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).

2,300,000 European Style Cash Settled Short Certificates

relating to the ordinary shares of Venture Corporation Limited

with a Daily Leverage of -5x

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S$0.90 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.

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 products[1] 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 25 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.

24 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.

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RISK FACTORS

The following are risk factors relating to the Certificates:

(a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;

(b) the Certificates constitute general unsecured obligations of the Issuer 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 sideway 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:	2,300,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Venture Corporation Limited (the **"Underlying Stock**")
Company:	Venture Corporation Limited (RIC: VENM.SI)
Underlying Price[3] and Source:	S$19.39 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 0.90
Management Fee (p.a.)[4]:	0.40%
Gap Premium (p.a.)[5]:	6.90%, 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.
Launch Date:	15 April 2019
Closing Date:	24 April 2019
Expected Listing Date:	25 April 2019

[3] These figures are calculated as at, and based on information available to the Issuer on or about 24 April 2019. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 24 April 2019.
[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.

Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 14 April 2022
Expiry Date:	22 April 2022 (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:	21 April 2022 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 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where: “**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; 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:	Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage 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.
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

$\mathbf{LSL_t}$ 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):

$$\mathrm{LSL_1} = 1000$$

On each subsequent Observation Date(t):

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

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

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

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

$$\mathrm{FC_{t-1,t}} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate_{t-1}} \times \mathrm{ACT(t-1,t)}}{\mathrm{DayCountBasisRate}}$$

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

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

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

$\mathbf{RC_{t-1,t}}$	means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows : $\mathrm{RC_{t-1,t}} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left| \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right| \right) \times \mathrm{TC}$
TC	means the Transaction Costs applicable (including Stamp Duty) that are equal to : 0.04%
Leverage	-5
$\mathbf{S_t}$	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.
$\mathbf{Rate_t}$	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
$\mathbf{Rfactor_t}$	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 : $Rfactor_t = 1 - \frac{Div_t}{\mathbf{S_{t-1}}}$ 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

<u>Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)</u>

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

$(\mathrm{LSL_{IRD}})$ should be computed as follows :

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

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

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

$\mathrm{ILSL_{IR(k)}}$

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

(1) for k = 1 :

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

(2) for k > 1 :

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

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

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

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

$\mathrm{IRC_{IR(k-1),IR(k)}}$

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

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

$\mathrm{IS_{IR(k)}}$

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

(1) for k=0

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

(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)

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

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 k^{th} 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	means in respect of an Observation Date(t) : (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 $\mathbf{IS}_{\mathbf{IR}(\mathbf{0})}$ as of such Calculation Time. (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 $\mathbf{IS}_{\mathbf{IR}(\mathbf{k})}$ as of such Calculation Time.
Calculation Time	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.
TimeReferenceOpening	means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
TimeReferenceClosing	means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
Intraday Restrike Event Observation Period	means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing. Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.
Intraday Restrike Event Time	means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the 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:	Venture Corporation Limited
The Certificates:	European Style Cash Settled Short Certificates relating to the Underlying Stock
Number:	2,300,000 Certificates
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 25 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	=	**Daily Management Fee Adjustment** 1 – Management Fee x ACT (t-1;t) / 360 x **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)

		t[7]=0		t=1		t=2		t=i
Value of Certificates	=	Notional Amount	x	Leverage Inverse Strategy daily performance[8] x Daily Fees	x	Leverage Inverse Strategy daily performance x Daily Fees	x …	Leverage Inverse Strategy Daily performance x Daily Fees

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

		t=0				
Final Value of Certificates	=	Notional Amount	x	Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate	x	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 Venture Corporation Limited
Expected Listing Date:	**03/07/2018**
Expiry Date:	**18/07/2018**
Initial Reference Level:	**1,000**
Initial Exchange Rate:	**1**
Final Reference Level:	**1,200**
Final Exchange Rate:	**1**
Issue Price:	**0.9 SGD**
Notional Amount per Certificate:	**0.9 SGD**
Management Fee (p.a.):	**0.40%**
Gap Premium (p.a.):	**6.90%**
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:

HFF(0) = 100%

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

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

$$\mathrm{HFF}\ (1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 6.90\% \times \frac{1}{360}\right)$$

$$\mathrm{HFF}\ (1) = 100\% \times 99.9989\% \times 99.9808\% \approx 99.9797\%$$

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

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

$$\text{HFF}(2) = 99.9861\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.90\% \times \frac{3}{360}\right)$$

$$\text{HFF}(2) = 99.9861\% \times 99.9967\% \times 99.9425\% \approx 99.9414\%$$

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 99.6963% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9797%
5/7/2018	99.9594%
6/7/2018	99.9392%
9/7/2018	99.8784%
10/7/2018	99.8581%
11/7/2018	99.8379%
12/7/2018	99.8176%
13/7/2018	99.7974%
16/7/2018	99.7367%
17/7/2018	99.7165%
18/7/2018	99.6963%

Cash Settlement Amount

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

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.6963%

= 119.64%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.64% x 0.90 SGD

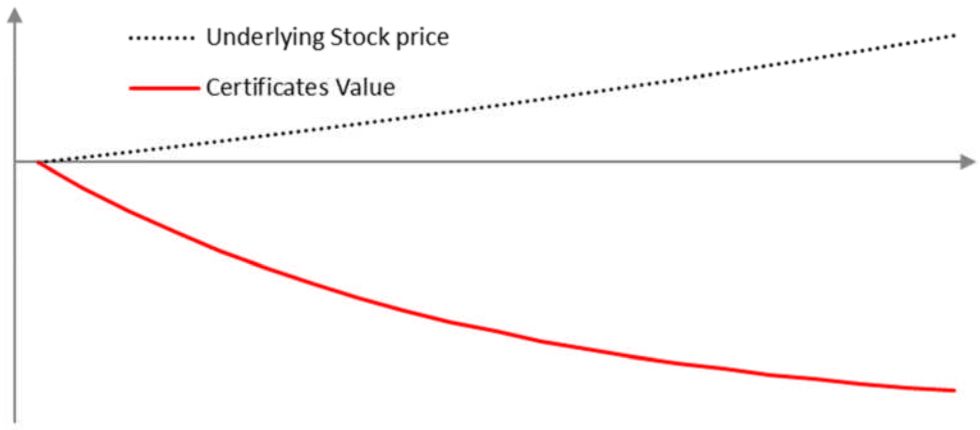
= 1.077 SGD

Illustration on how returns and losses can occur under different scenarios

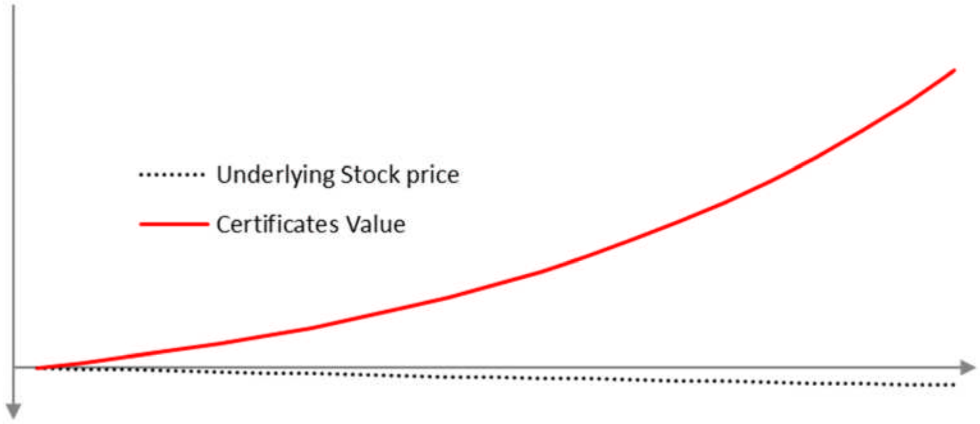
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. Illustrative examples

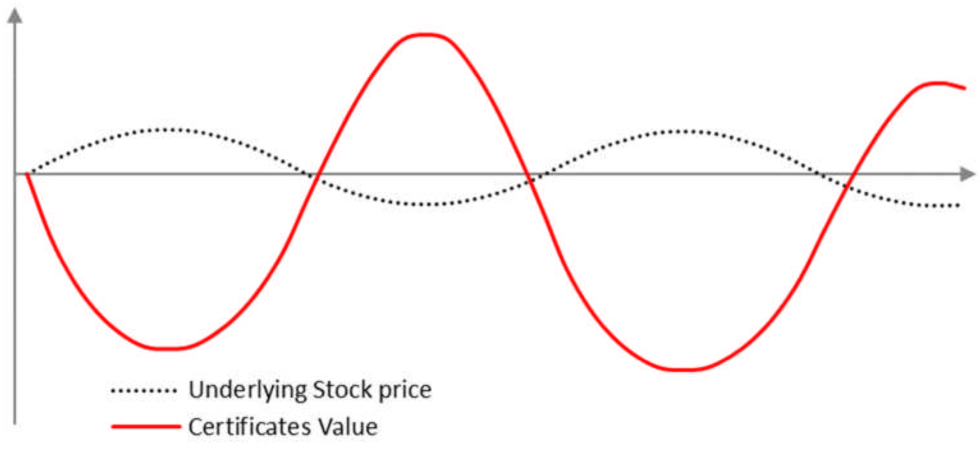
Scenario 1 – Upward Trend



Scenario 2 – Downward Trend



Scenario 3 – Volatile Market



2. Numerical Examples

Scenario 1 – Upward Trend

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	0.9	0.81	0.73	0.66	0.59	0.53
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	0.9	0.99	1.09	1.20	1.32	1.45
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	0.9	0.81	0.89	0.80	0.88	0.79
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

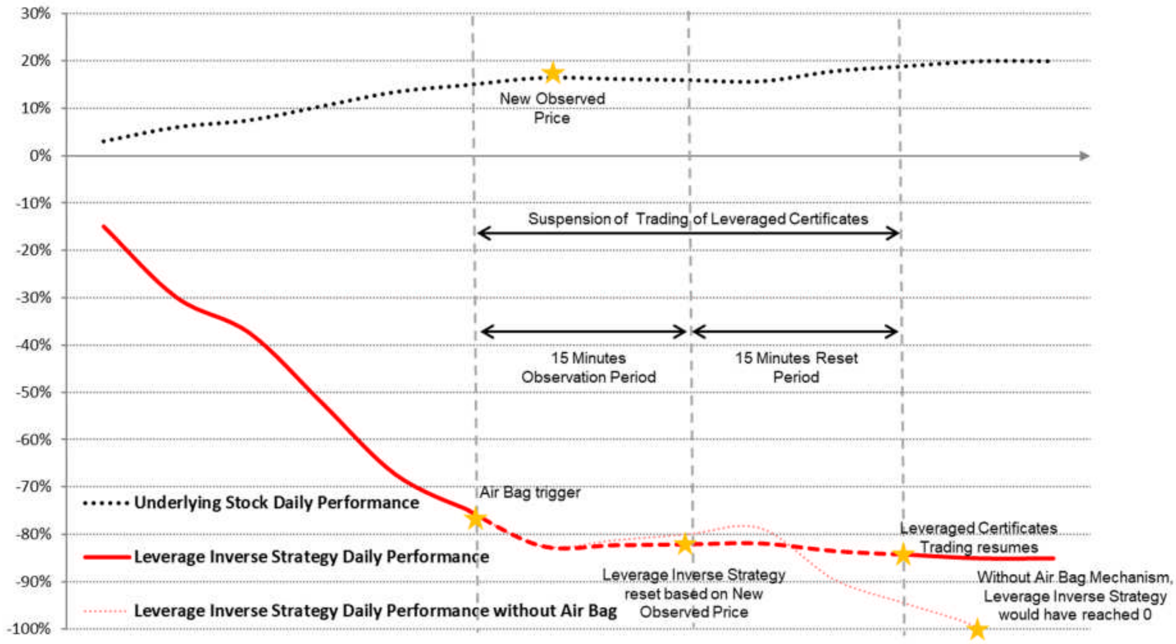
<table>
<tr><th>Air Bag Trigger</th><th>Observation Period</th><th>Resumption of Trading</th></tr>
<tr><td>More than 45 minutes before Market Close</td><td rowspan="5">First 15 minutes after Air Bag Trigger</td><td>Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger</td></tr>
<tr><td>45 minutes before Market Close</td><td rowspan="6">Next trading day at Market Open</td></tr>
<tr><td>30 to 45 minutes before Market Close</td></tr>
<tr><td>30 minutes before Market Close</td></tr>
<tr><td>15 to 30 minutes before Market Close</td></tr>
<tr><td>15 minutes before Market Close</td><td rowspan="2">From Air Bag Trigger to Market Close</td></tr>
<tr><td>Less than 15 minutes before Market Close</td></tr>
</table>

With **Market Close** defined as:

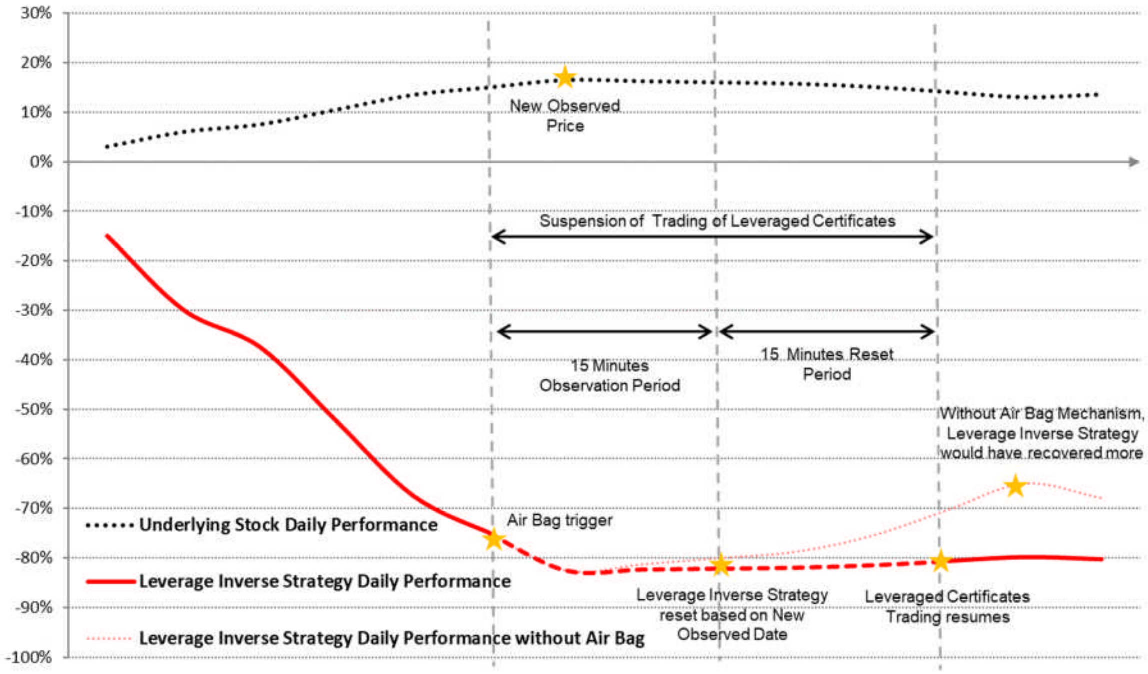
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

Illustrative examples of the Air Bag Mechanism

Scenario 1 – Upward Trend after Air Bag trigger



Scenario 2 – Downward Trend after Air Bag trigger

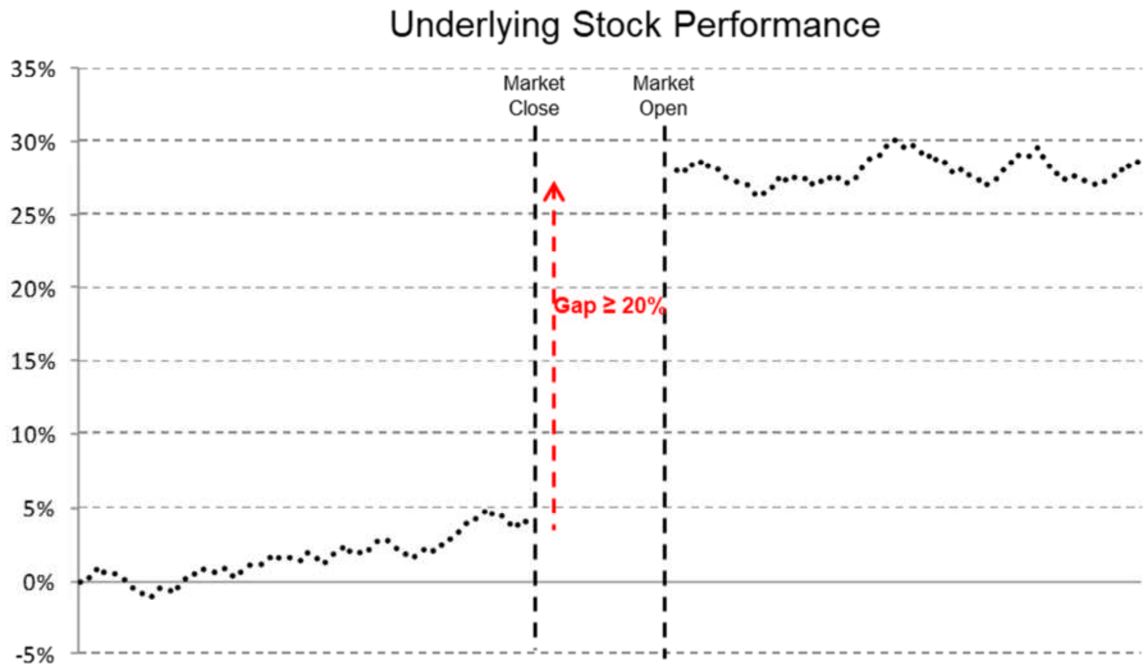


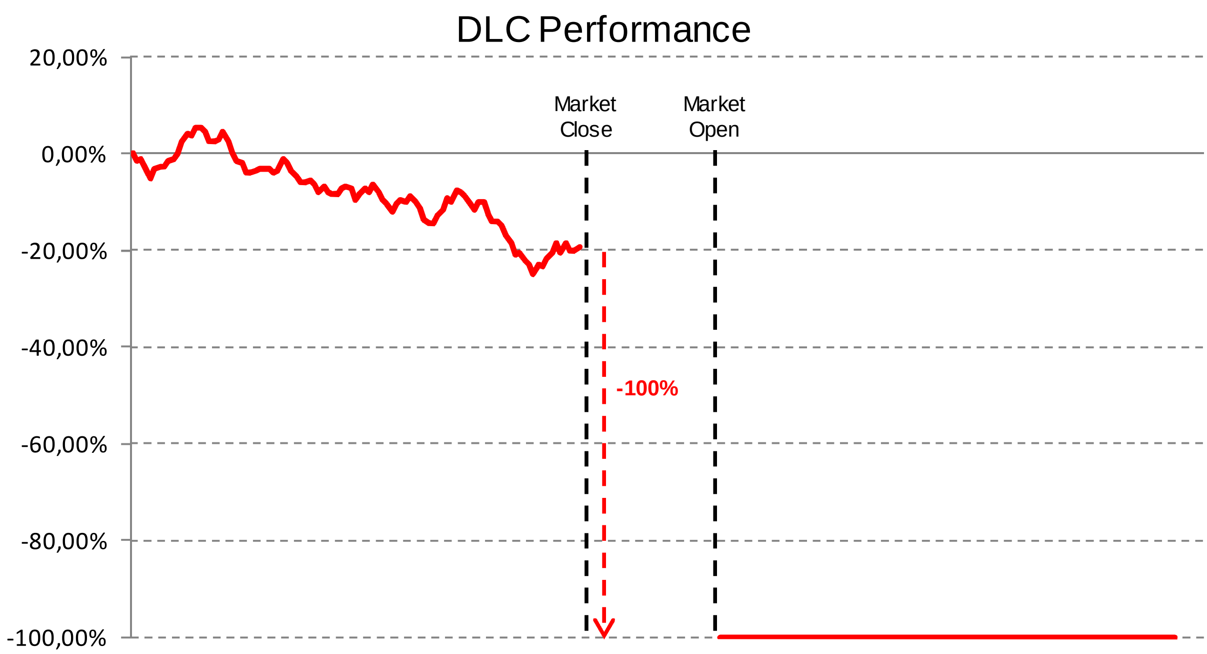
Scenarios where the investor may lose the entire value of the investment

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.

<u>*Scenario 1 – Overnight rise of the Underlying Stock*</u>

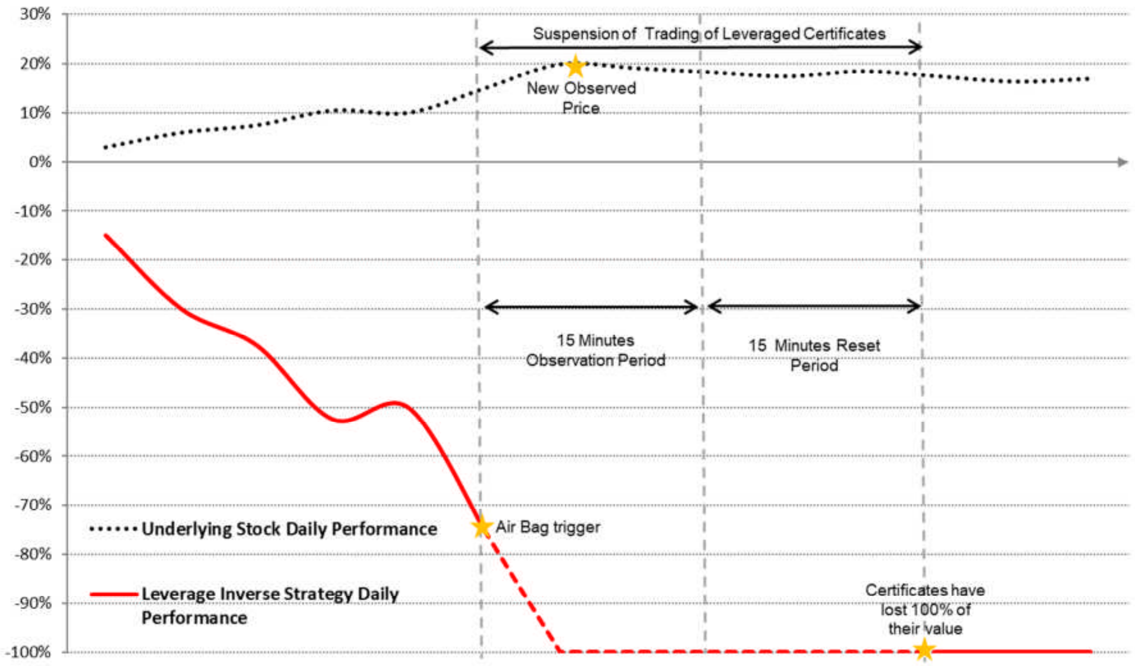
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more 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.





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 :

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

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:

$\mathrm{DivExc_t}$ 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):

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

$\mathrm{S_t}$ = \$51

$\mathrm{Div_t} = \$0$

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

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:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.9	0.81	-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. <u>Share Consolidation</u>

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:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.9	0.855	-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. <u>Rights Issues</u>

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

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

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

R = $40 (i.e. subscription price of $40)

M = 0.5 (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:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.9	0.675	-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. <u>Bonus Issues</u>

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

$Div_t = \$0$

$DivExc_t = \$0$

R = \$0

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.9	0.81	-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. <u>Extraordinary Dividend</u>

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

S_{t-1} = \$100

S_t = \$84

$Div_t = \$0$

$DivExc_t = \$20$

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:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.9	0.675	-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.

Venture Manufacturing (S) Ltd ("**Venture**" or the "**Company**") was incorporated in 1984 to provide contract manufacturing services to companies in the electronics and computer-related industries. In 1989, the Company formed the Venture Group with the merger and acquisition of Multitech Systems Pte Ltd and Technocom Systems Sdn Bhd. The Venture group comprises about 30 companies with global clusters of excellence in South-East Asia, North-East Asia, the Americas and Europe.

Venture offers high value-added and highly efficient manufacturing services to MNCs using state-of-the-art manufacturing process technology and test development capability. In addition, Venture provides an excellent range of pre-manufacturing services including design, prototyping and engineering services, as well as post-manufacturing services including after-sales repairs, customisation and fulfillment logistics.

Venture Manufacturing (Singapore) Ltd changed its name to Venture Corporation Limited wef 17 May 2002.

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 2 April 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 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 VENTURE CORPORATION LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018 and has been extracted and reproduced from an announcement by the Company dated 2 April 2019 in relation to the same.

Directors' Statement

The Directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 111 to 204 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The Directors of the Company in office at the date of this statement are:

Wong Ngit Liong	
Cecil Vivian Richard Wong	
Koh Lee Boon	
Goon Kok Loon	
Wong Yew Meng	
Jonathan S. Huberman	
Han Thong Kwang	
Kay Kuok Oon Kwong	(Appointed on 1 January 2018)
Tan Seok Hoong @Mrs Audrey Liow	(Appointed on 1 November 2018)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options and awards mentioned in paragraphs 3 to 5 of the Directors' statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of Directors in which interests are held	Holdings in names of Directors or nominees: At 1 January 2018 or date of appointment, if later	Holdings in names of Directors or nominees: At 31 December 2018	Holdings in which Directors are deemed to have an interest: At 1 January 2018 or date of appointment, if later	Holdings in which Directors are deemed to have an interest: At 31 December 2018
Ordinary shares of the Company				
Wong Ngit Liong	20,098,219	20,238,219	–	–
Koh Lee Boon	3,000	3,000	–	–
Goon Kok Loon	–	–	5,000	5,000
Tan Seok Hoong @Mrs Audrey Liow	3,000	3,000	–	–
Share options to subscribe for shares of the Company				
Wong Ngit Liong	217,000	77,000	–	–
Restricted shares of the Company granted				
Wong Ngit Liong	180,000	180,000	–	–

The Directors' interests as at 21 January 2019 are the same as those as at 31 December 2018.

4 SHARE OPTIONS

(a) The Venture Corporation Executives' Share Option Scheme ("the 2004 Scheme")

(i) The 2004 Scheme in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company in an Extraordinary General Meeting on 30 April 2004 and had expired on 30 April 2014. Notwithstanding the expiry of the 2004 Scheme, any outstanding and unexercised options held by option holders prior to such expiry will continue to remain valid.

(ii) Under the 2004 Scheme, an option entitles the option holder to subscribe for a specified number of new ordinary shares in the share capital of the Company, at the subscription price determined with reference to the market price of the shares at the time of the grant of the option and adjusted for certain premium depending on when the options are exercised, and may be exercised during the exercise period applicable to those options and in accordance with a vesting schedule to be determined by the Remuneration Committee on the date of the grant. No options have been granted at a discount.

Directors' Statement

4 SHARE OPTIONS (cont'd)

(iii) Details of the unissued shares under options granted pursuant to the 2004 Scheme, options granted, exercised and cancelled/lapsed during the financial year, and options outstanding as at 31 December 2018 were as follows:

		Number of options to subscribe for ordinary shares of the Company						
Date of grant	**Grant No.**	**Outstanding at 1 January 2018**	**Granted**	**Exercised**	**Cancelled/ Lapsed**	**Outstanding at 31 December 2018**	**Subscription price per share**	**Exercisable period**
16 September 2013	2004 Grant 9	657,000	–	(593,000)	(64,000)	–	$9.500 (a) $8.360 (b) $7.980 (c) $7.600 (d)	**16 September 2014 to 15 September 2018**
3 April 2014	2004 Grant 10	421,000	–	(318,000)	(60,000)	43,000	$9.315 (e) $8.570 (f) $7.452 (g)	**3 April 2015 to 2 April 2019**
		1,078,000	–	(911,000)	(124,000)	43,000		

(a) If exercised between 16 September 2014 and 15 September 2015
(b) If exercised between 16 September 2015 and 15 September 2016
(c) If exercised between 16 September 2016 and 15 September 2017
(d) If exercised between 16 September 2017 and 15 September 2018
(e) If exercised between 3 April 2015 and 2 April 2016
(f) If exercised between 3 April 2016 and 2 April 2017
(g) If exercised between 3 April 2017 and 2 April 2019

(iv) The following are details of options granted to the Directors and employees of the Group under the 2004 Scheme:

	Number of options to subscribe for ordinary shares of the Company				
Name of participant	**Options granted during the financial year**	**Aggregate options granted since commencement of Scheme to end of the financial year**	**Aggregate options exercised since commencement of Scheme to end of the financial year**	**Aggregate options cancelled/ lapsed since commencement of Scheme to end of the financial year**	**Aggregate options outstanding as at end of the financial year**
i) Director of the Company:					
Wong Ngit Liong	–	576,000	(260,000)	(316,000)	–
ii) Other Employees	–	29,104,000	(10,250,000)	(18,811,000)	43,000
	–	29,680,000	(10,510,000)	(19,127,000)	43,000

Directors' Statement

4 SHARE OPTIONS (cont'd)

(b) The Venture Corporation Executives' Share Option Scheme ("the 2015 Scheme")

(i) The 2015 Scheme in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company in an Extraordinary General Meeting on 25 April 2014 and commenced on 1 January 2015.

(ii) Under the 2015 Scheme, an option entitles the option holder to subscribe for a specified number of new ordinary shares in the share capital of the Company, at the subscription price determined with reference to the market price of the shares at the time of the grant of the option and adjusted for certain premium depending on when the options are exercised, and may be exercised during the exercise period applicable to those options and in accordance with a vesting schedule to be determined by the Remuneration Committee on the date of the grant. No options had been granted at a discount.

(iii) Details of the unissued shares under options granted pursuant to the 2015 Scheme, options granted and cancelled/lapsed during the financial year, and options outstanding as at 31 December 2018 were as follows:

		Number of options to subscribe for ordinary shares of the Company						
Date of grant	Grant No.	Outstanding at 1 January 2018	Granted	Exercised	Cancelled/ Lapsed	Outstanding at 31 December 2018	Subscription price per share	Exercisable period
16 June 2015	2015 Grant 1	1,662,000	–	(1,379,000)	(58,000)	225,000	$9.663 (a) $8.890 (b) $7.730 (c)	16 June 2016 to 15 June 2020
16 June 2016	2015 Grant 2	1,948,000	–	(1,369,000)	(50,000)	529,000	$10.510 (d) $9.670 (e) $8.410 (f)	16 June 2017 to 15 June 2021
16 June 2017	2015 Grant 3	2,589,000	–	(494,000)	(43,000)	2,052,000	$15.500 (g) $14.260 (h) $12.400 (i)	16 June 2018 to 15 June 2022
-	2015 Grant 4 *	-	-	-	-	-	-	-
		6,199,000	–	(3,242,000)	(151,000)	2,806,000		

(a) If exercised between 16 June 2016 and 15 June 2017
(b) If exercised between 16 June 2017 and 15 June 2018
(c) If exercised between 16 June 2018 and 15 June 2020
(d) If exercised between 16 June 2017 and 15 June 2018
(e) If exercised between 16 June 2018 and 15 June 2019
(f) If exercised between 16 June 2019 and 15 June 2021
(g) If exercised between 16 June 2018 and 15 June 2019
(h) If exercised between 16 June 2019 and 15 June 2020
(i) If exercised between 16 June 2020 and 15 June 2022
* There were no options granted during the financial year.

Directors' Statement

4 SHARE OPTIONS (cont'd)

(iv) The following are details of options granted to the Directors and employees of the Group under the 2015 Scheme:

	Number of options to subscribe for ordinary shares of the Company				
Name of participant	Options granted during the financial year	Aggregate options granted since commencement of Scheme to end of the financial year	Aggregate options exercised since commencement of Scheme to end of the financial year	Aggregate options cancelled/ lapsed since commencement of Scheme to end of the financial year	Aggregate options outstanding as at end of the financial year
i) Director of the Company:					
Wong Ngit Liong	–	217,000	(140,000)	–	77,000
ii) Other Employees	–	7,449,000	(4,205,000)	(515,000)	2,729,000
	–	7,666,000	(4,345,000)	(515,000)	2,806,000

The 2004 Scheme and 2015 Scheme are administered by the Remuneration Committee whose members are:

Koh Lee Boon (Chairman)
Cecil Vivian Richard Wong
Goon Kok Loon
Wong Yew Meng
Tan Seok Hoong @Mrs Audrey Liow (appointed on 1 March 2019)

No employee of the Company or employee of related corporations has received 5% or more of the total options available under these schemes.

There are no options granted to any of the Company's controlling shareholders or their associates as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited.

There are no other unissued shares of the Company or its subsidiaries under option at the end of the financial year except as disclosed above.

5 RESTRICTED SHARES

The Venture Corporation Restricted Share Plan ("RSP") was approved at the Extraordinary General Meeting held on 28 April 2011.

The RSP is to encourage sustained commitment from key leaders to grow shareholder value over a long period of time through a sense of ownership in the Company. The RSP will also align the interests of key leaders as stakeholders of the Company.

The RSP is administered by the Remuneration Committee whose members are all Independent Non-Executive Directors.

Managers in senior positions in the Group or leadership positions in management, technology or possess other domain expertise and competencies and who are in a position to contribute or have significantly contributed to the performance, growth and profitability of the Group, as may be designated by the Remuneration Committee, shall be eligible to participate in the RSP. Such managers must have been employed in the Company and/or its subsidiaries for a minimum period as determined by the Remuneration Committee.

The mode of settlement of the awards under the RSP may be by way of:

(i) allotment and issue of new shares; and/or

(ii) the delivery of existing shares; and/or

(iii) payment of the equivalent value in cash (after deduction of any applicable taxes and Central Provident Fund and/or other statutory contributions); and/or

(iv) a combination of above (i), (ii) and (iii).

Size of RSP

If new shares are issued to participants, the number of new shares issued:

(i) when added to the number of new shares issued and issuable and existing shares delivered and deliverable in respect of all awards granted under the RSP, shall not exceed 3% of the total number of issued shares (excluding shares held in treasury) from time to time;

(ii) when added to the number of new shares issued and issuable and existing shares delivered and deliverable in respect of (a) all awards granted under the RSP; and (b) all options granted and outstanding under the 2004 Scheme, shall not exceed 15% of the total number of issued shares (excluding shares held in treasury) on the day preceding the relevant date of grant, where the relevant date of grant falls on or prior to 30 April 2014; and

(iii) when added to the number of new shares issued and issuable and existing shares delivered and deliverable in respect of (a) all awards granted under the RSP; and (b) all options granted and outstanding under the 2015 Scheme, shall not exceed 10% of the total number of issued shares (excluding shares held in treasury) on the day preceding the relevant date of grant, where the relevant date of grant falls after 30 April 2014.

Directors' Statement

5 RESTRICTED SHARES (cont'd)

Movements in the awards by the Company during the respective financial years were as follows:

	2018	2017
At 1 January	960,000	850,000
Granted	–	290,000
Lapsed	–	(90,000)
Vested	(60,000)	(90,000)
At 31 December	900,000	960,000

There were no awards granted during the financial year.

6 AUDIT COMMITTEE

The Audit Committee comprises six members, all of whom are Independent Non-Executive Directors. The members of the Audit Committee are:

Goon Kok Loon (Chairman)
Cecil Vivian Richard Wong
Koh Lee Boon
Wong Yew Meng
Jonathan S. Huberman
Han Thong Kwang

The Audit Committee held four meetings since the date of the last Directors' report.

The Audit Committee performed its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited which include, *inter alia*, the review of the following:

(i) quarterly, interim and annual financial statements;

(ii) audit plans and reports of the external and internal auditors;

(iii) adequacy and effectiveness of the Group's system of controls, including financial, operational, compliance and information technology controls and risk management policies and systems; and

(iv) the assistance given by management to the external and internal auditors.

Further details of the functions and activities of the Audit Committee are as set out in the Corporate Governance Report.

The Audit Committee has full access to management and the co-operation of management. The external auditors and internal auditors have unrestricted access to the Audit Committee and meet with the Audit Committee without the presence of management at least once a year.

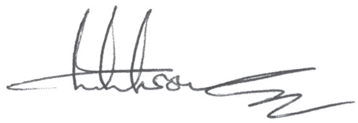
The Audit Committee has recommended to the Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

Directors' Statement

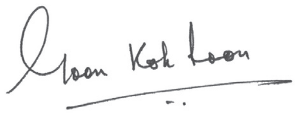
7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



Wong Ngit Liong
Chairman of the Board



Goon Kok Loon
Director

21 March 2019

Independent Auditor's Report

TO THE MEMBERS OF VENTURE CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Venture Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 111 to 204.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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 and of the changes in equity of the Company for the year ended on that date.

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 are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditor's Report

TO THE MEMBERS OF VENTURE CORPORATION LIMITED

Key Audit Matters	How the matter was addressed in the audit
Impairment review of goodwill	
The aggregated goodwill of $639.7 million constituted 20% of the Group's total assets as at 31 December 2018. The Group is required to annually test goodwill for impairment. This assessment requires the exercise of significant judgement about future market conditions, including growth rates and discount rates, particularly those affecting the business of GES International Group and Univac Group. The key assumptions to the impairment test are disclosed in Note 16 to the financial statements. Management has assessed that there is no impairment of goodwill as the recoverable amount is higher than the carrying value as at 31 December 2018.	Our audit procedures focused on evaluating and challenging the key assumptions used by management as part of the value-in-use computations in conducting the impairment review. These procedures included: ● using our internal valuation specialists to evaluate the appropriateness of the valuation model and the reasonableness of the expectations for the key macro-economic assumptions used in the impairment analysis, in particular the discount rates and long-term growth rates by comparing the expectations to those used by management and its external valuation specialist; ● challenging the cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations, including retrospective reviews to prior year's forecasts against actual results; and ● stress testing key assumptions, assessing the impact on the recoverable amounts based on sensitivity analysis, and understanding the degree to which assumptions would need to move before impairment would be triggered. Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations. We have also assessed and reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

Independent Auditor's Report

TO THE MEMBERS OF VENTURE CORPORATION LIMITED

Key Audit Matters	How the matter was addressed in the audit
Provision for warranties	
The Group assessed the provision for warranties based on historical claim experience and estimated potential rectification costs for the products sold that qualify under the contractual warranty periods. The aggregated provision for warranties of $40.1 million as disclosed in Note 20 to the financial statements constituted 1.1% of the Group's total revenue as at 31 December 2018. Such provision is assessed as a percentage of sales and determined by management based on the experience on the likelihood of claims and risk arising from the contracts covered by the warranty, and taking into consideration other factors such as industry benchmarks and technological failure rates. Significant judgement is involved in estimating the provision for warranties, especially for relatively new products. Management has assessed that the provision for warranties as at 31 December 2018 is reasonable and adequate.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in determining the provision for warranties. These procedures included: ● Obtaining an understanding of management's methodology in estimating the basis of the provision; ● Reviewing master agreements with customers to verify and corroborate warranty terms; and ● Assessing the reasonableness of the provision by comparing the historical claims and/or defect rates of each product or to similar products or industry data, where available. Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations. We have also assessed and reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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.

Independent Auditor's Report

TO THE MEMBERS OF VENTURE CORPORATION LIMITED

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 Responsibility 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:

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) 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.

Independent Auditor's Report

TO THE MEMBERS OF VENTURE CORPORATION LIMITED

Auditor's Responsibility for the Audit of the Financial Statements (cont'd)

(e) 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.

(f) 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 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 year 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 Mr John Tan Hon Chye.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

21 March 2019

Statements of Financial Position

31 December 2018

		The Group			The Company		
	Note	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
		$'000	$'000	$'000	$'000	$'000	$'000
			(Restated)	(Restated)		(Restated)	(Restated)
ASSETS							
Current assets							
Cash and bank balances	6	712,826	752,447	499,736	271,723	186,372	212,760
Trade receivables	7	735,943	762,641	706,987	10,387	10,865	224,144
Other receivables and prepayments	8	29,997	32,345	26,966	1,520	762	1,398
Contract assets	9	19,202	29,088	17,311	–	346	14,379
Inventories	10	808,166	699,630	622,988	61,154	49,866	47,726
Trade receivables due from subsidiaries	11	–	–	–	44,114	74,742	15,962
Other receivables due from subsidiaries	11	–	–	–	17,940	17,611	17,959
Income tax recoverable		22	5	5	–	–	–
Total current assets		2,306,156	2,276,156	1,873,993	406,838	340,564	534,328
Non-current assets							
Other receivables	8	455	730	4,231	–	–	–
Investments in subsidiaries	11	–	–	–	1,227,849	1,227,849	1,227,849
Investments in associates	12	725	787	20,253	–	–	–
Other financial assets	13	22,939	25,087	8,088	6,977	8,929	5,241
Property, plant and equipment	14	230,686	197,860	203,152	40,283	39,444	39,170
Intangible assets	15	181	209	1,283	–	–	913
Goodwill	16	639,708	639,708	639,708	–	–	–
Deferred tax assets	17	3,747	3,668	7,814	–	–	–
Total non-current assets		898,441	868,049	884,529	1,275,109	1,276,222	1,273,173
Total assets		3,204,597	3,144,205	2,758,522	1,681,947	1,616,786	1,807,501

See accompanying notes to financial statements.

Statements of Financial Position

31 December 2018

	Note	The Group			The Company		
		31 December 2018 $'000	31 December 2017 $'000 (Restated)	1 January 2017 $'000 (Restated)	31 December 2018 $'000	31 December 2017 $'000 (Restated)	1 January 2017 $'000 (Restated)
LIABILITIES AND EQUITY							
Current liabilities							
Bank loans	18	1,798	30,828	92,641	–	28,035	77,139
Trade payables	19	529,015	581,413	480,085	42,510	46,849	53,060
Other payables and accrued expenses	20	205,224	260,266	177,692	34,246	40,100	55,359
Contract liabilities	21	74,029	67,873	25,535	–	317	7,686
Trade payables due to subsidiaries		–	–	–	5,213	2,911	126,109
Other payables due to subsidiaries		–	–	–	20,751	21,209	21,223
Income tax payable		40,374	34,043	18,234	3,679	2,130	3,520
Total current liabilities		850,440	974,423	794,187	106,399	141,551	344,096
Non-current liability							
Deferred tax liabilities	17	2,058	1,718	1,801	–	–	–
Capital and reserves							
Share capital	22	803,220	761,706	713,686	803,220	761,706	713,686
Treasury shares	22	(19,081)	(1,879)	(2,569)	(19,081)	(1,879)	(2,569)
Share-based awards reserve	22	3,774	3,524	5,063	3,774	3,524	4,379
Investments revaluation and hedging reserve	22	665	1,836	21	1,194	1,876	21
Translation reserve	23	(55,044)	(76,191)	–	–	–	–
Other reserves	22	3,079	3,292	3,066	(815)	(247)	–
Accumulated profits		1,613,253	1,473,462	1,240,848	787,256	710,255	747,888
Equity attributable to owners of the Company		2,349,866	2,165,750	1,960,115	1,575,548	1,475,235	1,463,405
Non-controlling interests		2,233	2,314	2,419	–	–	–
Total equity		2,352,099	2,168,064	1,962,534	1,575,548	1,475,235	1,463,405
Total liabilities and equity		3,204,597	3,144,205	2,758,522	1,681,947	1,616,786	1,807,501

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 December 2018

	Note	The Group 2018 $'000	The Group 2017 $'000
Revenue	25	3,484,603	4,004,539
Changes in finished goods, work in progress and raw materials used		(2,530,837)	(3,039,127)
Employee benefits expense	29	(317,436)	(346,066)
Depreciation and amortisation expense		(30,726)	(31,056)
Research and development expense		(82,988)	(49,909)
Foreign currency exchange gain (loss)		1,735	(4)
Other operating expenses		(101,093)	(112,708)
Other income	26	1,541	13,618
Investment revenue	27	9,209	3,801
Finance costs (interest expense on bank loans)		(982)	(1,012)
Share of (loss) profit of associates	12	(58)	1,671
Profit before tax		432,968	443,747
Income tax expense	28	(62,885)	(71,048)
Profit for the year	29	370,083	372,699
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on other financial assets, through other comprehensive income (FVTOCI)		(1,127)	–
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investments		–	1,827
Fair value loss on cash flow hedge	8	–	(12)
Exchange differences on translation of foreign operations	23	21,045	(76,176)
Other comprehensive income (loss) for the year, net of tax		19,918	(74,361)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		390,001	298,338
Profit attributable to:			
Owners of the Company		370,062	372,819
Non-controlling interests		21	(120)
		370,083	372,699
Total comprehensive income attributable to:			
Owners of the Company		390,082	298,443
Non-controlling interests		(81)	(105)
		390,001	298,338
		Cents	**Cents**
Basic earnings per share	30	128.8	132.2
Fully diluted earnings per share	30	127.3	130.0

See accompanying notes to financial statements.

Statements of Changes in Equity

Year Ended 31 December 2018

The Group	Note	Share capital $'000	Treasury shares $'000	Share-based awards reserve $'000	Investments revaluation and hedging reserve $'000	Translation reserve $'000	Other reserves $'000	Accumulated profits $'000	Equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2017		713,686	(2,569)	5,063	21	(144,382)	3,066	1,385,230	1,960,115	2,419	1,962,534
Adoption of SFRS(I) 1 (Note 36)		–	–	–	–	144,382	–	(144,382)	–	–	–
Balance at 1 January 2017 (restated)		713,686	(2,569)	5,063	21	–	3,066	1,240,848	1,960,115	2,419	1,962,534
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	372,819	372,819	(120)	372,699
Other comprehensive income (loss)		–	–	–	1,815	(76,191)	–	–	(74,376)	15	(74,361)
Total		–	–	–	1,815	(76,191)	–	372,819	298,443	(105)	298,338
Transactions with owners, recognised directly in equity											
Issue of shares	22	48,020	–	(1,809)	–	–	–	–	46,211	–	46,211
Treasury shares reissued pursuant to equity compensation plans	22	–	690	(443)	–	–	(247)	–	–	–	–
Share options lapsed		–	–	(983)	–	–	–	983	–	–	–
Recognition of share-based payments	24	–	–	1,696	–	–	–	–	1,696	–	1,696
First and final tax-exempt dividend paid in respect of the previous financial year	35	–	–	–	–	–	–	(140,728)	(140,728)	–	(140,728)
Refund of unclaimed dividends		–	–	–	–	–	–	13	13	–	13
Appropriation to reserve fund		–	–	–	–	–	473	(473)	–	–	–
Total		48,020	690	(1,539)	–	–	226	(140,205)	(92,808)	–	(92,808)
Balance at 31 December 2017 (restated)		761,706	(1,879)	3,524	1,836	(76,191)	3,292	1,473,462	2,165,750	2,314	2,168,064
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	370,062	370,062	21	370,083
Other comprehensive (loss) income		–	–	–	(1,127)	21,147	–	–	20,020	(102)	19,918
Total		–	–	–	(1,127)	21,147	–	370,062	390,082	(81)	390,001
Transactions with owners, recognised directly in equity											
Issue of shares	22	41,514	–	(959)	–	–	–	–	40,555	–	40,555
Purchase of treasury shares		–	(18,060)	–	–	–	–	–	(18,060)	–	(18,060)
Treasury shares reissued pursuant to equity compensation plans	22	–	858	(290)	–	–	(568)	–	–	–	–
Share options lapsed		–	–	(61)	–	–	–	61	–	–	–
Recognition of share-based payments	24	–	–	1,560	–	–	–	–	1,560	–	1,560
Disposal of other financial assets, FVTOCI	13	–	–	–	(44)	–	–	44	–	–	–
Final tax-exempt dividend paid in respect of the previous financial year	35	–	–	–	–	–	–	(172,413)	(172,413)	–	(172,413)
Interim tax-exempt dividend paid in respect of the current financial year	35	–	–	–	–	–	–	(57,608)	(57,608)	–	(57,608)
Appropriation to reserve fund		–	–	–	–	–	355	(355)	–	–	–
Total		41,514	(17,202)	250	(44)	–	(213)	(230,271)	(205,966)	–	(205,966)
Balance at 31 December 2018		803,220	(19,081)	3,774	665	(55,044)	3,079	1,613,253	2,349,866	2,233	2,352,099

See accompanying notes to financial statements.

Statements of Changes in Equity

Year Ended 31 December 2018

The Company	Note	Share capital $'000	Treasury shares $'000	Share-based awards reserve $'000	Investments revaluation and hedging reserve $'000	Other reserves $'000	Accumulated profits $'000	Total $'000
Balance at 1 January 2017		713,686	(2,569)	4,379	21	–	747,888	1,463,405
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	102,783	102,783
Other comprehensive income for the year		–	–	–	1,855	–	–	1,855
Total		–	–	–	1,855	–	102,783	104,638
Transactions with owners, recognised directly in equity								
Issue of shares	22	48,020	–	(1,809)	–	–	–	46,211
Share options lapsed		–	–	(299)	–	–	299	–
Treasury shares reissued pursuant to equity compensation plans	22	–	690	(443)	–	(247)	–	–
Recognition of share-based payments	24	–	–	1,696	–	–	–	1,696
Refund of unclaimed dividends		–	–	–	–	–	13	13
First and final tax-exempt dividend paid in respect of the previous financial year	35	–	–	–	–	–	(140,728)	(140,728)
Total		48,020	690	(855)	–	(247)	(140,416)	(92,808)
Balance at 31 December 2017		761,706	(1,879)	3,524	1,876	(247)	710,255	1,475,235
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	306,917	306,917
Other comprehensive loss for the year		–	–	–	(638)	–	–	(638)
Total		–	–	–	(638)	–	306,917	306,279
Transactions with owners, recognised directly in equity								
Issue of shares	22	41,514	–	(959)	–	–	–	40,555
Share options lapsed		–	–	(61)	–	–	61	–
Purchase of treasury shares		–	(18,060)	–	–	–	–	(18,060)
Treasury shares reissued pursuant to equity compensation plans	22	–	858	(290)	–	(568)	–	–
Recognition of share-based payments	24	–	–	1,560	–	–	–	1,560
Disposal of other financial assets, FVTOCI	13	–	–	–	(44)	–	44	–
Final tax-exempt dividend paid in respect of the previous financial year	35	–	–	–	–	–	(172,413)	(172,413)
Interim tax-exempt dividend paid in respect of the current financial year	35	–	–	–	–	–	(57,608)	(57,608)
Total		41,514	(17,202)	250	(44)	(568)	(229,916)	(205,966)
Balance at 31 December 2018		803,220	(19,081)	3,774	1,194	(815)	787,256	1,575,548

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year Ended 31 December 2018

	The Group	
	2018	2017
	$'000	$'000
		(Restated)
Operating activities		
Profit before tax	432,968	443,747
Adjustments for:		
Share of loss (profit) of associates	58	(1,671)
Allowance for inventories	1,258	19,572
Depreciation expense	30,640	29,987
Allowance for doubtful debts	1,578	6,059
Amortisation of intangible assets	86	1,069
Interest income	(9,209)	(3,801)
Dividend income	(935)	(384)
Interest expense	982	1,012
Share-based payments expense	1,560	1,696
(Gain) Loss on disposal of plant and equipment, net	(98)	120
Gain on disposal of investment in associate	–	(11,348)
Operating profit before working capital changes	458,888	486,058
Trade receivables	41,821	(100,286)
Other receivables, prepayments and contract assets	15,185	(17,383)
Inventories	(93,914)	(139,637)
Trade payables	(60,424)	132,949
Other payables, accrued expenses and contract liabilities	(50,019)	138,155
Cash generated from operations	311,537	499,856
Interest paid	(982)	(1,012)
Income tax paid	(56,331)	(50,316)
Net cash from operating activities	254,224	448,528

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year Ended 31 December 2018

	The Group	
	2018	2017
	$'000	$'000
		(Restated)
Investing activities		
Interest received	7,805	4,967
Dividends received from associates	30	1,078
Dividends received from other equity investments	935	384
Purchase of property, plant and equipment	(58,480)	(36,966)
Proceeds on disposal of plant and equipment	206	243
Addition of intangible assets	(366)	–
Proceeds on disposal of investment in associate	–	31,609
Proceeds on disposal of other financial assets	2,942	–
Purchase of other financial assets	(1,628)	(15,293)
Net cash used in investing activities	(48,556)	(13,978)
Financing activities		
Dividends paid	(230,021)	(140,728)
Refund of unclaimed dividends (net of charges)	–	13
Proceeds from new bank loans (Note A)	5,387	41,695
Repayment of bank loans (Note A)	(34,601)	(98,000)
Proceeds from issuance of shares	40,555	46,211
Purchase of treasury shares	(18,060)	–
Bank balances pledged as securities for bank facilities	–	24,492
Net cash used in financing activities	(236,740)	(126,317)
Net (decrease) increase in cash and cash equivalents	(31,072)	308,233
Cash and cash equivalents at beginning of year	752,447	474,728
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(8,549)	(30,514)
Cash and cash equivalents at end of year (Note 6)	712,826	752,447

Note A: Reconciliation of liabilities arising from financing activities

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

		Non-cash changes		
	1 January 2018	Foreign exchange movement	Financing cash flows [i]	31 December 2018
	$'000	$'000	$'000	$'000
Bank loans (Note 18)	30,828	184	(29,214)	1,798

[i] The cash flows comprise the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

See accompanying notes to financial statements.

Notes to Financial Statements

31 December 2018

1 GENERAL

The Company (Registration No. 198402886H) is incorporated in the Republic of Singapore with its principal place of business and registered office at 5006 Ang Mo Kio Avenue 5, #05-01/12 TECHplace II, Singapore 569873. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Singapore dollars.

The Company is a leading global provider of technology solutions, products and services. The principal activities of the Company are to provide manufacturing, product design and development, engineering and supply-chain management services.

The principal activities of the subsidiaries and associates are disclosed in Notes 11 and 12 respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 21 March 2019.

For all periods up to and including the year ended 31 December 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended 31 December 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 36.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING - These financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and SFRS(I)s.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

a) BASIS OF ACCOUNTING (cont'd)

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

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

b) BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;

- Is exposed, or has rights, to variable returns from its involvement with the investee; and

- Has the ability to use its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Company, other vote holders or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) BASIS OF CONSOLIDATION (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments: Recognition and Measurement*, or when applicable, the cost on initial recognition of an investment in an associate.

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

c) BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition-date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) BUSINESS COMBINATIONS (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

d) FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the Group or the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to Financial Statements
31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

The accounting for financial instruments before 1 January 2018 are as follows:

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain shares and debt securities held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Unquoted equity shares are measured at cost less accumulated impairment losses as the fair value cannot be measured reliably.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in interest or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as disclosed in Note 7, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities and equity instruments (cont'd)

Derivative financial instrument and hedge accounting

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as cash flow hedges to manage its exposure to interest rate risk.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in profit or loss, such gains and losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability as described above. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

Notes to Financial Statements
31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

The accounting for financial instruments from 1 January 2018 are as follows:

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

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

Notes to Financial Statements
31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "investment revenue" line item.

Equity instruments classified as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Equity instruments classified as at FVTOCI (cont'd)

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to accumulated profits.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of SFRS(I) 9 (see Note 13).

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "foreign currency exchange gain (loss)" line item;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the "foreign currency exchange gain (loss)" line item;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "foreign currency exchange gain (loss)" line item; and
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Notes to Financial Statements
31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ("12m ECL"). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from publicly available economic reports, independent rating agencies, financial analysts, various external sources of actual and forecast economic information that relate to the Group's core operations, as well as other publicly available financial information.

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Significant increase in credit risk (cont'd)

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

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit assessment;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; or
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

Notes to Financial Statements
31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) Significant financial difficulty of the issuer or the borrower;

b) A breach of contract, such as a default or past due event;

c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with SFRS(I) 1-17 *Leases*.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities and equity instruments (cont'd)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "foreign currency exchange gain (loss)" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value as at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of interest rate risk as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities and equity instruments (cont'd)

Hedge accounting (cont'd)

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

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of "Investments revaluation and hedging reserve", limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other income' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group and the Company has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

f) INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

g) PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land, over their estimated useful lives, using the straight-line method, on the following bases:

Factory buildings	-	25 to 60 years
Leasehold land and buildings	-	25 to 60 years (term of lease)
Machinery and equipment	-	2 to 10 years
Leasehold improvements and renovations	-	2 to 10 years
Office equipment, furniture and fittings	-	2 to 10 years
Computer hardware	-	3 years
Motor vehicles	-	2 to 10 years

Fully depreciated assets still in use are retained in the financial statements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

i) INTANGIBLE ASSETS

<u>Intangible assets acquired separately</u>

Intangible assets acquired separately, such as computer software and intellectual property, are recorded at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives of 3 to 5 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

<u>Internally-generated intangible assets - research and development expenditure</u>

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i) INTANGIBLE ASSETS (cont'd)

Internally-generated intangible assets - research and development expenditure (cont'd)

- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. The Group has capitalised development expenditure as intangible assets and these are amortised using the straight-line method over its estimated useful life, which normally does not exceed three years.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired in a business combination

Customer relationships acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, customer relationships acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Customer relationships are amortised on a straight-line basis over their useful lives of 10 years.

j) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL – As at each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL (cont'd)

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5 *Non-current Asset Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The requirements of SFRS(I) 9 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

k) ASSOCIATES (cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9 *Financial Instruments: Recognition and Measurement*. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

l) PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to Financial Statements
31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m) SHARE-BASED PAYMENTS - The Group issues equity-settled share-based payments (comprising of share options and restricted shares) to qualifying employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair values determined at the grant date of the equity-settled share-based payments are expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based awards reserve.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the equity instruments are exercised. When the equity instruments are exercised, the carrying value of such instrument is transferred from the share-based awards reserve to share capital. When the vested equity instruments lapsed or are cancelled, the carrying value of such instrument is transferred from the share-based awards reserve to accumulated profits.

Details regarding the determination of the fair value of equity-settled share-based payments are disclosed in Note 24.

n) GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

o) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group derives its revenue primarily from manufacturing services, design services and tooling.

Revenue is recognised over time for arrangements with customers for which:

- The Group's performance does not create an asset with an alternative use to the Group; and
- The Group has an enforceable right to payment for performance completed to date.

Notes to Financial Statements
31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) REVENUE RECOGNITION (cont'd)

When one or both of the above conditions are not met, the Group recognises revenue when it has transferred control of the goods, which generally occurs upon delivery and passage of title to the customer.

For most of the Group's arrangement with customers, the individual manufactured product or service is capable of being distinct and is assessed as a separate performance obligation. In cases where the promise to transfer the individual good or service is not separately identifiable from other promises in the contract and is, therefore, not distinct, the contract is seen to contain only one performance obligation. A contract's transaction price is allocated to each distinct performance obligation and recognised as revenue when, or as, the performance obligation is satisfied.

(i) Manufacturing services

When the Group has an alternative use for the goods produced or does not have a legal enforceable right to payment for work completed to date (inclusive of a reasonable profit margin for work in progress inventory), revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the control and significant risks and rewards of ownership of the goods;
- the Group has present right to payment for the goods transferred;
- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the Group.

When the Group does not have an alternative use for the goods produced and has a legal enforceable right to payment (inclusive of a reasonable profit margin) for work completed to date, revenue is recognised over time.

The Group also provides Non-Recurring Engineering ("NRE") services which may include (but are not limited to) procuring, setting up and qualifying manufacturing hardware for some of its customers as part of its manufacturing services. Once ready for use, the use and disposal of such manufacturing hardware is directed by the customers. If the criteria for over time revenue recognition is not met, revenue is recognised when the manufacturing hardware is ready to be used as per customer specifications for the mass production of customers' products. If the criteria for over time revenue recognition is met, revenue is recognised by reference to the stage of completion based on the cost-to-cost method.

The Group has reduced revenue based on products expected to be returned or rebates which are entitled to by customers. These are estimated based on the Group's accumulated historical experience to estimate the number of returns and the rebates using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the historical trends.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) REVENUE RECOGNITION (cont'd)

(ii) Design services and tooling

Revenue from design services and tooling is recognised over time by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows, using methods that best depict the transfer of control to the customer:

- Revenue from design services is recognised based on engineers' certification of each project's progress. When the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, the Group adopts the practical expedient to recognise revenue in the amount to which the entity has a right to invoice.

- Revenue from tooling contracts is recognised based on the cost-to-cost method.

A contract asset is recognised for the cumulative revenue recognised but not yet invoiced whilst a contract liability is recognised for advance payments from customers which the Group needs to perform work to satisfy the performance obligations.

Rental income

The Group's policy for recognition of revenue from operating leases is described in note 2(e) above.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

p) BORROWING COSTS - Borrowing costs directly attributable to acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. No interest expense has been capitalised during the year.

Notes to Financial Statements

31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

q) RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund ("CPF"), are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

r) EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

s) INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

s) INCOME TAX (cont'd)

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

t) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At at each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

t) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Prior to 1 January 2005, the Group treated certain goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

u) CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimates (see below), that management has made in the process of applying the Group's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

(i) Income tax

Management has assessed the achievability of the qualifying terms and conditions of the tax incentives awarded to the Company and some of its subsidiaries in the current and previous financial years, and is of the view that the Company and its subsidiaries will be able to satisfy all qualifying terms and conditions. Accordingly, tax provisions for the Group are adequate as at the end of the reporting period.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Calculation of expected credit loss and allowance for doubtful debts

From 1 January 2018
When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the expected credit loss rate is increased (decreased) by 10%, as reflected by a change in credit provision rates by a factor of 1.1 in the case of an increase and 0.9 in the case of a decrease, expected credit loss allowance on trade receivables will increase (decrease) by $170,000.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(i) Calculation of expected credit loss and allowance for doubtful debts (cont'd)

Before 1 January 2018
The policy for allowance for doubtful debts of the Group is based on management's evaluation of collectability and aging analysis of accounts. A considerable amount of estimate is required in assessing the ultimate realisation of these receivables, including the current credit-worthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The carrying amounts of trade and other receivables are disclosed in Notes 7 and 8 respectively.

(ii) Impairment of goodwill and investments in subsidiaries

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. As the exercise is based on both prospective financial and non-financial information, it is highly subjective in nature. Accordingly, actual outcome is likely to be different from that forecasted since anticipated events frequently do not occur as expected and the variation may be material.

The carrying amounts of goodwill of the Group and investments in subsidiaries of the Company are disclosed in Notes 16 and 11 respectively.

(iii) Allowances for inventories

In determining the net realisable value of the Group's inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. This represents the value of the inventories which are expected to realise as estimated by management. These estimates take into consideration the fluctuations of selling prices or cost, or any inventories on hand that may not be realised, directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying amount of inventories is disclosed in Note 10.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(iv) Provision for warranty

Provision for warranty is estimated by the Group based on historical claim experience and estimated potential rectification costs for the products sold that qualify under the contractual warranty periods. These are assessed as a percentage of sales and determined based on the experience on the likelihood of claims and risks arising from the contracts covered by the warranty. Other factors such as industry benchmarks and technological failure rates are also taken into consideration in the assessment. Significant judgement is involved in estimating the provision for warranties, especially for relatively new products.

The provision for warranty is disclosed in Note 20.

(v) Stage of completion in relation to revenue recognised over time

The Group recognises revenue from design services, tooling and certain manufacturing services over time by reference to the stage of completion of the contract. The stage of completion is determined using the method that best depicts the transfer of control to the customer as follows:

- Revenue from design services is recognised based on engineers' certification of each project's progress. When the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, the Group adopts the practical expedient to recognise revenue in the amount to which the entity has a right to invoice.

- Revenue from tooling contracts and certain manufacturing services are recognised based on the cost-to-cost method (i.e. incurred cost to date compared to total budgeted cost).

The stage of completion is estimated by the Group based on past experience and the knowledge of the engineers.

The revenue recognised and the related contract assets and contract liabilities are disclosed in Notes 25, 9 and 21 respectively.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
		(Restated)	(Restated)			(Restated)
Financial assets						
Amortised cost:						
Cash and bank balances	712,826	752,447	499,736	271,723	186,372	212,760
Trade receivables	735,943	762,641	706,987	10,387	10,865	224,144
Trade receivables due from subsidiaries	–	–	–	44,114	74,742	15,962
Other receivables	20,834	19,083	17,615	1,138	352	708
Other receivables due from subsidiaries	–	–	–	17,940	17,611	17,959
	1,469,603	1,534,171	1,224,338	345,302	289,942	471,533
Derivative financial instrument	–	–	12	–	–	12
Other financial assets	22,939	25,087	8,088	6,977	8,929	5,241
Total	1,492,542	1,559,258	1,232,438	352,279	298,871	476,786
Financial liabilities						
Amortised cost:						
Bank loans	1,798	30,828	92,641	–	28,035	77,139
Trade payables	529,015	581,413	480,085	42,510	46,849	53,060
Trade payables due to subsidiaries	–	–	–	5,213	2,911	126,109
Other payables and accrued expenses	165,158	217,666	168,812	32,229	37,664	54,540
Other payables due to subsidiaries	–	–	–	20,751	21,209	21,223
Total	695,971	829,907	741,538	100,703	136,668	332,071

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives

The Group has financial risk management programmes which set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. These programmes cover specific areas, such as market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk and are reviewed regularly by the Board of Directors to ensure that they remain pertinent to the Group's operations.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign exchange risk management

The Group operates internationally, giving rise to market risk from changes in foreign exchange rates. The Group manages its foreign exchange exposure mainly by matching revenue and costs in the relevant currencies to create a natural hedge.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. As at each reporting date, the carrying amounts of significant monetary assets and liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	The Group*					
	Assets			Liabilities		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
					(Restated)	(Restated)
Singapore dollar	37,050	31,276	28,617	37,913	53,501	35,807
United States dollar	148,378	142,410	345,482	109,665	92,896	291,014
Euro	8,656	10,833	8,667	9,461	11,373	12,166
Japanese yen	107	869	38	1,446	2,271	1,938
Swiss francs	309	594	542	372	6,306	5,485
Chinese renminbi	15,415	28,803	14,554	23,151	22,243	16,575
Malaysian ringgit	34,589	33,281	31,122	32,459	47,203	41,984

* Figures include intercompany monetary assets and liabilities denominated in currencies other than the respective Group entities' functional currencies.

	The Company					
	Assets			Liabilities		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States dollar	113,822	105,109	300,663	91,788	73,700	267,236
Euro	1,662	1,689	1,537	3,021	2,790	2,396
Japanese yen	–	–	–	1,111	205	121
Chinese renminbi	–	–	–	1	1	1
Malaysian ringgit	–	–	–	–	–	1

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 5% change in the following foreign currencies against the functional currencies of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only significant outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans within the Group where the denomination of the loan is in a currency other than the functional currency of the borrower.

If the relevant foreign currency strengthens by 5% against the functional currency of each group entity as at the year end, profit for the year would increase (decrease) by the following amounts, mainly due to year-end exposures on significant net monetary balances denominated in the respective foreign currencies.

	The Group		The Company	
	2018 $'000	2017 $'000 (Restated)	2018 $'000	2017 $'000
Singapore dollar impact	(43)	(1,111)	–	–
United States dollar impact	1,936	2,476	1,102	1,570
Euro impact	(41)	(27)	(68)	(55)
Japanese yen impact	(67)	(70)	(56)	(10)
Swiss francs impact	(3)	(286)	–	–
Chinese renminbi impact	(387)	328	–	–
Malaysian ringgit impact	106	(696)	–	–

If the relevant foreign currency weakens by 5% against the functional currency of each group entity as at the year end, impact on profit for the year would be vice versa.

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in section (iv) of this Note. The Group's policy is to maintain cash equivalents and borrowings, as disclosed in Notes 6 and 18 respectively, with reputable international financial institutions. As part of the mechanism to manage interest rate risk, the Group may enter into interest rate swaps as cash flow hedge against future increase in interest rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(ii) Interest rate risk management (cont'd)

Interest rate sensitivity analysis has not been presented as management does not expect any reasonable changes in interest rates to have a material impact on the Group's and Company's profit or loss.

(iii) Overview of the Group's exposure to credit risk and credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from:

- The carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group assesses the credit worthiness of its counterparties using credit rating information. This credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to assess its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Trade receivables and contract assets: lifetime ECL – not credit impaired Other receivables: 12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

Before accepting any new customer, the Group uses the new customer's financial information and where available, external credit scores, to assess the potential customer's credit quality and defines credit limits by customer.

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31 December 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iii) Overview of the Group's exposure to credit risk and credit risk management (cont'd)

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Of the trade receivables balance at the end of the year, 46% is due from the Group's top ten customers by revenue (31 December 2017: 66%). Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to the top ten customers did not exceed 15% of total assets at any time during the year. Concentration of credit risk to any other counterparty exceeded 5% but not 10% of total assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit assessment	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
The Group						
31 December 2018						
Trade receivables	7	Performing	Lifetime ECL (simplified approach) (i)	737,636	(1,693)	735,943
Trade receivables	7	In default	Lifetime ECL	6,177	(6,177)	–
Other receivables	8	Performing	12-month ECL (ii)	20,834	–	20,834
Contract assets	9	Performing	Lifetime ECL (simplified approach) (i)	19,202	–	19,202
					(7,870)	

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iii) Overview of the Group's exposure to credit risk and credit risk management (cont'd)

	Note	Internal credit assessment	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
The Company						
31 December 2018						
Trade receivables	7	Performing	Lifetime ECL (simplified approach) (i)	10,399	(12)	10,387
Other receivables	8	Performing	12-month ECL (ii)	1,138	–	1,138
Trade receivables due from subsidiaries	11	Performing	Lifetime ECL (ii)	49,114	(5,000)	44,114
Other receivables due from subsidiaries	11	Performing	12-month ECL (ii)	17,940	–	17,940
					(5,012)	

Notes:

(i) For trade receivables and contract assets, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 7 and 9 include further details on the loss allowance for these assets respectively.

(ii) In determining the ECL, the Group has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

(iv) Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities.

Liquidity risk is managed by matching the payment and receipt cycle. The Group has sufficient cash from operations and credit lines from financial institutions (Note 18) to fund its capital investments and working capital requirements.

Notes to Financial Statements

31 December 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analysis

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
The Group						
31 December 2018						
Non-interest bearing	–	1,253,712	20,553	2,847	–	1,277,112
Fixed interest rate instruments	2.16	217,454	–	–	(2,024)	215,430
		1,471,166	20,553	2,847	(2,024)	1,492,542
31 December 2017 (Restated)						
Non-interest bearing	–	1,229,060	22,698	2,847	–	1,254,605
Fixed interest rate instruments	2.53	306,903	272	–	(2,522)	304,653
		1,535,963	22,970	2,847	(2,522)	1,559,258
1 January 2017 (Restated)						
Non-interest bearing	–	1,032,489	5,718	2,847	–	1,041,054
Fixed interest rate instruments	2.36	189,386	3,998	–	(2,012)	191,372
		1,221,875	9,716	2,847	(2,012)	1,232,426

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analysis (cont'd)

Non-derivative financial assets (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
The Company						
31 December 2018						
Non-interest bearing	–	175,871	6,977	–	–	182,848
Fixed interest rate instruments	1.86	170,221	–	–	(790)	169,431
		346,092	6,977	–	(790)	352,279
31 December 2017 (Restated)						
Non-interest bearing	–	127,385	8,929	–	–	136,314
Fixed interest rate instruments	1.19	163,041	–	–	(484)	162,557
		290,426	8,929	–	(484)	298,871
1 January 2017 (Restated)						
Non-interest bearing	–	314,819	5,241	–	–	320,060
Fixed interest rate instruments	1.35	157,241	–	–	(527)	156,714
		472,060	5,241	–	(527)	476,774

Notes to Financial Statements
31 December 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analysis (cont'd)

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
The Group						
31 December 2018						
Non-interest bearing	–	694,173	–	–	–	694,173
Variable interest rate instruments	0.41	1,799	–	–	(1)	1,798
		695,972	–	–	(1)	695,971
31 December 2017 (Restated)						
Non-interest-bearing	–	799,079	–	–	–	799,079
Variable interest rate instruments	1.63	30,869	–	–	(41)	30,828
		829,948	–	–	(41)	829,907
1 January 2017 (Restated)						
Non-interest-bearing	–	648,897	–	–	–	648,897
Variable interest rate instruments	0.96	92,716	–	–	(75)	92,641
		741,613	–	–	(75)	741,538

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analysis (cont'd)

Non-derivative financial liabilities (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
The Company						
31 December 2018						
Non-interest bearing	–	100,703	–	–	–	100,703
31 December 2017						
Non-interest bearing	–	108,633	–	–	–	108,633
Variable interest rate instruments	1.76	28,076	–	–	(41)	28,035
		136,709	–	–	(41)	136,668
1 January 2017 (Restated)						
Non-interest bearing	–	254,932	–	–	–	254,932
Variable interest rate instruments	0.99	77,203	–	–	(64)	77,139
		332,135	–	–	(64)	332,071

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) Fair value of financial assets and financial liabilities

Other than the fair values of long-term receivables and other financial assets which are disclosed in Notes 8 and 13 respectively, the carrying amounts of cash and bank balances, trade and other receivables, bank loans, and trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

Financial assets/ Financial liabilities	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)
	2018		2017			
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000		
Other Financial Assets (see Note 13)						
The Group						
Quoted equity shares	20,092	–	22,240	–	Level 1	Quoted bid prices in an active market
Unquoted equity shares	2,847	–	2,847	–	Level 2	Net tangible asset of the underlying investment which approximates fair value
The Company						
Quoted equity shares	6,977	–	8,929	–	Level 1	Quoted bid prices in an active market

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the year.

(d) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 18, and equity attributable to owners of the Company, comprising issued capital, reserves and accumulated profits as presented in the statements of changes in equity. Some of the subsidiaries of the Group operating in the People's Republic of China are required to set aside a part of profit after tax in a separate reserve called "Reserve Fund" as disclosed in Note 22.

The Board of Directors reviews the capital structure regularly to achieve an appropriate capital structure. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital and makes adjustments to the capital structure, where appropriate, in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group's overall strategy remains unchanged from the previous year.

5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, Group entities entered into the following trading transactions with related parties:

	The Group	
	2018	2017
	$'000	$'000
Purchase of goods from associate	145	134
Sale of goods to associate	3	63
Dividends received from associates	30	1,078

Compensation of Directors and key management personnel

The remuneration of 8 (2017 : 7) directors and 6 (2017 : 5) other key management personnel during the year were as follows:

	The Group	
	2018	2017
	$'000	$'000
Short-term benefits	14,314	16,936
CPF contributions	82	69
Share-based payments	841	697
	15,237	17,702
Directors' fees	850	780
Total	16,087	18,482

The remuneration of Directors and other key management personnel is determined by the Remuneration Committee having regard to various factors including the individual's contribution to the achievement of the organisation and business objectives.

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6 CASH AND BANK BALANCES

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash	497,395	449,653	312,118	102,292	23,815	56,046
Fixed deposits	215,431	302,794	187,618	169,431	162,557	156,714
	712,826	752,447	499,736	271,723	186,372	212,760
Less: Restricted cash balances	–	–	(25,008)	–	–	–
Cash and cash equivalents in the statement of cash flows	712,826	752,447	474,728	271,723	186,372	212,760

As at 1 January 2017, the Group has fixed deposits amounting to $187,618,000 of which $25,008,000 was pledged for a credit facility (Note 18).

The fixed deposits' interest rates for the Group and the Company range from 1.61% to 4.20% (31 December 2017 : 0.85% to 4.20%, 1 January 2017 : 0.81% to 3.30%) per annum with an original maturity of one year or less.

7 TRADE RECEIVABLES

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
		(Restated)	(Restated)			(Restated)
Outside parties	735,943	762,641	706,987	10,387	10,865	224,144

The average trade credit period on sales of goods is 79 days (31 December 2017 : 67 days, 1 January 2017 : 81 days). No interest is charged on the trade receivables. Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period, except for incorporating forward looking information in the Group's ECL model.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

Notes to Financial Statements

31 December 2018

7 TRADE RECEIVABLES (cont'd)

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	The Group					
	Trade receivables – days past due					
31 December 2018	Not past due	< 30 days	31 – 60 days	61 – 90 days	> 90 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Expected credit loss rate	0.1%	0.3%	3.0%	5.8%	6.7%	
Lifetime ECL						
- not credit-impaired	678	256	460	234	65	1,693
- credit impaired	–	–	–	–	6,177	6,177
	678	256	460	234	6,242	7,870

The Company's provision matrix is not disclosed as the lifetime ECL is insignificant but the expected credit loss rate applied approximate that of the Group as its loss patterns are similar.

Management is of the view that majority of the Group's and the Company's trade receivables are within their expected cash collection cycle. There are certain trade receivables which are less than 3% (31 December 2017 : 2%, 1 January 2017 : 1%) of the total trade receivables as at the end of the reporting period that are outstanding for periods longer than the expected credit terms as agreed with the customers. The average days overdue of these receivables is 60 days (31 December 2017 : 67 days, 1 January 2017 : 68 days).

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	The Group			The Company
	Lifetime ECL			Lifetime ECL
	Collectively assessed: not credit-impaired	Individually assessed: credit-impaired	Total	Collectively assessed: not credit-impaired
	$'000	$'000	$'000	$'000
Balance at 1 January 2018	–	6,160	6,160	–
Transfer from credit-impaired	120	(120)	–	–
Net re-measurement of loss allowance	1,578	–	1,578	12
Foreign exchange (gains) losses	(5)	137	132	–
Balance at 31 December 2018	1,693	6,177	7,870	12

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7 TRADE RECEIVABLES (cont'd)

Previous accounting policy for allowance for doubtful debts:

Movement in the allowance for doubtful debts:

	The Group	The Company
	2017	2017
	$'000	$'000
Balance at beginning of year	6,709	1,450
Allowance for the year	6,059	–
Written off	(6,315)	(1,450)
Exchange differences	(293)	–
Balance at end of year	6,160	–

The above allowance for doubtful debts has been determined based on a review of the current status of existing receivables and historical collections experience. Receivables for which no allowance have been made are assessed to be recoverable.

8 OTHER RECEIVABLES AND PREPAYMENTS

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
		(Restated)	(Restated)		(Restated)	(Restated)
Other receivables	15,777	12,586	14,605	1,105	352	708
Deposits	5,057	6,497	3,010	33	–	–
Derivative financial instrument	–	–	12	–	–	12
Prepayments	9,618	13,992	13,570	382	410	678
	30,452	33,075	31,197	1,520	762	1,398
Less: Amounts receivable within 12 months	(29,997)	(32,345)	(26,966)	(1,520)	(762)	(1,398)
Amounts receivable after 12 months	455	730	4,231	–	–	–

For the purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

Based on the Group's historical credit loss experience with the relevant counterparties, as well as available forward-looking information, the Group has assessed the expected credit loss rate on other receivables to be insignificant.

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9 CONTRACT ASSETS

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000 (Restated)	1 January 2017 $'000 (Restated)	31 December 2018 $'000	31 December 2017 $'000 (Restated)	1 January 2017 $'000 (Restated)
Contract Assets	19,202	29,088	17,311	–	346	14,379

Contract assets comprise unbilled revenue and other recoverables from customers for which the Group has performed work at balance sheet date, but the agreed billing milestones have not been reached. Such unbilled revenue and recoverables arise from design services contracts, tooling work and other non-recurring engineering services. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The increase in the Group's contract assets as at 31 December 2017 was attributable mainly to design services contracts related to new customer products that have since moved into the mass production stage by 2018.

The decrease in the Company's contract assets between 1 January 2017 and 31 December 2018 is due to the transfer of design services contracts to another subsidiary of the Group.

Management estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the relevant customers' industry. None of the amounts due from customers at the end of the reporting period is past due.

There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

Based on the Group's historical credit loss experience with the relevant customers, as well as available forward-looking information, the Group has assessed the expected credit loss rate on contract assets to be insignificant.

10 INVENTORIES

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Raw materials	548,936	437,009	354,216	34,454	24,395	24,219
Work in progress	88,922	99,740	96,172	15,153	13,744	12,856
Finished goods	170,308	162,881	172,600	11,547	11,727	10,651
	808,166	699,630	622,988	61,154	49,866	47,726

In 2018, the Group recognised an expense of $1,258,000 (2017 : $19,572,000) in respect of provisions and write-offs of aged inventory determined based on assessments of net realisable value and estimates on forecasted usage.

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11 INVESTMENTS IN SUBSIDIARIES

	The Company		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Unquoted equity shares, at cost	1,148,474	1,148,474	1,148,474
Less: Impairment loss	(3,203)	(3,203)	(3,203)
Net carrying amount	1,145,271	1,145,271	1,145,271
Advances to subsidiaries [1]	112,840	112,840	112,840
Less: Impairment in advances to subsidiaries	(30,262)	(30,262)	(30,262)
	1,227,849	1,227,849	1,227,849

(1) Advances to subsidiaries are an extension of the Company's investment and hence are capital in nature.

Trade receivables from subsidiaries of $44,114,000 (31 December 2017 : $74,742,000, 1 January 2017 : $15,962,000) are stated at net of allowance for doubtful debts of $5,000,000 (31 December 2017 : $5,000,000, 1 January 2017 : $5,000,000).

Amounts due to and from subsidiaries are unsecured, interest-free and payable within 12 months other than advances to subsidiaries as mentioned above.

For purpose of impairment assessment, loss allowance for trade receivables due from subsidiaries has been measured at an amount equal to lifetime ECL. Other receivables due from subsidiaries are considered to have low credit risk and there has been no significant increase in the risk of default during the current reporting period. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period for trade and other receivables due from subsidiaries.

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11 INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the Company's significant subsidiaries as at the end of the reporting period are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest and voting power held			Principal activities
		31 December 2018	31 December 2017	1 January 2017	
		%	%	%	
Advanced Products Corporation Pte Ltd	Singapore	100	100	100	Trading and manufacturing of electronics products and provision of electronics services
Cebelian Holdings Pte Ltd	Singapore	100	100	100	Investment holding
Venture Electronics (Europe) B.V. (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) (6)	Netherlands	100	100	100	Investment holding
Venture Hungary Electronics Manufacturing Limited Liability Company (95% owned by Venture Electronics (Europe) B.V. and 5% owned by Cebelian Holdings Pte Ltd) (3)	Hungary	100	100	100	Design, manufacture, assemble and distribute electronic products
Venture Electronics Spain S.L. (wholly-owned subsidiary of Venture Electronics (Europe) B.V.) (1)	Spain	100	100	100	Manufacture, design, engineering, customisation and logistic services
Venture Electronics (Shanghai) Co., Ltd (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) (1)	People's Republic of China	100	100	100	Trading and manufacturing of electronic and computer-related products
Venture Electronics (Shenzhen) Co., Ltd (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) (5)	People's Republic of China	100	100	100	Manufacture and sale of terminal units
VM Services, Inc. (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) (6)	United States of America	100	100	100	Trading and manufacturing of electronic and computer-related products
Venture Electronics International, Inc. (wholly-owned subsidiary of VM Services, Inc.) (6)	United States of America	100	100	100	Manufacture, design, engineering, customisation engineering, and logistic services

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11 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest and voting power held			Principal activities
		31 December 2018	31 December 2017	1 January 2017	
		%	%	%	
Venture Design Services Inc. (wholly-owned subsidiary of VM Services, Inc.) (6)	United States of America	100	100	100	Trading and manufacturing of electronics and computer-related products, provision of engineering, customisation logistics and repair services
Venture Enterprise Innovation, Inc. (wholly-owned subsidiary of VM Services, Inc.) (6) (8)	United States of America	100	–	–	Manufacturing of high technology products, and provision of design solutions and services
VIPColor Technologies Pte Ltd (a subsidiary of Cebelian Holdings Pte Ltd) (7)	Singapore	95.5	93.8	93.8	Develop and market colour imaging products for label printing
V*Comms Pte. Ltd. (renamed as Advanced Instrument Pte. Ltd. in January 2019) (a subsidiary of Cebelian Holdings Pte Ltd)	Singapore	100	100	100	Design, integrate and trading of electronic security system and electronic products
Venture International Pte. Ltd.	Singapore	100	100	100	Import and export of electronic parts, components, equipment, devices and instruments
VIPColor Technologies USA, Inc. (wholly-owned subsidiary of VIPColor Technologies Pte Ltd) (6) (7)	United States of America	95.5	93.8	93.8	Develop and market colour imaging products for label printing
Innovative Trek Technology Pte Ltd	Singapore	100	100	100	Information system development and support
Multitech Systems Pte. Ltd.	Singapore	100	100	100	Trading and manufacturing of electronic and computer-related products
Scinetic Engineering Pte Ltd (60% owned by the Company and 40% owned by GES Investment Pte. Ltd.)	Singapore	100	100	100	Design, trading and manufacturing of electronic and mechanical products

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11 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest and voting power held			Principal activities
		31 December 2018	31 December 2017	1 January 2017	
		%	%	%	
Technocom Systems Sdn Bhd [(1)]	Malaysia	100	100	100	Manufacturing and assembly of electronic and other computer products and peripherals
Pintarmas Sdn. Bhd. (wholly-owned subsidiary of Technocom Systems Sdn Bhd) [(1)]	Malaysia	100	100	100	Manufacturing and assembly of electronic and other computer products and peripherals
V-Design Services (M) Sdn. Bhd. (wholly-owned subsidiary of Technocom Systems Sdn Bhd) [(1)]	Malaysia	100	100	100	Design and development of electronic products and services
Venture Electronics Services (Malaysia) Sdn. Bhd. [(1)]	Malaysia	100	100	100	Manufacturing and assembly of electronic and other computer products and peripherals
Venture Electronics Solutions Pte Ltd	Singapore	100	100	100	Manufacture, design, engineering and logistics services to electronics equipment manufacturers
Ventech Investments Ltd (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) [(6)]	British Virgin Islands	100	100	100	Investment holding
Univac Precision Engineering Pte Ltd	Singapore	100	100	100	Manufacture, design, fabrication, stamping and injection, metal punching and spraying of industrial metal parts, tools and dies
Munivac Sdn. Bhd. (wholly-owned subsidiary of Univac Precision Engineering Pte Ltd) [(1)]	Malaysia	100	100	100	Manufacture of electronic and mechanic components
Univac Precision, Inc. (wholly-owned subsidiary of Univac Precision Engineering Pte Ltd) [(6)]	United States of America	100	100	100	Design, customisation and marketing of tool-making and precision engineering solutions

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11 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest and voting power held			Principal activities
		31 December 2018	31 December 2017	1 January 2017	
		%	%	%	
Univac Design & Engineering Pte Ltd (a subsidiary of Univac Precision Engineering Pte Ltd) (2) (7)	Singapore	81.6	81.6	81.6	Investment holding
Univac Precision Plastics (Shanghai) Co., Ltd (wholly-owned subsidiary of Univac Design & Engineering Pte Ltd) (4) (7)	People's Republic of China	81.6	81.6	81.6	Manufacture of plastic injection moulds and mouldings with secondary processes and sub-assembly
Univac Precision Plastics (Suzhou) Co., Ltd (wholly-owned subsidiary of Univac Design & Engineering Pte Ltd) (4) (7)	People's Republic of China	81.6	81.6	81.6	Manufacture of plastic injection moulds and mouldings with secondary processes and sub-assembly
GES International Limited	Singapore	100	100	100	Investment holding and provision of management services
GES (Singapore) Pte Ltd (wholly-owned subsidiary of GES International Limited)	Singapore	100	100	100	Provision of manufacturing services for original design and manufacture and electronic manufacturing services
GES Investment Pte. Ltd. (wholly-owned subsidiary of GES International Limited)	Singapore	100	100	100	Investment holding and provision of administrative and technical services to a subsidiary
Shanghai GES Information Technology Co., Ltd (wholly-owned subsidiary of GES (Singapore) Pte Ltd) (1)	People's Republic of China	100	100	100	Provision of manufacturing services for original design and manufacture and electronic manufacturing services
GES Manufacturing Services (M) Sdn. Bhd. (wholly-owned subsidiary of GES Investment Pte. Ltd.) (1)	Malaysia	100	100	100	Provision of manufacturing services to electronics equipment manufacturers

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31 December 2018

11 INVESTMENTS IN SUBSIDIARIES (cont'd)

All the companies are audited by Deloitte & Touche LLP, Singapore except for the subsidiaries that are indicated as follows:

(1) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

(2) Audited by another firm of auditors, BSL Public Accounting Corporation.

(3) Audited by another firm of auditors, Moore Stephens Hezicomp Kft.

(4) Audited by another firm of auditors, Shanghai Huashen Certified Public Accountants Co., Ltd.

(5) Audited by another firm of auditors, BDO China Li Xin Da Hua Certified Public Accountants Co., Ltd.

(6) Not required by law to be audited in its country of incorporation and not material to the results of the Group.

(7) The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of these non-wholly owned subsidiaries are individually insignificant to the Group.

(8) Incorporated during the financial year.

The net assets of the subsidiaries referred to in Notes (2), (3), (4), (5) and (6) above are less than 20% of the net assets of the Group as at the financial year end.

The Company has provided a commitment for financial support of $36,805,000 (31 December 2017 : $34,249,000, 1 January 2017 : $35,005,000) to certain subsidiaries for a period of twelve months from the end of the reporting period so as to enable the subsidiaries to continue to operate as going concerns and meet its contractual obligations when they fall due.

12 INVESTMENTS IN ASSOCIATES

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Quoted equity shares, at cost	–	–	11,492	–	–	–
Unquoted equity shares, at cost	60	60	60	–	–	–
	60	60	11,552	–	–	–
Share of post-acquisition profits, net of dividend received	639	727	8,465	–	–	–
Loss on dilution of an investment in an associate	–	–	(835)	–	–	–
Share of associate's reserve	–	–	34	–	–	–
Currency realignment on translation of foreign associates	–	–	1,584	–	–	–
Other adjustments	26	–	(547)	–	–	–
Net	725	787	20,253	–	–	–

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12 INVESTMENTS IN ASSOCIATES (cont'd)

Details of the Group's significant associates as at the end of the reporting period are as follows:

Name of associates	Country of incorporation and operation	Proportion of ownership interest and voting power held			Principal activities
		31 December 2018	31 December 2017	1 January 2017	
		$'000	$'000	$'000	
Fischer Tech Ltd [1]	Singapore	–	– [1]	18.8	Manufacturing of plastic precision and engineering products

[1] In 2017, the Group's wholly-owned subsidiary, Univac Precision Engineering Pte Ltd disposed of its 18.8% interest in Fischer Tech Ltd for a consideration of S$31,609,000. A gain of S$11,348,000 has been recognised in other income (Note 26).

Summarised financial information in respect of the Group's associates is set out below:

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Total assets	3,816	4,003	150,433
Total liabilities	(1,186)	(976)	(43,379)

	2018 $'000	2017 $'000
Revenue	2,082	96,921
(Loss) Profit for the year	(377)	9,327
Other comprehensive loss for the year	–	(394)
Total comprehensive (loss) income for the year	(377)	8,933
Dividends received from associates during the year	30	1,078

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Net assets of the associates	2,630	3,027	107,054
Group's recognised share of associates' net assets	725	787	20,253

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13 OTHER FINANCIAL ASSETS

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Quoted equity shares [(a)]	20,092	22,240	5,241	6,977	8,929	5,241
Unquoted equity shares [(b)]	2,847	2,847	2,847	–	–	–
	22,939	25,087	8,088	6,977	8,929	5,241

Other financial assets refer to equity instruments measured at fair value through other comprehensive income (FVTOCI). These were classified as available-for-sale investments in prior year. The change in classification arises from the adoption of SFRS(I) 9 *Financial Instruments*.

(a) The fair values of these securities are based on the quoted closing market prices on the last market day of the financial year. Investments in quoted equity securities offer the Group and the Company the opportunity for returns through distribution income and fair value gains. Quoted equity shares have no fixed maturity or coupon rate.

(b) The investments in unquoted equity shares include investments in venture capital funds and other investee companies.

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

During the financial year ended 31 December 2018, the Group disposed of quoted equity securities as the underlying investment was no longer aligned with the Group's long-term investment strategy. These investments had a fair value of $2,942,000 at the date of disposal, and the cumulative gain on disposal amounted to $44,000, net of tax. The cumulative gain on disposal was reclassified from investments revaluation and hedging reserve to accumulated profits.

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14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Factory buildings	Leasehold land and buildings	Machinery and equipment	Leasehold improvements and renovations	Office equipment, furniture and fittings	Computer hardware	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group									
Cost:									
At 1 January 2017	9,278	71,067	119,622	311,393	42,242	45,084	4,077	2,526	605,289
Exchange differences	(652)	(4,994)	(5,630)	(18,102)	(2,839)	(2,338)	–	(166)	(34,721)
Additions	–	–	–	24,371	6,415	5,912	187	81	36,966
Disposals	–	–	–	(18,358)	(541)	(3,591)	–	(67)	(22,557)
At 31 December 2017	8,626	66,073	113,992	299,304	45,277	45,067	4,264	2,374	584,977
Exchange differences	874	2,583	1,646	4,935	653	1,253	–	28	11,972
Additions	15,756	22,800	–	12,548	2,045	3,104	1,666	561	58,480
Disposals	–	–	–	(8,201)	(219)	(1,984)	(1,403)	(505)	(12,312)
At 31 December 2018	25,256	91,456	115,638	308,586	47,756	47,440	4,527	2,458	643,117
Accumulated depreciation:									
At 1 January 2017	–	32,058	32,649	262,836	30,126	38,679	3,679	1,823	401,850
Exchange differences	–	(2,321)	(2,122)	(14,515)	(1,797)	(1,914)	–	(143)	(22,812)
Depreciation	–	2,053	3,112	17,478	3,869	3,185	124	166	29,987
Disposals	–	–	–	(18,106)	(496)	(3,526)	–	(67)	(22,195)
At 31 December 2017	–	31,790	33,639	247,693	31,702	36,424	3,803	1,779	386,830
Exchange differences	–	735	687	4,303	519	612	–	22	6,878
Depreciation	–	1,996	3,268	16,761	3,466	4,198	701	250	30,640
Disposals	–	–	–	(8,174)	(174)	(1,948)	(1,403)	(505)	(12,204)
At 31 December 2018	–	34,521	37,594	260,583	35,513	39,286	3,101	1,546	412,144
Impairment:									
At 1 January 2017, 31 December 2017 and 31 December 2018	–	–	–	18	36	190	–	43	287
Carrying amount:									
At 31 December 2018	25,256	56,935	78,044	47,985	12,207	7,964	1,426	869	230,686
At 31 December 2017	8,626	34,283	80,353	51,593	13,539	8,453	461	552	197,860
At 1 January 2017	9,278	39,009	86,973	48,539	12,080	6,215	398	660	203,152

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14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold land and building $'000	Machinery and equipment $'000	Leasehold improvements and renovations $'000	Office equipment, furniture and fittings $'000	Motor vehicles $'000	Total $'000
The Company						
Cost:						
At 1 January 2017	39,166	45,752	3,207	8,231	1,032	97,388
Transfers to a subsidiary	–	(55)	(374)	(639)	–	(1,068)
Additions	–	2,312	428	219	–	2,959
Disposals	–	(5,069)	(75)	(108)	–	(5,252)
At 31 December 2017	39,166	42,940	3,186	7,703	1,032	94,027
Additions	–	2,413	264	199	509	3,385
Disposals	–	(2,830)	(87)	(187)	(451)	(3,555)
At 31 December 2018	39,166	42,523	3,363	7,715	1,090	93,857
Accumulated depreciation:						
At 1 January 2017	2,835	44,654	2,401	7,555	773	58,218
Transfers to a subsidiary	–	(8)	(104)	(323)	–	(435)
Depreciation	1,031	523	218	217	58	2,047
Disposals	–	(5,069)	(75)	(103)	–	(5,247)
At 31 December 2017	3,866	40,100	2,440	7,346	831	54,583
Depreciation	1,031	875	243	223	131	2,503
Disposals	–	(2,830)	(44)	(187)	(451)	(3,512)
At 31 December 2018	4,897	38,145	2,639	7,382	511	53,574
Carrying amount:						
At 31 December 2018	34,269	4,378	724	333	579	40,283
At 31 December 2017	35,300	2,840	746	357	201	39,444
At 1 January 2017	36,331	1,098	806	676	259	39,170

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15 INTANGIBLE ASSETS

	Customer relationships $'000	Development expenditure $'000	Computer software $'000	Intellectual property $'000	Total $'000
The Group					
Cost:					
At 1 January 2017	168,483	62,949	25,589	1,849	258,870
Exchange differences	–	(1,682)	(65)	(32)	(1,779)
Disposals	–	(3,475)	(1,467)	–	(4,942)
At 31 December 2017	168,483	57,792	24,057	1,817	252,149
Exchange differences	–	261	(2)	39	298
Additions	–	366	–	–	366
Disposals	–	(139)	–	–	(139)
Retirement	–	–	–	(1,856)	(1,856)
At 31 December 2018	168,483	58,280	24,055	–	250,818
Accumulated amortisation:					
At 1 January 2017	168,483	61,666	25,589	1,849	257,587
Amortisation	–	1,069	–	–	1,069
Exchange differences	–	(1,677)	(65)	(32)	(1,774)
Disposals	–	(3,475)	(1,467)	–	(4,942)
At 31 December 2017	168,483	57,583	24,057	1,817	251,940
Amortisation	–	86	–	–	86
Exchange differences	–	569	(2)	39	606
Disposals	–	(139)	–	–	(139)
Retirement	–	–	–	(1,856)	(1,856)
At 31 December 2018	168,483	58,099	24,055	–	250,637
Carrying amount:					
At 31 December 2018	–	181	–	–	181
At 31 December 2017	–	209	–	–	209
At 1 January 2017	–	1,283	–	–	1,283

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15 INTANGIBLE ASSETS (cont'd)

	Development expenditure $'000	Computer software $'000	Total $'000
The Company			
Cost:			
At 1 January 2017	32,533	1,467	34,000
Disposals	–	(1,467)	(1,467)
At 31 December 2017 and 31 December 2018	32,533	–	32,533
Accumulated amortisation:			
At 1 January 2017	31,620	1,467	33,087
Amortisation	913	–	913
Disposals	–	(1,467)	(1,467)
At 31 December 2017 and 31 December 2018	32,533	–	32,533
Carrying amount:			
At 31 December 2018	–	–	–
At 31 December 2017	–	–	–
At 1 January 2017	913	–	913

The amortisation period for development expenditure and computer software is three years which approximates the useful lives of the intangible assets. Intellectual property relates to licensing rights for manufacture of equipment and is amortised over its estimated useful life of five years.

The fair value of the customer relationships which arose from the acquisition of GES (Note 16) on 29 November 2006 has been amortised over its useful life of ten years and was fully amortised in 2016. No amortisation charge was recorded in profit or loss in 2017 and 2018.

16 GOODWILL

	The Group $'000
Cost:	
At 1 January 2017, 31 December 2017 and 31 December 2018	640,593
Impairment:	
At 1 January 2017, 31 December 2017 and 31 December 2018	(885)
Carrying amount:	
At 1 January 2017, 31 December 2017 and 31 December 2018	639,708

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16 GOODWILL (cont'd)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Technology Products and Design Solutions			
(a) GES International Limited and its subsidiaries ("GES International Group") (single CGU)	573,568	573,568	573,568
Advanced Manufacturing and Design Solutions			
(b) Technocom Systems Sdn Bhd (previously transferred from Venture Electronics Solutions Pte Ltd) (single CGU)	10,980	10,980	10,980
(c) Univac Precision Engineering Pte Ltd and its subsidiaries ("Univac Group") (single CGU)	55,160	55,160	55,160
Total	639,708	639,708	639,708

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

In accordance with the requirements of SFRS(I) 1-36, the value in use calculations applied a discounted cash flow model using management approved cash flow projections.

The key assumptions used in determining the recoverable amount of the CGUs are those regarding discount rates, revenue growth rates, profitability margins, capital expenditures, working capital cycles and non-operating cash balances, as at the assessment date.

The discount rates applied to the cash flows projections are derived from the weighted average cost of capital plus a reasonable risk premium applicable to the CGUs at the date of assessment of the recoverable amounts. The growth rate used to extrapolate the cash flows of the respective CGUs beyond the forecast period of 5 years is 2% (2017 : 2%), which does not exceed the long-term growth rate for the relevant markets. The implied pre-tax rates used to discount the cash flow projections of the respective CGUs are as follows:

(a) The rate used to discount the cash flows from GES International Limited and its subsidiaries is 11.0% (2017 : 11.0%).

(b) The rate used to discount the cash flows from Univac Precision Engineering Pte Ltd and its subsidiaries is 11.5% (2017 : 11.5%).

(c) The rate used to discount the cash flows from Technocom Systems Sdn Bhd is 13.0% (2017 : 13.0%).

The values assigned to other key assumptions are based on past performances and expected future market development.

As at the end of the respective reporting periods, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amount of the CGUs.

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17 DEFERRED TAX ASSETS/LIABILITIES

	The Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Deferred tax assets:			
Balance at beginning of year	3,668	7,814	7,697
Charge to profit or loss for the year (Note 28)	–	(3,632)	–
Exchange differences	79	(514)	117
Balance at end of year	3,747	3,668	7,814

The deferred tax assets mainly comprise the tax effect of temporary differences associated with tax credits for certain overseas research and development activities and accelerated accounting depreciation.

	The Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Deferred tax liabilities:			
Balance at beginning of year	1,718	1,801	3,140
Charge (credit) to profit or loss for the year (Note 28)	322	–	(1,369)
Exchange differences	18	(83)	30
Balance at end of year	2,058	1,718	1,801

	Accelerated tax depreciation $'000	Fair value of assets acquired on acquisition of subsidiaries $'000	Total $'000
Components of deferred tax liabilities:			
Balance at 1 January 2017	1,977	(176)	1,801
Exchange differences	(259)	176	(83)
Balance at 31 December 2017	1,718	–	1,718
Charge to profit or loss for the year (Note 28)	322	–	322
Exchange differences	18	–	18
Balance at 31 December 2018	2,058	–	2,058

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18 BANK LOANS

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans (unsecured)	1,798	30,828	65,758	–	28,035	50,256
Bank loans (secured)	–	–	26,883	–	–	26,883
Total bank loans	1,798	30,828	92,641	–	28,035	77,139

The bank loans comprise:

1) Bank borrowings of $1,798,000 (31 December 2017 : $2,793,000, 1 January 2017 : $4,015,000) which is a revolving credit facility drawn down by a subsidiary. The loan bears effective interest rate of 0.41% (31 December 2017 : 0.31%, 1 January 2017 : 0.31%) per annum.

2) As at 31 December 2017, bank borrowings of $28,035,000 (1 January 2017 : $50,256,000) which was a revolving credit facility drawn down by the Company. The loan bore effective interest rate of 1.76% (1 January 2017 : 0.97%) per annum and was fully repaid during the year.

3) As at 1 January 2017, bank borrowings of $11,487,000 which was a revolving credit facility drawn down by a subsidiary. The loan bore effective interest rate of 1.07% per annum and was fully repaid in 2017.

4) As at 1 January 2017, bank borrowings of $26,883,000 was secured by a fixed deposit placed with HSBC Bank (China) Company Limited amounting to $25,008,000 (Note 6). The loan bore effective interest rate of 1.49% per annum and was fully repaid in 2017.

19 TRADE PAYABLES

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
		(Restated)	(Restated)			
Outside parties	529,015	581,413	480,085	42,510	46,849	53,060

The average credit period on purchases of goods is 80 days (31 December 2017 : 64 days, 1 January 2017 : 70 days). No interest is charged by suppliers on trade payables. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

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20 OTHER PAYABLES AND ACCRUED EXPENSES

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
		(Restated)	(Restated)		(Restated)	(Restated)
Other payables	8,038	13,004	13,713	–	–	–
Salary related accruals	62,647	88,086	50,554	23,628	28,156	18,797
Accrued expenses	134,539	159,176	113,425	10,618	11,944	36,562
	205,224	260,266	177,692	34,246	40,100	55,359

Salary related accruals for both the Group and the Company include $7,603,000 (31 December 2017 : $10,769,000, 1 January 2017 : $4,232,000) due to Directors. The amount due to Directors is unsecured, interest-free and payable within 12 months.

The Group's accrued expenses include provisions for warranty of $40,066,000 (31 December 2017 : $42,600,000, 1 January 2017 : $8,880,000). The Company's accrued expenses include provisions for warranty of $2,017,000 (31 December 2017: $2,436,000, 1 January 2017 : $819,000).

The Group and the Company assessed the provision for warranties based on historical claim experience and estimated potential rectification costs for the products sold that qualify under the contractual warranty periods. Such provisions are assessed as a percentage of sales and determined by management based on the experience on the likelihood of claims and risks arising from the contracts covered by the warranty, and taking into consideration other factors such as industry benchmarks and technological failure rates.

21 CONTRACT LIABILITIES

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
		(Restated)	(Restated)		(Restated)	(Restated)
Contract Liabilities	74,029	67,873	25,535	–	317	7,686

Contract liabilities arise from advance payments from customers. In the case of design services, tooling and non-recurring engineering services, such advances arise when a particular milestone payment exceeds the work done to date. Contract liabilities are also recognised when a customer makes payment for the Group's working capital which the Group has invested specifically for purpose of the customers' projects.

The increase in the Group's contract liabilities in 2017 mainly arose from customer advance payments for design services. These contracts were completed in 2018. Contract liabilities as at 31 December 2018 comprised mainly advances from customers for the Group's investment in working capital for purpose of the customers' projects.

The decrease in the Company's contract liabilities between 1 January 2017 and 31 December 2018 is due to the transfer of design services contracts to another subsidiary of the Group.

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21 CONTRACT LIABILITIES (cont'd)

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

All contract liabilities as at 1 January 2017 and 31 December 2017 were recognised in revenue in the subsequent financial year.

22 SHARE CAPITAL, TREASURY SHARES AND RESERVES

SHARE CAPITAL

	The Group and the Company					
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	Number of ordinary shares					
	'000	'000	'000	$'000	$'000	$'000
Issued and paid up:						
At beginning of year	284,873	279,120	276,773	761,706	713,686	693,333
Issuance of shares	4,153	5,753	2,347	41,514	48,020	20,353
At end of year	289,026	284,873	279,120	803,220	761,706	713,686

Fully paid ordinary shares which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

TREASURY SHARES

	The Group and the Company					
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	Number of ordinary shares					
	'000	'000	'000	$'000	$'000	$'000
At beginning of year	245	335	275	1,879	2,569	2,081
Repurchased (Utilised) during the year	954	(90)	60	17,202	(690)	488
At end of year	1,199	245	335	19,081	1,879	2,569

SHARE-BASED AWARDS RESERVE

This arises on the grant of share options to employees under the employee share option schemes and restricted share plan. Further information about share-based payments to employees is set out in Note 24.

22 SHARE CAPITAL, TREASURY SHARES AND RESERVES (cont'd)

INVESTMENTS REVALUATION RESERVE

This arises on revaluation of equity instruments designated as at FVTOCI (Note 13), net of cumulative gain/loss transferred to accumulated profits upon disposal.

In prior year, where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset is effectively realised and recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

This reserve is not available for distribution to the Company's shareholders.

HEDGING RESERVE

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges in other comprehensive income.

OTHER RESERVES

This includes reserve fund of $3,894,000 (31 December 2017 : $3,539,000, 1 January 2017 : $3,066,000) offset by other reserve of $815,000 (31 December 2017 : $247,000, 1 January 2017 : $Nil).

The reserve fund is a part of the profit after tax of a subsidiary operating in the People's Republic of China ("PRC") transferred to the reserve fund in accordance with local requirements. This legal reserve cannot be distributed or reduced except where approval is obtained from the relevant PRC authority to apply the amount either in setting off accumulated losses or increasing capital.

23 TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's subsidiaries into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of translation reserve.

24 SHARE-BASED PAYMENTS

Equity-settled share option schemes

The Company has a share option scheme for qualifying employees of the Group and the Company which was approved on 25 April 2014 and commenced on 1 January 2015 ("2015 Scheme"). There was an earlier share option scheme which was approved on 30 April 2004 and expired on 30 April 2014 ("2004 Scheme"). Notwithstanding the expiry of the 2004 Scheme, any outstanding and unexercised options held by option holders prior to such expiry will continue to remain valid. The schemes are administered by the Remuneration Committee. Options are exercisable at a price determined with reference to market price of shares at the time of grant of the options and adjusted for certain premium depending on when the options are exercised, and may be exercised during the exercise period applicable to those options and in accordance with a vesting schedule to be determined by the Remuneration Committee on the date of the grant. The vesting period is one year. If the options remain unexercised after a period of five years from the date of grant, the options would lapse. Options are cancelled if the employee leaves the Group.

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24 SHARE-BASED PAYMENTS (cont'd)

Equity-settled share option schemes (cont'd)

Details of the share options outstanding during the year under the 2004 Scheme are as follows:

	The Group and the Company			
	2018		2017	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at beginning of year	1,078,000	7.54	5,749,000	8.21
Cancelled during the year	(124,000)	7.53	(16,000)	7.83
Exercised during the year	(911,000)	7.55	(4,654,000)	7.67
Lapsed during the year	–	–	(1,000)	7.92
Outstanding at end of year	43,000	7.45	1,078,000	7.54
Exercisable at end of year	43,000	7.45	1,078,000	7.54

The weighted average share price at the date of exercise for share options exercised during the year was $24.58 (2017 : $13.80). The options outstanding at the end of the year have a weighted average remaining contractual life of 0.3 year (2017 : 1 year).

Details of the share options outstanding during the year under the 2015 Scheme are as follows:

	The Group and the Company			
	2018		2017	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at beginning of year	6,199,000	12.16	4,782,000	10.09
Granted during the year	–	–	2,607,000	15.50
Exercised during the year	(3,242,000)	10.39	(1,099,000)	9.55
Cancelled during the year	(151,000)	11.31	(91,000)	11.32
Outstanding at end of year	2,806,000	13.78	6,199,000	12.16
Exercisable at end of year	2,806,000	13.78	3,610,000	9.76

The weighted average share price at the date of exercise for share options exercised during the year was $23.26 (2017 : $16.61). The options outstanding at the end of the year have a weighted average remaining contractual life of 3.2 years (2017 : 3.6 years).

The Group recognised total expenses of $303,000 (2017 : $596,000) relating to the share options transactions during the year.

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24 SHARE-BASED PAYMENTS (cont'd)

Options granted

The fair values under the respective grants were calculated using the trinomial model with the following inputs:

	Options granted on 16 June 2017 under the 2015 Scheme
Grant Ref No.	2015 Grant 3
Estimated fair value of options granted on above dates	$0.26 per option
Share price at valuation date	$12.26
Exercise price	$15.500 [1]
	$14.260 [2]
	$12.400 [3]
Expected volatility	16% [4]
Exercise multiple (times)	1.03
Risk free rate	1.63%
Expected dividend yield	4.78%

(1) If exercised between 16 June 2018 and 15 June 2019

(2) If exercised between 16 June 2019 and 15 June 2020

(3) If exercised between 16 June 2020 and 15 June 2022

(4) Expected volatility was determined by considering the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No options were granted under the 2015 Scheme during the financial year.

Restricted Share Plan (RSP)

The Venture Corporation Restricted Share Plan ("RSP") was approved by the Company's shareholders at the Extraordinary General Meeting of the Company on 28 April 2011. The RSP is administered by the Remuneration Committee ("Committee").

Managers in senior positions in the Group or leadership positions in management, technology or possess other domain expertise and competencies and who are in a position to contribute or have significantly contributed to the performance, growth and profitability of the Group, as may be designated by the Committee, shall be eligible to participate in the RSP. Such managers must have been employed in the Company and/or its subsidiaries for a minimum period as determined by the Committee.

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24 SHARE-BASED PAYMENTS (cont'd)

Restricted Share Plan (RSP) (cont'd)

Movement in the awards by the Company during the year was as follows:

	The Group and the Company	
	2018	**2017**
At 1 January	960,000	850,000
Granted	–	290,000
Lapsed	–	(90,000)
Vested	(60,000)	(90,000)
At 31 December	900,000	960,000

The Group recognised total expenses of $1,257,000 (2017 : $1,100,000) relating to RSP transactions during the year.

RSP granted

	2018	**2017**
Vest on	–	16 June 2022
Risk-free interest rate	–	1.65%
Share price at valuation date	–	$12.26
Expected dividend yield	–	4.78%
Fair value of the contingent award of shares at grant date using the above inputs (per share)	–	$9.40

The awards have a 5-year vesting period and are subject to the rules of the RSP.

The mode of settlement of the awards under the RSP may be by way of:

(i) allotment and issue of new shares; and/or

(ii) the delivery of existing shares; and/or

(iii) payment of the equivalent value in cash (after deduction of any applicable taxes and Central Provident Fund and/or other statutory contributions); and/or

(iv) a combination of above (i), (ii) and (iii)

There were no awards granted during the financial year.

25 REVENUE

	The Group	
	2018	2017
	$'000	$'000
Manufacturing, engineering, design and fulfilment services revenue	3,483,668	4,004,155
Dividend income	935	384
Total	3,484,603	4,004,539

The majority of the revenue are recognised point in time, with revenue recognised over time contributing less than 10% of the total revenue.

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period for contracts that have an original expected duration of a year or more. As permitted under SFRS(I) 1, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed, using the transition provisions of SFRS(I) 15.

Where performance obligations are part of a contract that has an original expected duration of a year or less, or if revenue is recognised based on the Group's right to invoice the customer in the amount that corresponds directly with the value of the Group's performance completed to date, no disclosure of transaction price allocated to remaining performance obligations is made in accordance with SFRS(I) 15.120.

	The Group
	2018
	$'000
Design services	8,309
Non-recurring engineering services and tooling	3,809
Total	12,118

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognised as revenue during the next reporting period.

26 OTHER INCOME

	The Group	
	2018	2017
	$'000	$'000
Government grants	222	180
Gain from disposal of an associate (Note 12)	–	11,348
Other income	1,319	2,090
Total	1,541	13,618

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27 INVESTMENT REVENUE

	The Group	
	2018 $'000	2017 $'000
Interest income on bank deposits	9,209	3,801

28 INCOME TAX

	The Group	
	2018 $'000	2017 $'000
Income tax on profit for the year:		
Current year	62,917	66,750
(Over) Underprovision in prior years	(354)	666
Deferred income tax (Note 17):		
Current year	322	3,632
Total	62,885	71,048

Domestic income tax of the Company is calculated at 17% (2017 : 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total income tax expense for the year can be reconciled to the accounting profit as follows:

	The Group	
	2018 $'000	2017 $'000
Profit before tax	432,968	443,747
Income tax expense at statutory tax rate	73,605	75,437
Non-allowable items	6,041	14,383
(Over) Underprovision of income tax in prior years, net	(354)	666
Deferred tax benefits not recognised	287	516
Effect of different tax rates of overseas operations	11,130	14,220
Tax-exempt income/Income under concessionary tax rate	(27,496)	(32,943)
Utilisation of deferred tax benefits previously not recognised	(297)	(1,176)
Other items	(31)	(55)
Total income tax	62,885	71,048

The income tax for the Group differs from the amount determined by applying the statutory tax rates primarily due to pioneer status and other tax incentives granted to the Company and its subsidiaries.

Management has assessed the achievability of the qualifying terms and conditions of the tax incentives awarded to the Company and some of its subsidiaries in the current and previous financial years, and management is of the view that the Company and its subsidiaries will be able to satisfy all qualifying terms and conditions. Accordingly, tax provisions for the Group are adequate as at the end of the reporting period.

Notes to Financial Statements
31 December 2018

28 INCOME TAX (cont'd)

Subject to agreement with the relevant tax authorities, the Group has the following available for offsetting against future taxable income:

	Tax losses carryforward $'000	Capital allowance carryforward $'000	Total $'000
Balance at 1 January 2017	19,196	4,817	24,013
Amount in current year	2,267	762	3,029
Amount utilised in current year	(4,388)	(2,529)	(6,917)
Balance at 31 December 2017	17,075	3,050	20,125
Amount in current year	21	1,666	1,687
Amount utilised in current year	(961)	(788)	(1,749)
Balance at 31 December 2018	16,135	3,928	20,063
Deferred tax benefit on above not recorded:			
At 31 December 2018	2,743	668	3,411
At 31 December 2017	2,903	519	3,422

At the end of the reporting period, the aggregate amount of deferred tax liabilities in respect of temporary differences associated with undistributed earnings of subsidiaries that have not been recognised is $16,424,000 (2017 : $17,966,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

29 PROFIT FOR THE YEAR

Other than as disclosed elsewhere in the financial statements, profit for the year has been arrived at after charging:

	The Group	
	2018 $'000	2017 $'000
Cost of inventories recognised as expense	2,530,837	3,039,127
(Gain) Loss on disposal of plant and equipment	(98)	120
Allowance for inventories (Note 10)	1,258	19,572

Notes to Financial Statements
31 December 2018

29 PROFIT FOR THE YEAR (cont'd)

	The Group	
	2018	2017
	$'000	$'000
Directors' remuneration:		
- Directors of the Company	9,163	12,234
- Directors of the subsidiaries	9,588	10,038
- Directors' fees payable to Directors of the Company	850	780
Total Directors' remuneration	19,601	23,052
Employee benefits expense (including Directors' remuneration):		
- Equity settled share-based payments	1,560	1,696
- Defined contribution plans	27,925	29,532
- Salaries	287,951	314,838
Total employee benefits expense	317,436	346,066
Impairment loss on financial assets:		
- Allowance for doubtful debts (Note 7)	1,578	6,059
Audit fees:		
- Paid to auditors of the Company	423	423
- Paid to other auditors	177	177
Total audit fees	600	600
Non-audit fees:		
- Non-audit fees paid to other auditors	12	27
Aggregate amount of fees paid to auditors	612	627

30 EARNINGS PER SHARE

	The Group			
	2018		2017	
	Basic $'000	Diluted $'000	Basic $'000	Diluted $'000
Profit for the year attributable to owners of the Company	370,062	370,062	372,819	372,819
	Number of shares '000		Number of shares '000	
Weighted average number of ordinary shares used to compute earnings per share	287,382	290,601	282,032	286,791
Earnings per share (cents)	128.8	127.3	132.2	130.0

31 OPERATING LEASE ARRANGEMENTS

	The Group	
	2018 $'000	2017 $'000
Minimum lease payments under operating leases and recognised as an expense during the year	17,865	17,076

At the end of the reporting period, the Group and the Company have outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The Group			The Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Within one year	11,746	16,425	15,164	4,661	8,360	8,192
In the second to fifth year inclusive	12,428	12,944	28,340	–	4,777	12,985
After the fifth year	–	–	245	–	–	–
Total	24,174	29,369	43,749	4,661	13,137	21,177

Operating lease payments represent rentals payable by the Group for factory spaces and office premises. Leases are negotiated for an average term of three to seven years and rentals are fixed for an average of three to five years.

Notes to Financial Statements
31 December 2018

32 CAPITAL EXPENDITURE COMMITMENTS

	The Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	922	40,317	749

33 COMMITMENTS AND CONTINGENT LIABILITIES (UNSECURED)

	The Group			The Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Letters of guarantee issued by bankers	12,329	16,310	15,977	5,077	5,915	5,705

34 SEGMENT INFORMATION

The Group operates predominantly as a provider of manufacturing, engineering, design and fulfilment services to the electronics industry. With effect from 1 January 2018, the Group's reportable segments were streamlined to the two segments below to reflect information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance:

(i) Advanced Manufacturing & Design Solutions ("AMDS")

(ii) Technology Products & Design Solutions ("TPS")

Accordingly, the above are the Group's reportable segments under SFRS(I) 8. The prior year comparatives have also been reclassified to reflect this change.

Electronics Services Provider and Components Technology were reclassified into AMDS and Retail Store Solution and Industrial was reclassified into TPS.

Notes to Financial Statements

31 December 2018

34 SEGMENT INFORMATION (cont'd)

Segment revenue and results

	Advanced Manufacturing & Design Solutions $'000	Technology Products & Design Solutions $'000	Eliminations $'000	Group $'000
2018				
Revenue:				
External sales	2,599,754	884,849	–	3,484,603
Inter-segment sales	25,541	16,395	(41,936)	–
Total revenue	2,625,295	901,244	(41,936)	3,484,603
Results:				
Segment profit	347,902	76,897	–	424,799
Investment revenue				9,209
Interest expense				(982)
Share of loss of associates				(58)
Profit before tax				432,968
Income tax expense				(62,885)
Profit for the year				370,083
2017				
Revenue:				
External sales	3,204,814	799,725	–	4,004,539
Inter-segment sales	22,724	26,422	(49,146)	–
Total revenue	3,227,538	826,147	(49,146)	4,004,539
Results:				
Segment profit	369,989	57,950	–	427,939
Investment revenue				3,801
Interest expense				(1,012)
Share of profit of associates				1,671
Gain on disposal of an associate				11,348
Profit before tax				443,747
Income tax expense				(71,048)
Profit for the year				372,699

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents profit earned by each segment without allocation of impairment loss on associate, investment revenue, finance cost, share of profit of associates and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to Financial Statements

31 December 2018

34 SEGMENT INFORMATION (cont'd)

Segment assets

	Advanced Manufacturing & Design Solutions $'000	Technology Products & Design Solutions $'000	Group $'000
31 December 2018			
Segment assets	2,016,389	1,160,775	3,177,164
Investments in associates			725
Other financial assets			22,939
Income tax recoverable/deferred tax assets			3,769
Consolidated total assets			3,204,597
31 December 2017			
Segment assets	1,995,994	1,118,664	3,114,658
Investments in associates			787
Available-for-sale investments			25,087
Income tax recoverable/deferred tax assets			3,673
Consolidated total assets			3,144,205
1 January 2017			
Segment assets	1,604,826	1,117,536	2,722,362
Investments in associates			20,253
Available-for-sale investments			8,088
Income tax recoverable/deferred tax assets			7,819
Consolidated total assets			2,758,522

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than investments in associates (Note 12), other financial assets (Note 13) and income tax assets. Goodwill has been allocated to reportable segments as described in Note 16.

Notes to Financial Statements

31 December 2018

34 SEGMENT INFORMATION (cont'd)

Other segment information

	Advanced Manufacturing & Design Solutions $'000	Technology Products & Design Solutions $'000	Group $'000
2018			
Additions to non-current assets [(1)]	55,782	3,064	58,846
Depreciation and amortisation	24,640	6,086	30,726
Allowance for inventories	1,147	111	1,258
Allowance for doubtful debts	967	611	1,578
(Gain) Loss on disposal of plant and equipment, net	(99)	1	(98)
Foreign currency exchange adjustment (gain) loss	(4,902)	3,167	(1,735)
2017			
Additions to non-current assets [(1)]	32,073	4,893	36,966
Depreciation and amortisation	24,937	6,119	31,056
Allowance for inventories	9,342	10,230	19,572
Allowance for doubtful debts	6,056	3	6,059
Loss on disposal of plant and equipment, net	120	–	120
Foreign currency exchange adjustment loss (gain)	1,079	(1,075)	4

(1) Non-current assets other than financial instruments and deferred tax assets.

Group's revenue by Technology Domains Segments

	2018 $'000	2017 $'000
Portfolio 1 [(2)]	1,499,492	2,033,106
Portfolio 2 [(3)]	1,985,111	1,971,433
Consolidated revenue	3,484,603	4,004,539

(2) Portfolio 1 comprised Life Science, Genomics, Molecular Diagnostics and Related Materials Technology, Medical Devices and Equipment, Healthcare & Wellness Technology, Lifestyle Consumer Technology, Health Improvement Products and Others.

(3) Portfolio 2 comprised Instrumentation, Test & Measurement Technology, Networking & Communications, Security & Safety, Building Automation, Industrial IOT, Fintech & Advanced Payment Systems, Computing & Productivity Systems, Advanced Industrial Technology, Printing & Imaging, Related Components Technology and Others.

Notes to Financial Statements
31 December 2018

34 SEGMENT INFORMATION (cont'd)

Other segment information (cont'd)

Geographical information

The Group operates in two principal geographical areas - Singapore (country of domicile) and Asia-Pacific (excluding Singapore).

The Group's revenue from external customers and information about its segment assets (non-current assets excluding investments in associates, deferred tax assets and financial assets) by geographical locations are detailed below:

	Revenue from external customers		Non-current assets [1]		
	2018	2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000
Singapore	729,902	779,868	685,717	684,279	687,727
Asia-Pacific (excluding Singapore)	2,553,399	2,982,652	142,502	151,543	154,256
Others	201,302	242,019	42,356	1,955	2,160
Total	3,484,603	4,004,539	870,575	837,777	844,143

[1] Non-current assets other than financial instruments and deferred tax assets.

Information about major customers

The total revenue for the AMDS segment includes revenue from one customer (2017 : one customer) which individually makes up more than 10% of the Group's total revenue.

35 DIVIDENDS

In the financial year ended 31 December 2017, the Company declared and paid a final one-tier tax-exempt dividend of $0.50 per ordinary share on the ordinary shares of the Company totalling $140,728,000 in respect of the financial year ended 31 December 2016.

In the financial year ended 31 December 2018, the Company declared and paid a final one-tier tax-exempt dividend of $0.60 per ordinary share on the ordinary shares of the Company totalling $172,413,000 in respect of the financial year ended 31 December 2017.

In the financial year ended 31 December 2018, the Company declared and paid an interim one-tier tax-exempt dividend of $0.20 per ordinary share on the ordinary shares of the Company totalling $57,608,000 in respect of the financial year ended 31 December 2018.

In respect of the financial year ended 31 December 2018, the Directors of the Company propose that a final one-tier tax-exempt dividend of $0.50 per ordinary share be paid to all shareholders. Subject to the approval by the shareholders at the Annual General Meeting to be held on 24 April 2019, this proposed dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $143,913,000.

Notes to Financial Statements

31 December 2018

36 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended 31 December 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017). Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15 which are effective at the same time.

Management has elected the following transition exemption:

- SFRS(I) 3 *Business Combinations* has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before 1 January 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify for recognition under SFRS(I) are excluded from the opening SFRS(I) statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SFRS(I) recognition requirements.

- SFRS(I) 1 also requires that the FRS carrying amount of goodwill must be used in the opening SFRS(I) statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SFRS(I) 1, the Group has tested goodwill for impairment at the date of transition to SFRS(I). No goodwill impairment was deemed necessary at 1 January 2017.

- The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

  As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

- As permitted under SFRS(I) 1, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed using the transition provisions of SFRS(I) 15.

Notes to Financial Statements

31 December 2018

36 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

Management has elected the following transition exemption (cont'd):

- The Group has applied the option to reset the cumulative translation differences for all foreign operations to zero at the date of transition to SFRS(I). The gain or loss on a subsequent disposal of any foreign operation shall exclude the translation differences that arose before 1 January 2017 and shall include later translation differences.

- The Group has not applied SFRS(I) 1-21 retrospectively to fair value adjustments and goodwill from certain business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree.

Reconciliations of equity and total comprehensive income

The effects of transition to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15 are presented and explained below.

(A) Impact on the Statement of Financial Position as at 1 January 2017 (date of transition to SFRS(I))

The Group

	As previously reported under FRS $'000	Application of SFRS(I) 1 $'000	(Note)	Initial application of SFRS(I) 15 $'000	(Note)	As adjusted under SFRS(I) $'000
Current assets						
Trade receivables	712,994	–		(6,007)	(i)	706,987
Other receivables and prepayments	38,270	–		(11,304)	(i)	26,966
Contract assets	–	–		17,311	(i)	17,311
Current liabilities						
Trade payables	490,936	–		(10,851)	(ii)	480,085
Other payables and accrued expenses	192,376	–		(14,684)	(ii)	177,692
Contract liabilities	–	–		25,535	(ii)	25,535
Capital, reserves and non-controlling interests						
Translation reserve	(144,382)	144,382	(iii)	–		–
Accumulated profits	1,385,230	(144,382)	(iii)	–		1,240,848

Notes to Financial Statements

31 December 2018

36 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

(A) Impact on the Statement of Financial Position as at 1 January 2017 (date of transition to SFRS(I)) (cont'd)

The Company

	As previously reported under FRS $'000	Application of SFRS(I) 1 $'000	(Note)	Initial application of SFRS(I) 15 $'000	(Note)	As adjusted under SFRS(I) $'000
Current assets						
Trade receivables	227,389	–		(3,245)	(i)	224,144
Other receivables and prepayments	12,532	–		(11,134)	(i)	1,398
Contract assets	–	–		14,379	(i)	14,379
Current liabilities						
Other payables and accrued expenses	63,045	–		(7,686)	(ii)	55,359
Contract liabilities	–	–		7,686	(ii)	7,686

36 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

(B) Impact on the Statement of Financial Position as at 31 December 2017 (end of last period reported under FRS)

The Group

	As at 31 December 2017 previously reported under FRS $'000	Application of SFRS(I) 1 $'000	(Note)	Initial application of SFRS(I) 15 $'000	(Note)	As at 31 December 2017 adjusted under SFRS(I) $'000	Initial application of SFRS(I) 9 $'000	(Note)	As at 1 January 2018 adjusted under SFRS(I) $'000
Current assets									
Trade receivables	765,748	–		(3,107)	(i)	762,641	–	(iv)	762,641
Other receivables and prepayments	58,326	–		(25,981)	(i)	32,345	–	(iv)	32,345
Contract assets	–	–		29,088	(i)	29,088	–	(iv)	29,088
Non-current assets									
Other receivables	730	–		–		730	–	(iv)	730
Current liabilities									
Trade payables	591,254	–		(9,841)	(ii)	581,413	–		581,413
Other payables and accrued expenses	318,298	–		(58,032)	(ii)	260,266	–		260,266
Contract liabilities	–	–		67,873	(ii)	67,873	–		67,873

36 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

(B) Impact on the Statement of Financial Position as at 31 December 2017 (end of last period reported under FRS) (cont'd)

The Company

	As at 31 December 2017 previously reported under FRS $'000	Application of SFRS(I) 1 $'000	(Note)	Initial application of SFRS(I) 15 $'000	(Note)	As at 31 December 2017 adjusted under SFRS(I) $'000	Initial application of SFRS(I) 9 $'000	(Note)	As at 1 January 2018 adjusted under SFRS(I) $'000
Current assets									
Other receivables and prepayments	1,108	–		(346)	(i)	762	–	(iv)	762
Contract assets	–	–		346	(i)	346	–	(iv)	346
Current liabilities									
Other payables and accrued expenses	40,417	–		(317)	(ii)	40,100	–		40,100
Contract liabilities	–	–		317	(ii)	317	–		317

(C) Impact on the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017 (last financial year reported under FRS)

The transition to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15 did not have a material impact on the statement of profit or loss and other comprehensive income.

Notes to Financial Statements

31 December 2018

36 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

(D) Impact on the Statement of Cash Flows for the year ended 31 December 2017 (last financial year reported under FRS)

The transition to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15 did not have a material impact on the statement of cash flows, except for certain reclassifications that have been made to the prior year's statement of cash flows as a result of reclassifications on the Statement of Financial Position due to the initial application of SFRS(I) 15. The items were reclassified as follows and there is no net impact on cash flows from operating activities:

The Group

	2017 previously reported under FRS $'000	Initial application of SFRS(I) 15 $'000	(Note)	2017 adjusted under SFRS(I) $'000
Operating activities				
Working capital changes				
Trade receivables	(97,387)	(2,899)	(i)	(100,286)
Other receivables, prepayments and contract assets	(20,282)	2,899	(i)	(17,383)
Trade payables	131,939	1,010	(ii)	132,949
Other payables, accrued expenses and contract liabilities	139,165	(1,010)	(ii)	138,155

Initial application of SFRS(I) 15

(i) Unbilled revenue and recoverables previously classified under Trade receivables and Other receivables and prepayments were reclassified to a separate line on the Statement of Financial Position as Contract Assets.

(ii) Advance payments and deferred revenue from customers previously classified under Trade payables and Other payables and accrued expenses were reclassified to a separate line on the Statement of Financial Position as Contract Liabilities.

Initial application of SFRS(I) 1

(iii) As part of the initial adoption of SFRS(I) 1, the Group elected to reset the cumulative translation differences recorded in the foreign translation reserve to $NIL and transfer the balance to accumulated profits at the date of transition.

Initial application of SFRS(I) 9

(iv) Based on the Group's historical collection experience as well as available forward-looking information, the expected credit loss impact as at the date of initial application of SFRS(I) 9 (1 January 2018) was insignificant.

Notes to Financial Statements
31 December 2018

37 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements to SFRS(I)s 2015-2017 Cycle

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

SFRS(I) 16 *Leases*

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities are recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

The Group will adopt the standard when it becomes effective in 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating commitments of $24,174,000 (Note 31). Of these commitments, approximately $5,315,000 relate to short-term leases and $447,000 relate to low-value leases which will both be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately $17,500,000 on 1 January 2019, lease liabilities of $17,500,000 (after adjustments for prepayments and accrued lease payments recognised). Overall net assets will not be affected, and net current assets will be approximately $6,000,000 lower due to the presentation of a portion of the liability as current liability.

The Group expects that net profit after tax will decrease by approximately $105,000 for 2019 as a result of adopting the new rules.

The application of SFRS(I) 16 has an impact on the consolidated statement cash flows of the Group.

Notes to Financial Statements
31 December 2018

37 STANDARDS ISSUED BUT NOT EFFECTIVE (cont'd)

SFRS(I) 16 *Leases* (cont'd)

Under SFRS(I) 16, lessees must present cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by FRS 7. The Group has opted to include the interest paid as part of operating activities and cash payments for the principal portion for leases liability as part of financing activities.

Under FRS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the Group expected the net cash generated by operating activities will increase by approximately $6,000,000 and net cash used in financing activities will increase by the same amount for the year ended 31 December 2019 in respect of leases as at 1 January 2019.

The adoption of SFRS(I) 16 will not have an impact on net cash flows.

38 SUBSEQUENT EVENTS

On 22 February 2019, Technocom Systems Sdn Bhd ("Technocom"), a wholly owned subsidiary of the Company, signed a Sales and Purchase agreement ("SPA") to acquire leasehold land and building in Johor Bahru, Johor, Malaysia for RM 6,000,000 ($1,972,387 equivalent) ("the Property") with a third party vendor. The Property is subject to an existing lease with Johor Corporation ("the lessor") which will expire on 31 March 2024. Technocom has received an offer from the lessor to extend the duration of the lease for a further period of 30 years (i.e. to 31 March 2054) at a cost of RM 6,217,755 ($2,043,969 equivalent). Technocom has signed the acceptance to this letter of offer, and will enter into a formal lease agreement with the lessor to effect the extension upon completion of the acquisition of the Property.

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

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

(In millions of euros)		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

(In millions of euros)		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

(In millions of euros)		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
o/w net gains and losses on financial instruments at fair value through profit or loss	Note 3.1	*5,119*	*5,113*
o/w net gains and losses on available-for-sale financial assets			*713*
o/w net gains and losses on financial instruments at fair value through other comprehensive income	Note 3.3	*83*	
o/w net gains and losses from the derecognition of financial assets at amortised cost		*(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

(In millions of euros)	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)	
Revaluation differences of the period	*(193)*	
Reclassified into income	*(40)*	
Revaluation of available-for-sale financial assets[1]	(74)	(218)
Revaluation differences of the period	*(54)*	*69*
Reclassified into income	*(20)*	*(287)*
Revaluation of hedging derivatives	(120)	(100)
Revaluation differences of the period	*(156)*	*(94)*
Reclassified into income	*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**
o/w Group share	*4,331*	*504*
o/w non-controlling interests	*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						
	Issued common stocks	Issuing premium and capital reserves	Elimination of treasury stock	Other equity instruments	Total	Retained earnings	Net income, Group share
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				
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**	**Total consolidated shareholders' equity**
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

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:

2019

- IFRS 16 "Leases" [Adopted by EU] (see paragraph 5)
- IFRIC 23 "Uncertainty over Income Tax Treatments" [Adopted by EU]
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"
- Annual improvements (2015-2017 cycle)
- Amendments to IAS 19 "Plan amendments, curtailments and settlements"

2020

- Amendments to IFRS 3 "Business combinations"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

2021

- IFRS 17 "Insurance contracts"

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

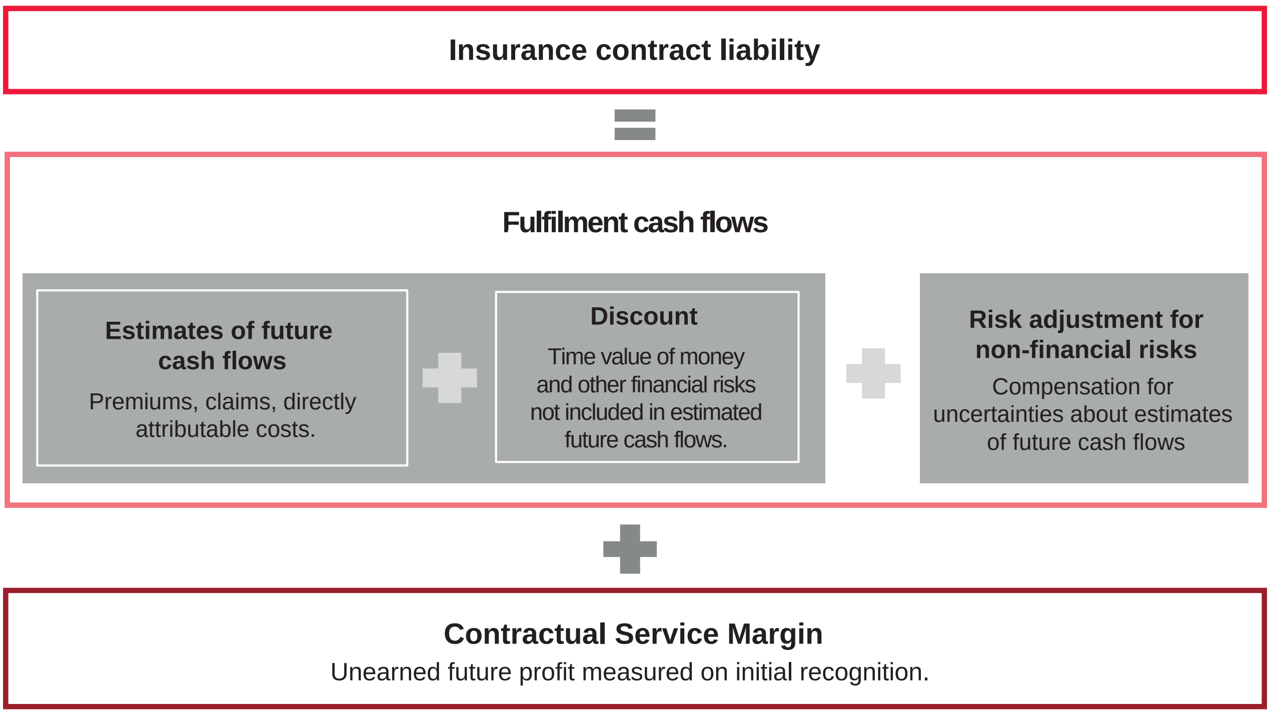
This new standard will replace IFRS 4 "Insurance Contracts" that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

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.

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).

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.

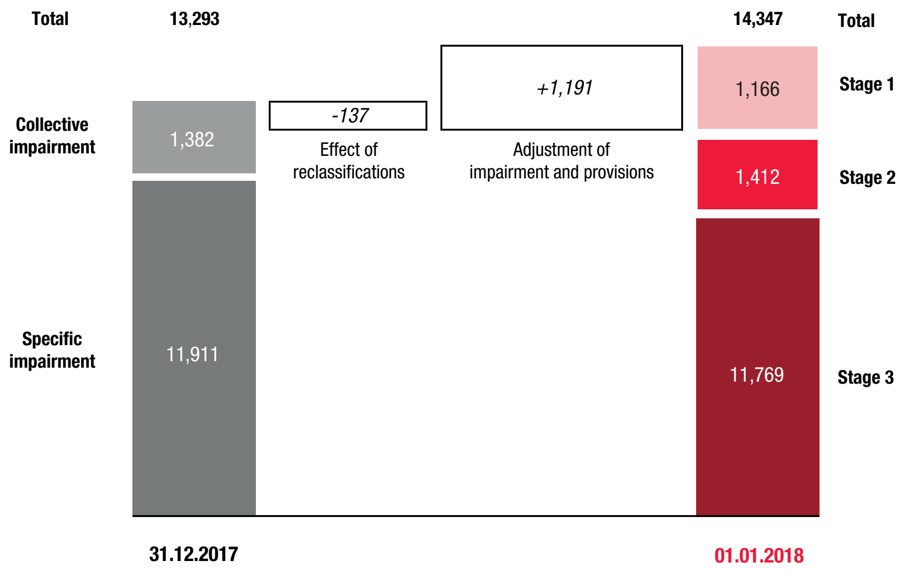
The following table shows the 2018 *Net banking income* prior to this reclassification:

(In millions of euros)	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
o/w net gains and losses on financial instruments at fair value through profit or loss	*5,018*	*5,113*
o/w net gains and losses on available-for-sale financial assets	*136*	*713*
o/w net gains and losses on financial instruments at fair value through other comprehensive income	*330*	
o/w net gains and losses from the derecognition of financial assets at amortised cost	*(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

	Balance as of 31.12.2017 IAS 39/IAS 37					Balance as of 01.01.2018 IFRS 9			
(In millions of euros)	**Specific assessment**	**Collective assessment**	**Total**	**Reclassification effects**	**Adjustment of credit risk impairment/ provisions**	**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
Customer loans at amortised cost	*11,214*	*1,311*	*12,525*	*(52)*	*888*	*982*	*1,217*	*11,162*	*13,361*
Due from banks at amortised cost	*25*		*25*		*4*	*4*		*25*	*29*
Securities at amortised cost				*5*	*6*	*6*		*5*	*11*
Held-to-maturity financial assets									
Other assets	*221*		*221*		*27*		*27*	*221*	*248*
Impairment of financial assets at fair value through other comprehensive income	105	-	105	(90)	-	5	-	10	15
Available-for-sale financial assets	*105*		*105*	*(105)*					
Financial assets at fair value through other comprehensive income				*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.

(In millions of euros)	Balances at 31.12.2017 IAS 39	Reclassifications 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	Reclassified balances
		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**

(In millions of euros)	Reclassified balances	Value adjustments Reclassification effects	Impairment for credit risk	Change in deferred taxes	Balance at 01.01.2018 IFRS 9[(1)]
		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 hold 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 of insurance liabilities	Reclassifications of own credit risk adjustment	Reclassifications Others	Value adjustments Reclassifi-cations effects	Value adjustments Impairment and provisions for credit risks	Value adjustments Change in deferred taxes	Balance at 01.01.2018 IFRS 9(1)
		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).

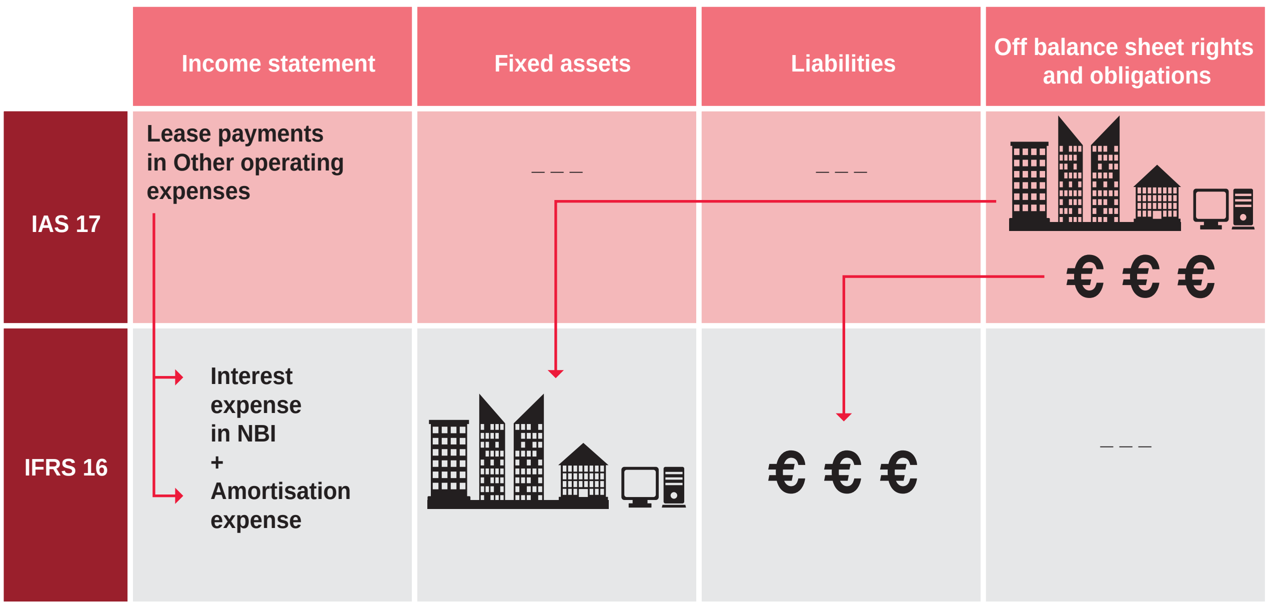
Moreover, adjustments of impairment on debt financial assets at fair value through other comprehensive income have been reclassified from *Unrealised or deferred capital gains and losses* to *Retained earnings* (EUR 5 million).

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:



Scope

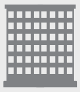
IFRS 16 will concern any contract meeting the definition of a lease except for:

- 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 approxi*mately 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 un 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 losses 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 mains 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	■ 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	■ 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	■ 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	■ Continued development of Societe Generale's sales network and expansion of services through the mobile banking offer ■ Continued focus on operating efficiency
Insurance	■ Reinforcement of integrated bank insurance model and continued dynamic growth in France and abroad in synergy with the retail banking network, Private Banking and financial services to businesses
Equipment and Vendor Finance	■ 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	■ 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	■ 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	■ 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	■ 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 exercices 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 vehicules (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 Komerčni 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				
(In millions of euros)	**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%	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)**

	31.12.2017				
(In millions of euros)	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.

	31.12.2018			
(In millions of euros)	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

	31.12.2017			
(In millions of euros)	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

	Joint ventures		Associates		Total investments accounted for using the equity method	
(In millions of euros)	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 vehicules).

Asset financing includes lease finance partnerships and similar vehicles that provide aircraft, rail, shipping or real estate finance facilities.

Asset management includes mutual funds managed by the Group's asset management subsidiaries.

Securitisation includes securitisation funds or similar vehicles issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches.

The Group's interests in unconsolidated entities that have been structured by third parties are classified among financial instruments in the consolidated balance sheet according to their nature.

NOTE 2.4.1 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group's interests in an unconsolidated structured entity refer to contractual and non-contractual involvements that expose the Group to the variability of returns from the performance of this structured entity.

Such interests can be evidenced by:

- the holding of equity or debt instruments (regardless of their rank of subordination);
- other funding (loans, cash facilities, loan commitments, liquidity facilities…);
- credit enhancement (guarantees, subordinated instruments, credit derivatives…);
- issuance of guarantees (guarantee commitments);
- derivatives that absorb all or part of the risk of variability of the structured entity's returns, except Credit Default 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	
(In millions of euros)	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
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	
(In millions of euros)	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
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 theses 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 that 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.

(In millions of euros)	31.12.2018	31.12.2017
Assets	**13,502**	**13**
Fixed assets and Goodwill	262	6
Financial assets	11,245	7
Financial assets at fair value through profit or loss	*111*	*7*
Hedging derivatives	-	-
Financial assets at fair value through equity	*1,429*	-
Securities measured at the amortised cost	*59*	-
Due from banks	*324*	-
Customer loans	*9,322*	-
Other assets	1,995	-
Liabilities	**10,454**	**-**
Provisions	22	-
Financial liabilities	10,309	-
Financial liabilities at fair value through profit or loss	*2*	-
Hedging derivatives	-	-
Debt securities issued	*116*	-
Due to banks	*596*	-
Customer deposits	*9,595*	-
Subordinated debt	-	
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.

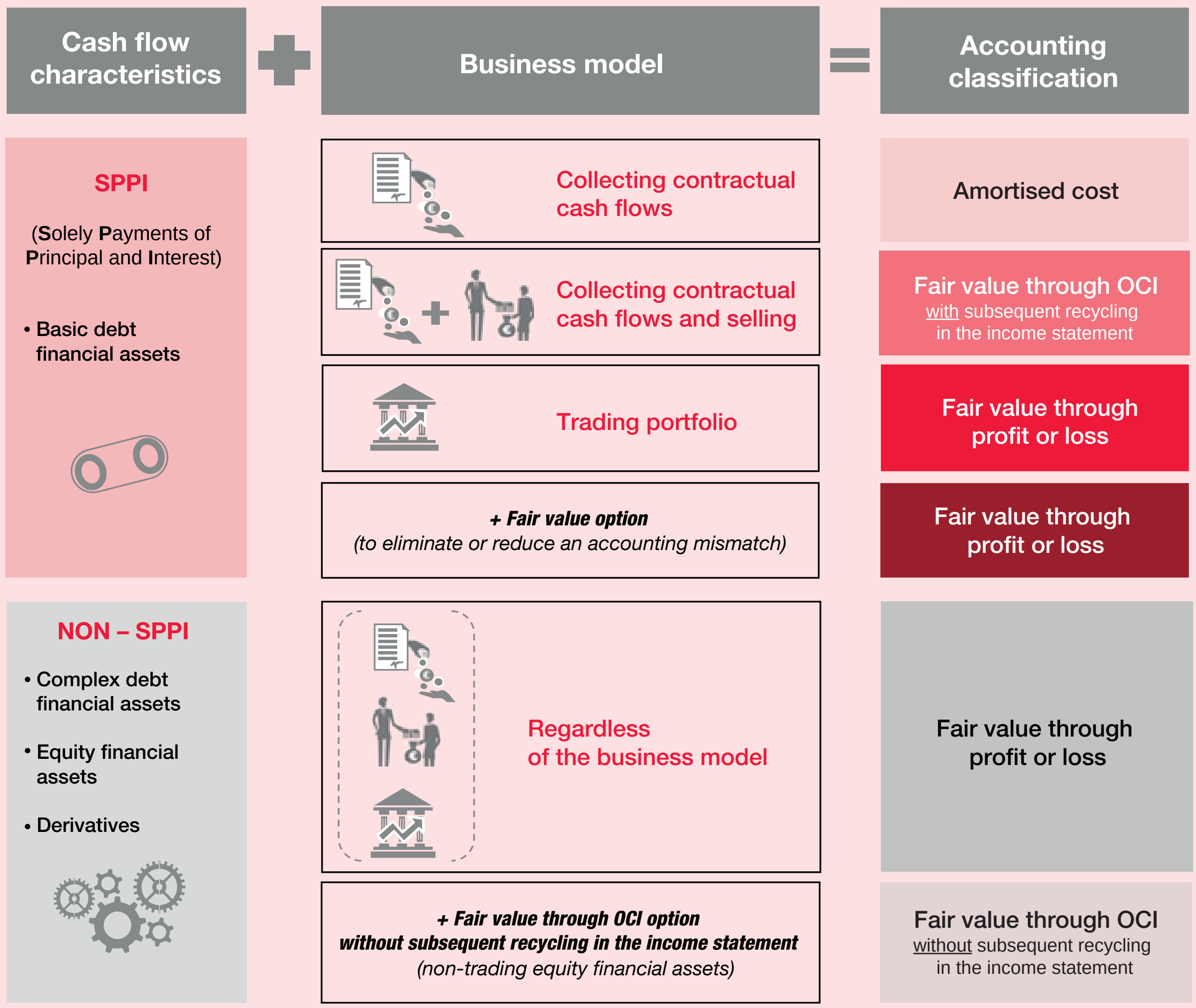
However, this distinction is not applicable to derivative instruments, which are always measured at fair value in the balance sheet, no matter what their purpose is (market activities or hedging transactions).

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)	Balance at 31.12.2017 IAS 39	Reclassifications 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	Value adjust-ments	Balance at 01.01.2018 IFRS 9
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

	31.12.2018		01.01.2018	
(In millions of euros)	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**
o/w securities purchased/sold under resale/repurchase agreements	*129,628*	*98,874*	*101,414*	*105,737*

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**
o/w securities lent	*12,411*	*15,807*

(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

(In millions of euros)	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

(In millions of euros)	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

(In millions of euros)	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	-
Net gain/loss on fair value hedging derivatives	*(947)*	*(2,746)*
Revaluation of hedged items attributable to hedged risks[(4)]	*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**
o/w gains on financial instruments at fair value through other comprehensive income	*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

	31.12.2018		01.01.2018	
(In millions of euros)	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
Swaps	*7,868,534*	*7,984,206*
FRAs	*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 in 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

	31.12.2018		01.01.2018	
(In millions of euros)	**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
Swaps	*486,994*	*417,040*
FRAs	*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

	31.12.2018		
(In millions of euros)	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)
Due from banks, at amortised cost	*19,856*	*19*	*(6)*
Customer loans, at amortised cost	*314,759*	*336*	*(10)*
Securities at amortised cost	*594*	*25*	*11*
Financial assets at fair value through other comprehensive income	*33,190*	*642*	*124*
Customer loans (macro hedged)	*21,470*	*499*	*(349)*
Hedged liabilities	617,689	6,497	1,173
Debt securities issued	*196,883*	*745*	*232*
Due to banks	*124,633*	*114*	*(20)*
Customer deposits	*220,383*	*219*	*48*
Subordinated debts	*13,697*	*1*	*120*
Customer deposits (macro hedged)	*62,093*	*5,418*	*793*
Hedge of currency risk	**783**	**16**	**39**
Hedged assets	31	1	1
Customer loans, at amortised cost	*31*	*1*	*1*
Hedged liabilities	752	15	38
Due to banks	*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 vaue[(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

(In millions of euros)	31.12.2018					
		Fair value		Changes in value booked during the period		Cumulative changes in value recorded in unrealized or deferred gains and losses
	Commitments (notional amounts)	Asset	Liability	Portion booked in unrealized or deferred gains and losses	Ineffectiveness recorded during the period	
Hedge of interest rate risk	**15,965**	**27**	**140**	**(54)**	**(0)**	**(100)**
Firm instruments – Swaps	15,810	27	139	(45)	(0)	(96)
For hedged assets	*2,257*	*1*	*10*	*(10)*	*-*	*(9)*
For hedged portfolios of assets (macro hedge)(1)	*4,775*	*5*	*43*	*(6)*	*(0)*	*(27)*
For hedged liabilities	*3,047*	*0*	*2*	*7*	*(0)*	*5*
For hedged portfolios of liabilities (macro hedge)(1)	*5,731*	*21*	*84*	*(36)*	*0*	*(65)*
Firm instruments – FRAs	155	-	1	(9)	(0)	(4)
For hedged liabilities	*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)
For hedged assets	*674*	*8*	*31*	*0*	*-*	*0*
For hedged liabilities	*4,925*	*70*	*7*	*(33)*	*0*	*(13)*
Non-derivative financial instruments	-	11	1	(0)	-	(0)
For future hedged transactions	*-*	*11*	*1*	*(0)*	*-*	*(0)*
Hedge of equity risk	**74**	**0**	**26**	**(46)**	**(7)**	**(15)**
Optional instruments	74	0	26	(46)	(7)	(15)
For hedged future transactions	*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)	Change in the fair value of the hedged item during the period(1)	31.12.2018 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

	31.12.2018					
		Carrying amount(1)		Changes in value booked during the period		
(In millions of euros)	Hedging derivatives commitments(1)	Asset	Liability	Portion booked in unrealized or deferred gains and losses	Ineffective portion booked during the period	Cumulative changes in value booked in unrealized or deferred gains and losses
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 of available-for-sale financial assets	Reclassifications of held-to-maturity financial assets	Reclassifications of loans and receivables regarding the business model	Value adjustments	Balances at 01.01.2018 IFRS 9
Debt instruments	N/A	49,584	485	80	29	50,178
Bonds and other debt securities	*N/A*	*49,584*	*485*	*80*	*29*	*50,178*
Loans and receivables and securities purchased under resale agreements	*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
Bonds and other debt securities	*49,696*	*50,178*
Loans and receivables and securities purchased under resale agreements	*40*	*-*
Shares and other equity securities	290	290
TOTAL	**50,026**	**50,468**
o/w securities lent	*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

(In millions of euros)	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

(In millions of euros)	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 N^{th} default, which are exposed to the credit quality of the issuers comprising the basket and to their correlation, or CDO Bespoke products, which are Collateralised Debt Obligations created specifically for a group of investors and structured according to their needs), as well as products subject to credit spread volatility;
- commodity derivatives: this category includes products involving unobservable volatility or correlation inputs (*i.e.* options on commodity swaps or instruments based on baskets of underlyings).

NOTE 3.4.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE

(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*	**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

	31.12.2018				01.01.2018			
(In millions of euros)	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

(In millions of euros)	Balance at 01.01.2018	Acquisitions	Disposals/ redemp- tions	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					
Cash instruments and derivatives[1]	**Assets**	**Liabilities**	**Main products**	**Valuation techniques used**	**Significant unobservable inputs**	**Range of inputs min & max**
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

	31.12.2018		31.12.2017	
(In millions of euros)	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.

(In millions of euros)	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)
o/w amortisation	*(479)*	*(317)*
o/w switch to observable inputs	*(45)*	*(49)*
o/w disposed, expired or terminated	*(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)	Balance at 31.12.2017 IAS 39	Reclassifications: of insurance activities investments	Reclassifications: of available-for-sale financial assets	Reclassifications: of held-to-maturity financial assets	Reclassifications: of non-SPPI loans and receivables	Reclassifications: of loans and receivables regarding the business model	Reclassifications: Others	Value adjustment: Reclassification effects	Value adjustment: Recognition of credit risk impairment based on IFRS 9	Balance at 01.01.2018 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 Carrying amount	31.12.2018 *o/w impairment*	01.12.2018 Carrying amount	01.12.2018 *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

(In millions of euros)	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

(In millions of euros)	31.12.2018	01.01.2018
Gross investments	**34,562**	**32,714**
less than one year	*8,243*	*8,525*
1-5 years	*20,847*	*18,784*
more than five years	*5,472*	*5,405*
Present value of minimum payments receivable	**30,233**	**28,827**
less than one year	*7,576*	*7,942*
1-5 years	*18,291*	*16,852*
more than five years	*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

(In millions of euros)	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

(In millions of euros)	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
Demand	*68,082*	*66,515*
Term	*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

(In millions of euros)	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

(In millions of euros)	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**
o/w floating-rate securities	*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.

	2018(1)			2017		
(In millions of euros)	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 gr anted and guarantee commitments issued, are systematically subject to impairment or provisions for expected credit losses. These impairments and provisions are recognised as the loans are granted, the commitments undertaken, or the debt securities purchased, without waiting for the occurrence of an objective evidence of impairment.

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

Observed deterioration in credit risk since initial recognition of the financial asset →

Credit risk category	**Stage 1** **Performing assets**	**Stage 2** **Under-performing or downgraded assets**	**Stage 3** **Credit-impaired or defaulted assets**
Transfer criteria	Initial recognition of the instrument in stage 1 ▸ *Maintained if the credit risk has not increased significantly*	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument 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 a 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

(In millions of euros)	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
Loans and receivables at amortized costs	*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

(In millions of euros)	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**
o/w Lease financing and similar agreements	***842***	***352***	***(299)***	***53***	***(116)***	***(12)***	***767***
Impairment on performing outstandings (Stage 1)	*80*	*40*	*(37)*	*3*		*-*	*83*
Impairment of under-performing outstandings (Stage 2)	*101*	*61*	*(64)*	*(3)*		*-*	*98*
Impairment of doubtful outstandings (Stage 3)	*661*	*251*	*(198)*	*53*	*(116)*	*(12)*	*586*

VARIATION OF IMPAIRMENT ACCORDING TO CHANGES IN THE CARRYING AMOUNT OF FINANCIAL ASSETS

(In millions of euros)	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**
o/w Lease financing and similar agreements	***842***	***53***	***(315)***	***17***	***171***	***767***
Impairment on performing outstandings (Stage 1)	*80*	*28*	*(20)*	*(10)*	*5*	*83*
Impairment on under-performing outstandings (Stage 2)	*101*	*15*	*(32)*	*13*	*1*	*98*
Impairment on doubtful outstandings (Stage 3)	*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

(In millions of euros)	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

	31.12.2018				
(In millions of euros)	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

	31.12.2018				
(In millions of euros)	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

(In millions of euros)	31.12.2018	31.12.2017
Loan commitments		
To banks	19,174	21,983
To customers	199,663	180,004
Issuance facilities	-	-
Confirmed credit lines	*181,015*	*168,874*
Others	*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

(In millions of euros)	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

(In millions of euros)	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

(In millions of euros)	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	
(In millions of euros)	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
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	
(In millions of euros)	**Carrying amount of transferred assets**	**Carrying amount of ssociated liabilities**
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]			
(In millions of euros)	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	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]			
(In millions of euros)	Amount of liabilities not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	Net amount
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		Impact of offsetting on the balance sheet		At 31 December 2017	Impact of Master Netting Agreements (MNA) and similar agreements[1]			
(In millions of euros)	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	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		Impact of offsetting on the balance sheet		At 31 December 2017	Impact of Master Netting Agreements (MNA) and similar agreements[1]			
(In millions of euros)	Amount of liabilities not subject to offsetting*	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	Net amount
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

(In millions of euros)	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.

	2018			2017		
(In millions of euros)	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		
(In millions of euros)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
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)
o/w insurance activities				*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, Komercni Pojistovna A.S. and Sogessur.

NOTE 4.3.1 INSURANCE CONTRACTS RELATED LIABILITIES

ACCOUNTING PRINCIPLES

Underwriting reserves of insurance companies

Underwriting reserves correspond to the commitments of insurance companies with respect to policyholders and the beneficiaries of policies.

In accordance with IFRS 4 on insurance policies, life and non-life underwriting reserves continue to be measured under the same local regulations, with the exception of certain prudential provisions that are cancelled (liquidity risk provision) or recalculated economically (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

(In millions of euros)	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

(In millions of euros)	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

(In millions of euros)	31.12.2018	01.01.2018
Financial assets at fair value through profit or loss (trading portfolio)	1,876	1,765
Bonds and other debt instruments	*200*	*200*
Shares and other equity instruments	*29*	*38*
Trading derivatives	*1,647*	*1,527*
Financial assets at fair value through profit or loss (fair value option)	56,240	55,414
Bonds and other debt instruments	*27,881*	*27,174*
Shares and other equity instruments	*28,085*	*27,986*
Loans, receivables and repo transactions	*274*	*254*
Hedging derivatives	409	438
Available-for-sale financial assets	86,299	86,509
Debt instruments	*72,613*	*72,973*
Equity instruments	*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.

	31.12.2018				01.01.2018
(In millions of euros)	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

	31.12.2018			
(In millions of euros)	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**

	31.12.2017			
(In millions of euros)	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

(In millions of euros)	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

	31.12.2018		
(In millions of euros)	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	**384**	**(47)**	**337**
On equity instruments available-for-sale	*1,114*	*(391)*	*723*
On debt instruments available-for-sale and assets reclassified as loans and receivables	*6,338*	*(477)*	*5,861*
Deferred profit-sharing	*(7,068)*	*821*	*(6,247)*

	31.12.2017		
(In millions of euros)	**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

(In millions of euros)	2018	2017
Dividend income on equity instruments	617	393
Interest income	2,011	2,047
On available-for-sale financial assets	*1,706*	*1,711*
On loans and receivables	*293*	*273*
Other net interest income	*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
Capital gain or loss on sale of debt instruments	*(5)*	*(51)*
Capital gain or loss on sale of equity instruments	*174*	*167*
Impairment losses on equity instruments	*(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 guaranted 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.

	31.12.2018			
(In millions of euros)	**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).

(In millions of euros)	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.

(In millions of euros)	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

(In millions of euros)	**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)**
Including net expenses from share-based payments	*(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.

(In millions of euros)	**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

(In millions of euros)	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 bare the associated medium or long-term risk.

Provisions are recognised on the liabilities side of the balance sheet under *Provisions*, to cover the whole of these retirement obligations. These provisions are assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

Group can choose to finance defined benefit plans by assets held by a long-term employee benefit fund or by qualifying insurance policies.

Funding assets, made by funds or insurance policies, are classified as plan assets if assets are held by an entity (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

(In millions of euros)	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

(In millions of euros)	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

(In millions of euros)	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:

(In millions of euros)	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

(Percentage of item measured)	31.12.2018	31.12.2017
Variation in discount rate	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	-7%	-7%
Variation in long-term inflation	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	5%	5%
Variation in future salary increase	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	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 settlet in cash and not indexed to the Societe Generale share, such as long-term deferred variable remuneration, CET (*Comptes Epargne Temps*) flexible woking 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

	31.12.2018			31.12.2017		
(in millions of euros)	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-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

(In millions of euros)	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
o/w deferred tax assets on tax loss carryforwards	*2,895*	*2,970*	*2,970*
o/w deferred tax assets on temporary differences	*1,858*	*2,086*	*1,795*
TOTAL	**5,819**	**6,292**	**6,001**

TAX LIABILITIES

(In millions of euros)	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:

(In millions of euros)	31.12.2018	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets relating to tax loss carryforwards	**2,895**	-	-
o/w French tax group	*2,327*	*unlimited*[(1)]	*10 years*
o/w US tax group	*463*	*20 years*[(2)]	*7 years*
Others	105	-	-

(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]		
(In millions of euros)	Deeply subordinated notes	Perpetual subordinated notes	Total	Deeply subordinated notes	Perpetual subordinated notes	Total
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

(In millions of euros)	**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:

	2018			**2017***		
(In millions of euros)	**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

	01.01.2018				Variation				31.12.2018			
(In millions of euros)	**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 transfered 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, Crédit du Nord and Boursorama;
- International Retail Banking & Financial Services, which consists of:
  - International Retail Banking, including consumer finance activities,
  - Financial Services to Corporates (operational vehicle leasing and fleet management, equipment and vendor finance),
  - Insurance activities;
- Global Banking and Investor Solutions which comprises:
  - Global Markets and Investors Services,
  - Financing and Advisory,
  - Asset and Wealth Management.

In addition to the strategic pillars, the Corporate Centre acts as the Group's central funding department. As such, it recognises the carrying cost of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's Asset and Liability Management (ALM) and income from the Group's management of its assets (management of its industrial and bank equity portfolio and of its real estate assets). Income or expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Centre.

Segment income take intra-group transactions into account, while these transactions are eliminated from segment assets and liabilities. The tax rate levied on each business line is based on the standard tax rate 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

	Societe Generale Group		French Retail Banking		Corporate Centre[1]	
(In millions of euros)	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							
	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In millions of euros)	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							
	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total	
(In millions of euros)	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

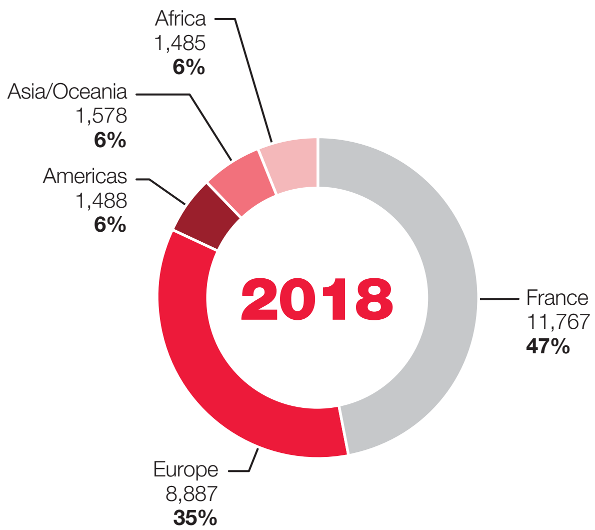
(In millions of euros)	Global Banking and Investor Solutions											
	Global Markets and Investors Services			Financing and Advisory			Asset and Wealth Management			Total		
	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	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

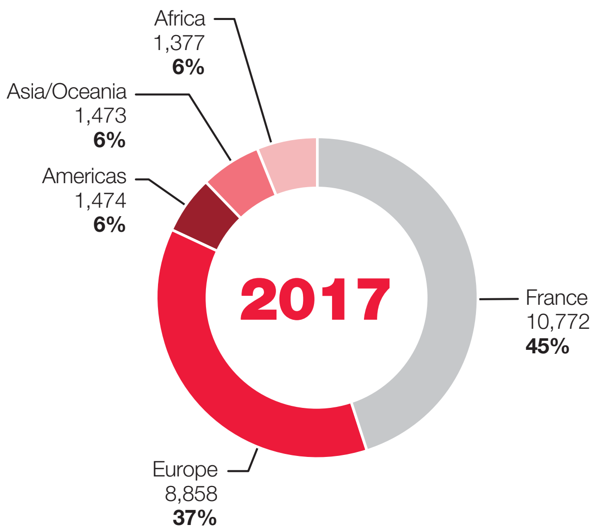
* *Amounts restated compared to the 31 December 2017 consolidated financial statements, following:*
- *the first time of application of IFRS 9;*
- *the relocation of Global Transaction and Payment Services from French Retail Banking to Financing and Advisory.*

(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)

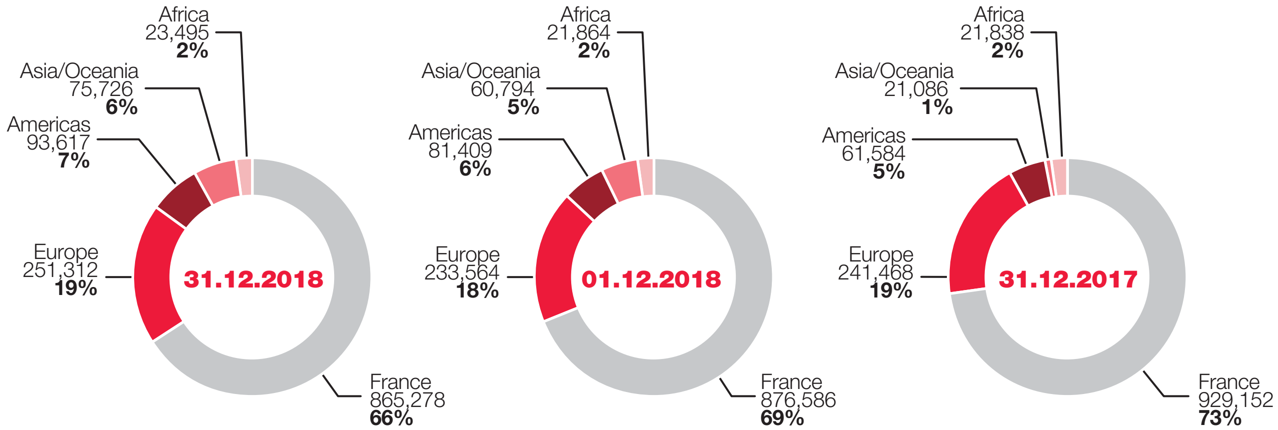




At 31 December 2018, the amount of net banking income was EUR 25,205 million compared to EUR 23,954 million at 31 December 2017.

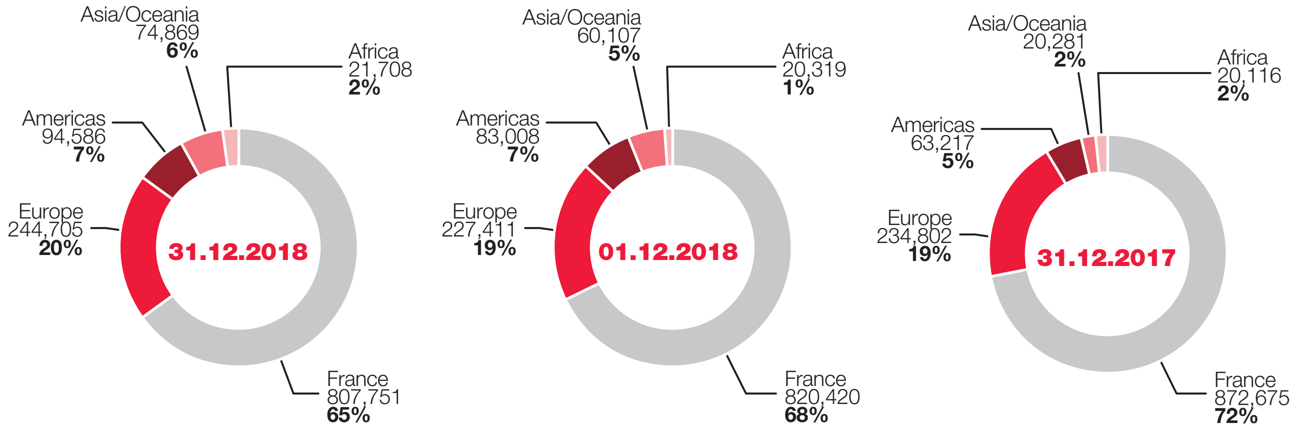
GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN EUR M)

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.

(In millions of euros)	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.

(In millions of euros)	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

(In millions of euros)	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

(In millions of euros)	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

(In millions of euros)	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

(In millions of euros)	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 exchanges 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.

	31.12.2018				31.12.2017			
(In millions of euros)	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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest 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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest At 31.12.2017
	(6)	RED & BLACK AUTO GERMANY 5 UG (HAFTUNGSBESCHRANKT)	Specialist Financing	FULL	100	0	100	0
	(2)	RED & BLACK CAR SALES 1UG	Financial Company	FULL	0	79.82	0	100
		SG EQUIPMENT FINANCE GMBH	Specialist Financing	FULL	100	100	100	100
		SG EQUIPMENT FINANCE INTERNATIONAL GMBH	Specialist Financing	FULL	100	100	100	100
	(1)	SG FRANCFORT	Bank	FULL	100	100	100	100
		SOCIETE GENERALE EFFEKTEN GMBH	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	FULL	100	100	100	100
	(1)	SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
	(1)(5)	SOGECAP RISQUES DIVERS DEUTSCHE NIEDERLASSUNG	Insurance	FULL	0	100	0	100
	(1)(6)	SOGESSUR DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	0	100	0
Australia								
		SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	FULL	100	100	100	100
Austria								
		ALD AUTOMOTIVE FUHRPARKMANAGEMENT UND LEASING GMBH	Specialist Financing	FULL	79.82	79.82	100	100
	(3)	SG EQUIPMENT LEASING AUSTRIA GMBH	Specialist Financing	EFS	0	100	0	100
	(1)	SG VIENNE	Bank	FULL	100	100	100	100
Belgium								
		AXUS FINANCE SPRL	Specialist Financing	FULL	79.82	79.82	100	100
		AXUS SA/NV	Specialist Financing	FULL	79.82	79.82	100	100
		BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	FULL	60.74	60.74	100	100
		PARCOURS BELGIUM	Specialist Financing	FULL	79.82	79.82	100	100
		PEMA TRUCK TRAILER VERHUUR	Specialist Financing	FULL	100	100	100	100
	(1)	SG BRUXELLES	Bank	FULL	100	100	100	100
	(1)	SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE DE FINANCEMENT	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE IMMOBEL	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING NV/SA	Bank	FULL	100	100	100	100
Benin								
		SOCIETE GENERALE BENIN	Bank	FULL	90.98	89.64	91.65	90.3
Bermuda								
		CATALYST RE INTERNATIONAL LTD.	Insurance	FULL	100	100	100	100
Brazil								
		ALD AUTOMOTIVE S.A.	Specialist Financing	FULL	79.82	79.82	100	100
		BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100	100
		MORDENO SOCIEDADES ANONIMAS	Financial Company	FULL	100	100	100	100
		SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100	100
	(2)	SOCIETE GENERALE S.A. CORRETORA DE CAMBIO. TITULOS E VALORES MOBILIARIOS	Broker	FULL	0	100	0	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
Bulgaria								
		REGIONAL URBAN DEVELOPMENT FUND	Specialist Financing	FULL	51.86	51.86	52	52
		SG EXPRESS BANK	Bank	FULL	99.74	99.74	99.74	99.74
		SOCIETE GENERALE FACTORING EOOD	Specialist Financing	FULL	99.74	99.74	100	100
		SOGELEASE BULGARIA	Specialist Financing	FULL	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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest 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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest 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. SUCCESSEUR 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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest 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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest At 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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest At 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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest 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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest At 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 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		SCI LES BAIGNOTS	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 LIEUSAINT 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 QUINTESSENCE-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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest At 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
		SOGE BEAUJOIRE	Group Real Estate Management Company	FULL	99.99	99.99	100	100
		SOGE PERIVAL I	Group Real Estate Management Company	FULL	100	100	100	100
		SOGE PERIVAL II	Group Real Estate Management Company	FULL	100	100	100	100
		SOGE PERIVAL III	Group Real Estate Management Company	FULL	100	100	100	100
		SOGE PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100	100
		SOGEACT.SELEC.MON.	Portfolio Management	FULL	99.78	99.78	99.78	99.78
		SOGECAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
		SOGECAP	Insurance	FULL	100	100	100	100
		SOGECAP - DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
		SOGECAP DIVERSIFIE 1	Portfolio Management	FULL	100	100	100	100
		SOGECAP LONG TERME N°1	Financial Company	FULL	100	100	100	100
	(6)	SOGECAPIMMO 2	Insurance	FULL	89.39	0	90.84	0
		SOGEFIM HOLDING	Portfolio Management	FULL	100	100	100	100
		SOGEFIMUR	Specialist Financing	FULL	100	100	100	100
		SOGEFINANCEMENT	Specialist Financing	FULL	100	100	100	100
		SOGEFINERG SG POUR LE FINANCEMENT DES INVESTISSEMENTS ECONOMISANT L'ENERGIE	Specialist Financing	FULL	100	100	100	100
		SOGEFONTENAY	Group Real Estate Management Company	FULL	100	100	100	100
		SOGELEASE FRANCE	Specialist Financing	FULL	100	100	100	100
		SOGEMARCHE	Group Real Estate Management Company	FULL	100	100	100	100
		SOGEPARTICIPATIONS	Portfolio Management	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest 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
		SGBTCI	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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest 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
		SOGELEASE B.V.	Specialist Financing	FULL	100	100	100	100
		SOGELEASE FILMS	Specialist Financing	FULL	100	100	100	100
		TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
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
		SOGELEASE 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
		ESSOX SRO	Specialist Financing	FULL	80	80	100	100
		FACTORING KB	Financial Company	FULL	60.73	60.73	100	100
		KB PENZIJNI SPOLECNOST. A.S.	Financial Company	FULL	60.73	60.73	100	100
		KB REAL ESTATE	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
		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 31.12.2018	At 31.12.2017	At 31.12.2018	At 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 At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest 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
		ESSOX 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	
(In millions of euros excl. VAT)		2018[(1)]	2017	2018[(2)]	2017	2018	2017
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 recoverabilit 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 amout of the restructured financial asset is decreased to the present amount of the estimated new future recoverable cash flows discounted using the initiale 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.

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.

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.

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.

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.

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.

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	Deloitte & Associés
Micha MISSAKIAN	Jean-Marc MICKELER

6.4 SOCIETE GENERALE MANAGEMENT REPORT

Summary balance sheet of Societe Generale

(In EUR bn at 31st 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
o.w. securities purchased under resale agreements	*259*	*201*	*58*
Other assets	146	139	7
o.w. option premiums	*53*	*57*	*(4)*
Tangible and intangible fixed assets	3	2	1
TOTAL ASSETS	**1,287**	**1,183**	**104**

(In EUR bn at 31st 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
o.w. securities sold under repurchase agreements	*210*	*189*	*21*
Other liabilities and provisions	123	142	(19)
o.w. option premiums	*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

	2018			2017			VARIATIONS 18/17 *(in %)*		
(In EUR m)	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 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

	31.12.2018						31.12.2017					
	Payables not yet due						Payables not yet due					
(In EUR m)	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.

(In EUR m)	31.12.2018 Payables due 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)						
☑ 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.

(In EUR m)	31.12.2018 Payables due 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)						
☑ 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 summaries the significant movements chalked up by the Societe Generale portfolio in 2018:

		Increase[1]				Decrease[1]	
Threshold	**Companies**	**% of the capital 31.12.2018**	**% of the capital 31.12.2017**	**Threshold**	**Companies**	**% 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%			
66.66%	Lumo[2]	100%	0%	66.66%	Delta Crédit MF Netherlands BV	0%	100%
					Soginfo[2]	0%	100%
	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

(In EUR m)		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 subsidiarie	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

(In EUR m)		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

(In EUR m)		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 portofolio

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 cost s. 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

	31.12.2018				31.12.2017			
(In EUR m)	**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 Fiditalia 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*.

	31.12.2018			31.12.2017		
(In EUR m)	**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 cost s. 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	Total at 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 cost s 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 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.

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 31th 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

(In EUR m)	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

(In EUR m)	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 cost s 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 cost s, 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.

	2018			2017		
(In EUR m)	**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:

		Net allocations				
(In EUR m)	Amount at 31.12.2017	Net cost of risk	Other income statement	Used reversals	Change and reclassifying	Amount at 31.12.2018
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)**
Including gain (loss) on revaluation of currency hedge of provisions:		
Counterparty risk	*(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.

	2018			2017		
(In EUR m)	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 twelwe 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 independant 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

(In EUR m)	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

(In percentage)	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-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to the taxation of a portion of fees and expenses 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 a 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 Deffered 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 21rd 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					
1st July 1985	EUR	348	Undated	62	62
24th November 1986	USD	500	Undated	216	207
16th June 2008	GBP	700	Undated	-	570
7th July 2008	EUR	100	Undated	-	100
4th September 2009	EUR	1,000	Undated	1,000	1,000
6th September 2013	USD	1,250	Undated	-	1,042
18th December 2013	USD	1,750	Undated	1,528	1,459
7th April 2014	EUR	1,000	Undated	1,000	1,000
25th June 2014	USD	1,500	Undated	1,310	1,251
29th September 2015	USD	1,250	Undated	1,092	1,042
13th September 2016	USD	1,500	Undated	1,310	1,251
6th April 2018	USD	1,250	Undated	1,092	-
4th October 2018	USD	1,250	Undated	1,092	-
SUB-TOTAL(1)				**9,702**	**8,984**
Subordinated long-term debts and notes					
21st July 2000	EUR	78	31st July 2030	12	14
30th January 2003	GBP	450	30th January 2018	-	142
29th December 2003	GBP	150	30th January 2018	-	169
16th August 2005	EUR	226	18th August 2025	216	216
15th May 2006	EUR	135	15th May 2018	-	125
26th October 2006	EUR	120	26th October 2018	-	111
9th February 2007	EUR	124	11th February 2019	116	116
16th July 2007	EUR	135	16th July 2019	130	130
30th October 2007	EUR	134	30th October 2019	129	129
14th February 2008	EUR	225	14th February 2018	-	225
26th March 2008	EUR	550	26th March 2018	-	331
7th April 2008	EUR	250	6th April 2023	155	155
15th April 2008	EUR	321	15th April 2023	321	321
28th April 2008	EUR	50	6th April 2023	50	50
14th May 2008	EUR	90	6th April 2023	90	90
14th May 2008	EUR	50	6th April 2023	50	50
14th May 2008	EUR	150	6th April 2023	150	150
30th May 2008	EUR	79	15th April 2023	79	79

Issuance date	Currency	Amount issued	Maturity date	31.12.2018	31.12.2017
10th June 2008	EUR	300	12th June 2023	260	260
30th June 2008	EUR	40	30th June 2023	40	40
20th August 2008	EUR	1,000	20th August 2018	-	778
7th June 2013	EUR	1,000	7th June 2023	1,000	1,000
17th January 2014	USD	1,000	17th January 2024	873	834
16th September 2014	EUR	1,000	16th September 2026	1,000	1,000
27th February 2015	EUR	1,250	27th February 2025	1,250	1,250
14th April 2015	USD	1,500	14th April 2025	1,310	1,251
15th April 2015	EUR	150	7th April 2025	150	150
2nd June 2015	AUD	125	2nd June 2022	77	81
3rd June 2015	CNH	1,200	3rd June 2025	152	154
10th June 2015	AUD	50	10th June 2025	31	33
12th June 2015	JPY	27,800	12th June 2025	221	206
12th June 2015	JPY	13,300	12th June 2025	106	99
12th June 2015	JPY	2,500	12th June 2025	20	19
22th July 2015	USD	50	23rd July 2035	44	42
30th September 2015	JPY	20,000	30th September 2025	159	148
21st October 2015	EUR	70	21st October 2026	70	70
24th November 2015	USD	500	24th November 2045	437	417
24th November 2015	USD	1,000	24th November 2025	873	834
19th May 2016	SGD	425	19th May 2026	273	265
3rd June 2016	JPY	15,000	3rd June 2026	119	111
3rd June 2016	JPY	27,700	3rd June 2026	220	205
27th June 2016	USD	500	26th June 2036	437	417
20th July 2016	AUD	325	20th July 2028	200	212
19th August 2016	USD	1,000	19th August 2026	873	834
13th October 2016	AUD	150	13th October 2026	92	98
16th December 2016	JPY	10,000	16th December 2026	79	74
24th January 2017	AUD	200	24th January 2029	123	130
19th May 2017	AUD	500	19th May 2027	308	326
23rd June 2017	JPY	5,000	23rd June 2027	40	37
18th July 2017	JPY	5,000	27th July 2027	40	37
18th July 2017	AUD	150	19th May 2027	92	98
23rd February 2018	EUR	1,000	23rd February 2028	1,000	-
7th March 2018	JPY	6,500	7th March 2028	52	-
13th April 2018	JPY	6,500	13th April 2028	52	-
17th April 2018	JPY	6,500	17th April 2028	52	-
24th October 2018	JPY	13,100	24th 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	
	Plumbing	
	Fire safety equipment	
Fixtures and fittings	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 equipement	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

(In EUR m)	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*.

(In EUR m)	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

(In EUR m)	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

	Outstanding at 31.12.2018					
(In EUR m)	Less than 3 months	3 months to one year	1 to 5 years	More than 5 years	Intercompany eliminations: Societe Generale Paris/branches	Total
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			
(In EUR m)	**Assets**	**Liabilities**	**Foreign exchange bought, not yet received**	**Foreign exchange sold, not yet delivered**	**Assets**	**Liabilities**	**Foreign exchange bought, not yet received**	**Foreign exchange sold, not yet delivered**
EUR	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

(In thousands of euros or local currency) Company/Head Office or Establishment	Activity/Division		2018 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 18th 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 – Sâo 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 Gross (in EUR)	Book value of shares held Net (in EUR)	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
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

(In thousands of euros or local currency)		2018			
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

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(3) Financial statements not yet audited for French companies.

2018

Book value of shares held – Gross (in EUR)	Book value of shares held – Net (in EUR)	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
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
1,612,723	60,207	-	-	17,484	15,163	-	**capital = 1 USD** 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	-	

(In thousands of euros or local currency)		2018			
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

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2018

Book value of shares held Gross (in EUR)	Book value of shares held Net (in EUR)	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
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

(In thousands of euros or local currency)		2018			
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, 9th 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

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(3) Financial statements not yet audited for French companies.

2018

Book value of shares held Gross *(in EUR)*	Book value of shares held Net *(in EUR)*	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
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	

(In thousands of euros or local currency)	2018				
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							
Gross *(in EUR)*	**Net** *(in EUR)*	**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**
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.)

(in thousands of euros)	Book value of shares held – Gross	Book value of shares held – Net	Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Dividends received by the Company during the year	Remarks	
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 diffrerence:	1,447
B) Affiliates not included in paragraph 1 :							
1°) French companies	7,803	7,198	130,600	0	301	Revaluation diffrerence:	0
2°) Foreign companies	10,646	10,646	48,965	61,112	2,944	Revaluation diffrerence:	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

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Membre de la compagnie
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Membre de la compagnie
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SOCIÉTÉ GÉNÉRALE
Société Anonyme
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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.

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.

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.

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.

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.

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 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	ERNST & YOUNG et Autres
Jean-Marc MICKELER	Micha MISSAKIAN

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