NET INCOME FROM LONG-TERM INVESTMENTS

ACCOUNTING PRINCIPLES

This item covers capital gains or losses realised on disposals, as well as the net allocation to impairment in operating fixed assets. Income from non-operating assets is recorded under *net banking income*.

<i>(In EUR m)</i>	31.12.2018	31.12.2017
Operating fixed assets:		
Gains on disposals	65	8
Losses on disposals	(2)	-
TOTAL	63	8

NOTE 7.3 Provisions**ACCOUNTING PRINCIPLES**

Under balance sheet liabilities, *Provisions* are comprised of provisions for financial instruments (off-balance sheet commitments and loans), provisions for mortgage savings accounts/plans (CEL/PEL), disputes, provisions for employee benefits and provisions for tax adjustments.

DETAILS OF THE PROVISIONS

<i>(In EUR m)</i>	31.12.2018	31.12.2017
Provisions on forward financial instruments (See Note 2.6)	10,646	9,685
Provisions on credit Risks (See Note 2.6)	703	1,032
Provisions on employee benefits (See Note 4.2)	2,016	1,759
Provisions on commitments related to mortgage saving agreements (PEL/CEL) (See Note 2.6)	149	169
Provisions for tax adjustments (See Note 5)	69	110
Other provisions on risks and expenses	1,035	2,833
TOTAL	14,618	15,588

Until 31st December 2017, the provisions for forward financial instruments, the sectorial provisions, the provisions for off-balance sheet commitments, the other provisions for risks including provision for disputes and the provision to mortgage savings accounts/plans (CEL/PEL) were presented under Provisions for forward financial instruments. From 2018, these provisions have been separately disclosed.

OTHER PROVISIONS FOR RISKS AND EXPENSES**ACCOUNTING PRINCIPLES**

A description of contingencies and disputes is provided in the Risk Management report.

Provisions for contingencies and disputes 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 the third party, without compensation for at least an equivalent amount being expected from this third party.

Information on the nature and the amount of the risks is not disclosed when Societe Generale estimates that such disclosure could seriously prejudice its position in a dispute with other parties on the subject matter of the provision.

Net allocations to provisions are classified by type of risk in the corresponding accounts in the income statement.

Other provisions include provisions for restructuring, 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 proceedings 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".

During the financial year 2018, Societe Generale concluded settlement agreements with US and European authorities to end investigations related to IBOR and to some transactions with Libyan counterparties, and with some US authorities to end investigations related to

economic sanctions and anti-money laundering. In the context of those agreements, Societe Generale agreed to pay penalties to those authorities for a total amount of USD 2.7 billion ; at the same time, the provision for public right disputes recognised in the Group financial statements has been reversed partially and its outstanding balance amounts to EUR 340 million as at 31 December 2018.

NOTE 7.4 Breakdown of assets and liabilities by term to maturity

(In EUR m)	Outstanding at 31.12.2018					Intercompany eliminations: Societe Generale Paris/branches	Total
	Less than 3 months	3 months to one year	1 to 5 years	More than 5 years			
Assets							
Due from banks	119,436	58,293	93,500	58,023	(147,792)	181,460	
Customer loans	127,435	84,343	97,431	173,281	6	482,496	
Bonds and other debt securities:							
Trading securities	4,738	55,038	-	9,804	-	69,580	
Short-term investment securities	457	11,000	39	10	-	11,507	
Long-term investment securities	-	-	9	32,106	-	32,115	
TOTAL	252,066	208,674	190,979	273,224	(147,786)	777,158	
Liabilities							
Due to banks	105,823	88,070	91,606	81,403	(146,825)	220,077	
Customer deposits	274,967	94,387	31,196	125,201	(905)	524,846	
Liabilities in the form of securities issued	8,726	25,309	36,376	37,939	-	108,350	
TOTAL	389,516	207,766	159,178	244,543	(147,730)	853,273	

NOTE 7.5 Transactions in foreign currencies

ACCOUNTING PRINCIPLES

Gains and losses arising from ordinary activities in foreign currencies are recognised in the income statement. Outright forward foreign exchange transactions and those used to hedge other forward foreign exchange transactions are valued on the basis of the forward foreign exchange rate of the relevant currency for the remaining maturity. Spot and other forward foreign exchange positions are revalued on a monthly basis using official month-end spot rates. Unrealised gains and losses are recognised in the income statement. Premiums and discounts resulting from hedged forward foreign exchange transactions, are amortised to income statement on a straight-line basis over the remaining term to maturity of these transactions.

	31.12.2018				31.12.2017			
	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
<i>(In EUR m)</i>								
EUR	590,757	617,439	356,411	335,016	533,292	560,212	328,709	330,098
USD	456,555	429,199	673,967	654,999	400,419	374,414	629,816	587,358
GBP	58,509	58,728	161,289	152,706	59,935	60,098	136,767	125,222
JPY	83,732	83,159	79,386	137,679	80,826	78,435	88,130	111,884
Other currencies	97,149	98,177	313,920	293,286	108,186	109,499	280,683	302,420
TOTAL	1,286,702	1,286,702	1,584,973	1,573,686	1,182,658	1,182,658	1,464,105	1,456,982

NOTE 7.6 Operations in uncooperative states or territories

Since 2003, Societe Generale has defined strict internal rules to prevent the development of operations in countries qualified as uncooperative tax heavens by the OECD. Any operation, 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 Risk Division.

Since 2010, Societe Generale has decided to close (and has therefore taken the necessary steps to do so) all the Societe Generale operations in countries and territories deemed non-cooperative by France, the list of which was updated by the Ministerial order of 8th April 2016 (published on 10th April 2016).

In 2018, Societe Generale did not hold, directly or indirectly, any operations in the states and territories in question.

NOTE 7.7 Table of subsidiaries and affiliates

2018

(In thousands of euros or local currency)

Company/Head Office or Establishment	Activity/Division	Registered capital (local currency) ⁽¹⁾	Shareholders' equity other than capital (local currency) ⁽¹⁾	Share of capital held (in %)
I – INFORMATION ON INVESTMENTS WITH A BOOK VALUE IN EXCESS OF 1% OF SOCIETE GENERALE'S SHARE CAPITAL				
A) Subsidiaries (more than 50% owned by Societe Generale)				
SG AMERICAS SECURITIES HOLDINGS, LLC	Brokerage			
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington – Delaware – USA	Global Banking and Investor Solutions	USD 1,430,976	1,082,582	100.00
SG FINANCIAL SERVICES HOLDING	Portfolio management			
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR 1,962,193	223,238	100.00
GENEFINANCE	Portfolio management			
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR 1,000,000	237,443	100.00
INTER EUROPE CONSEIL	Credit institution			
29, boulevard Haussmann – 75009 Paris – France	Global Banking and Investor Solutions	EUR 764,983	86,484	100.00
SG KLEINWORT HAMBROS LIMITED	Asset Management			
St Jame's Square, SW1Y 4JU – London – United Kingdom	Global Banking and Investor Solutions	GBP 518,710	140,735	100.00
SOCIETE GENERALE SECURITIES SERVICES SPA	Credit institution			
Via Benigno Crespi, 19 A – 20159 Milan – Italy	Global Banking and Investor Solutions	EUR 111,309	198,737	100.00
SOCIETE GENERALE SECURITIES JAPAN LIMITED	Brokerage			
1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan	Global Banking and Investor Solutions	JPY 35,765,000	33,508,000	100.00
SOCIETE GENERALE REAL ESTATE	Real estate and real estate financing			
29, boulevard Haussmann – 75009 Paris – France	French Retail Banking	EUR 327,112	46,604	100.00
SOGEMARCHE	Real estate			
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR 500,000	(25,031)	100.00
SOCIETE GENERALE (CHINA) LIMITED	International Retail Banking			
Taikang International Tower 18 th floor, 2, Wudinghou Street, Xicheng District – 100033 Beijing – China	Global Banking and Investor Solutions	CNY 4,000,000	(295,384)	100.00
FIDITALIA SPA	Consumer finance			
Via G. Ciardi, 9 – 20149 Milan – Italy	International Retail Banking and Financial Services	EUR 130,000	134,644	100.00
SOCIETE GENERALE BANKA SRBIJA	International Retail Banking			
Bulevar Zorana Djindjica 50 a/b, 11070 Novi Beograd – Serbia	International Retail Banking and Financial Services	RSD 23,724,274	11,303,043	100.00
BANCO SOCIETE GENERALE BRASIL S/A	Investment banking			
Avenida Paulista, 2300 – Cerqueira Cesar – São Paulo – SP CEP 01310-300 – Brazil	Global Banking and Investor Solutions	BRL 2,956,929	(1,576,657)	100.00

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.

(2) For banking and finance subsidiaries, revenue refers to net banking income.

(3) Financial statements not yet audited for French companies.

2018

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 (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)						
3,000,656	3,000,656	995,633	-	576,412	26,379	-	1 EUR = 1,145 USD
2,456,502	2,456,502	2,617,151	-	1,531,455	1,415,166	830,929	
1,076,025	1,076,025	-	-	406,109	301,973	66,000	
3,852,866	908,249	2,108,465	-	78,874	55,352	328,943	
645,636	645,636	0	0	188,074	3,177	-	1 EUR = 0,89453 GBP
745,062	619,377	195	0	143,644	18,373	28,055	
605,297	605,297	0	347	20,121,000	4,510,000	111,471	1 EUR = 125.85JPY
586,505	586,505	3,900	-	738	38,514	16,871	
500,000	500,000	20,000	-	24,414	288	-	
416,783	394,684	63,491	1,917,314	423,008	32,104	-	1 EUR = 7,8751 CNY
335,169	317,383	3,859,450	-	199,088	44,859	-	
258,243	258,243	351,599	16,695	15,404,674	7,180,581	38,784	1 EUR = 118,31865 RSD
935,703	257,582	0	108,494	217,705	65,508	-	1 EUR = 4,444 BRL

2018

(In thousands of euros or local currency)

Company/Head Office or Establishment	Activity/Division		Registered capital (local currency) ⁽¹⁾	Shareholders' equity other than capital (local currency) ⁽¹⁾	Share of capital held (in %)
VALMINVEST	Office space				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	248,877	11,252	100.00
SOGECAMPUS	Real estate				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	241,284	(1,926)	100.00
LYXOR ASSET MANAGEMENT	Alternative Asset Management				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	161,106	59,981	100.00
GENEGIS I	Office space				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	192,900	15,969	100.00
SG SECURITIES KOREA CO, LTD.	Business consulting				
(1-ga, Shinmun-ro), 14F 82, Saemunan-ro, Jongno-gu – Seoul – South Korea	Global Banking and Investor Solutions	KRW	205,500,000	29,916,928	100.00
COMPAGNIE FONCIÈRE DE LA MÉDITERRANÉE (CFM)	Office space				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	76,627	2,393	100.00
SOCIETE GENERALE ALGÉRIE	International Retail Banking				
Résidence EL KERMA – 16105 Gué de Constantine – Wilaya d'Alger – Algeria	International Retail Banking and Financial Services	DZD	10,000,000	30,149,739	100.00
SOCIETE GENERALE CAPITAL CANADA Inc	Brokerage				
1501 Avenue McGill College – Suite 1800 H3A 3M8 – Montréal – Canada	Global Banking and Investor Solutions	CAD	150,000	63,439	100.00
SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Office space				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	90,030	19,394	100.00
ORPAVIMOB	Real estate and real estate financing				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	79,253	5,545	100.00
SG SECURITIES (SINGAPORE) PTE. LTD.	Brokerage				
8 Marina Boulevard – #12-01 – Marina Bay financial Centre Tower 1 – 018981 – Singapore	Global Banking and Investor Solutions	SGD	99,156	9,486	100.00
SG AMERICAS, INC.	Investment banking				
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington – Delaware – USA	Global Banking and Investor Solutions	USD	-	432,237	100.00
SG FACTORING SPA	Factoring				
Via Trivulzio, 7 – 20146 Milan – Italy	Global Banking and Investor Solutions	EUR	11,801	29,469	100.00
SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD.	Brokeragesur on equity markets				
Level 23 – 400 George Street – Sydney – NSW 2000 – Australia	Global Banking and Investor Solutions	AUD	100,000	(31,960)	100.00
INORA LIFE LTD.	Life insurance				
IFSC House International Financial Services Center – Dublin 1 – Ireland	Global Banking and Investor Solutions	EUR	36,500	(16,502)	100.00

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.

(2) For banking and finance subsidiaries, revenue refers to net banking income.

(3) Financial statements not yet audited for French companies.

2018

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 (loss) for the last financial year (local currency) ⁽¹⁾ ⁽³⁾	Dividends received by the Company during the year (in EUR)	Remarks Revaluation differences
Gross (in EUR)	Net (in EUR)						
249,427	249,427	-	-	659	2,702	3,186	
241,284	241,284	140,000	-	23,119	3,399	-	
217,348	216,330	-	-	94,416	15,317	29,417	
196,061	196,061	50,484	-	208,189	(1,107)	0	
160,941	160,941	-	-	134,966,023	66,897,916	28,634	1 EUR = 1277,93 KRW
155,837	155,837	-	-	754	1,450	1,346	
110,628	110,628	-	-	22,931,208	9,770,637	20,011	1 EUR = 135,4518 DZD
95,550	95,550	0	0	46,811	8,545	1,281	1 EUR = 1,5605 CAD
89,992	89,992	-	-	7,472	4,263	4,186	
79,253	79,253	-	-	18,517	3,445	3,223	
94,300	71,323	13,100	0	39,064	22,371	11,293	1 EUR = 1,5591 SGD capital = 1 USD
1,612,723	60,207	-	-	17,484	15,163	-	1 EUR = 1,145 USD
46,100	46,100	757,969	1,401,850	11,713	3,753	3,236	
62,745	42,640	98,644	126,387	22,206	(629)	-	1 EUR = 1,622 AUD
36,500	20,373	-	-	2,599	213	-	

2018

(In thousands of euros or local currency)

Company/Head Office or Establishment	Activity/Division	Registered capital (local currency) ⁽¹⁾	Shareholders' equity other than capital (local currency) ⁽¹⁾	Share of capital held (in %)
SG AUSTRALIA HOLDINGS LTD.	Portfolio management			
Level 25, 1-7 bligh street – Sydney, NSW 2000 – Australia	Global Banking and Investor Solutions	AUD 19,500	3,474	100.00
SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD. (HONG-KONG)	Investment banking			
Level 38 – Three Pacific Place 1 Queen's Road – East Hong-Kong – Hong Kong	Global Banking and Investor Solutions	USD 154,991	143,790	100.00
SOCIETE GENERALE EQUIPMENT FINANCE SA	Portfolio management			
17, cours Valmy – 92800 Puteaux – France	International Retail Banking and Financial Services	EUR 750,355	3,983	100.00
SOCIETE GENERALE IMMOBEL	Real estate			
11 Rue des Colonies – 1000 Brussels – Belgium	Global Banking and Investor Solutions	EUR 50,062	85,121	100.00
DESCARTES TRADING	Proprietary trading			
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR 377,000	(18,564)	100.00
SOCIETE GENERALE SFH	Credit institution			
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR 375,000	149,459	100.00
BOURSORAMA SA	Online brokerage			
18, Quai du Point du Jour – 92100 Boulogne-Billancourt – France	French Retail Banking	EUR 35,548	451,668	100.00
SOCIETE GENERALE SCF	Mortgages			
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR 150,000	98,142	100.00
SOCIETE GENERALE INTERNATIONAL LIMITED	Brokerage and clearing			
10 Bishops square – London E1 6EG – United Kingdom	Global Banking and Investor Solutions	GBP 1,000,000	127,116	100.00
CREDIT DU NORD	French Retail Banking			
28, place Rihour – 59800 Lille – France	French Retail Banking	EUR 890,263	1,869,389	100.00
SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio management			
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR 12,487	7,659	100.00
SG EUROPEAN MORTGAGE INVESTMENTS	Portfolio management			
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR 1,000	49,704	99.99
ROSBANK	International Retail Banking			
34, Masha Poryvaeva Street 107078 – Moscow – Russia	International Retail Banking and Financial Services	RUB 17,586,914	105,741,386	99.95
SOCIETE DE LA RUE EDOUARD VII	Office space			
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR 11,396	867	99.91
SG EXPRESS BANK	International Retail Banking			
92, Bld VI Varnentchik – 9000 Varna – Bulgaria	International Retail Banking and Financial Services	BGN 33,674	660,129	99.74

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.

(2) For banking and finance subsidiaries, revenue refers to net banking income.

(3) Financial statements not yet audited for French companies.

2018

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 (loss) for the last financial year (local currency) ⁽¹⁾⁽³⁾	Dividends received by the Company during the year (in EUR)	Remarks	Revaluation differences
Gross (in EUR)	Net (in EUR)							
12,024	12,024	-	-	6,760	(142)	0	1 EUR = 1,622 AUD	
146,513	146,513	214,416	-	638,775	312,515	227,262	1 EUR = 1,145 USD	
754,201	754,201	72,422	-	31,232	53,499	-		
50,061	50,061	-	-	1,669	3,179	-		
376,987	359,535	62,000	-	(2,250)	(18,633)	792		
375,000	375,000	31,900,000	36,367,030	420,904	30,619	-		
783,843	783,843	3,861,447	460,000	152,740	(28,221)	-		
150,000	150,000	8,053,668	11,114,186	14,148	5,585	-		
1,411,017	1,347,364	5,057,539	467,564	265,768	93,237	21,285	1 EUR = 0,89453 GBP	
1,410,255	1,410,255	11,549,690	80,000	1,098,724	430,160	228,130		
237,555	21,574	-	-	-	(480)	3,811		
25,604	25,604	-	-	-	14,367	-		
3,628,043	2,127,764	601,762	51,731	43,793,540	9,954,108	-	1 EUR = 79,7153 RUB	
59,612	22,753	-	-	0	115	99		
62,470	62,470	0	152,000	280,536	120,916	21,808	The subsidiary was sold on 01.15.2019 1 EUR = 1,9558 BGN	

2018

(In thousands of euros or local currency)

Company/Head Office or Establishment	Activity/Division	Registered capital (local currency) ⁽¹⁾	Shareholders' equity other than capital (local currency) ⁽¹⁾	Share of capital held (in %)
SOCIETE GENERALE INVESTMENTS (UK) LIMITED	Investment banking			
SG House, 41 Tower Hill, EC3N 4SG – London – United Kingdom	Global Banking and Investor Solutions	GBP 157,822	101,820	98.96
SKB BANKA D.D. LJUBLJANA	International Retail Banking			
Adjovscina,4 – 1513 Ljubljana – Slovenia	International Retail Banking and Financial Services	EUR 52,785	230,936	97.58
SOCIETE GENERALE MAURITANIE	International Retail Banking			
Ilot A, n°652 Nouakchott – Mauritania	International Retail Banking and Financial Services	MRU 600,000	561,627	95.50
SOCIETE GENERALE BANKA MONTENEGRO A.D.	International Retail Banking			
Bulevar Revolucije 17 – 81000 Podgorica – Montenegro	International Retail Banking and Financial Services	EUR 24,731	32,858	90.56
BANKA SOCIETE GENERALE ALBANIA SH.A	International Retail Banking			
BLV Deshmoret e Kombit Blu Towers – Tower1, 9 th floor -Tirana – Albania	International Retail Banking and Financial Services	ALL 6,740,900	882,792	88.89
ALD	Automobile leasing and financing			
15, allée de l'Europe – 92110 Clichy sur Seine – France	International Retail Banking and Financial Services	EUR 606,155	403,063	79.82
OHRIDSKA BANKA AD SKOPJE	International Retail Banking			
Orce Nikolov Str. No. 54, Skopje-Centar – Centar – Macedonia	International Retail Banking and Financial Services	MKD 1,368,328	2,184,433	76.25
BANQUE DE POLYNESIE	Retail banking			
355 Bd Pomaré, BP 530, 98713 Papeete – Tahiti – French Polynesia	International Retail Banking and Financial Services	XPF 1,380,000	7,035,835	72.10
SOCIETE GENERALE DE BANQUES EN COTE D'IVOIRE	International Retail Banking			
5 & 7, avenue J. Anoma, 01 BP 1355 – Abidjan 01 – Côte d'Ivoire	International Retail Banking and Financial Services	XOF 15,555,555	106,559,795	71.84
MOBIASBANCA GROUPE SOCIETE GENERALE	International Retail Banking			
Bd. Stefan cel Mare 81A, MD-2012 mun.-Chisinau – Republic of Moldova	International Retail Banking and Financial Services	MDL 99,944	1,164,997	67.85
BANCO SOCIETE GENERALE MOÇAMBIQUE SA	International Retail Banking			
Av. Julius Nyerere no. 140 , 1568 – Maputo – Mozambique	International Retail Banking and Financial Services	MZN 1,897,200	1,106,643	65.00
KOMERCNI BANKA A.S	International Retail Banking			
Na Prikope 33 – Building Register number 969 – 114 07 Praha 1 – Czech Republic	International Retail Banking and Financial Services	CZK 19,004,926	64,569,826	60.35
BRD – GROUPE SOCIETE GENERALE	International Retail Banking			
B-dul Ion Mihalache nr. 1-7 Sector 1 – Bucharest – Romania	International Retail Banking and Financial Services	RON 696,902	5,063,815	60.17
SOCIETE GENERALE CAMEROUN	International Retail Banking			
78 Avenue Joss, BP 4042 – Douala – Cameroun	International Retail Banking and Financial Services	XAF 12,500,000	39,813,546	58.08
GENEFIM	Real estate lease finance			
29, boulevard Haussmann – 75009 Paris – France	French Retail Banking	EUR 72,779	29,152	57.62

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.

(2) For banking and finance subsidiaries, revenue refers to net banking income.

(3) Financial statements not yet audited for French companies.

2018

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 (loss) for the last financial year (local currency) ⁽¹⁾⁽³⁾	Dividends received by the Company during the year (in EUR)	Remarks	Revaluation differences
Gross (in EUR)	Net (in EUR)							
189,709	189,709	206,663	-	13,790	14,822	9,534	1 EUR = 0,89453 GBP	
220,226	220,226	204,000	560,000	120,567	57,770	54,189	Since 01.01.2018 currency of Mauritania is MRU instead of MRO (1 MRU = 10 MRO)	
20,361	20,361	0	Not communicated	791,368	240,884	257	1 EUR = 41,7741 MRU	
28,819	28,819	30,000	1,000	27,506	10,713	3,179		
70,149	30,849	19,934	29,052	3,589,966	905,928	3,483	1 EUR = 123,365 ALL	
1,156,422	1,156,422	0	0	97,456	535,689	177,399		
37,371	37,371	29,000	2,829	1,704,997	679,508	423	1 EUR = 61,43205 MKD	
12,397	12,397	3,800	121,285	5,377,386	1,457,615	7,768	1 EUR = 119,33174 XPF	
30,504	30,504	136,226	40,884	123,006,298	43,216,316	19,780	1 EUR = 655,957 XAF	
24,960	24,960	-	4,824	753,832	417,343	4,356	1 EUR = 19,67215 MDL	
25,711	12,802	10,800	20,897	810,891	(79,761)	-	1 EUR = 70,50275 MZN	
1,353,885	1,353,885	1,255,211	341,740	31,477,987	15,270,959	208,568	1 EUR = 25,724 CZK	
223,690	223,690	16,332	210,136	2,961,361	1,566,236	147,903	1 EUR = 4,6635 RON	
16,940	16,940	21,697	18,214	68,480,953	19,563,055	6,278	1 EUR = 655,957 XAF	
89,846	89,846	2,325,678	0	39,885	19,609	12,765		

2018

(In thousands of euros or local currency)

Company/Head Office or Establishment	Activity/Division		Registered capital (local currency) ⁽¹⁾	Shareholders' equity other than capital (local currency) ⁽¹⁾	Share of capital held (in %)
SG MAROCAINE DE BANQUES	International Retail Banking				
55, boulevard Abdelmoumen – Casablanca – Morocco	International Retail Banking and Financial Services	MAD	2,050,000	7,685,906	57.57
UNION INTERNATIONALE DE BANQUES	International Retail Banking				
65, avenue Habib Bourguiba – 1000A Tunis – Tunisia	International Retail Banking and Financial Services	TND	172,800	181,994	52.34
B) Affiliates (10% to 50% owned by Societe Generale)					
SA SOGEPARTICIPATIONS	Portfolio management				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	411,267	307,270	24.58
SOCIETE GENERALE CALÉDONIENNE DE BANQUE	Retail banking				
44, rue de l'Alma BP G2 98848 Nouméa cedex – New Caledonia	International Retail Banking and Financial Services	XPF	1,068,375	13,667,437	20.60
CAISSE DE REFINANCEMENT DE L'HABITAT	Housing loan refinancing				
35, rue de la Boetie – 75008 Paris – France	Corporate Centre	EUR	539,995	22,580	16.22
CREDIT LOGEMENT	Credit institution				
50, boulevard Sébastopol – 75003 Paris – France	Corporate Centre	EUR	1,259,850	346,838	13.50

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.

(2) For banking and finance subsidiaries, revenue refers to net banking income.

(3) Financial statements not yet audited for French companies.

2018

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 (loss) for the last financial year (local currency) ⁽¹⁾⁽²⁾⁽³⁾	Dividends received by the Company during the year (in EUR)	Remarks Revaluation differences
Gross (in EUR)	Net (in EUR)						
141,887	141,887	5,016	288,171	4,418,032	1,101,293	12,564	1 EUR = 10,9181 MAD
153,211	153,211	11,472	110,268	367,961	97,126	3,584	1 EUR = 3,4867 TND
234,000	234,000	310,000	-	305,531	315,417	81,875	
16,266	16,266	119,583	77,000	9,282,532	2,553,286	4,306	1 EUR = 119,33174 XPF
98,811	98,811	-	-	1,055,388	18	-	
171,037	171,037	257,982	-	266,189	102,486	35,716	

Table of subsidiaries and affiliates (cont.)

<i>(in thousands of euros)</i>	Book value of shares held		Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Dividends received by the Company during the year	Remarks
	Gross	Net				
II - INFORMATION REGARDING OTHER SUBSIDIARIES AND AFFILIATES						
A) Subsidiaries not included in paragraph 1 :						
1°) French subsidiaries	65,842	61,959	13,726,084	0	49,028	Revaluation difference: 0
2°) Foreign subsidiaries	378,370	93,084	3,530,256	40,985	28,568	Revaluation difference: 1,447
B) Affiliates not included in paragraph 1 :						
1°) French companies	7,803	7,198	130,600	0	301	Revaluation difference: 0
2°) Foreign companies	10,646	10,646	48,965	61,112	2,944	Revaluation difference: 0
	462,661	172,887	17,435,905	102,097	80,841	

NOTE 8 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.

- Beginning in 2006, Societe Generale, along with numerous other banks, financial institutions, and brokers, received requests for information from the US Internal Revenue Service, the Securities and Exchange Commission (“SEC”) and the Antitrust Division of the US Department of Justice (“DOJ”), focused on alleged noncompliance with various laws and regulations relating to the provision to governmental entities of Guaranteed Investment Contracts (“GICs”) and related products in connection with the issuance of tax-exempt municipal bonds. Societe Generale has cooperated with the US authorities. In light of the dormancy of these matters over several years, Societe Generale has determined that they no longer present a material loss contingency risk.
 - On 24th October 2012, the Court of Appeal of Paris confirmed the first judgement delivered on 5th October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion as damages to the bank. On 19th March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, the Versailles Court of Appeal rejected on 23rd September 2016 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 carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on the 20th September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.
 - Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3rd April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15th May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected Societe Generale's arguments relating to service of the claims issued against Goldas, which are therefore time barred. On 18th December 2018, the Supreme Court refused permission to appeal to both Societe Generale and Goldas. On 16th February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against this decision.
 - In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – *Échange d'images chèques*), which has contributed to the improvement of cheque payments' security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.
 - On 20th September 2010, after several years of investigation, the French competition authority ruled that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the Banque de France) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million. However, in its 23rd February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except Banque de France, held that there was no competition law infringement, allowing the banks to recoup the fines paid. On 14th April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3rd and 4th November 2016 by the Paris Court of Appeal before which the case was remanded. On 21st December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22nd January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision.
 - On 4th June 2018, Societe Generale announced that it had reached agreements with (i) the US Department of Justice (“DOJ”) and the US Commodity Futures Trading Commission (“CFTC”) in connection with investigations regarding submissions to the British Bankers Association for setting certain London Interbank Offered Rates and the Euro Interbank Offered Rate (the “IBOR matter”), and (ii) the DOJ and the French *Parquet national financier* (“PNF”) in connection with investigations regarding certain transactions involving Libyan counterparties, including the Libyan Investment Authority (“LIA”) and the bank's third-party intermediary (the “Libyan matter”).
- On 24th May 2018, Societe Generale entered into a “*Convention judiciaire d'intérêt public*” (“CJIP”) with the PNF, approved by the French court on 4th June 2018, to end its preliminary investigation in respect of the Libyan matter. On 5th June 2018, Societe Generale entered into a three-year deferred prosecution agreement (“DPA”) with the DOJ in respect of the IBOR and Libyan matters. Societe Generale Acceptance NV (“SGA”), a subsidiary of Societe Generale

dedicated to the issuance of investment products, entered a guilty plea in connection with the resolution of the Libyan matter. Also, on 4th June 2018, Societe Generale consented to an order from the CFTC in respect of the IBOR matter.

As part of the settlements, Societe Generale paid penalties totalling approximately USD 1.3 billion to the DOJ, CFTC, and PNF. These penalties include (i) USD 275 million to the DOJ and USD 475 million to the CFTC in respect of the IBOR matter, and (ii) USD 292.8 million to the DOJ and EUR 250.15 million (USD 292.8 million) to the PNF in relation to the Libyan matter.

In connection with the CJIP, which does not involve a recognition of criminal liability, Societe Generale agreed to have the French Anti-Corruption Agency (*Agence française anticorruption*) assess its anticorruption programme for two years.

In connection with the DPA, Societe Generale agreed to implement a compliance and ethics program designed to prevent and detect violations of the Foreign Corrupt Practices Act and other applicable anticorruption laws, antifraud and commodities laws throughout the Bank's operations. These actions are in addition to extensive steps undertaken at Societe Generale's own initiative to strengthen its global compliance and control framework in order to meet the highest standards of compliance and ethics. No independent compliance monitor has been imposed in connection with the DPA. The charges against Societe Generale will be dismissed if the Bank abides by the terms of the agreement, to which the Bank is fully committed.

Societe Generale received credit from the DOJ, CFTC and PNF for its cooperation with their investigations and the Bank has agreed to continue to cooperate with them pursuant to the settlement agreements.

In connection with the IBOR matter, the Bank continues to defend civil proceedings in the United States (as described below) and to respond 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 ("NYDFS").

In the United States, Societe Generale, along with other financial institutions, has been named as a defendant in putative class actions involving the setting of US Dollar Libor, Japanese Yen Libor, and Euribor rates and trading in instruments indexed to those rates. Societe Generale has also been named in several individual (non-class) actions concerning the US Dollar Libor rate. All of these actions are pending in the US District Court in Manhattan (the "District Court").

As to US Dollar Libor, all claims against Societe Generale have been dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that are effectively stayed, and in one individual action in which Societe Generale's motion to dismiss is pending. Certain individual plaintiffs whose claims were dismissed have filed motions for leave to amend their complaints, which Societe Generale has opposed. The class plaintiffs and a number of individual plaintiffs have appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit.

As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products and the plaintiffs have appealed that ruling to the United States Court of Appeals for the Second Circuit. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange, the District Court has allowed certain Commodity Exchange ("CEA") Act claims to proceed to discovery. The plaintiff's deadline to move for class certification in that action is now 21st August 2019.

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.

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.

- On 10th December 2012, the French Supreme Administrative Court (*Conseil d'État*) rendered two decisions confirming that the "précompte tax" which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the "précompte tax" claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1st February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale. Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10th December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15th September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 29th April 2016 and by referring the matter to the Court of Justice of the European Union on 8th December 2016. The Court of Justice of European Union rendered its judgement on 4th October 2018 and sentenced France for failure by the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale will assert its rights before the competent courts and the French tax authority, from which it expects diligent treatment and in accordance with the law.
- On 19th November 2018, Societe Generale reached settlement agreements with the Office of Foreign Assets Control of the US Department of the Treasury (OFAC), the US Attorney's Office of the Southern District of New York ("SDNY"), the New York County District Attorney's Office ("DANY"), the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York (together, the "Federal Reserve"), and the NYDFS (collectively, the "US Authorities"), resolving their investigations relating to certain US dollar transactions processed by Societe Generale involving countries, persons, or entities that are the subject of US economic sanctions and implicating New York State laws. The vast majority by value of the sanctions violations involved in the settlements related to Cuba, and stem from a single revolving credit facility extended in 2000. The remaining transactions involved other countries that are the target of US economic sanctions, including Iran. Under the terms of these agreements, Société Generale agreed to pay penalties totalling approximately USD 1.3 billion (EUR 1.2 billion) to the US Authorities, including EUR 53.9 million to OFAC, USD 717.2 million to SDNY, USD 162.8 million to DANY, USD 81.3 million to the Federal Reserve, and USD 325 million to NYDFS.

The Bank signed deferred prosecution agreements with SDNY and DANY, which provide that, following a three-year probation period, the Bank will not be prosecuted if it abides by the terms of the agreements, to which Societe Generale is fully committed.

The Bank will continue to cooperate with the US Authorities in the future, pursuant to the agreements. The Bank has also committed to continue to enhance its compliance program to prevent and detect potential violations of US economic sanctions laws and New York

state laws. The Bank also agreed to enhance its oversight of its sanctions compliance program. The Bank has also agreed with the Federal Reserve to retain an independent consultant that will evaluate the Bank's progress on the implementation of enhancements to its sanctions compliance program.

- Also, on 19th November 2018, Societe Generale agreed to a Consent Order with NYDFS relating to components of the Bank's antimoney-laundering ("AML") compliance program in the New York Branch. The Consent Order requires the Bank paid a civil money penalty of USD 95 million (EUR 82 million) in light of deficiencies noted by NYDFS. The Consent Order requires the Bank to continue a series of enhancements to its New York branch's AML compliance program. After a period of 18 months, an independent consultant will conduct an assessment of the Branch's progress on the implementation of its AML compliance program.
- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4th October 2016, and discovery is now proceeding. Societe Generale and certain subsidiaries, along with other financial institutions, have also been named as defendants in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.
- On 30th January 2015, the CFTC served Societe Generale with a subpoena requesting the production of information and documents concerning trading in precious metals done since 1st January 2009. Societe Generale cooperated with the authorities and produced documents in 2015. There has been no contact with the CFTC since that time.
- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale has reached a settlement of USD 18 million, which was preliminarily approved by the Court. A final approval hearing was held on 23rd May 2018, and a decision is pending. A separate putative class action behalf of putative classes of indirect purchasers is also pending. An amended complaint was filed on 21st November 2018, and a motion to dismiss was filed on 20th December 2018. On 7th November 2018, a group of individual entities that elected to opt out of the main class action settlement filed a lawsuit against SG, SG Americas Securities, LLC, and several other financial institutions.
- Since August 2015, various former and current employees of the Societe Generale group have been under investigation by German criminal prosecution and tax authorities for their alleged participation in the so called "CumEx" patterns in connection with withholding tax on dividends on German shares. These investigations relate to the administration of a fund, proprietary trading activities and transactions carried out on behalf of clients. The Group entities respond to the requests of the German authorities.

6.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

DELOITTE & ASSOCIES

6, place de la Pyramide
92908 Paris-La Défense Cedex
S.A. au capital de € 1.723.040
572 028 041 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres

Tour First - TSA 14444
92037 Paris-La Défense cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

SOCIÉTÉ GÉNÉRALE

Société Anonyme
17, cours Valmy
92972 Paris-La Défense

Year ended December 31, 2018

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 regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of 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, 2018.

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 at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Internal Control Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

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.

Measurement of the provision for disputes

Risk identified

A provision for disputes in the amount of MEUR 340 (hereafter “the provision for disputes”) is recognized under liabilities in the balance sheet as at 31 December 2018 to cover the risks of future outflows of resources relating to several disputes in which the Company is involved, as stated in Note 7.3 “Provisions” to the financial statements. Société Générale is subject to investigations and requests for information of a regulatory nature from various authorities presented in Note 8 “Information on risks and litigation” to the financial statements.

During the financial year 2018, Société Générale paid penalties of 2.7 billion US dollar following settlement agreements with authorities relating to the following matters:

- the investigations of American authorities relating to certain US dollar transactions involving countries, persons, or entities that are the subject of US economic sanctions;
- investigations regarding certain transactions with Libyan counterparties;
- investigations regarding IBOR submissions.

Recoverability of deferred tax assets in France and in the United States

Risk identified

As at December 31, 2018, an amount of MEUR 4,113 was recorded under deferred tax assets.

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 future taxable profits will be available against which the tax entity concerned will be able to charge timing differences and tax loss carryforwards, over a determined period of time.

Furthermore, 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 consequently may be called into question.

Given the assumptions used to assess the recoverability of the deferred tax assets in France and in the United States (which represent the most significant part of these assets) and the judgment exercised by Management in this respect, we identified this issue as a key audit matter.

We consider that the measurement of the provision for disputes, which is based on the exercise of Management’s judgment, is a key audit matter.

Our response

Our works notably consisted in:

- monitoring the main legal proceedings and the ongoing investigations undertaken by the judicial authorities and the regulators with Société Générale’s legal department;
- obtaining an understanding of the process for the measurement of the provision for disputes, notably through quarterly discussions with Société Générale’s Management;
- assessing the assumptions used to determine the provision for disputes on the basis of the information that we obtained, in particular from Société Générale’s external legal advisers, specialized in these cases;
- assessing the disclosures on these disputes in the notes to the financial statements.

Our response

Our audit approach consisted in assessing the probability that Société Générale will be able to make future use of the tax loss carryforwards generated to date, notably based on the ability to make future taxable profits in France and the United States.

With the support of our tax specialists who are part of the audit team, we:

- compared the projected results of the past fiscal years with the actual results of the concerned fiscal years;
- obtained an understanding of the three-year business plan drawn up by Management and approved by the Board of Directors and of the assumptions used by Management beyond the three-year period to establish projected results;
- assessed the sensitivity of these assumptions in the event of unfavourable scenarios defined by Société Générale;
- analyzed Société Générale’s situation, and obtained an understanding of the opinion from its external tax advisers regarding its tax loss carryforwards in France, partially challenged by the tax authorities;
- analyzed the disclosures on deferred tax assets in Notes 5 and 8 to the financial statements.

Valuation of complex financial instruments

Risk identified

Within the scope of its market activities, Société Générale holds complex financial instruments for trading purpose.

To calculate the market value of complex instruments, Société Générale uses techniques or in-house valuation models based on parameters and data that are not observable in the market, as stated in Note 2.2 "Operations on forward financial instruments" to the financial statements. The models and data used to value these instruments are based on Management's estimates.

Due to the use of judgment to determine the instruments' market value, the complexity of the modelling of the latter and the multiplicity of models used, we consider the valuation of complex financial instruments to be a key audit matter.

Our response

Our audit approach is focused on the key internal control processes related to the valuation of the complex financial instruments. With the support of our specialists in the valuation of financial instruments, we designed an approach including the following main stages:

- we familiarized ourselves with the procedure for the authorization and validation of new products and their valuation models, including the process for the entry of these models into the information systems;

- we assessed the governance relating to the Risk Department's control of the valuation models used;
- more specifically, based on tests, we considered the valuation formulae for certain categories of complex instruments;
- we analyzed certain market parameters used to provide input for the valuation models;
- as regards the profit and loss explanation process, we familiarized ourselves with the analysis principles used by the bank and performed tests of controls. We also performed "analytical" IT procedures on the database for the controls performed on the daily profit and loss explanation process;
- at each quarterly closing, we obtained the results of the process for the independent price verification, and we analyzed the differences in parameters compared to the market data in the event of a significant impact, as well as the accounting treatment of such differences;
- we performed counter-valuations on a selection of complex derivative financial instruments using our tools;
- we considered the compliance of the documented methods underlying the estimates with the principles described in Note 2.2 "Operations on forward financial instruments" to the financial statements.

Information technology risk on derivative financial instruments and structured bonds issued

Risk identified

Société Générale's derivative financial instruments and structured bonds issued constitute an important activity within its market activities, as illustrated by the significance of the net positions of derivative financial instruments in the transaction portfolio 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 the transactions, and the use of numerous information systems interfacing with each other.

The risk of an IT incident could entail the risk of an anomaly in the accounts resulting from an incident in the data processing chains used, or the recording of transactions until they are transferred into the accounting system. Such a risk may notably take the form of:

- changes made to management and financial information by unauthorized personnel via the information systems or underlying databases;
- a failure in processing or in the transfer of data between systems;
- a service interruption or operating incident, possibly associated with internal or external fraud.

In this context, the monitoring by the Company of controls linked to information systems management relating to the above-mentioned activity is essential for the reliability of the accounts and is a key audit matter.

Our response

Our audit approach for this activity is based on the controls related to the information systems management set up by Société Générale. With the support of our experts in information systems, we tested the IT general controls of the applications that we considered to be significant for this activity.

- Our works concerned in particular the following:
 - the controls set up by Société Générale on access rights, notably at sensitive period of a professional career (recruitment, transfer, resignation, end of contract) with, when necessary, extended audit procedures in the event of ineffective control identified during the year ended December 31, 2018;
 - potential privileged access to applications and infrastructure;
 - change management and, more specifically, the separation between development and business environments;
 - security policies in general and their deployment in IT applications (for example, those related to passwords);
 - handling of IT incidents during the audit period;

governance and the control environment on a sample of "end user" applications.

For these same applications, and in order to assess the transfer of information flows, we tested the application controls related to the automated interfaces between the systems.

Our tests of the IT general controls and application controls were supplemented by data analytics work on certain IT applications.

Change in accounting estimates of collective provisions and measurement of impairment and provisions on loans and other commitments granted to corporate clients

Risk identified

Loans and receivables to corporate clients carry a credit risk that exposes Société Générale to a potential loss if its client or counterparty is unable to meet its financial commitments.

The accounting principles used for measuring the impairment and collective provisions are described in Note 2.6 "Impairment and provisions" to the financial statements.

In the financial year 2018, Société Générale changed its accounting estimates for the recording of collective provisions for credit risk as stated in Note 1 "Significant accounting principles" to the financial statements. The amount of collective provisions for credit risk is now measured based on lifetime expected credit losses calculated on under-performing loans. Société Générale's management uses its judgment to set the assumptions and parameters used to calculate these collective provisions.

Furthermore, Société Générale uses its judgment and makes accounting estimates to measure the impairment of the doubtful loans.

We consider (i) the change in accounting estimates of collective provisions and (ii) the measurement of impairment and provisions of loans and other commitments, especially for corporate clients with significant individual exposures, to be a key audit matter.

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 point described below.

We have the following matter to report regarding the fair presentation and consistency with the financial statements of the information relating to payment terms referred to in article D. 441-4 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. 225-37-3 and L. 225-37-4 of the French Commercial Code (Code de commerce).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by 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

Our response

Our audit approach consisted in obtaining an understanding of the process of measuring impairment and collective provisions in place at Société Générale. We tested the key controls set up by Management for determining the assumptions and parameters used as a basis for this measurement.

Regarding under-performing loans for which provisions are determined on a collective basis, with the support of our experts, our works consisted in:

- assessing the assumptions and documentation of Société Générale used to identify a significant increase in credit risk;
- obtaining an understanding of the governance framework set up by Société Générale;
- analyzing the key parameters used by Société Générale to measure collective provisions;
- analyzing the disclosures on the change in accounting estimates performed in the year ended December 31, 2018.

Regarding doubtful loans, our works consisted in testing the key assumptions used for estimating impairment as at December 31, 2018, especially on a selection of the most significant corporate loans in France.

We also analyzed the qualitative and quantitative disclosures described in Note 2.6 "Impairment and provisions" to the financial statements.

and, where applicable, with the information obtained by your Company from controlling and controlled companies. 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 public purchase offer or exchange, provided pursuant to Article L. 225-37-5 of the French Commercial Code (Code de commerce), we have agreed these to the source documents communicated to us. Based on our work, 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 or holders of the voting rights and cross-shareholdings has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

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, 2018, DELOITTE & ASSOCIES was in the sixteenth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the seventh year.

Previously, ERNST & YOUNG Audit was the statutory auditor of Société Générale from 2000 to 2011.

Responsibilities of Management and Those Charged with Governance for the 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 taken 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 such as they are 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 (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit and Internal Control Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 8, 2019

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES

Jean-Marc MICKELER

ERNST & YOUNG et Autres

Micha MISSAKIAN

REGISTERED OFFICE OF THE ISSUER

SG Issuer
33, Boulevard Prince Henri
L-1724 Luxembourg
Luxembourg

REGISTERED OFFICE OF THE GUARANTOR

Société Générale
29, boulevard Haussmann
75009 Paris
France

ISSUER'S AUDITORS

Ernst & Young Société Anonyme
35E, avenue John F. Kennedy
L-1855 Luxembourg
Luxembourg

GUARANTOR'S AUDITORS

**Ernst & Young et
Autres**
Tour First
TSA 14444
92037 Paris-La
Défense Cedex
France

Deloitte et Associés
185, avenue Charles-de-
Gaulle 92524 Neuilly-
sur-Seine cedex France

WARRANT AGENT

THE CENTRAL DEPOSITORY (PTE) LIMITED

11 North Buona Vista Drive
#06-07 The Metropolis Tower 2
Singapore 138589

LEGAL ADVISERS TO THE ISSUER

(as to Singapore law)

ALLEN & GLEDHILL LLP
One Marina Boulevard #28-00
Singapore 018989