

## **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).

**12,500,000 European Style Cash Settled Long Certificates  
relating to the ordinary shares of Singapore Airlines Limited  
with a Daily Leverage of 5x**

**issued by**

**SG Issuer**

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

**unconditionally and irrevocably guaranteed by**

**Société Générale**

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**Issue Price: S\$0.40 per Certificate**

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This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 21 June 2019 including such further base listing documents as may be issued from time to time (the “**Base Listing Document**”) for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

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

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

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and

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

The Certificates are classified as capital markets products other than prescribed capital markets products<sup>1</sup> and Specified Investment Products (SIPs)<sup>2</sup>, and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer and of no other person, and the guarantee dated 21 June 2019 (the "**Guarantee**") and entered into by the Guarantor constitutes general unsecured obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 22 April 2020.

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.

21 April 2020

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

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

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

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

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “CFTC”) under the United States Commodity Exchange Act of 1936, as amended and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed “Placing and Sale” contained herein.

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

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

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

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

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## RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer 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 fallen 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 may be suspended for a similar period;
- (f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 27 to 31 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section of this document for more information;

- (i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;
- (j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy (as described below) including the Funding Cost (as defined below) and Rebalancing Cost (as defined below);
- (l) investors should note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (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 performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (n) investors should note that the Air Bag Mechanism (as defined below) reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (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 fall in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday fall in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (a) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (b) if one or more air bag events have been previously triggered on the same day, the latest New Observed Price. 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 decline. The following is a list of some of the significant risks associated with the Underlying Stock:
  - Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
  - The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;
- (w) the value of the Certificates depends on the Leverage Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Strategy last closing level and a calculation tool available to the investors on a website;
- (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 not provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer 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

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

(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. 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 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 and investment firms. 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 institution so as to ensure the continuity of the institution's critical financial and economic functions while minimizing the impact of an institution's failure on the economy and financial system (including taxpayers' exposure to losses).

Under the SRM Regulation, a centralized 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 institution that is subject to resolution in accordance with a set order of priority (the “**Bail-in Power**”).

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 institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in the form defined in Article L. 613-48 III, 3° of the French Code monétaire et financier).

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion into ordinary shares or other instruments of ownership of the Certificates, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write down, conversion or otherwise. In addition, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Power 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 Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must

ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

Since January 1, 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 preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

In addition, on November 9, 2015, the Financial Stability Board (the "**FSB**") published a standard on total loss absorbing capacity ("**TLAC**") which is set forth in a term sheet (the "**FSB TLAC Term Sheet**"). That standard –which has been adopted after the BRRD –shares similar objectives to MREL but covers a different scope. Moreover, the Council of the European Union published on February 14, 2019 a final compromise text for the modification of CRR and BRRD intending to give effect to the FSB TLAC Term Sheet and to modify the requirements for MREL eligibility.

The TLAC requirements are expected to be complied with since January 1, 2019 in accordance with the FSB principles. The TLAC requirements impose a level of "Minimum TLAC" that will be determined individually for each global systemically important bank ("**G-SIB**"), such as the Issuer and the Guarantor, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets through January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator through January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements). However, according to the final compromise text for the modification of CRR published by the Council of the European Union in February 2019, European Union G-SIBs will have to comply with TLAC requirements, on top of the MREL requirements, as from the entry into force of the amending regulation. As such, G-SIBs will have to comply at the same time with TLAC and MREL described above.

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 January 1, 2015 and the SRM has been fully operational since January 1, 2016.

The application of any 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 any 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 Power, the exercise of write-down/conversion powers or any other resolution tools by the Resolution Authority independently of a resolution measure 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.

Following the publication on 7 June 2019 in the Official Journal of the EU 14 May 2019 by the Council of the Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC and of the Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the Single Resolution Mechanism Regulation (Regulation 806/2014) as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, a comprehensive legislative package reducing risks in the banking sector and further reinforcing banks' ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system from 28 December 2020.

## TERMS AND CONDITIONS OF THE CERTIFICATES

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

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

Certificates:	12,500,000 European Style Cash Settled Long Certificates relating to the ordinary shares of Singapore Airlines Limited (the <b>“Underlying Stock”</b> )
ISIN:	LU1986497243
Company:	Singapore Airlines Limited (RIC: SIAL.SI)
Underlying Price <sup>3</sup> and Source:	S\$6.01 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 0.40
Management Fee (p.a.) <sup>4</sup> :	0.40%
Gap Premium (p.a.) <sup>5</sup> :	7.50%, is a hedging cost against extreme market movements overnight.
Funding Cost <sup>6</sup> :	The annualised costs of funding, referencing a publically published interbank offered rate plus spread.
Rebalancing Cost <sup>6</sup> :	The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock.
Launch Date:	15 April 2020
Closing Date:	21 April 2020

<sup>3</sup> These figures are calculated as at, and based on information available to the Issuer on or about 21 April 2020. 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 21 April 2020.

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

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

<sup>6</sup> These costs are embedded within the Leverage Strategy.

Expected Listing Date:	22 April 2020
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 13 April 2023
Expiry Date:	20 April 2023 (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:	19 April 2023 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	<p>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.</p>
Cash Settlement Amount:	<p>In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:</p> <p>Closing Level multiplied by the Notional Amount per Certificate</p> <p>Please refer to the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section on pages 38 to 52 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.</p>
Hedging Fee Factor:	<p>In respect of each Certificate, shall be an amount calculated as: Product (for <math>t</math> from 1 to Valuation Date) of <math>(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))</math>, where:</p> <p>“<math>t</math>” refers to “<b>Observation Date</b>” which means each Exchange Business Day (subject to Market Disruption Event) from (and</p>

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).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding 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 an Observation Date. In that case, that fifth Exchange Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Strategy and the value of the Certificate on that fifth Exchange Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

Please refer to the “Information relating to the European Style Cash Settled Long 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 Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Strategy is set out in the “Specific Definitions relating to the Leverage Strategy” section on pages 18 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 Strategy and which is designed to reduce the Leverage Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock falls by 15% or more (“**Air Bag**



**Trigger Price**") during the trading day (which represents approximately 75% loss after a 5 times leverage), the Air Bag Mechanism is triggered and the Leverage Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered.

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

Please refer to the "Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")" section on pages 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 (" <b>SGD</b> ")
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 (the " <b>SGX-ST</b> ")
Relevant Stock Exchange for the Underlying Stock:	The SGX-ST
Business Day and Exchange Business Day:	A " <b>Business Day</b> " or an " <b>Exchange Business Day</b> " 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 (" <b>CDP</b> ")
Clearing System:	CDP
Fees and Charges:	Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

Investors holding position overnight would also be required to bear

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

Further Information:

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

### **Specific Definitions relating to the Leverage Strategy**

#### **Description of the Leverage Strategy**

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

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

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

#### **Leverage Strategy Formula**

**LSL<sub>t</sub>** means, for any Observation Date(t), the Leverage Strategy Closing Level as of such day (t).

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

On Observation Date(1):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

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

**LR<sub>t-1,t</sub>** means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

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

**FC<sub>t-1,t</sub>** means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

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

**RC<sub>t-1,t</sub>** means the Rebalancing Cost of the Leverage Strategy on Observation Date (t), calculated as follows :

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

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

**Leverage** 5

**S<sub>t</sub>** means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.

**Rate<sub>t</sub>** means, in respect of each Observation Date(t), a rate calculated as of such day in accordance with the following formula:

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

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

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

where

*Div<sub>t</sub>* is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered net of any applicable withholding taxes.

**CashRate<sub>t</sub>** means, in respect of each Observation Date(t), the SGD Swap Offer Rate (SOR) Reference Rate, as published on Reuters RIC SGDTRDONF=ABSG or any successor page, being the rate as of day (t-2), provided that if such rate is not available, then such rate shall be determined by reference to the last available rate that was published on Reuters RIC SGDTRDONF=ABSG or any successor page.

**%SpreadLevel<sub>t</sub>** means, in respect of each Observation Date(t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the ICE LIBOR USD 12 Month, as published on Reuters RIC USD1YFSR= and (2) US Federal Funds Effective Rate, as published on Reuters RIC USONFFE= or any successor page, each being

the rate as of day (t-2), provided that if any of such rates is not available, then that rate shall be determined by reference to the last available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification or cessation in the provision of LIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

Provided that if such difference is negative, %SpreadLevel<sub>t</sub> should be 0%.

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

**DayCountBasisRate** 365

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

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

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Strategy Closing Level on the Intraday Restrike Date (LSL<sub>IRD</sub>) should be computed as follows :

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

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

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

**ILSL<sub>IR(k)</sub>** means, in respect of IR(k), the Intraday Leverage Strategy Level in accordance with the following provisions :

(1) for k = 1 :

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

(2) for k > 1 :

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

**ILR<sub>IR(k-1),IR(k)</sub>** means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows :

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

**IRC<sub>IR(k-1),IR(k)</sub>**

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

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

**IS<sub>IR(k)</sub>**

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

(1) for k=0

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

(2) for k=1 to n

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

(3) with respect to IR(C)

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

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

**IR(k)**

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

For k=1 to n, means the k<sup>th</sup> 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 decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price **IS<sub>IR(0)</sub>** as of such Calculation Time.

(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price **IS<sub>IR(k)</sub>** 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 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 Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.*

## TERMS AND CONDITIONS OF

### THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

#### 1. Form, Status and Guarantee, Transfer and Title

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-
- (i) a master instrument by way of deed poll (the “**Master Instrument**”) dated 21 June 2019, 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 and the Base Listing Document. Terms used in this Summary are defined in the Conditions.*

Issuer:	SG Issuer
Company:	Singapore Airlines Limited
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	12,500,000 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 2019 (the “ <b>Master Instrument</b> ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ <b>Master Warrant Agent Agreement</b> ”) and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to:  Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates

Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 22 April 2020.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

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

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

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

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

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

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

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

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

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

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

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

#### **B) Trading the Certificates before Expiry**

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

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

### Illustration of the Calculation of Hedging Fee Factor

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

Daily Fees	=	<b>Daily Management Fee Adjustment</b>	
		1 – Management Fee x ACT (t-1;t) / 360	
		x	
		<b>Daily Gap Premium Adjustment</b>	
		1 – Gap Premium (t-1) x ACT (t-1;t) / 360	

### Illustration of the Calculation of Cash Settlement Amount

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

Value of Certificates	=	<table border="1"> <tr><td>t'=0</td></tr> <tr><td>Notional Amount</td></tr> </table>	t'=0	Notional Amount	x	<table border="1"> <tr><td>t=1</td></tr> <tr> <td>Leverage Strategy daily performance<sup>8</sup></td> <td>x</td> <td>Daily Fees</td> </tr> </table>	t=1	Leverage Strategy daily performance <sup>8</sup>	x	Daily Fees	x	<table border="1"> <tr><td>t=2</td></tr> <tr> <td>Leverage Strategy daily performance</td> <td>x</td> <td>Daily Fees</td> </tr> </table>	t=2	Leverage Strategy daily performance	x	Daily Fees	x ...	<table border="1"> <tr><td>t=i</td></tr> <tr> <td>Leverage Strategy Daily performance</td> <td>x</td> <td>Daily Fees</td> </tr> </table>	t=i	Leverage Strategy Daily performance	x	Daily Fees
			t'=0																			
Notional Amount																						
t=1																						
Leverage Strategy daily performance <sup>8</sup>	x	Daily Fees																				
t=2																						
Leverage Strategy daily performance	x	Daily Fees																				
t=i																						
Leverage Strategy Daily performance	x	Daily Fees																				

Value of Certificates	=	<table border="1"> <tr><td>t=0</td></tr> <tr><td>Notional Amount</td></tr> </table>	t=0	Notional Amount	x	<b>Product of the daily Leverage Strategy Performance</b>		x	<b>Product of the Daily Fees (Hedging Fee Factor)</b>	
			t=0							
Notional Amount										
<table border="1"> <tr> <td>Leverage Strategy daily performance</td> <td>x</td> <td>Leverage Strategy daily performance</td> </tr> </table>	Leverage Strategy daily performance	x	Leverage Strategy daily performance	<table border="1"> <tr> <td>Daily Fees</td> <td>x</td> <td>Daily Fees</td> </tr> </table>	Daily Fees	x	Daily Fees			
Leverage Strategy daily performance	x	Leverage Strategy daily performance								
Daily Fees	x	Daily Fees								

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

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

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

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

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

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

### Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

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

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

Underlying Stock:	Ordinary shares of Singapore Airlines Limited
Expected Listing Date:	<b>03/07/2018</b>
Expiry Date:	<b>18/07/2018</b>
Initial Reference Level:	<b>1,000</b>
Initial Exchange Rate:	<b>1</b>
Final Reference Level:	<b>1,200</b>
Final Exchange Rate:	<b>1</b>
Issue Price:	<b>0.4 SGD</b>
Notional Amount per Certificate:	<b>0.4 SGD</b>
Management Fee (p.a.):	<b>0.40%</b>
Gap Premium (p.a.):	<b>7.50%</b>
Strike Level:	Zero

### Hedging Fee Factor

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

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

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

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

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

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

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



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

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

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

The same principle applies to the following 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 99.6713% as illustrated below:

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

### Cash Settlement Amount

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

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

$$= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.6713\%$$

$$= 119.61\%$$

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

$$= 119.61\% \times 0.40 \text{ SGD}$$

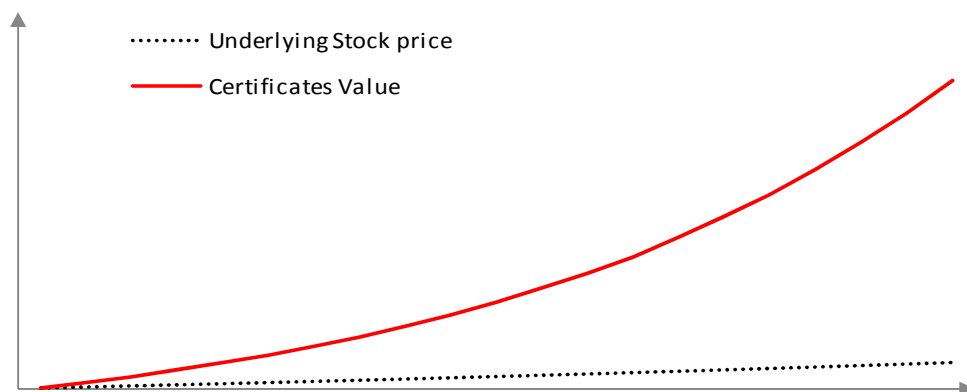
$$= \mathbf{0.478 \text{ SGD}}$$

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

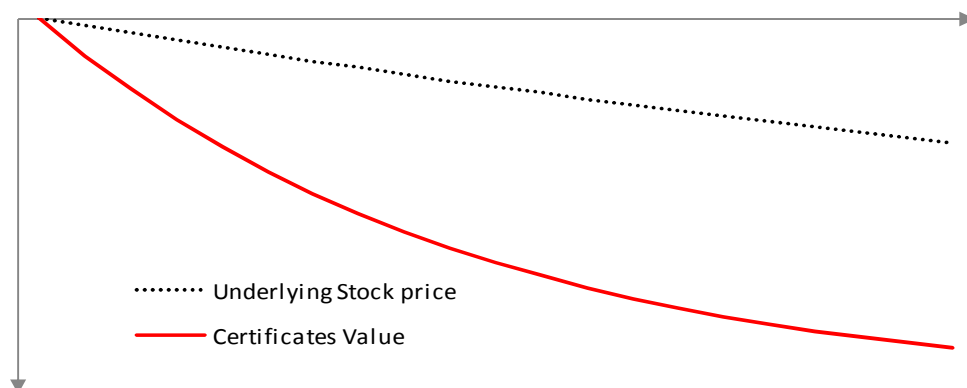
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

### 1. Illustrative examples

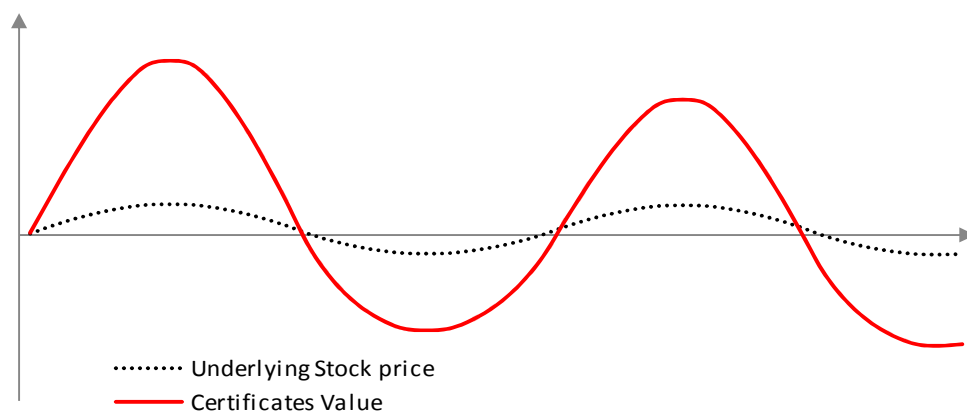
#### Scenario 1 – Upward Trend



#### 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	0.4	0.44	0.48	0.53	0.59	0.64
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

### Scenario 2 – Downward Trend

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	0.4	0.36	0.32	0.29	0.26	0.24
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

### Scenario 3 – Volatile Market

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

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	-10.0%	10.0%	-10.0%	10.0%
Price at end of day	0.4	0.44	0.40	0.44	0.39	0.43
Accumulated Return		10.00%	-1.00%	8.90%	-1.99%	7.81%

## Description of Air Bag Mechanism

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

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period : during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its minimum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Strategy is reset using the minimum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Strategy, 30 minutes after the Air Bag trigger.

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

### Air Bag Mechanism timeline

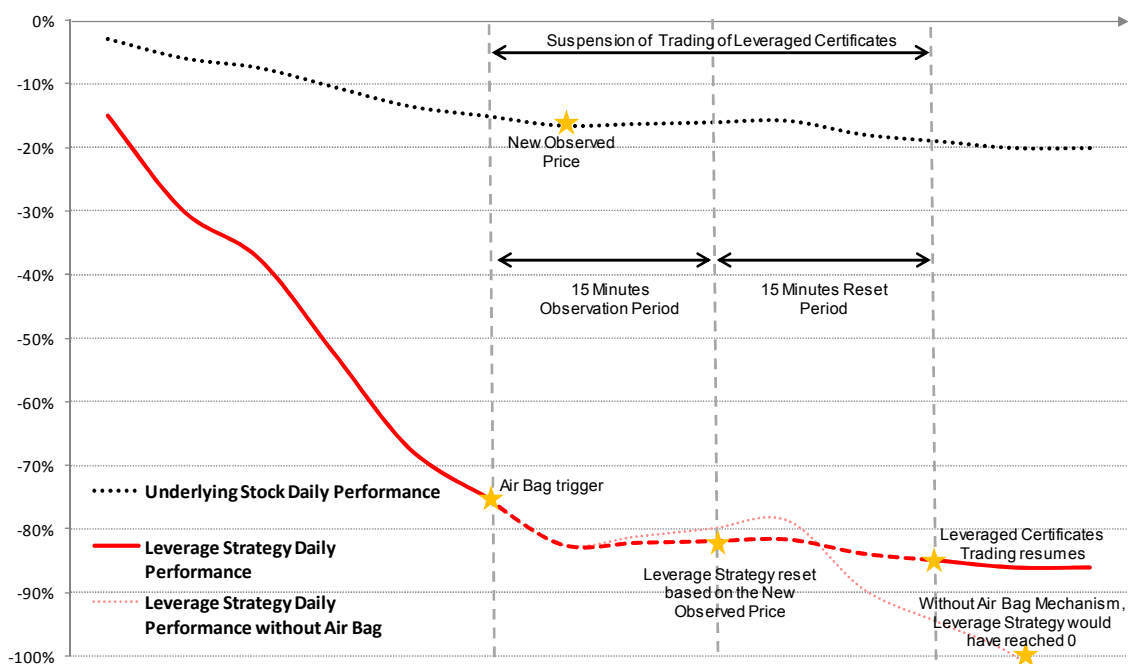
Air Bag Trigger	Observation Period	Resumption of Trading
More than 45 minutes before Market Close	First 15 minutes after Air Bag Trigger	Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger
45 minutes before Market Close		Next trading day at Market Open
30 to 45 minutes before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

With **Market Close** defined as:

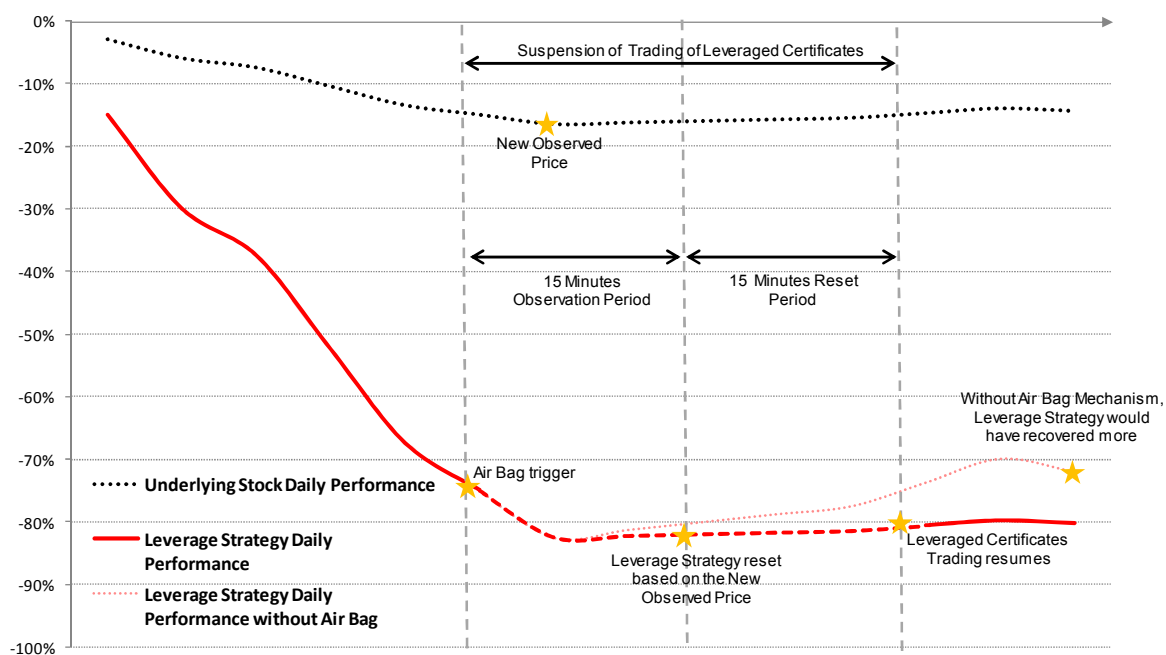
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

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

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



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



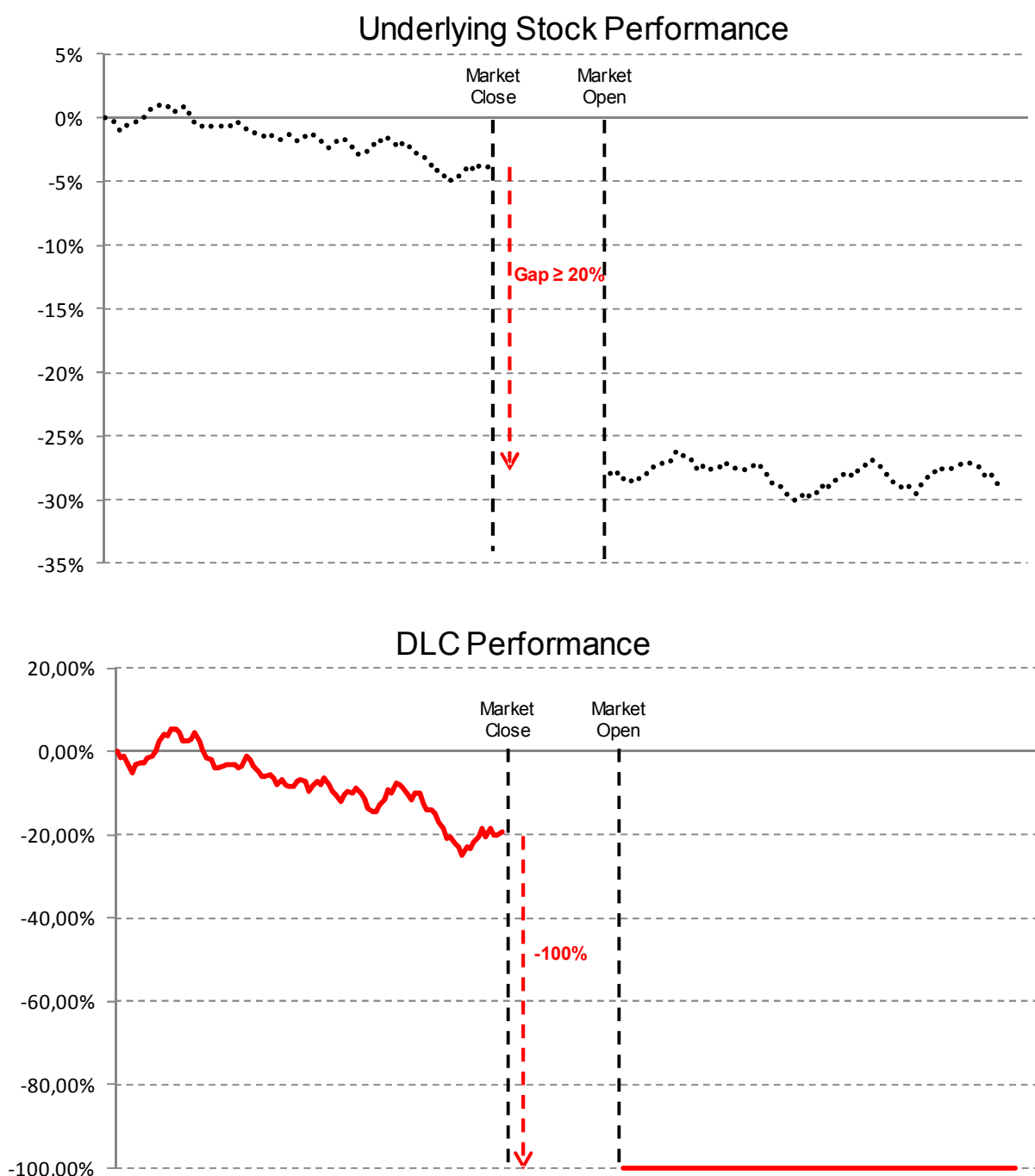
<sup>9</sup> The illustrative examples are not exhaustive.

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

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

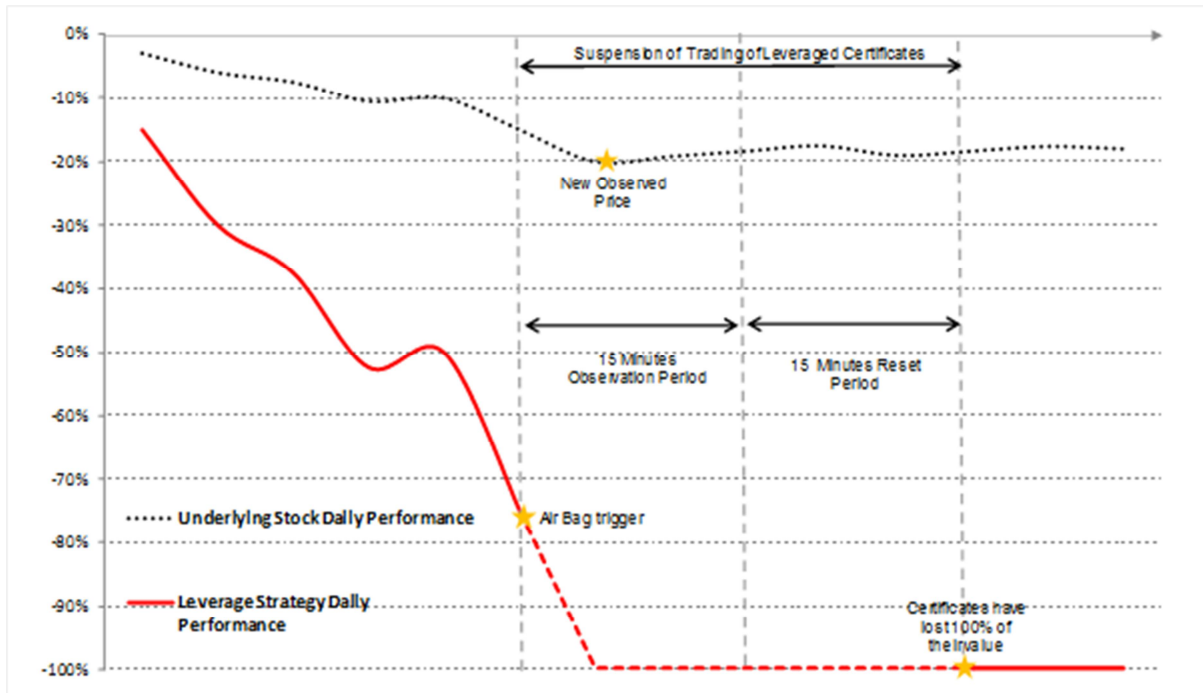
### Scenario 1 – Overnight fall of the Underlying Stock

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



### Scenario 2 – Sharp intraday fall of the Underlying Stock

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



## Examples and illustrations of adjustments due to certain corporate actions

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

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

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

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

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

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

Where:

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

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

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

### 1. Stock split

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

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

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$



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

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.4	0.44	10%

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

## 2. Share Consolidation

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

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

$$S_t = \$202$$

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

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

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

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.4	0.42	5%

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

### 3. Rights Issues

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

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

$$S_t = \$84$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.4	0.5	25%

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

#### 4. Bonus Issues

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

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

$$S_t = \$85$$

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

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

$$R = \$0$$

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.4	0.44	10%

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

#### 5. Extraordinary Dividend

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

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

$$S_t = \$84$$

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

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

$$R = \$0$$

$$M = 0$$

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.4	0.5	25%

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

## INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of the SGX-ST at <http://www.sgx.com>. The Issuer has not independently verified any of such information.*

Singapore Airlines Limited (“**Singapore Airlines**” or the “**Company**”) was incorporated as a public company with limited liability and a wholly-owned subsidiary of Temasek Holdings (Private) Limited on 28 January 1972.

Its history began in 1947 when a twin-engined Airspeed Consul under the Malayan Airways Ltd’s insignia started scheduled services between Singapore, Kuala Lumpur, Ipoh and Penang. Malayan Airways Ltd grew steadily and by 1955, international services were added to its operations.

With the formation of the Federation of Malaysia in 1963, the airline was renamed Malaysian Airways Ltd. In 1966 the governments of Malaysia and Singapore acquired joint control of the airline, which was then renamed Malaysia-Singapore Airlines Ltd (“**MSA**”). In 1971, MSA was restructured into 2 entities: Singapore Airlines and Malaysia Airline System.

Singapore Airlines, a full member of the global Star Alliance, is one of the world’s premium airlines, with the distinction of operating a young and modern fleet. The Singapore Airlines route network extends across 105 destinations in 37 countries, including those served by its subsidiaries, Singapore Airlines Cargo and SilkAir. The Singapore Airlines Group has over 20 subsidiaries, covering a range of airline-related services, from cargo to engine overhaul. Its subsidiaries also include SIA Engineering Company, Scoot, Tiger Airways, Singapore Flying College and Tradewinds Tours and Travel.

Principal activities of the Group consist of air transportation, engineering services and other airline related activities.

The information set out in Appendix I of this document relates to the unaudited consolidated financial results of the Company and its subsidiaries for the third quarter and nine months ended 31 December 2019 and has been extracted and reproduced from an announcement by the Company dated 14 February 2020 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 Business Days immediately preceding the Expiry Date

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

- (i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;
- (ii) if the Certificates are valueless (where the Issuer’s bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);
- (iii) 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 Business Day immediately preceding the Expiry Date.

## **SUPPLEMENTAL INFORMATION RELATING TO THE ISSUER**

The information set out in Appendix II of this document is a reproduction of the Issuer's condensed interim financial statements as at and for the six-month period ended 30 June 2019.

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

The information set out in Appendix III of this document is a reproduction of the Guarantor's audited consolidated financial statements for the year ended 31 December 2019.



## SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 99 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.
2. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the 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 and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 30 June 2019 or the Guarantor since 31 December 2019, in the context of the issuance of Certificates hereunder.
5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:
  - (a) the Guarantee;
  - (b) the Master Instrument; and
  - (c) the Master Warrant Agent Agreement.

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

6. The Auditors of the Issuer and the Guarantor have given and have not withdrawn their written agreement to the inclusion of the report, included herein, in the form and context in which it is included. Their report was not prepared exclusively for incorporation into this document.

The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.
8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:
- (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;
  - (b) the latest financial reports (including the notes thereto) of the Issuer;
  - (c) the latest financial reports (including the notes thereto) of the Guarantor;
  - (d) the consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;
  - (e) the Base Listing Document;
  - (f) this document; and
  - (g) the Guarantee.

## PLACING AND SALE

### General

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

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

### Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, 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 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 2016/97/EU (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in 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**”) and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing

commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (ii) it is not purchasing any Certificates for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S. person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term “**United States**” includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term “**U.S. person**” means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the “**CEA**”) or any rules thereunder of the CFTC, guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a “Non-United States person” defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not “Non-United States persons”, shall be considered a U.S. person).

## **APPENDIX I**

### **REPRODUCTION OF THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2019 OF SINGAPORE AIRLINES LIMITED AND ITS SUBSIDIARIES**

The information set out below is a reproduction of the unaudited consolidated financial results of the Company and its subsidiaries for the third quarter and nine months ended 31 December 2019 and has been extracted and reproduced from an announcement by the Company dated 14 February 2020 in relation to the same.



**UNAUDITED RESULTS FOR THE THIRD QUARTER AND  
NINE MONTHS ENDED 31 DECEMBER 2019**

**1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2019 (in \$ million)**

	The Group		The Group	
	3 <sup>rd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2018/19	9 Months 2019/20	9 Months 2018/19
<b>REVENUE</b>	4,470.6	4,341.5	12,795.1	12,248.1
<b>EXPENDITURE</b>				
Staff costs	773.6	743.3	2,290.0	2,101.1
Fuel costs	1,207.0	1,252.0	3,555.9	3,487.5
Depreciation	522.0	336.8	1,521.1	968.4
Impairment of property, plant and equipment	-	-	1.0	-
Amortisation of intangible assets	15.0	17.4	42.0	48.9
Aircraft maintenance and overhaul costs	210.9	202.4	651.0	680.2
Commission and incentives	140.0	118.9	395.1	343.9
Landing, parking and overflying charges	228.0	229.1	700.4	666.8
Handling charges	335.4	333.4	996.8	993.9
Rentals on leased aircraft	14.4	162.7	81.6	513.4
Inflight meals	151.8	140.3	436.4	412.0
Advertising and sales costs	95.4	83.7	265.2	228.8
Company accommodation and utilities	20.1	22.9	38.1	68.6
Other passenger costs	45.3	48.1	148.1	138.2
Crew expenses	46.6	44.0	133.8	124.4
Impairment of amount owing by a joint venture company	31.9	-	31.9	-
Other operating expenses	184.7	218.9	645.1	658.4
	4,022.1	3,953.9	11,933.5	11,434.5
<b>OPERATING PROFIT</b>	448.5	387.6	861.6	813.6
Finance charges	(54.7)	(31.4)	(169.5)	(88.0)
Interest income	6.8	11.3	34.0	33.9
Surplus/(Loss) on disposal of aircraft, spares and spare engines	3.6	(0.6)	10.9	(0.1)
Dividends from long-term investments	1.0	-	3.2	0.8
Other non-operating items	(30.3)	(7.9)	(20.0)	1.3
Share of profits/(losses) of joint venture companies	12.5	(4.5)	33.3	(2.7)
Share of profits/(losses) of associated companies	10.5	11.6	(69.1)	(104.2)
<b>PROFIT BEFORE TAXATION</b>	397.9	366.1	684.4	654.6
<b>TAXATION</b>	(72.2)	(73.3)	(132.8)	(147.1)
<b>PROFIT FOR THE PERIOD</b>	325.7	292.8	551.6	507.5
<b>PROFIT ATTRIBUTABLE TO:</b>				
OWNERS OF THE COMPANY	314.8	284.1	520.4	480.1
NON-CONTROLLING INTERESTS	10.9	8.7	31.2	27.4
	325.7	292.8	551.6	507.5
<b>BASIC EARNINGS PER SHARE (CENTS)</b>	26.6	24.0	43.9	40.6
<b>DILUTED EARNINGS PER SHARE (CENTS)</b>	26.4	23.9	43.7	40.4

**Notes:**

(i) Profit for the period is arrived at after charging/(crediting) the following:

	The Group		The Group	
	3 <sup>rd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2018/19	9 months 2019/20	9 months 2018/19
Interest income from short-term investments	(0.3)	(0.3)	(0.9)	(0.7)
Dividend income from short-term investments	-	-	(0.1)	(0.1)
Income from operating lease of aircraft	(18.8)	(14.8)	(49.4)	(45.8)
Amortisation of deferred loss on sale and operating leaseback transaction	-	1.0	-	3.2
(Surplus)/Loss on disposal of short-term investments	(0.1)	-	0.1	(0.8)
Bad debts written off	0.4	-	1.2	-
Impairment of trade debtors	1.3	2.9	2.2	3.6
Writedown of inventories	0.4	0.8	1.7	3.9
Exchange (gain)/loss, net	(7.8)	13.5	31.1	67.3
Currency hedging gain	(0.1)	(13.8)	(11.9)	(19.0)
Fuel hedging loss/(gain) recognised in "Fuel costs"	8.3	(101.9)	(68.0)	(385.8)
Net (gain)/loss on financial assets mandatorily measured at fair value through profit or loss ("FVTPL")	(0.6)	1.1	(1.5)	0.3
Under/(Over) provision of tax in respect of prior years	0.9	(1.5)	(4.7)	(9.5)

(ii) The other non-operating items comprise the following:

	The Group		The Group	
	3 <sup>rd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2018/19	9 Months 2019/20	9 Months 2018/19
Surplus on disposal of other property, plant and equipment	-	1.0	2.3	7.9
Gain on sale and leaseback transactions	-	-	1.8	-
Loss on liquidation of an associated company	(0.2)	-	(0.2)	-
Surplus on disposal of a subsidiary company	-	0.3	-	0.3
Impairment of long term investments	(0.9)	-	(0.9)	-
Net gain/(loss) on financial assets mandatorily measured at FVTPL	1.7	(3.0)	8.1	2.3
(Provision)/Writeback for expected credit losses on investments and guarantees	(28.2)	0.4	(28.3)	0.9
Competition-related settlements	(0.6)	(6.5)	(0.6)	(6.5)
Restructuring costs	(2.1)	-	(2.2)	-
Provision for onerous aircraft leases	-	(0.1)	-	(3.6)
	(30.3)	(7.9)	(20.0)	1.3



**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2019 (in \$ million)**

	The Group		The Group	
	3 <sup>rd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2018/19	9 Months 2019/20	9 Months 2018/19
<b>PROFIT FOR THE PERIOD</b>	325.7	292.8	551.6	507.5
<b>OTHER COMPREHENSIVE INCOME:</b>				
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Currency translation differences	(24.7)	0.6	(12.1)	24.7
Net fair value changes on cash flow hedges	145.2	(1,948.6)	(510.5)	(644.4)
Share of other comprehensive income of associated and joint venture companies	1.2	(32.2)	(0.2)	(13.8)
Realisation of foreign currency translation reserves on liquidation of an associated company	0.2	-	0.2	-
Realisation of foreign currency translation reserves on disposal of a subsidiary company	-	(0.1)	-	(0.1)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<u>121.9</u>	<u>(1,980.3)</u>	<u>(522.6)</u>	<u>(633.6)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>447.6</u>	<u>(1,687.5)</u>	<u>29.0</u>	<u>(126.1)</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
<b>OWNERS OF THE COMPANY</b>	440.7	(1,696.9)	(0.2)	(159.1)
<b>NON-CONTROLLING INTERESTS</b>	6.9	9.4	29.2	33.0
	<u>447.6</u>	<u>(1,687.5)</u>	<u>29.0</u>	<u>(126.1)</u>

**1(b) (i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

**STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2019 (in \$ million)**

	The Group		The Company	
	31-Dec 2019	31-Mar 2019	31-Dec 2019	31-Mar 2019
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	1,856.1	1,856.1	1,856.1	1,856.1
Treasury shares	(156.0)	(171.5)	(156.0)	(171.5)
Other reserves	10,449.4	11,602.2	9,899.2	10,088.8
	12,149.5	13,286.8	11,599.3	11,773.4
<b>NON-CONTROLLING INTERESTS</b>	399.0	396.4	-	-
<b>TOTAL EQUITY</b>	12,548.5	13,683.2	11,599.3	11,773.4
<b>DEFERRED ACCOUNT</b>	36.9	83.9	36.9	75.1
<b>DEFERRED TAXATION</b>	1,957.0	2,040.3	1,778.5	1,750.2
<b>LONG-TERM LEASE LIABILITIES</b>	1,502.2	-	705.1	-
<b>BORROWINGS</b>	6,829.2	6,423.3	6,463.6	5,973.6
<b>OTHER LONG-TERM LIABILITIES</b>	289.9	89.1	280.7	85.0
<b>PROVISIONS</b>	933.2	702.5	342.5	429.8
<b>DEFINED BENEFIT PLANS</b>	101.6	104.5	100.9	103.9
	24,198.5	23,126.8	21,307.5	20,191.0
Represented by:-				
<b>PROPERTY, PLANT AND EQUIPMENT</b>	25,075.2	22,176.3	19,958.4	17,311.5
<b>RIGHT-OF-USE ASSETS</b>	1,536.2	-	760.0	-
<b>INTANGIBLE ASSETS</b>	474.5	451.3	208.2	194.1
<b>SUBSIDIARY COMPANIES</b>	-	-	3,941.8	3,591.2
<b>ASSOCIATED COMPANIES</b>	861.1	1,104.5	695.9	555.2
<b>JOINT VENTURE COMPANIES</b>	187.1	171.7	32.3	30.6
<b>LONG-TERM INVESTMENTS</b>	312.8	343.9	302.4	333.5
<b>OTHER LONG-TERM ASSETS</b>	435.2	713.7	229.5	543.7
<b>DEFERRED ACCOUNT</b>	-	44.1	-	37.0
<b>CURRENT ASSETS</b>				
Deferred account	-	8.9	-	6.6
Derivative assets	252.5	371.4	252.5	371.4
Inventories	241.0	229.9	165.6	157.6
Trade debtors	1,244.6	1,527.2	836.0	1,138.8
Amounts owing by subsidiary companies	-	-	141.4	3.7
Deposits and other debtors	110.3	93.8	72.0	63.7
Prepayments	157.9	164.9	104.6	98.2
Other short-term assets	44.5	42.8	36.4	42.8
Investments	134.2	116.8	83.4	68.5
Cash and bank balances	1,571.0	2,944.0	1,328.6	2,716.0
	3,756.0	5,499.7	3,020.5	4,667.3
Less: <b>CURRENT LIABILITIES</b>				
Borrowings	835.1	231.1	777.3	159.8
Lease liabilities	459.8	-	263.4	-
Current tax payable	74.3	87.3	38.0	55.0
Trade and other creditors	3,186.7	3,163.6	2,313.8	2,304.2
Amounts owing to subsidiary companies	-	-	937.4	971.8
Sales in advance of carriage	2,642.4	2,715.4	2,371.2	2,479.8
Deferred revenue	696.7	610.9	696.7	610.9
Deferred account	25.0	44.9	23.5	37.9
Derivative liabilities	126.2	89.5	123.1	88.1
Provisions	393.4	435.7	297.1	365.6
	8,439.6	7,378.4	7,841.5	7,073.1
<b>NET CURRENT LIABILITIES</b>	(4,683.6)	(1,878.7)	(4,821.0)	(2,405.8)
	24,198.5	23,126.8	21,307.5	20,191.0

**1(b) (ii) Aggregate amount of group's borrowings and debt securities**

Amount repayable in one year or less, or on demand

As at 31 December 2019		As at 31 March 2019	
Secured	Unsecured	Secured	Unsecured
\$325.3M	\$509.8M	\$223.0M	\$8.1M

Amount repayable after one year

As at 31 December 2019		As at 31 March 2019	
Secured	Unsecured	Secured	Unsecured
\$2,943.4M	\$3,885.8M	\$2,033.7M	\$4,389.6M

Details of any collateral

The secured borrowings pertained to secured bank loans (\$3,268.7 million). The secured bank loans are secured via assignment of certain aircraft purchase agreements, assignment of engine warranty and credit agreement as well as mortgage of these aircraft. Excluded from the borrowings above are lease liabilities of \$1,962.0 million which are secured over the right-of-use assets.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2019 (in \$ million)**

	The Group		The Group	
	3 <sup>rd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2018/19	9 Months 2019/20	9 Months 2018/19
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before taxation	397.9	366.1	684.4	654.6
Adjustments for:				
Depreciation	522.0	336.8	1,521.1	968.4
Impairment of property, plant and equipment	-	-	1.0	-
Amortisation of intangible assets	15.0	17.4	42.0	48.9
Impairment of trade debtors	1.3	2.9	2.2	3.6
Impairment of amount owing by a joint venture company	31.9	-	31.9	-
Writedown of inventories	0.4	0.8	1.7	3.9
Income from short-term investments	(0.3)	(0.3)	(1.0)	(0.8)
Provisions	51.9	97.8	159.9	256.2
Share-based compensation expense	5.3	5.0	15.7	16.3
Exchange differences	(7.9)	6.2	(8.9)	(6.4)
Amortisation of deferred loss on sale and operating leaseback transactions	-	1.0	-	3.2
Finance charges	54.7	31.4	169.5	88.0
Interest income	(6.8)	(11.3)	(34.0)	(33.9)
(Surplus)/Loss on disposal of aircraft, spares and spare engines	(3.6)	0.6	(10.9)	0.1
Dividends from long-term investments	(1.0)	-	(3.2)	(0.8)
Net (gain)/loss on financial assets mandatorily measured at FVTPL	(0.6)	1.1	(1.5)	0.3
Other non-operating items	30.3	7.9	20.0	(1.3)
Share of (profits)/losses of joint venture companies	(12.5)	4.5	(33.3)	2.7
Share of (profits)/losses of associated companies	(10.5)	(11.6)	69.1	104.2
Operating cash flow before working capital changes	1,067.5	856.3	2,625.7	2,107.2
Increase/(Decrease) in trade and other creditors	9.9	(145.6)	(239.2)	(193.4)
Increase in sales in advance of carriage	(319.9)	(256.3)	(73.0)	(61.3)
Decrease/(Increase) in trade debtors	117.0	31.3	245.1	(42.8)
(Increase)/Decrease in deposits and other debtors	(33.6)	29.2	(17.7)	(4.3)
Decrease/(Increase) in prepayments	14.1	7.3	(26.4)	6.2
Increase in inventories	(7.3)	(30.2)	(12.8)	(59.1)
Increase in deferred revenue	29.3	23.8	85.8	47.7
Cash generated from operations	877.0	515.8	2,587.5	1,800.2
Income taxes paid	(4.0)	(8.8)	(16.0)	(21.3)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>873.0</b>	<b>507.0</b>	<b>2,571.5</b>	<b>1,778.9</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2019 (in \$ million)**

	The Group		The Group	
	3 <sup>rd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2018/19	9 Months 2019/20	9 Months 2018/19
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Capital expenditure	(1,333.1)	(1,543.7)	(4,114.2)	(4,573.2)
Purchase of intangible assets	(23.0)	(31.2)	(61.7)	(81.0)
Proceeds from disposal of aircraft and other property, plant and equipment	49.1	22.5	68.2	159.0
Proceeds from sale and leaseback transactions	-	-	117.2	-
Purchase of long-term investments	-	(5.0)	-	(5.0)
Proceeds from disposal of long-term investments	11.1	136.1	30.3	148.2
Purchase of short-term investments	(120.5)	(459.1)	(409.7)	(677.6)
Proceeds from disposal of short-term investments	136.7	420.3	428.9	735.4
Dividends received from associated and joint venture companies	18.1	41.5	56.0	85.7
Dividends received from investments	3.1	2.0	5.3	2.9
Interest received from investments and deposits	7.7	11.9	35.4	39.6
Proceeds from finance leases	3.1	-	6.9	-
Proceeds from disposal of a subsidiary company, net of cash disposed	-	1.6	-	1.6
Investments in associated companies	(55.8)	(184.1)	(141.0)	(205.6)
Investments in joint venture companies	-	(28.5)	(11.9)	(37.9)
Loan to a joint venture company	(18.1)	-	(18.1)	-
Proceeds from liquidation of an associated company	5.1	-	5.1	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,316.5)</b>	<b>(1,615.7)</b>	<b>(4,003.3)</b>	<b>(4,407.9)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Dividends paid	(94.8)	(94.7)	(355.5)	(449.8)
Dividends paid by subsidiary companies to non-controlling interests	(7.5)	(8.0)	(30.7)	(33.6)
Issuance of share capital by subsidiary companies	-	17.4	1.0	19.5
Interest paid	(44.0)	(42.8)	(146.1)	(96.9)
Proceeds from issuance of bonds	-	600.0	-	600.0
Proceeds from borrowings	1,395.2	0.2	1,540.2	1,380.4
Repayment of borrowings	(385.2)	(16.5)	(524.9)	(37.8)
Repayment of lease liabilities	(147.4)	-	(431.8)	-
Payment of transaction costs related to borrowings	(3.0)	(0.9)	(3.0)	(6.5)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>713.3</b>	<b>454.7</b>	<b>49.2</b>	<b>1,375.3</b>
<b>NET CASH INFLOW/(OUTFLOW)</b>	<b>269.8</b>	<b>(654.0)</b>	<b>(1,382.6)</b>	<b>(1,253.7)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>1,307.9</b>	<b>1,982.5</b>	<b>2,944.0</b>	<b>2,568.3</b>
Effect of exchange rate changes	(6.7)	(3.9)	9.6	10.0
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>1,571.0</b>	<b>1,324.6</b>	<b>1,571.0</b>	<b>1,324.6</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Fixed deposits	246.3	753.5	246.3	753.5
Cash and bank balances	1,324.7	571.1	1,324.7	571.1
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>1,571.0</b>	<b>1,324.6</b>	<b>1,571.0</b>	<b>1,324.6</b>

**1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019 (in \$ million)**

The Group	Attributable to Owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Capital reserve	Foreign currency translation reserve	Share-based compensation reserve	Fair value reserve	General reserve			
Balance at 1 October 2019	1,856.1	(156.0)	(126.3)	(21.2)	15.5	(198.8)	10,429.5	11,798.8	399.1	12,197.9
<u>Comprehensive income</u>										
Currency translation differences	-	-	-	(20.1)	-	-	-	(20.1)	(4.6)	(24.7)
Net fair value changes on cash flow hedges	-	-	-	-	-	145.4	-	145.4	(0.2)	145.2
Share of other comprehensive income of associated and joint venture companies	-	-	-	(0.4)	-	0.8	-	0.4	0.8	1.2
Realisation of foreign currency translation reserves on liquidation of an associated company	-	-	-	0.2	-	-	-	0.2	-	0.2
Other comprehensive income for the period, net of tax	-	-	-	(20.3)	-	146.2	-	125.9	(4.0)	121.9
Profit for the period	-	-	-	-	-	-	314.8	314.8	10.9	325.7
Total comprehensive income for the period	-	-	-	(20.3)	-	146.2	314.8	440.7	6.9	447.6
<u>Transactions with owners, recorded directly in equity</u>										
<u>Contributions by and distributions to owners</u>										
Changes in ownership interest without loss of control	-	-	-	-	(0.2)	-	(0.3)	(0.5)	0.1	(0.4)
Share-based compensation expense	-	-	-	-	5.3	-	-	5.3	0.4	5.7
Dividends	-	-	-	-	-	-	(94.8)	(94.8)	(7.5)	(102.3)
Total transactions with owners	-	-	-	-	5.1	-	(95.1)	(90.0)	(7.0)	(97.0)
Balance at 31 December 2019	1,856.1	(156.0)	(126.3)	(41.5)	20.6	(52.6)	10,649.2	12,149.5	399.0	12,548.5

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018 (in \$ million)**

The Group	Attributable to Owners of the Company							Non-controlling interests	Total equity	
	Share capital	Treasury shares	Capital reserve	Foreign currency translation reserve	Share-based compensation reserve	Fair value reserve	General reserve			Total
Balance at 1 October 2018	1,856.1	(171.5)	(142.4)	(35.6)	15.3	1,638.5	10,891.6	14,052.0	369.8	14,421.8
<u>Comprehensive income</u>										
Currency translation differences	-	-	-	(0.3)	-	-	-	(0.3)	0.9	0.6
Net fair value changes on cash flow hedges	-	-	-	-	-	(1,948.6)	-	(1,948.6)	-	(1,948.6)
Share of other comprehensive income of associated and joint venture companies	-	-	-	0.8	-	(32.8)	-	(32.0)	(0.2)	(32.2)
Realisation of foreign currency translation reserves on disposal of a subsidiary company	-	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Other comprehensive income for the period, net of tax	-	-	-	0.4	-	(1,981.4)	-	(1,981.0)	0.7	(1,980.3)
Profit for the period	-	-	-	-	-	-	284.1	284.1	8.7	292.8
Total comprehensive income for the period	-	-	-	0.4	-	(1,981.4)	284.1	(1,696.9)	9.4	(1,687.5)
<u>Transactions with owners, recorded directly in equity</u>										
<u>Contributions by and distributions to owners</u>										
Changes in ownership interest without loss of control	-	-	-	-	(0.2)	-	(1.4)	(1.6)	1.0	(0.6)
Share-based compensation expense	-	-	-	-	5.0	-	-	5.0	-	5.0
Issuance of share capital by subsidiary companies	-	-	-	-	-	-	-	-	17.4	17.4
Dividends	-	-	-	-	-	-	(94.7)	(94.7)	(8.0)	(102.7)
Total transactions with owners	-	-	-	-	4.8	-	(96.1)	(91.3)	10.4	(80.9)
Balance at 31 December 2018	1,856.1	(171.5)	(142.4)	(35.2)	20.1	(342.9)	11,079.6	12,263.8	389.6	12,653.4

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019 (in \$ million)**

The Company	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total
Balance at 1 October 2019	1,856.1	(156.0)	(928.8)	13.4	(155.7)	10,590.1	11,219.1
<u>Comprehensive income</u>							
Net fair value changes on cash flow hedges	-	-	-	-	105.7	-	105.7
Other comprehensive income for the period, net of tax	-	-	-	-	105.7	-	105.7
Profit for the period	-	-	-	-	-	364.9	364.9
Total comprehensive income for the period	-	-	-	-	105.7	364.9	470.6
<u>Transactions with owners, recorded directly in equity</u>							
<u>Contributions by and distributions to owners</u>							
Share-based compensation expense	-	-	-	4.4	-	-	4.4
Dividends	-	-	-	-	-	(94.8)	(94.8)
Total transactions with owners	-	-	-	4.4	-	(94.8)	(90.4)
Balance at 31 December 2019	1,856.1	(156.0)	(928.8)	17.8	(50.0)	10,860.2	11,599.3

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2018 (in \$ million)**

The Company	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total
Balance at 1 October 2018	1,856.1	(171.5)	(929.8)	13.0	1,285.3	10,455.3	12,508.4
<u>Comprehensive income</u>							
Net fair value changes on cash flow hedges	-	-	-	-	(1,562.1)	-	(1,562.1)
Other comprehensive income for the period, net of tax	-	-	-	-	(1,562.1)	-	(1,562.1)
Profit for the period	-	-	-	-	-	306.1	306.1
Total comprehensive income for the period	-	-	-	-	(1,562.1)	306.1	(1,256.0)
<u>Transactions with owners, recorded directly in equity</u>							
<u>Contributions by and distributions to owners</u>							
Share-based compensation expense	-	-	-	4.1	-	-	4.1
Dividends	-	-	-	-	-	(94.7)	(94.7)
Total transactions with owners	-	-	-	4.1	-	(94.7)	(90.6)
Balance at 31 December 2018	1,856.1	(171.5)	(929.8)	17.1	(276.8)	10,666.7	11,161.8



**1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

## **SHARE CAPITAL AND SHARE PLANS IN THE COMPANY**

### Share Capital

Group and Company	Number of Shares	Share Capital (\$ million)
Issued and fully paid share capital <u>Ordinary Shares</u> Balance at 1 October 2019 and 31 December 2019	1,199,851,018	1,856.1

As at 31 December 2019, the number of ordinary shares in issue was 1,199,851,018 of which 14,722,694 were held by the Company as treasury shares (31 December 2018: 1,199,851,018 ordinary shares of which 16,185,885 were held as treasury shares). The share capital was \$1,856.1 million. The treasury shares held represent 1.2% (31 December 2018: 1.4%) of the total number of issued shares (excluding treasury shares).

There are no subsidiary holdings of the Company as at 31 December 2019 and 31 December 2018.

### Restricted Share Plan ("RSP") and Performance Share Plan ("PSP")

Senior management staff are entitled to two share-based incentive plans, the RSP and PSP, which were first approved by the shareholders of the Company on 28 July 2005 and expired on 27 July 2015. On 30 July 2014, the shareholders of the Company approved the RSP 2014 and PSP 2014, which replaced the RSP and PSP respectively.

Depending on the achievement of pre-determined targets over the performance periods for the RSP and PSP, the final number of restricted shares and performance shares awarded could range between 0% and 150% of the initial grant of the restricted shares and between 0% and 200% of the initial grant of the performance shares.

As at 31 December 2019, the number of outstanding shares granted under the Company's RSP and PSP were 2,045,370 (31 December 2018: 2,070,455) and 922,504 (31 December 2018: 744,322) respectively.

The details of the shares awarded under RSP and PSP are as follows:

Date of Grant	Number of Restricted Shares			
	Balance at 01.10.2019	Granted	Vested	Balance at 31.12.2019
<b><u>RSP</u></b>				
19.07.2017	362,490	-	-	362,490
19.07.2018	509,680	-	-	509,680
19.07.2019	1,173,200	-	-	1,173,200
	2,045,370	-	-	2,045,370

Date of Grant	Number of Performance Shares			
	Balance at 01.10.2019	Granted	Vested	Balance at 31.12.2019
<b><u>PSP</u></b>				
19.07.2017	207,508	-	-	207,508
19.07.2018	285,996	-	-	285,996
19.07.2019	429,000	-	-	429,000
	922,504	-	-	922,504

#### Deferred Share Award ("DSA")

Grants of DSA of fully paid ordinary shares are granted to senior management. At the end of a 3-year vesting period, an additional final award will be vested equal to the Base Award multiplied by the accumulated dividend yield. The details of the DSA are as follows:

Date of Grant	Number of Deferred Share Award			
	Balance at 01.10.2019	Granted	Vested	Balance at 31.12.2019
<b><u>DSA</u></b>				
06.09.2017	94,070	-	-	94,070
11.09.2018	119,090	-	-	119,090
	213,160	-	-	213,160

#### Transformation Share Award ("TSA")

Grants of TSA of fully paid ordinary shares are granted to senior management. At the end of the one-year performance period, a final award will be determined based on the initial award multiplied by an achievement factor (ranging from 0% to 200%). The final award will vest over three years, on the final date an additional equity kicker equivalent to 20% of final awards will be settled with the participant. The details of the TSA are as follows:

Date of Grant	Number of Transformation Share Award			
	Balance at 01.10.2019	Granted	Vested	Balance at 31.12.2019
<b><u>TSA</u></b>				
19.07.2018	199,000	-	-	199,000
19.07.2019	455,005	-	-	455,005
	654,005	-	-	654,005

**1(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 31 December 2019, the number of ordinary shares in issue was 1,199,851,018 of which 14,722,694 were held by the Company as treasury shares (31 March 2019: 1,199,851,018 ordinary shares of which 16,185,885 were held as treasury shares).

**1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

During the period October to December, the Company did not purchase any treasury shares (October to December 2018: Nil).

The Company did not transfer any treasury shares to employees on vesting of share-based incentive plans (October to December 2018: Nil). Treasury shares are presented as a component within equity attributable to owners of the company.

Group and Company	Number of Shares	Treasury Shares (\$ million)
Balance at 1 October 2019 and 31 December 2019	14,722,694	(156.0)

**1(d) (v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There are no subsidiary holdings of the Company as at 31 December 2019 and 31 December 2018. There were no sales, transfers, cancellations and/or use of subsidiary holdings for the period October to December 2019.

**2 Whether the figures have been audited, or reviewed, and in accordance with which auditing standard or practice.**

The financial statements have not been audited or reviewed by our auditors.

**3 Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter).**

Not applicable.

**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 March 2019.

1. The Group revised the estimated useful lives and residual values of certain of its aircraft. The effect of the changes is an increase in depreciation expense of approximately \$34.0 million for the nine months ended 31 December 2019.
2. The Group adopted new and revised International Financial Reporting Standards ("IFRS") and Interpretations of IFRS that are mandatory for financial year beginning on or after 1 April 2019. There is no significant impact to the Group except for IFRS 16 Leases.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group applied the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information. The Group also applied the practical expedient to grandfather the definition of lease on transition.

#### As lessee

The Group chose, on a lease-by-lease basis, to measure an ROU asset at either:

- its carrying amount as if IFRS 16 had been applied since the commencement date; or
- an amount equal to the lease liability arising from the capitalisation of the present value of future lease payments.

In addition, the Group applied the following practical expedients:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- rely on previous assessments regarding whether the leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before 1 April 2019 as an alternative to performing an impairment review;
- account for aircraft and engine leases for which the lease term ends within 12 months from 1 April 2019 as short-term leases;
- exclude initial direct costs for the measurement of ROU assets as of 1 April 2019; and
- use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

#### As lessor

IFRS 16 substantially carries forward the current lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

The Group reassessed the classification of sub-leases in which the Group is a lessor and reclassified two sub-leases as finance leases, resulting in the recognition of a finance lease receivable. There was no significant impact for other leases in which the Group is a lessor.

#### Impact on Consolidated Profit and Loss Account

The expenses related to operating leases previously shown in the Consolidated Profit and Loss Account under "Rentals on leased aircraft" and "Company accommodation and utilities" are replaced by depreciation expense for ROU assets and finance charges on lease liabilities.

Impact on Statements of Financial Position (in \$million)

	At 1 April 2019	
	Increase/(Decrease)	
	The Group	The Company
<u>Equity</u>		
General reserve	(792.5) *	(184.4)
<u>Liabilities</u>		
Deferred account (non-current)	(38.7)	(29.9)
Deferred taxation	(110.4)	(39.8)
Long-term lease liabilities	1,743.7	890.4
Provisions (non-current)	265.9	(25.8)
Deferred account (current)	(6.6)	(4.9)
Trade and other creditors	(16.8)	(12.3)
Lease liabilities	443.3	277.8
Provisions (current)	2.4	-
<u>Assets</u>		
Property, plant and equipment	102.8	-
Right-of-use assets	1,708.3	936.1
Associated Companies	(271.6) *	-
Other long term assets	29.1	-
Deferred account (non-current)	(44.1)	(37.0)
Prepayments	(33.2)	(21.4)
Deferred account (current)	(8.9)	(6.6)
Other short-term assets	7.9	-

\* These balances have been updated since the release of the Unaudited Results for the First Quarter Ended 30 June 2019 to include an estimation of SIA Group's share of the financial impact arising from the adoption of IFRS 16 by Virgin Australia Holdings. This estimate was based on publicly available information published by Virgin Australia Holdings in August 2019, and will continue to be updated as and when new information becomes available.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to Item 4.

**6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	The Group			
	3 <sup>rd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2018/19	9 Months 2019/20	9 Months 2018/19
Earnings per share (cents)				
- Basic	26.6	24.0	43.9	40.6
- Diluted	26.4	23.9	43.7	40.4

**7 Net asset value (for the issuer and group) per ordinary share based on issued share capital excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	The Group		The Company	
	As at 31 Dec 19	As at 31 Mar 19	As at 31 Dec 19	As at 31 Mar 19
Net asset value per ordinary share (\$)	10.25	11.22	9.79	9.95

**8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### **GROUP FINANCIAL PERFORMANCE**

The SIA Group delivered a strong set of results in the third quarter of the 2019/20 financial year. Group revenue for the quarter was at a record high of \$4,471 million, boosted by initiatives arising from the Transformation programme. Operating profit increased \$61 million (+15.7%) from last year to \$449 million, driving a Group net profit improvement of \$31 million (+10.9%) to \$315 million.

For the nine months ended 31 December 2019, Group operating profit rose \$48 million (+5.9%) to \$862 million and net profit was up \$40 million (+8.3%).

Group Financial Results	3 <sup>rd</sup> Quarter FY2019/20 (\$ million)	3 <sup>rd</sup> Quarter FY2018/19 (\$ million)	Better/ (Worse) (%)	9 months FY2019/20 (\$ million)	9 months FY2018/19 (\$ million)	Better/ (Worse) (%)
<b>Total Revenue</b>	<b>4,471</b>	<b>4,342</b>	<b>3.0</b>	<b>12,795</b>	<b>12,248</b>	<b>4.5</b>
<b>Total Expenditure</b>	<b>4,022</b>	<b>3,954</b>	<b>(1.7)</b>	<b>11,933</b>	<b>11,434</b>	<b>(4.4)</b>
Net Fuel Cost	1,207	1,252	3.6	3,556	3,487	(2.0)
Fuel Cost (before hedging)	1,199	1,354	11.4	3,624	3,873	6.4
Fuel Hedging Loss/(Gain)	8	(102)	n.m.	(68)	(386)	(82.4)
Non-fuel Expenditure	2,815	2,702	(4.2)	8,377	7,947	(5.4)
<b>Operating Profit</b>	<b>449</b>	<b>388</b>	<b>15.7</b>	<b>862</b>	<b>814</b>	<b>5.9</b>
<b>Net Profit</b>	<b>315</b>	<b>284</b>	<b>10.9</b>	<b>520</b>	<b>480</b>	<b>8.3</b>

Operating results of the main companies in the Group are shown below:

Operating Profit	3 <sup>rd</sup> Quarter FY2019/20 (\$ million)	3 <sup>rd</sup> Quarter FY2018/19 (\$ million)	Better/ (Worse) (%)	9 months FY2019/20 (\$ million)	9 months FY2018/19 (\$ million)	Better/ (Worse) (%)
Parent Airline Company	413	369	11.9	878	787	11.6
SilkAir	7	7	-	(12)	5	n.m.
Scoot	4	1	n.m.	(73)	(9)	n.m.
SIA Engineering	16	16	-	53	37	43.2

### **Third Quarter 2019/20**

Group operating profit of \$449 million was \$61 million (+15.7%) higher than last year.

Group revenue rose \$129 million (+3.0%) year-on-year to \$4,471 million, primarily driven by strong growth in passenger revenue and partly offset by lower cargo revenue. Passenger flown revenue was \$239 million (+7.0%) higher, boosted by robust traffic growth (+8.3%). Load factor was up 2.6 percentage points to 85.6%, the highest on record for the third quarter, as traffic outpaced capacity injection of 4.9% (measured in available seat-kilometres). Notwithstanding the capacity growth, RASK (revenue per available seat-kilometre) improved 1.3% to 8.0 cents. Cargo flown revenue declined by \$112 million as both cargo yield and load factor fell, by 9.3% and 4.6 percentage points respectively, due to weaker cargo demand amid trade uncertainties and an export manufacturing slowdown in Europe and Asia.

Group expenditure increased \$68 million (+1.7%) to \$4,022 million as a result of higher non-fuel expenditure. Non-fuel costs were up \$113 million (+4.2%), attributable to both the increase in capacity as well as higher traffic. This was partially offset by lower net fuel costs (-\$45 million or 3.6%), mainly due to a decrease in average jet fuel price post-hedging.

Group net profit for the October-December 2019 quarter improved \$31 million (+10.9%) to \$315 million. The stronger results were driven by better operating performance (+\$61 million) as well as an improvement in share of results of joint venture and associated companies (+\$16 million), partly offset by an increase in net finance charges (-\$28 million) and other non-operating losses (-\$22 million). Net finance charges were higher due to the recognition of interest expense arising from lease liabilities with the adoption of IFRS 16 Leases and additional financing for fleet renewal and growth. Non-operating losses mainly pertained to the recognition of expected credit losses in relation to a loan and a financial guarantee for NokScoot<sup>1</sup>.

### Third Quarter Operating Results of Main Companies

Operating profit for the Parent Airline Company rose \$44 million or 11.9% year-on-year to \$413 million.

Total revenue was up \$120 million, predominantly due to growth in passenger flown revenue (+\$225 million or 8.2%) on the back of a 9.7% increase in passenger carriage (measured in revenue passenger-kilometres). Notwithstanding a significant capacity growth of 6.9%, the passenger operations achieved a record high load factor for the third quarter of 85.6% (+2.2 percentage points) and an improvement in RASK of 1.1%. However, lower cargo revenue of \$112 million negated some of the improvements.

Total expenditure increased on higher ex-fuel costs (+\$116 million or 5.5%), arising from costs related to expansion such as aircraft standing charges as well as staff and sales costs. This was partly offset by a decline in net fuel costs (-\$40 million or 3.8%), primarily due to lower post-hedging fuel prices. As the increase in total expenditure was contained within overall capacity expansion, overall unit cost fell by 1.6%.

SilkAir recorded an operating profit of \$7 million, flat against last year. During the quarter, capacity for the carrier fell 8.2%, primarily attributable to the grounding of the 737 MAX 8 fleet as well as the progressive transfer of routes to Scoot. However, traffic fell by a smaller extent (-2.9%), which led to an improvement in passenger load factor of 4.4 percentage points. Passenger flown revenue fell \$12 million, as yield decreased 1.8% in addition to the lower traffic. Non-scheduled services revenue and incidental revenue fell \$5 million as well, contributing to the overall revenue decline of \$18 million (-6.6%). Expenditure was down \$18 million, largely due to a decrease in net fuel costs (-\$8 million) as well as other ex-fuel costs from capacity reduction.

Scoot registered an operating profit of \$4 million, \$3 million higher than a year ago. Passenger flown revenue increased \$26 million (+6.0%), supported by higher passenger traffic (+6.8%). RASK improved 4.1%, on the back of an increase in passenger load factor of 3.7 percentage points. Although passenger revenue growth was tempered by declines in cargo revenue (-\$4 million) and other operating revenue (-\$7 million), total revenue was \$15 million higher against last year. Expenditure rose \$12 million (+2.5%), in line with capacity growth.

Operating profit for SIA Engineering was stable year-on-year at \$16 million. Revenue fell \$4 million (-1.5%), mainly attributable to a reduction in airframe and line maintenance revenue. A reduction in expenditure of \$4 million, primarily from lower material costs cushioned the reduction in revenue.

### April to December 2019

Group operating profit for the nine months to December 2019 improved by \$48 million to \$862 million (+5.9%). Revenue grew \$547 million (+4.5%), attributable to stronger passenger flown revenue (+\$754 million or 7.8%) on traffic growth of 7.8%, partially offset by lower cargo revenue (-\$250 million). Expenditure rose \$499 million (+4.4%), mainly due to higher ex-fuel costs of \$430 million (+5.4%) arising from passenger capacity expansion (+5.9%). Net fuel costs were also up \$69 million (+2.0%), contributed by an increase in fuel volume consumed (+3.6% or \$146 million) on higher capacity and a stronger USD against SGD.

Group net profit for the nine months ended 31 December 2019 rose \$40 million (+8.3%) to \$520 million, attributable to higher operating profit (+\$48 million) and an improvement in share of results from associates and joint ventures (+\$71 million), partially offset by higher net finance charges (-\$81 million).

<sup>1</sup> Expected credit losses, recognised during the quarter, in relation to NokScoot total \$61 million, of which \$32 million is recorded in operating expenses and \$29 million is recorded in non-operating items.

**BALANCE SHEET REVIEW**  
**(December 2019 vs March 2019)**

Equity attributable to owners of the company decreased by \$1,137 million (8.6%) to \$12,150 million as at 31 December 2019 largely due to the adoption of IFRS 16 (-\$793 million), and fair value movement on cash flow hedges (-\$512 million), payment of FY2019/20 interim dividend and FY2018/19 final dividend (-\$356 million), partially offset by profit for the period (+\$520 million).

Total Group assets increased by \$2,133 million (7.0%) to \$32,638 million. The increase was mainly attributable to an increase in property, plant and equipment (+\$2,899 million) and right-of-use assets (+\$1,536 million), offset by the decrease in cash and bank balances (-\$1,373 million) and derivative assets (-\$406 million). The reduction in cash balances arose primarily from capital expenditure (-\$4,114 million), repayment of borrowings (-\$525 million), repayment of lease liabilities (-\$432 million) and payment of FY2019/20 interim and FY2018/19 final dividend (-\$356 million), partially offset by cash generated from operations (+\$2,572 million) and proceeds from borrowings (+\$1,540 million).

Total Group liabilities increased by \$3,268 million (19.4%) to \$20,090 million as at 31 December 2019, primarily arising from the increase in lease liabilities (+\$1,962 million), borrowings (+1,010 million) and derivative liabilities (+\$231 million).

The changes in right-of-use assets, lease liabilities and associated companies were due to the adoption of IFRS 16.

The Group's negative working capital arose largely from the collection of cash in advance of services provided. Excluding the liabilities under "sales in advance of carriage", the Group's working capital would be -\$2,041 million as at 31 December 2019. Nevertheless, the Group is generating positive cashflow from operations, and has undrawn committed lines of credit of \$1,581 million to underpin security of operations.

**9 Whether a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10 A commentary at the date of announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

**OUTLOOK**

The growing scale of the COVID-19 outbreak poses significant challenges to the SIA Group. Demand for services to Mainland China has been severely affected. The Parent Airline Company and SilkAir have drastically reduced frequencies on all Mainland China routes in February and March 2020, while Scoot has suspended all flights to Mainland China until 28 March 2020 (end of the Northern Winter 2019/20 operating season). Amidst this challenging environment, the SIA Group will continue to be proactive and nimble in making appropriate network adjustments and managing costs tightly.

Ensuring the safety and well-being of our passengers and staff is always our highest priority. We have set up a high-level task force to closely monitor the COVID-19 situation and promptly roll out measures to minimise the risks to our passengers and staff. For instance, we have stepped up the cleaning and disinfection of our aircraft cabins, modified our in-flight service to improve safety for passengers and crew, and stopped layovers on flights to China.

Volatility in fuel prices is likely to persist, in view of recent geopolitical tensions and the demand-side uncertainties in the global oil market. However, the Group's hedging policy provides stability in net fuel costs. For the fourth quarter, the Group has hedged 79% of its fuel requirements in MOPS at a weighted average price of USD76. For FY2020/21, the Group has hedged 51% in MOPS and 22% in Brent at weighted average prices of USD74 and USD58 per barrel respectively<sup>2</sup>.

<sup>2</sup> Hedge profile as at 30 January 2020.



The Transformation programme has strengthened the Group's revenue generating capabilities and driven operational efficiencies while maintaining high service standards. Together with our strong liquidity, this provides the Group with the resilience to weather the current challenges.

At the same time we will continue to pursue ongoing strategic initiatives including the integration of the Parent Airline Company and SilkAir, growing the low cost airline Scoot, investing in the Indian joint-venture Vistara, and developing new sources of revenue such as KrisShop. These will further strengthen the foundation for future growth and success.

Operating our business in a sustainable manner has always been a priority for the Group. We have invested heavily in a young fuel-efficient fleet, and constantly seek ways to further improve efficiency by optimising flight routings, reducing aircraft weight and leveraging data analytics to optimise fuel uplift. We have rolled out measures to reduce the amount of single-use plastics and minimise waste both on board our aircraft and in our facilities. Steps have been taken to increase our use of renewable energy and lower our electricity consumption. We will aggressively pursue opportunities and embark on initiatives that will help the Group to further reduce its overall carbon footprint.

## **11 Dividend**

### **(a) Current Financial Period Reported on**

#### **Any dividend declared for the current financial period reported on?**

None. The Company declares dividends (if any) at half year and full year results announcement.

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

#### **Any dividend declared for the corresponding period of the immediately preceding financial year?**

None.

### **(c) Date payable**

Not applicable.

### **(d) Books closure date**

Not applicable.

## **12 If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

Not applicable.

### 13 Interested Person Transactions

The aggregate values of all Interested Person Transactions ("IPTs") entered into during the third quarter of the Financial Year 2019/20 are as follows:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	(S\$)	(S\$)
<b>CapitaLand Limited Group</b>		
- ASB Sydney Goulburn Trust	-	126,277
- Ascendas Hotel Investment Company Pty Ltd	-	843,671
- Ascendas Real Estate Investment Trust	-	2,163,353
<b>Certis CISCO Group</b>		
- Certis CISCO Aviation Security Pte. Ltd.	-	495,842
- Synergy FMI Pte. Ltd.	-	924,126
<b>KrisShop Pte Ltd</b>	-	838,475
<b>SATS Ltd Group</b>		
- Air India SATS Airport Services Private Limited	-	2,204,006
- Asia Airfreight Terminal Co Ltd	-	969,597
- MacroAsia Catering Services Inc.	-	2,393,458
- Maldives Inflight Catering Private Limited	-	496,825
- Mumbai Cargo Service Center Airport Private Limited	-	815,880
- PT Jas Aero-Engineering Services	-	1,297,449
- PT Jasa Angkasa Semesta Tbk	-	4,381,956
- SATS Aero Laundry Pte. Ltd.	-	4,112,191
- SATS Asia-Pacific Star Pte. Ltd.	-	169,817
- SATS Ltd	875,001 ^	205,486,552
- SATS Security Services Private Limited	-	6,854,522
- Taj SATS Air Catering Ltd	-	1,236,881
- TFK Corporation	-	1,868,280
<b>Singapore Technologies Engineering Limited Group</b>		
- ST Aerospace Services Co Pte. Ltd.	-	626,840
<b>Singapore Telecommunications Limited Group</b>		
- Optus Networks Pty Limited	-	364,350
- Singapore Telecommunications Limited	-	324,847
<b>StarHub Ltd Group</b>		
- Ensign InfoSecurity (Systems) Pte. Ltd.		2,853,100
<b>Total Interested Person Transactions</b>	<b>875,001</b>	<b>241,848,295</b>

^ "Earn-out Payments" payable by KrisShop to SATS Ltd.

**14 Confirmation that the Issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7 under Rule 720(1) of the Listing Manual.

By Order of the Board

Brenton Wu  
Company Secretary  
14 February 2020

*Singapore Company Registration No.: 197200078R*

### **CONFIRMATION BY THE BOARD**

We, Peter Seah Lim Huat and Goh Choon Phong, being two directors of Singapore Airlines Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the third quarter and nine months ended 31 December 2019 financial results to be false or misleading in any material respect.

On behalf of the Board,



PETER SEAH LIM HUAT  
Chairman



GOH CHOON PHONG  
Chief Executive Officer

14 February 2020

## **APPENDIX II**

### **REPRODUCTION OF THE ISSUER'S CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

The information set out below is a reproduction of the Issuer's condensed interim financial statements as at and for the six-month period ended 30 June 2019.

**SG Issuer**

**Société Anonyme**

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

**As at and for the six-month period ended 30 June 2019**

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

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SG Issuer  
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SG Issuer  
Société Anonyme

**Executive Board Members**

For the six-month period ended 30 June 2019

**Chairman:**

**Mr Yves CACCLIN (until 29 April 2019)**

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

**Mrs Aude de ROQUANCOURT (Member since 1 February 2019 - Chairman since 29 April 2019)**

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

**Members:**

**Mr Noël ALISON (until 20 September 2019)**

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

**Mr Thierry BODSON**

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

**Mr Amaury de BELER (until 1 February 2019)**

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

**Mr Alexandre GALLICHE**

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

**Mr Pascal JACOB (since 29 April 2019)**

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

**Mrs Estelle STEPHAN JASPARD**

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

**Mr Laurent WEIL**

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

SG Issuer  
Société Anonyme

**Supervisory Board Members**

For the six-month period ended 30 June 2019

**Chairman:**

**Mr Yves CACCLIN (since 29 April 2019)**

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

**Mr Arnaud JACQUEMIN (until 29 April 2019)**

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

**Members:**

**Mr Didier LALLEMAND**

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

**Mr Vincent ROBILLARD**

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

**Mr Olivier FREITAS**

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

**Mr Gregory CLAUDY**

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

SG Issuer  
Société Anonyme

**Audit Committee Members**

For the six-month period ended 30 June 2019

**Chairman:**

**Mr Gregory CLAUDY**

Independent Director

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

**Members:**

**Mr Olivier FREITAS**

Employee of Société Générale Bank & Trust

11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Didier LALLEMAND**

Employee of Société Générale

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

SG Issuer  
Société Anonyme

**Management and administration**  
For the six-month period ended 30 June 2019

**Issuer**

SG Issuer  
16, boulevard Royal, L-2449 Luxembourg

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

Société Générale  
29, boulevard Haussmann, F-75009 Paris, France

**Arranger and Dealer**

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

**Security Trustee and Security Agent Trustee**

The Bank of New York MELLON Corporate Trustee Services Limited  
One Canada Square, London E14 5AL

**Collateral Custodian**

The Bank of New York MELLON (Luxembourg) S.A.  
2-4, rue Eugène Ruppert, L-2453 Luxembourg

**Collateral Monitoring Agent**

The Bank of New York MELLON London Branch  
One Canada Square London E14 5AL

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

Société Générale Bank & Trust  
11, avenue Emile Reuter, L-2420 Luxembourg

**Paying Agents**

Société Générale  
29, boulevard Haussmann, F-75009 Paris, France  
&  
Société Générale, New York Branch  
1221, avenue of the Americas, New York NY 10020, United States of America

**Warrant Agent**

Société Générale Bank & Trust  
11, avenue Emile Reuter, L-2420 Luxembourg

SG Issuer  
Société Anonyme

**Legal advisers and Réviseur d'entreprises agréé**  
For the six-month period ended 30 June 2019

**Legal advisers**

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

Allen & Overy LLP

Edouard VII

26, boulevard des Capucines, F-75009 Paris, France

To the Trustee as to English Law

Allen & Overy LLP

1 Bishops Square, London E1 6AD, United Kingdom

To the Arranger as to Luxembourg Law

Allen & Overy Luxembourg

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

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

Ernst & Young S.A.

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

## Report of the Executive Board and Corporate Governance Statement

For the six-month period ended 30 June 2019

The Directors of SG Issuer (the "Company" or "SGIS") (each a « Director », collectively the « Executive Board ») present the condensed interim financial statements and the Report of the Executive Board and Corporate Governance Statement of the Company for the period from 1 January 2019 to 30 June 2019.

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

The purpose of SG Issuer is to issue Notes and Warrants with all types of underlyings including, without restriction, shares, index, interest rate, dividend, credit risk, foreign exchange, commodities, funds, Warrants, etc... allowing investors to access to the full pricing capabilities of Société Générale, which proposes an extensive range of investment strategies linked to these various asset classes.

Notes and Warrants issued by the Company can be sold in either Private Placements or Public Offerings.

Notes are mainly debt securities, bonds, certificates. Issuing proceeds raised by the sale of the Notes will be transferred to Société Générale Paris through a Fully Funded Swap, which will perfectly hedge SGIS for the full issue size.

Warrants are financial products like turbos, inline Warrants, daily leverage certificates, etc..., which aim to replicate the same financial exposure as buying (call) or selling (put) an asset such as a share or an index, at a predetermined price (strike price) on a predetermined date (expiry) and to offer different pay-off or exposures to investors.

Warrants are sold by SG Issuer mainly to clients in France, Belgium, Luxembourg, UK, Sweden, Finland, Norway, Spain, Hong-Kong, the Netherlands, Italy and Singapore.

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

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

Notes and Warrants issuances are governed by the Base Prospectus prepared by Société Générale. The main programmes for Notes are the two Debt Instruments Issuance Programmes, for which the last updates have been approved by the CSSF on 14 June 2019 and the "Programme d'Emission de Titres de Créance" approved by the CSSF on 20 June 2019. Similarly, the main programmes for Warrants are the Warrants Issuance Programme for which the last updates have been approved by the CSSF on 1 July 2019, and the Warrants and Turbo Warrants Issuance Programme for which the last updates have been approved by the CSSF on 16 July 2019. Two programmes are hosted by Société Générale Frankfurt, Dual Language DIIP dated 12 July 2019 and Dual Language Leveraged and Tracking Products dated 17 July 2019. The Hong Kong Warrants programme was last updated on 3 April 2019 and the Singapore Warrants programme was last updated on 21 June 2019.

The state of business of the Company at the closing of the six-month period ended 30 June 2019 is adequately presented in the interim statement of financial position and interim statement of profit and loss and other comprehensive income.

The increase in total assets and liabilities (before impact of the off-setting – see Note 2.3.3.4) is due to the development of the activity of issuing financial instruments.

SG Issuer  
Société Anonyme

During the six-month period ended 30 June 2019, 13 461 new Notes were issued (among which 79 new secured Notes) and 16 760 new Warrants were issued<sup>1</sup>. The net profit for the period from 1 January 2019 to 30 June 2019 amounts to KEUR 263.

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

## 2. RISKS AND UNCERTAINTIES

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

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

The legal documentation and the derivative instruments have been put in place in order to make sure that the assets match the liabilities at any time. Therefore, no market risk is supported by the Company. The risk management in relation to the Notes and Warrants is also described in Note 9 hereafter.

## 3. FUTURE DEVELOPMENTS

For this second semester, the Executive Board expects a further increase in the Notes and Warrants issued. From next year, while the issuance of Notes is expected to remain sustained, the Warrants activity is expected to decrease, the Société Générale Group planning to use another issuer for the bulk of its Warrant issuances.

## 4. SUBSEQUENT EVENTS

There were no subsequent events which could have a significant impact on the condensed interim financial statements of the Company as at and for the six-month period ended 30 June 2019.

## 5. CORPORATE GOVERNANCE STATEMENT

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

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

### 5.1. Executive Board

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

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

SG Issuer  
Société Anonyme

The Executive Board meetings are held several times during the year when necessary.

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

Key tasks of the Executive Board:

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

## 5.2. Supervisory Board

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

## 5.3. Audit Committee

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

An Audit Committee took place on 29 April 2019, during which the financial statements for the year ended 31 December 2018 and the external audit results were presented. At least one member of the committee must be independent, which is the case of the Chairman of the Company's Audit Committee.

## 5.4. Internal Audit

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

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

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



## 5.5. Controls framework

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

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

## 5.6. New Products Committee


All the new activities and business of the Company are analyzed and authorized by a dedicated New Products Committee (NPC). All involved departments within Société Générale are represented (operations, finance, risk, accounting standards, etc...) to assess the impact for the Company.

## 5.7. Service level agreements

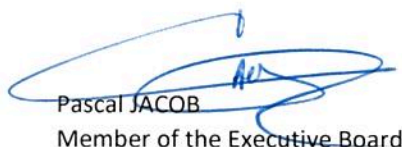
The Company and several of its service providers are subsidiaries of the Société Générale Group and therefore benefit from the Group's internal control systems.

Service Level Agreements ("SLAs") were signed by the Company with SGBT and with Société Générale. The SLAs govern the relations between the entities as well as their respective obligations. The services supplied by SGBT and Société Générale are listed in the appendices of the agreements (mainly General services, legal services, business continuity management services and financial services from SGBT and operational services – Middle Office and Back Office – from Société Générale).

Luxembourg, 25 September 2019  
For the Executive Board



Aude de ROQUANCOURT  
Chairman of the Executive Board



Pascal JACOB  
Member of the Executive Board



Thierry BODSON  
Member of the Executive Board

## Global Statement for the condensed interim financial statements

For the six-month period ended 30 June 2019

To the best of our knowledge, the condensed interim financial statements are prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union and gives a true and fair view of the financial position and performance of SG Issuer as at and for the six-month period ended 30 June 2019. The condensed interim financial statements comprise the interim statement of financial position as at 30 June 2019, the interim statement of profit and loss and other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

To the best of our knowledge, the management report includes a fair review of the development and performance of the Company, and a description of the principal risks and uncertainties that the Company faces.

Luxembourg, 25 September 2019



Aude de ROQUANCOURT  
Chairman of the Executive Board



Pascal JACOB  
Member of the Executive Board



Thierry BODSON  
Member of the Executive Board

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

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

### *Introduction*

We have reviewed the accompanying condensed interim financial statements of SG Issuer S.A. as at and for the six-month period ended 30 June 2019, which comprise the interim statement of financial position as at 30 June 2019 and the related interim statement of profit and loss and other comprehensive income, the interim statement of changes in equity, the interim statement of cash flows for the six-month period then ended and explanatory notes. The Executive Board is responsible for the preparation and fair presentation of the condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on the condensed interim financial statements based on our review.

### *Scope of Review*

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

### *Conclusion*

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

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Charles Dequaire

Luxembourg, 25 September 2019

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

For the six-month period ended 30 June

	Note	('000 EUR) 2019	('000 EUR) 2018
Interest income		546	609
Commission income	8	32 882	-
Net gains from financial instruments at fair value through profit or loss	8	129	29 151
Impairments		-	-
<b>Total revenues</b>		<b>33 557</b>	<b>29 760</b>
Interest expenses		(18 672)	(11 521)
Personnel expenses		(103)	(104)
Other operating expenses		(14 432)	(17 987)
<b>Total expenses</b>		<b>(33 207)</b>	<b>(29 612)</b>
<b>Profit before tax</b>		<b>350</b>	<b>148</b>
Income tax	6	(87)	(22)
<b>Profit for the financial period</b>		<b>263</b>	<b>126</b>
<b>Total comprehensive income for the period</b>		<b>263</b>	<b>126</b>

## Interim statement of financial position

As at

		('000 EUR)	('000 EUR)
	Note	30.06.2019	31.12.2018
Cash and cash equivalents	3	92 164	79 584
<b>Financial assets at fair value through profit or loss</b>			
- <i>Mandatorily measured at fair value through profit or loss</i>	4.1	51 712 386	45 062 134
- <i>Trading derivatives</i>	4.1	3 598 402	4 168 362
Loans and receivables	5	50 049	52 570
Other assets		12 072	-
<b>Total assets</b>		<b>55 465 073</b>	<b>49 362 650</b>
 <b>Financial liabilities at amortised cost</b>	4.3	67 950	96 284
<b>Financial liabilities at fair value through profit or loss</b>			
- <i>Designated at fair value through profit or loss</i>	4.2	51 704 692	45 053 728
- <i>Trading derivatives</i>	4.2, 8	3 622 675	4 170 486
Other liabilities		10 601	13 039
Tax liabilities	6	87	64
<b>Total liabilities</b>		<b>55 406 005</b>	<b>49 333 601</b>
 Share capital	7.1	2 000	2 000
Share premium	7.1	56 605	25 000
Legal reserve	7.2.1	200	200
Other reserves	7.2.2	-	1 662
Profit for the financial period/year		263	187
<b>Total equity</b>		<b>59 068</b>	<b>29 049</b>
 <b>Total equity and liabilities</b>		<b>55 465 073</b>	<b>49 362 650</b>

SG Issuer  
Société Anonyme

### Interim statement of changes in equity

	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)
	Share capital	Share premium	Legal reserve	Other reserves (unavailable)	Other reserves (available)	Total reserves	Profit for the financial year/period	Total equity
<b>As at 31 December 2017</b>	<b>2 000</b>	<b>-</b>	<b>200</b>	<b>1 664</b>	<b>1 716</b>	<b>3 580</b>	<b>78</b>	<b>5 658</b>
Allocation of the result of the previous year before dividend distribution	-	-	-	-	78	78	(78)	-
IFRS 9 FTA impact (Note 2.3.3.1)	-	-	-	-	(2)	(2)	-	(2)
Transfer to available reserves	-	-	-	(2)	2	-	-	-
Capital increase / Allocation to the share premium account	-	62 725	-	-	-	-	-	62 725
Dividend to the sole shareholder	-	-	-	-	(1 794)	(1 794)	-	(1 794)
Profit and other comprehensive income for the period from 1 January 2018 to 30 June 2018	-	-	-	-	-	-	126	126
<b>As at 30 June 2018</b>	<b>2 000</b>	<b>62 725</b>	<b>200</b>	<b>1 662</b>	<b>-</b>	<b>1 862</b>	<b>126</b>	<b>66 713</b>
Reimbursement of the share premium (Note 7.1)	-	(37 725)	-	-	-	-	-	(37 725)
Transfer to available reserves	-	-	-	(1 662)	1 662	-	-	-
Profit and other comprehensive income for the period from 1 July 2018 to 31 December 2018	-	-	-	-	-	-	61	61
<b>As at 31 December 2018</b>	<b>2 000</b>	<b>25 000</b>	<b>200</b>	<b>-</b>	<b>1 662</b>	<b>1 862</b>	<b>187</b>	<b>29 049</b>
Allocation of the result of the previous year before dividend distribution	-	-	-	-	187	187	(187)	-
Capital increase / Allocation to the share premium account (Note 7.1)	-	31 605	-	-	-	-	-	31 605
Dividend to the sole shareholder (Note 7.1)	-	-	-	-	(1 849)	(1 849)	-	(1 849)
Profit and other comprehensive income for the period from 1 January 2019 to 30 June 2019	-	-	-	-	-	-	263	263
<b>As at 30 June 2019</b>	<b>2 000</b>	<b>56 605</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>263</b>	<b>59 068</b>

## Interim statement of cash flows

For the six-month period ended 30 June

	Note	('000 EUR) 2019	('000 EUR) 2018
<b>OPERATING ACTIVITIES</b>			
Profit for the financial period		263	126
<i>Adjustment for:</i>			
Net (Increase)/decrease in financial assets	4.1	(6 077 771)	(1 168 619)
Net Increase/(decrease) in financial liabilities	4.2	6 106 425*	1 148 341
(Increase)/decrease in other assets		(12 072)	-
Increase/(decrease) in tax liabilities and other liabilities		(2 416)	(23 720)
Other (IFRS 9 impact)		-	(2)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>14 429</b>	<b>(43 874)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of capital surplus		-	-
Dividend paid	7.1	(1 849)	(1 794)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(1 849)</b>	<b>(1 794)</b>
Cash and cash equivalents at the beginning of the period	3	79 584	114 889
Net increase/(decrease) in cash and cash equivalents		12 580	(45 668)
<b>Cash and cash equivalents at the end of the period</b>		<b>92 164</b>	<b>69 221</b>
<b>Cash flows from interest and dividends</b>			
Interest paid		353	415
Interest received		546	609
Dividend received			-

\* The amount of KEUR 6 106 425 excludes the 2018 activity related interests amounting to KEUR 31 605, which are payable to SGBT and which have been allocated to the Share premium (see Note 5 and Note 7.1).

**Notes to the condensed interim financial statements**  
as at 30 June 2019

**NOTE 1 – CORPORATE INFORMATION**

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

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

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

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

The Company's capital is fully owned by Société Générale Bank & Trust S.A. (hereafter "SGBT"), a bank incorporated under Luxembourg law.

The accounts of the Company are included in the consolidated accounts of SGBT, which is the smallest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 11, avenue Emile Reuter, L-2420 Luxembourg.

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



**Notes to the condensed interim financial statements**  
as at 30 June 2019  
- continued –

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**2.1. Basis of preparation**

**2.1.1. Statement of compliance**

The financial statements of the Company as at 31 December 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB"). The financial statements as at and for the year ended 31 December 2018 were authorised for issue by the Supervisory Board on 29 April 2019.

The condensed interim financial statements as at and for the six-month period ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB"). The condensed interim financial statements as at and for the six-month period ended 30 June 2019 were approved by the Executive Board on 25 September 2019.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 31 December 2018.

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

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

**2.1.3. Functional and presentation currency**

These condensed interim financial statements are prepared in Euro ("EUR"), which is the Company's functional currency and the currency of its share capital.

**2.1.4. Use of estimates and judgements**

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

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

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

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
- continued -

with respect to judgments/estimates involved.

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

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

#### 2.1.5. Segmental information

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

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

## 2.2. Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2018, except for the adoption of the new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 2.2.1. New accounting standards applied by the Company as at 1 January 2019

IFRS 15 "Revenue for contracts with customers" (see Notes 2.2.1.1.).

IFRS 16 "Leases" (see Notes 2.2.1.2.).

IFRIC 23 "Uncertainty over Income Tax Treatments" (Note 2.2.1.3.).

Amendments to IAS 28 "Long-Term Interests in associates and joint ventures" (Note 2.2.1.4.).

Annual improvements (2015-2017) (Note 2.2.1.5.).

Amendments to IAS 19 "Plan Amendments, Curtailment or Settlement" (Note 2.2.1.6.).

#### 2.2.1.1. IFRS 15 "Revenue from contracts with customers"

*Adopted by the European Union on 1 January 2018*

This standard supersedes IAS 18 "Revenue" and sets out the new requirements for recognising revenues earned from all types of contracts entered into with customers.

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.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
- continued -

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.

Income related to the issuance of Notes and Warrants were presented under the caption “net gains from financial instruments at fair value through profit or loss” until 31 December 2018 in accordance with IAS 39/IFRS 9. In 2019, the Company has reassessed the accounting treatment of such income and concluded that such income was in scope of IFRS 15. This new accounting policy has been applied since 1 January 2019. Comparative amounts for the year 2018 were not restated for materiality reasons (but presented in Note 8).

The remuneration of SGIS is composed by 2 distinct services:

- The issuing upfront fee for the initiation of the operation (thereafter issuing upfront fee). 85% of the total fee is recorded at the issue date;
- The account and security servicing during the lifecycle of the security (thereafter security servicing fee). 15% of the total fee is accrued on a monthly basis, as the recognition of continuous services from the security servicing services of SGIS (according to the costs and resources engaged by SGIS).

**2.2.1.2. IFRS 16 “Leases”**

*Adopted by the European Union on 31 October 2017*

This new standard supersedes the existing standard IAS 17 and modifies accounting requirements for leases, and more specifically in relation to the lessees’ financial statements, with very few impacts for the lessors.

For all lease agreements in the scope of IFRS 16, lessee are required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In its statement of profit and loss, the lessee separately recognises the depreciation of the right-of-use assets and the interest expense on lease liabilities.

SGIS has only one lease agreement related to the building. Since the term of this agreement is 2 years and the annual rental fees amount to KEUR 23, leases are considered non material.

**2.2.1.3. 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, analyzing and monitoring tax uncertainties has been reviewed both at Group level and at the Company’s level. There is no tax treatment at the level of the Company which would raise uncertainty requiring assessment of potential other tax treatment. Consequently, no effect of this interpretation has been booked on equity.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
- continued -

**2.2.1.4. 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.

The Company did not identify any impact from these amendments as the Company does not have any long-term interest in neither associate nor joint venture.

**2.2.1.5. 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”.

These improvements had no effect on the Company’s condensed interim financial statements as the Company has neither business combinations, nor joint arrangements. Minor changes in IAS 12 and IAS 23 have no impact on the Company as they are related respectively to financial instruments classified as equity and to borrowing costs eligible for capitalisation, which are not applicable to the Company.

**2.2.1.6. Amendments to IAS 19 “Plan Amendments, Curtailment or Settlement”**

*Published 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.

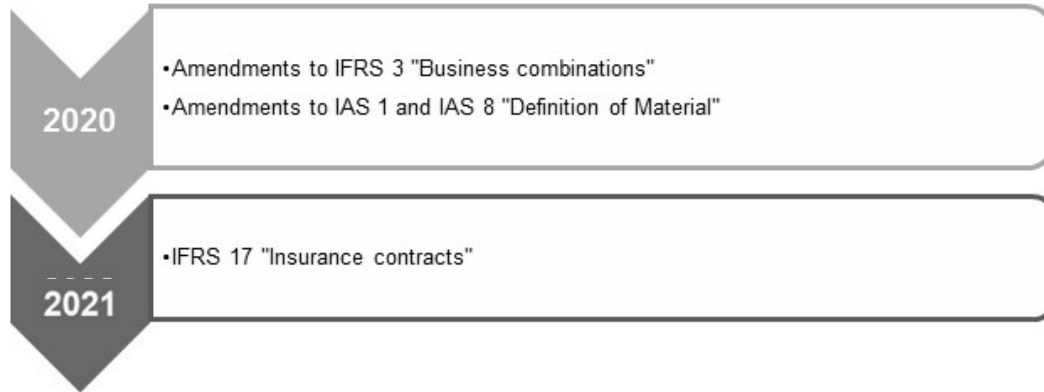
The Company is not impacted by this standard as there is no pension plan at its level.

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

IASB publishes accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at 30 June 2019. They are required to be applied from annual periods beginning on 1 January 2020 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Company as at 30 June 2019.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
- continued -

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



**2.2.2.1. Amendments to IFRS 3 "Business Combinations"**

*Published by the IASB on 22 October 2018*

The amendments are intended to provide clearer guidance to facilitate the differentiation between the acquisition of a business and the acquisition of a group of assets, for which the accounting treatment is different.

The Company expects no effect from these amendments as it has no business combinations.

**2.2.2.2. Amendments to IAS 1 and IAS 8 "Definition of Material"**

*Published by the IASB on 31 October 2018*

These amendments are intended to clarify the definition of 'materiality' in order to facilitate the judgement in the context of the preparation of financial statements and condensed interim financial statements, particularly when selecting the information to be presented in the Notes.

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

**2.2.2.3. IFRS 17 "Insurance Contracts"**

*Issued by IASB on 18 May 2017*

This new standard replaces 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 interim statement of financial position is replaced by a current value measurement of insurance contracts. The Company expects no effect from this standard as it has no insurance contracts.

**2.3. Summary of significant accounting policies**

**2.3.1. Foreign currency transactions**

Transactions in foreign currencies are initially recorded in EUR at the exchange rate ruling at the date of the transaction.

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

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

	USD	JPY	GBP	HKD	CHF
30.06.2019	1.1380	122.6000	0.89655	8.8866	1.1105
31.12.2018	1.1450	125.8500	0.8945	8.9675	1.1269

**2.3.2. Cash and Cash equivalents**

Cash and cash equivalents comprise only cash repayable on demand.

**2.3.3. Financial instruments**

The accounting principles related to financial instruments remain the same as of 31 December 2018.

**2.3.3.1. Classification and measurement of financial assets**

The portfolios of financial assets were reviewed to determine, based on the characteristics of their contractual cash flows and on how they are managed (business models), their accounting treatment under IFRS 9. Another objective of this review was to identify the most significant impacts on the information systems.

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

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

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

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

**Classification and measurement of financial liabilities**

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

- Financial liabilities at fair value through profit or loss:

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

**Notes to the condensed interim financial statements**  
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The Company has designated at fair value through profit or loss the notes issued because mirror transactions (Fully Funded Swaps or “FFS”) that are used to hedge those notes are measured mandatorily at fair value through profit and loss and thus reduce the accounting mismatch;

- Financial liabilities at amortised cost:

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

**2.3.3.2. Valuation of financial instruments as financial assets and financial liabilities at fair value through profit or loss**

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

- For unsecured Notes and Fully Funded Swaps

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

- For secured and Repack Notes

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

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

- The collateral assets are composed of eligible securities.

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

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

- For Warrants and Options

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

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

**Deferred margin related to main unobservable inputs**

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

**Notes to the condensed interim financial statements**  
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**2.3.3.3. Offsetting financial assets and financial liabilities**

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

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

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

- (a) currently has a legally enforceable right to set off the recognized amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously."

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

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

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



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**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents amount to KEUR 92 164 as at 30 June 2019 (31 December 2018: KEUR 79 584) and are mainly composed of cash held with SGBT and Société Générale.

As at 30 June 2019 and 31 December 2018, this caption only contains cash that is repayable on demand.

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## **NOTE 4 – FINANCIAL INSTRUMENTS**

### **4.1. Financial assets measured at fair value through profit or loss**

	<b>30.06.2019</b> (‘000 EUR)	<b>31.12.2018</b> (‘000 EUR)
<b>Financial assets at fair value through profit or loss</b>		
- Mandatorily at fair value through profit or loss (Fully Funded Swaps)	51 712 386	45 062 134
- Trading derivatives (Options)	3 598 402	4 168 362
<b>Total</b>	<b>55 310 788</b>	<b>49 230 496</b>

As at 30 June 2019, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 51 712 386 (31 December 2018: KEUR 45 062 134) and replicate all the Notes issued by the Company (see Note 4.2). Differences between Fully Funded Swaps and Notes arise due to late settlements.

As at 30 June 2019, Trading derivatives (Options) amount to KEUR 3 598 402 (31 December 2018: KEUR 4 168 362) and replicate all the Warrants issued by the Company (see Note 4.2). Differences between Options and Warrants arise due to late settlements.

As at 30 June 2019, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 59 866 543 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2018: KEUR 40 786 626) and KEUR 7 779 040 for the non-sold Warrants and the corresponding Options (31 December 2018: KEUR 5 281 042) (see Note 4.2).

**Notes to the condensed interim financial statements**  
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The movements in financial assets at fair value through profit or loss were as follows:

	('000 EUR)	('000 EUR)	('000 EUR)
	<b>Mandatorily at fair value through profit or loss</b>	<b>Trading derivatives</b>	<b>Total</b>
<b>As at 1 January 2018</b>	<b>44 051 537</b>	<b>3 806 822</b>	<b>47 858 359</b>
<i>Acquisition</i>	31 615 388	34 831 815	66 447 203
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(15 594 453)	(32 877 694)	(48 472 147)
<i>Change in fair value</i>	(2 247 871)	(2 054 287)	(4 302 158)
<i>Exchange difference</i>	1 144 519	63 069	1 207 588
<i>Offsetting of Assets and Liabilities (Change)</i>	(13 668 588)	(43 617)	(13 712 205)
<b>As at 30 June 2018</b>	<b>45 300 532</b>	<b>3 726 108</b>	<b>49 026 640</b>
<i>Acquisition</i>	30 120 091	(920 418)	29 199 673
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(17 894 969)	169 074	(17 725 895)
<i>Change in fair value</i>	(9 819 706)	(632 465)	(10 452 171)
<i>Exchange difference</i>	842 729	118 021	960 750
<i>Offsetting of Assets and Liabilities (Change)</i>	(3 486 543)	1 708 042	(1 778 501)
<b>As at 31 December 2018</b>	<b>45 062 134</b>	<b>4 168 362</b>	<b>49 230 496</b>
<i>Acquisition</i>	33 277 613	20 820 233	54 097 846
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(17 375 767)	(17 574 915)	(34 950 682)
<i>Change in fair value</i>	9 520 579	(1 350 072)	8 170 507
<i>Exchange difference</i>	307 744	32 792	340 536
<i>Offsetting of Assets and Liabilities (Change)</i>	(19 079 917)	(2 497 998)	(21 577 915)
<b>As at 30 June 2019</b>	<b>51 712 386</b>	<b>3 598 402</b>	<b>55 310 788</b>

**4.2. Financial liabilities measured at fair value through profit or loss**

	<b>30.06.2019</b>	<b>31.12.2018</b>
	<b>('000 EUR)</b>	<b>('000 EUR)</b>
<b>Financial liabilities at fair value through profit or loss</b>		
- Designated at fair value through profit or loss (Notes)	51 704 692	45 053 728
- Trading derivatives (Warrants)	3 622 675	4 170 486
<b>Total</b>	<b>55 327 367</b>	<b>49 224 214</b>

As at 30 June 2019, the Company has issued secured and unsecured Notes for a total amount of KEUR 51 704 692 (31 December 2018: KEUR 45 053 728):

- 33 037 unsecured Notes were issued (stock) for a total amount of KEUR 47 571 960 (31 December 2018: 29 736 unsecured Notes were issued (stock) for a total amount of KEUR 41 584 165);
- 888 secured Notes were issued (stock) for a total amount of KEUR 4 132 732 (31 December 2018: 871 secured Notes were issued (stock) for a total amount of KEUR 3 469 563).

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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In addition to the guarantee on first demand granted by Société Générale on unsecured and secured Notes, subscribers of the secured Notes issued by the Company benefit from additional collateral assets securing the payment due under the Notes terms, structured in form of a pledge governed by Luxembourg Law. This pledge may only be enforced following a default of the Company or Société Générale in its role of Guarantor.

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

As at 30 June 2019, securities deposited at BNY Mellon as collateral for secured issuances amount to KEUR 4 243 480 (31 December 2018: KEUR 3 609 288).

As at 30 June 2019, the Company also issued Warrants for a total amount of KEUR 3 622 675 (31 December 2018: KEUR 4 170 486). Refer to Note 9 for further details on Off-balance sheet items related to the Warrants activity.

As at 30 June 2019, the impact of the offsetting (decrease in the balance sheet) is KEUR 59 866 543 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2018: KEUR 40 786 626) and KEUR 7 779 040 for the non-sold Warrants and the corresponding Options (31 December 2018: KEUR 5 281 042) (see Note 4.1).

**Notes to the condensed interim financial statements**  
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The movements in financial liabilities at fair value through profit or loss were as follows:

	('000 EUR)	('000 EUR)	('000 EUR)
	<b>Designated at fair value through profit or loss</b>	<b>Trading derivatives</b>	<b>Total</b>
<b>As at 1 January 2018</b>	<b>44 048 143</b>	<b>3 818 679</b>	<b>47 866 822</b>
<i>Issuance</i>	31 615 388	34 831 815	66 447 203
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(15 616 360)	(32 886 766)	(48 503 126)
<i>Change in fair value</i>	(2 247 871)	(2 054 287)	(4 302 158)
<i>Exchange difference</i>	1 144 519	63 069	1 207 588
<i>Offsetting of Assets and Liabilities (Change)</i>	(13 668 588)	(43 617)	(13 712 205)
<b>As at 30 June 2018</b>	<b>45 275 231</b>	<b>3 728 893</b>	<b>49 004 124</b>
<i>Issuance</i>	30 759 451	(896 908)	29 862 543
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(18 372 899)	(462 165)	(18 835 064)
<i>Change in fair value</i>	(9 984 059)	(256 637)	(10 240 696)
<i>Exchange difference</i>	862 547	349 261	1 211 808
<i>Offsetting of Assets and Liabilities (Change)</i>	(3 486 543)	1 708 042	(1 778 501)
<b>As at 31 December 2018</b>	<b>45 053 728</b>	<b>4 170 486</b>	<b>49 224 214</b>
<i>Issuance</i>	33 743 010	20 821 781	54 564 791
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(17 794 541)	(17 350 616)	(35 145 157)
<i>Change in fair value</i>	9 473 510	(1 574 971)	7 898 539
<i>Exchange difference</i>	308 902	53 993	362 895
<i>Offsetting of Assets and Liabilities (Change)</i>	(19 079 917)	(2 497 998)	(21 577 915)
<b>As at 30 June 2019</b>	<b>51 704 692</b>	<b>3 622 675</b>	<b>55 327 367</b>

#### 4.3. Financial instruments measured at amortised cost

As at 30 June 2019 and 31 December 2018, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000, issued by the Company and fully subscribed by SGBT, with maturity in 2022. Conversion may occur each year.

On this convertible bond, the Company pays to SGBT both variable interests calculated on Euribor 3M plus a margin of 2.05% (total rate of 1.705% as at 30 June 2019) and activity related interests. Activity related interests mean an amount equal to 100% of the activity related profit generated by the Company.

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

As at 30 June 2019 and 31 December 2018, the value of the equity component is estimated to be nil.

As at 30 June 2019, the Company also has amounts due to banks related to the Company's bank current accounts for KEUR 2 031 (31 December 2018: KEUR 16 673).

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**NOTE 5 – LOANS AND RECEIVABLES**

As at 30 June 2019 and 31 December 2018, loans and receivables only consist in term deposits with SGBT, which represent the reinvestment of the Company's share capital, reserves and other available funds.

The amount of expected credit loss calculated on loans and receivables in accordance with IFRS 9 is KEUR 2 as at 30 June 2019 (31 December 2018: KEUR 2).

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## **NOTE 6 – TAXATION**

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

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

Income tax includes current taxes and deferred taxes:

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

### **6.1. Current tax**

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

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

Current tax was adjusted further to the fiscal law reform on December 2016. The rate of current tax applied as of 30 June 2019 is 24.94% (31 December 2018: 26.01%). The current tax rate includes the corporate tax and the municipal tax.

### **6.2. Deferred tax**

Deferred taxes are recognized whenever the Company identifies a temporary difference between the accounting base and tax base for assets and liabilities that will affect future tax payments. Deferred tax assets and liabilities are measured considering rules established by Luxembourg tax authority.

There is no need to recognize deferred tax asset (or liability) considering mirror transactions are concluded to hedge the financial liabilities and net result consists only in the net banking income from investing activities (equity investment).

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## **NOTE 7 – SHAREHOLDERS' EQUITY**

### **7.1. Share capital and Share premium**

As at 31 December 2018, the subscribed and fully paid share capital, 100% held by SGBT, was EUR 2 000 200, divided into 50 005 shares with nominal value of EUR 40 each.

By resolution adopted on 15 January 2019, the Executive Board decided to increase the capital of the Company from EUR 2 000 200 to EUR 2 000 240 by the issue of a new share with a nominal value of EUR 40, subscribed by the sole shareholder. In the context of the capital increase, the 2018 activity related interests amounting to EUR 31 604 629 have been allocated to the Share premium.

As at 30 June 2019, the subscribed and fully paid share capital, 100% held by SGBT, is EUR 2 000 240, divided into 50 006 shares with nominal value of EUR 40 each.

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

### **7.2. Reserves**

#### *7.2.1. Legal reserve*

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

As at 30 June 2019, the legal reserve amounts to KEUR 200 (31 December 2018: KEUR 200).

#### *7.2.2. Other reserves*

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

As at 30 June 2019, other reserves are nil (31 December 2018: KEUR 1 662 corresponding to the remaining Net Wealth Tax reserve that was constituted by the Company before 2013 and released since).



**Notes to the condensed interim financial statements**  
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**NOTE 8 – COMMISSION INCOME/NET GAINS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

Principles of the revenue recognition are set out in the paragraph 2.2.1.1.

Commission income/net gains from financial instruments at fair value through profit or loss can be breakdown as follows:

	<b>30.06.2019</b>	<b>30.06.2018</b>
	<b>(‘000 EUR)</b>	<b>(‘000 EUR)</b>
Issuing upfront fees on Notes	30 041	21 789*
Servicing fees on Notes	925	3 845*
Commission on Warrants	1 916	3 584*
<b>Total</b>	<b>32 882</b>	<b>29 218*</b>

As at 30 June 2019, KEUR 4 377 are retained as differed income under the caption “other liabilities”.

\* The above amounts as at 30 June 2018 are presented in the interim statement of profit and loss and other comprehensive income under the caption “net gains from financial instruments at fair value through profit or loss” (Please see note 2.2.1.1.). The remaining amount of KEUR (67) corresponds to the fair value adjustment recorded during the six-month period ended 30 June 2018.

**Notes to the condensed interim financial statements**  
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**NOTE 9 – OFF-BALANCE SHEET**

As at 30 June 2019, financial instruments to be issued (engagement taken before 30 June 2019 with value date after 30 June 2019) amount to KEUR 3 345 921 (31 December 2018: KEUR 2 790 111).

All the Warrants issued are fully hedged by concluding identically equipped OTC options with Société Générale.

SG Issuer  
Société Anonyme

**Notes to the condensed interim financial statements**  
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**Warrants issuance summary**

The Warrants issued as at 30 June 2019 and 31 December 2018 break down as follows:

				30 June 2019			31 December 2018		
Warrant Type	Category of Underlying	Type of Underlying	Option Type	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)
Basket Warrant	Basket	Index	Call	2	15 648	17 520	2	15 581	14 584
		Equity	Call	1	3 163	776	4	3 144	4 350
Commodity Future Warrant	Future	Mutual Fund	Put	8	27 049	1 859	4	7 138	6
		Commodity Future	Call	98	391 245	31 045	76	381 303	11 361
			Put	100	279 409	44 157	148	439 664	119 532
Commodity Warrant	Commodity	Index	Call	9	48 075	27 613	-	-	-
		Mutual Fund	Call	124	880 993	101 871	63	161 967	40 489
			Put	73	264 484	15 213	80	240 430	27 319
		Precious metals	Call	12	26 036	5 498	12	24 767	3 657
			Put	10	24 789	543	14	34 545	2 235
Currency Warrant	Currency	Currency	Call	207	128 595	20 939	201	159 308	36 455
			Put	269	195 201	68 372	253	176 373	65 947
Equity Warrant	Equity	American Depositary Receipt	Call	61	229 687	13 562	21	25 218	1
			Put	38	72 567	4 973	18	17 817	0
		Mutual fund	Call	11	342 336	520	-	-	-
			Put	5	92 926	13	-	-	-
		Ordinary Share	Call	5 686	31 072 830	733 683	4 654	26 923 067	596 199
			Put	3 808	12 879 399	366 951	3 487	11 659 558	790 924
		Other Certificate	Call	1	303	3	1	300	0
			Put	7	4 454	-	8	4 894	459
		Other Receipt	Call	1	422	-	2	2 442	0
			Put	2	1 173	-	2	1 252	0
		Own Share	Call	119	212 410	5 973	92	193 993	3 526
			Put	72	66 562	15 235	82	112 290	28 196

SG Issuer  
Société Anonyme

**Notes to the condensed interim financial statements**

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		Preference	Call	33	66 183	1 543	23	35 672	331
			Put	29	54 332	868	29	41 791	888
REIT	REIT	REIT	Call	55	202 223	2 167	42	148 254	908
			Put	47	115 286	1 155	35	35 074	3 453
Index Warrant	Index	Index	Call	2 306	49 082 682	1 633 634	1 354	51 887 633	1 066 292
			Put	1 518	34 064 753	482 248	1 451	30 468 115	1 333 566
Fund Warrant	Fund	Mutual Fund	Call	221	1 232 301	23 892	196	1 171 799	19 733
			Put	12	210 272	849	10	137 095	75
<b>Total Call</b>			<b>Call</b>	<b>8 947</b>	<b>83 935 132</b>	<b>2 620 239</b>	<b>6 743</b>	<b>81 134 448</b>	<b>1 797 886</b>
<b>Total Put</b>			<b>Put</b>	<b>5 998</b>	<b>48 352 656</b>	<b>1 002 436</b>	<b>5 621</b>	<b>43 376 036</b>	<b>2 372 600</b>
<b>Total Warrants</b>				<b>14 945</b>	<b>132 287 788</b>	<b>3 622 675</b>	<b>12 364</b>	<b>124 510 484</b>	<b>4 170 486</b>

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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## **NOTE 10 – RISK MANAGEMENT**

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

For any further information on the risks relating to the Group, investors and/or Noteholders should refer to the "Risk and Capital Adequacy" section of the Registration Document (<https://www.societegenerale.com>).

### **10.1. Market risk**

Market risk is the risk that changes in market prices, such as interest rates, securities prices, and foreign exchange rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company issues Notes and Warrants. The Notes are systematically hedged with Fully Funded Swaps concluded with Société Générale, with strictly identical characteristics. In the same way, the Warrants issued are hedged with Options concluded with Société Générale, with strictly identical characteristics.

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

The main risks in relation to investments in Notes and Warrants issued by the Company are described in the Base Prospectus under the section "Risk Factor".

Because of its structure (perfect match between the assets and the liabilities), the impact of an immediate change of a market parameter would have no consequence on the net profit of the Company.

The Company is also exposed to structural interest rate risk, namely through the following transactions: reinvestment of available equity by participating interests or loans to the Company's treasury (SGBT) with hedged interest rate risk. The structural interest rate risk is monitored via the sensitivity of the economic value of the positions measured through modified duration.

Modified duration is calculated based on the change in the net present value of positions subsequent to a 1% change in the rate curve. Exposure monitoring is based on the determination of modified duration over the short (up to one year), medium (one to five years) and long (more than five years) term.

### **10.2. Credit risk**

Credit risk is the risk that a third party will not be able to meet its contractual obligation.

The Company only contracts financial instruments with its parent companies, SGBT and Société Générale. Therefore, the credit risk of the Company is limited to the credit risk on SGBT and Société Générale. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred.

As at 30 June 2019 and 31 December 2018, no financial assets were past due or impaired.

All the Notes and Warrants issued by the Company benefit from a guarantee provided by Société Générale, meaning that payments in respect of the instruments issued by the Company are unconditionally and irrevocably guaranteed by Société Générale (the Guarantor).

**Notes to the condensed interim financial statements**  
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As at 30 June 2019, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

**10.3. Interest rate risk**

Interest rate risk is the risk that changes in market interest rates may adversely affect the value of the assets and liabilities of the Company. Due to the financial instruments contracted by the Company with Société Générale to hedge the financial instruments issued, the Company is not significantly exposed to interest rate risk.

**10.4. Liquidity risk**

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due.

The Company does not face any liquidity risk thanks to the perfect replication between the contractual obligations of i) the financial instruments issued by the Company and ii) the financial assets held for hedging by the Company.

**10.5. Fair Value measurement**

According to the fair value hierarchy established by IFRS 13, Level 3 (L3) comprises products valued using inputs that are not based on observable market data (referred to as unobservable inputs).

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for Notes or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions as at the interim statement of financial position date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of GBIS (Global Banking and Investor Solutions), in accordance with the methodologies defined by the Market Risk Department.

The Notes and the related Fully Funded Swaps are classified as Level 3 when the valuation of the associated embedded derivatives (underlyings of the Notes) is also based on unobservable market data.

On each element of an identified list of unobservable parameters, it comes to determining the uncertainty of marking, and cross sensitivities with this uncertainty for a confidence interval of the value of the positions.

In parallel, marking the levels of each of these parameters is collected and reported in the Note.

The methods for determining the level of uncertainty, as well as calculating the confidence interval from sensibilities depend on each parameter.

Transfers from Level 2 to Level 3 are determined at the end of each month and occur in case of a modification within a parameter (e.g. no longer linked to the deal, modification of the observability rule of the parameter).

**Notes to the condensed interim financial statements**  
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10.5.1. Estimate of Level 3 instruments and other most significant unobservable inputs as at 30 June 2019  
(by type of underlyings):

Type of underlyings	Assets In million EUR	Liabilities In million EUR	Main products	Valuation techniques used	Significant unobservable inputs	Range of unobservable inputs Min & Max
Equity / funds	19 606	19 606	Derivatives on funds, equities or baskets of stocks derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets on stocks	Equity volatilities	[4.4% ; 67.6%]
					Equity dividends	[0.0% ; 13.2%]
					Correlations	[-89.5% ; 98.5%]
					Hedge funds volatilities	[8.5% ; 20.0%]
					Mutual funds volatilities	[1.5% ; 42.3%]
Rates and Forex	3 942	3 942	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[-46.5% ; 90%]
			Forex derivatives	Forex option pricing models	Forex volatilities	[1.0% ; 32.8%]
			Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools	Prepayment modeling	Constant prepayment rates	[0.0% ; 20.0%]
			Inflation instruments and derivatives	Inflation pricing models	Correlations	[50.5% ; 88.9%]
Credit	4 925	4 925	Collateralized 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]
Commodity	15	15	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	[14% ; 96%]

Unobservable inputs add a degree of uncertainty in the valuation of Level 3 instruments. However, by its very nature, and considering mirror transactions are concluded with Société Générale to hedge the financial liabilities issued by the Company, the Company has no market risk exposure. The impact of an immediate change in an unobservable parameter would have no consequence on the net profit or net equity of the Company.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
- continued -

10.5.2. Analysis per remaining maturities:

As at 30 June 2019, analysis per remaining maturities is as follows:

<b>30.06.2019 - EUR' 000</b>	<b>&lt; 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Without fixed maturity</b>	<b>Total</b>
Cash and cash equivalents	92 164	-	-	-	-	<b>92 164</b>
<b>Financial assets at fair value through profit or loss</b>						
- <i>Mandatorily at fair value through profit or loss</i>	2 108 644	10 811 451	21 699 122	17 093 169	-	<b>51 712 386</b>
- <i>Trading derivatives</i>	577 557	799 943	814 702	1 406 200	-	<b>3 598 402</b>
Loans and receivables	-	200	48 849	1 000	-	<b>50 049</b>
Other assets	12 072	-	-	-	-	<b>12 072</b>
<b>Total assets</b>	<b>2 790 437</b>	<b>11 611 594</b>	<b>22 562 673</b>	<b>18 500 369</b>	<b>-</b>	<b>55 465 073</b>
<b>Financial liabilities at amortised cost</b>	2 031	17 919	48 000	-	-	<b>67 950</b>
<b>Financial liabilities at fair value through profit or loss</b>						
- <i>Designated at fair value through profit or loss</i>	2 175 838	10 786 526	21 691 968	17 050 360	-	<b>51 704 692</b>
- <i>Trading derivatives</i>	623 140	780 120	814 144	1 405 271	-	<b>3 622 675</b>
Other liabilities	10 601	-	-	-	-	<b>10 601</b>
Tax liabilities	87	-	-	-	-	<b>87</b>
<b>Total liabilities</b>	<b>2 811 697</b>	<b>11 584 565</b>	<b>22 554 112</b>	<b>18 455 631</b>	<b>-</b>	<b>55 406 005</b>

As at 31 December 2018, analysis per remaining maturities is as follows:

<b>31.12.2018 - EUR' 000</b>	<b>&lt; 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Without fixed maturity</b>	<b>Total</b>
Cash and cash equivalents	79 584	-	-	-	-	79 584
<b>Financial assets at fair value through profit or loss</b>						
- <i>Mandatorily at fair value through profit or loss</i>	2 659 566	7 215 881	20 045 169	15 141 518	-	45 062 134
- <i>Trading derivatives</i>	682 685	1 033 560	508 253	1 943 864	-	4 168 362
Loans and receivables	189	828	50 553	1 000	-	52 570
<b>Total assets</b>	<b>3 422 024</b>	<b>8 250 269</b>	<b>20 603 975</b>	<b>17 086 382</b>	<b>-</b>	<b>49 362 650</b>
<b>Financial liabilities at amortised cost</b>	16 673	31 611	48 000	-	-	96 284
<b>Financial liabilities at fair value through profit or loss</b>						
- <i>Designated at fair value through profit or loss</i>	2 648 107	7 216 548	20 037 056	15 152 017	-	45 053 728
- <i>Trading derivatives</i>	684 009	1 029 500	514 100	1 942 877	-	4 170 486
Other liabilities	13 039	-	-	-	-	13 039
Tax liabilities	64	-	-	-	-	64
<b>Total liabilities</b>	<b>3 361 892</b>	<b>8 277 659</b>	<b>20 599 156</b>	<b>17 094 894</b>	<b>-</b>	<b>49 333 601</b>



**Notes to the condensed interim financial statements**  
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10.5.3. The fair values together with the carrying amounts shown in the interim statement of financial position are as follows:

	Carrying amount	Fair value
<b>30.06.2019 - EUR' 000</b>		
Cash and cash equivalents	92 164	92 164
<b>Financial assets at fair value through profit or loss</b>		
- <i>Mandatorily at fair value through profit or loss</i>	51 712 386	51 712 386
- <i>Trading derivatives</i>	3 598 402	3 598 402
Loans and receivables *	50 049	52 324
Other assets	12 072	12 072
<b>Total</b>	<b>55 465 073</b>	<b>55 467 348</b>
<b>Financial liabilities at amortised cost *</b>	67 950	70 225
<b>Financial liabilities at fair value through profit or loss</b>		
- <i>Designated at fair value through profit or loss</i>	51 704 692	51 704 692
- <i>Trading derivatives</i>	3 622 675	3 622 675
Other liabilities	10 601	10 601
Tax liabilities	87	87
<b>Total</b>	<b>55 406 005</b>	<b>55 408 280</b>
<b>31.12.2018 - EUR' 000</b>		
Cash and cash equivalents	79 584	79 584
<b>Financial assets at fair value through profit or loss</b>		
- <i>Mandatorily at fair value through profit or loss</i>	45 062 134	45 062 134
- <i>Trading derivatives</i>	4 168 362	4 168 362
Loans and receivables *	52 570	54 993
<b>Total</b>	<b>49 362 650</b>	<b>49 365 073</b>
<b>Financial liabilities at amortised cost *</b>	96 284	98 451
<b>Financial liabilities at fair value through profit or loss</b>		
- <i>Designated at fair value through profit or loss</i>	45 053 728	45 053 728
- <i>Trading derivatives</i>	4 170 486	4 170 486
Other liabilities	13 039	13 039
Tax liabilities	64	64
<b>Total</b>	<b>49 333 601</b>	<b>49 335 768</b>

\* For Loans and receivables and Financial liabilities at amortised cost, the fair values are calculated by discounting the expected future cash flows under a EUR risk free curve adjusted with Société Générale Group credit spread curve (EUR swap curve from Bloomberg and Société Générale credit spread curve provided by Risk department Paris).  
Determining fair value is dependent on many factors and can be an estimate of what value may be obtained in the open market at any point in time.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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10.5.4. The fair value hierarchy of IFRS 13

As at 30 June 2019, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

30.06.2019 - EUR' 000	Level 1	Level 2	Level 3	Total
<b><i>Financial assets at fair value through profit or loss</i></b>				
- <b><i>Mandatorily at fair value through profit or loss</i></b>	-	<b>23 376 690</b>	<b>28 335 696</b>	<b>51 712 386</b>
<i>Commodities instruments</i>	-	1 053 248	15 403	1 068 651
<i>Credit derivatives/securities</i>	-	1 238 585	4 926 440	6 165 025
<i>Equity and index securities</i>	-	16 943 347	18 036 519	34 979 866
<i>Foreign exchange instruments/securities</i>	-	1 694 892	819 926	2 514 818
<i>Interest rate instruments/securities</i>	-	2 332 615	3 122 212	5 454 827
<i>Other financial instruments</i>	-	114 003	1 415 196	1 529 199
- <b><i>Trading derivatives</i></b>	-	<b>3 339 841</b>	<b>198 561</b>	<b>3 598 402</b>
<i>Equity and Index instruments</i>	-	3 081 133	162 233	3 243 366
<i>Other financial instruments</i>	-	318 708	36 328	355 036
<b><i>Financial liabilities at fair value through profit or loss</i></b>				
- <b><i>Designated at fair value through profit or loss</i></b>	-	<b>23 373 363</b>	<b>28 331 329</b>	<b>51 704 692</b>
<i>Commodities instruments</i>	-	1 053 248	15 403	1 068 651
<i>Credit derivatives/securities</i>	-	1 238 180	4 925 442	6 163 622
<i>Equity and index securities</i>	-	16 940 816	18 033 305	34 974 121
<i>Foreign exchange instruments/securities</i>	-	1 694 440	819 850	2 514 290
<i>Interest rate instruments/securities</i>	-	2 332 611	3 122 170	5 454 781
<i>Other financial instruments</i>	-	114 068	1 415 159	1 529 227
- <b><i>Trading derivatives</i></b>	-	<b>3 420 668</b>	<b>202 007</b>	<b>3 622 675</b>
<i>Equity and Index instruments</i>	-	3 099 613	164 928	3 264 541
<i>Other financial instruments</i>	-	321 055	37 079	358 134

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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As at 31 December 2018, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

<b>31.12.2018 - EUR' 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><i>Financial assets at fair value through profit or loss</i></b>				
- <b><i>Mandatorily at fair value through profit or loss</i></b>	-	<b>20 606 194</b>	<b>24 455 940</b>	<b>45 062 134</b>
<i>Commodities instruments</i>	-	1 160 486	40 872	1 201 358
<i>Credit derivatives/securities</i>	-	1 509 044	4 490 176	5 999 220
<i>Equity and index securities</i>	-	15 226 349	15 031 332	30 257 681
<i>Foreign exchange instruments/securities</i>	-	793 456	779 644	1 573 100
<i>Interest rate instruments/securities</i>	-	1 626 581	2 624 148	4 250 729
<i>Other financial instruments</i>	-	290 278	1 489 768	1 780 046
- <b><i>Trading derivatives</i></b>	-	<b>4 050 694</b>	<b>117 668</b>	<b>4 168 362</b>
<i>Equity and Index instruments</i>	-	3 573 416	94 142	3 667 557
<i>Other financial instruments</i>	-	477 278	23 526	500 805
<b><i>Financial liabilities at fair value through profit or loss</i></b>				
- <b><i>Designated at fair value through profit or loss</i></b>	-	<b>20 599 491</b>	<b>24 454 237</b>	<b>45 053 728</b>
<i>Commodities instruments</i>	-	1 160 486	40 872	1 201 358
<i>Credit derivatives/securities</i>	-	1 508 480	4 488 869	5 997 349
<i>Equity and index securities</i>	-	15 221 303	15 031 014	30 252 317
<i>Foreign exchange instruments/securities</i>	-	792 379	779 568	1 571 947
<i>Interest rate instruments/securities</i>	-	1 626 565	2 624 147	4 250 712
<i>Other financial instruments</i>	-	290 278	1 489 767	1 780 045
- <b><i>Trading derivatives</i></b>	-	<b>4 052 818</b>	<b>117 668</b>	<b>4 170 486</b>
<i>Equity and Index instruments</i>	-	3 574 563	94 142	3 668 705
<i>Other financial instruments</i>	-	478 255	23 526	501 781

SG Issuer  
Société Anonyme

**Notes to the condensed interim financial statements**  
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The following table describes the variation in Level 3 by financial instruments

<b>Financial liabilities at fair value through profit or loss</b>	<b>Balance at 01.01.2019</b>	Acquisitions	Change in fair value	Reimbursements/ Other	Transfers from Level 2 to Level 3	Transfers from Level 3 to Level 2	Offsetting of the assets and liabilities	<b>Balance 30.06.2019</b>
<b><i>Designated at fair value through profit or loss</i></b>	<b>24 454 237</b>	<b>21 693 529</b>	<b>4 258 082</b>	<b>(6 982 740)</b>	<b>401 684</b>	<b>(2 297 952)</b>	<b>(13 195 511)</b>	<b>28 331 329</b>
Equity and index instrument	15 031 014	18 559 296	3 293 959	(5 629 676)	269 139	(1 855 195)	(11 635 232)	18 033 305
Commodity instruments	40 872	93	1 366	(29 379)	-	-	2 451	15 403
Credit derivatives	4 488 869	1 338 946	429 010	(416 004)	37 917	(311 154)	(642 142)	4 925 442
Foreign exchange instruments	779 568	117 881	16 389	(71 615)	-	(10 259)	(12 114)	819 850
Interest rate instruments	2 624 147	1 449 474	421 111	(390 001)	75 488	(116 628)	(941 421)	3 122 170
Other financial instruments	1 489 767	227 839	96 247	(446 065)	19 140	(4 716)	32 947	1 415 159
<b><i>Trading derivatives</i></b>	<b>117 668</b>	<b>87 209</b>	<b>10 448</b>	<b>(22 461)</b>	<b>15 930</b>	<b>(1 479)</b>	<b>(4 768)</b>	<b>202 007</b>
Equity and index instruments	94 142	79 264	1 265	(18 901)	15 930	(1 479)	(4 753)	164 928
Other financial instruments	23 526	7 945	9 183	(3 560)	-	-	(15)	37 079

***Transfers from Level 3 to Level 2***

The consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable parameters.

***Transfers from Level 2 to Level 3***

Transfers from Level 2 to Level 3 can occur in case of a modification within a parameter (no longer linked to the deal, modification of the observability rule of the parameter, etc...).

**Notes to the condensed interim financial statements**  
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**10.6. Operational risk**

Operational risk is the risk of loss or fraud caused by defects or failures in internal procedures or systems, human error or external events, including IT risk and management risk. Particular attention is paid to compliance risk, which receives enhanced monitoring.

The Company participates in the effort to strengthen the management and monitoring of operational risk led by the Société Générale Group. This effort is guided by the Operational Risk Department, which reports to the Société Générale Group Risk Department, and is relayed by different Group operational risk monitoring units responsible for implementing the policies and directives issued by the Société Générale Group and monitoring and controlling operational risks.

The monitoring arrangement mainly relies on four processes supervised by the operational risk departments: periodic risk and control self-assessment (RCSA), collecting internal data on losses due to operational errors with exhaustive real-time reporting of incidents, pattern analyses, and permanent control system.

These procedures are supplemented by a crisis management unit and a business continuity plan.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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**NOTE 11 – SUBSEQUENT EVENTS**

There were no subsequent events which could have a significant impact on the condensed interim financial statements as at 30 June 2019.

### **APPENDIX III**

#### **REPRODUCTION OF THE GUARANTOR'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

The information set out below is a reproduction of the Guarantor's audited consolidated financial statements for the year ended 31 December 2019.

## 6.1 CONSOLIDATED FINANCIAL STATEMENTS

### 6.1.1 CONSOLIDATED BALANCE SHEET - ASSETS

(In EURm)		31.12.2019	31.12.2018
Cash, due from central banks		102,311	96,585
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	385,739	365,550
Hedging derivatives	Notes 3.2 and 3.4	16,837	11,899
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	53,256	50,026
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	12,489	12,026
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	56,366	60,588
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	450,244	447,229
Revaluation differences on portfolios hedged against interest rate risk		401	338
Investments of insurance companies	Note 4.3	164,938	146,768
Tax assets	Note 6	5,779	5,819
Other assets	Note 4.4	68,045	67,446
Non-current assets held for sale	Note 2.5	4,507	13,502
Investments accounted for using the equity method		112	249
Tangible and intangible fixed assets <sup>(1)</sup>	Note 8.4	30,652	26,751
Goodwill	Note 2.2	4,627	4,652
<b>TOTAL</b>		<b>1,356,303</b>	<b>1,309,428</b>

(1) As a result of the application of IFRS 16 "Leases" as from 1 January 2019, the Group has recorded a right-of-use asset under "Tangible and intangible fixed assets" that represents its rights to use the underlying leased assets (see Note 1).



## 6.1.2 CONSOLIDATED BALANCE SHEET - LIABILITIES

(In EURm)		31.12.2019	31.12.2018
Due to central banks		4,097	5,721
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	364,129	363,083
Hedging derivatives	Notes 3.2 and 3.4	10,212	5,993
Debt securities issued	Notes 3.6 and 3.9	125,168	116,339
Due to banks	Notes 3.6 and 3.9	107,929	94,706
Customer deposits	Notes 3.6 and 3.9	418,612	416,818
Revaluation differences on portfolios hedged against interest rate risk		6,671	5,257
Tax liabilities <sup>(1)</sup>	Note 6	1,409	1,157
Other liabilities <sup>(2)</sup>	Note 4.4	85,062	76,629
Non-current liabilities held for sale	Note 2.5	1,333	10,454
Insurance contracts related liabilities	Note 4.3	144,259	129,543
Provisions	Note 8.3	4,387	4,605
Subordinated debts	Note 3.9	14,465	13,314
<b>TOTAL LIABILITIES</b>		<b>1,287,733</b>	<b>1,243,619</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity, Group share</b>			
Issued common stocks and capital reserves		21,969	20,746
Other equity instruments		9,133	9,110
Retained earnings*		29,558	28,085
Net income*		3,248	4,121
<b>SUB-TOTAL</b>		<b>63,908</b>	<b>62,062</b>
Unrealised or deferred gains and losses	Note 7.3	(381)	(1,036)
<b>SUB-TOTAL EQUITY, GROUP SHARE</b>		<b>63,527</b>	<b>61,026</b>
Non-controlling interests	Note 2.3	5,043	4,783
<b>TOTAL EQUITY</b>		<b>68,570</b>	<b>65,809</b>
<b>TOTAL</b>		<b>1,356,303</b>	<b>1,309,428</b>

\* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

(1) Since 1 January 2019, provisions for income tax are presented under "Tax liabilities" as a consequence of the application of IFRIC 23 "Uncertainty over income tax treatments" (see Note 1).

(2) As a result of the application of IFRS 16 "Leases" as from 1 January 2019, the Group has recorded a lease liability under "Other Liabilities" that represents the obligation to make lease payments (see Note 1).

## 6.1.3 CONSOLIDATED INCOME STATEMENT

(In EURm)		2019	2018
Interest and similar income	Note 3.7	23,712	22,678
Interest and similar expense	Note 3.7	(12,527)	(11,659)
Fee income	Note 4.1	9,068	9,124
Fee expense	Note 4.1	(3,811)	(3,600)
Net gains and losses on financial transactions		4,460	5,189
o/w net gains and losses on financial instruments at fair value through profit or loss	Note 3.1	4,343	5,119
o/w net gains and losses on financial instruments at fair value through other comprehensive income	Note 3.3	119	83
o/w net gains and losses from the derecognition of financial assets at amortised cost		(2)	(13)
Net income of insurance activities	Note 4.3	1,925	1,724
Income from other activities	Note 4.2	11,629	10,761
Expenses from other activities	Note 4.2	(9,785)	(9,012)
<b>Net banking income</b>		<b>24,671</b>	<b>25,205</b>
Personnel expenses	Note 5	(9,955)	(9,561)
Other operating expenses	Note 8.2	(6,285)	(7,366)
Amortisation, depreciation and impairment of tangible and intangible fixed assets	Note 8.4	(1,487)	(1,004)
<b>Gross operating income</b>		<b>6,944</b>	<b>7,274</b>
Cost of risk	Note 3.8	(1,278)	(1,005)
<b>Operating income</b>		<b>5,666</b>	<b>6,269</b>
Net income from investments accounted for using the equity method	Note 2.3	(129)	56
Net income/expense from other assets		(327)	(208)
<b>Earnings before tax</b>		<b>5,210</b>	<b>6,117</b>
Income tax*	Note 6	(1,264)	(1,304)
<b>Consolidated net income*</b>		<b>3,946</b>	<b>4,813</b>
Non-controlling interests		698	692
<b>Net income, Group share*</b>		<b>3,248</b>	<b>4,121</b>
Earnings per ordinary share	Note 7.2	3.05	4.24
Diluted earnings per ordinary share	Note 7.2	3.05	4.24

\* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

## 6.1.4 STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In EURm)	2019	2018
<b>Consolidated net income*</b>	<b>3,946</b>	<b>4,813</b>
<b>Unrealised or deferred gains and losses that will be reclassified subsequently into income</b>	<b>844</b>	<b>24</b>
Translation differences	563	370
Revaluation of debt instruments at fair value through other comprehensive income	(28)	(233)
<i>Revaluation differences for the period</i>	48	(193)
<i>Reclassified into income</i>	(76)	(40)
Revaluation of available-for-sale financial assets <sup>(1)</sup>	188	(74)
<i>Revaluation differences for the period</i>	190	(54)
<i>Reclassified into income</i>	(2)	(20)
Revaluation of hedging derivatives	153	(120)
<i>Revaluation differences of the period</i>	195	(156)
<i>Reclassified into income</i>	(42)	36
Unrealised gains and losses of entities accounted for using the equity method	1	1
Related tax	(33)	80
<b>Unrealised or deferred gains and losses that will not be reclassified subsequently into income</b>	<b>(160)</b>	<b>411</b>
Actuarial gains and losses on defined benefit plans	(32)	30
Revaluation of own credit risk of financial liabilities at fair value through profit or loss	(121)	529
Revaluation of equity instruments at fair value through other comprehensive income	(48)	1
Unrealised gains and losses of entities accounted for using the equity method	3	(3)
Related tax	38	(146)
<b>Total unrealised or deferred gains and losses</b>	<b>684</b>	<b>435</b>
<b>Net income and unrealised or deferred gains and losses*</b>	<b>4,630</b>	<b>5,248</b>
<i>o/w Group share*</i>	3,903	4,588
<i>o/w non-controlling interests</i>	727	660

\* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

(1) Unrealised gains and losses on available-for-sale financial assets are related exclusively to insurance activities.

## 6.1.5 CHANGES IN SHAREHOLDERS' EQUITY

(In EURm)	Shareholders' equity Group share					Total	Non-controlling interests	Total consolidated shareholders' equity
	Issued common stocks and capital reserves	Other equity instruments	Retained earnings	Net income, Group share	Unrealised or deferred gains and losses			
<b>Shareholders' equity at 1 January 2018</b>	<b>20,861</b>	<b>8,566</b>	<b>30,504</b>	<b>-</b>	<b>(1,503)</b>	<b>58,428</b>	<b>4,523</b>	<b>62,951</b>
Increase in common stock and issuance/redemption/remuneration of equity instruments*	-	544	(715)	-	-	(171)	(33)	(204)
Elimination of treasury stock	(174)	-	(12)	-	-	(186)	-	(186)
Equity component of share-based payment plans	59	-	-	-	-	59	-	59
2018 dividends paid (see Note 7.2)	-	-	(1,764)	-	-	(1,764)	(368)	(2,132)
Effect of changes of the consolidation scope	-	-	52	-	-	52	(5)	47
<b>Sub-total of changes linked to relations with shareholders*</b>	<b>(115)</b>	<b>544</b>	<b>(2,439)</b>	<b>-</b>	<b>-</b>	<b>(2,010)</b>	<b>(406)</b>	<b>(2,416)</b>
2018 Net income*	-	-	-	4,121	-	4,121	692	4,813
Change in unrealised or deferred gains and losses	-	-	-	-	467	467	(32)	435
Other changes	-	-	20	-	-	20	6	26
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>4,121</b>	<b>467</b>	<b>4,608</b>	<b>666</b>	<b>5,274</b>
<b>Shareholders' equity at 31 December 2018*</b>	<b>20,746</b>	<b>9,110</b>	<b>28,085</b>	<b>4,121</b>	<b>(1,036)</b>	<b>61,026</b>	<b>4,783</b>	<b>65,809</b>
Allocation to retained earnings	-	-	4,114	(4,121)	7	-	-	-
<b>Shareholders' equity at 1 January 2019</b>	<b>20,746</b>	<b>9,110</b>	<b>32,199</b>	<b>-</b>	<b>(1,029)</b>	<b>61,026</b>	<b>4,783</b>	<b>65,809</b>
Increase in common stock and issuance/redemption/remuneration of equity instruments (see Note 7.1)	1,011	23	(731)	-	-	303	(33)	270
Elimination of treasury stock (see Note 7.1)	152	-	(77)	-	-	75	-	75
Equity component of share-based payment plans (see Note 5.3)	60	-	-	-	-	60	-	60
2019 dividends paid (see Note 7.2)	-	-	(1,770)	-	-	(1,770)	(379)	(2,149)
Effect of changes of the consolidation scope	-	-	(10)	-	-	(10)	(56)	(66)
<b>Sub-total of changes linked to relations with shareholders</b>	<b>1,223</b>	<b>23</b>	<b>(2,588)</b>	<b>-</b>	<b>-</b>	<b>(1,342)</b>	<b>(468)</b>	<b>(1,810)</b>
2019 Net income	-	-	-	3,248	-	3,248	698	3,946
Change in unrealised or deferred gains and losses	-	-	-	-	648	648	31	679
Other changes	-	-	(53)	-	-	(53)	(1)	(54)
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>(53)</b>	<b>3,248</b>	<b>648</b>	<b>3,843</b>	<b>728</b>	<b>4,571</b>
<b>Shareholders' equity at 31 December 2019</b>	<b>21,969</b>	<b>9,133</b>	<b>29,558</b>	<b>3,248</b>	<b>(381)</b>	<b>63,527</b>	<b>5,043</b>	<b>68,570</b>

\* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

## 6.1.6 CASH FLOW STATEMENT

(In EURm)	2019	2018**
<b>Consolidated net income (I)*</b>	<b>3,946</b>	<b>4,813</b>
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	5,181	4,589
Depreciation and net allocation to provisions	(3,284)	2,343
Net income/loss from investments accounted for using the equity method	129	(53)
Change in deferred taxes	295	357
Net income from the sale of long-term assets and subsidiaries	(84)	(101)
Other changes*	1,295	(358)
<b>Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)</b>	<b>3,532</b>	<b>6,777</b>
Income on financial instruments at fair value through profit or loss	5,267	4,901
Interbank transactions	14,554	(1,921)
Customers transactions	5,429	(11,732)
Transactions related to other financial assets and liabilities	(36,748)	(1,598)
Transactions related to other non-financial assets and liabilities	14,424	(4,643)
<b>Net increase/decrease in cash related to operating assets and liabilities (III)</b>	<b>2,926</b>	<b>(14,993)</b>
<b>Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)</b>	<b>10,404</b>	<b>(3,403)</b>
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments	234	(5,758)
Net cash inflow (outflow) related to tangible and intangible fixed assets	(7,210)	(7,621)
<b>Net cash inflow (outflow) related to investment activities (B)</b>	<b>(6,976)</b>	<b>(13,379)</b>
Cash flow from/to shareholders	(1,219)	(2,543)
Other net cash flow arising from financing activities	3,229	(471)
<b>Net cash inflow (outflow) related to financing activities (C)</b>	<b>2,010</b>	<b>(3,014)</b>
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	1,386	2,179
<b>Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C) + (D)</b>	<b>6,824</b>	<b>(17,617)</b>
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)
<b>Cash and cash equivalents at the start of the year</b>	<b>101,656</b>	<b>119,273</b>
Cash, due from central banks (assets)	102,311	96,585
Due to central banks (liabilities)	(4,097)	(5,721)
Current accounts with banks (see Notes 3.5 and 4.3)	21,843	24,667
Demand deposits and current accounts with banks (see Note 3.6)	(11,577)	(13,875)
<b>Cash and cash equivalents at the end of the year</b>	<b>108,480</b>	<b>101,656</b>
<b>Net inflow (outflow) in cash and cash equivalents</b>	<b>6,824</b>	<b>(17,617)</b>

\* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

\*\* The amounts have been restated compared with the published consolidated financial statements for the year ended 31 December 2018 due to reclassification into a separate line item (D) of the effect of changes in foreign exchange rates on cash and cash equivalents.

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 5 February 2020.

### 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 2019 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](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 applied accounting principles is the application of IFRS 16 "Leases" as from 1 January 2019.

In accordance with the transitional measures provided by IFRS 9, the Group has elected to recognise hedging transactions under IAS 39 as adopted by the European Union, including measures related to macro-fair value hedge accounting (IAS 39 "carve-out").



##### FINANCIAL STATEMENTS PRESENTATION

As the IFRS accounting framework does not specify a standard model, the format of the primary financial statements used to present the data for financial year 2019 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 disclosures provided in these notes focus on information that is both relevant and material to the financial statements of the Societe Generale group, its activities and the circumstances in which it conducted its operations 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<sup>st</sup> January 2019**

IFRS 16 "Leases"

IFRIC 23 "Uncertainty over Income Tax Treatments"

Annual improvements (2015-2017 cycle)

Amendments to IAS 39, IFRS 7 and IFRS 9 in the context of the interest rate benchmark reform

Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

Amendments to IAS 19 "Plan amendments, curtailments and settlements"

**IFRS 16 "LEASES"**

This new standard supersedes the existing standard, IAS 17 and modifies the accounting requirements for leases, more specifically in relation to the lessees' financial statements, with very few impacts for the lessors.

As from 1 January 2019, the Group applies the IFRS 16 standard adopted by the European Union on 31 October 2017. The Group did not early apply the measures provided by IFRS 16 to previous reporting period. Consequently, the accounting principles applicable to leases and the disclosures presented in the notes have been amended as from 1 January 2019.

**Accounting treatments provided by IFRS 16 standard****LEASES RECOGNITION**

For all lease agreements, except the exemptions provided by the standard, the lessee is required to recognise a right-of-use asset 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 separately recognises the depreciation of the right-of-use assets and the interest expense on lease liabilities.

The accounting treatments are detailed in the Note 8.4.

**SCOPE**

Regards Group's activities, these accounting treatments apply to building leases, computer equipment leases and a very small percentage of vehicle leases. The Group used the option not to apply IFRS 16 to intangible assets leases (softwares for example).

**Transition requirements**

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 is calculated by discounting residual rental payments with the incremental borrowing rates in effect on that date of the lessees' entities (rates determined according to the requirements described on the Note 8.4), taking into account the residual maturity of the contracts. The corresponding rights-of-use are recorded on the balance sheet for an amount equal to the lease liability.

Leases that have a remaining life of less than 12 months and those that are automatically renewable as of 1 January 2019 are considered short-term leases (leases of less than one year) and not booked, in accordance with the option offered by IFRS 16 transition requirements.

Pursuant to IFRS 16 in its provisions on the amended retrospective approach, comparative data on financial year 2018 that are presented with regards to 2019 are not restated.

**Impacts of the first-time application of IFRS 16**

The first-time application of IFRS 16 resulted by the accounting of a lease liability and a corresponding right-of-use asset for 2,050 million of euros.

The lease liability is booked under the heading *Other liabilities* and the rights-of-use are classified under the tangible fixed assets, except leases included in a group of assets and liabilities held for sale which are stated under specific headings in the consolidated financial statement.

At 1 January 2019, the first-time application of IFRS 16 has no impact on the amount of the Group shareholders' equity.

On the date of the initial recording of the right-of-use and the lease liability, no deferred tax has been recorded since the deferred tax asset value equals to the deferred tax liability value. The net temporary differences that may result from subsequent changes in the right-of-use and lease liability results in the recognition of deferred tax.



## IMPACTS ON THE BALANCE SHEET AT 1 JANUARY 2019

(In EURm)

01.01.2019

<b>Assets</b>		
Other assets		(3)
Non-current assets held for sale	(c)	42
Tangible and intangible fixed assets	(a)	2,011
<b>TOTAL IFRS 16 IMPACTS</b>		<b>2,050</b>
<b>Liabilities</b>		
Other liabilities	(b)	2,008
Non-current liabilities held for sale	(c)	42
<b>TOTAL IFRS 16 IMPACTS</b>		<b>2,050</b>

At 1 January 2019, the first-time application of IFRS 16 results from:

- (a) An increase of 2,011 million euros of the *Tangible and intangible fixed assets* heading which breaks down into:
- An increase of 2,118 million euros of tangible fixed assets due to:
    - the rights-of-use booking of 2,110 million euros linked to the accounting in the balance sheet of leases concerning the following underlying assets:
      - 2,012 million euros linked to building leases contracted for the lease of French and international commercial (branches in the retail banking networks) and office space;
      - 93 million euros relative to computer equipment leases (of which 83 million euros for the Data Centers);
      - 5 million euros concerning vehicle leases;
    - the reclassification for 107 million euros of the leaseholds linked to leases, previously booked under the intangible fixed assets and stated as a separate component of the right-of-use;
    - the reclassification for -102 million euros, mainly composed of 99 million euros of deferred revenues related to rent-free periods, previously recognised under *Other liabilities*;
    - the reclassification from *Other assets* of prepaid expenses for 3 million euros concerning the prepaid rents.
    - a decrease of 107 million euros of intangible fixed assets relative to the reclassification of leaseholds.
- (b) An increase of 2,008 million euros of *Other liabilities* linked to the following movements:
- the recognition of a lease liability for 2,110 million euros;
  - the reclassification of the rent-free periods for 102 million euros, including 99 million euros of the deferred revenues related to rent-free periods.
- (c) The accounting of rights-of-use and lease liability for 42 million euros by entities whose assets and liabilities are classified as *Non-current assets held for sale* and *Non-current liabilities related to non-current assets held for sale*.

### RECONCILIATION OF AMOUNT OF THE FUTURE MINIMUM OPERATING LEASE PAYMENTS REPORTED AT 31 DECEMBER 2018 WITH THE AMOUNT OF THE LEASE LIABILITY BOOKED AT 1 JANUARY 2019

The table below aims to reconcile:

- the future minimum operating lease payments related to operating lease contracts on tangible assets used by the Group at 31 December 2018; and
- the lease liability recognised in the statement of financial position at 1 January 2019 applying IFRS 16.

(In EURm)

<b>Future minimum operating lease payments related to operating lease contracts at 31 December 2018</b>	<b>2,388</b>
Lease contracts not booked in the statement of financial position <sup>(1)</sup>	(38)
<b>Non-discounted lease liability at 1 January 2019</b>	<b>2,350</b>
Discount effect	(214)
Discount rate <sup>(2)</sup>	2.74%
Scope effect <sup>(3)</sup>	16
<b>DISCOUNTED LEASE LIABILITY AT 1 JANUARY 2019<sup>(4)</sup></b>	<b>2,152</b>

(1) Short-term contracts or contracts on low-value items.

(2) The discount rate in the table corresponds to the weighted average lessee's incremental borrowing rate.

(3) Lease liability booked at 1 January 2019 relative to leases whose minimum operating lease payments had been excluded because of materiality issue from the amount stated in the Notes as of 31 December 2018.

(4) This amount excludes the lease liability stated under "Other liabilities" (2,110 million euros) and under "Non-current liabilities held for sale" (42 million euros).

### IFRS INTERPRETATIONS COMMITTEE (IFRS IC) DECISIONS ON 26 NOVEMBER 2019

In the first half of 2019, IFRS IC received a request regarding the determination of the enforceable period to be used for the accounting of leases. At its meeting on 26 November 2019, IFRS IC concluded that the principles and requirements of IFRS 16 provide an adequate basis to determine the lease term, while indicating that the assessment of the enforceability of the contract must take into account all the economic aspects of the contract and not only the contractual termination penalties. Consequently, IFRS IC decided not to add the matter to its work program and did not consider it necessary to solicit the IASB (International Accounting Standards Board) for an amendment to clarify the interpretation of IFRS 16 regarding the matter.

The analysis of the potential consequences of this decision on the Group's financial statements is ongoing and will continue in the first half of 2020. As of 31 December 2019, the methods and assumptions used by the Group to determine the term of property leases, and in particular that of commercial leases in France, have not been modified from those implemented since the first application of IFRS 16.

### IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS"

This interpretation provides clarifications about the measurement and accounting treatment of income tax when there is uncertainty over income tax treatments. It must be determined whether the treatment is likely to be accepted by the relevant authorities, on the basis that they will control the treatment in question and have all the relevant information. If the probability of acceptance of the tax treatment is less than 50%, this uncertainty must be reflected in the amount of tax assets and liabilities, based on a method that provides the best predictions of the resolution of the uncertainty.

To comply with these new principles, the process for identifying, analysing and monitoring tax uncertainties has been reviewed. This interpretation has no impact on the amount of the Group shareholders' equity at 1 January 2019 but leads as from this date to reclassification of the provisions for income tax adjustments in *Tax liabilities*.

### ANNUAL IMPROVEMENTS (2015-2017)

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".

The objective of the amendment to IAS 12 is to clarify the accounting for the tax consequences of remuneration paid to equity holders. It is now specified that the accounting of these tax consequences is linked more directly to past transactions or events that generated distributable profits than to distributions to owners.

The application of this amendment has resulted in a reclassification in the income statement (under the heading *Income tax*) of the tax savings related to the payment of coupons to holders of perpetual subordinated and deeply subordinated notes previously accounted in the retained earnings. This change in presentation is carried out retrospectively with a restatement of comparative data. The amount of tax savings amounted to 257 million euros at 31 December 2018 and 259 million euros at 31 December 2019.

The other amendments contained in the annual Improvements cycle (2015 -2017) did not have a significant impact on the Group consolidated financial statements.

### AMENDMENTS TO IAS 39, IFRS 7 AND IFRS 9 IN THE CONTEXT OF THE INTEREST RATE BENCHMARK REFORM

In the context of the financial crisis, the inaccuracy and lack of integrity of interest rate benchmarks (EONIA, EURIBOR, LIBOR, etc.) made it necessary to reform their method of determination.

At the international level, the International Organisation of Securities Commissions (IOSCO) has set principles to make the determination of interest rate benchmark more reliable and the Financial Stability Board (FSB), mandated by the G20, has issued recommendations to enhance the transparency, the representativeness and the reliability of these rates. On the basis of these principles and recommendations, several reforms have been initiated to set up and promote the use of new Risk Free overnight Rates called "Risk Free Rate - RFR" whose determination will now be anchored on actual transactions: €STR (*Euro Short-Term Rate*) for contracts denominated in Euro, SOFR (*Secured Overnight Financing Rate*) for contracts denominated in USD, SONIA (*Sterling Overnight Index Average*) for contracts denominated in GBP, etc.

Within the European Union, regulation 2016/1011 (known as "BMR regulation") was passed to implement the principles and recommendations of IOSCO and FSB by creating, as of 1 January 2018, a uniform legal framework regarding the provision of benchmarks. As part of the implementation of this regulation, the administrators of EONIA, EURIBOR and LIBOR were required to review and, if necessary, to modify the methodologies used for these indexes in order to make them compliant to the new BMR provisions.

Since 2 October 2019, €STER has come to replace EONIA; this latter will however be published until 31 December 2021 by anchoring on €STER (EONIA = €STER +8.5 bps). The reform of the EURIBOR was started in December 2018 and this index was declared compliant with BMR regulation on 3 July 2019. The EURIBOR quotation should continue for at least 5 years. The new SOFR and SONIA benchmarks, intended to replace the LIBOR benchmarks, have been published since 2018, but the publication of the latter will continue at least until 2021.

The Group has set up a project structure to monitor developments in the interest rate benchmarks IBOR reform and to anticipate the consequences of the transition to new interest rate benchmarks. The work undertaken aims on one hand to limit the Group's exposure to the current interbank interest rate benchmarks which might be discontinued in the short or medium term and, on the other hand, to prepare the migration of the stock of legacy transactions identifying these current interest rates benchmarks and which will mature after 2021.

Uncertainties about the timing and the precise methods of transition between the current benchmarks and the new benchmarks, as well as the modifications which could be made to the financial instruments referencing the current benchmarks, are likely to have consequences on accounting treatment related to the hedge accounting, and to the modification applied to these instruments (following the application of replacement contractual clauses - "Fallback" clauses - or following a renegotiation of the contract).

To limit these accounting consequences, the IASB published in September 2019 amendments to IAS 39, IFRS 9 and IFRS 7 to prevent uncertainties existing before the transition from jeopardising the hedge accounting applied for hedging interest rate risk. These amendments introduce reliefs related mainly to the compliance with the highly probable nature of the cash flows covered, the compliance with the identifiable nature of the risk covered, the carrying out of prospective and retrospective effectiveness tests. These reliefs will be applicable until the uncertainties referred to are removed, that is to say until the clauses of the financial instruments concerned are effectively modified.

These amendments were adopted by the European Union on 15 January 2020 and can be early-applied from 2019. The Group

decided to early-apply the amendments in its 31 December 2019 financial statements and to use the reliefs provided for hedging relationships affected by the uncertainties at that date, including those linked to the EONIA, EURIBOR and LIBOR (USD, GBP, CHF, JPY) benchmarks. The hedging derivatives instruments to which these amendments have been applied are subject to specific disclosures in Note 3.2.

The IASB is currently studying the additional amendments that could be made to the accounting treatment of the contractual modifications that will be made to financial instruments as part of the IBOR reform (replacement of the interest rate benchmark, introduction of new fallback clauses). An exposure draft is expected to be issued at the end of the 2<sup>nd</sup> quarter 2020.

The amendments described below did not have any impact on the Group consolidated financial statements.

### AMENDMENTS TO IAS 28 "LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES"

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.

### AMENDMENTS TO IAS 19 "PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT"

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.

### NOTE 1.3 Accounting standards, amendments or interpretations to be applied by the Group in the future

IASB publishes accounting standards and amendments, some of which have not been adopted by the European Union as at 31 December 2019. They are required to be applied from annual periods beginning on 1 January 2020 at the earliest or on the date of their adoption by the European Union.

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

2020	<ul style="list-style-type: none"> <li>• Amendments to IAS 1 and IAS 8 "Definition of material" [Adopted by EU]</li> <li>• Amendments to IFRS 3 "Business Combinations"</li> </ul>
2021	<ul style="list-style-type: none"> <li>• IFRS 17 "Insurance Contracts"</li> </ul>

#### AMENDMENTS TO IAS 1 AND IAS 8 "DEFINITION OF MATERIAL"

*Adopted by the European Union on 29 November 2019*

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.

#### AMENDMENTS TO IFRS 3 "BUSINESS COMBINATIONS"

*Issued by 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.

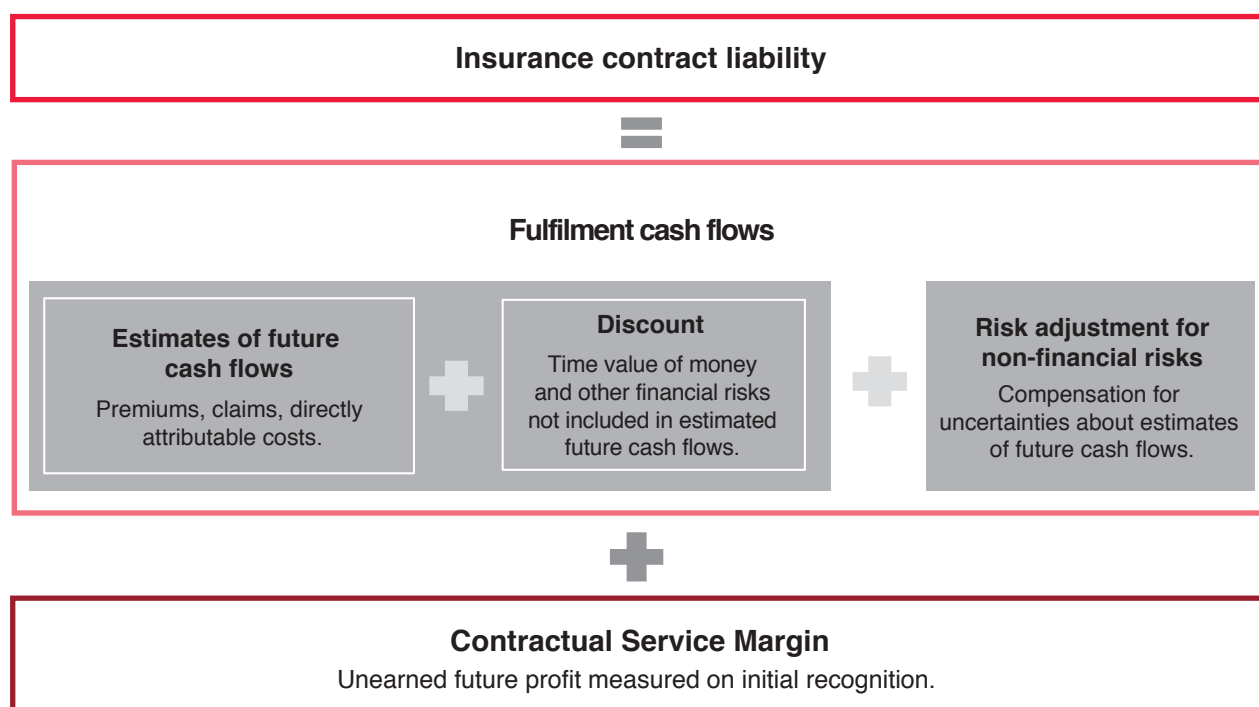
#### IFRS 17 "INSURANCE CONTRACTS"

*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.

On 26 June 2019, the IASB issued an exposure draft including a number of amendments to IFRS 17 “Insurance contracts.” These modifications aim to facilitate the implementation of the standard. In particular, it is proposed to defer the first application date by one year, postponing it to the annual periods beginning on 1 January 2022 with a mandatory comparative period. The Group will not exercise the option offered by IFRS 17 to apply the standard by anticipation. In addition, EFRAG, commenting IASB exposure draft, considers that it would be more realistic to postpone IFRS 17 first application by one more year to 1 January 2023.

During 2018, the Group determined a project framework for the implementation of the new standard in order to identify the stakes and impacts for the Insurance business unit. The project work continued during 2019.

## NOTE 1.4 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 the figures recorded in the income statement or among other comprehensive income, 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 the information available at the date of preparation of the consolidated financial statements and can exercise its judgment. By their 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 accounting 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 *Investments of insurance companies* (described in Notes 3.1, 3.2, 3.3, 3.4 and 4.3) 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 uses of estimates and judgment relates in particular to the assessment of the deterioration in credit risk observed since the initial recognition of financial assets and the measurement of the amount of expected credit losses on these same financial assets;
- for the purpose of documenting the related macro fair value hedge accounting, assumptions and amortisation conventions used to determine the maturities of financial assets and liabilities, measuring and monitoring the structural interest rate risks (see Note 3.2);

- the amount of impairment on goodwill (see Note 2.2);
- the provisions recognised under liabilities, underwriting reserves of insurance companies and deferred profit-sharing (see Notes 4.3, 5.2 and 8.3);
- the amount of tax assets and liabilities recognised in the balance sheet (see Note 6);
- the analysis of the contractual cash flow characteristics of financial assets (see Note 3);
- the assessment of control for determining the scope of consolidated entities, especially for structured entities (see Note 2).

In addition, the application of IFRS 16 has led the Group to expand its use of judgment to estimate the lease period to be applied in determining the right-of-use assets and the lease liability.

## BREXIT

On 23 June 2016, the United Kingdom European Union Membership referendum took place and the British people voted to leave the European Union (*Brexit*).

After having been postponed several times, the United Kingdom withdrawal agreement was approved by the British Parliament on 9 January 2020 and by the European Parliament on 29 January 2020, coming into effect the 31 January 2020. European Union law will stop applying to the United Kingdom starting 1 January 2021. During the 11-month transition period, the United Kingdom will keep its European Union member status.

The Group has taken all the necessary steps to guarantee service continuity to its customers starting 31 January 2020, and will be following the developments in the negotiations that will be held during the transition period. The Group has taken into account Brexit's short-, medium- and long-term consequences in the hypotheses and estimates retained in the preparation of the annual consolidated 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 standardised accounting process to give an aggregated presentation of the accounts of Societe Generale – Parent company and its subsidiaries, joint arrangements and associates, presented as if they were a single entity.

To do so, the individual accounts of the entities that make up the Group are restated so that they are in accordance with IFRS, as adopted by the European Union, in order to present consistent information in the consolidated financial statements.

In addition, the accounting balances (assets, liabilities, income and expense) generated by transactions between Group entities are eliminated through the consolidation process so that the consolidated financial statements present only the transactions and results made with third parties outside of the Group.

### ACCOUNTING PRINCIPLES

The consolidated financial statements of Societe Generale include the financial statements of the parent company and of the main French and foreign companies as well as foreign branches over which the Group exercises control, 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 method, potential voting rights are taken into account where they can be freely exercised at the time the assessment is made or at the latest when decisions about the direction of the relevant activities need to be made. Potential voting rights are instruments such as call options on ordinary shares outstanding on the market or rights to convert bonds into new ordinary shares.

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 power. In asset management activities, an analysis shall be performed in order to determine whether the asset manager is acting as agent or principal when managing the net assets of a fund; the fund is presumed to be controlled by the asset manager if the latter is considered as a principal.

**Special case of structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Such is the case, for example, when the relevant activities are directed by means of contractual arrangements.

A structured entity often presents certain characteristics such as a limited business activity, a specific and carefully defined purpose, or insufficient capital to fund its activities without the use of subordinated financing.

Structured entities may assume different legal forms: stock companies, partnerships, securitisation vehicles, mutual funds, unincorporated entities, etc.

When assessing the existence of control over a structured entity, all facts and circumstances shall be considered among which:

- the purpose and design of the entity;
- the structuring of the entity;
- risks to which the entity is exposed by way of its design and the Group's exposure to some or all of these risks;
- potential returns and benefits for the Group.

Unconsolidated structured entities are those that are not exclusively controlled by the Group.

**JOINT ARRANGEMENTS**

Through a joint arrangement (either a joint operation or a joint venture) the Group exercises joint control over an entity if decisions about the direction of its relevant activities require the unanimous consent of the parties that collectively control the entity. Assessing joint control requires an analysis of the rights and obligations of all the parties.

In the case of a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities.

In the case of a joint venture, the parties have rights to the net assets of the entity.

**ASSOCIATES**

Associates are companies over which the Group exercises significant influence and are accounted for using the equity method in the Group's consolidated financial statements. Significant influence is the power to participate in the financial and operating policies of an entity without exercising control. In particular, significant influence can result from Societe Generale being represented on the Board of Directors or Supervisory Board, from its involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Societe Generale. The Group is assumed to exercise significant influence over the financial and operating policies of an entity when it directly or indirectly holds at least 20% of the voting rights in this entity.

**Consolidation rules and methods**

The consolidated financial statements are built up from the financial statements of the entities that are included in the consolidation scope. Companies with a fiscal year ending more than three months before or after that of Societe Generale prepare pro forma statements for a twelve-month period ended 31 December. All significant balances, profits and transactions between Group companies are eliminated.

The results of newly acquired subsidiaries are included in the consolidated financial statements from 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 consolidated structured entities that are controlled by the Group, the shares of said entities not held by the Group are recognised as *Debt* in the balance sheet.

In the case of a joint operation, the Group distinctly recognises in its consolidated financial statements its share in the assets and liabilities as well as its share in the related revenue and expense.



Associates and joint ventures are accounted for using the equity method in the consolidated financial statements of the Group. Under the equity method, on initial recognition the investment in an associate is recognised under *Investments accounted for using the equity method* at the cost of the Group's investment in the joint venture or associate, including goodwill and after the date of acquisition the carrying amount is increased or decreased to recognise the changes in the investor's share in the net asset value of the investee.

These investments are tested for impairment if there is objective evidence of impairment. If the recoverable amount of the investment (value in use or market value net of selling costs, whichever is higher) is lower than its carrying amount, an impairment loss is recorded on the balance sheet at the carrying amount of the investment. Impairment allowances and reversals are recorded under *Net income from investments accounted for using the equity method*.

The Group's share in the entity's net income and unrealised or deferred gains and losses is presented on separate lines in the consolidated income statement and the consolidated statement of net income and unrealised or deferred gains and losses. If the Group's share in the losses of an entity consolidated using the equity method becomes greater than or equal to its ownership interest in the Company, the Group ceases to recognise its share in subsequent losses unless it is required to do so by legal or implied obligations, in which case it records a provision for said losses. Capital gains and losses generated on disposal of companies accounted for using the equity method are recorded under *Net income/expense from other assets*.

### TRANSLATION OF FOREIGN ENTITY FINANCIAL STATEMENTS

The balance sheet items of consolidated companies reporting in foreign currencies are translated into euro at the official exchange rates prevailing at the closing date. Income statement items of these companies are translated into euros, at the average month-end exchange rates. Gains and losses arising from the translation of capital, reserves, retained earnings and income are recognised under *Unrealised or deferred gains and losses – Translation differences*. Gains and losses arising from the translation of the capital contribution of foreign branches of Group banks are also included in changes in consolidated shareholders' equity under the same heading.

In accordance with the option allowed under IFRS 1, the Group allocated all differences arising on translation of foreign entity financial statements at 1 January 2004 to consolidated reserves. As a result, if any of these entities are sold, the proceeds from the sale will only include write-backs of those translation differences arising since 1 January 2004.

### CHANGES IN GROUP'S OWNERSHIP INTEREST IN A CONSOLIDATED ENTITY

In the event of an increase in Group's ownership interest in a subsidiary over which it already exercises control, the differences between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired at this date is recorded under *Consolidation reserves, Group share*.

The costs related to these transactions are recognised directly in equity.

When the Group loses control of a consolidated subsidiary, any investment retained in the former subsidiary is remeasured at fair value through profit or loss, at the same time the capital gain or loss is recorded under *Net income/expense from assets* in the consolidated income statement. The gains or losses on disposals include a share of goodwill previously allocated to the cash-generating units to which the subsidiary belongs. This share's determination is based on a normative capital allocated to the subsidiary that is sold and to the portion of cash-generating unit that is retained.

### Commitments to buy out minority shareholders in fully consolidated subsidiaries

In some fully consolidated Group subsidiaries, the Group has awarded minority shareholders commitments to buy out their stakes. For the Group, these buyout commitments are put option sales (put options without transfer of the risks and advantages associated with the ownership interest before the option's exercise). The exercise price for these options can be established using a formula agreed upon at the time of the acquisition of the shares in the subsidiary that takes into account its future performance. It can also be set as the fair value of these shares at the exercise date of the options.

The commitments are recorded as follows:

- in accordance with IAS 32, the Group records a financial liability for the put options granted to minority shareholders of the subsidiaries over which it exercises control. This liability is initially recognised at the present value of the estimated exercise price of the put options under *Other Liabilities*;
- the obligation to recognise a liability even though the put options have not been exercised means that, in order to be consistent, the Group must use the same accounting treatment as the one applied to transactions in *Non-controlling interests*. As a result, the counterpart of this liability is a write-down in value of non-controlling interests underlying the options, with any balance deducted from *Retained earnings, Group share*;
- subsequent variations in this liability (linked to changes in the estimated exercise price of the options and the carrying value of *Non-controlling interests*) are recorded in full in *Retained earnings, Group share*;
- if the buy-out takes place, the liability is settled by the cash payment linked to the acquisition of non-controlling interests in the subsidiary. However if, when the commitment reaches its term, the buy-out has not occurred, the liability is written off against *Non-controlling interests* and *Retained earnings, Group share* for their respective portions;
- as long as the options have not been exercised, the results linked to *Non-controlling interests* with a put option are recorded under *Non-controlling interests* on the Group's consolidated income statement.

**NOTE 2.1 Consolidation scope**

The consolidation scope includes subsidiaries and structured entities under the Group's exclusive control, joint arrangements (joint ventures and joint operations) and associates whose financial statements are significant relative to the Group's consolidated financial statements, notably regarding Group consolidated total assets and gross operating income.

The main changes to the consolidation scope at 31 December 2019, compared with the scope applicable at the closing date of 31 December 2018, are as follows:

**SG EXPRESS BANK**

On 15 January 2019, the Group sold all its participation in SG Express Bank, its Bulgarian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 3.4 billion, mainly through a decrease of EUR 2.4 billion in customer loans and a decrease of EUR 2.7 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

**SOCIETE GENERALE PRIVATE BANKING NV/SA**

On 28 February 2019, the Group sold all its participation in Societe Generale Private Banking NV/SA, its Belgian private banking subsidiary, to ABN AMRO. The sale reduced the Group's balance sheet by EUR 1.1 billion, due to a decrease of EUR 1.1 billion in Non-current assets held for sale (o/w EUR 0.4 billion in cash, due from central banks and EUR 0.5 billion in customer loans) and a decrease of EUR 1.0 billion in Non-current liabilities held for sale (o/w EUR 1.0 billion in customer deposits).

**LA BANQUE POSTALE FINANCEMENT**

On 28 March 2019, the Group sold to La Banque Postale its investment in La Banque Postale Financement (35%) accounted for using the equity method.

**BANKA SOCIETE GENERALE ALBANIA SH.A.**

On 29 March 2019, the Group sold all its participation in Banka Societe Generale Albania SH.A., its Albanian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.7 billion, mainly through a decrease of EUR 0.4 billion in customer loans and a decrease of EUR 0.6 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

**EURO BANK S.A.**

On 31 May 2019, the Group sold all its participation in Eurobank, its Polish subsidiary, to Bank Millennium. The sale reduced the Group's balance sheet by EUR 3.4 billion, mainly through a decrease of EUR 2.9 billion in customer loans and of EUR 1.8 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

**SOCIETE GENERALE BANKA MONTENEGRO A.D.**

On 16 July 2019, the Group sold all its participation in SG Banka Montenegro A.D., its Montenegrin subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.5 billion, mainly through a decrease of EUR 0.4 billion in customers loans and a decrease of EUR 0.4 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

**MOBIASBANCA GROUPE SOCIETE GENERALE**

On 25 July 2019, the Group sold all its participation in Mobiasbanca, its Moldavian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.5 billion, mainly through a decrease of EUR 0.3 billion in customers loans and a decrease of EUR 0.5 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

**SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD**

On 24 September 2019, the Group sold all its participation in SG Banka Srbija A.D. Beograd, its Serbian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 2.7 billion, mainly through a decrease of EUR 2 billion in customer loans and a decrease of EUR 1.6 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

**OHRIDSKA BANKA A.D. SKOPJE**

On 4 November 2019, the Group sold all its participation in SG Banka Ohridska Banka A.D. Skopje, its Macedonian subsidiary, to Steiermärkische Sparkasse. The sale reduced the Group's balance sheet by EUR 0.6 billion, mainly through a decrease of EUR 0.5 billion in customer loans and a decrease of EUR 0.5 billion of customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

**PEMA GMBH**

On 2 December 2019, the Group sold all its participation in PEMA GmbH, a rental company with truck and trailer service, to TIP Trailer Services. This transfer resulted in the reduction in *Tangible and intangible fixed assets* for EUR 0.6 billion and a decrease in *Customer deposits* for EUR 0.5 billion compared to 31 December 2018.

**SKB GROUP**

On 13 December 2019, the Group sold the entity SKB Banka D.D. Ljubljana (Slovenia) and its subsidiaries Leasing D.O.O and SKB Leasing Select D.O.O. to OTP Bank. The sale reduced the Group's balance sheet by EUR 3 billion, mainly through a decrease of EUR 2.4 billion in customer loans and a decrease of EUR 2.5 billion of customer deposits, compared to 31 December 2018.

The result of these disposals recorded in *Net income/expense from other assets* amounts to EUR -277 million for the 2019 financial year.

**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 corrections 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 recognised as debt, any subsequent adjustment is recorded under income for financial liabilities in accordance with IFRS 9 and within the scope of the appropriate standards for other debts. For equity instruments, 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 expected to derive benefits from the acquisition. When the Group reorganises its reporting structure in a way that changes the composition of one or more Cash-Generating Units, goodwill previously allocated to modified units is reallocated to the units affected (new or existing). This reallocation is generally performed using a relative approach based on the normative capital requirements of each Cash-Generating Unit affected.

Goodwill is reviewed regularly by the Group and tested for impairment whenever there is any indication that its value may have diminished, and at least once a year. Any impairment of goodwill is calculated based on the recoverable value of the relevant cash-generating unit(s).

If the recoverable amount of the cash-generating unit(s) is less than its (their) carrying amount, an irreversible impairment is recorded in the consolidated income statement for the period under *Value adjustments on goodwill*.

At 31 December 2019, goodwill is split into the following 11 Cash-Generating Units (CGUs):

Pillars	Activities
<b>French Retail Banking</b>	
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
<b>International Retail Banking and Financial Services</b>	
Europe	Retail banking and consumer finance services in Europe, notably in Germany (Hanseatic Bank, BDK), Italy (Fiditalia), France (CGL), Czech Republic (KB, Essox), Romania (BRD)
Russia	Integrated banking group including Rosbank and its subsidiary Rusfinance
Africa, Mediterranean Basin and Overseas	Retail banking and consumer finance in Africa, the Mediterranean Basin and Overseas, including in Morocco (SGMA), Algeria (SGA), Tunisia (UIB), Cameroon (SGBC), Côte d'Ivoire (SGBCI) and Senegal (SGBS)
Insurance	Life and non-life insurance activities in France and abroad (including Sogécap, Sogessur, Oradéa Vie and Antarius)
Equipment and Vendor Finance	Financing of sales and professional equipment by Societe Generale Equipment Finance
Auto Leasing Financial Services	Operational vehicle leasing and fleet management services (ALD Automotive)
<b>Global Banking and Investor Solutions</b>	
Global Markets and Investor Services	Market solutions for businesses, financial institutions, the public sector, family offices and a full range of securities services, clearing services, execution, prime brokerage and custody
Financing and Advisory	Advisory and financing services for businesses, financial institutions, the public sector and transaction and payment management services
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:

(In EURm)	Net book value at 31.12.2018	Acquisitions and other increases	Disposals and other decreases <sup>(1)</sup>	Net book value at 31.12.2019
<b>French Retail Banking</b>	<b>797</b>			<b>797</b>
Societe Generale network	286			286
Crédit du Nord	511			511
<b>International Retail Banking &amp; Financial Services</b>	<b>2,885</b>	<b>43</b>	<b>(199)</b>	<b>2,729</b>
Europe	1,450		(89)	1,361
Russia	-			
Africa, Mediterranean Basin and Overseas	231		(3)	228
Insurance	335			335
Equipment and Vendor Finance	335		(107)	228
Auto Leasing Financial Services	534	43		577
<b>Global Banking and Investor Solutions</b>	<b>970</b>	<b>132</b>	<b>(1)</b>	<b>1,101</b>
Global Markets and Investor Services	501	83		584
Financing and Advisory	57			57
Asset and Wealth Management	412	49	(1)	460
<b>TOTAL</b>	<b>4,652</b>	<b>175</b>	<b>(200)</b>	<b>4,627</b>

(1) The other decreases include the reclassification of the entities held for sale's goodwill to Non-current assets held for sale (see Note 2.5).

## ACQUISITION OF COMMERZBANK “EQUITY MARKETS AND COMMODITIES” BUSINESS

Following the agreement signed on 8 November 2018, the Group is committed to acquiring the Commerzbank “Equity Markets and Commodities” (EMC) business. The EMC business purchased comprises manufacturing and market-making of flow (“Flow” business) and structured products (“Exotic, Vanilla and Funds” business) as well as part of asset management activities (“Asset Management” business).

The integration process of staff, trading books and infrastructure started in the first half of 2019 and is expected to continue until the beginning of the first half of 2020.

Based on the progress of the staff integration and the transfers of trading books at 31 December, the Group already took control of the “Exotic, Vanilla and Funds” (EVF) business and the asset management activities leading to the recognition of a EUR 83 million goodwill for the EVF business (included in the “Global Markets and Investor Services” CGU) and a EUR 49 million goodwill for the asset management business (included in the “Asset and Wealth Management” CGU).

The transfers of trading books related the EVF business are recorded under *Financial assets at fair value through profit or loss* and *Financial liabilities at fair value through profit or loss* in the consolidated balance sheet (see Note 3.1).

## ANNUAL IMPAIRMENT TEST

The Group performed an annual impairment test at 31 December 2019 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 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 2019	Discount rate	Long-term growth rate
<b>French Retail Banking</b>		
Societe Generale network and Crédit du Nord	7.7%	2%
<b>International Retail Banking and Financial Services</b>		
Retail Banking and Consumer Finance	10.1% to 14.5%	2% to 3%
Insurance	9.0%	2.5%
Equipment and Vendor Finance and Auto Leasing Financial Services	9.2%	2%
<b>Global Banking and Investor Solutions</b>		
Global Markets and Investor Services	12.3%	2%
Financing and Advisory	10.0%	2%
Asset and Wealth Management	9.7%	2%

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 2020 to 2023) extrapolated over the year 2024, this one corresponding to a “normative” year used to calculate the terminal value:

- allocated equity at 31 December 2019 amounted to 11% of risk-weighted assets, excepted for Crédit du Nord, whose allocated equity amounted to 10.5%, in accordance with the entity’s management guidelines;
- the discount rate is calculated using a risk-free rate grossed up by a risk premium based on the CGU’s underlying activities. This risk premium, specific to each activity, is calculated from a series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta). Where appropriate, the risk-free rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free rate available in the area of monetary assignment (mainly US dollar area or Euro area) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or Euro area), in proportion with risk-weighted assets for CGUs covering several countries;
- the growth rates used to calculate the terminal value is determined using forecasts on long-term economic growth and sustainable inflation. These rates are estimated using two main sources, namely the International Monetary Fund and the economic analyses produced by SG Cross Asset Research which provide 2024 forecasts.

No goodwill impairment was recognised as at 31 December 2019 as a result of the annual CGU impairment test.

Budget projections are based on the following main business line and macroeconomic assumptions:

#### French Retail Banking

Societe Generale network and Crédit du Nord	<ul style="list-style-type: none"> <li>■ 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</li> <li>■ Confirmation of Boursorama's customer acquisition plan</li> </ul>
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#### International Retail Banking & Financial Services

Europe	<ul style="list-style-type: none"> <li>■ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations</li> <li>■ Strict discipline applied to operating expenses and normalisation of cost of risk</li> </ul>
Russia	<ul style="list-style-type: none"> <li>■ Continued recovery of activities in Russia in stabilising economic conditions</li> <li>■ Strict discipline applied to operating expenses and cost of risk</li> </ul>
Africa, Mediterranean Basin and Overseas	<ul style="list-style-type: none"> <li>■ Continued development of Societe Generale's sales network and expansion of services through the mobile banking offer</li> <li>■ Continued focus on operating efficiency</li> </ul>
Insurance	<ul style="list-style-type: none"> <li>■ Reinforcement of integrated bank insurance model and continued dynamic growth in France and abroad in synergy with the retail banking network, Private Banking and financial services to businesses</li> </ul>
Equipment and Vendor Finance	<ul style="list-style-type: none"> <li>■ Consolidation of leadership in these corporate financing businesses</li> <li>■ Consolidation of profitability by continuing to focus on activities with the best risk/reward</li> <li>■ Strict discipline applied to operating expenses</li> </ul>
Auto Leasing Financial Services	<ul style="list-style-type: none"> <li>■ Reinforcement of leadership of ALD relative to solutions of mobility and continued growth for strategic partners and for long-time leasing to retail customers</li> <li>■ Continued focus on operating efficiency</li> </ul>

#### Global Banking and Investor Solutions

Global Markets and Investor Services	<ul style="list-style-type: none"> <li>■ Adaptation of market activities to a competitive environment, coupled with further business and regulatory investments.</li> <li>■ Consolidation of market-leading franchises (equities) particularly through the integration of Commerzbank Equity Markets and Commodities activities</li> <li>■ Continued of optimisation measures and investments in information systems</li> </ul>
Financing and Advisory	<ul style="list-style-type: none"> <li>■ Continuation of origination momentum of financing activities</li> <li>■ Consolidation of market-leading franchises (commodity and structured financing)</li> <li>■ Management of cost of risk despite challenging economic conditions</li> </ul>
Asset and Wealth Management	<ul style="list-style-type: none"> <li>■ Consolidation of commercial and operational efficiency in Wealth Management in a constrained environment and continued development of synergies with retail bank network</li> <li>■ Integration of Commerzbank Asset Management activities</li> </ul>

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value of the variation in certain assumptions.

At 31 December 2019, 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 25.3% 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 8.1% in recoverable value and would not generate any additional impairment.

## NOTE 2.3 Additional disclosures for consolidated entities and investments accounted for using the equity method

This Note provides additional disclosures for entities included in the consolidation scope.

These disclosures concern entities over which Societe Generale exercises exclusive control, joint control or significant influence,

provided that 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;
- asset financing vehicles (aircraft, rail, shipping or real estate finance facilities).

The Group has entered into contractual agreements with certain consolidated structured entities that may lead to financial support for these entities due to their exposure to credit, market or liquidity risks.

In 2019, the Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2019, does not intend to provide such support.

Securities issued by structured debt vehicles carry an irrevocable and unconditional guarantee from Societe Generale for payment of amounts due by the issuer. These issuers also enter into hedging transactions with Societe Generale to enable them to meet their payment obligations. As of 31 December 2019, the amount of outstanding loans thus guaranteed is EUR 58 billion.

As part of its securitisation activities on behalf of its clients or investors, Societe Generale grants two liquidity lines to ABCP (Asset Back Commercial Paper) conduits for a total amount of EUR 20.2 billion as of 31 December 2019.

### NOTE 2.3.2 NON-CONTROLLING INTERESTS

*Non-controlling interests* refer to equity holdings in fully consolidated subsidiaries that are neither directly nor indirectly attributable to the Group. They include equity instruments issued by these subsidiaries and not held by the Group, as well as the share of income and accumulated reserves, and of unrecognised or deferred gains and losses attributable to the holders of these instruments.

*Non-controlling interests* amount to EUR 5,043 million at 31 December 2019 (vs. EUR 4,783 million at 31 December 2018) and account for 7% of total shareholders' equity at 31 December 2019 (vs. 7% at 31 December 2018).

## INFORMATION ON SHAREHOLDER'S EQUITY OF NON-CONTROLLING INTERESTS

(In EURm)	31.12.2019	31.12.2018
Capital and reserves	4,291	4,060
Other equity instruments issued by subsidiaries (see Note 7.1)	800	800
Unrealised or deferred gains and losses	(48)	(77)
<b>TOTAL</b>	<b>5,043</b>	<b>4,783</b>

The *Non-controlling interests*, of significant amount in terms of contribution to the total shareholders' equity in the Group's consolidated balance sheet, relate to:

- listed subsidiaries Komerční Banka A.S., BRD - Groupe Societe Generale 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.



31.12.2019					
(In EURm)	Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	221	1,540	(134)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	125	654	(93)
GROUPE ALD	79.82%	79.82%	122	840	(52)
SG MAROCAINE DE BANQUES	57.58%	57.58%	41	447	(11)
SOGÉCAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	156	733	(89)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>698</b>	<b>5,043</b>	<b>(412)</b>

31.12.2018					
(In EURm)	Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	220	1,437	(122)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	128	623	(94)
GROUPE ALD *	79.82%	79.82%	120	766	(50)
SG MAROCAINE DE BANQUES	57.57%	57.57%	39	413	(8)
SOGÉCAP	100.00%	100.00%	33	829	(33)
Other entities *	-	-	152	715	(94)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>692</b>	<b>4,783</b>	<b>(401)</b>

\* Amounts restated compared with the published consolidated statements for the year-ended 31 December 2018.

## SUMMARISED FINANCIAL INFORMATION FOR MAIN NON-CONTROLLING INTERESTS

The information below are the data of the entities or subgroups (excluding Sogécap) taken at 100% and before the elimination of intra-group operations.

31.12.2019				
(In EURm)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,240	595	1,024	41,605
BRD - GROUPE SOCIETE GENERALE SA	658	322	50	11,684
GROUPE ALD	1,349	567	446	47,214
SG MAROCAINE DE BANQUES	432	105	148	9,424

31.12.2018				
(In EURm)	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
GROUPE ALD	1,321	561	408	43,681
SG MAROCAINE DE BANQUES	399	100	128	8,583



## NOTE 2.3.3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES AND JOINT VENTURES)

## SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES AND ASSOCIATES

(In EURm)	Joint ventures		Associates		Total investments accounted for using the equity method	
	2019	2018	2019	2018	2019	2018
Group share:						
Net income <sup>(1)</sup>	5	5	(134)	51	(129)	56
Unrealised or deferred gains and losses (net of tax)	-	-	3	(3)	3	(3)
<b>NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES</b>	<b>5</b>	<b>5</b>	<b>(131)</b>	<b>48</b>	<b>(126)</b>	<b>53</b>

(1) 2019 net income includes an impairment of EUR 158 million of the Group's investment in SG de Banque au Liban.

## COMMITMENTS TO RELATED PARTIES

(In EURm)	31.12.2019	31.12.2018
Loan commitments granted	-	-
Guarantee commitments granted	45	54
Forward financial instrument commitments	-	142

## NOTE 2.3.4. RESTRICTIONS

## SIGNIFICANT RESTRICTIONS ON THE ABILITY TO ACCESS OR USE THE ASSETS OF THE GROUP

Legal, regulatory, statutory or contractual constraints or requirements may restrict the ability of the Group to transfer assets freely to or from entities within the Group.

The ability of consolidated entities to distribute dividends or to grant or repay loans and advances to entities within the Group depends on, among other things, local regulatory requirements, statutory reserves and financial and operating performance. Local regulatory requirements may concern regulatory capital, exchange controls or non-convertibility of the local currency (as it is the case in countries belonging to the West African Economic and Monetary Union or to the Economic and Monetary Community of Central Africa), liquidity ratios (as in the United States) or large exposures ratios that aim to cap the entity's exposure in relation to the Group (regulatory requirement to be fulfilled in most countries in Eastern and Central Europe, Maghreb and sub-Saharan Africa).

The ability of the Group to use assets may also be restricted in the following cases:

- assets pledged as security for liabilities, notably guarantees provided to the central banks, or assets pledged as security for transactions in financial instruments, mainly through guarantee deposits with clearing houses;
- securities that are sold under repurchase agreements or that are lent;
- assets held by insurance subsidiaries in representation of unit-linked liabilities with life-insurance policy holders;
- assets held by consolidated structured entities for the benefit of the third-party investors that have bought the notes or securities issued by the entity;
- mandatory deposits placed with central banks.

**NOTE 2.4 Unconsolidated structured entities**

The information provided hereafter concerns entities structured but not controlled by the Group. This information is grouped by main type of similar entities, such as Financing activities, Asset management and Others (including Securitisation and Issuing vehicles).

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

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

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

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

**NOTE 2.4.1 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES**

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

Such interests can be evidenced by:

- the holding of equity or debt instruments (regardless of their rank of subordination);
- other funding (loans, cash facilities, loan commitments, liquidity facilities...);
- credit enhancement (guarantees, subordinated instruments, credit derivatives...);
- issuance of guarantees (guarantee commitments);
- derivatives that absorb all or part of the risk of variability of the structured entity's returns, except Credit Default Swap (CDS) and options purchased by the Group;
- contracts remunerated by fees indexed to the structured entity's performance;
- tax consolidation agreements.

	<b>Asset financing</b>		<b>Asset management</b>		<b>Others</b>	
(In EURm)	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Total balance sheet of the entity<sup>(1)</sup></b>	<b>7,436</b>	<b>7,900</b>	<b>135,564</b>	<b>121,154</b>	<b>31,038</b>	<b>27,464</b>
<b>Net carrying amount of Group interests in unconsolidated structured entities</b>						
<b>Assets</b>	<b>2,011</b>	<b>3,232</b>	<b>13,139</b>	<b>5,596</b>	<b>8,950</b>	<b>10,645</b>
Financial assets at fair value through profit or loss	446	384	12,652	4,964	3,801	5,509
Financial assets at fair value through other comprehensive income	-	-	-	-	55	56
Financial assets at amortised cost	1,553	2,843	361	462	5,094	5,080
Others	12	5	126	170		-
<b>Liabilities</b>	<b>1,851</b>	<b>1,533</b>	<b>12,241</b>	<b>4,701</b>	<b>4,261</b>	<b>5,680</b>
Financial liabilities at fair value through profit or loss	218	198	8,927	3,122	3,438	4,845
Due to banks and customer deposits	1,621	1,313	1,625	1,487	823	830
Others	12	22	1,689	92		5

(1) For Asset management, NAV (Net Asset Value) of funds.

In 2019, the Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2019, does not intend to provide such support.

The maximum exposure to loss related to interests in unconsolidated structured entities is measured as:

(In EURm)	Asset financing		Asset management		Others	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Amortised cost or fair value <sup>(1)</sup> (according to the measurement of the financial instrument) of non-derivative financial assets entered into with the structured entity	3,029	2,910	5,097	5,227	2,333	2,450
Fair value <sup>(1)</sup> of derivative financial assets recognised in the balance sheet	327	248	9,885	1,268	2,885	4,309
Notional amount of CDS sold (maximum amount to be paid)	-	-	-	-	-	-
Notional amount of loan or guarantee commitments granted	534	387	978	1,355	1,848	1,198
<b>Maximum exposure to loss</b>	<b>3,890</b>	<b>3,545</b>	<b>15,960</b>	<b>7,850</b>	<b>7,066</b>	<b>7,957</b>

The amount of maximum exposure to loss can be mitigated by:

- the notional amount of guarantee commitments received;
- the fair value<sup>(1)</sup> 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 2,009 million and mainly concern Asset financing.

(1) Fair value at closing date. This fair value can change during subsequent financial years.

#### 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 2019, 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 2,570 million (including EUR 252 million for Other structures).

In 2019, no significant revenue has been recognised for these structured entities.

**NOTE 2.5 Non-current assets held for sale and related debt****ACCOUNTING PRINCIPLES**

A non-current asset or group of assets and liabilities is deemed to be “held for sale” if its carrying value will primarily be recovered through a sale and not through its continuing use. For this classification to apply, the asset or group of assets and liabilities must then be immediately available-for-sale in its present condition and it must be highly probable that the sale will occur within twelve months.

For this to be the case, the Group must be committed to a plan to sell the asset (or disposal group if assets and liabilities) and have begun actively searching for a buyer. Furthermore, the asset or group of assets and liabilities must be measured at a price that is reasonable in relation to its current fair value.

Assets and liabilities into this category are classified as *Non-current assets held for sale* and *Non-current liabilities held for sale*, with no netting.

If the fair value less selling costs of non-current assets and groups of assets and liabilities held for sale is less than their net carrying value, an impairment is then recognised in profit or loss. Moreover, *Non-current assets held for sale* are no longer amortised or depreciated.

(In EURm)	31.12.2019	31.12.2018
<b>Assets</b>	<b>4,507</b>	<b>13,502</b>
Fixed assets and Goodwill	5	262
Financial assets	4,464	11,245
<i>Financial assets at fair value through profit or loss</i>	26	111
<i>Hedging derivatives</i>	10	-
<i>Financial assets at fair value through other comprehensive income</i>	-	1,429
<i>Securities at amortised cost</i>	-	59
<i>Due from banks at amortised cost</i>	68	324
<i>Customer loans at amortised cost</i>	4,360	9,322
Other assets	38	1,995
<b>Liabilities</b>	<b>1,333</b>	<b>10,454</b>
Provisions	14	22
Financial liabilities	1,211	10,309
<i>Financial liabilities at fair value through profit or loss</i>	-	2
<i>Hedging derivatives</i>	9	-
<i>Debt securities issued</i>	-	116
<i>Due to banks</i>	786	596
<i>Customer deposits</i>	416	9,595
<i>Subordinated debts</i>	-	-
Other liabilities	108	123

As at 31 December 2019, the *Non-current assets held for sale* and *Non-current liabilities held for sale* items mainly encompass the assets and liabilities of the retail banking SG de Banque aux Antilles, the assets and liabilities of the equipment finance and factoring company SG Finans AS, and the assets and liabilities related to the South African securities services activity (SG Johannesburg).

The changes of the *Non-current assets held for sale* and *Non-current liabilities held for sale* items compared to 31 December 2018 mainly come from:

- the sale of entities detailed in the Note 2.1;
- the reclassification of assets and liabilities of the entities SG de Banque aux Antilles and SG Finans AS.

Some *Non-current assets held for sale* (mostly goodwill and fixed assets) are measured at the lowest between accounting value and fair value less disposal costs. It means that all or part of any expected capital loss from the sale of a group of assets can be allocated as soon as the assets are reclassified under *Non-current assets held for sale*. In this context, the impairment cost recognised by the Group at 31 December 2019 amounts to EUR -109 million under *Net income/expense 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.).

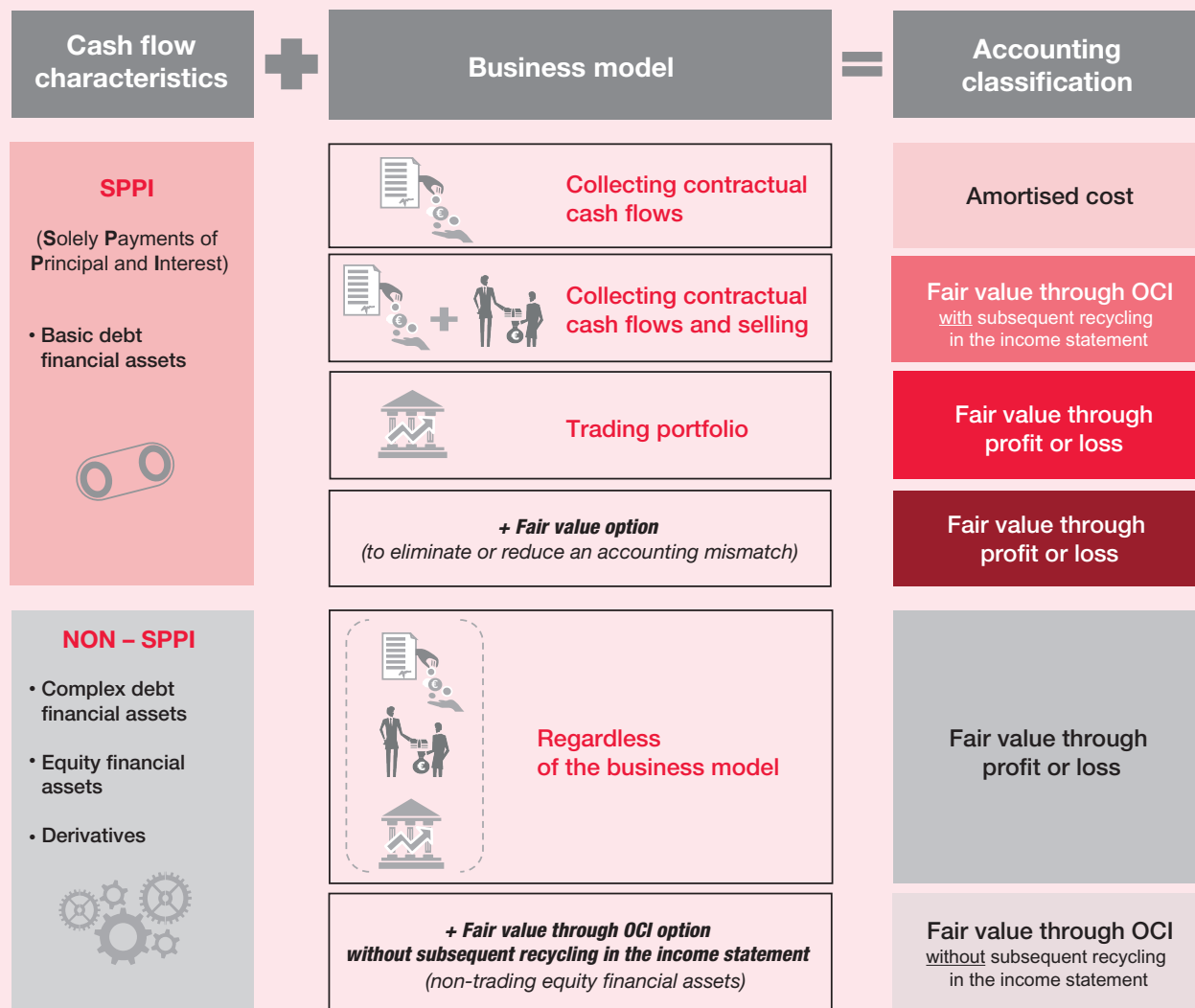
In the financial statements, the classification and valuation of financial assets and liabilities depend on their contractual characteristics and the way the entity manages those financial instruments.

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

#### 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 the option of recognising revenues from financial assets using the effective interest method exclusively to 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 inflows that represent Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding are consistent with a basic lending arrangement.

In a basic lending arrangement, interest predominantly consists of a consideration for the time value of money and for credit risk. Interest may also include a consideration for liquidity risk, administrative costs, and a commercial profit margin. Negative interest is not inconsistent with this definition.

All financial assets that are not basic will be mandatorily measured at fair value through profit or loss, regardless of the business model for managing them.

Derivatives qualifying as hedging instruments for accounting purposes are recorded on a separate line in the balance sheet (see Note 3.2).

The Group can make the irrevocable decision, on a security-by-security basis, to classify and measure 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 to 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);
- 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 deferred in the income statement. 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.

The data presented in Note 3 exclude the financial instruments of insurance subsidiaries; the data for insurance subsidiaries are presented in Note 4.3.

The information on the types of risks, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, are disclosed in Chapter 4 of the present Universal Registration Document (Risks and capital adequacy).

**NOTE 3.1 Financial assets and liabilities at fair value through profit or loss****OVERVIEW OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

(In EURm)	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Trading portfolio <sup>(1)</sup>	358,033	281,246	338,312	285,478
Financial assets measured mandatorily at fair value through profit or loss	24,977		24,057	
Financial instruments measured using fair value option through profit or loss	2,729	82,883	3,181	77,605
<b>TOTAL</b>	<b>385,739</b>	<b>364,129</b>	<b>365,550</b>	<b>363,083</b>
o/w securities purchased/sold under resale/repurchase agreements	111,818	97,895	129,628	98,874

(1) At 31 December 2019, the trading portfolio includes trading books related to the activities of manufacturing and market making of structured products ("Exotic, Vanilla and Funds") acquired from Commerzbank during the first half of 2019 (see Note 2.2).

**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 closing 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.

Trading portfolio includes all the financial assets held for trading purpose regardless of the characteristics of their contractual cash flows. Only non-SPPI financial assets that are not held for trading are classified amongst Financial assets measured mandatorily at fair value through profit or loss (see section 2 below).

## ASSETS

(In EURm)	31.12.2019	31.12.2018
Bonds and other debt securities	26,080	29,732
Shares and other equity securities	77,966	49,297
Loans, receivables and securities purchased under resale agreements	117,956	135,861
Trading derivatives <sup>(1)</sup>	135,849	122,983
Other trading assets	182	439
<b>TOTAL</b>	<b>358,033</b>	<b>338,312</b>
<i>o/w securities lent</i>	<i>13,681</i>	<i>12,411</i>

(1) See Note 3.2 Financial derivatives.

## LIABILITIES

(In EURm)	31.12.2019	31.12.2018
Amounts payable on borrowed securities	38,950	51,264
Bonds and other debt instruments sold short	3,518	6,231
Shares and other equity instruments sold short	1,466	1,248
Borrowings and securities sold under repurchase agreements	97,820	98,299
Trading derivatives <sup>(1)</sup>	138,120	126,946
Other trading liabilities	1,372	1,490
<b>TOTAL</b>	<b>281,246</b>	<b>285,478</b>

(1) See Note 3.2 Financial derivatives.

### NOTE 3.1.2. FINANCIAL INSTRUMENTS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

#### ACCOUNTING PRINCIPLES

Financial assets measured mandatorily at fair value through profit or loss include:

- loans, bonds and bond equivalents that are not held for trading purposes and do not pass the SPPI test (non-basic or non-SPPI instruments).
- shares and share equivalents that are not classified in any other sub-category: trading book at fair value through profit or loss, instruments designated by the Group at fair value through other comprehensive income without subsequent reclassification to profit or loss.

These assets are recorded at fair value in the balance sheet under *Financial assets at fair value through profit or loss* and changes in the fair value of these instruments (excluding interest income) are recorded in 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 EURm)	31.12.2019	31.12.2018
Bonds and other debt securities	177	158
Shares and other equity securities	2,492	1,996
Loans, receivables and securities purchased under resale agreements	22,308	21,903
<b>TOTAL</b>	<b>24,977</b>	<b>24,057</b>

**BREAKDOWN OF LOANS AND RECEIVABLES AND SECURITIES PURCHASED UNDER RESALE AGREEMENTS**

(In EURm)	31.12.2019	31.12.2018
Short-term loans	2,029	2,354
Equipment loans	18,152	15,796
Other loans	2,127	3,753
<b>TOTAL</b>	<b>22,308</b>	<b>21,903</b>

The loans and receivables and securities purchased under resale agreements recorded in the balance sheet under Financial assets mandatorily at fair value through profit or loss are mainly:

- loans that include prepayment features with compensation that do not reflect the effect of changes in the benchmark interest rate;
- loans that include indexation clauses that do not permit to recognise them as basic loans (SPPI).

**NOTE 3.1.3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS USING FAIR VALUE OPTION****ACCOUNTING PRINCIPLES**

In addition to 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 issuances are purely commercial and the associated risks are hedged on the market using financial instruments managed in trading portfolios. By using the fair value option, the Group can ensure consistency between the accounting treatment of these bonds and that of the derivatives hedging the associated market risks, which have to be carried at fair value.

## ASSETS

(In EURm)	31.12.2019	31.12.2018
Bonds and other debt securities	1,458	1,310
Loans, receivables and securities purchased under resale agreements	145	819
Separate assets for employee benefits plans	1,126	1,052
<b>TOTAL</b>	<b>2,729</b>	<b>3,181</b>

## 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.

The revaluation differences attributable to the Group's issuer credit risk are determined using valuation models taking into account the Societe Generale group's most recent financing terms and conditions on the markets and the residual maturity of the related liabilities.

Changes in fair value attributable to own credit risk generated a loss of EUR -121 million at 31 December 2019. Up to this date, the total gains

and losses attributable to own credit risk amounted to EUR -317 million booked in equity (see Note 7.3).

At 31 December 2019, the difference between the fair value of financial liabilities measured using the fair value option through profit or loss (EUR 82,883 million versus EUR 77,605 million at 31 December 2018) and their amount redeemable at maturity (EUR 83,249 million versus EUR 78,080 million at 31 December 2018) stood at EUR -366 million (EUR -475 million at 31 December 2018).

## NOTE 3.1.4. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(In EURm)	2019	2018
Net gain/loss on trading portfolio (excluding derivatives)	5,754	(6,091)
Net gain/loss on financial instruments at fair value through profit or loss <sup>(1)</sup>	3,661	941
Net gain/loss on financial instruments measured using fair value option	(15,028)	4,277
Net gain/loss on derivative instruments	9,712	6,263
Net gain/loss on hedging instruments <sup>(2)</sup>	100	35
<i>Net gain/loss on fair value hedging derivatives</i>	1,155	(947)
<i>Revaluation of hedged items attributable to hedged risks<sup>(3)</sup></i>	(1,055)	982
Net gain/loss on foreign exchange transactions	144	(306)
<b>TOTAL</b>	<b>4,343</b>	<b>5,119</b>
<i>o/w gains on financial instruments at fair value through other comprehensive income</i>	<i>84</i>	<i>103</i>

(1) This item includes realised and unrealised gains and losses on debt and equity instruments, with the exception of the income component of debt instruments representative of an interest rate, which is recorded under net interest margin (see Note 3.7).

(2) This item includes only the net gain/loss on hedging transactions related to financial instruments. For the hedging transactions related to non-financial assets and liabilities, the net gain/loss on hedging transactions is included under the profit and loss account of the hedged item.

(3) This item includes the revaluation of fair value hedged items, including the change in revaluation differences in portfolios hedged against interest rate risk.

Insofar as income and expenses recorded in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole. It should be noted that the income shown here does not include the refinancing cost of these financial instruments, which is shown under interest expense and interest income.

**NOTE 3.2 Financial derivatives****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 FAIR VALUE OF TRADING DERIVATIVES

(In EURm)	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate instruments	91,146	88,501	74,253	73,835
Foreign exchange instruments	18,036	18,354	19,246	19,466
Equities & index Instruments	22,318	26,141	21,450	23,675
Commodities Instruments	1,860	2,201	5,708	6,081
Credit derivatives	2,415	2,037	2,224	2,704
Other forward financial instruments	74	886	102	1,185
<b>TOTAL</b>	<b>135,849</b>	<b>138,120</b>	<b>122,983</b>	<b>126,946</b>

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentration and to implement a proactive risk and capital management approach. All credit derivatives, regardless of their

purpose, are measured at fair value through profit or loss and cannot be qualified as hedging instruments for accounting purposes. Accordingly, they are recognised at fair value among trading derivatives.

## BREAKDOWN OF TRADING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

(In EURm)	31.12.2019	31.12.2018
<b>Interest rate instruments</b>	<b>11,988,127</b>	<b>11,489,020</b>
Firm instruments	9,959,001	9,476,579
<i>Swaps</i>	8,324,621	7,868,534
<i>FRAs</i>	1,634,380	1,608,045
Options	2,029,126	2,012,441
<b>Foreign exchange instruments</b>	<b>3,192,776</b>	<b>3,823,369</b>
Firm instruments	2,475,393	2,661,823
Options	717,383	1,161,546
<b>Equity and index instruments</b>	<b>1,124,549</b>	<b>1,086,822</b>
Firm instruments	186,691	154,988
Options	937,858	931,834
<b>Commodities instruments</b>	<b>96,900</b>	<b>190,706</b>
Firm instruments	83,509	139,558
Options	13,391	51,148
<b>Credit derivatives</b>	<b>246,006</b>	<b>293,463</b>
<b>Other forward financial instruments</b>	<b>38,428</b>	<b>38,423</b>
<b>TOTAL</b>	<b>16,686,786</b>	<b>16,921,803</b>



**NOTE 3.2.2 HEDGING DERIVATIVES**

According to the transitional provisions of IFRS 9, the Group made the choice to maintain the IAS 39 provisions related to hedge accounting. Consequently, equity instruments do not qualify for hedge accounting regardless of their accounting category.

**ACCOUNTING PRINCIPLES**

In order to be hedged against certain market risks, the Group sets up hedging derivatives. From an accounting standpoint, the Group designates the hedging transaction as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation, depending on the risk and on the instruments that are hedged.

To designate an instrument as a hedging derivative, the Group must document the hedging relationship in detail, from the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged and the associated risk management strategy, the type of financial derivative used and the valuation method that will be used to measure its effectiveness.

A derivative designated as a hedging instrument must be highly effective in offsetting the change in fair value or cash flows arising from the hedged risk. This effectiveness is verified when changes in the fair value or cash flows of the hedged instrument are almost entirely offset by changes in the fair value or cash flows of the hedging instrument, with the expected ratio between the two changes ranging from 80% to 125%. Effectiveness shall be assessed both when the hedge is first set up and throughout its life. Effectiveness is measured each quarter prospectively (expected effectiveness over the future periods) and retrospectively (effectiveness measured on past periods). Where the effectiveness falls outside the range specified above, hedge accounting is discontinued.

Hedging derivatives are recognised in the balance sheet under *Hedging derivatives*.

**Fair value hedges**

The purpose of these hedges is to protect the Group against an adverse fluctuation in the fair value of an instrument which could affect profit or loss if the instrument were derecognised from the balance sheet.

Changes in the fair value of the hedging derivative are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*; for interest rate derivatives, however, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

In the balance sheet, the carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. To the extent that the hedge is highly effective, changes in the fair value of the hedged item and changes in the fair value of the hedging derivative are accurately offset through profit or loss, the difference corresponding to an ineffectiveness gain or loss.

Prospective effectiveness is assessed *via* a sensitivity analysis based on probable market trends or *via* a regression analysis of the statistical relationship (correlation) between certain components of the hedged item and the hedging instrument. Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is terminated or sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value attributable to the hedged risk and the cumulative adjustments previously recognised under hedge accounting are amortised over its remaining life. Hedge accounting is also discontinued if the hedged item is sold prior to maturity or early-redeemed, the valuation adjustments are then immediately recognised in the income statement.

**Cash flow hedges**

The purpose of interest rate cash flow hedges is to protect against changes in future cash flows associated with a financial instrument on the balance sheet (loans, securities or floating-rate notes) or with a highly probable future transaction (future fixed 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.

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.

### **Portfolio hedges (macro-hedge)**

In this type of hedge, interest rate derivatives are used to globally hedge the structural interest rate risk resulting mainly from Retail Banking activities.

When accounting for these transactions, Group entities apply either the fair value hedge or the cash flow hedge principles.

Group entities, documenting a macro fair value hedge of assets and liabilities portfolios at fix rate, apply 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.

Group entities, documenting a macro cash flow hedge apply the same accounting principles as those presented above for cash flow hedge. Thus, macro-hedged assets or liabilities portfolios are not measured at fair value for the hedged risk.

In the case of macro cash flow hedge, hedged portfolios include assets or liabilities at variable rate.

**BREAKDOWN OF FAIR VALUE OF HEDGING DERIVATIVES**

(In EURm)	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
<b>Fair value hedge</b>	<b>16,617</b>	<b>9,981</b>	<b>11,666</b>	<b>5,767</b>
Interest rate instruments	16,616	9,981	11,650	5,765
Foreign exchange instruments	1	-	16	2
Equity and index instruments	-	-	-	-
<b>Cash flow hedge</b>	<b>181</b>	<b>124</b>	<b>105</b>	<b>204</b>
Interest rate instruments	169	65	27	140
Foreign exchange instruments	10	46	78	38
Equity and index Instruments	2	13	-	26
<b>Net investment hedge</b>	<b>39</b>	<b>107</b>	<b>128</b>	<b>22</b>
Foreign exchange instruments	39	107	128	22
<b>TOTAL</b>	<b>16,837</b>	<b>10,212</b>	<b>11,899</b>	<b>5,993</b>

The Group sets up hedging relationships recognised for accounting purposes as fair value hedges in order to protect its fixed-rate financial assets and liabilities (primarily loans/borrowings, securities issued and fixed-rate securities) against changes in long-term interest rates. The hedging instruments used mainly consist of interest rate swaps.

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)**

Commitments presented in the table below show the cumulated notional amounts of hedging derivatives instruments. No netting of notional amounts has been applied to reflect the economic exposure generated by those instruments (for example, when a fix rate payer /

Euribor 3 months receiver swap is netted by a Euribor 3 months payer / fix rate receiver). Consequently, the amount of commitments may be in some cases superior to the carrying amount of the hedged items presented in the following tables.

(In EURm)	31.12.2019	31.12.2018
<b>Interest rate instruments</b>	<b>757,099</b>	<b>488,398</b>
Firm instruments	755,847	487,149
<i>Swaps</i>	755,775	486,994
<i>FRAs</i>	72	155
Options	1,252	1,249
<b>Foreign exchange instruments</b>	<b>11,314</b>	<b>14,747</b>
Firm instruments	11,314	14,747
<b>Equity and index instruments</b>	<b>90</b>	<b>74</b>
Options	90	74
<b>TOTAL</b>	<b>768,503</b>	<b>503,219</b>

**MATURITIES OF HEDGING FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)**

These items are presented according to the contractual maturity of the financial instruments.

(In EURm)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2019
Interest rate instruments	108,682	15,877	460,280	172,260	757,099
Foreign exchange instruments	10,542	337	435	-	11,314
Equity and index instruments	15	22	53	-	90
Other forward financial instruments	-	-	-	-	-
<b>TOTAL</b>	<b>119,239</b>	<b>16,236</b>	<b>460,768</b>	<b>172,260</b>	<b>768,503</b>

**BREAKDOWN OF FAIR VALUE HEDGED ITEMS**

(In EURm)	31.12.2019		
	Carrying amount	Cumulative change in the fair value <sup>(2)</sup>	Change in the fair value booked during the period <sup>(2)</sup>
<b>Hedge of interest rate risk</b>	<b>309,183</b>	<b>10,879</b>	<b>(1,067)</b>
Hedged assets	71,252	2,365	974
<i>Due from banks, at amortised cost</i>	1,331	30	12
<i>Customer loans, at amortised cost</i>	4,680	384	44
<i>Securities at amortised cost</i>	748	19	(0)
<i>Financial assets at fair value through other comprehensive income</i>	39,135	1,531	1,016
<i>Customer loans (macro hedged)<sup>(1)</sup></i>	25,358	401	(98)
Hedged liabilities	237,931	8,514	(2,041)
<i>Debt securities issued</i>	33,424	948	(234)
<i>Due to banks</i>	14,389	308	(183)
<i>Customer deposits</i>	2,506	196	24
<i>Subordinated debts</i>	11,985	391	(395)
<i>Customer deposits (macro hedged)<sup>(1) (3)</sup></i>	175,627	6,671	(1,253)
<b>Hedge of currency risk</b>	<b>605</b>	<b>3</b>	<b>12</b>
Hedged assets	-	-	-
<i>Customer loans, at amortised cost</i>	-	-	-
Hedged liabilities	605	3	12
<i>Due to banks</i>	605	3	12
<b>Hedge of equity risk</b>	<b>1</b>	<b>(0)</b>	<b>(0)</b>
Hedged liabilities	1	(0)	(0)
<i>Other liabilities</i>	1	(0)	(0)
<b>TOTAL</b>	<b>309,789</b>	<b>10,882</b>	<b>(1,055)</b>

31.12.2018

(In EURm)	Carrying amount*	Cumulative change in the fair value <sup>(2)</sup>	Change in the fair value booked during the period <sup>(2)</sup>
<b>Hedge of interest rate risk</b>	<b>175,974</b>	<b>8,018</b>	<b>943</b>
Hedged assets	60,186	1,521	(230)
<i>Due from banks, at amortised cost</i>	1,170	19	(6)
<i>Customer loans, at amortised cost</i>	3,762	336	(10)
<i>Securities at amortised cost</i>	594	25	11
<i>Financial assets at fair value through other comprehensive income</i>	33,190	642	124
<i>Customer loans (macro hedged)<sup>(1)</sup></i>	21,470	499	(349)
Hedged liabilities	115,788	6,497	1,173
<i>Debt securities issued</i>	26,433	745	232
<i>Due to banks</i>	13,241	114	(20)
<i>Customer deposits</i>	1,422	219	48
<i>Subordinated debts</i>	12,599	1	120
<i>Customer deposits (macro hedged)<sup>(1) (3)</sup></i>	62,093	5,418	793
<b>Hedge of currency risk</b>	<b>783</b>	<b>16</b>	<b>39</b>
Hedged assets	31	1	1
<i>Customer loans, at amortised cost</i>	31	1	1
Hedged liabilities	752	15	38
<i>Due to banks</i>	752	15	38
<b>Hedge of equity risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
Hedged liabilities	-	-	-
<i>Other liabilities</i>	-	-	-
<b>TOTAL</b>	<b>176,757</b>	<b>8,034</b>	<b>982</b>

(1) The carrying amount of the macro-hedged items represents the sum of the hedged outstanding and the revaluation differences on portfolios hedged against interest rate risk.

(2) 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.

(3) During 2019 financial year, the increase in the carrying amount of customer deposits (macro-hedged) as well as commitments (notional) of the associated hedging swaps, presented in the tables hereafter, are explained by:

- A change of the interest rate risk management of the banking book which now includes partial hedging of the sensitivity of the Net Interest Margin on the French domestic market;
- The drop in the level of rates, which has led to increase the duration of fixed-rate modeled liabilities (negative convexity of the portfolio) and therefore to increase the notional amounts of associated hedges. At the same time, the change in fair value of the macro-hedged liability portfolios can be explained by the drop in rates over the period.

\* Amounts restated compared with the published consolidated statements for the year-ended 31 December 2018.

At 31 December 2019, EUR 267 million of cumulative change in fair value are still to be amortised because of the disappearance of the hedged item.

## BREAKDOWN OF FAIR VALUE HEDGING INSTRUMENTS

(In EURm)	31.12.2019				
	Commitments <sup>(3)</sup> (notional amounts)	Fair value <sup>(2)</sup>		Change in fair value booked during the period	Ineffectiveness recognised during the period
		Asset	Liabilities		
<b>Hedge of interest rate risk</b>	<b>290,820</b>	<b>16,619</b>	<b>9,979</b>	<b>1,167</b>	<b>100</b>
Firm instruments – Swaps	289,568	16,615	9,979	1,165	100
For hedged assets	43,831	155	2,415	(1,086)	(14)
For hedged portfolios of assets (macro hedge) <sup>(1)</sup>	25,377	1,715	1,738	97	1
For hedged liabilities	61,370	2,279	226	866	78
For hedged portfolios of liabilities (macro hedge) <sup>(1)</sup>	158,990	12,466	5,600	1,288	35
Options	1,252	4	-	2	0
For hedged portfolios of assets (macro hedge) <sup>(1)</sup>	1,252	4	-	2	0
<b>Hedge of currency risk</b>	<b>828</b>	<b>11</b>	<b>7</b>	<b>(12)</b>	<b>0</b>
Firm instruments	828	11	7	(12)	0
For hedged liabilities	828	11	7	(12)	0
Non-derivative financial instruments	-	-	-	-	-
For hedged assets	-	-	-	-	-
<b>Hedge of equity risk</b>	<b>2</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
Options	2	-	0	0	(0)
For hedged liabilities	2	-	0	0	(0)
<b>TOTAL</b>	<b>291,650</b>	<b>16,630</b>	<b>9,986</b>	<b>1,155</b>	<b>100</b>

(In EURm)	31.12.2018				
	Commitments (notional amounts)	Fair value <sup>(2)</sup>		Change in fair value booked during the period	Ineffectiveness recognised during the period
		Asset	Liabilities		
<b>Hedge of interest rate risk</b>	<b>169,944</b>	<b>11,650</b>	<b>5,765</b>	<b>(909)</b>	<b>34</b>
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) <sup>(1)</sup>	20,986	955	1,436	323	(33)
For hedged liabilities	52,178	2,111	612	(358)	3
For hedged portfolios of liabilities (macro hedge) <sup>(1)</sup>	58,260	8,265	2,337	(736)	82
Options	1,249	5	-	-	-
For hedged portfolios of assets (macro hedge) <sup>(1)</sup>	1,249	5	-	-	-
<b>Hedge of currency risk</b>	<b>2,055</b>	<b>16</b>	<b>30</b>	<b>(38)</b>	<b>1</b>
Firm instruments	2,055	16	2	(38)	-
For hedged liabilities	2,055	16	2	(38)	-
Non-derivative financial instruments	-	-	28	-	1
For hedged assets	-	-	28	-	1
<b>Hedge of equity risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Options	-	-	-	-	-
For hedged liabilities	-	-	-	-	-
<b>TOTAL</b>	<b>171,999</b>	<b>11,666</b>	<b>5,795</b>	<b>(947)</b>	<b>35</b>

(1) For macro fair value transactions, the commitment described above equals the net hedging derivatives position in order to represent the economic exposure from these instruments. This position should be linked with the carrying amount of the hedged items which represents the hedged exposure.

(2) The fair value of interest rate hedging derivatives includes accrued interests.

(3) The notional amounts of hedging instruments for which IAS 39 amendments is applied, permitting to use exceptions to hedge accounting requirement in the frame of benchmark interest rates reform, are EUR 27,843 million for instrument identifying EONIA, EUR 203,459 million for instruments identifying EURIBOR, EUR 14,248 million for instrument identifying LIBOR USD.

**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 in fair value of hedged items is assessed using the hypothetical derivative method described in the accounting principles above.

	31.12.2019	31.12.2018
(In EURm)	Change in the fair value	Change in the fair value
<b>Hedge of interest rate risk</b>	<b>(181)</b>	<b>54</b>
Hedged assets	1	16
<i>Customer loans, at amortised cost</i>	-	2
<i>Financial assets at fair value through other comprehensive income</i>	(1)	8
<i>Customer loans (macro hedged)</i>	2	6
Hedged liabilities	(182)	38
<i>Debt securities issued</i>	(1)	2
<i>Due to banks</i>	(25)	(0)
<i>Customer deposits (macro hedged)</i>	(156)	36
<b>Hedge of currency risk</b>	<b>(0)</b>	<b>33</b>
Hedged liabilities	(0)	33
<i>Due to banks</i>	-	33
<b>Hedge of equity risk</b>	<b>(26)</b>	<b>46</b>
Forecast transactions	(26)	46
<b>TOTAL</b>	<b>(207)</b>	<b>133</b>

**BREAKDOWN OF CASH FLOW HEDGING INSTRUMENTS**

	31.12.2019					
	Commitments <sup>(2)</sup> (notional amounts)	Fair value		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains and losses
(In EURm)		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
<b>Hedge of interest rate risk</b>	<b>13,538</b>	<b>169</b>	<b>64</b>	<b>180</b>	<b>0</b>	<b>34</b>
Firm instruments – Swaps	13,466	169	64	179	0	35
<i>For hedged assets</i>	2,222	3	10	1	-	(9)
<i>For hedged portfolios of assets (macro hedge)<sup>(1)</sup></i>	3,129	2	39	(2)	0	(26)
<i>For hedged liabilities</i>	3,874	63	6	25	0	(19)
<i>For hedged portfolios of liabilities (macro hedge)<sup>(1)</sup></i>	4,241	101	9	155	-	89
Firm instruments – FRAs	72	-	-	1	0	(1)
<i>For hedged liabilities</i>	72	-	-	1	0	(1)
<b>Hedge of currency risk</b>	<b>3,489</b>	<b>15</b>	<b>47</b>	<b>0</b>	<b>-</b>	<b>(0)</b>
Firm instruments	3,489	10	46	-	-	-
<i>For hedged assets</i>	707	9	36	(0)	(0)	(0)
<i>For hedged liabilities</i>	2,782	1	10	0	(0)	0
Non-derivative financial instruments		5	1	0	-	(0)
<i>For hedged future transactions</i>		5	1	0	-	(0)
<b>Hedge of equity risk</b>	<b>88</b>	<b>2</b>	<b>13</b>	<b>25</b>	<b>4</b>	<b>(2)</b>
Options	88	2	13	25	4	(2)
<i>For hedged future transactions</i>	88	2	13	25	4	(2)
<b>TOTAL</b>	<b>17,115</b>	<b>186</b>	<b>124</b>	<b>205</b>	<b>4</b>	<b>32</b>

(In EURm)	31.12.2018					
	Commitments (notional amounts)	Fair value		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains and losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
<b>Hedge of interest rate risk</b>	<b>15,965</b>	<b>27</b>	<b>140</b>	<b>(54)</b>	<b>-</b>	<b>(100)</b>
Firm instruments – Swaps	15,810	27	139	(45)	-	(96)
For hedged assets	2,257	1	10	(10)	-	(9)
For hedged portfolios of assets (macro hedge) <sup>(1)</sup>	4,775	5	43	(6)	-	(27)
For hedged liabilities	3,047	-	2	7	-	5
For hedged portfolios of liabilities (macro hedge) <sup>(1)</sup>	5,731	21	84	(36)	-	(65)
Firm instruments – FRAs	155	-	1	(9)	-	(4)
For hedged liabilities	155	-	1	(9)	-	(4)
<b>Hedge of currency risk</b>	<b>5,599</b>	<b>89</b>	<b>39</b>	<b>(33)</b>	<b>-</b>	<b>(13)</b>
Firm instruments	5,599	78	38	(33)	-	(13)
For hedged assets	674	8	31	-	-	-
For hedged liabilities	4,925	70	7	(33)	-	(13)
Non-derivative financial instruments		11	1	-	-	-
For hedged future transactions		11	1	-	-	-
<b>Hedge of equity risk</b>	<b>74</b>	<b>-</b>	<b>26</b>	<b>(46)</b>	<b>(7)</b>	<b>(15)</b>
Options	74	-	26	(46)	(7)	(15)
For hedged future transactions	74	-	26	(46)	(7)	(15)
<b>TOTAL</b>	<b>21,638</b>	<b>116</b>	<b>205</b>	<b>(133)</b>	<b>(7)</b>	<b>(128)</b>

(1) For the macro hedge transactions, the commitment described above equals the net hedging derivatives position in order to represent the economic exposure from these instruments. This position should be linked with the carrying amount of the hedged items which represents the hedged exposure.

(2) The national amounts of hedging instrument for which IAS 39 amendment is applied, permitting to use exceptions to hedge accounting requirement in the frame of benchmark interest rates reform, are EUR 2,820 million for instrument identifying EONIA, EUR 327 million for instrument identifying EURIBOR, EUR 89 million for instrument identifying LIBOR USD.

In 2019, EUR 42 million of unrealised or deferred gains and losses were transferred into net income, following the accounting of the cash flows hedge effects in the profit or loss.

## BREAKDOWN OF NET INVESTMENT HEDGED ITEMS

(In EURm)	31.12.2019	31.12.2018
	Change in the fair value of the hedged item during the period <sup>(1)</sup>	Cumulative translations differences related to the hedged items
<b>Hedge of currency risk</b>	<b>(355)</b>	<b>839</b>
Hedged net investment in GBP	(166)	145
Hedged net investment in CZK	(27)	(200)
Hedged net investment in RUB	(161)	797
Hedged net investment in RON	18	38
Hedged net investment in USD	1	(39)
Hedged net investment (other currencies)	(20)	98

(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

31.12.2019						
(In EURm)	Commitments (notional amounts)	Carrying amount <sup>(1)</sup>		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains or losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
<b>Hedge of currency risk</b>	<b>6,934</b>	<b>39</b>	<b>2,349</b>	<b>355</b>	<b>(50)</b>	<b>(839)</b>
Firm instruments	6,934	39	107	171	(50)	103
Hedged net investment in GBP	1,218	14	60	67	(12)	155
Hedged net investment in CZK	1,231	(6)	6	16	(10)	23
Hedged net investment in RUB	857	1	36	113	(22)	14
Hedged net investment in RON	805	0	(6)	(16)	(2)	(24)
Hedged net investment in USD	552	10	2	(5)	(3)	4
Hedged net investment (other currencies)	2,271	20	9	(4)	(1)	(69)
Non derivatives instruments	-	-	2,242	184	-	(942)
Hedged net investment in GBP	-	-	478	98	-	(300)
Hedged net investment in CZK	-	-	850	10	-	177
Hedged net investment in RUB	-	-	396	48	-	(811)
Hedged net investment in RON	-	-	43	(1)	-	(14)
Hedged net investment in USD	-	-	203	4	-	35
Hedged net investment (other currencies)	-	-	272	25	-	(29)

31.12.2018						
(In EURm)	Commitments (notional amounts)	Carrying amount <sup>(1)</sup>		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains or losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
<b>Hedge of currency risk</b>	<b>6,992</b>	<b>128</b>	<b>2,515</b>	<b>(191)</b>	<b>18</b>	<b>(1,212)</b>
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 (other currencies)	2,534	20	15	(10)	-	(66)
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	-	-	(13)
Hedged net investment in USD	-	-	199	9	-	6
Hedged net investment (other currencies)	-	-	716	(20)	-	(56)

(1) The carrying value equals fair value in the case of derivative instruments and equals amortised cost, translated at the closing date, in the case of loans and borrowings in foreign currencies.

**NOTE 3.3 Financial assets at fair value through other comprehensive income****OVERVIEW OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

(In EURm)	31.12.2019	31.12.2018
Debt instruments	53,012	49,736
<i>Bonds and other debt securities</i>	52,991	49,696
<i>Loans and receivables and securities purchased under resale agreements</i>	21	40
Shares and other equity securities	244	290
<b>TOTAL</b>	<b>53,256</b>	<b>50,026</b>
<i>o/w securities lent</i>	146	483

**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 within equity under *Unrealised or deferred gains and losses*, except for foreign exchange differences on money market instruments denominated in local currencies, which are recorded in profit or loss. Furthermore, as these financial assets are subject to impairment for credit risk, 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 SELL”**

The objective of this business model is to realise cash flows by both collecting contractual payments and selling financial assets. In this type of business model, the sales of financial assets are not incidental or exceptional, but they are integral to achieving the business' objectives.

**Cash management**

Within the Group, except for the insurance activities, the “hold to collect and sell” business model is mainly applied by cash management activities for managing HQLA securities (High Quality Liquid Assets) included in the liquidity reserve. Only a few subsidiaries apply a “hold to collect” business model for managing their HQLA securities.

### CHANGES IN THE CARRYING AMOUNT OF THE DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In EURm)	2019
<b>Balance on 1 January</b>	<b>49,736</b>
Acquisitions/disbursements	49,764
Disposals/redemptions	(47,324)
Change in scope and others	(782)
Changes in fair value during the period	906
Change in related receivables	(4)
Translation differences	716
<b>Balance on 31 December</b>	<b>53,012</b>

### BREAKDOWN OF CUMULATED UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY AND THAT WILL BE RECLASSIFIED SUBSEQUENTLY INTO INCOME

(In EURm)	31.12.2019	31.12.2018
Unrealised gains	391	416
Unrealised losses	(186)	(183)
<b>TOTAL</b>	<b>205</b>	<b>233</b>

## 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, are recognised under *Unrealised or deferred gains and losses* with no subsequent reclassification to profit or loss. If the instruments are sold, the realised gains and losses are reclassified to *Retained earnings* at the opening of the next financial year. Only dividend income, if it is considered as a return on investment, are recorded in the income statement under Net gains or losses on financial assets at fair value through other comprehensive income.

The Group choose 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 EURm)	2019	2018
Realised gains and losses on sale of debt instruments	78	39
Dividends incomes on financial assets at fair value through other comprehensive income	41	44
<b>TOTAL</b>	<b>119</b>	<b>83</b>

**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 at amortised cost granted to counterparties whose credit risk is quoted *via* Credit Default Swap (see Note 3.9).

**LEVEL 3 (L3): INSTRUMENTS VALUED USING INPUTS 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<sup>th</sup> default, which are exposed to the credit quality of the issuers comprising the basket and to their correlation, or CDO Bespoke products, which are Collateralised Debt Obligations created specifically for a group of investors and structured according to their needs), as well as products subject to credit spread volatility;
- commodity derivatives: this category includes products involving unobservable volatility or correlation inputs (*i.e.* options on commodity swaps or instruments based on baskets of underlyings).

## NOTE 3.4.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE

(In EURm)	31.12.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Trading portfolio</b>	<b>89,037</b>	<b>129,130</b>	<b>4,017</b>	<b>222,184</b>	<b>69,429</b>	<b>144,430</b>	<b>1,470</b>	<b>215,329</b>
Bonds and other debt securities	22,645	2,976	459	26,080	26,059	3,403	270	29,732
Shares and other equity securities	66,392	11,465	109	77,966	43,370	5,926	1	49,297
Loans, receivables and securities purchased under resale agreements	-	114,507	3,449	117,956	-	134,662	1,199	135,861
Other trading assets	-	182	-	182	-	439	-	439
<b>Trading derivatives</b>	<b>191</b>	<b>132,572</b>	<b>3,086</b>	<b>135,849</b>	<b>23</b>	<b>119,460</b>	<b>3,500</b>	<b>122,983</b>
Interest rate instruments	6	88,868	2,272	91,146	8	71,628	2,617	74,253
Foreign exchange instruments	182	17,717	137	18,036	8	19,038	200	19,246
Equity and index instruments	-	21,938	380	22,318	-	21,211	239	21,450
Commodity instruments	-	1,784	76	1,860	-	5,666	42	5,708
Credit derivatives	-	2,195	220	2,415	-	1,826	398	2,224
Other forward financial instruments	3	70	1	74	7	91	4	102
<b>Financial assets measured mandatorily at fair value through profit or loss</b>	<b>350</b>	<b>21,746</b>	<b>2,881</b>	<b>24,977</b>	<b>117</b>	<b>21,091</b>	<b>2,849</b>	<b>24,057</b>
Bonds and other debt securities	11	44	122	177	12	36	110	158
Shares and other equity securities	339	185	1,968	2,492	105	194	1,697	1,996
Loans, receivables and securities purchased under resale agreements	-	21,517	791	22,308	-	20,861	1,042	21,903
<b>Financial assets measured using fair value option through profit or loss</b>	<b>1,296</b>	<b>1,320</b>	<b>113</b>	<b>2,729</b>	<b>1,126</b>	<b>1,702</b>	<b>353</b>	<b>3,181</b>
Bonds and other debt securities	1,296	162	-	1,458	1,126	184	-	1,310
Loans, receivables and securities purchased under resale agreements	-	32	113	145	-	466	353	819
Other financial assets	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	1,126	-	1,126	-	1,052	-	1,052
<b>Hedging derivatives</b>	<b>-</b>	<b>16,837</b>	<b>-</b>	<b>16,837</b>	<b>-</b>	<b>11,899</b>	<b>-</b>	<b>11,899</b>
Interest rate instruments	-	16,785	-	16,785	-	11,677	-	11,677
Foreign exchange instruments	-	50	-	50	-	222	-	222
Equity and index instruments	-	2	-	2	-	-	-	-
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>51,730</b>	<b>1,282</b>	<b>244</b>	<b>53,256</b>	<b>48,738</b>	<b>998</b>	<b>290</b>	<b>50,026</b>
Bonds and other debt securities	51,730	1,261	-	52,991	48,738	958	-	49,696
Shares and other equity securities	-	-	244	244	-	-	290	290
Loans and receivables	-	21	-	21	-	40	-	40
<b>TOTAL</b>	<b>142,604</b>	<b>302,887</b>	<b>10,341</b>	<b>455,832</b>	<b>119,433</b>	<b>299,580</b>	<b>8,462</b>	<b>427,475</b>

## NOTE 3.4.2 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

(In EURm)	31.12.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Trading portfolio</b>	<b>5,001</b>	<b>136,800</b>	<b>1,325</b>	<b>143,126</b>	<b>7,787</b>	<b>149,776</b>	<b>969</b>	<b>158,532</b>
Amounts payable on borrowed securities	71	38,743	136	38,950	308	50,956	-	51,264
Bonds and other debt instruments sold short	3,464	54	-	3,518	6,231	-	-	6,231
Shares and other equity instruments sold short	1,466	-	-	1,466	1,248	-	-	1,248
Borrowings and securities sold under repurchase agreements	-	96,631	1,189	97,820	-	97,330	969	98,299
Other trading liabilities	-	1,372	-	1,372	-	1,490	-	1,490
<b>Trading derivatives</b>	<b>216</b>	<b>132,371</b>	<b>5,533</b>	<b>138,120</b>	<b>81</b>	<b>123,075</b>	<b>3,790</b>	<b>126,946</b>
Interest rate instruments	31	85,177	3,293	88,501	6	70,986	2,843	73,835
Foreign exchange instruments	175	18,064	115	18,354	5	19,346	115	19,466
Equity and index instruments	-	24,529	1,612	26,141	-	23,103	572	23,675
Commodity instruments	-	2,131	70	2,201	-	6,041	40	6,081
Credit derivatives	-	1,594	443	2,037	-	2,484	220	2,704
Other forward financial instruments	10	876	-	886	70	1,115	-	1,185
<b>Financial liabilities measured using fair value option through profit or loss</b>	<b>-</b>	<b>38,160</b>	<b>44,723</b>	<b>82,883</b>	<b>265</b>	<b>39,408</b>	<b>37,932</b>	<b>77,605</b>
<b>Hedging derivatives</b>	<b>-</b>	<b>10,212</b>	<b>-</b>	<b>10,212</b>	<b>-</b>	<b>5,993</b>	<b>-</b>	<b>5,993</b>
Interest rate instruments	-	10,045	-	10,045	-	5,905	-	5,905
Foreign exchange instruments	-	154	-	154	-	62	-	62
Equity and index instruments	-	13	-	13	-	26	-	26
<b>TOTAL</b>	<b>5,217</b>	<b>317,543</b>	<b>51,581</b>	<b>374,341</b>	<b>8,133</b>	<b>318,252</b>	<b>42,691</b>	<b>369,076</b>

## NOTE 3.4.3 VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

## FINANCIAL ASSETS AT FAIR VALUE

(In EURm)	Balance at 31.12.2018	Acqui- sitions	Disposal/ redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2019
<b>Trading portfolio</b>	<b>1,470</b>	<b>4,355</b>	<b>(1,147)</b>	<b>(1,328)</b>	<b>165</b>	<b>483</b>	<b>19</b>	<b>-</b>	<b>4,017</b>
Bonds and other debt securities	270	1,156	(976)	(42)	-	40	11	-	459
Shares and other equity securities	1	54	(1)	-	55	-	-	-	109
Loans, receivables and securities purchased under resale agreements	1,199	3,145	(170)	(1,286)	110	443	8	-	3,449
Other trading assets	-	-	-	-	-	-	-	-	-
<b>Trading derivatives</b>	<b>3,500</b>	<b>209</b>	<b>(101)</b>	<b>(370)</b>	<b>303</b>	<b>(475)</b>	<b>20</b>	<b>-</b>	<b>3,086</b>
Interest rate instruments	2,617	35	(22)	(343)	294	(317)	8	-	2,272
Foreign exchange instruments	200	7	(1)	(3)	1	(67)	-	-	137
Equity and index instruments	239	161	(78)	(22)	5	64	11	-	380
Commodity instruments	42	6	-	-	-	28	-	-	76
Credit derivatives	398	-	-	(2)	3	(180)	1	-	220
Other forward financial instruments	4	-	-	-	-	(3)	-	-	1
<b>Financial assets measured mandatorily at fair value through profit or loss</b>	<b>2,849</b>	<b>297</b>	<b>(106)</b>	<b>(705)</b>	<b>8</b>	<b>530</b>	<b>19</b>	<b>(11)</b>	<b>2,881</b>
Bonds and other debt securities	110	17	(12)	-	-	7	-	-	122
Shares and other equity securities	1,697	258	(94)	(22)	8	124	8	(11)	1,968
Loans, receivables and securities purchased under resale agreements	1,042	22	-	(683)	-	399	11	-	791
<b>Financial assets measured using fair value option through profit or loss</b>	<b>353</b>	<b>-</b>	<b>(50)</b>	<b>-</b>	<b>-</b>	<b>(191)</b>	<b>1</b>	<b>-</b>	<b>113</b>
Bonds and other debt securities	-	-	-	-	-	-	-	-	-
Loans, receivables and securities purchased under resale agreements*	353	-	(50)	-	-	(191)	1	-	113
Other financial assets	-	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	-	-	-	-	-	-	-	-
<b>Hedging derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial assets measured at fair value option through other comprehensive income</b>	<b>290</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49)</b>	<b>-</b>	<b>-</b>	<b>244</b>
Debt instruments	-	-	-	-	-	-	-	-	-
Equity instruments	290	3	-	-	-	(49)	-	-	244
Loans and receivables	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>8,462</b>	<b>4,864</b>	<b>(1,404)</b>	<b>(2,403)</b>	<b>476</b>	<b>298</b>	<b>59</b>	<b>(11)</b>	<b>10,341</b>



## FINANCIAL LIABILITIES AT FAIR VALUE

(In EURm)	Balance at 31.12.2018	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2019
<b>Trading portfolio</b>	<b>969</b>	<b>1,119</b>	<b>(6)</b>	<b>(10)</b>	<b>105</b>	<b>(854)</b>	<b>2</b>	<b>-</b>	<b>1,325</b>
Debt securities issued	-	-	-	-	-	-	-	-	-
Amounts payable on borrowed securities	-	31	-	-	105	(2)	2	-	136
Bonds and other debt instruments sold short	-	-	-	-	-	-	-	-	-
Shares and other equity instruments sold short	-	-	-	-	-	-	-	-	-
Borrowings and securities sold under repurchase agreements	969	1,088	(6)	(10)	-	(852)	-	-	1,189
Other trading liabilities	-	-	-	-	-	-	-	-	-
<b>Trading derivatives</b>	<b>3,790</b>	<b>896</b>	<b>(74)</b>	<b>(549)</b>	<b>47</b>	<b>1,168</b>	<b>156</b>	<b>99</b>	<b>5,533</b>
Interest rate instruments	2,843	31	-	(474)	1	648	145	99	3,293
Foreign exchange instruments	115	6	-	-	-	(5)	(1)	-	115
Equity and index instruments	572	856	(74)	(75)	4	318	11	-	1,612
Commodity instruments	40	3	-	-	-	27	-	-	70
Credit derivatives	220	-	-	-	42	180	1	-	443
Other forward financial instruments	-	-	-	-	-	-	-	-	-
<b>Financial liabilities measured using fair value option through profit or loss</b>	<b>37,932</b>	<b>18,855</b>	<b>(15,510)</b>	<b>(1,659)</b>	<b>218</b>	<b>4,414</b>	<b>552</b>	<b>(79)</b>	<b>44,723</b>
<b>Hedging derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>42,691</b>	<b>20,870</b>	<b>(15,590)</b>	<b>(2,218)</b>	<b>370</b>	<b>4,728</b>	<b>710</b>	<b>20</b>	<b>51,581</b>

## NOTE 3.4.4 VALUATION METHODS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE ON THE BALANCE SHEET

For financial instruments recognised at fair value on the balance sheet, fair value is determined primarily on the basis of the prices quoted in an active market. These prices 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 EURm)		Value in balance sheet				
Cash instruments and derivatives <sup>(1)</sup>	Assets	Liabilities	Main products	Valuation techniques used	Significant unobservable inputs	Range of inputs min & max
Equities/funds	844	32,586	Simple and complex instruments or derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets of stocks	Equity volatilities	3.8%; 90.5%
					Equity dividends	0%; 21.3%
					Correlations	-80.0%; 97.8%
					Hedge fund volatilities	8.5%; 20%
					Mutual fund volatilities	1.7%; 42.2%
Rates and Forex	7,344	18,483	Hybrid forex/interest rate or credit/interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-47.3%; 90%
			Forex derivatives	Forex option pricing models	Forex volatilities	1%; 32.8%
			Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools	Prepayment modelling	Constant prepayment rates	0%; 20%
			Inflation instruments and derivatives	Inflation pricing models	Correlations	50.5%; 88.9%
Credit	220	442	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	76	70	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	9.88%; 96.4%
Long term equity investments	1,857	-	Securities held for strategic purposes	Net Book Value/Recent transactions	Non applicable	-
<b>TOTAL</b>	<b>10,341</b>	<b>51,581</b>				

(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 2019 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**

	31.12.2019		31.12.2018	
	Negative impact	Positive impact	Negative impact	Positive impact
<i>(In EURm)</i>				
<b>Shares and other equity instruments and derivatives</b>	<b>(9)</b>	<b>79</b>	<b>(13)</b>	<b>96</b>
Equity volatilities	0	19	0	19
Dividends	(1)	13	(3)	9
Correlations	(8)	43	(9)	62
Hedge Fund volatility	0	0	0	0
Mutual Fund volatility	0	4	(1)	6
<b>Rates or Forex instruments and derivatives</b>	<b>(6)</b>	<b>43</b>	<b>(6)</b>	<b>58</b>
Correlations between exchange rates and/or interest rates	(4)	41	(4)	55
Forex volatilities	(1)	2	(1)	2
Constant prepayment rates	0	0	0	0
Inflation/inflation correlations	(1)	0	(1)	1
<b>Credit instruments and derivatives</b>	<b>(3)</b>	<b>13</b>	<b>(4)</b>	<b>14</b>
Time to default correlations	(3)	7	(2)	4
Recovery rate variance for single name underlyings	0	0	0	0
Quanto correlations	0	5	(2)	10
Credit spreads	0	1	0	0
<b>Commodity derivatives</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
Commodities correlations	0	1	0	1
<b>Long term securities</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

It should be noted that, given the already conservative valuation levels, this sensitivity is higher for a favourable impact on results than for an unfavourable impact. Moreover, the amounts shown above illustrate the uncertainty of the valuation as 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 over time, or when the inputs become observable.

<i>(In EURm)</i>	<b>2019</b>	<b>2018</b>
<b>Deferred margin at 1 January</b>	<b>1,237</b>	<b>1,281</b>
Deferred margin on new transactions during the period	693	744
Margin recorded in the income statement during the period	(779)	(788)
<i>o/w amortisation</i>	(473)	(479)
<i>o/w switch to observable inputs</i>	(16)	(45)
<i>o/w disposed, expired or terminated</i>	(290)	(264)
<b>Deferred margin at 31 December</b>	<b>1,151</b>	<b>1,237</b>

**NOTE 3.5 Loans, receivables and securities at amortised cost****OVERVIEW OF FINANCIAL ASSETS AT AMORTISED COST**

(In EURm)	31.12.2019		31.12.2018	
	Carrying amount	o/w impairment	Carrying amount	o/w impairment
Due from banks	56,366	(24)	60,588	(32)
Customer loans	450,244	(10,727)	447,229	(11,435)
Securities	12,489	(10)	12,026	(10)
<b>TOTAL</b>	<b>519,099</b>	<b>(10,761)</b>	<b>519,843</b>	<b>(11,477)</b>

**ACCOUNTING PRINCIPLES**

Loans, receivables and debt securities are measured at amortised cost where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a "Hold to Collect" business model.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, and their accrued or earned income are recorded in 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 the amortised cost on the asset side of the balance sheet. The applicable impairment rules are described in Note 3.8. When a loan or a receivable is classified in Stage 3 for impairment (doubtful outstanding), subsequent accrued interest incremented to the carrying amount of the financial asset before impairment is limited to interest recognised in profit or loss. The amount of such interest is then calculated by applying the effective interest rate to the net carrying amount of the financial asset (cf. Note 3.7).

Loans granted 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. Except in specific cases where the modification due to the renegotiation would not be considered significant, 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 basic instrument (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 obtain cash flows by collecting contractual payments over the life of the instrument.

To achieve the objective of this business model, it is not necessary for the entity to hold all the instruments until maturity. Selling assets remains consistent with a business model whose objective is to collect contractual cash flows in the following cases:

- the financial asset is sold following an increase in the asset's credit risk; or
- the sale of the financial asset occurs close to its maturity and the proceeds from the sale are similar to the amount to be collected from the remaining contractual cash flows.

Other sales can be consistent with the objective of collecting contractual cash flows, as well, provided they are infrequent (even if significant in value) or insignificant in value, both individually and in aggregate terms (even if frequent). Such other sales include sales made to manage credit concentration risk (without an increase in the asset's credit risk). The Group has set up procedures for reporting and analysing all significant projected sales of financial assets held for collecting contractual cash flows, as well as a periodic review of sales that have occurred.

**Financing activities**

Within the Group, the “hold to collect” business model is mainly applied by financing activities managed by French Retail Banking, International Retail Banking and Financial Services and by Global Banking and Investor Solutions, except for the part of syndicated loans that is expected to be sold.

**NOTE 3.5.1 DUE FROM BANKS**

(In EURm)	31.12.2019	31.12.2018
Current accounts	20,717	23,958
Deposits and loans	17,269	18,453
Securities purchased under resale agreements	18,168	18,000
Subordinated and participating loans	88	91
Related receivables	118	99
<b>Due from banks before impairments<sup>(1)</sup></b>	<b>56,360</b>	<b>60,601</b>
Credit loss impairment	(24)	(32)
Revaluation of hedged items	30	19
<b>TOTAL</b>	<b>56,366</b>	<b>60,588</b>

(1) At 31 December 2019, the amount due from banks classified as Level 3 impairment (credit impaired) was EUR 38 million compared to EUR 51 million at 31 December 2018. The accrued interests included in this amount are limited to interests recognised in net income by applying the effective interest rate to the net carrying amount of the financial asset (see Note 3.7).

**NOTE 3.5.2 CUSTOMER LOANS**

(In EURm)	31.12.2019	31.12.2018
Overdrafts	19,181	21,230
Other customer loans	388,167	375,982
Lease financing agreements	30,761	32,345
Securities purchased under resale agreements	19,541	26,078
Related receivables	2,937	2,692
<b>Customer loans before impairments<sup>(1)</sup></b>	<b>460,587</b>	<b>458,327</b>
Credit loss impairment	(10,727)	(11,435)
Revaluation of hedged items	384	337
<b>TOTAL</b>	<b>450,244</b>	<b>447,229</b>

(1) At 31 December 2019, the amount due from customers classified as Level 3 impairment (credit impaired) was EUR 15,976 million compared to EUR 17,818 million at 31 December 2018. The accrued interests included in this amount are limited to interests recognised in net income by applying the effective interest rate to the carrying amount to the net carrying amount of the financial asset (see Note 3.7).

**BREAKDOWN OF OTHER CUSTOMER LOANS**

<i>(In EURm)</i>	31.12.2019	31.12.2018
Trade notes	9,700	10,056
Short-term loans	123,452	118,978
Export loans	11,582	11,485
Equipment loans	58,683	57,253
Housing loans	136,333	126,160
Loans secured by notes and securities	98	92
Other loans	48,319	51,958
<b>TOTAL</b>	<b>388,167</b>	<b>375,982</b>

**ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS**

<i>(In EURm)</i>	31.12.2019	31.12.2018
<b>Gross investments</b>	<b>33,517</b>	<b>34,562</b>
less than one year	8,490	8,243
1-5 years	19,105	20,847
more than five years	5,922	5,472
<b>Present value of minimum payments receivable</b>	<b>29,110</b>	<b>30,233</b>
less than one year	7,889	7,576
1-5 years	17,096	18,291
more than five years	4,125	4,366
<b>Unearned financial income</b>	<b>2,754</b>	<b>2,217</b>
<b>Unguaranteed residual values receivable by the lessor</b>	<b>1,652</b>	<b>2,112</b>

**NOTE 3.5.3 SECURITIES**

<i>(In EURm)</i>	31.12.2019	31.12.2018
Government securities	6,005	5,826
Negotiable certificates, bonds and other debt securities	6,390	6,106
Related receivables	85	79
<b>Securities before impairments</b>	<b>12,480</b>	<b>12,011</b>
Impairment	(10)	(10)
Revaluation of hedged items	19	25
<b>TOTAL</b>	<b>12,489</b>	<b>12,026</b>

**NOTE 3.6 Debts****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, this valuation being the fair value of the amount borrowed net of transaction fees. These liabilities are measured at reporting date at amortised cost using the effective interest rate method. As a result, issue or redemption premiums on bonds are amortised over the lifetime of the instruments concerned. Accrued or paid expenses are recorded in profit or loss under *Interest and similar expense*.

The Group's obligations arising from mortgage savings accounts and plans are recorded under *Customer deposits – Regulated savings accounts*. A provision may be recorded in respect of such mortgage savings instruments (see Note 8.3).

**NOTE 3.6.1 DUE TO BANKS**

(In EURm)	31.12.2019	31.12.2018
Demand deposits and current accounts	11,577	13,875
Overnight deposits and borrowings and others	3,680	2,248
Term deposits <sup>(1)</sup>	82,893	72,965
Related payables	186	130
Revaluation of hedged items	308	129
Securities sold under repurchase agreements	9,285	5,359
<b>TOTAL</b>	<b>107,929</b>	<b>94,706</b>

(1) Including deposits linked to governments and central administrations.

**NOTE 3.6.2 CUSTOMER DEPOSITS**

(In EURm)	31.12.2019	31.12.2018
Regulated savings accounts	96,642	93,230
<i>Demand</i>	70,610	68,082
<i>Term</i>	26,032	25,148
Other demand deposits <sup>(1)</sup>	229,756	222,642
Other term deposits <sup>(1)</sup>	82,817	82,932
Related payables	441	387
Revaluation of hedged items	196	219
<b>TOTAL CUSTOMER DEPOSITS</b>	<b>409,852</b>	<b>399,410</b>
Securities sold to customers under repurchase agreements	8,760	17,408
<b>TOTAL</b>	<b>418,612</b>	<b>416,818</b>

(1) Including deposits linked to governments and central administrations.



**BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE**

<i>(In EURm)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
Professionals and corporates	111,079	98,459
Individual customers	76,135	72,372
Financial customers	29,093	38,413
Others <sup>(1)</sup>	13,449	13,398
<b>TOTAL</b>	<b>229,756</b>	<b>222,642</b>

(1) Including deposits linked to governments and central administrations.

**NOTE 3.6.3 DEBT SECURITIES ISSUED**

<i>(In EURm)</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
Term savings certificates	510	474
Bond borrowings	23,847	24,381
Interbank certificates and negotiable debt instruments	99,107	89,913
Related payables	776	804
Revaluation of hedged items	928	767
<b>TOTAL</b>	<b>125,168</b>	<b>116,339</b>
<i>o/w floating-rate securities</i>	<i>49,343</i>	<i>39,121</i>

**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. Negative interest incomes on financial assets are recorded under *Interest and similar expense*; negative interest expenses on financial liabilities are recorded under *Interest and similar income*.

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is recognised in profit or loss by applying the effective interest rate to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same risk-free interest rate as that used to discount the expected outflow of resources.

(In EURm)	2019			2018		
	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	14,907	(7,850)	7,057	14,030	(7,021)	7,009
Central banks	427	(181)	246	575	(151)	424
Bonds and other debt securities	318	(2,096)	(1,778)	257	(1,931)	(1,674)
Due from/to banks	1,010	(1,632)	(622)	1,077	(1,354)	(277)
Customer loans and deposits	12,053	(3,123)	8,930	11,435	(2,889)	8,546
Subordinated debt	-	(516)	(516)	-	(542)	(542)
Securities lending/borrowing	10	(6)	4	7	(5)	2
Repo transactions	1,089	(296)	793	679	(149)	530
Hedging derivatives	6,433	(4,632)	1,801	6,358	(4,638)	1,720
Financial instruments at fair value through other comprehensive income	752	(1)	751	622	-	622
Lease agreements <sup>(1)</sup>	1,178	(44)	1,134	1,126	-	1,126
Real estate lease agreements	189	(43)	146	194	-	194
Non-real estate lease agreements	989	(1)	988	932	-	932
<b>Subtotal interest income/expense on financial instruments using the effective interest method</b>	<b>23,270</b>	<b>(12,527)</b>	<b>10,743</b>	<b>22,136</b>	<b>(11,659)</b>	<b>10,477</b>
Financial instruments mandatorily at fair value through profit or loss	442	-	442	542	-	542
<b>TOTAL INTEREST INCOME AND EXPENSE</b>	<b>23,712</b>	<b>(12,527)</b>	<b>11,185</b>	<b>22,678</b>	<b>(11,659)</b>	<b>11,019</b>
o/w interest income from impaired financial assets	280	-	280	357	-	357

(1) Lease agreements include, in income, interests from finance lease receivables. As a result of the application of IFRS 16 "Leases" as from 1<sup>st</sup> January 2019, lease agreements also include interests on lease liabilities as expense.

These interest expenses include the refinancing cost of financial instruments at fair value through profit or loss, the results of which are classified in net gains or losses on these instruments (see Note 3.1). Given that income and expenses booked in the income statement are

classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole.

## BREAKDOWN OF INCOME OF CUSTOMER LOANS AT AMORTISED COST

(In EURm)	2019	2018
Trade notes	511	479
Other customer loans	10,361	9,773
Short-term loans	4,572	4,153
Export loans	375	321
Equipment loans	1,529	1,396
Housing loans	2,985	3,182
Other customer loans	900	721
Overdrafts	909	835
Doubtful outstandings (Stage 3)	272	348
<b>TOTAL</b>	<b>12,053</b>	<b>11,435</b>

**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, compensates it.

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

For loans, receivables and debt securities measured at amortised cost or fair value through other comprehensive income, the expected credit loss, as assessed by the Group, is recognised in profit or loss together with interest income. On balance sheet, this potential loss is recognised as an impairment that reduces the carrying amount of assets measured at amortised cost. Impairment are written-back in case of a subsequent decrease of credit risk.

Potential losses recognised in profit or loss represent initially the credit losses expected by the Group over the year to come. Subsequently, the amount is increased by the expected loss at maturity of the instrument in case of significant increase of risk. The losses are then reassessed if the counterparty or issuer of the security is in default.

For financial assets measured at fair value through profit or loss (including instruments hold by global markets activities), their fair value includes already the expected credit loss, as assessed by the market participant, on the residual lifetime of the instrument.

**ACCOUNTING PRINCIPLES****Recognition of expected credit losses**

Debt instruments classified as financial assets at amortised cost or as financial assets at fair value through other comprehensive income, operating lease receivables, customer receivables and income to be received included amongst *Other assets*, as well as loan commitments granted and guarantee commitments issued, are systematically subject to impairment or provisions for expected credit losses. These impairments and provisions are recognised as the loans are granted, the commitments undertaken, or the debt securities purchased, without waiting for the occurrence of an objective evidence of impairment.

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

Observed deterioration in credit risk since initial recognition of the financial asset			
Credit risk category	Stage 1 Performing assets	Stage 2 Under-performing or downgraded assets	Stage 3 Credit-impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1 ► Maintained if the credit risk has not increased significantly	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument is become credit-impaired / 90 days past due
Measurement of credit risk	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

### Exposures classified in Stage 1

At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are purchased or originated credit-impaired instruments.

### Exposures classified in Stage 2

To identify Stage 2 exposures, the significant increase in credit risk is assessed by the Group using all available past and forward-looking data (behavioural scores, loan to value indicators, macroeconomic forecast scenarios, etc.). This assessment of changes in credit risk takes into account the three following criteria:

#### 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 behaviours 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 existing contracts between the Group and this counterparty are transferred into Stage 2 (to the extent that this approach does not lead to a distortion compared with an analysis of the change in credit risk since initial recognition on each financial instrument) and the related impairment and provisions are increased up to the lifetime expected credit losses. Once a counterparty has been placed on a watch list, all new transactions originated with that counterparty are recorded in Stage 1.

#### 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 homogeneous portfolio of contracts (notion of risk segment based on the customer typology and the credit quality) and are calculated based on their specific probability-of-default curves (thus, the threshold is different depending on whether it is a Sovereign portfolio or a Large Corporates portfolio, for instance). These thresholds may be expressed as an absolute or relative increase in the probability of default.

From 2019 the thresholds are differentiated based on the lifetime probability-of-default curves for the Group's main portfolios. The transition from one-year probability-of-default curves to lifetime probability-of-default curves is ongoing for the remaining portfolios, assuming that there is no distortion with respect to any comparison made with the lifetime probability-of-default curves.

#### THE EXISTENCE OF PAYMENTS MORE THAN THIRTY DAYS PAST DUE

There is a (rebuttable) presumption of a significant deterioration in credit risk when a payment on an asset is more than thirty 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, without any probation period in Stage 2.

For exposures to counterparties for which a credit rating is not available (retail customers and a limited portion of the "small- and medium-sized companies" segment), the transfer into Stage 2 is based on:

- the Basel behavioural score or the existence of payments more than thirty days past due for retail customers;
- the classification into watch list and the existence of payments more than thirty days past due for small- and medium-sized companies.

### Exposures classified in Stage 3

To identify Stage 3 exposures (doubtful exposures), the Group determines whether there is an objective evidence of impairment (default events):

- payments more than ninety days past due (with the exception of restructured loans during the two-year probation period which are retransferred into Stage 3 as of payments more than thirty days past due), whether or not a collection procedure is instigated. To assess this criteria, the Group does not apply any threshold, except if such threshold is requested by local authority. In addition, only missed payments related to business litigations, specific contractual features or IT failures cannot lead to a transfer into Stage 3;
- identification of other criteria that evidence, even in the absence of missed payments, that this is unlikely that the counterparty could meet all its financial obligations:
  - a significant deterioration in the counterparty's financial situation creates a strong probability that it will not be able to meet all of its commitments and thus represents a risk of loss for the Group,
  - 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 (restructured loans),
  - the existence of probable credit risk or litigious proceedings (ad hoc mandate, bankruptcy, court-ordered settlement or compulsory liquidation or other similar proceedings in local jurisdictions).

The Group applies the impairment contagion principle to all of the defaulting counterparty's exposures. When a debtor belongs to a group, the impairment contagion principle may also be applied to all of the Group's exposures.

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.

### Measurement of depreciation and provision

Stage 1 exposures are impaired for the amount of credit losses that the Group expects to incur within twelve 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 twelve months.

Stage 2 and 3 exposures are impaired for the amount of credit losses that the Group expects to incur over the life of the exposures (lifetime expected credit losses), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity. Accordingly, the amount of impairment is the difference between the gross carrying amount of the asset and the present value of future cash flows deemed to be recoverable, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring through to the instrument's maturity.

Financial guarantees are taken into account in the estimation of the recoverable cash flows when they are integral part of the contractual characteristics of the related loans and they are not recognised separately.

If the financial guarantees don't meet these criteria and as a consequence their effects cannot be taken into account in the calculation of impairment (example: financial guarantee aimed at compensating the first losses suffered on a given portfolio of loans), a separate asset is recorded in the balance sheet under *Other Assets*. The book value of this asset is representative of the expected credit losses, recorded in the balance sheet within the impairment of assets, for which the Group is almost certain to receive a compensation. Changes in the carrying amount of this asset are recorded in the income statement under *Cost of risk*.

Calculation methods used to measure credit losses are disclosed in Chapter 4 of the present Universal Registration Document (Risk factors and capital adequacy).

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. The assessment of depreciation is mainly based on historical data on default rates and incurred losses in the event of default. Adjustments to take into account forward-looking information on economic conditions and macro-economic factors are determined by an expert. The impairment is calculated using historical data related to default rates and losses on default. Adjustments made to take into account prospective data related to macro-economic forecasts are determined by an expert.

### Restructured loans

Loans issued or acquired by the Group may be restructured due to financial difficulties. This takes the shape of a contractual modification of the initial terms of the loan (e.g. lower interest rates, rescheduled loan payments, partial debt forgiveness, or additional collateral). This adjustment of the contractual terms is strictly linked to the borrower's financial difficulties and/or insolvency (whether they have already become insolvent or are certain to do so if the loan is not restructured).

Where they still pass the SPPI test, restructured loans are still recognised in the balance sheet and their amortised cost before credit risk allowance is adjusted for a discount representing the restructuring loss. This discount is equal to the difference between the present value of the new contractual cash flows resulting from the restructuring of the loan and the amortised cost before credit risk allowance less any partial debt forgiveness; it is booked to *Cost of risk* in the income statement. As a result, the amount of interest income subsequently recognised into income is still computed using the initial effective interest rate of the loan and based on the net carrying amount of the asset after impairment during at least the first year following the restructuring.

Post-restructuring, these financial assets are 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 characteristics of the instrument at the closing date and the characteristics at the initial recognition date of the loan before restructuring, applying the transfer rules to Stage 1 and 2 previously mentioned in this note with specific conditions during the probation period (during the first two-years following the restructuring loans are retransferred into Stage 3 as of payments more than thirty days past due).

The criteria to return to Stage 1 for the restructured loans are similar to those of all the other exposures, after a probation period in Stage 3 of a minimum of one year.

Where they no longer pass the SPPI test, restructured loans are derecognised and replaced by new loans recognised according to the restructured terms and conditions. These new 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.

## OVERVIEW OF IMPAIRMENT AND PROVISIONS

(In EURm)	31.12.2019	31.12.2018
Impairment of financial assets at fair value through other comprehensive income	9	11
Impairment of financial assets at amortised cost	10,976	11,673
Loans and receivables at amortised cost	10,761	11,477
Other assets at amortised cost <sup>(1)</sup>	215	196
<b>TOTAL IMPAIRMENT OF FINANCIAL ASSETS</b>	<b>10,985</b>	<b>11,684</b>
Provisions on financing commitments	244	252
Provisions on guarantee commitments	396	386
<b>TOTAL CREDIT RISK PROVISIONS</b>	<b>640</b>	<b>638</b>

(1) o/w EUR 145 million of impairment on operating lease receivables as at 31<sup>st</sup> December 2019 (vs. EUR 131 million as at 31<sup>st</sup> December 2018); this impairment is calculated as lifetime expected credit losses since their initial recognition in compliance with the "simplified" approach permitted by the standard. Those receivables are presented under Miscellaneous receivables (see Note 4.4).

## NOTE 3.8.1 IMPAIRMENT OF FINANCIAL ASSETS

## BREAKDOWN OF FINANCIAL ASSETS IMPAIRMENT

(In EURm)	Amount at 31.12.2018	Allocations	Write-backs available	Net impairment losses	Write-backs used	Currency and scope effects	Amount at 31.12.2019
<b>Financial assets at fair value through other comprehensive income</b>							
Impairment on performing outstandings (Stage 1)	3	1	(3)	(2)	-	-	1
Impairment on underperforming outstandings (Stage 2)	-	-	-	-	-	-	-
Impairment on doubtful outstandings (Stage 3)	8	-	-	-	-	-	8
<b>TOTAL</b>	<b>11</b>	<b>1</b>	<b>(3)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>Financial assets measured at amortised cost</b>							
Impairment on performing outstandings (Stage 1)	887	581	(552)	29	(14)	(14)	902
Impairment on underperforming outstandings (Stage 2)	1,038	885	(873)	12	(8)	(8)	1,042
Impairment on doubtful outstandings (Stage 3)	9,748	4,286	(3,123)	1,163	(1,858)	(21)	9,032
<b>TOTAL</b>	<b>11,673</b>	<b>5,752</b>	<b>(4,548)</b>	<b>1,204</b>	<b>(1,858)</b>	<b>(43)</b>	<b>10,976</b>
<b>o/w lease financing and similar agreements</b>	<b>767</b>	<b>266</b>	<b>(181)</b>	<b>85</b>	<b>(64)</b>	<b>(46)</b>	<b>742</b>
Impairment on performing outstandings (Stage 1)	83	38	(23)	15	(8)	(8)	90
Impairment on underperforming outstandings (Stage 2)	98	48	(49)	(1)	(6)	(6)	91
Impairment on doubtful outstandings (Stage 3)	586	180	(109)	71	(64)	(32)	561

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

(In EURm)	Amount at 31.12.2018	Production & Acquisition	Derecognition <sup>(1)</sup>	Transfer between stages of impairment	Other variations	Amount at 31.12.2019
<b>Financial assets at fair value through other comprehensive income</b>						
Impairment on performing outstandings (Stage 1)	3	-	-	-	(2)	1
Impairment on underperforming outstandings (Stage 2)	-	-	-	-	-	-
Impairment on doubtful outstandings (Stage 3)	8	-	-	-	-	8
<b>TOTAL</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>9</b>
<b>Financial assets at amortised cost</b>						
Impairment on performing outstandings (Stage 1)	887	288	(228)	(156)	111	902
Impairment on underperforming outstandings (Stage 2)	1,038	204	(213)	164	(151)	1,042
Impairment on doubtful outstandings (Stage 3)	9,748	128	(1,976)	682	450	9,032
<b>TOTAL<sup>(2)</sup></b>	<b>11,673</b>	<b>620</b>	<b>(2,417)</b>	<b>690</b>	<b>410</b>	<b>10,976</b>
<b>o/w lease financing and similar agreements</b>	<b>767</b>	<b>44</b>	<b>(8)</b>	<b>24</b>	<b>(85)</b>	<b>742</b>
Impairment on performing outstandings (Stage 1)	83	25	(13)	(9)	4	90
Impairment on underperforming outstandings (Stage 2)	98	10	(17)	14	(14)	91
Impairment on doubtful outstandings (Stage 3)	586	9	22	19	(75)	561

(1) Including repayments, disposals and debt waivers.

(2) The impairment decrease of EUR 697 million during the year is linked to :

- the reduce of the exposition amount in default (Stage 3). This is in line with the Group strategy to reduce his portfolio of expositions in default which is strongly impaired ;
- a slight increase of the impairment stock in Stage 1 and 2 due to an increase of the expositions and to a challenging economic environment.

### NOTE 3.8.2 CREDIT RISK PROVISIONS

#### BREAKDOWN OF PROVISIONS ON FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

(In EURm)	Amount at 31.12.2018	Allocations	Write-backs available	Net impairment losses	Currency and scope effects	Amount at 31.12.2019
<b>Financing commitments</b>						
Provisions on performing outstandings (Stage 1)	98	78	(74)	4	-	102
Provisions on underperforming outstandings (Stage 2)	119	81	(95)	(14)	-	105
Provisions on doubtful outstandings (Stage 3)	35	96	(133)	(37)	39	37
<b>TOTAL</b>	<b>252</b>	<b>255</b>	<b>(302)</b>	<b>(47)</b>	<b>39</b>	<b>244</b>
<b>Guarantee commitments</b>						
Provisions on performing outstandings (Stage 1)	47	24	(37)	(13)	-	34
Provisions on underperforming outstandings (Stage 2)	68	53	(61)	(8)	20	80
Provisions on doubtful outstandings (Stage 3)	271	181	(125)	56	(45)	282
<b>TOTAL</b>	<b>386</b>	<b>258</b>	<b>(223)</b>	<b>35</b>	<b>(25)</b>	<b>396</b>



## VARIATIONS OF PROVISIONS ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

(In EURm)	Amount at 31.12.2018	Production & Acquisition	Dereco- gnition <sup>(1)</sup>	Transfer between stages of impairment	Other variations	Amount at 31.12.2019
<b>Financing commitments</b>						
Provisions on performing outstandings (Stage1)	98	40	(43)	(9)	16	102
Provisions on underperforming outstandings (Stage 2)	119	18	(32)	35	(35)	105
Provisions on doubtful outstandings (Stage 3)	35	13	(42)	10	21	37
<b>TOTAL</b>	<b>252</b>	<b>71</b>	<b>(117)</b>	<b>36</b>	<b>2</b>	<b>244</b>
<b>Guarantee commitments</b>						
Provisions on performing outstandings (Stage1)	47	13	(12)	(4)	(10)	34
Provisions on underperforming outstandings (Stage 2)	68	4	(16)	(2)	26	80
Provisions on doubtful outstandings (Stage 3)	271	21	(54)	64	(20)	282
<b>TOTAL</b>	<b>386</b>	<b>38</b>	<b>(82)</b>	<b>58</b>	<b>(4)</b>	<b>396</b>

(1) Including repayments, disposals and debt waivers.

### NOTE 3.8.3 COST OF RISK

#### ACCOUNTING PRINCIPLES

*Cost of risk* only includes net reversals of impairments and loss allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

The Group proceed to a write off by recognising a loss on the bad loan and a reversal of impairment in *Cost of risk* when a debt is forgiven or when there are no longer any hopes of future recovery. The lack of future hopes of recovery is documented when a certificate issued as proof that the debt is uncollectable is delivered by the relevant authority or when strong circumstantial evidences are identified (years in default, provisions at 100%, lack of recent recoveries, specificities of the case).

However, a write-off in accounting terms does not imply debt forgiveness in the legal sense as recovery actions on cash due by the counterparty are pursued particularly in case of return to better fortune. In case of recoveries on an exposure previously written-off, such recoveries are recognised as *Amounts recovered on irrecoverable loans* on the year of collection.

(In EURm)	2019	2018
Net allocation to impairment losses	(1,202)	(970)
<i>on financial assets at fair value through other comprehensive income</i>	2	-
<i>on financial assets at amortised cost</i>	(1,204)	(970)
Net allocations to provisions	12	59
<i>on financing commitments</i>	47	82
<i>on guarantee commitments</i>	(35)	(23)
Losses not covered on irrecoverable loans	(292)	(263)
Amounts recovered on irrecoverable loans	184	169
Income from guarantee not taken into account for the calculation of impairment <sup>(1)</sup>	20	
<b>TOTAL</b>	<b>(1,278)</b>	<b>(1,005)</b>

(1) The income from the guarantees not taken into account for the calculation of impairment corresponds for the year 2019 to the financial guarantees received by the Group in the context of credit risk transfer operations to entities external to the Group. These operations concerned two diversified portfolios of structured loans of EUR 4 billion and USD 3.4 billion granted by Wholesale Banking and two portfolios of capital loans of EUR 2.1 billion and EUR 1.4 billion granted by Retail Banking in France.

**NOTE 3.9 Fair value of financial instruments measured at amortised cost****ACCOUNTING PRINCIPLES****Definition of fair value**

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

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

For financial instruments that are not recognised at fair value on the balance sheet, the figures disclosed in this note and broken down according to the fair value hierarchy as described in Note 3.4, should not be taken as an estimate of the amount that would be realised if all such financial instruments were to be settled immediately.

The fair value of financial instruments includes accrued interest if applicable.

**NOTE 3.9.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST**

	<b>31.12.2019</b>				
<i>(In EURm)</i>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Due from banks	56,366	56,370	-	41,233	15,137
Customer loans	450,244	451,398	-	179,364	272,034
Debt securities	12,489	12,705	4,156	7,095	1,454
<b>TOTAL</b>	<b>519,099</b>	<b>520,473</b>	<b>4,156</b>	<b>227,692</b>	<b>288,625</b>

	<b>31.12.2018</b>				
<i>(In EURm)</i>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Due from banks	60,588	60,674	-	43,844	16,830
Customer loans	447,229	451,366	-	187,421	263,945
Debt securities	12,026	12,113	4,007	7,312	794
<b>TOTAL</b>	<b>519,843</b>	<b>524,153</b>	<b>4,007</b>	<b>238,577</b>	<b>281,569</b>

## NOTE 3.9.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	31.12.2019				
(In EURm)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due to banks	107,929	107,976	356	104,028	3,592
Customer deposits	418,612	418,705	-	408,597	10,108
Debt securities issued	125,168	125,686	20,856	104,462	368
Subordinated debt	14,465	14,467	-	14,467	-
<b>TOTAL</b>	<b>666,174</b>	<b>666,834</b>	<b>21,212</b>	<b>631,554</b>	<b>14,068</b>

	31.12.2018				
(In EURm)	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	-
<b>TOTAL</b>	<b>641,177</b>	<b>641,235</b>	<b>22,272</b>	<b>603,616</b>	<b>15,347</b>

## NOTE 3.9.3 VALUATION METHODS OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

## LOANS, RECEIVABLES AND LEASE FINANCING AGREEMENTS

The fair value of loans, receivables and lease financing transactions for large corporates and banks is calculated, in the absence of an actively traded market for these loans, by discounting expected cash flows to present value based on the market rates (the benchmark 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.

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 net 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 or 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 recognised 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.

**NOTE 3.10.1 COMMITMENTS****COMMITMENTS GRANTED**

(In EURm)	31.12.2019	31.12.2018
<b>Loan commitments</b>		
To banks	50,589	19,174
To customers	184,305	199,663
<i>Issuance facilities</i>	83	-
<i>Confirmed credit lines</i>	166,168	181,015
<i>Others</i>	18,054	18,648
<b>Guarantee commitments</b>		
On behalf of banks	10,572	5,020
On behalf of customers <sup>(1)</sup>	42,248	57,251
<b>Securities commitments</b>		
Securities to be delivered	31,121	38,066

(1) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.

**COMMITMENTS RECEIVED**

(In EURm)	31.12.2019	31.12.2018
<b>Loan commitments</b>		
From banks	84,990	62,447
<b>Guarantee commitments</b>		
From banks	110,395	104,845
Other commitments <sup>(1)</sup>	125,771	136,702
<b>Securities commitments</b>		
Securities to be received	30,874	41,857

(1) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 73,133 million at 31<sup>st</sup> December 2019 versus EUR 72,768 million at 31<sup>st</sup> December 2018.

## NOTE 3.10.2 FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

## FINANCIAL ASSETS PLEDGED

(In EURm)	31.12.2019	31.12.2018
Book value of assets pledged as security for liabilities <sup>(1)</sup>	391,820	348,262
Book value of assets pledged as security for transactions in financial instruments <sup>(2)</sup>	56,891	55,957
Book value of assets pledged as security for off-balance sheet commitments	2,195	2,117
<b>TOTAL</b>	<b>450,906</b>	<b>406,336</b>

(1) Assets pledged as security for liabilities mainly include loans given as guarantees for liabilities (guarantees notably provided to the central banks).

(2) Assets pledged as security for transactions in financial instruments mainly include security deposits.

## FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EURm)	31.12.2019	31.12.2018
<b>Fair value of securities purchased under resale agreements</b>	<b>111,818</b>	<b>129,628</b>

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term.

Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

## NOTE 3.11 Transferred financial assets

## ACCOUNTING PRINCIPLES

Transferred financial assets that are not derecognised include securities lending transactions and repurchase agreements as well as certain loans transferred to consolidated securitization 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 event the borrowed securities are subsequently sold, a debt representing the return of these securities to their lender is recorded on the liabilities side of the Group's balance sheet, under *Financial liabilities at fair value through profit or loss*.

Securities lending and securities borrowing transactions that are fully matched by cash are assimilated to repurchase and reverse repurchase agreements and are recorded and recognised as such in the balance sheet.

With securities lending and repurchase agreements, the Group remains exposed to issuer default (credit risk) and to increases or decreases 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

(In EURm)	31.12.2019		31.12.2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities at fair value through profit or loss	23,691	20,486	19,515	15,371
Securities at fair value through other comprehensive income	13,057	10,476	11,903	9,743
<b>TOTAL</b>	<b>36,748</b>	<b>30,962</b>	<b>31,418</b>	<b>25,114</b>

## SECURITIES LENDING

(In EURm)	31.12.2019		31.12.2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities at fair value through profit or loss	13,297	54	11,347	51
Securities at fair value through other comprehensive income	132	-	368	-
<b>TOTAL</b>	<b>13,429</b>	<b>54</b>	<b>11,715</b>	<b>51</b>

## SECURITISATION ASSETS FOR WHICH THE COUNTERPARTIES TO THE ASSOCIATED LIABILITIES HAVE RECOURSE ONLY TO THE TRANSFERRED ASSETS

(In EURm)	31.12.2019	31.12.2018
<b>Customers loans</b>		
Carrying amount of transferred assets	1,629	1,249
Carrying amount of associated liabilities	1,545	1,086
Fair value of transferred assets (A)	1,639	1,253
Fair value of associated liabilities (B)	1,555	1,090
<b>NET POSITION (A)-(B)</b>	<b>84</b>	<b>163</b>

The Group remains exposed to the majority of the risks and rewards associated with these receivables; furthermore, these receivables may not be used as collateral or sold outright as part of another transaction.

## NOTE 3.11.2 TRANSFERRED FINANCIAL ASSETS PARTIALLY OR FULLY DERECOGNISED

At 31<sup>st</sup> December 2019, the Group carried out no material transactions resulting in the partial or full derecognition of financial assets leaving the Group with a continuing involvement in said assets.

**NOTE 3.12 Offsetting of 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 offsetting are not intended to represent the Group's actual exposure to counterparty risk through these financial instruments, insofar as counterparty risk management uses other risk mitigation strategies in addition to netting and collateral agreements.

**NOTE 3.12.1 AT 31ST DECEMBER 2019****ASSETS**

(In EURm)	Impact of offsetting on the balance sheet		Impact of Master Netting Agreements (MNA) and similar agreements <sup>(1)</sup>					
	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	28,345	210,193	(85,852)	152,686	(100,225)	(16,360)	-	36,101
Securities lent (see Notes 3.1 and 3.3)	8,275	5,552	-	13,827	(2,171)	(5)	(487)	11,164
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	44,054	196,583	(91,110)	149,527	(14,459)	(112)	(40,544)	94,412
Guarantee deposits pledged (see Note 4.4)	32,118	16,512	-	48,630	-	(16,512)	-	32,118
Other assets not subject to offsetting	991,633	-	-	991,633	-	-	-	991,633
<b>TOTAL</b>	<b>1,104,425</b>	<b>428,840</b>	<b>(176,962)</b>	<b>1,356,303</b>	<b>(116,855)</b>	<b>(32,989)</b>	<b>(41,031)</b>	<b>1,165,428</b>

## LIABILITIES

(In EURm)	Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements <sup>(1)</sup>				Net amount
	Amount of liabilities not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	
Derivative financial instruments (see Notes 3.1 and 3.2)	27,848	206,337	(85,852)	148,333	(100,225)	(16,512)	-	31,596
Amount payable on borrowed securities (see Note 3.1)	28,000	10,950	-	38,950	(2,171)	-	-	36,779
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	55,793	151,257	(91,110)	115,940	(14,459)	-	(35,880)	65,601
Guarantee deposits received (see Note 4.4)	32,844	16,477	-	49,321	-	(16,477)	-	32,844
Other liabilities not subject to offsetting	935,189	-	-	935,189	-	-	-	935,189
<b>TOTAL</b>	<b>1,079,674</b>	<b>385,021</b>	<b>(176,962)</b>	<b>1,287,733</b>	<b>(116,855)</b>	<b>(32,989)</b>	<b>(35,880)</b>	<b>1,102,009</b>

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any overcollateralisation effect.

## NOTE 3.12.2 AT 31ST DECEMBER 2018

## ASSETS

(In EURm)	Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements <sup>(1)</sup>				Net amount
	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	
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
<b>TOTAL</b>	<b>1,055,845</b>	<b>408,732</b>	<b>(155,149)</b>	<b>1,309,428</b>	<b>(104,885)</b>	<b>(27,621)</b>	<b>(52,688)</b>	<b>1,124,234</b>

## LIABILITIES

(In EURm)	Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements <sup>(1)</sup>				Net amount
	Amount of liabilities not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	
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
<b>TOTAL</b>	<b>1,030,790</b>	<b>367,978</b>	<b>(155,149)</b>	<b>1,243,619</b>	<b>(104,885)</b>	<b>(27,621)</b>	<b>(22,956)</b>	<b>1,088,157</b>

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any overcollateralisation effect.



**NOTE 3.13 Contractual maturities of financial liabilities**

<i>(In EURm)</i>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>31.12.2019</b>
Due to central banks	4,097	-	-	-	4,097
Financial liabilities at fair value through profit or loss	249,776	28,702	37,998	47,653	364,129
Due to banks	69,156	20,306	17,267	1,200	107,929
Customer deposits	372,573	20,385	16,319	9,335	418,612
Debt securities issued	28,142	24,948	56,099	15,979	125,168
Subordinated debt	5	2	2,746	11,712	14,465
Other liabilities	74,712	2,479	5,264	2,607	85,062
<b>TOTAL LIABILITIES</b>	<b>798,461</b>	<b>96,822</b>	<b>135,693</b>	<b>88,486</b>	<b>1,119,462</b>
Loan commitment granted	104,243	24,848	88,188	17,615	234,894
Guarantee commitments granted	25,906	8,772	10,101	8,041	52,820
<b>TOTAL COMMITMENTS GRANTED</b>	<b>130,149</b>	<b>33,620</b>	<b>98,289</b>	<b>25,656</b>	<b>287,714</b>

The flows presented in this note are based on contractual maturities. However, for certain elements of the balance sheet, assumptions could be applied.

When there is no contractual terms, as well as 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 include the fees from retail customers from the Group retail banking activities (in particular credit card fees, account management fees or application fees outside the effective interest rate).

Sundry services provided include the fees from customers from the other Group activities (in particular, interchange fees, funds management fees or fees on insurance products sold within the network).

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

- fees for ongoing services, such as some payment services, custody fees, or digital service subscriptions are recognised as income over the life of the service;
- fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties on payment incidents are recognised as income when the service is provided.

The amount equivalent to the remuneration for the service provided is composed of fixed and variable contractual compensation whether they are paid in kind or in cash, less any payments due to customers (for example, in case of promotional offers). The variable compensation (for example, discounts based on the provided services volume over a period of time or fees payable subject to the achievement of a performance target, etc.) are included in the amount equivalent to the remuneration for the service provided if and only if this compensation is highly probable not to be subsequently reduced significantly.

The possible mismatch between the payment date of the service provided and the date of execution of the service gives assets and liabilities depending on the type of contract and mismatch which are recognised under *Other Assets* and *Other Liabilities* (see Note 4.4):

- customer contracts generate trade receivables, accrued income or prepaid income;
- supplier contracts generate trade payables, accrued expenses or prepaid expenses.

In syndication deals, the effective interest rate for the share of the issuance retained on the Group's balance sheet is comparable to that applied to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees for services rendered is then recorded under *Fee income* at the end of the syndication period. Arrangement fees are recorded as income when the placement is legally complete.

(In EURm)	2019			2018		
	Income	Expense	Net	Income	Expense	Net
<b>Transactions with banks</b>	<b>157</b>	<b>(149)</b>	<b>8</b>	<b>148</b>	<b>(182)</b>	<b>(34)</b>
<b>Transactions with customers</b>	<b>3,072</b>	<b>-</b>	<b>3,072</b>	<b>3,187</b>	<b>-</b>	<b>3,187</b>
<b>Financial instruments operations</b>	<b>2,261</b>	<b>(2,351)</b>	<b>(90)</b>	<b>2,308</b>	<b>(2,334)</b>	<b>(26)</b>
Securities transactions	523	(1,019)	(496)	539	(1,030)	(491)
Primary market transactions	126	-	126	136	-	136
Foreign exchange transactions and financial derivatives	1,612	(1,332)	280	1,633	(1,304)	329
<b>Loan and guarantee commitments</b>	<b>772</b>	<b>(213)</b>	<b>559</b>	<b>711</b>	<b>(78)</b>	<b>633</b>
<b>Various services</b>	<b>2,806</b>	<b>(1,098)</b>	<b>1,708</b>	<b>2,770</b>	<b>(1,006)</b>	<b>1,764</b>
Asset management fees	610	-	610	634	-	634
Means of payment fees	914	-	914	847	-	847
Insurance product fees	241	-	241	228	-	228
Underwriting fees of UCITS	80	-	80	85	-	85
Other fees	961	(1,098)	(137)	976	(1,006)	(30)
<b>TOTAL</b>	<b>9,068</b>	<b>(3,811)</b>	<b>5,257</b>	<b>9,124</b>	<b>(3,600)</b>	<b>5,524</b>

**NOTE 4.2 Income and expense from other activities****ACCOUNTING PRINCIPLES****Leasing activities**

Leases granted by the Group which do not transfer to the lessee virtually all the risks and benefits associated with ownership of the leased asset are classified as operating leases.

Assets held under operating leases, including investment property, are recorded on the balance sheet under *Tangible and intangible fixed assets* at their acquisition cost, less depreciation and impairment (see Note 8.4).

Leased assets are depreciated, excluding residual value, over the life of the lease. 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.

(In EURm)	2019			2018		
	Income	Expense	Net	Income	Expense	Net
Real estate development	96	-	96	76	(2)	74
Real estate leasing	48	(34)	14	34	(40)	(6)
Equipment leasing <sup>(1)</sup>	10,889	(7,758)	3,131	10,102	(7,156)	2,946
Other activities	596	(1,993)	(1,397)	549	(1,814)	(1,265)
<b>TOTAL</b>	<b>11,629</b>	<b>(9,785)</b>	<b>1,844</b>	<b>10,761</b>	<b>(9,012)</b>	<b>1,749</b>

(1) The amount recorded under this heading is mainly due to income and expenses related to long-term leasing and car fleet management businesses.

**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 as well as the presentation of income and expenses on the Group's insurance activities that are disclosed in this note and which are classified on the basis of their function.

**DEFERRED APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES**

The amendments to IFRS 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<sup>st</sup> January 2021, meaning they may continue applying the current standard, IAS 39. The European Regulation 2017/1988 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<sup>st</sup> 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.

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 Sogecap, Antarius, Sogelife, Oradea Vie, Komerčni Pojistovna A.S. and Sogessur.

**NOTE 4.3.1 INSURANCE CONTRACTS RELATED LIABILITIES****ACCOUNTING PRINCIPLES****Underwriting reserves of insurance companies**

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

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

Risks covered by non-life insurance policies are principally linked to home, car and accident protection guarantees. Underwriting reserves comprise reserves for unearned premiums (share of premium income relating to subsequent financial years) and for outstanding claims.

Risks covered by life insurance policies are principally death, invalidity and incapacity for work. Life insurance underwriting reserves mainly comprise actuarial reserves, which correspond to the difference between the present value of commitments falling to the insurer and those falling to the policyholder, and the reserve for claims incurred but not settled.

In saving-life insurance products:

- underwriting reserves of saving-life insurance contracts invested in EUR-denominated policies with profit sharing clauses consist primarily of mathematical provisions and provisions for profit-sharing;
- underwriting reserves of saving-life insurance contracts invested in unit-linked policies or with a significant insurance clause (mortality, invalidity, etc.) are measured at the inventory date according to the realisation value of the assets underlying these contracts.

Under the principles defined in IFRS 4, and in compliance with local regulations applicable with respect thereto, life insurance policies with discretionary profit-sharing features are subject to "mirror accounting", whereby any changes in the value of financial assets liable to affect policyholders are recorded in *Deferred profit-sharing*. This reserve is calculated to reflect the potential rights of policyholders to unrealised gains on financial instruments measured at fair value or their potential share of unrealised losses.

To demonstrate the recoverability of the deferred profit-sharing asset in the event of an unrealised net loss, two approaches are verified by the Group in order to show that the liquidity requirements caused by an unfavourable economic environment would not require assets to be sold in the event of unrealised losses:

- the first approach consists in simulating deterministic ("standardised" or extreme) stress scenarios. This is used to show that in these scenarios no significant losses would be realised on the assets existing at the balance sheet date for the scenarios tested;
- the aim of the second approach is to ensure that in the long or medium term, the sale of assets to meet liquidity needs would not generate any significant losses. The approach is verified considering projections based on extreme scenarios.

Moreover, a Liability Adequacy Test (LAT) is also carried out quarterly at the level of each consolidated entities operating in the insurance. This test involves comparing the carrying amount of insurance liabilities with the average economic value using a stochastic model of future cash flows. This test takes into account all of the future cash flows from policies, including benefits, management charges, fees, policy options and guarantees related to the contracts; It does not include future premiums. If the test concludes that the book value is insufficient, the value of insurance liabilities will be adjusted with a corresponding entry in the income statement.

### Classification of financial liabilities

At initial recognition, financial liabilities resulting from the Group's insurance activities are classified in the following accounting categories:

- financial liabilities measured at fair value through profit or loss: these are derivative financial liabilities;
- financial liabilities measured at fair value option through profit or loss: these are non-derivative financial liabilities that were initially designated by the Group to be measured at fair value through profit or loss (using the option). These include investment contracts without both discretionary profit-sharing clauses and insurance component, that do not meet the definition of an insurance contract under IFRS 4 (unit-linked insurance contracts only) and are thus governed by IAS 39.

## BREAKDOWN OF INSURANCE CONTRACTS RELATED LIABILITIES

(In EURm)	31.12.2019	31.12.2018 *
Underwriting reserves of insurance companies	140,155	127,386
Financial liabilities of insurance companies	4,104	2,157
Financial liabilities at fair value through profit or loss	834	774
Financial liabilities at fair value through profit or loss (fair value option)	3,270	1,383
<b>TOTAL</b>	<b>144,259</b>	<b>129,543</b>

\* The amounts have been restated following the reclassification of investment contracts to Financial liabilities of insurance companies.

## UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In EURm)	31.12.2019	31.12.2018*
Life insurance underwriting reserves for unit-linked policies	32,611	27,467
Other life insurance underwriting reserves	94,714	90,992
Non-life insurance underwriting reserves	1,556	1,418
Deferred profit-sharing booked in liabilities	11,274	7,509
<b>Total</b>	<b>140,155</b>	<b>127,386</b>
Attributable to reinsurers	(750)	(703)
<b>UNDERWRITING RESERVES OF INSURANCE NET OF THE SHARE ATTRIBUTABLE TO REINSURERS</b>	<b>139,405</b>	<b>126,683</b>

\* The amounts have been restated following the reclassification of investment contracts to Financial liabilities of insurance companies.

## STATEMENT OF CHANGES IN UNDERWRITING RESERVES

<i>(In EURm)</i>	Life insurance underwriting reserves for unit-linked policies	Other life insurance underwriting reserves	Non-life insurance underwriting reserves
<b>Reserves at 1<sup>st</sup> January 2019</b>	<b>27,467</b>	<b>90,992</b>	<b>1,418</b>
Allocation to insurance reserves	1,770	2,067	161
Revaluation of unit-linked policies	4,268	-	-
Charges deducted from unit-linked policies	(193)	-	-
Transfers and allocation adjustments	(637)	630	-
New customers	26	(1)	9
Profit-sharing	(95)	957	-
Others	5	69	(32)
<b>Reserves at 31<sup>st</sup> December 2019</b>	<b>32,611</b>	<b>94,714</b>	<b>1,556</b>

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed at 31<sup>st</sup> December 2019. 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<sup>st</sup> December 2019 does not show any insufficiency of technical liabilities.

## UNDERWRITING RESERVES OF INSURANCE COMPANIES BY REMAINING MATURITY

<i>(In EURm)</i>	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	<b>31.12.2019</b>
<b>Underwriting reserves of insurance companies</b>	<b>15,288</b>	<b>9,291</b>	<b>37,018</b>	<b>78,558</b>	<b>140,155</b>

## NOTE 4.3.2 INVESTMENTS OF INSURANCE ACTIVITIES

**ACCOUNTING PRINCIPLES****Classification of financial instruments**

When initially recognised, financial assets from Group insurance activities are classified into one of the following categories:

- *Financial assets at fair value through profit or loss*: these are financial assets held for trading purposes (see definition in Note 3.1), which by default include derivative financial assets not qualifying as hedging instruments and non-derivative financial assets designated by the insurance entity upon initial recognition to be carried at fair value through profit or loss (using the option). In particular, insurance entities measure at fair value using the option the financial assets representing unit-linked contracts in order to eliminate the accounting mismatch with the related insurance liabilities, as well as interests in UCITS over which a significant influence exists;
- *available-for-sale financial assets*: these are non-derivative financial assets held for an indeterminate period, which the insurance entity may sell at any time. By default, they are assets that do not fall into one of the other categories. These instruments are measured at fair value against *Unrealised or deferred gains and losses*. Interests accrued or paid on debt securities are recognised in 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*. If there is an objective evidence on an individual basis, the total accumulated unrealised loss previously recorded in shareholders' equity is reclassified in the income statement under *Net income from insurance activities*;
- *loans and receivables*: these include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired, and not designated upon initial recognition to be carried at fair value through profit or loss (in accordance with the fair value option). They are measured at amortised cost, and impairment, determined on an individual 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 whether objective evidence of impairment exists individually.

All these categories are presented on the insurance entity's balance sheet under *the Investments of insurance companies*, which also includes investment properties held by insurance entities and hedge derivatives assessed in accordance with the accounting principles presented in Note 3.2.

**Reclassification of financial assets**

After their initial recognition, financial assets may not be later reclassified as *Financial assets at fair value through profit or loss*.

A non-derivative financial asset initially recognised under *Financial assets at fair value through profit or loss* as an asset held for trading purposes may only be reclassified out of this category under specific conditions framed by IAS 39 standard.

**IMPAIRMENT****Impairment of financial assets measured at amortised cost**

For debt instruments not measured at fair value through net income, the criteria used by the insurance entities to assess individually objective evidence of impairment include the following conditions:

- a significant decline in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfil its overall commitments, implying then a risk of loss for the insurance entity (the appreciation of this deterioration can be based on the evolution of the rating of the issuers or the variations of the credit spreads changes observed on these markets);
- the occurrence of late payment of coupons and more generally of arrears of more than 90 days;
- or, regardless of whether or not any past-due payments are recorded, there is objective evidence of impairment or legal proceedings have been initiated (bankruptcy, legal settlement, compulsory liquidation).

If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity financial assets, are impaired, an impairment is recognised for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees. This discount is calculated using the financial assets' original effective interest rate. The amount of this impairment is deducted from the carrying value of the impaired financial asset.

The allocations and reversals of impairments are recorded in the income statement under net income from investments in the *Net income from insurance activities*. The impaired loans or receivables are remunerated for accounting purposes by the reversal over time of the discounting to present value, which is recorded under interest income in the *Net income from insurance activities*.

Where there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, be it significant or not, insurance entity 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 homogeneous 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.

**Impairment of available-for-sale financial assets**

An available-for-sale financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of this asset.

For listed equity instruments, a significant or prolonged decline in their price below their acquisition cost constitutes objective evidence of impairment. For this purpose, insurance entities consider as impaired listed shares showing an unrealised loss greater than 50% of their acquisition price on the balance sheet date, as well as listed shares for which the quoted prices have been below their acquisition price on every trading day for at least the last 24 months before the balance sheet date. Further factors, such as the financial situation of the issuer or its development outlook, can lead the insurance entities to consider that the cost of its investment may not be recovered even if the abovementioned criteria are not met. An impairment loss is then recorded through net income equal to the difference between the last quoted price of the security on the balance sheet date and its acquisition price.

For unlisted equity instruments, the criteria used to assess the evidence of impairment are identical to those mentioned above. The value of these instruments at the balance sheet date is determined using the valuation methods described in Note 3.4.

The criteria for the impairment of debt instruments are similar to those for the impairment of financial assets measured at amortised cost.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in shareholders' equity under *Unrealised or deferred gains and losses* and subsequent objective evidence of impairment emerges, insurance entities recognise the total accumulated unrealised loss previously recorded in shareholders' equity in the income statement among under net income from investments in the *Net income from insurance activities* as far as debt instruments and equity instruments are concerned.

This cumulative loss is measured as the difference between the acquisition cost (net of any repayments of principal and amortisation) and the present fair value, less any impairment of the financial asset that has already been recorded through profit or loss.

Impairment losses recognised through profit or loss on an equity instrument classified as available-for-sale are only reversed through profit or loss when the instrument is sold. Once an equity instrument has been recognised as impaired, any further loss of value is recorded as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit or loss if they subsequently recover in value following an improvement in the issuer's credit risk.

**OTHER ACCOUNTING PRINCIPLES**

Accounting principles relative to fair value, initial recognition of financial instruments, derecognition of financial instruments, derivative financial instruments, interest income and expense, transferred financial assets and offsetting of financial instruments are similar to those described in Note 3 (Financial instruments).



## OVERVIEW OF INVESTMENTS OF INSURANCE ACTIVITIES

(In EURm)	31.12.2019	31.12.2018 *
Financial assets at fair value through profit or loss (trading portfolio)	268	462
<i>Shares and other equity instruments</i>	37	29
<i>Trading derivatives</i>	231	433
Financial assets at fair value through profit or loss (fair value option)	65,718	54,715
<i>Bonds and other debt instruments</i>	31,719	26,356
<i>Shares and other equity instruments</i>	33,694	28,085
<i>Loans, receivables and repo transactions</i>	305	274
Hedging derivatives	438	401
Available for sale financial assets	91,899	84,668
<i>Debt instruments</i>	75,839	70,982
<i>Equity instruments</i>	16,060	13,686
Due from banks <sup>(2)</sup>	5,867	5,794
Customer loans	92	119
Held to maturity financial assets	80	-
Real estate investments	576	609
<b>TOTAL INVESTMENTS OF INSURANCE ACTIVITIES<sup>(1)(2)</sup></b>	<b>164,938</b>	<b>146,768</b>

\* Amounts restated in order to present the amounts of investments of insurance activities after elimination of intercompany transactions.

(1) Investments in other Group companies that are made in representation of unit-linked liabilities are kept in the Group's consolidated balance sheet without any significant impact thereon.

(2) o/w EUR 1,126 million of current accounts at 31<sup>st</sup> December 2019 vs. EUR 710 million at 31<sup>st</sup> December 2018.

## ANALYSIS OF FINANCIAL ASSETS DEPENDING ON THEIR CONTRACTUAL CHARACTERISTICS

The following table shows the carrying value of the financial assets included in *Net investments from insurance activities*, whereby those assets whose contractual conditions give rise to cash-flows on set dates which are solely payments of principal and interest (basic instruments).

(In EURm)	31.12.2019					
	Carrying amount			Fair value		
	Basic instruments	Other instruments	Total	Basic instruments	Other instruments	Total
Financial assets at fair value through profit or loss	-	65,986	65,986	-	65,986	65,986
Hedging derivatives	-	438	438	-	438	438
Available-for-sale financial assets	72,349	19,550	91,899	72,349	19,550	91,899
Due from banks	2,805	3,062	5,867	3,012	3,178	6,190
Customer loans	92	-	92	90	-	90
Held-to-maturity financial assets	-	80	80	-	80	80
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>75,246</b>	<b>89,116</b>	<b>164,362</b>	<b>75,451</b>	<b>89,232</b>	<b>164,683</b>

31.12.2018

	Carrying amount			Fair value		
	Basic instruments	Other instruments	Total	Basic instruments	Other instruments	Total
(In EURm)						
Financial assets at fair value through profit or loss	-	55,177	55,177	-	55,177	55,177
Hedging derivatives	-	401	401	-	401	401
Available-for-sale financial assets	68,261	16,407	84,668	68,261	16,407	84,668
Due from banks	2,122	3,672	5,794	2,259	3,880	6,139
Customer loans	119	-	119	117	-	117
Held-to-maturity financial assets	-	-	-	-	-	-
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>70,502</b>	<b>75,657</b>	<b>146,159</b>	<b>70,637</b>	<b>75,865</b>	<b>146,502</b>

### FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

31.12.2019

(In EURm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (trading portfolio)	37	190	41	268
Financial assets at fair value through profit or loss using the fair value option	58,874	6,483	361	65,718
Hedging derivatives	-	438	-	438
Available-for-sale financial assets	84,435	7,252	212	91,899
<b>TOTAL</b>	<b>143,346</b>	<b>14,363</b>	<b>614</b>	<b>158,323</b>

31.12.2018

(In EURm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (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
<b>TOTAL</b>	<b>127,954</b>	<b>11,767</b>	<b>525</b>	<b>140,246</b>

### CHANGES IN AVAILABLE FOR SALE FINANCIAL ASSETS

(In EURm)	2019
<b>Balance as of 1<sup>st</sup> January</b>	<b>84,668</b>
Acquisitions	15,602
Disposals/redemptions	(11,393)
Transfers to held-to-maturity financial assets	(80)
Change in scope and others	154
Gains and losses on changes in fair value recognised directly in equity during the period	2,984
Impairment losses on equity instruments recognised in profit or loss	(91)
Translation differences	55
<b>Balance as of 31<sup>st</sup> December</b>	<b>91,899</b>

## UNREALISED GAINS AND LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME

(In EURm)	31.12.2019		
	Capital gains	Capital losses	Net revaluation
<b>Unrealised gains and losses of insurance companies</b>	<b>556</b>	<b>(30)</b>	<b>526</b>
On equity instruments available-for-sale	2,047	(75)	1,972
On debt instruments available-for-sale and assets reclassified as loans and receivables	7,921	(240)	7,681
Deferred profit-sharing	(9,412)	285	(9,127)

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

## FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EURm)	31.12.2019	31.12.2018
<b>Fair value of securities purchased under resale agreements</b>	<b>7</b>	<b>8</b>

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term.

Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

### NOTE 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 on a separate line under *Net banking income: Net income from insurance activities* (after eliminating intercompany transactions).

(In EURm)	2019	2018*
Net premiums	14,188	12,562
Net income from investments	3,655	1,928
Cost of benefits (including changes in reserves) <sup>(1)</sup>	(15,736)	(12,429)
Other net technical income (expense)	(182)	(337)
<b>Net income from insurance activities</b>	<b>1,925</b>	<b>1,724</b>
Funding costs	(5)	(7)
<b>Net banking income of insurance companies</b>	<b>1,920</b>	<b>1,717</b>

\* The amounts have been restated following the reclassification of investment contracts to Financial liabilities of insurance companies.

(1) o/w: EUR -3,557 million in respect of deferred profit-sharing at 31<sup>st</sup> December 2019.

## NET INCOME FROM INVESTMENTS

(In EURm)	2019	2018
Dividend income on equity instruments	719	617
Interest income	1,912	2,011
On available-for-sale financial assets	1,675	1,706
On loans and receivables	194	293
Other net interest income	43	12
Net gains or losses on financial instruments at fair value through profit or loss	764	(776)
Net gains or losses on available-for-sale financial instruments	237	62
Capital gain or loss on sale of debt instruments	141	(5)
Capital gain or loss on sale of equity instruments	187	174
Impairment values on equity instruments	(91)	(107)
Net gains or losses on real estate investments	23	14
<b>TOTAL</b>	<b>3,655</b>	<b>1,928</b>

### NOTE 4.3.4 MANAGEMENT OF INSURANCE RISKS

The Group carries out its insurance activities through the distribution and reinsurance acceptance of a wide range of life insurance, protection and health insurance, and non-life insurance policies. Since the life insurance business is predominant on the French market in the Group's insurance activities, the market risks of financial assets in terms of technical liabilities constitute the most significant exposure. Within market risks, the insurance business line is sensitive to shocks in interest rates, equity markets and credit spreads. In connection with the life insurance savings activity, the risk of withdrawals is also significant.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks undergo regular monitoring and are reported to the General Management of both the entities concerned and the business lines.

Risk management techniques are based on the following:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile and the guarantees provided;

- regular monitoring of indicators on product claims rates in order to adjust certain product parameters, such as pricing or the level of guarantee, if necessary;
- implementation of a reinsurance plan to protect the business line from major/serial claims;
- application of policies on risk, provisioning and reinsurance.

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy just like objectives on long-term performance. The optimisation of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analysed by the Finance and Risk Department of the insurance business line.

Risk management related to financial markets (interest rates, credit and shares) and to ALM is based on the following:

- monitoring short and long-term cash flows (match between the term of a liability and the term of an asset, liquidity risk management);

- particular monitoring of policyholder behaviour (redemption);
- close monitoring of financial markets;
- hedging of exchange rate risks (both rising and falling);
- defining thresholds and limits per counterparty, per rating issuer and per category of assets;
- stress tests, the results of which are presented annually at entities' Board of Directors' meetings, as part of the ORSA report (Own Risk and Solvency Assessment), transferred to the ACPR after approval by the Board;
- application of policies related to ALM and investment risks.

## BREAKDOWN OF NET INVESTMENTS BY RATING OF BASIC INSTRUMENTS

The following table shows the gross carrying amounts after eliminating intercompany transactions.

	31.12.2019			
(In EURm)	Available-for-sale financial assets	Due from banks	Customer loans	Total
AAA	4,064	1,033	-	5,097
AA+/AA/AA-	38,016	370	-	38,386
A+/A/A-	14,863	1,051	-	15,914
BBB+/BBB/BBB-	14,789	265	-	15,054
BB+/BB/BB-	289	-	-	289
B+/B/B-	5	-	-	5
CCC+/CCC/CCC-	-	-	-	-
CC+/CC/CC-	-	-	-	-
Lower than CC-	-	-	-	-
Without rating	323	86	92	501
<b>TOTAL BEFORE IMPAIRMENT</b>	<b>72,349</b>	<b>2,805</b>	<b>92</b>	<b>75,246</b>
Impairment	-	-	-	-
<b>CARRYING AMOUNT</b>	<b>72,349</b>	<b>2,805</b>	<b>92</b>	<b>75,246</b>

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**

(In EURm)	31.12.2019	31.12.2018
Guarantee deposits paid <sup>(1)</sup>	48,630	46,694
Settlement accounts on securities transactions	6,915	6,645
Prepaid expenses	1,084	1,057
Miscellaneous receivables <sup>(2)</sup>	10,065	11,817
Miscellaneous receivables - insurance	1,653	1,511
<b>GROSS AMOUNT</b>	<b>68,347</b>	<b>67,724</b>
Impairments <sup>(3)</sup>	(302)	(278)
<b>NET AMOUNT</b>	<b>68,045</b>	<b>67,446</b>

(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 918 million as of 31<sup>st</sup> December 2019.

(3) Impairments on other assets are related to:

- credit risk on operating lease receivables for an amount of EUR 145 million as of 31<sup>st</sup> December 2019 and EUR 131 million as of 31<sup>st</sup> December 2018;
- credit risk on assets acquired by adjudication and sundry debtors for an amount of EUR 123 million as of 31<sup>st</sup> December 2019 and EUR 110 million as of 31<sup>st</sup> December 2018;
- other risks for an amount of EUR 34 million as of 31<sup>st</sup> December 2019 and EUR 37 million as of 31<sup>st</sup> December 2018.

**NOTE 4.4.2 OTHER LIABILITIES**

(In EURm)	31.12.2019	31.12.2018
Guarantee deposits received <sup>(1)</sup>	49,321	43,443
Settlement accounts on securities transactions	7,356	6,904
Expenses payable on employee benefits	2,364	2,396
Lease liability <sup>(2)</sup>	2,251	
Deferred income	1,596	1,620
Miscellaneous payables <sup>(3)</sup>	13,194	15,609
Miscellaneous payables - insurance	8,980	6,657
<b>TOTAL</b>	<b>85,062</b>	<b>76,629</b>

(1) Mainly relates to guarantee deposits received on financial instruments, their fair value is taken to be the same as their book value.

(2) Lease liability recorded as a result of the application of IFRS 16 "Leases" as from 1<sup>st</sup> January 2019 (see Note 1).

(3) 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 is paid to employees or to outside social security agencies;
- whether it is 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 is 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 Universal Registration Document (Corporate Social Responsibility).

**NOTE 5.1 Personnel expenses and related party transactions****ACCOUNTING PRINCIPLES**

*Personnel expenses* include all expenses related to personnel, including employee benefits and expenses related to payments based on Societe Generale shares.

Short-term employee benefits are recorded under *Personnel expenses* during the period according to the services provided by the employee.

The accounting principles relating to post-employment benefits and other long-term benefits are described in Note 5.2. Those related to share-based payments are described in Note 5.3.

*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 four Deputy Chief Executive Officers), their respective spouses and any children residing in the family home, subsidiaries which are either controlled exclusively or jointly by the Group, and companies over which Societe Generale exercises significant influence.

**NOTE 5.1.1 PERSONNEL EXPENSES**

(In EURm)	2019	2018
Employee compensation	(7,240)	(6,925)
Social security charges and payroll taxes	(1,660)	(1,648)
Net pension expenses - defined contribution plans	(759)	(724)
Net pension expenses - defined benefit plans	(10)	78
Employee profit-sharing and incentives	(286)	(342)
<b>TOTAL</b>	<b>(9,955)</b>	<b>(9,561)</b>
<i>Including net expenses from share-based payments</i>	<i>(171)</i>	<i>(171)</i>

**NOTE 5.1.2 RELATED PARTY TRANSACTIONS****REMUNERATION OF THE GROUP'S MANAGERS**

This includes amounts effectively paid by the Group to Directors and corporate officers as remuneration (including employer contributions) and other benefits as indicated below.

(In EURm)	2019	2018
Short-term benefits	13.6	17.9
Post-employment benefits	0.7	0.7
Long-term benefits	-	-
Termination benefits	-	1.6
Share-based payments	3.0	2.8
<b>TOTAL</b>	<b>17.4</b>	<b>23.0</b>

**RELATED PARTY TRANSACTIONS**

The transactions with members of the Board of Directors, Chief Executive Officers and members of their families included in this note only comprise loans and guarantees outstanding at 31<sup>st</sup> December 2019 for a total amount of EUR 3.9 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<sup>st</sup> December 2019 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 11.5 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;
- other long-term benefits: these benefits include deferred compensation programs settled in cash and not indexed to the Societe Generale share, such as long-term deferred variable remuneration, CET (*Comptes Épargne Temps*) flexible working provisions, or long service awards;
- termination benefits.

### DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In EURm)	Provisions at 31.12.2018	Allocations	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions at 31.12.2019
Post-employment benefits <sup>(1)</sup>	1,574	92	(89)	3	(76)	34	85	1,620
Other long-term benefits	435	93	(57)	36	(39)	-	8	440
Termination benefits	332	331	(62)	269	(260)	-	15	356
<b>TOTAL</b>	<b>2,341</b>	<b>516</b>	<b>(208)</b>	<b>308</b>	<b>(375)</b>	<b>34</b>	<b>108</b>	<b>2,416</b>

(1) The write-backs available of post-employment benefits include the freezing of rights under the additional plan for the supplementary retirement allowance for executives, implemented in France in 1991.

On 9<sup>th</sup> April 2019, Societe Generale announced two transformation projects including a strategic adjustment of its Global Banking and Investor Solutions activities and a more operational project aimed at adapting the organisation of the Retail Banking and International Financial Services headquarters.

These projects led to an adjustment of the restructuring provisions with an allocation of EUR 243 million, of which EUR 236 million were recorded under *Personnel expenses* and EUR 7 million were recorded

under *Other operating expenses*. Most of these provisions were used during the second half of 2019.

Provisions also include a restructuring provision related to planned changes that could concern part of French Retail Banking's head office, the platforms for processing customer transactions (back offices) and certain network support functions. This project resulted in an allocation of EUR 55 million, of which EUR 44 million were recorded under *Personnel expenses* and EUR 11 million were recorded under *Other operating expenses*.

## ACCOUNTING PRINCIPLES

### Post-employment benefits

Post-employment benefits can be broken down into two categories: defined contribution pension plans or defined benefit pension plans.

#### DEFINED CONTRIBUTION PLANS

Defined contribution plans limit the Group's liability to the subscriptions paid into the plan but do not commit the Group to a specific level of future benefits. Contributions paid are recorded as an expense for the current year.

#### DEFINED BENEFIT PLANS

Defined benefit plans commit the Group, either formally or constructively, to pay a certain amount or level of future benefits and therefore bear the associated medium or long-term risk.

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

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

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

When a new or amended plan comes into force, past service cost is immediately recognised in profit or loss.

An annual charge is recorded under *Personnel expenses* for defined benefit plans consisting of:

- the additional entitlements vested by each employee (current service cost);
- past service cost resulting from a plan amendment or a curtailment;
- the financial expense resulting from the discount rate and the interest income on plan assets (net interest on the net defined benefit liability or asset);
- plan settlements.

### OTHER LONG-TERM BENEFITS

Other long-term employee benefits are benefits other than post-employment and termination benefits, that are paid to employees more than twelve months after the end of the annual period in which they provided the related services.

Other long-term benefits are measured and recognised in the same way as post-employment benefits, with the exception of actuarial gains and losses, which are immediately recognised as profit or loss.

### DEFINED CONTRIBUTION PLANS

The main defined contribution plans provided to employees of the Group are located in France, in the United Kingdom and in the United States.

In France, they include state pension plans and other national pension plans such as AGIRC-ARRCO, as well as pension schemes put in place by certain Group entities whose only commitment is to pay annual contributions (PERCO).

In the United Kingdom, the employer pays contributions according to the age of the employees (from 2.5 to 10% of the salary) and can make extra contributions up to 4.5% for the voluntary additional employee contributions.

In the United States, employers fully match the first 8% of employee contributions, within the limit of USD 10,000.

### 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 present Universal Registration Document. This allowance depends in particular on the beneficiary's seniority within Societe Generale.

This allowance depends in particular on the beneficiary's seniority within Societe Generale. Since 4th July 2019, date of publication of the ordinance ending the so-called "random rights" defined benefit pension plans in application of the Loi Pacte, this plan is closed to new employees and the rights of beneficiaries were frozen on 31st December 2019.

In Switzerland, the plan is managed by a personal protection insurance institution (the Foundation), comprised of employer and employee representatives. The employer and its employees pay contributions to the Foundation. Pension benefits are revalued at a guaranteed rate of return and converted to annuities (or lump-sum payment) also at a guaranteed conversion rate (cash balance scheme). Because of this minimum guaranteed return, the plan is considered similar to a defined benefit plan.

In recent years, the Societe Generale Group has actively implemented a policy of converting defined benefit plans to defined contribution plans.

In the United Kingdom, the defined benefit plan has been closed to new employees for nearly twenty 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**

	<b>31.12.2019</b>				
(In EURm)	<b>France</b>	<b>United Kingdom</b>	<b>United States</b>	<b>Others</b>	<b>Total</b>
A - Present value of defined benefit obligations	1,226	891	300	805	3,221
B - Fair value of plan assets	188	976	280	279	1,723
C - Fair value of separate assets	963	-	-	-	963
D - Change in asset ceiling	-	-	-	-	-
<b>A - B - C + D = Net balance</b>	<b>75</b>	<b>(85)</b>	<b>20</b>	<b>526</b>	<b>535</b>
<b>ON THE LIABILITIES SIDE OF THE BALANCE SHEET</b>	<b>1,070</b>	<b>-</b>	<b>20</b>	<b>529</b>	<b>1,619</b>
<b>ON THE ASSETS SIDE<sup>(1)</sup> OF THE BALANCE SHEET</b>	<b>995</b>	<b>85</b>	<b>-</b>	<b>3</b>	<b>1,084</b>

(1) o/w EUR 963 million of separate assets recorded under Financial assets at fair value through profit or loss and EUR 121 million linked to surplus assets under Other assets.

	<b>31.12.2018</b>				
(In EURm)	<b>France</b>	<b>United Kingdom</b>	<b>United States</b>	<b>Others</b>	<b>Total</b>
A - Present value of defined benefit obligations	1,244	792	251	742	3,029
B - Fair value of plan assets	196	843	223	272	1,534
C - Fair value of separate assets	902	-	-	-	902
D - Change in asset ceiling	-	-	-	-	-
<b>A - B - C + D = Net balance</b>	<b>146</b>	<b>(51)</b>	<b>28</b>	<b>470</b>	<b>593</b>
<b>ON THE LIABILITIES SIDE OF THE BALANCE SHEET</b>	<b>1,076</b>	<b>-</b>	<b>28</b>	<b>473</b>	<b>1,577</b>
<b>ON THE ASSETS SIDE<sup>(1)</sup> OF THE BALANCE SHEET</b>	<b>930</b>	<b>51</b>	<b>-</b>	<b>3</b>	<b>984</b>

(1) o/w EUR 902 million of separate assets recorded under Financial assets at fair value through profit or loss and EUR 82 million linked to surplus assets under Other assets.

**COMPONENTS OF THE COST OF DEFINED BENEFITS**

(In EURm)	<b>2019</b>	<b>2018</b>
Current service cost including social security contributions	79	106
Employee contributions	(5)	(5)
Past service cost/curtailments <sup>(1)</sup>	(80)	(212)
Transfer via the expense	-	(3)
Net interest	8	11
<b>A - Components recognised in income statement</b>	<b>2</b>	<b>(103)</b>
Actuarial gains and losses on assets	(257)	119
Actuarial gains and losses due to changes in demographic assumptions	(2)	1
Actuarial gains and losses due to changes in economic and financial assumptions	295	(148)
Actuarial gains and losses due to experience	(32)	(3)
Change in asset ceiling	-	0
<b>B - Components recognised in unrealised or deferred gains and losses</b>	<b>4</b>	<b>(31)</b>
<b>C = A + B TOTAL COMPONENTS OF THE COST OF DEFINED BENEFITS</b>	<b>6</b>	<b>(134)</b>

(1) Mainly due to the publication of the ordinance ending the "random rights" defined benefit pension plans under the Loi Pacte.

### CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

(In EURm)	2019	2018
<b>Balance at 1<sup>st</sup> January</b>	<b>3,029</b>	<b>3,381</b>
Current service cost including social security contributions	79	106
Past service cost/curtailments	(80)	(212)
Settlements	-	(3)
Net interest	57	60
Actuarial gains and losses due to changes in demographic assumptions	(2)	1
Actuarial gains and losses due to changes in economic and financial assumptions	295	(148)
Actuarial gains and losses due to experience	(32)	(3)
Foreign exchange adjustment	58	12
Benefit payments	(149)	(165)
Change in consolidation scope	(29)	-
Transfers and others	(6)	-
<b>Balance at 31<sup>st</sup> December</b>	<b>3,221</b>	<b>3,029</b>

### CHANGES IN THE FAIR VALUE OF FUNDING ASSETS

(In EURm)	Plan assets		Separate assets	
	2019	2018	2019	2018
<b>Balance at 1<sup>st</sup> January</b>	<b>1,534</b>	<b>2,212</b>	<b>902</b>	<b>398</b>
Interest expenses on assets	37	44	12	6
Actuarial gains and losses on assets <sup>(1)</sup>	164	(86)	93	(33)
Foreign exchange adjustment	58	11	-	-
Employee contributions	5	5	-	-
Employer contributions to plan assets	23	22	-	-
Benefit payments	(76)	(112)	(45)	(23)
Change in consolidation scope	(21)	-	-	-
Transfers and others	-	(562)	-	554
Change in asset ceiling	-	-	-	-
<b>Balance at 31<sup>st</sup> December</b>	<b>1,723</b>	<b>1,534</b>	<b>963</b>	<b>902</b>

### GENERAL INFORMATION REGARDING FUNDING ASSETS (FOR ALL BENEFITS AND FUTURE CONTRIBUTIONS)

Funding assets include plan assets and separate assets.

Funding assets represent around 83% 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 and in France hedged 94%, while they are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 77% bonds, 11% equities and 12% other investments. Directly held Societe Generale shares are not significant.

Funding assets excess is EUR 200 million.

Employer contributions to be paid to post-employment defined benefit plans for 2020 are estimated at EUR 15 million.

Plan hedging strategies are defined locally in connection with the Finance and Human Resources Departments of the entities, by ad hoc structures (Trustees, Foundations, Joint structures etc.) if necessary. Besides, liability investment or financing strategies are monitored at Group level through a global governance system. Committee meetings, with the participation of representatives of the Human Resources Department, the Finance Department and the Risk Division, are organised in order to define Group guidelines for employee benefits investment and management, to validate decisions and to follow up the associated risks for the Group.

Depending on the duration of each plan and local regulations, funding assets are invested in equities and/or in fixed income products, whether guaranteed or not.

The actual returns on plan and separate assets can be broken down as follows:

(In EURm)	2019	2018
Plan assets	201	(42)
Separate assets	106	(27)

## MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2019	31.12.2018
<b>Discount rate</b>		
France	0.82%	1.50%
United Kingdom	2.00%	2.70%
United States	3.19%	4.29%
Others	0.73%	1.39%
<b>Long-term inflation</b>		
France	1.28%	1.44%
United Kingdom	2.92%	3.14%
United States	N/A	N/A
Others	1.22%	1.38%
<b>Future salary increase</b>		
France	0.82%	0.78%
United Kingdom	N/A	N/A
United States	N/A	N/A
Others	1.20%	1.12%
<b>Average remaining working lifetime of employees (in years)</b>		
France	9.24	9.11
United Kingdom	5.17	6.00
United States	7.87	7.85
Others	9.97	10.24
<b>Duration (in years)</b>		
France	13.79	14.01
United Kingdom	16.28	16.28
United States	15.28	15.59
Others	14.69	13.99

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)	31.12.2019	31.12.2018
<b>Variation in discount rate</b>		
Impact on the present value of defined benefit obligations at 31 <sup>st</sup> December N	+0.5%	+0.5%
<b>Variation in long-term inflation</b>		
Impact on the present value of defined benefit obligations at 31 <sup>st</sup> December N	-7%	-7%
<b>Variation in future salary increase</b>		
Impact on the present value of defined benefit obligations at 31 <sup>st</sup> December N	+0.5%	+0.5%
	5%	5%
	+0.5%	+0.5%
	2%	2%

Disclosed sensitivities are averages of the variations weighted by the present value of the defined benefit obligations.

## BREAKDOWN OF FUTURE PAYMENTS OF BENEFITS

(In EURm)	2019	2018
N+1	160	160
N+2	148	143
N+3	154	154
N+4	163	164
N+	169	168
N+6 à N+10	851	871

## NOTE 5.3 Share-based payment plans

## ACCOUNTING PRINCIPLES

Societe Generale, and its subsidiaries, share-based payments include:

- payments in equity instruments;
- cash payments whose amount depends on the performance of equity instruments.

Share-based payments systematically give rise to an operating expense recognised as *Personnel expenses* in the amount of the fair value of the share-based payments granted to employees and according to their terms of settlement.

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these instruments, measured at the vesting date, is spread over the vesting period and recorded in shareholders' equity under *Issued common stocks* and *capital reserves*. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under *Personnel expenses* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (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 expenses*, as well.

The Group may award some of its employees stock purchase or subscription options, free shares or rights to a future cash payment indexed to the Societe Generale, or one of its subsidiary, share price.

The options are measured at their fair value when the employees are first notified, without waiting for the conditions that trigger the award to be met, or for the beneficiaries to exercise their options.

Group stock-option plans are measured using a binomial formula when the Group has adequate statistics to take into account the behaviour of the option beneficiaries. When such data are not available, the Black & Scholes model or *Monte Carlo* model is used. Valuations are performed by independent actuaries.

## EXPENSES RECORDED IN THE INCOME STATEMENT

(In EURm)	2019			2018		
	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	111	60	171	112	59	171

The description of Societe Generale stock-options plans and free share plans, which supplements this note, is presented in Chapter 3 of the present Universal Registration Document.

## NOTE 6 INCOME TAX



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Income tax expenses are presented separately from other taxes which are classified among *Other operating expenses*. They are calculated according to the rates and tax regulations applicable in the countries where each consolidated entity is located.

Income tax presented in the income statement includes current taxes and deferred taxes:

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

### ACCOUNTING PRINCIPLES

#### Current taxes

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

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

#### Provisions for tax adjustments

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.

**NOTE 6.1 Income tax**

(In EURm)	2019	2018
Current taxes*	(968)	(947)
Deferred taxes	(296)	(357)
<b>TOTAL*</b>	<b>(1,264)</b>	<b>(1,304)</b>

\* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

**RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE**

(In EURm)	2019	2018
<b>Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill</b>	<b>5,339</b>	<b>6,061</b>
Normal tax rate applicable to French companies (including 3.3% national contribution)	34.43%	34.43%
Permanent differences*	(4.34)%	(2.66)%
Differential on securities with tax exemption or taxed at reduced rate	2.74%	(0.10)%
Tax rate differential on profits taxed outside France	(9.13)%	(10.11)%
Impact of non-deductible losses and use of tax losses carried forward	(0.03)%	(0.04)%
<b>GROUP EFFECTIVE TAX RATE*</b>	<b>23.67%</b>	<b>21.52%</b>

\* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

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. In accordance with the 2013 French Finance Act, this portion of fees and expenses is 12% of gross capital gains.

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<sup>st</sup> December 2017, includes a gradual reduction in French tax rate (amended by the Law 2019-759

of 24<sup>th</sup> July 2019 regarding 2019 tax rate, and by the 2020 French Finance Act concerning 2020 and 2021 tax rates).

Between now and 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% or 32.02% in 2019 and 25.83% from 2022;
- for income taxed at reduced rate, the rate is between 4.13% or 3.84% in 2019 and 3.10% from 2022.



**NOTE 6.2 Tax assets and liabilities****TAX ASSETS**

(In EURm)	31.12.2019	31.12.2018
Current tax assets	1,038	1,066
Deferred tax assets	4,741	4,753
o/w deferred tax assets on tax loss carry-forwards	2,659	2,895
o/w deferred tax assets on temporary differences	2,082	1,858
<b>TOTAL</b>	<b>5,779</b>	<b>5,819</b>

**TAX LIABILITIES**

(In EURm)	31.12.2019	31.12.2018
Current tax liabilities	602	552
Provisions for tax adjustments <sup>(1)</sup>	101	
Deferred tax liabilities	706	605
<b>TOTAL</b>	<b>1,409</b>	<b>1,157</b>

(1) Since 1<sup>st</sup> January 2019, provisions for income tax adjustments are presented under "Tax liabilities" as a consequence of the application of IFRIC 23 "Uncertainty over income tax treatments" (see Note 1).

Each year, the Group performs a review of tax loss carry-forwards, 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 authorising 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 the selected macro-economic factors and the internal estimations used to determine the tax results contain risks and uncertainties on their realisation over the estimated horizon of the absorption of losses. These risks and uncertainties concern the possible changes in applicable tax rules (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 analyses on the achievement of budgetary and strategic assumptions.

At 31<sup>st</sup> December 2019, these analyses confirm the probability for the Group of using tax loss carry-forwards subject to deferred tax assets against future taxable profit.

**NOTE 6.3 Deferred tax assets recognised on tax loss carry-forwards**

At 31<sup>st</sup> December 2019, 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 EURm)	31.12.2019	Statutory time limit on carry-forwards	Expected recovery period
<b>Total deferred tax assets relating to tax loss carry-forwards</b>	<b>2,659</b>	-	-
<i>o/w French tax group</i>	2,168	Unlimited <sup>(1)</sup>	8 years
<i>o/w US tax group</i>	418	20 years <sup>(2)</sup>	7 years
<i>others</i>	73	-	-

(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<sup>st</sup> December 2011.

At 31 December 2019, the main unrecognised deferred tax assets represent a total of EUR 467 million (compared to EUR 558 million at 31 December 2018). They are mostly related to the US tax group, with EUR 413 million (compared to EUR 500 million at 31 December 2018), and SG Singapore with EUR 35 million (compared to EUR 29 million at 31 December 2018).

With regard to the tax treatment of the loss caused by the actions of Jérôme Kerviel, Societe Generale considers that the judgment of the Versailles Court of Appeal of 23<sup>rd</sup> 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 recently 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 carry-forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In 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.

## NOTE 7 SHAREHOLDERS' EQUITY



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Equity are the resources contributed to the Group by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings). It also includes resources received when financial instruments are issued and for which the issuer has no contractual obligation to deliver cash to the holders of these instruments.

Equity has no contractual maturity, and when compensation is awarded to shareholders or holders of other equity instruments, it does not affect the income statement but directly reduces the retained earnings in the equity.

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

### NOTE 7.1 Treasury shares and shareholders' equity issued by the Group

#### ACCOUNTING PRINCIPLES

##### Treasury shares

Societe Generale shares held by the Group are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is 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 AND CAPITAL RESERVES

(In EURm)	31.12.2019	31.12.2018
Issued capital	1,067	1,010
Issuing premiums and capital reserves	21,417	20,403
Elimination of treasury stock	(515)	(667)
<b>TOTAL</b>	<b>21,969</b>	<b>20,746</b>

## ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	31.12.2019	31.12.2018
Ordinary shares	853,371,494	807,917,739
Including treasury stock with voting rights <sup>(1)</sup>	3,706,880	5,975,497
Including shares held by employees	57,369,330	51,668,863

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

During the first half of 2019, Societe Generale S.A. carried out a capital increase relating to the exercise by the shareholders of the option to pay dividends in Societe Generale shares, amounting to EUR 50 million with additional paid-in capital of EUR 839 million.

During the third quarter of 2019, Societe Generale S.A. carried out a capital increase reserved to the employees, amounting to EUR 7 million with additional paid-in capital of EUR 115 million.

At 31<sup>st</sup> December 2019, Societe Generale S.A.'s fully paid up capital amounted to EUR 1,066,714,367.50 and was made up of 853,371,494 shares with a nominal value of EUR 1.25.

## TREASURY STOCK

At 31<sup>st</sup> December 2019, the Group held 8,231,355 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 0.96% 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 515 million, including EUR 375 million in shares held for trading purposes. The change in treasury stock over 2019 breaks down as follows:

(In EURm)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	4	49	99	152
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	18	(95)	(77)

## NOTE 7.1.2 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<sup>st</sup> December 2019, 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 <sup>st</sup> December 2018	Repurchases and redemptions in 2019	Amount in local currency at 31 <sup>st</sup> December 2019	Amount in millions of euros at historical rate	Remuneration
1 <sup>st</sup> July 1985	EUR 62m	-	EUR 62m	62	BAR (Bond Average Rate) -0.25% for the period from 1 <sup>st</sup> June to 31 <sup>st</sup> May before each due date
24 <sup>th</sup> November 1986	USD 248m	-	USD 248m	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<sup>st</sup> December 2019, perpetual deeply subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 8,889 million, valued at historical rate.

The change in the amount of perpetual deeply subordinated notes issued by the Group is explained by two issuances and one redemption at pair made over the year.

Issuance Date	Amount in local currency at 31 <sup>st</sup> December 2018	Repurchases and redemptions in 2019	Amount in local currency at 31 <sup>st</sup> December 2019	Amount in millions of euros at historical rate	Remuneration
4 <sup>th</sup> September 2009	EUR 905m	EUR 905 M	-	-	9.375%, from 2019 3-month Euribor +8.901% annually
18 <sup>th</sup> December 2013	USD 1,750m		USD 1,750m	1,273	7.875%, from 18 <sup>th</sup> December 2023 USD 5-year Mid Swap Rate +4.979%
25 <sup>th</sup> June 2014	USD 1,500m		USD 1,500m	1,102	6%, from 27 <sup>th</sup> January 2020 USD 5-year Mid Swap Rate +4.067%
7 <sup>th</sup> April 2014	EUR 1,000m		EUR 1,000m	1,000	6.75%, from 7 <sup>th</sup> April 2021 EUR 5-year Mid Swap Rate +5.538%
29 <sup>th</sup> September 2015	USD 1,250m		USD 1,250m	1,111	8%, from 29 <sup>th</sup> September 2025 5-year Mid Swap rate +5.873%
13 <sup>th</sup> September 2016	USD 1,500m		USD 1,500m	1,335	7.375%, from 13 <sup>th</sup> September 2021 USD 5-year Mid Swap rate +6.238%
6 <sup>th</sup> April 2018	USD 1,250m		USD 1,250m	1,035	6.750%, from 6 <sup>th</sup> April 2028 5-year Mid Swap rate +3.929%
4 <sup>th</sup> October 2018	USD 1,250m		USD 1,250m	1,105	7.375%, from 4 <sup>th</sup> October 2023 5-year Mid Swap rate +4.302%
16 <sup>th</sup> April 2019			SGD 750m	490	6.125%, from 16 <sup>th</sup> April 2024 5-year Mid Swap rate +4.207%
12 <sup>th</sup> September 2019			AUD 700m	439	4.875%, from 12 <sup>th</sup> September 2024 5-year Mid Swap rate +4.036%

## 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<sup>st</sup> December 2019, other equity instruments issued by the Group's subsidiaries and recognised under *Non-controlling interests* totalled EUR 800 million.

Issuance Date	Amount	Remuneration
18 <sup>th</sup> December 2014 (step-up clause after 12 years)	EUR 800m	4.125%, from 2026 5-year Mid-Swap rate +4.150% annually

## SUMMARY OF CHANGES IN EQUITY INSTRUMENTS ISSUED

Changes related to the perpetual subordinated notes and deeply subordinated notes included in *Shareholder's equity*, *Group share* are detailed below:

	2019			2018		
	Deeply subordinated notes	Perpetual subordinated notes	Total	Deeply subordinated notes	Perpetual subordinated notes	Total
(In EURm)						
Remuneration paid booked under reserves	(717)	(7)	(724)	(700)	(5)	(705)
Changes in nominal values	23	-	23	544	-	544
Tax savings on remuneration payable to shareholders and recorded under profit or loss <sup>(1)</sup>	257	2	259	255	2	257
Issuance fees relating to subordinated notes	(4)	-	(4)	(10)	-	(10)

(1) Since 1<sup>st</sup> January 2019, tax savings on remuneration payable to shareholders has been restated and is recorded under profit or loss following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

**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 EURm)	2019	2018
Net income, Group share *	3,248	4,121
Attributable remuneration to subordinated and deeply subordinated notes *	(708)	(709)
Issuance fees related to subordinated and deeply subordinated notes	(4)	(10)
<b>Net income attributable to ordinary shareholders</b>	<b>2,536</b>	<b>3,402</b>
Weighted average number of ordinary shares outstanding <sup>(1)</sup>	829,901,725	801,909,473
<b>Earnings per ordinary share (in euros)</b>	<b>3.05</b>	<b>4.24</b>
Average number of ordinary shares used in the dilution calculation	-	-
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	829,901,725	801,909,473
<b>Diluted earnings per ordinary share (in euros)</b>	<b>3.05</b>	<b>4.24</b>

\* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

(1) Excluding treasury shares.

**NOTE 7.2.2 DIVIDENDS PAID**

Dividends paid by the Group in 2019 amounted to EUR 2,149 million and are detailed in the following table:

	2019			2018		
(In EURm)	Group Share	Non-controlling interests	Total	Group Share	Non-controlling interests	Total
Paid in shares	(889)	-	(889)	-	-	-
Paid in cash	(881)	(379)	(1,260)	(1,764)	(368)	(2,132)

The dividend per share paid in 2019 out of the 2018 net income amounted to EUR 2.20, compared with EUR 2.20 paid in 2018 out of the 2017 net income.

**NOTE 7.3 Unrealised or deferred gains and losses****BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES**

(In EURm)	31.12.2019				
	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
Translation differences	(811)	(3)	(814)	(753)	(61)
Revaluation of debt instruments at fair value through other comprehensive income	205	(44)	161	136	25
Revaluation of available-for-sale financial assets <sup>(1)</sup>	525	(144)	381	383	(2)
Revaluation of hedging derivatives	30	22	52	56	(4)
Unrealised gains and losses of entities accounted for using the equity method	-	-	-	-	-
<b>Subtotal of unrealised gains and losses with subsequent recycling in the income statement</b>	<b>(51)</b>	<b>(169)</b>	<b>(220)</b>	<b>(178)</b>	<b>(42)</b>
Actuarial gains and losses on defined benefit plans <sup>(2)</sup>	(2)	(2)	(4)	2	(6)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss <sup>(3)</sup>	(317)	81	(236)	(241)	5
Revaluation of equity instruments at fair value through other comprehensive income	33	(2)	31	36	(5)
Unrealised gains and losses of entities accounted for using the equity method	-	-	-	-	-
<b>Subtotal of unrealised gains and losses without subsequent recycling in the income statement</b>	<b>(286)</b>	<b>77</b>	<b>(209)</b>	<b>(203)</b>	<b>(6)</b>
<b>TOTAL</b>	<b>(337)</b>	<b>(92)</b>	<b>(429)</b>	<b>(381)</b>	<b>(48)</b>

(In EURm)	Changes 2018 - 2019				
	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
Translation differences	563	(2)	561	545	16
Revaluation of debt instruments at fair value through other comprehensive income	(28)	13	(15)	(33)	18
Revaluation of available-for-sale financial assets <sup>(1)</sup>	188	(48)	140	140	-
Revaluation of hedging derivatives	153	4	157	156	1
Unrealised gains and losses of entities accounted for using the equity method	1	-	1	-	1
<b>Subtotal of unrealised gains and losses with subsequent recycling in the income statement</b>	<b>877</b>	<b>(33)</b>	<b>844</b>	<b>808</b>	<b>36</b>
Actuarial gains and losses on defined benefit plans <sup>(2)</sup>	(32)	2	(30)	(22)	(8)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss <sup>(3)</sup>	(121)	32	(89)	(85)	(4)
Revaluation of equity instruments at fair value through other comprehensive income	(48)	4	(44)	(49)	5
Unrealised gains and losses of entities accounted for using the equity method	3	-	3	3	-
<b>Subtotal of unrealised gains and losses without subsequent recycling in the income statement</b>	<b>(198)</b>	<b>38</b>	<b>(160)</b>	<b>(153)</b>	<b>(7)</b>
<b>TOTAL</b>	<b>679</b>	<b>5</b>	<b>684</b>	<b>655</b>	<b>29</b>

31.12.2018

(In EURm)	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
Translation differences	(1,374)	(1)	(1,375)	(1,298)	(77)
Revaluation of debt instruments at fair value through other comprehensive income	233	(57)	176	169	7
Revaluation of available-for-sale financial assets <sup>(1)</sup>	337	(96)	241	243	(2)
Revaluation of hedging derivatives	(123)	18	(105)	(100)	(5)
Unrealised gains and losses of entities accounted for using the equity method	(1)	-	(1)	-	(1)
<b>Subtotal of unrealised gains and losses with subsequent recycling in the income statement</b>	<b>(928)</b>	<b>(136)</b>	<b>(1,064)</b>	<b>(986)</b>	<b>(78)</b>
Actuarial gains and losses on defined benefit plans <sup>(2)</sup>	30	(4)	26	24	2
Revaluation of own credit risk of financial liabilities at fair value through profit or loss <sup>(3)</sup>	(196)	49	(147)	(156)	9
Revaluation of equity instruments at fair value through other comprehensive income	81	(6)	75	85	(10)
Unrealised gains and losses of entities accounted for using the equity method	(3)	-	(3)	(3)	-
<b>Subtotal of unrealised gains and losses without subsequent recycling in the income statement</b>	<b>(88)</b>	<b>39</b>	<b>(49)</b>	<b>(50)</b>	<b>1</b>
<b>TOTAL</b>	<b>(1,016)</b>	<b>(97)</b>	<b>(1,113)</b>	<b>(1,036)</b>	<b>(77)</b>

(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 for the next financial year opening.

(3) During the derecognition of a financial liability, potential realised gains and losses attributable to Group own credit risk are subject to transfer into Retained earnings, Group share for the next financial year opening (see Note 3.1).



## NOTE 8 ADDITIONAL DISCLOSURES

### NOTE 8.1 Segment reporting

#### NOTE 8.1.1 DEFINITION OF SEGMENT REPORTING

The Group is managed on a matrix basis that takes into account its different business lines and the geographical breakdown of its activities. Segment reporting information is therefore presented under both criteria.

The Group includes in the results of each sub-division all operating income and expenses directly related to its activity. Income for each sub-division, except for the Corporate Centre, also includes the return on equity allocated to it, based on the estimated rate of return on Group equity. The return on the sub-division's book equity is then reallocated to the Corporate Centre. Transactions between sub-divisions are carried out under the same terms and conditions as those applying to non-Group customers.

The Group's core businesses are managed through three strategic pillars:

- French Retail Banking, which includes the domestic networks Societe Generale, Cr dit du Nord and Boursorama;
- International Retail Banking & Financial Services, which consists of:
  - International Retail Banking, including consumer finance activities;
  - Financial Services to Corporates (operational vehicle leasing and fleet management, equipment and vendor finance);
  - Insurance activities;

- Global Banking and Investor Solutions which comprises:

- Global Markets and Investors Services;
- Financing and Advisory;
- Asset and Wealth Management.

In addition to the strategic pillars, the Corporate Centre acts as the Group's Central Funding Department. As such, it recognises the carrying cost of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's Asset and Liability Management (ALM) and income from the Group's management of its assets (management of its industrial and bank equity portfolio and of its real estate assets). Income or expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Centre.

Segment income take intra-group transactions into account, while these transactions are eliminated from segment assets and liabilities. The tax rate levied on each business line is based on the standard tax rate applicable in each country where the division makes profits. Any difference with respect to the Group's tax rate is allocated to the Corporate Centre.

For the purpose of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the booking entities.

The amounts presented under Income tax, *Net income* and *Net income, Group share* have been restated compared with the 2018 published consolidated financial statements following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

#### NOTE 8.1.2 SEGMENT REPORTING BY DIVISION AND SUB-DIVISION

	Societe Generale Group		French Retail Banking		Corporate Centre <sup>(1)</sup>	
(In EURm)	2019	2018	2019	2018	2019	2018
Net banking income	24,671	25,205	7,746	7,860	(152)	182
Operating expenses <sup>(2)</sup>	(17,727)	(17,931)	(5,700)	(5,629)	(94)	(535)
<b>Gross operating income</b>	<b>6,944</b>	<b>7,274</b>	<b>2,046</b>	<b>2,231</b>	<b>(246)</b>	<b>(353)</b>
Cost of risk	(1,278)	(1,005)	(467)	(489)	(17)	(19)
<b>Operating income</b>	<b>5,666</b>	<b>6,269</b>	<b>1,579</b>	<b>1,742</b>	<b>(263)</b>	<b>(372)</b>
Net income from investments accounted for using the equity method	(129)	56	8	28	(152)	7
Net income/expense from other assets	(327)	(208)	58	74	(394)	(274)
<b>Earnings before tax</b>	<b>5,210</b>	<b>6,117</b>	<b>1,645</b>	<b>1,844</b>	<b>(809)</b>	<b>(639)</b>
Income tax	(1,264)	(1,304)	(514)	(607)	184	425
<b>Consolidated net income</b>	<b>3,946</b>	<b>4,813</b>	<b>1,131</b>	<b>1,237</b>	<b>(625)</b>	<b>(214)</b>
Non-controlling interests	698	692	-	-	171	164
<b>Net income, Group share</b>	<b>3,248</b>	<b>4,121</b>	<b>1,131</b>	<b>1,237</b>	<b>(796)</b>	<b>(378)</b>

## International Retail Banking &amp; Financial Services

	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In EURm)	2019 <sup>(3)</sup>	2018	2019	2018	2019	2018	2019 <sup>(3)</sup>	2018
Net banking income	5,592	5,608	1,872	1,822	909	887	8,373	8,317
Operating expenses <sup>(2)</sup>	(3,252)	(3,238)	(980)	(955)	(349)	(333)	(4,581)	(4,526)
<b>Gross operating income</b>	<b>2,340</b>	<b>2,370</b>	<b>892</b>	<b>867</b>	<b>560</b>	<b>554</b>	<b>3,792</b>	<b>3,791</b>
Cost of risk	(504)	(335)	(84)	(69)	-	-	(588)	(404)
<b>Operating income</b>	<b>1,836</b>	<b>2,035</b>	<b>808</b>	<b>798</b>	<b>560</b>	<b>554</b>	<b>3,204</b>	<b>3,387</b>
Net income from investments accounted for using the equity method	11	14	1	1	-	-	12	15
Net income/expense from other assets	3	7	-	1	-	-	3	8
<b>Earnings before tax</b>	<b>1,850</b>	<b>2,056</b>	<b>809</b>	<b>800</b>	<b>560</b>	<b>554</b>	<b>3,219</b>	<b>3,410</b>
Income tax	(410)	(474)	(176)	(184)	(174)	(183)	(760)	(841)
<b>Consolidated net income</b>	<b>1,440</b>	<b>1,582</b>	<b>633</b>	<b>616</b>	<b>386</b>	<b>371</b>	<b>2,459</b>	<b>2,569</b>
Non-controlling interests	394	395	107	106	3	3	504	504
<b>Net income, Group share</b>	<b>1,046</b>	<b>1,187</b>	<b>526</b>	<b>510</b>	<b>383</b>	<b>368</b>	<b>1,955</b>	<b>2,065</b>

## Global Banking and Investor Solutions

	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total	
(In EURm)	2019	2018	2019	2018	2019	2018	2019	2018
Net banking income	5,210	5,414	2,547	2,466	947	966	8,704	8,846
Operating expenses <sup>(2)</sup>	(4,788)	(4,706)	(1,676)	(1,630)	(888)	(905)	(7,352)	(7,241)
<b>Gross operating income</b>	<b>422</b>	<b>708</b>	<b>871</b>	<b>836</b>	<b>59</b>	<b>61</b>	<b>1,352</b>	<b>1,605</b>
Cost of risk	(13)	(25)	(195)	(49)	2	(19)	(206)	(93)
<b>Operating income</b>	<b>409</b>	<b>683</b>	<b>676</b>	<b>787</b>	<b>61</b>	<b>42</b>	<b>1,146</b>	<b>1,512</b>
Net income from investments accounted for using the equity method	4	9	(1)	(2)	-	(1)	3	6
Net income/expense from other assets	4	(1)	-	(1)	2	(14)	6	(16)
<b>Earnings before tax</b>	<b>417</b>	<b>691</b>	<b>675</b>	<b>784</b>	<b>63</b>	<b>27</b>	<b>1,155</b>	<b>1,502</b>
Income tax	(89)	(180)	(70)	(93)	(15)	(8)	(174)	(281)
<b>Consolidated net income</b>	<b>328</b>	<b>511</b>	<b>605</b>	<b>691</b>	<b>48</b>	<b>19</b>	<b>981</b>	<b>1,221</b>
Non-controlling interests	20	20	-	1	3	3	23	24
<b>Net income, Group share</b>	<b>308</b>	<b>491</b>	<b>605</b>	<b>690</b>	<b>45</b>	<b>16</b>	<b>958</b>	<b>1,197</b>

(1) Income and expense not directly related to business line activities are recorded in the Corporate Centre income. The operating expenses include an income related to an operating tax adjustment of EUR 241 million for the second quarter 2019.

(2) These amounts include Personnel expenses, Other operating expenses and Amortisation, depreciation and impairment of tangible and intangible fixed assets.

(3) The International Retail Banking & Financial Services division includes also EUR -34 million of restructuring costs in operating expenses (and EUR +11 million of related income tax) not allocated to the business lines. These costs are added to the results of the International Retail Banking sub-division whose Net income, Groupe share 2019 is, without these costs, EUR 1,069 million.

(In EURm)	Societe Generale Group		French Retail Banking		Corporate Centre <sup>(2)</sup>	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Segment assets	1,356,303	1,309,428	232,648	222,086	115,555	106,392
Segment liabilities <sup>(1)</sup>	1,287,733	1,243,619	225,848	216,934	107,558	91,819

International Retail Banking & Financial Services							
(In EURm)	International Retail Banking		Financial Services to Corporates		Insurance		Total
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2018
Segment assets	122,695	128,303	43,730	42,868	167,249	148,999	320,170
Segment liabilities <sup>(1)</sup>	89,754	94,454	13,980	13,641	156,212	138,959	247,054

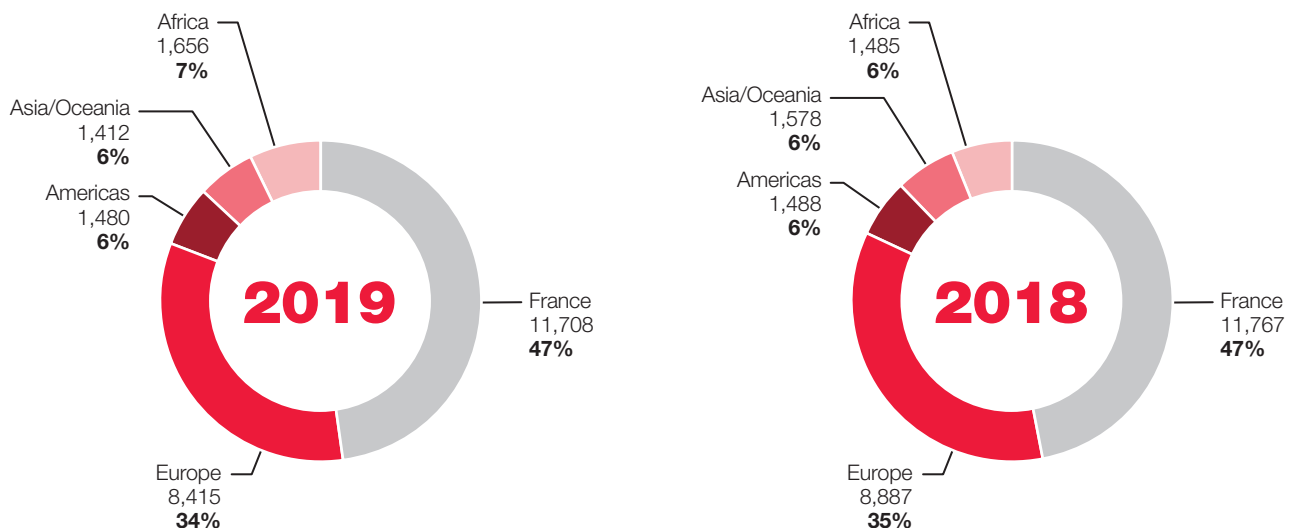
Global Banking and Investor Solutions							
(In EURm)	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2018
Segment assets	505,413	489,757	133,132	137,064	35,881	33,959	660,780
Segment liabilities <sup>(1)</sup>	623,512	616,282	46,133	47,502	24,736	24,028	687,812

(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.

### NOTE 8.1.3 SEGMENT REPORTING BY GEOGRAPHICAL REGION

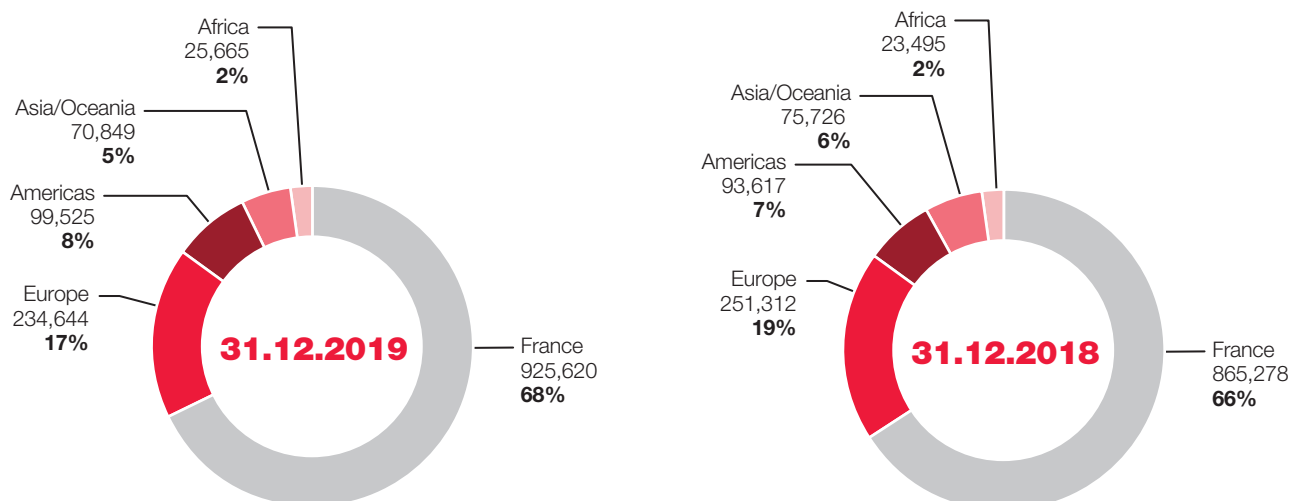
#### GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME (IN EURM)



At 31<sup>st</sup> December 2019, the amount of Net banking income was EUR 24,671 million compared to EUR 25,205 million at 31<sup>st</sup> December 2018.

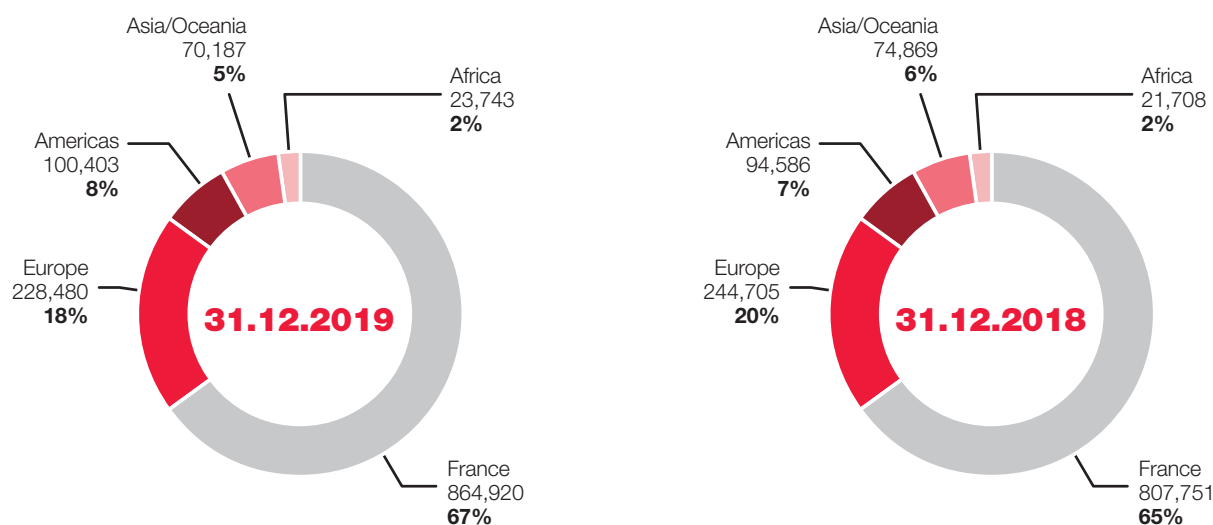
## GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN EURM)

## ASSETS



At 31<sup>st</sup> December 2019, the amount of Assets was EUR 1,356,303 million compared to EUR 1,309,428 million at 31<sup>st</sup> December 2018.

## LIABILITIES



At 31<sup>st</sup> December 2019, the amount of Liabilities (except shareholder equity) was EUR 1,287,733 million compared to EUR 1,243,619 million at 31<sup>st</sup> December 2018.

Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

**NOTE 8.2 Other operating expenses****ACCOUNTING PRINCIPLES**

The Group records operating expenses under expenses, according to the type of services to which they refer and the rate of use of said services.

Rentals include real estate and equipment leasing expenses, which do not result in a recognition of a lease liability and right-of-use asset (see Note 8.4)

Taxes and levies are only booked when the triggering event provided for by law occurs. If the obligation to pay the tax arises from the gradual operation of an activity, the expense must be spread out over the same period. Finally, if the obligation to pay is generated when a threshold is reached, the expense is only recorded once the threshold is reached.

Taxes and levies cover all contributions levied by a public authority and include the contributions paid to the Single Resolution Fund and the Deposit Insurance and Resolution Fund, the systemic risk tax, and contributions for ACPR control costs, which are recognised 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<sup>st</sup> January of the current financial year.

Other mainly includes building maintenance and other costs, travel and business expenses, and advertising expenses.

(In EURm)	2019	2018
Rentals <sup>(1)</sup>	(353)	(752)
Taxes and levies	(887)	(901)
Data & telecom (excluding rentals)	(2,328)	(2,400)
Consulting fees	(1,370)	(1,338)
Other	(1,347)	(1,975)
<b>TOTAL</b>	<b>(6,285)</b>	<b>(7,366)</b>

(1) Decrease related to the first-time application of IFRS 16 "Leases" (see Note 1).

**CONTRIBUTION TO BANK RESOLUTION MECHANISMS**

The European regulatory framework designed to enhance financial stability was updated by the Directive 2014/49/UE of 16<sup>th</sup> April 2014 on deposit guarantee schemes and the Directive 2014/59/UE of 15<sup>th</sup> May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive).

The European Regulation UE n° 806/2014 of 15<sup>th</sup> July 2014 then determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF). In addition to this instrument, the National Resolution Fund (NRF) exists for institutions subject to this resolution mechanisms, but that have no SRF.

The Single Resolution Fund, established in January 2016, shall receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments.

For the year 2019, the Group's contributions to the SRF and the NRF were as follows:

- cash contributions (85%) for a total of EUR 340 million non-tax-deductible in France recorded in the income statement in *Other administrative expenses*, among Taxes and levies;
- irrevocable payment commitments (15%) backed by a cash collateral for EUR 60 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 and employee benefits.

**BREAKDOWN OF PROVISIONS**

(In EURm)	Provisions at 31.12.2018	Allocations	Write-backs available	Net allocation	Write- backs used	Currency and others	Provisions at 31.12.2019
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	638	513	(525)	(12)	-	14	640
Provisions for employee benefits (see Note 5.2)	2,341	516	(208)	308	(375)	142	2,416
Provisions for tax adjustments (see Note 6) <sup>(1)</sup>	135					(135)	
Provisions for mortgage savings plans and accounts commitments	171	122	(3)	119	(1)	-	289
Other provisions	1,320	261	(440)	(179)	(80)	(19)	1,042
<b>TOTAL</b>	<b>4,605</b>	<b>1,412</b>	<b>(1,176)</b>	<b>236</b>	<b>(456)</b>	<b>2</b>	<b>4,387</b>

(1) Since 1<sup>st</sup> January 2019, provisions for tax adjustments related to income tax are presented under "Tax liabilities" as a consequence of the application of IFRIC 23 "Uncertainty over income tax treatments" (see Note 1).

**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<sup>th</sup> July 1965. These products combine an initial deposit phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. The lending phase is subject to the prior existence of the savings phase and is therefore inseparable from it. The savings deposits collected and loans granted are measured at amortised cost.

These instruments create two types of commitments for the Group: the obligation to pay interest on customer savings for an indeterminate future period at an interest rate established at the inception of the mortgage savings agreement, and the obligation to subsequently lend to the customer at an interest rate also established at the inception of the savings agreement.

If it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Group, a provision is recorded on the liabilities side of the balance sheet. Any changes in these provisions are recognised as *Net banking income* under net interest income. These provisions only relate to commitments arising from PEL/CEL that are outstanding at the date of calculation.

Provisions are calculated for each generation of mortgage savings plans (PEL), with no netting between different PEL generations, and for all mortgage saving accounts (CEL) making up a single generation.

During the deposit phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observations of past customer behaviour.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable on the basis of deposits that are currently recognised in the balance sheet at the date of calculation and on the basis of historical observations of past customer behaviour.

A provision is recognised if the discounted value of expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated on the basis of interest rates available to individual customers for equivalent savings and loan products, with a similar estimated life and date of inception.

**OUTSTANDING DEPOSITS IN PEL/CEL ACCOUNTS**

(In EURm)	31.12.2019	31.12.2018
PEL accounts	19,195	19,186
<i>Less than 4 years old</i>	1,596	3,466
<i>Between 4 and 10 years old</i>	11,581	10,555
<i>More than 10 years old</i>	6,018	5,165
CEL accounts	1,333	1,346
<b>TOTAL</b>	<b>20,528</b>	<b>20,532</b>

**OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS**

(In EURm)	31.12.2019	31.12.2018
Less than 4 years old	1	1
Between 4 and 10 years old	13	26
More than 10 years old	12	11
<b>TOTAL</b>	<b>26</b>	<b>38</b>

**PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS**

(In EURm)	31.12.2018	Allocations	Write-backs	31.12.2019
PEL accounts	158	122	(1)	279
<i>Less than 4 years old</i>	3	0	(1)	2
<i>Between 4 and 10 years old</i>	20	11	-	31
<i>More than 10 years old</i>	135	111	-	246
CEL accounts	13	0	(3)	10
<b>TOTAL</b>	<b>171</b>	<b>122</b>	<b>(4)</b>	<b>289</b>

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2019, 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 1.41% of total outstandings at 31<sup>st</sup> December 2019.

**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 ten 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 twelve month period.

**NOTE 8.3.2 OTHER PROVISIONS**

Other provisions include provisions for restructuring (except staff costs), provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

The Group is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, the Group and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of the Group's current business. In recent years, litigation with investors and the number of disputes involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Group entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

In preparing its financial statements, the Group assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgment and taking into account all information available when financial statements are prepared. In particular, the Group takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court decisions already taken, as well as its experience and the experiences of other companies dealing with similar cases (assuming that the Group has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter the Group carries out a detailed examination of outstanding disputes that present a significant risk. The description of those disputes is presented in Note 9, Information on risks and litigation.



## NOTE 8.4 Tangible and intangible fixed assets

As a result of the first application of IFRS 16 "Leases" as from 1<sup>st</sup> January 2019, the Group recognises right-of-use assets that represent its right to use the underlying leased assets under *Tangible and intangible fixed assets*.

### ACCOUNTING PRINCIPLES

#### Tangible and intangible fixed assets

Tangible and intangible fixed assets include operating and investment fixed assets. Equipment assets held for operating leases purpose are included in operating tangible assets, while buildings held for leasing purposes are included in investment property.

Tangible and intangible fixed assets are carried at their purchase price on the asset side of the balance sheet, less depreciation, amortisation and impairment.

The purchase price of fixed assets includes borrowing costs incurred to fund a lengthy construction period for the fixed assets, along with all other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets. Software developed internally is recorded on the asset side of the balance sheet in the amount of the direct cost of development.

As soon as they are fit for use, fixed assets are depreciated or amortised using the component-based approach. Each component is depreciated or amortised over its own useful life. The Group has applied this approach to its operating properties, breaking down its assets into components with depreciation periods of 10 to 50 years. Depreciation periods for fixed assets other than buildings depend on their useful life, which is usually estimated at 3 to 20 years.

Any residual value of the asset is deducted from its depreciable amount. If there is a subsequent decrease or increase in this initial residual value, the depreciable amount of the asset is adjusted, leading to a prospective modification of the depreciation schedule.

Depreciation and amortisation are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Fixed assets grouped into Cash Generating Units are tested for impairment whenever there is any indication that their value may have diminished. Allocations and reversals of provisions for impairment are recorded in 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).

#### Rights-of-use for assets leased by the Group

##### LEASE

##### Definition of the lease

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

- control is conveyed when the customer has both the right to direct the identified asset's use, and to obtain substantially all the economic benefits from that use throughout the lease period;
- the existence of an identified asset will depend on the absence, for the lessor, of substantive substitution rights for the leased asset; this condition is measured with regard to the facts and circumstances existing at the commencement of the contract. If the lessor has the option of freely substituting the leased asset, the contract can not be qualified as a lease, since its purpose is the provision of a capacity and not an asset;
- a capacity portion of an asset is still an identified asset if it is physically distinct (e.g. a floor of a building). Conversely, a portion of the capacity or of an asset that is not physically distinct does not constitute an identified asset (e.g. the lease of co-working area within a unit with no predefined location inside that unit).

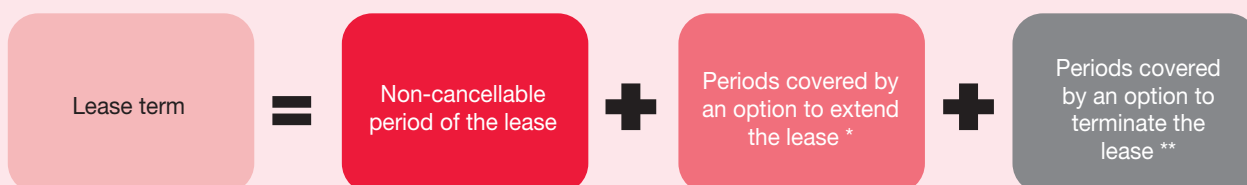
##### Separation of lease and non-lease components

A contract may cover the lease of an asset by the lessor as well as the supply of additional services by that lessor. In this scenario, the lessee can separate the lease components from the non-lease components of the contract and treat them separately. The rental payments stipulated in the contract must be separated between the lease components and the non-lease components based on their individual prices (as directly indicated in the contract or estimated on the basis on all of the observable information). If the lessee cannot separate the lease components from the non-lease components (or services), the entire contract is treated as a lease.

**LEASE TERM****Definition of the lease term**

The lease period to be applied in determining the rental payments to be discounted matches the non-cancellable period of the lease adjusted for:

- options to extend the contract that the lessee is reasonably certain to exercise;
- and early termination options that the lessee is reasonably certain not to exercise.



\* if the lessee is reasonably certain to exercise that option

\*\* if the lessee is reasonably certain not to exercise that option

The measurement of the reasonable certainty of exercising or not exercising the extension or early termination options shall take into account all the facts and circumstances that may create an economic incentive to exercise or not these options, specifically:

- the conditions for exercising these options (including measurement of the amount of the rental payments in case of an extension, or of the amount of penalties that may be imposed for early termination);
- substantial changes made to the leased premises (specific layouts, such as a bank vault);
- the costs associated with terminating the contract (negotiation costs, moving costs, research costs for a new asset that meets the lessee's requirements, etc.);
- the importance of the leased asset for the lessee, in view of its specific nature, its location, or the availability of substitute assets (specifically for branches located in commercially strategic sites, given their accessibility, expected traffic, or the prestige of the location);
- the history of renewals of similar contracts, as well as the strategy for the future use of the assets (based on the prospect of redeployment or rearrangement of a commercial branch network, for example).

When the lessee and the lessor each have the right to terminate the lease without the prior agreement of the other party and with no penalty other than a negligible one, the contract is no longer binding, and thus it no longer creates a lease liability.

In France, the majority of property leases contracted 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.

**Changing the lease term**

The term must be modified in case of a change of circumstances which lead the lessee to revise the exercise of the options included in the lease contract or in case of events which contractually oblige the lessee to exercise (or not) an option that had not been included (or is included) in the lease contract.

Following a change in the lease term, the lease obligation must be reassessed to reflect those changes by using a revised discount rate for the remaining estimated term of the contract.

**ACCOUNTING TREATMENT BY THE GROUP AS A LESSEE**

On the commencement date (on which the leased asset is made available for use), the lessee must record a lease liability on the liabilities side of the balance sheet and a right-of-use asset on the assets side of the balance sheet except for the exemptions described below.

In the income statement, the lessee must recognise an interest expense calculated on the lease liability under net banking income and a depreciation of the right-of-use under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

The rental payments will partly reduce the lease liability and partly remunerate this liability in the form of interest expense.

**Exemptions and exclusions**

The Group does not apply the new lease treatment to contracts with a term of less than one year (including renewal options), nor to contracts on low-value items by applying the exemption threshold of USD 5,000 as indicated in the standard's Basis for Conclusions (the threshold should be measured against the replacement cost per unit of the leased asset).

**Rental payment amounts**

The payments to be considered for the measurement of the lease liability include fixed and variable rental payments based on an index (e.g. consumer price index or construction cost index), plus, where applicable, the funds that the lessee expects to pay the lessor for residual value guarantees, purchase options, or early termination penalties.

However, variable lease payments that are indexed on the use of the leased asset (indexed on revenue or mileage, for example) are excluded from the measurement of lease liability. This variable portion of the rental payments is recorded in the net income over time according to fluctuations in contractual indexes fluctuations.

Rental payments have to be considered based on their amount net of value-added tax. In addition, for building leases, occupancy taxes and property taxes passed on by lessors will be excluded from lease liabilities because their amount, as set by the competent public authorities, is variable.

**Recognition of the lease liability**

The liability initial amount is equal to the discounted value of the rental payments that will be payable over the lease period.

This lease liability is then measured at the amortised cost using the effective interest rate method: part of each rental payment will then be booked as interest expenses in the income statement, and part will be gradually deducted from the lease liability on the balance sheet.

After the commencement date, the amount of the lease liability may be adjusted if the lease is amended, the lease period is re-estimated, or to account for contractual changes in the rental payments related to the application of indices or rates.

As applicable, the lessee must also recognise a provision in its liabilities to cover the costs of restoring the leased asset that would be assumed when the lease ends.

**Recognition of the right-of-use**

On the availability date of the leased asset, the lessee must enter a right-of-use asset, on the assets side of the balance sheet, for an amount equal to the initial value of the lease liability, plus, as applicable, initial direct costs (e.g. issuance of an authenticated lease, registration fees, negotiation fees, front-end fee, leasehold right, lease premium, etc.), advance payments, and restoration costs.

This asset is then depreciated on a straight-line basis over the lease period that is applied for measuring the lease liability.

After the commencement date, the asset's value may be adjusted if the lease is amended, as it is the case for the lease liability.

Rights-of-use are presented on the lessee's balance sheet under the items of fixed assets where properties of the same type that are held in full ownership are entered. If the lease stipulates the initial payment of a leasehold right to the former tenant of the premises, the amount of that right is stated as a separate component of the right of use and presented under the same heading as the latter.

**Lease discount rates**

The Group uses the lessees' incremental borrowing rate to discount the rental payments as well as the amount of lease liabilities. For the entities which can directly refinance themselves on their local markets, the incremental borrowing rate is set at the lessee entity level, not at the Group level, in consideration of the borrowing terms and that entity's credit risk. For the entities which refinance themselves through the Group, the incremental borrowing rate is set by the Group.

The discount rates are set according to the currency, the country of the lessee entities and the maturity estimated of the contracts.

## CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In EURm)	31.12.2018	Impacts of the first application of IFRS 16	Increases/ allowances	Disposals/ reversals	Other movements	31.12.2019
<b>Intangible Assets</b>						
Gross value	6,763	(107)	922	(91)	(247)	7,240
Amortisation and impairment	(4,565)	-	(496)	34	150	(4,877)
<b>SUB-TOTAL</b>	<b>2,198</b>	<b>(107)</b>	<b>426</b>	<b>(57)</b>	<b>(97)</b>	<b>2,363</b>
<b>Tangible Assets (excluding assets under operating leases)</b>						
Gross value	11,051	(11)	791	(403)	13	11,441
Depreciation and impairment	(6,113)	4	(563)	234	87	(6,351)
<b>SUB-TOTAL</b>	<b>4,938</b>	<b>(7)</b>	<b>228</b>	<b>(169)</b>	<b>100</b>	<b>5,090</b>
<b>Assets under operating leases</b>						
Gross value	26,781	-	10,224	(7,967)	(462)	28,576
Depreciation and impairment	(7,183)	-	(3,819)	3,113	362	(7,527)
<b>SUB-TOTAL</b>	<b>19,598</b>	<b>-</b>	<b>6,405</b>	<b>(4,854)</b>	<b>(100)</b>	<b>21,049</b>
<b>Investment Property</b>						
Gross value	40	-	1	(1)	(7)	33
Depreciation and impairment	(23)	-	(1)	1	3	(20)
<b>SUB-TOTAL</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>13</b>
<b>Rights-of-use</b>						
Gross value		2,129	513	(40)	(65)	2,537
Depreciation and impairment		(4)	(404)	10	(2)	(400)
<b>SUB-TOTAL</b>		<b>2,125</b>	<b>109</b>	<b>(30)</b>	<b>(67)</b>	<b>2,137</b>
<b>TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS</b>	<b>26,751</b>	<b>2,011</b>	<b>7,168</b>	<b>(5,110)</b>	<b>(168)</b>	<b>30,652</b>

## BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In EURm)	31.12.2019	31.12.2018
Payments due in less than one year	3,976	3,625
Payments due in 1-5 years	16,230	17,077
Payments due in more than five years	120	787
<b>TOTAL</b>	<b>20,326</b>	<b>21,489</b>

## INFORMATION RELATIVE TO LEASES ON TANGIBLE ASSETS USED BY THE GROUP



### 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...

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.

## OVERVIEW TABLE OF LEASE TRANSACTION COSTS AND SUBLEASE INCOME

31.12.2019

(In EURm)

	Real estate	IT	Others	Total
Lease	(522)	(33)	(11)	(566)
Interest expenses on lease liabilities	(43)	-	-	(43)
Allocation to depreciation for rights-of-use	(369)	(29)	(6)	(404)
Expense relating to short-term leases	(106)	-	(4)	(110)
Expense relating to leases of low-value assets	(3)	(4)	(1)	(8)
Expense relating to variable lease payments	(1)	-	-	(1)
Sublease income	16	-	-	16

**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 instruments at fair value through profit or loss* (see Note 3.1).

Forward foreign exchange transactions are recognised at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are valued using the official spot rates prevailing at the end of the period. Unrealised gains and losses are recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1), except when hedge accounting is applied to a cash-flow hedge transaction or to a hedge of a net investment in a foreign currency operation (see Note 3.2).

At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies measured at fair value (in particular, shares and other equity instruments) are translated into the entity's functional currency at the prevailing spot exchange rate. Foreign 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.

	31.12.2019				31.12.2018*			
	Assets	Liabilities	Currencies to be received	Currencies to be delivered	Assets	Liabilities	Currencies to be received	Currencies to be delivered
(In EURm)								
EUR	830,196	840,597	24,494	29,622	764,581	793,962	28,393	32,198
USD	261,475	261,060	32,327	30,016	267,706	267,972	40,478	41,614
GBP	48,726	49,993	27,307	13,249	41,622	38,302	28,709	10,159
JPY	56,708	55,511	19,896	25,732	63,491	57,288	24,519	33,531
AUD	3,968	5,418	6,564	5,676	5,228	6,763	7,797	6,707
CZK	36,283	35,829	340	485	35,517	35,069	208	783
RUB	13,726	10,771	186	340	11,604	7,446	113	90
RON	5,984	8,070	122	87	8,156	7,859	56	49
Other currencies	99,237	89,054	18,000	18,938	111,523	94,767	24,179	18,479
<b>TOTAL</b>	<b>1,356,303</b>	<b>1,356,303</b>	<b>129,236</b>	<b>124,145</b>	<b>1,309,428</b>	<b>1,309,428</b>	<b>154,452</b>	<b>143,610</b>

\* Amounts restated compared with the published consolidated statements for the year-ended 31<sup>st</sup> December 2018.

**NOTE 8.6 Companies included in the consolidation scope**

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
South Africa							
	(1)	SG JOHANNESBURG	Bank	FULL	100	100	100
Albania							
	(4)	BANKA SOCIETE GENERALE ALBANIA SH.A.	Bank	FULL	0	88.89	0
Algeria							
		ALD AUTOMOTIVE ALGÉRIE SPA	Specialist Financing	FULL	79.81	79.81	99.99
		SOCIÉTÉ GÉNÉRALE ALGÉRIE	Bank	FULL	100	100	100
Germany							
	(2)	AKRUN EINS GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH & CO. OBJEKT SEREN 1 KG	Real Estate and Real Estate Financing	FULL	0	100	0
		ALD AUTOLEASING D GMBH	Specialist Financing	FULL	79.82	79.82	100
		ALD INTERNATIONAL GMBH	Specialist Financing	FULL	79.82	79.82	100
		ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	FULL	79.82	79.82	100
		ALD LEASE FINANZ GMBH	Specialist Financing	FULL	100	100	100
		BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Specialist Financing	FULL	99.94	99.93	51
		BDK LEASING UND SERVICE GMBH	Specialist Financing	FULL	100	100	100
		CAR PROFESSIONAL FUHRPARKMANAGEMENT UND BERATUNGSGESELLSCHAFT MBH & CO. KG	Specialist Financing	FULL	79.82	79.82	100
		CARPOOL GMBH	Broker	FULL	79.82	79.82	100
	(2)	EUROPARC DREILINDEN GMBH	Group Real Estate Management Company	FULL	0	100	0
	(2)	EUROPARC GMBH	Real Estate and Real Estate Financing	FULL	0	100	0
	(2)	EUROPARC KERPEN GMBH	Group Real Estate Management Company	FULL	0	100	0
		GEFA BANK GMBH	Specialist Financing	FULL	100	100	100
		GEFA VERSICHERUNGSDIENST GMBH	Specialist Financing	EFS	100	100	100
		HANSEATIC BANK GMBH & CO KG	Specialist Financing	FULL	75	75	75
		HANSEATIC GESELLSCHAFT FUR BANKBETEILIGUNGEN MBH	Portfolio Management	FULL	75	75	100
		HSCE HANSEATIC SERVICE CENTER GMBH	Services	FULL	75	75	100
		INTERLEASING DELLO HAMBURG GMBH	Specialist Financing	FULL	79.82	79.82	100
	(1)(6)	LYXOR INTERNATIONAL ASSET MANAGEMENT GERMANY	Financial Company	FULL	100	0	100
	(4)	PEMA GMBH	Specialist Financing	FULL	0	100	0
	(2)	PODES DREI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 4 KG	Real Estate and Real Estate Financing	FULL	0	100	0
	(2)	PODES GRUNDSTUCKS - VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	0	100	0
	(2)	PODES ZWEI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	0	100	0
	(2)	RED & BLACK AUTO GERMANY 3 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	0	99.93	0
		RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	100	100
		RED & BLACK AUTO GERMANY 5 UG (HAFTUNGSBESCHRANKT)	Specialist Financing	FULL	100	100	100
	(6)	RED & BLACK AUTO GERMANY 6 UG	Financial Company	FULL	100	0	100

Country	Activity	Method *	Group ownership interest		Group voting interest	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SG EQUIPMENT FINANCE GMBH	Specialist Financing	FULL	100	100	100
(5)	SG EQUIPMENT FINANCE INTERNATIONAL GMBH	Specialist Financing	FULL	0	100	0
(1)	SG FRANCFORT	Bank	FULL	100	100	100
	SOCIETE GENERALE EFFETEN GMBH	Financial Company	FULL	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	FULL	100	100	100
(1)	SOGEAP DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100
(1)	SOGESSUR DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100
<b>Australia</b>						
	SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	FULL	100	100	100
(1)(6)	SOCIETE GENERALE SYDNEY BRANCH	Bank	FULL	100	0	100
<b>Austria</b>						
	ALD AUTOMOTIVE FUHRPARKMANAGEMENT UND LEASING GMBH	Specialist Financing	FULL	79.82	79.82	100
(1)	SG VIENNE	Bank	FULL	100	100	100
<b>Belgium</b>						
	AXUS FINANCE SPRL	Specialist Financing	FULL	79.82	79.82	100
	AXUS SA/NV	Specialist Financing	FULL	79.82	79.82	100
	BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	FULL	60.74	60.74	100
	PARCOURS BELGIUM	Specialist Financing	FULL	79.82	79.82	100
(4)	PEMA TRUCK TRAILER VERHUUR	Specialist Financing	FULL	0	100	0
(1)	SG BRUXELLES	Bank	FULL	100	100	100
(1)	SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	FULL	100	100	100
(2)	SOCIÉTÉ GÉNÉRALE DE FINANCEMENT	Financial Company	FULL	0	100	0
	SOCIÉTÉ GÉNÉRALE IMMOBEL	Financial Company	FULL	100	100	100
(4)	SOCIÉTÉ GÉNÉRALE PRIVATE BANKING NV/SA	Bank	FULL	0	100	0
<b>Benin</b>						
	SOCIETE GENERALE BENIN	Bank	FULL	93.43	90.98	94.1
<b>Bermuda</b>						
	CATALYST RE INTERNATIONAL LTD.	Insurance	FULL	100	100	100
<b>Brazil</b>						
	ALD AUTOMOTIVE S.A.	Specialist Financing	FULL	79.82	79.82	100
	BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100
(2)	MORDENO SOCIEDADES ANONIMAS	Financial Company	FULL	0	100	0
	SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100
<b>Bulgaria</b>						
(4)	REGIONAL URBAN DEVELOPMENT FUND	Specialist Financing	FULL	0	51.86	0
(4)	SG EXPRESS BANK	Bank	FULL	0	99.74	0
(4)	SOCIETE GENERALE FACTORING EOOD	Specialist Financing	FULL	0	99.74	0
(4)	SOGELEASE BULGARIA	Specialist Financing	FULL	0	99.74	0
<b>Burkina Faso</b>						
	SOCIETE GENERALE BURKINA FASO	Bank	FULL	51.27	51.27	52.61
<b>Cayman Islands</b>						
	AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100
	SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	100	100	100
<b>Cameroon</b>						
	SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08



Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
Canada							
		KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	FULL	100	100	100
		SG CONSTELLATION CANADA LTD.	Specialist Financing	FULL	100	100	100
	(1)	SOCIETE GENERALE (CANADA BRANCH)	Bank	FULL	100	100	100
		SOCIETE GENERALE (CANADA)	Bank	FULL	100	100	100
		SOCIETE GENERALE CAPITAL CANADA INC	Broker	FULL	100	100	100
China							
		ALD FORTUNE AUTO LEASING & RENTING SHANGHAI CO. LTD	Specialist Financing	ESI	39.91	39.91	50
		SOCIETE GENERALE (CHINA) LIMITED	Bank	FULL	100	100	100
		SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	FULL	100	100	100
Congo							
	(6)	SOCIETE GENERALE CONGO	Bank	FULL	93.47	0	93.47
South Korea							
		SG SECURITIES KOREA CO. LTD	Broker	FULL	100	100	100
	(1)	SG SEOUL	Bank	FULL	100	100	100
Ivory Coast							
		SOCIETE GENERALE CAPITAL SECURITIES WEST AFRICA	Portfolio Management	FULL	71.25	71.25	99.98
		SOCIETE GENERALE COTE D'IVOIRE	Bank	FULL	73.25	73.25	73.25
Croatia							
		ALD AUTOMOTIVE D.O.O. ZA. OPERATIVNI I FINANCIJSKI LEASING	Specialist Financing	FULL	79.82	79.82	100
		ALD FLEET SERVICES D.O.O ZA TRGOVINU I USLUGE	Specialist Financing	FULL	79.82	79.82	100
Curaçao							
		SGA SOCIETE GENERALE ACCEPTANCE N.V	Financial Company	FULL	100	100	100
Denmark							
		ALD AUTOMOTIVE A/S	Specialist Financing	FULL	79.82	79.82	100
		NF FLEET A/S	Specialist Financing	FULL	63.85	63.85	80
	(4)	PEMA LAST OG- TRAILERUDLEJNING A/S	Specialist Financing	FULL	0	100	0
	(1)	SG FINANS AS DANISH BRANCH	Specialist Financing	FULL	100	100	100
United Arab Emirates							
	(1)	SOCIETE GENERALE DUBAI	Bank	FULL	100	100	100
Spain							
		ALD AUTOMOTIVE S.A.U	Specialist Financing	FULL	79.82	79.82	100
		ALTURA MARKETS. SOCIEDAD DE VALORES. SA	Broker	EJV	50	50	50
	(1)	GENEFIM SUCURSAL EN ESPANA	Real Estate and Real Estate Financing	FULL	100	100	100
		REFLEX ALQUILER FLEXIBLE DE VEHICULOS	Specialist Financing	FULL	79.82	79.82	100
	(4)	SELF TRADE BANK SA	Broker	FULL	0	100	0
		SG EQUIPMENT FINANCE IBERIA. E.F.C. S.A.	Specialist Financing	FULL	100	100	100
	(6)	SOCGEN FINANCIACIONES IBERIA. S.L.	Bank	FULL	100	0	100
		SOCGEN INVERSIONES FINANCIERAS SA	Financial Company	FULL	100	100	100
	(1)	SOCIETE GENERALE SUCCURSAL EN ESPANA	Bank	FULL	100	100	100
		SODEPROM	Real Estate and Real Estate Financing	FULL	100	100	100
Estonia							
		ALD AUTOMOTIVE EESTI AS	Specialist Financing	FULL	59.87	59.87	75.01

Country	Activity	Method *	Group ownership interest		Group voting interest		
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
United States of America							
	AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
(2)	CGI FINANCE INC	Financial Company	FULL	0	99.89	0	100
(8)	CGI NORTH AMERICA INC.	Specialist Financing	FULL	99.78	99.89	100	100
(2)	CLASSIC YACHT DOCUMENTATION. INC.	Services	FULL	0	99.89	0	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
(2)	SG REINSURANCE INTERMEDIARY BROKERAGE. LLC	Insurance	FULL	0	100	0	100
	SG STRUCTURED PRODUCTS. INC.	Specialist Financing	FULL	100	100	100	100
(5)	SGAIF. LLC	Financial Company	FULL	0	100	0	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
(5)	SOCIETE GENERALE ENERGY LLC	Financial Company	FULL	0	100	0	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
(2)	TENDER OPTION BOND PROGRAM (TAXABLE AND TAX-EXEMPT)	Financial Company	FULL	0	100	0	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
France							
	29 HAUSSMANN ÉQUILIBRE	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 SÉLECTION MONDE	Portfolio Management	FULL	68.7	68.7	68.7	68.7
(2)	9 RUE DES BIENVENUS	Real Estate and Real Estate Financing	FULL	0	95.5	0	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
(6)	ALFORTVILLE BAIGNADE	Real Estate and Real Estate Financing	ESI	40	0	40	0

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
(5)	ALPRIM	Real Estate and Real Estate Financing	FULL	0	100	0	100
	AMPERIM	Real Estate and Real Estate Financing	EJV	50	50	50	50
(6)	ANNEMASSE-ILOT BERNARD	Real Estate and Real Estate Financing	ESI	40	0	40	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
	ARTISTIK	Real Estate and Real Estate Financing	ESI	30	30	30	30
	AVIVA INVESTORS RÉSERVE EUROPE	Financial Company	FULL	69.35	69.35	69.35	69.35
	BANQUE COURTOIS	Bank	FULL	100	100	100	100
	BANQUE FRANÇAISE COMMERCIALE OCÉANE 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 RHÔNE ALPES	Bank	FULL	99.99	99.99	99.99	99.99
	BANQUE TARNEAUD	Bank	FULL	100	100	100	100
(6)	BAUME LOUBIÈRE	Real Estate and Real Estate Financing	ESI	40	0	40	0
(6)	BERLIOZ	Insurance	FULL	84.05	0	84.05	0
	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
	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
	CHARTREUX LOT A1	Real Estate and Real Estate Financing	FULL	100	100	100	100
	CHEMIN DES COMBES	Real Estate and Real Estate Financing	FULL	100	95.5	100	100
	COMPAGNIE FINANCIÈRE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100	100
	COMPAGNIE FONCIÈRE DE LA MÉDITERRANÉE (CFM)	Group Real Estate Management Company	FULL	100	100	100	100
	COMPAGNIE GÉNÉRALE DE LOCATION D'ÉQUIPEMENTS	Specialist Financing	FULL	99.89	99.89	99.89	99.89
	CONTE	Group Real Estate Management Company	EJV	50	50	50	50
	CRÉDIT DU NORD	Bank	FULL	100	100	100	100
	DARWIN DIVERSIFIÉ 0-20	Portfolio Management	FULL	89.94	89.94	89.94	89.94
	DARWIN DIVERSIFIÉ 40-60	Portfolio Management	FULL	79.78	79.78	79.78	79.78
	DARWIN DIVERSIFIÉ 80-100	Portfolio Management	FULL	78.34	78.34	78.34	78.34
	DESCARTES TRADING	Financial Company	FULL	100	100	100	100
(2)	DESSUARD	Real Estate and Real Estate Financing	ESI	0	40	0	40

Country		Activity	Method *	Group ownership interest		Group voting interest		
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
	DISPONIS	Specialist Financing	FULL	99.99	99.99	100	100	
	ESNI - COMPARTIMENT SG-CREDIT CLAIMS -1	Financial Company	FULL	100	100	100	100	
	ÉTOILE CLIQUET 90	Financial Company	FULL	73.52	73.52	73.52	73.52	
	ÉTOILE ID	Financial Company	FULL	100	100	100	100	
	ÉTOILE MULTI GESTION EUROPE-C	Insurance	FULL	51.59	51.59	51.59	51.59	
	ÉTOILE VALEURS MOYENNES-C	Insurance	FULL	61.09	61.09	61.09	61.09	
	F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	FULL	80	80	100	100	
	FCC ALBATROS	Portfolio Management	FULL	100	100	51	51	
	FEEDER LYX E ST50 D5	Portfolio Management	FULL	100	100	100	100	
	FEEDER LYX E ST50 D6	Portfolio Management	FULL	100	100	100	100	
	(6) FEEDER LYX E ST50 D9	Financial Company	FULL	99.98	0	99.98	0	
	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	100	100	100	
	FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100	
	FINANCIÈRE PARCOURS	Specialist Financing	FULL	79.82	79.82	100	100	
	FINANCIÈRE UC	Real Estate and Real Estate Financing	FULL	100	100	100	100	
	FINASSURANCE SNC	Insurance	FULL	98.89	98.89	99	99	
	FRANFINANCE	Specialist Financing	FULL	99.99	99.99	99.99	99.99	
	FRANFINANCE LOCATION	Specialist Financing	FULL	99.99	99.99	100	100	
	GALYBET	Real Estate and Real Estate Financing	FULL	100	100	100	100	
	GENEBANQUE	Bank	FULL	100	100	100	100	
	GENECAL FRANCE	Specialist Financing	FULL	100	100	100	100	
	GENECAR - SOCIETE GENERALE DE COURTAGE D'ASSURANCE ET DE REASSURANCE	Insurance	FULL	100	100	100	100	
	GENECOMI FRANCE	Specialist Financing	FULL	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	
	GENEPIERRE	Real Estate and Real Estate Financing	FULL	49.49	45.08	49.49	45.08	
	GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100	
	(6)	ÎLOT AB	Real Estate and Real Estate Financing	ESI	40	0	40	0
		IMAPRIM AMÉNAGEMENT	Real Estate and Real Estate Financing	FULL	70	70	70	70
		IMMOBILIÈRE PROMEX	Real Estate and Real Estate Financing	ESI	35	35	35	35

Country	Activity	Method*	Group ownership interested		Group voting interested	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
(1)(4) INORA LIFE FRANCE	Insurance	FULL	0	100	0	100
(5) INTER EUROPE CONSEIL	Financial Company	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
(6) JSJ PROMOTION	Real Estate and Real Estate Financing	ESI	45	0	45	0
KOLB INVESTISSEMENT	Financial Company	FULL	100	100	100	100
(4) LA BANQUE POSTALE FINANCEMENT	Specialist Financing	ESI	0	35	0	35
LA CORBEILLERIE	Real Estate and Real Estate Financing	ESI	24	24	40	40
(5) LA CROIX BOISÉE	Real Estate and Real Estate Financing	FULL	0	100	0	100
LA FONCIÈRE DE LA DÉFENSE	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
LES ALLÉES DE L'EUROPE	Real Estate and Real Estate Financing	ESI	34	34	34	34
LES CÈDRES 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 MÉSANGES	Real Estate and Real Estate Financing	FULL	55	55	55	55
(6) LES TROIS LUCS 13012	Real Estate and Real Estate Financing	FULL	90.89	0	100	0
LES VILLAS VINCENTI	Real Estate and Real Estate Financing	ESI	30	30	30	30
L'HESPEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
LOTISSEMENT DES FLEURS	Real Estate and Real Estate Financing	ESI	30	30	30	30
LYON LA FABRIC	Real Estate and Real Estate Financing	EJV	50	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 INTERMÉDIATION	Broker	FULL	100	100	100	100
LYXOR INTERNATIONAL ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
(6) LYXOR SKYFALL FUND	Insurance	FULL	88.98	0	88.98	0
MÉDITERRANÉE GRAND ARC	Real Estate and Real Estate Financing	EJV	43	43	50	50
NORBAIL IMMOBILIER	Real Estate and Real Estate Financing	FULL	100	100	100	100
NORBAIL SOFERGIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
NORMANDIE RÉALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interested		Group voting interested	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	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 MÉDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
	PRAGMA	Real Estate and Real Estate Financing	FULL	86	86	100	100
	PRIORIS	Specialist Financing	FULL	94.89	94.89	95	95
	PROGREAL 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	100	100	100
	RIVAPRIM RÉALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI 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
(6)	SAINTE-MARTHE ÎLOT C	Real Estate and Real Estate Financing	ESI	40	0	40	0
(6)	SAINTE-MARTHE ÎLOT D	Real Estate and Real Estate Financing	ESI	40	0	40	0
	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

Country		Activity	Method*	Group ownership interested		Group voting interested		
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
		SARL D'AMÉNAGEMENT 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 RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	75	71.62	75	75
		SAS FOCH SULLY	Real Estate and Real Estate Financing	FULL	90	87.97	90	90
(8)		SAS LOIRE ATLANTIQUE TERTIAIRE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SAS MÉRIGNAC OASIS URBAINE	Real Estate and Real Estate Financing	FULL	90	90	90	90
		SAS MS FRANCE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SAS NOAHO AMÉNAGEMENT	Real Estate and Real Estate Financing	FULL	100	95.5	100	100
		SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS NORMANDIE RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS NOYALIS	Real Estate and Real Estate Financing	ESI	28	28	28	28
(6)		SAS ODESSA DÉVELOPPEMENT	Real Estate and Real Estate Financing	ESI	49	0	49	0
		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
		SAS ROANNE LA TRILOGIE	Real Estate and Real Estate Financing	ESI	41	40.08	41	41
		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

Country		Activity	Method*	Group ownership interested		Group voting interested	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SAS SOJEPRIM	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SAS TIR A L'ARC AMÉNAGEMENT	Real Estate and Real Estate Financing	EJV	40	40	50	50
	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	51	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
(5)	SCCV 29 ET 31 AVENUE CHARLES DE GAULLE A LA TESTE DE BUCH	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SCCV 3 CHÂTEAUX	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	ESI	49	49	49	49
	SCCV BAHIA	Real Estate and Real Estate Financing	FULL	51	48.7	51	51
(5)	SCCV BLAINVILLE LEMARCHAND	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	EJV	50	50	50	50
(4)	SCCV BOURGOIN 140 ROUTE DE LYON	Real Estate and Real Estate Financing	FULL	0	78.2	0	80
	SCCV BRON CARAVELLE	Real Estate and Real Estate Financing	EJV	50	47.75	50	50
	SCCV CAEN CASERNE MARTIN	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV CAEN PANORAMIK	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV CHARTREUX LOT E	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV CITY SQUARE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV CLICHY BRC	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV COURS CLÉMENCEAU	Real Estate and Real Estate Financing	ESI	28	28	28	28
	SCCV CUGNAUX-LÉO LAGRANGE	Real Estate and Real Estate Financing	EJV	43	43	50	50



Country	Activity	Method*	Group ownership interested		Group voting interested	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SCCV EKO GREEN CITY	Real Estate and Real Estate Financing	ESI	35	35	35
	SCCV EKO PARK OCÉANE	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5
(6)	SCCV ÉPRON - ZAC L'ORÉE DU GOLF	Real Estate and Real Estate Financing	FULL	70	0	0
	SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50	50	50
(6)	SCCV ÉTERVILLE ROUTE D'AUNAY	Real Estate and Real Estate Financing	EJV	50	0	0
	SCCV EURONANTES 1E	Real Estate and Real Estate Financing	EJV	50	50	50
(6)	SCCV FAVERGES	Real Estate and Real Estate Financing	FULL	80	0	0
	SCCV GAO	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5
	SCCV GIGNAC MOUSSELINE	Real Estate and Real Estate Financing	FULL	60.2	60.2	70
	SCCV GIVORS ROBICHON	Real Estate and Real Estate Financing	EJV	50	47.75	50
(2)	SCCV HALLUARD	Real Estate and Real Estate Financing	ESI	0	35	35
	SCCV HÉROUVILLE ÎLOT A2	Real Estate and Real Estate Financing	ESI	33.33	33.33	33.33
	SCCV HOUSE PARK	Real Estate and Real Estate Financing	ESI	35	35	35
	SCCV JA LE HAVRE 22 COTY	Real Estate and Real Estate Financing	ESI	40	40	40
	SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	50	50	50
	SCCV KYMA MÉRIGNAC	Real Estate and Real Estate Financing	ESI	30	30	30
	SCCV LA MADELEINE SAINT-CHARLES	Real Estate and Real Estate Financing	EJV	40	40	50
	SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	EJV	50	50	50
	SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	ESI	49	49	49
	SCCV LE BOUSCAT CARRE SOLARIS	Real Estate and Real Estate Financing	ESI	25	25	25
	SCCV LE COURTIL	Real Estate and Real Estate Financing	ESI	35	35	35
(2)	SCCV LE SIX	Real Estate and Real Estate Financing	ESI	0	24.5	24.5
	SCCV LE TEICH CŒUR DE VILLE	Real Estate and Real Estate Financing	ESI	30	30	30

Country	Activity	Method*	Group ownership interested		Group voting interested		
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
(6)	SCCV LES ÉCRIVAINS	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	50	47.75	50	50
	SCCV LESQUIN PARC	Real Estate and Real Estate Financing	EJV	40	40	50	50
	SCCV LILLE - JEAN MACÉ	Real Estate and Real Estate Financing	ESI	26.72	26.72	33.4	33.4
	SCCV LOOS GAMBETTA	Real Estate and Real Estate Financing	ESI	35	0	35	0
	SCCV MARCQ PROJECTIM	Real Estate and Real Estate Financing	FULL	64	64	80	80
	SCCV MEHUL	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
	SCCV MÉRIGNAC 53-55 AVENUE LEON BLUM	Real Estate and Real Estate Financing	ESI	30	30	30	30
	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
	SCCV NICE ARENAS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV NOISY BOISSIÈRE	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SCCV PARIS ALBERT	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV PARK OCÉANE 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
	SCCV ROMAINVILLE DUMAS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	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	

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
(6)	SCCV SENSORIUM BUREAUX	Real Estate and Real Estate Financing	EJV	40	0	50	0
(6)	SCCV SENSORIUM LOGEMENT	Real Estate and Real Estate Financing	EJV	40	0	50	0
(6)	SCCV SOGAB ÎLE DE FRANCE	Real Estate and Real Estate Financing	FULL	80	0	80	0
	SCCV SOGAB ROMAINVILLE	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCCV SOGEPROM LYON HABITAT	Real Estate and Real Estate Financing	FULL	100	97.75	100	100
	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
	SCCV TASSIN - 190 CDG	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV VERNAISON - RAZAT	Real Estate and Real Estate Financing	EJV	50	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	25	25	25
	SCCV VILLEURBANNE TEMPO	Real Estate and Real Estate Financing	FULL	100	92.8	100	100
	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
(2)	SCI ABARITZ	Real Estate and Real Estate Financing	ESI	0	40	0	40
(2)	SCI AGIAN	Real Estate and Real Estate Financing	ESI	0	40	0	40
(2)	SCI ANGLET PROMOTION	Real Estate and Real Estate Financing	ESI	0	38.5	0	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
	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
	SCI BORDEAUX-20-26 RUE DU COMMERCE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI CENTRE IMMO PROMOTION RÉSIDENCES	Real Estate and Real Estate Financing	FULL	80	80	100	100
(2)	SCI CHARITÉ - GIRANDIÈRE	Real Estate and Real Estate Financing	EJV	0	50	0	50

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
(2)	SCI DIAGONALE	Real Estate and Real Estate Financing	FULL	0	68	0	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 ÉTIENNE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI ÉTAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50	50
(2)	SCI ÉTRECHY SAINT NICOLAS	Real Estate and Real Estate Financing	EJV	0	50	0	50
(2)	SCI EUROPARC HAUTE BORNE 1	Real Estate and Real Estate Financing	FULL	0	51	0	51
	SCI EUROPARC ST MARTIN DU TOUCH 2002	Real Estate and Real Estate Financing	FULL	100	100	100	100
	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
(2)	SCI LE CERCLE DES ARTS	Real Estate and Real Estate Financing	ESI	0	37.5	0	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 JÉRÉMY	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
	SCI LES BAIGNOTS	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI LES CASTELLINES	Real Estate and Real Estate Financing	ESI	30	30	30	30
	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

Country	Activity	Method *	Group ownership interest		Group voting interest	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SCI LES JARDINS DU BLAVET	Real Estate and Real Estate Financing	ESI	40	40	40
	SCI LES PORTES DU LEMAN	Real Estate and Real Estate Financing	FULL	70	70	70
	SCI LES RÉSIDENCES GENEVOISES	Real Estate and Real Estate Financing	FULL	90	90	90
	SCI LIEUSAINTE RUE DE PARIS	Real Estate and Real Estate Financing	EJV	50	50	50
	SCI LINAS CŒUR DE VILLE 1	Real Estate and Real Estate Financing	FULL	70	70	70
	SCI LOCMIÈRE - LAMENNAIS	Real Estate and Real Estate Financing	ESI	30	30	30
	SCI L'ORÉE DES LACS	Real Estate and Real Estate Financing	FULL	70	70	70
(2)	SCI LYON BON LAIT	Real Estate and Real Estate Financing	ESI	0	35	35
(2)	SCI LYON JOANNES	Real Estate and Real Estate Financing	EJV	0	47.8	50
(2)	SCI MARSEILLE LE ZÉPHYR	Real Estate and Real Estate Financing	FULL	0	55.9	65
	SCI MONTPELLIER JACQUES CŒUR	Real Estate and Real Estate Financing	EJV	43	43	50
(2)	SCI PATRIS	Real Estate and Real Estate Financing	EJV	0	25.8	30
(2)	SCI PORTU ONDOAN	Real Estate and Real Estate Financing	ESI	0	40	40
	SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	80	80	100
	SCI PROJECTIM MARCQ CŒUR DE VILLE	Real Estate and Real Estate Financing	FULL	48	48	60
	SCI PRONY	Real Estate and Real Estate Financing	EJV	50	50	50
	SCI QUINTEFEUILLE	Real Estate and Real Estate Financing	ESI	30	30	30
	SCI QUINTESENCE-VALESCURE	Real Estate and Real Estate Financing	EJV	50	50	50
(2)	SCI REIMS GARE	Real Estate and Real Estate Financing	FULL	0	100	100
	SCI RÉSIDENCE DU DONJON	Real Estate and Real Estate Financing	EJV	40	40	40
	SCI RHIN ET MOSELLE 1	Real Estate and Real Estate Financing	FULL	100	100	100
	SCI RHIN ET MOSELLE 2	Real Estate and Real Estate Financing	FULL	100	100	100
	SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SCI RIVAPRIM RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RSS INVESTIMMO CÔTE 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'AUMÔNE - 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
	SCI SOGEPROM LYON RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	95.5	100	100
(8)	SCI STRASBOURG ÉTOILE THUMENAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
(8)	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
(2)	SCI VAILLANT COUTURIER	Real Estate and Real Estate Financing	ESI	0	25	0	25
(2)	SCI VALENCE-CHAMPS DE MARS	Real Estate and Real Estate Financing	EJV	0	50	0	50
	SCI VELRI	Group Real Estate Management Company	EJV	50	50	50	50
	SCI VILLA ÉMILIE	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
	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	Insurance	FULL	47.75	0	47.75	0
	SG ACTIONS EURO SÉLECTION	Financial Company	FULL	40.05	40.05	40.05	40.05
	SG ACTIONS EURO VALUE-C	Insurance	FULL	64.94	64.94	64.94	64.94
	SG ACTIONS FRANCE	Portfolio Management	FULL	38.14	38.14	38.14	38.14
	SG ACTIONS LUXE-C	Insurance	FULL	84.25	84.25	84.25	84.25
	SG ACTIONS MONDE EMERGENT	Insurance	FULL	60.05	60.05	60.05	60.05
	SG ACTIONS US	Portfolio Management	FULL	65.06	65.06	65.06	65.06
(6)	SG ACTIONS US TECHNO	Insurance	FULL	85.08	0	85.08	0
	SG CAPITAL DÉVELOPPEMENT	Portfolio Management	FULL	100	100	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
(5)	SG EUROPEAN MORTGAGE INVESTMENTS	Financial Company	FULL	0	100	0	100
	SG FINANCIAL SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	SG FLEXIBLE	Portfolio Management	FULL	92.48	92.48	92.48	92.48
	SG LYXOR GOVERNMENT BOND FUND	Portfolio Management	FULL	100	100	100	100
	SG LYXOR LCR FUND	Portfolio Management	FULL	100	100	100	100
	SG MONE TRESO-E	Insurance	FULL	98.62	98.62	98.62	98.62
	SG MONÉTAIRE PLUS E	Financial Company	FULL	58.93	58.93	58.93	58.93
	SG OBLIG ÉTAT EURO-R	Insurance	FULL	79.94	79.94	79.94	79.94
	SG OBLIGATIONS	Insurance	FULL	82.92	0	82.92	0
	SG OPCIMMO	Real Estate and Real Estate Financing	FULL	97.95	97.95	97.95	97.95
(6)	SG OPTION EUROPE	Broker	FULL	100	100	100	100
	SG VALOR ALPHA ACTIONS FRANCE	Financial Company	FULL	72.77	72.77	72.77	72.77
	SGB FINANCE S.A.	Specialist Financing	FULL	50.94	50.94	51	51
	SGEF SA	Specialist Financing	FULL	100	100	100	100
	SGI 10-16 VILLE L'ÉVÊQUE	Insurance	FULL	100	100	100	100
	SGI 1-5 ASTORG	Insurance	FULL	100	100	100	100
	SGI HOLDING SIS	Group Real Estate Management Company	FULL	100	100	100	100
	SGI PACIFIC	Insurance	FULL	86.17	86.17	89.53	89.53
	SNC CŒUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	ESI	30	25.5	30	30
	SNC COPRIM RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SNC D'AMÉNAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SNC ISSY FORUM 10	Real Estate and Real Estate Financing	EJV	0	33.33	0	33.33
	SNC ISSY FORUM 11	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SNC NEUILLY ÎLE 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 CRÉDIT A L'INDUSTRIE FRANÇAISE (CALIF)	Bank	FULL	100	100	100	100
	SOCIÉTÉ CIVILE IMMOBILIÈRE CAP THALASSA	Real Estate and Real Estate Financing	ESI	45	45	45	45
	SOCIÉTÉ CIVILE IMMOBILIÈRE CAP VEYRE	Real Estate and Real Estate Financing	ESI	50	50	50	50
	SOCIÉTÉ CIVILE IMMOBILIÈRE DE DIANE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE DE PIERLAS	Real Estate and Real Estate Financing	ESI	28	28	28	28
	SOCIÉTÉ CIVILE IMMOBILIÈRE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
	SOCIÉTÉ CIVILE IMMOBILIÈRE DOMAINE DURANDY	Real Estate and Real Estate Financing	ESI	25	25	25	25

Country	Activity	Method *	Group ownership interest		Group voting interest	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SOCIÉTÉ CIVILE IMMOBILIÈRE ERICA	Real Estate and Real Estate Financing	ESI	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE ESTÉREL TANNERON	Real Estate and Real Estate Financing	ESI	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE FONTENAY - ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50
	SOCIÉTÉ CIVILE IMMOBILIÈRE GAMBETTA DÉFENSE V	Real Estate and Real Estate Financing	ESI	20	20	20
	SOCIÉTÉ CIVILE IMMOBILIÈRE LE BOTERO	Real Estate and Real Estate Financing	ESI	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE LES HAUTS DE L'ESTAQUE	Real Estate and Real Estate Financing	ESI	35	35	35
	SOCIÉTÉ CIVILE IMMOBILIÈRE LES HAUTS DE SEPTÈMES	Real Estate and Real Estate Financing	ESI	25	25	25
	SOCIÉTÉ CIVILE IMMOBILIÈRE MIRECRAU	Real Estate and Real Estate Financing	ESI	35	35	35
	SOCIÉTÉ CIVILE IMMOBILIÈRE NAXOU	Real Estate and Real Estate Financing	FULL	100	100	100
	SOCIÉTÉ CIVILE IMMOBILIÈRE TOULDI	Real Estate and Real Estate Financing	FULL	100	100	100
	SOCIÉTÉ CIVILE IMMOBILIÈRE VERT COTEAU	Real Estate and Real Estate Financing	ESI	35	35	35
	SOCIÉTÉ DE BOURSE GILBERT DUPONT	Financial Company	FULL	100	100	100
	SOCIÉTÉ DE LA RUE ÉDOUARD VII	Portfolio Management	FULL	99.91	99.91	99.91
	SOCIÉTÉ DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	99.98	99.98	100
	SOCIÉTÉ DU PARC D'ACTIVITÉ DE LA VALENTINE	Real Estate and Real Estate Financing	ESI	30	30	30
	SOCIÉTÉ EN NOM COLLECTIF PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100
	SOCIÉTÉ FINANCIÈRE D'ANALYSE ET DE GESTION	Financial Company	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE	Bank	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE CAPITAL FINANCE	Portfolio Management	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE DE BANQUE AUX ANTILLES	Bank	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE FACTORING	Specialist Financing	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE PARTICIPATIONS INDUSTRIELLES	Portfolio Management	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE POUR LE DÉVELOPPEMENT DES OPÉRATIONS DE CRÉDIT-BAIL IMMOBILIER SOGEBAIL	Real Estate and Real Estate Financing	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE REAL ESTATE	Real Estate and Real Estate Financing	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE SCF	Financial Company	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100
	SOCIÉTÉ GÉNÉRALE SFH	Specialist Financing	FULL	100	100	100
	SOCIÉTÉ IMMOBILIÈRE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100



Country	Activity	Method *	Group ownership interest		Group voting interest	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SOCIETE IMMOBILIERE URBI ET ORBI	Real Estate and Real Estate Financing	FULL	100	100	100
	SOCIETE LES PINSONS	Real Estate and Real Estate Financing	EJV	50	50	50
	SOCIETE MARSEILLAISE DE CREDIT	Bank	FULL	100	100	100
	SOGÉ BEAUJOIRE	Group Real Estate Management Company	FULL	99.99	99.99	100
	SOGÉ PERIVAL I	Group Real Estate Management Company	FULL	100	100	100
	SOGÉ PERIVAL II	Group Real Estate Management Company	FULL	100	100	100
	SOGÉ PERIVAL III	Group Real Estate Management Company	FULL	100	100	100
	SOGÉ PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100
	SOGÉACT.SELEC.MON.	Portfolio Management	FULL	99.78	99.78	99.78
	SOGÉCAPUS	Group Real Estate Management Company	FULL	100	100	100
	SOGÉCAP	Insurance	FULL	100	100	100
	SOGÉCAP - DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100
	SOGÉCAP DIVERSIFIE 1	Portfolio Management	FULL	100	100	100
(6)	SOGÉCAP EQUITY OVERLAY (FEEDER)	Insurance	FULL	100	0	100
	SOGÉCAP LONG TERME N°1	Financial Company	FULL	100	100	100
	SOGÉCAPIMMO 2	Insurance	FULL	89.39	89.39	90.84
	SOGÉFIM HOLDING	Portfolio Management	FULL	100	100	100
	SOGÉFIMUR	Specialist Financing	FULL	100	100	100
	SOGÉFINANCEMENT	Specialist Financing	FULL	100	100	100
	SOGÉFINERG SG POUR LE FINANCEMENT DES INVESTISSEMENTS ECONOMISANT L'ENERGIE	Specialist Financing	FULL	100	100	100
	SOGÉFONTENAY	Group Real Estate Management Company	FULL	100	100	100
	SOGÉLEASE FRANCE	Specialist Financing	FULL	100	100	100
	SOGÉMARCHE	Group Real Estate Management Company	FULL	100	100	100
	SOGÉPARTICIPATIONS	Portfolio Management	FULL	100	100	100
	SOGÉPROM	Real Estate and Real Estate Financing	FULL	100	100	100
	SOGÉPROM ALPES	Real Estate and Real Estate Financing	FULL	100	100	100
	SOGÉPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100
	SOGÉPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	FULL	100	100	100
	SOGÉPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100
	SOGÉPROM ENTREPRISES	Real Estate and Real Estate Financing	FULL	100	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
(5)	SOGEPROM ENTREPRISES REGIONS	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SOGEPROM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM LYON	Real Estate and Real Estate Financing	FULL	100	85	100	85
	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	85.55	85.55	85.55
	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
	(2) URBANISME ET COMMERCE	Real Estate and Real Estate Financing	FULL	0	99.88	0	99.88
(6)	URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100	100
	VALMINVEST	Group Real Estate Management Company	FULL	100	100	100	100
	VG PROMOTION	Real Estate and Real Estate Financing	ESI	35	0	35	0
	VILLA D'ARMONT	Real Estate and Real Estate Financing	ESI	40	40	40	40
<b>Ghana</b>							
	SOCIETE GENERALE GHANA LIMITED	Bank	FULL	60.22	60.22	60.22	60.22
<b>Gibraltar</b>							
	HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	FULL	100	100	100	100
	SG KLEINWORT HAMBROS BANK (GIBRALTAR) LIMITED	Bank	FULL	100	100	100	100
<b>Greece</b>							
	ALD AUTOMOTIVE S.A. LEASE OF CARS	Specialist Financing	FULL	79.82	79.82	100	100
<b>Guinea</b>							
	SG DE BANQUES EN GUINEE	Bank	FULL	57.94	57.94	57.94	57.94
<b>Equatorial Guinea</b>							
	SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE	Bank	FULL	52.44	52.44	57.23	57.23

Country	Activity	Method *	Group ownership interest		Group voting interest		
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
Hong Kong							
	(1)(2) DESCARTES TRADING HONG KONG BRANCH	Financial Company	FULL	0	100	0	100
	SG ASSET FINANCE (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
	(6) SG CORPORATE FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	0	100	0
	SG CORPORATE FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
	SG FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
	SG FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
	(1) SG HONG KONG	Bank	FULL	100	100	100	100
	SG SECURITIES (HK) LIMITED	Broker	FULL	100	100	100	100
	SG SECURITIES (HK) NOMINEES LTD	Broker	FULL	100	100	100	100
	SG SECURITIES ASIA INTERNATIONAL HOLDINGS LIMITED	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 AUTOPARK-KEZELO ES FINANSZIROZO KORLATOLT FELELOSSEGU TARSASAG	Specialist Financing	FULL	79.82	79.82	100	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
	NEWMED TRUSTEES LIMITED	Financial Company	FULL	100	100	100	100
	SG HAMBROS (FOUNDATIONS) LIMITED	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
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
	MISON NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(1) SG HAMBROS BANK (CHANNEL ISLANDS) LTD GUERNSEY BRANCH	Bank	FULL	100	100	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
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
(4)	INORA LIFE LTD	Insurance	FULL	0	100	0	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
	SOCIETE GENERALE HEDGING DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES (IRELAND) LTD	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)(2)	SOCIETE GENERALE (NORTH PACIFIC) LTD. TOKYO BRANCH	Bank	FULL	0	100	0	100
	SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100
Latvia							
	ALD AUTOMOTIVE SIA	Specialist Financing	FULL	59.86	59.86	75	75
Lebanon							
(3)	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

Country		Activity	Method *	Group ownership interest		Group voting interest		
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
Luxembourg								
	(6)	AF EMG MK HD CURR - CLASSE C - LU0907913460	Insurance	FULL	47.7	0	47.7	0
		ALD INTERNATIONAL SERVICES S.A.	Specialist Financing	FULL	79.82	79.82	100	100
	(2)	AXA IM FIIS US SH.DUR.HIGH YIELD A DIS H	Specialist Financing	FULL	0	50.58	0	50.58
		AXUS LUXEMBOURG SA	Specialist Financing	FULL	79.82	79.82	100	100
		BARTON CAPITAL SA	Financial Company	FULL	100	100	100	100
	(6)	CANDRIAM BONDS EURO HIGH YIELD - LU1010337324	Insurance	FULL	45.35	0	45.35	0
	(6)	CODEIS COMPARTIMENT A0084	Insurance	FULL	100	0	100	0
		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
	(6)	FIDELITY FUNDS EUR HY IQ - LU0954694930	Insurance	FULL	49.6	0	49.6	0
		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
	(6)	LYXOR EURO 6M - CLASS SI	Insurance	FULL	64.37	0	64.37	0
	(6)	LYXOR FUNDS SOLUTIONS	Financial Company	FULL	100	0	100	0
		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
	(6)	SALINGER S.A	Bank	FULL	100	0	100	0
		SG ISSUER	Financial Company	FULL	100	100	100	100
		SGBT ASSET BASED FUNDING SA	Financial Company	FULL	100	100	100	100
		SGBT CI	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE BANK & TRUST	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL MARKET FINANCE	Bank	FULL	100	100	100	100
		SOCIETE GENERALE FINANCING AND DISTRIBUTION	Bank	FULL	100	100	100	100
		SOCIETE GENERALE LIFE INSURANCE BROKER SA	Insurance	FULL	100	100	100	100
		SOCIETE GENERALE 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								
	(4)	OHRIDSKA BANKA AD SKOPJE	Bank	FULL	0	74.53	0	75.38
Madagascar								
		BANKY FAMPANDROSOANA VAROTRA SG	Bank	FULL	70	70	70	70
Malta								
	(8)	LNG MALTA INVESTMENT 1 LIMITED	Financial Company	FULL	100	100	100	100
	(8)	LNG MALTA INVESTMENT 2 LIMITED	Financial Company	FULL	100	100	100	100
Morocco								
		ALD AUTOMOTIVE SA MAROC	Specialist Financing	FULL	36.57	36.57	50	50
		ATHENA COURTAGE	Insurance	FULL	58.17	58.45	99.93	99.93
		FONCIMMO	Group Real Estate Management Company	FULL	57.58	57.57	100	100
		LA MAROCAINE VIE	Insurance	FULL	79.19	89.03	99.98	99.98
		SG MAROCAINE DE BANQUES	Bank	FULL	57.58	57.57	57.58	57.57
		SOCIETE D' EQUIPEMENT DOMESTIQUE ET MENAGER EQDOM	Specialist Financing	FULL	30.93	30.93	53.72	53.72
		SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.58	57.57	100	100
		SOCIETE GENERALE OFFSHORE	Financial Company	FULL	57.51	57.5	99.88	99.88
		SOGECAPITAL GESTION	Financial Company	FULL	57.54	57.53	99.94	99.94
		SOGECAPITAL PLACEMENT	Portfolio Management	FULL	57.56	57.55	99.96	99.96
	(8)	SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.58	57.57	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
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	100	99.98	100	100
Moldavia							
(4)	MOBIASBANCA GROUPE SOCIETE GENERALE	Bank	FULL	0	79.93	0	87.9
Monaco							
(1)	CRÉDIT DU NORD - MONACO	Bank	FULL	100	100	100	100
(1)	SMC MONACO	Bank	FULL	100	100	100	100
(6)	SOCIÉTÉ DE BANQUE MONACO	Bank	FULL	100	0	100	0
(1)	SOCIÉTÉ GÉNÉRALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	100	100	100	100
Montenegro							
(4)	SOCIETE GENERALE BANKA MONTENEGRO A.D.	Bank	FULL	0	90.56	0	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
(6)	CAPEREA B.V.	Specialist Financing	FULL	100	0	100	0
	COPARER HOLDING	Group Real Estate Management Company	FULL	100	100	100	100
	HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
	HORDLE FINANCE B.V.	Financial Company	FULL	100	100	100	100
	MONTALIS INVESTMENT BV	Specialist Financing	FULL	100	100	100	100
(1)	SG AMSTERDAM	Bank	FULL	100	100	100	100
	SG EQUIPMENT FINANCE BENELUX BV	Specialist Financing	FULL	100	100	100	100
	SOGLEASE B.V.	Specialist Financing	FULL	100	100	100	100
	SOGLEASE FILMS	Specialist Financing	FULL	100	100	100	100
	TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
Poland							
	ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	79.82	79.82	100	100
(4)	EURO BANK S.A.	Bank	FULL	0	99.99	0	99.99
(4)	PEMA POLSKA SP.Z O.O.	Services	FULL	0	100	0	100

Country	Activity	Method *	Group ownership interest		Group voting interest	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SG EQUIPMENT LEASING POLSKA SP Z.O.O.	Specialist Financing	100	100	100	100
(1)	SOCIETE GENERALE S.A. ODDZIAL W POLSCE	Bank	100	100	100	100
(1)	SOGECAP SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	100	100	100	100
(1)	SOGESSUR SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	100	100	100	100
<b>French Polynesia</b>						
	BANQUE DE POLYNESIE	Bank	72.1	72.1	72.1	72.1
	SOGLEASE BDP SAS	Specialist Financing	72.1	72.1	100	100
<b>Portugal</b>						
	SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENZ SA	Specialist Financing	79.82	79.82	100	100
<b>Czech Republic</b>						
	ALD AUTOMOTIVE SRO	Specialist Financing	79.82	79.82	100	100
	CATAPS	Services	0.61	0.61	40	40
	ESSOX SRO	Specialist Financing	80	80	100	100
	FACTORING KB	Financial Company	60.73	60.73	100	100
	KB PENZIJNI SPOLECNOST, A.S.	Financial Company	60.73	60.73	100	100
	KB REAL ESTATE	Real Estate and Real Estate Financing	60.73	60.73	100	100
(6)	KB SMARTSOLUTIONS, S.R.O.	Bank	60.73	0	100	0
	KOMERCNI BANKA A.S	Bank	60.73	60.73	60.73	60.73
	KOMERCNI POJISTOVNA A.S	Insurance	80.76	80.76	100	100
	MODRA PYRAMIDA STAVEBNI SPORITELNA AS	Financial Company	60.73	60.73	100	100
(4)	PEMA PRAHA SPOL. S.R.O.	Specialist Financing	0	100	0	100
	PROTOS	Financial Company	60.73	60.73	100	100
	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Specialist Financing	80.33	80.33	100	100
	SOGEPROM CESKA REPUBLIKA S.R.O.	Real Estate and Real Estate Financing	100	100	100	100
	SOGEPROM MICHLE S.R.O.	Real Estate and Real Estate Financing	100	100	100	100
	STD2, A.S.	Group Real Estate Management Company	60.73	60.73	100	100
	VN 42	Real Estate and Real Estate Financing	60.73	60.73	100	100
<b>Romania</b>						
	ALD AUTOMOTIVE SRL	Specialist Financing	75.89	75.89	100	100
	BRD - GROUPE SOCIETE GENERALE SA	Bank	60.17	60.17	60.17	60.17
	BRD ASSET MANAGEMENT SAI SA	Portfolio Management	60.15	60.15	99.97	99.97
	BRD FINANCE IFN S.A.	Financial Company	80.48	80.48	100	100
	S.C. BRD SOGELEASE IFN S.A.	Specialist Financing	60.17	60.17	100	100
	S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	75	75	75	75
	SOCIETE GENERALE EUROPEAN BUSINESS SERVICES S.A.	Services	100	100	100	100
	SOGEPROM ROMANIA SRL	Real Estate and Real Estate Financing	100	100	100	100
(1)	SOGESSUR S.A PARIS - SUCURSALA BUCURESTI	Insurance	100	100	100	100

Country	Activity	Method *	Group ownership interest		Group voting interest		
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
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
(2)	ALD FUNDING LIMITED	Specialist Financing	FULL	0	79.82	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
(2)	JWB LEASE HOLDINGS LIMITED	Specialist Financing	FULL	0	100	0	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
(2)	SG EQUIPMENT FINANCE LEASING LIMITED	Specialist Financing	FULL	0	100	0	100
(2)	SG EQUIPMENT FINANCE OPERATING LEASING LIMITED	Specialist Financing	FULL	0	100	0	100
(2)	SG EQUIPMENT FINANCE RENTAL LIMITED	Specialist Financing	FULL	0	100	0	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
(8)	SG LEASING (CENTRAL 1) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	FULL	100	100	100	100
(2)	SG LEASING (DECEMBER) LIMITED	Specialist Financing	FULL	0	100	0	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



Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SG LEASING IX	Specialist Financing	FULL	100	100	100	100
	(1) SG LONDRES	Bank	FULL	100	100	100	100
	(8) 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
	STRABUL NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	(2) TALOS HOLDING LTD	Financial Company	FULL	0	100	0	100
	(2) TALOS SECURITIES LTD	Broker	FULL	0	100	0	100
	(1) TH INVESTMENTS (HONG KONG) 2 LIMITED (UK BRANCH)	Financial Company	FULL	100	100	100	100
	(1) TYNEVOR B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
<b>Russian Federation</b>							
	ALD AUTOMOTIVE OOO	Specialist Financing	FULL	79.82	79.82	100	100
	CLOSED JOINT STOCK COMPANY SG FINANCE	Specialist Financing	FULL	99.97	99.95	100	100
	(5) COMMERCIAL BANK DELTACREDIT JOINT STOCK COMPANY	Bank	FULL	0	99.95	0	100
	CREDIT INSTITUTION OBYEDINYONNAYA RASCHOTNAYA SISTEMA	Financial Company	FULL	99.97	99.95	100	100
	JSC TELSUKOM	Services	FULL	99.97	99.95	100	100
	LLC RUSFINANCE	Bank	FULL	99.97	99.95	100	100
	LLC RUSFINANCE BANK	Bank	FULL	99.97	99.95	100	100
	PJSC ROSBANK	Bank	FULL	99.97	99.95	99.97	99.95
	RB FACTORING LLC	Specialist Financing	FULL	99.97	99.95	100	100
	RB LEASING LLC	Specialist Financing	FULL	99.97	99.95	100	100
	RB SERVICE LLC	Group Real Estate Management Company	FULL	99.97	99.95	100	100
	RB SPECIALIZED DEPOSITARY LLC	Financial Company	FULL	99.97	99.95	100	100
	SOCIETE GENERALE STRAKHOVANIE LLC	Insurance	FULL	99.99	99.99	100	100
	SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	FULL	99.99	99.99	100	100
<b>Senegal</b>							
	SOCIETE GENERALE SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
<b>Serbia</b>							
	ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	FULL	79.82	79.82	100	100
	(4) SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD	Bank	FULL	0	100	0	100
	(4) SOGELEASE SRBIJA D.O.O.	Specialist Financing	FULL	0	100	0	100
<b>Singapore</b>							
	SG MARKETS (SEA) PTE. LTD.	Broker	FULL	100	100	100	100
	SG SECURITIES (SINGAPORE) PTE. LTD.	Broker	FULL	100	100	100	100
	(1) SG SINGAPOUR	Bank	FULL	100	100	100	100
	SG TRUST (ASIA) LTD	Financial Company	FULL	100	100	100	100
<b>Slovakia</b>							
	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
	(5) PEMA SLOVAKIA SPOL.S.R.O.	Specialist Financing	FULL	0	100	0	100
	(1) SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	FULL	80.33	80.33	100	100

					Group ownership interest		Group voting interest	
Country		Activity	Method *	At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
Slovenia								
		ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	79.82	79.82	100	100
	(4)	SKB LEASING D.O.O.	Specialist Financing	FULL	0	99.73	0	100
	(4)	SKB BANKA D.D. LJUBLJANA	Bank	FULL	0	99.73	0	99.73
	(4)	SKB LEASING SELECT D.O.O.	Specialist Financing	FULL	0	99.73	0	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
	(4)	PEMA TRUCK- OCH TRAILERUTHYRNING AB	Specialist Financing	FULL	0	100	0	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
Switzerland								
		ALD AUTOMOTIVE AG	Specialist Financing	FULL	79.82	79.82	100	100
	(4)	PEMA TRUCK- UND TRAILERVERMIETUNG GMBH	Specialist Financing	FULL	0	100	0	100
	(8)	ROSBANK (SWITZERLAND)	Bank	FULL	99.97	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	90.98	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 because are not significant).

(1) Branches

(2) Entities wound up

(3) Removal from the scope (loss of control or significant influence)

(4) Entities sold

(5) Merged

(6) Newly consolidated

(7) Including 30 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<sup>rd</sup> May 2018 renewed the mandates of Ernst & Young et Autres and of Deloitte et Associés, for six years.

In accordance with the European regulation on the audit reform, the CACI implements a specific approval policy of the non-audit services of

statutory auditors ("SACC") and their network by to verify its compliance before to the launch of the mission.

A synthesis of the SACC (approved or refused) is presented to every session of the CACI.

The fees by type of mission (audit or non-audit) are submitted to an annual review by the CACI.

Lastly, the Finance Departments of the entities and business divisions annually appraise the quality of the audits performed by Deloitte et Associés and Ernst & Young et Autres. The conclusions of this survey are presented to the CACI.

**AMOUNTS OF STATUTORY AUDITORS' FEES PRESENTED IN THE INCOME STATEMENT**

		Ernst & Young et Autres		Deloitte et Associés		TOTAL	
(In EURm excluded VAT)		2019 <sup>(1)</sup>	2018	2019 <sup>(2)</sup>	2018	2019	2018
Statutory audit, certification, examination of parent company and consolidated accounts	Issuer	4	4	7	7	11	11
	Fully consolidated subsidiaries	16	16	12	12	28	28
<b>SUB-TOTAL AUDIT</b>		<b>20</b>	<b>20</b>	<b>19</b>	<b>19</b>	<b>39</b>	<b>39</b>
Non-audit services (SACC)	Issuer	0	2	2	1	2	3
	Fully consolidated subsidiaries	1	1	1	2	2	3
<b>TOTAL</b>		<b>21</b>	<b>23</b>	<b>22</b>	<b>22</b>	<b>43</b>	<b>45</b>

(1) Including Ernst and Young network: EUR 13 million

(2) Including Deloitte network: EUR 10 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, and then

complementary audits within the scope of issuing of certificates or EFP Declaration (EFP: Extra-Financial Performance). They include also non-audit services expressly and exclusively entrusted to the Statutory Auditors for EUR 1 million.

## NOTE 9 INFORMATION ON RISKS AND LITIGATION

Every quarter, the Group reviews in detail the disputes presenting a significant risk. These disputes may lead to the recording of a provision if it becomes probable or certain that the Group will incur an outflow of resources for the benefit of a third party without receiving at least the equivalent value in exchange. These provisions for litigations are classified among the *Other provisions* included in the *Provisions* item in the liabilities of the balance-sheet.

No detailed information can be disclosed on either the recording or the amount of a specific provision given that such disclosure would likely seriously prejudice the outcome of the disputes in question.

- On 24<sup>th</sup> October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5<sup>th</sup> October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion in damages to the bank. On 19<sup>th</sup> March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, on 23<sup>rd</sup> September 2016, the Versailles Court of Appeal rejected J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carry forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (Conseil d'État) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on the 20<sup>th</sup> 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<sup>rd</sup> 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<sup>th</sup> 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<sup>th</sup> December 2018, the Supreme Court refused permission to appeal to both Societe Generale and Goldas. On 16<sup>th</sup> 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, fifteen cases have ended in favour of SGA, one case has ended against SGA and nine remain pending, seven 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 – *Échange d'Images Chèques*), which has contributed to the improvement of cheque payments security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.
- On 20<sup>th</sup> 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<sup>rd</sup> 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<sup>th</sup> 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<sup>rd</sup> and 4<sup>th</sup> November 2016 by the Paris Court of Appeal before which the case was remanded. On 21<sup>st</sup> December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22<sup>nd</sup> January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision. The court proceeding is still pending.
- Societe Generale Private Banking (Switzerland), 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<sup>th</sup> 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 (Switzerland) and the other defendants seeking similar relief.

The motion by Societe Generale Private Banking (Switzerland) to dismiss these claims on grounds of lack of jurisdiction was denied by the court by order filed 5<sup>th</sup> June 2014. Societe Generale Private Banking (Switzerland) sought reconsideration of the Court's jurisdictional ruling, which the Court ultimately denied. On 21<sup>st</sup> April 2015, the Court permitted the substantial majority of the claims brought by the plaintiffs and the OSIC to proceed.

On 7<sup>th</sup> 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<sup>th</sup> April 2018. On 3<sup>rd</sup> May 2019, several hundred individual plaintiffs filed motions to intervene in the pending OSIC action seeking recovery in their individual capacities for losses on their Stanford investments. The defendant financial institutions, including Societe Generale Private Banking (Switzerland), opposed these motions. By order of 18<sup>th</sup> September 2019 the court denied the motions to intervene. One group of plaintiffs appealed the denial, and another initiated a separate action in Texas state court in Houston in November 2019.

On 22<sup>nd</sup> 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 (Switzerland) 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 (Switzerland) has opposed this motion.

- Notwithstanding the agreements reached with the US authorities regarding certain London Interbank Offered Rates and the Euro Interbank Offered Rate ("the IBOR matter"), the Bank continues to defend civil proceedings in the United States (as described below) and has responded to information requests received from other authorities, including the Attorneys General of various States of the United States and the New York Department of Financial Services.

In the United States, Societe Generale, along with other financial institutions, has been named as a defendant in putative class actions involving the setting of US Dollar Libor, Japanese Yen Libor, and Euribor rates and trading in instruments indexed to those rates. Societe Generale has also been named in several individual (non-class) actions concerning the US Dollar Libor rate. All of these actions are pending in the US District Court in Manhattan (the "District Court").

As to US Dollar Libor, all claims against Societe Generale 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. Certain individual plaintiffs, whose claims were dismissed, filed motions for leave to amend their complaints to add or revive claims against Societe Generale, but those applications were denied by the District Court. 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.

On 13<sup>th</sup> January 2020, Societe Generale entered into a settlement agreement with the putative class of plaintiffs who purchased financial products tied to US Dollar Libor on an exchange. As part of that settlement, Societe Generale has agreed to pay USD 5.125 million. This settlement is subject to approval by the District Court.

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 Act (CEA) claims to proceed to

discovery. On 27<sup>th</sup> September 2019, Societe Generale filed a motion for judgment on the pleadings that seeks dismissal of plaintiff's remaining CEA claims. The parties are awaiting a decision. On 27<sup>th</sup> September 2019, plaintiff filed a motion for class certification. Briefing on plaintiff's motion for class certification has been stayed until the district court rules on defendants' motion for judgment on the pleadings.

As to Euribor, the District Court dismissed all claims against Societe Generale in the putative class action and denied the plaintiffs' motion to file a proposed amended complaint. Plaintiffs have appealed those rulings to the United States Court of Appeals for the Second Circuit.

In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- Beginning on 15<sup>th</sup> January 2019, Societe Generale and SG Americas Securities, LLC (SGAS), along with other financial institutions, have been named in three putative antitrust class actions in the US District Court in Manhattan, which have since been consolidated. Plaintiffs allege that the USD ICE Libor panel banks conspired to make artificially low submissions to that benchmark in order to profit on their trading in derivatives tied to USD ICE Libor. Plaintiffs seek to certify a class comprised of US residents (individuals and entities) that transacted with a defendant in floating rate debt instruments or interest rate swaps tied to USD ICE Libor and received a payment at any time between 1<sup>st</sup> February 2014 to the present, regardless of when the instrument was purchased. On 30<sup>th</sup> August 2019, Societe Generale and SGAS filed a motion to dismiss all claims asserted against them.
- 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 approved by the Court on 6<sup>th</sup> August 2018. A separate putative class action on behalf of putative classes of indirect purchasers is also pending. SG has reached a settlement of USD 975,000 to put an end to these proceedings, which is awaiting preliminary approval by the court. On 7<sup>th</sup> 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. A motion to dismiss was filed on 1<sup>st</sup> April 2019.
- On 10<sup>th</sup> 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<sup>st</sup> 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<sup>th</sup> December 2012, which was supposed to implement the decision rendered by the Court of



Justice of the European Union C-310/09 on 15<sup>th</sup> 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<sup>th</sup> April 2016 and by referring the matter to the Court of Justice of the European Union on 8<sup>th</sup> December 2016. The Court of Justice of the European Union rendered its judgement on 4<sup>th</sup> 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.

- 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<sup>th</sup> October 2016, and discovery is now proceeding. Societe Generale, along with other financial institutions, is also named as a defendant in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.
- 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 a fund administered by SGSS GmbH proprietary trading activities and transactions carried out on behalf of clients. The Group entities respond to the requests of the German authorities.

SGSS GmbH was informed by the Bonn District Court on 19<sup>th</sup> June 2019 that criminal proceedings had been initiated against two individuals who were employed by a company having previously advised this fund, the latter being suspected by the German prosecutors to have been involved in potentially fraudulent CumEx transactions. On 19<sup>th</sup> August 2019, the Bonn District Court ordered SGSS GmbH to join these criminal proceedings, which are currently pending, as a “secondary party”.

- In May 2019, SGAS was named, along with other financial institutions, as a defendant in a putative class action in the US alleging anticompetitive behaviour in the pricing of “agency bonds” issued by US Government Sponsored Enterprises (GSEs), including Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage

Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae). SGAS, along with several other defendants, filed a motion to dismiss on 13<sup>th</sup> June 2019 which was granted on 29<sup>th</sup> August 2019 as against SGAS and several other bank defendants. Plaintiffs filed an amended complaint on 9<sup>th</sup> September 2019, and a motion to dismiss this amended complaint was filed on 17<sup>th</sup> September 2019. That motion was denied on 15<sup>th</sup> October 2019. On 16<sup>th</sup> December 2019, plaintiffs and twelve bank defendants, including SGAS, submitted for court approval a stipulation of settlement in the class action, for USD 250 million. Although SGAS’s share of the settlement is not public, the amount was not material from a financial statement perspective. SGAS also has been named in two separate individual litigations, one brought in September by the State of Louisiana and the other brought in October by City of Baton Rouge/East Baton Rouge Parish. These suits also assert antitrust claims against SGAS and multiple other bank defendants based on these plaintiffs’ purchases of GSE bonds. SGAS has also received a subpoena from the US Department of Justice (DOJ) in connection with its US agency bond business. SGAS is responding to these requests and is cooperating with the DOJ investigation.

- Societe Generale and certain of its subsidiaries are defendants in an action pending in the US Bankruptcy Court in Manhattan brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC (BLMIS). The action is similar to those brought by the BLMIS Trustee against numerous institutions and seeks recovery of amounts allegedly received by the SG entities indirectly from BLMIS through so-called “feeder funds” that were invested in BLMIS and from which the SG entities received redemptions. The suit alleges that the amounts that the SG entities received are avoidable and recoverable under the US Bankruptcy Code and New York state law. The BLMIS Trustee seeks to recover, in the aggregate, approximately USD 150 million from the SG entities. The SG entities are defending the action. In decisions dated 22<sup>nd</sup> November 2016 and 3<sup>rd</sup> October 2018, the Court rejected most of the claims brought by the BLMIS Trustee. The Trustee appealed to the US Court of Appeals for the Second Circuit. By order dated 25<sup>th</sup> February 2019, the Second Circuit vacated the judgements and remanded for further proceedings. By order dated 23<sup>rd</sup> April 2019, the Second Circuit has stayed the mandate, pending disposition of Defendant-Appellees’ petition for review by the United States Supreme Court.
- On 10<sup>th</sup> July 2019, Societe Generale was named as a defendant in a litigation filed in the US District Court in Miami by plaintiffs seeking to recover under the Cuban Liberty and Democracy Solidarity (Libertad) Act of 1996 (known as the Helms-Burton Act) for alleged losses stemming from the expropriation by the Cuban government in 1960 of Banco Nunez in which they are alleged to have held an interest. Plaintiff claims damages from Societe Generale under the terms of this statute. Plaintiff filed an amended complaint on 24<sup>th</sup> September 2019 adding three other banks as defendants and adding several new factual allegations as to Societe Generale. Societe Generale filed a motion to dismiss, which was fully briefed as of 10<sup>th</sup> January 2020.

## 6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**ERNST & YOUNG et Autres**  
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S.A.S. à capital variable  
438 476 913 R.C.S. Nanterre

**DELOITTE & ASSOCIÉS**  
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S.A.S. au capital de € 2.188.160  
572 028 041 R.C.S. Nanterre

**Société Générale**  
Société anonyme  
17, cours Valmy  
92972 Paris-La Défense

Year ended December 31, 2019

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company that is issued in French language 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 December 31, 2019.

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 December 31, 2019 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 January 1, 2019 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.

### Emphasis of Matter

Without qualifying the opinion expressed above, we draw your attention to:

- Notes 1 « Significant accounting principles » and 8.4 « Tangible and intangible fixed assets » to the consolidated financial statements that present the impacts of the first-time application of IFRS 16 « Leases »;
- Notes 1 « Significant accounting principles » and 6 « Income tax » to the consolidated financial statements that present the impacts of the first-time application of the amendment to IAS 12 « Income taxes ».

### 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 those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

## RECOVERABILITY OF DEFERRED TAX ASSETS IN FRANCE AND IN THE UNITED STATES

### Risk identified

As at December 31, 2019 deferred tax assets on tax loss carryforwards were recorded in an amount of 2,659 M€, including 2,586 M€ for the tax groups in France and the United States.

As stated in Note 6 “Income tax” to the consolidated financial statements, the Société Générale Group calculates deferred taxes at the level of each tax entity and recognizes deferred tax assets at the closing date when it is considered probable that the tax entity concerned will have future taxable profits against which temporary differences and tax loss carryforwards can be offset, within a given timeframe.

In addition, as stated in Notes 6 “Income tax” and 9 “Information on risks and litigation” to the consolidated financial statements, certain tax loss carryforwards are challenged by the French tax authorities and are therefore liable to be called into question.

Given the assumptions used to assess the recoverability of the deferred tax assets in France and the United States (which represent the major part of the assets recognized), notably on future taxable profits, and the judgment exercised by Management in this respect, we considered 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 use in the future its tax loss carryforwards generated to date, in particular with regard to its ability to generate future taxable profits in France and the United States.

With the support of tax specialists included in our audit team, we:

- compared the projected results of the previous years with the actual results of the corresponding fiscal years;
- obtained an understanding of the three-year business plan drawn up by Management and approved by the Board of Directors, as well as of the assumptions used by Management beyond the three-year period to prepare projected tax results;
- obtained an understanding of the projected temporary differences over a three-year period;
- analyzed the sensitivity of these assumptions in the event of adverse scenarios defined by the Société Générale Group;
- analyzed the situation of the Société Générale Group, notably by taking note of the opinions of its external tax advisers regarding its tax loss carryforwards in France, partly challenged by the tax authorities;
- examined the information provided by the Group, concerning deferred tax assets, disclosed in Notes 6 “Income tax” and 9 “Information on risks and litigation” to the consolidated financial statements.

## PORTFOLIO-BASED INTEREST RATE RISK FAIR VALUE HEDGING OF OUTSTANDINGS OF THE RETAIL BANKING NETWORKS IN FRANCE

### Risk identified

To manage the interest rate risk generated by its retail banking activities in France in particular, the Société Générale Group manages a hedging derivatives portfolio to hedge its net interest rate position.

The Group documents these portfolio-based interest rate risk fair value hedging transactions (“macro-hedging”) in its accounts in accordance with IAS 39 as adopted in the European Union, as presented in Note 3.2 “Financial derivatives” to the consolidated financial statements.

This documentation and the accounting treatment are only possible if certain criteria are met, in particular: designation and documentation at inception of the hedging relationship, eligibility of hedging and hedged instruments, demonstration of the hedge effectiveness, measurement of effectiveness. Pursuant to IAS 39 as adopted in the European Union, the documentation of hedging relationships compares:

- the gross outstandings designated for the hedging relationship (identification of eligible financial assets and eligible financial liabilities, for which maturities have been broken down according to the assumptions made by Management as described in Note 10 “Management of financial instruments related risks” to the consolidated financial statements), on the one hand;
- the nominal amounts of the corresponding hedging transactions, broken down by maturity, on the other hand.

In 2019, the Société Générale Group evolved its interest rate risk management of the fair value hedging strategy, to reflect in particular changes in its portfolio of customer deposits of retail banking networks in France in relation to the current interest rate environment, as presented in Note 3.2 “Financial derivatives” to the consolidated financial statements. This change led to a substantial increase in the commitments of interest rate derivatives hedging portfolios of liabilities.

The “macro-hedge” accounting of retail banking transactions in France requires Management to exercise judgment regarding in particular:

- the identification of eligible hedging and hedged items;
- the criteria adopted to schedule the outstandings’ maturities by including behavioral criteria;
- and the performance of effectiveness tests and calculations.

As at December 31, 2019, the fair value of the derivatives instruments hedging portfolios of liabilities totaled 12,466 M€ in assets and 5,600 M€ in liabilities, and the revaluation differences on portfolios hedged against interest rate risk totaled 401 M€ in assets and 6,671 M€ in liabilities.

Considering the documentation requirements for “macro-hedging” relationships, the volume of hedging derivative transactions and the use of Management judgment required, we consider the accounting treatment of portfolio-based interest rate risk fair value hedging of outstandings of the retail banking networks in France to be a key audit matter.

### Our response

Our audit procedures in response to the risk relating to the accounting treatment of portfolio-based interest rate risk fair value hedging of outstandings (“macro-hedging”) consisted in obtaining an understanding of the procedures used to manage the structural interest rate risk, and reviewing the control environment set up by Management in particular for the documentation, identification and eligibility of hedged and hedging items, as well as for the performance of effectiveness tests.

With the support of financial modelling experts, where necessary, our work mainly consisted in:

- reviewing the accounting documentation of the hedging relationships;
- testing the eligibility of the financial assets and liabilities used by the Group for the portfolio-based interest rate risk fair value hedge accounting, according to the terms and conditions defined by IAS 39 as adopted in the European Union;
- examining the procedures used to prepare and control the criteria adopted to schedule the maturities of the hedged financial instruments, particularly with regard to the adopted maturities of the eligible financial liabilities;



- assessing the procedures used to determine the effectiveness of these hedging relationships, as well as the related governance;
- analyzing the results of prospective and retrospective tests required by the applicable accounting framework;
- performing recalculations on the portfolio of financial instruments eligible for portfolio-based interest rate risk fair value hedging;
- reviewing the qualitative and quantitative information disclosed in the notes to the consolidated financial statements and their compliance with IFRS 7 "Financial instruments: Disclosures".

## CREDIT RISK APPRAISAL AND ASSESSMENT OF IMPAIRMENT FOR CUSTOMER LOANS

### Risk identified

Customer loans and receivables carry a credit risk which exposes Société Générale Group to a potential loss if its client or counterparty is unable to meet its financial commitments. The Société Générale Group recognizes impairment to cover this risk.

Such impairment is calculated according to IFRS 9 "Financial instruments" principles, based on the expected credit losses calculation.

The assessment of expected credit losses for customer loans requires the exercise of judgment notably to:

- determine the loan classification criteria under stage 1, stage 2 or stage 3;
- estimate the amount of expected credit losses depending on the different stages;
- prepare macro-economic projections which are embedded in the deterioration criteria and in the expected credit losses measurement.

The qualitative information concerning in particular the recognition and procedure used to estimate expected credit losses are mainly described in Note 3.8 "Impairment and provisions" to the consolidated financial statements.

As at December 31, 2019, total customer loan outstandings exposed to credit risk totaled 460,587 M€; the impairment and provisions totaled 10,727 M€.

We considered the assessment of the credit risk and the measurement of impairment to be a key audit matter, as they require Management to exercise judgement and make estimates, particularly concerning the credit risk on the financing granted to companies in the most sensitive economic sectors and geographical areas, while the loans may represent significant amounts.

### Our response

With the support of specialists in risk management and modelling included in the audit team, we focused our work on the most significant loans and/or portfolios of loans to clients, as well as on the financing granted to companies in the most sensitive economic sectors and geographical areas.

We obtained an understanding of the Société Générale Group's internal control and tested the manual and automated key controls relating to the assessment of the credit risk and the measurement of the expected losses.

Concerning impairment, our audit work notably consisted in:

- examining the compliance of policies and methodologies implemented by the Group and declined within the different business units, with IFRS 9 "Financial instruments";
- obtaining an understanding of the governance plan and testing the key controls set up at Group level;

- performing tests on a selection of models implemented in the information systems which are used to prepare financial information;
- performing a counter-calculation of the expected credit losses on a selection of stage 1 and stage 2 portfolios as at December 31, 2019 in order to assess the correct calibration of the models;
- analyzing the main parameters used by the Société Générale Group to classify outstandings and assess stages 1 and 2 impairment calculation as at December 31, 2019, including the integration of macro-economic projections;
- testing, as at December 31, 2019, in particular on a selection of the most significant loans to corporate clients, the main assumptions used to classify loans in stage 3, as well as the estimation of the related individual impairment.

We also examined the qualitative and quantitative disclosures in the notes to the consolidated financial statements relating to credit risk, and in particular the information required by IFRS 7 "Financial instruments: Disclosures".

## VALUATION OF COMPLEX FINANCIAL INSTRUMENTS

### Risk identified

Within the scope of its market activities, the Société Générale Group holds financial instruments for trading purposes. As at December 31, 2019, total amounts of 385,739 M€ and 364,129 M€ were recorded in assets and liabilities, respectively, on the Société Générale Group's balance sheet.

To determine the fair value of complex instruments, the Group uses techniques or in-house valuation models based on parameters and data, some of which are not observable in the market, which can differ the recognition of the margin in the income statement for transactions involving such financial instruments, as stated in Note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements. If necessary, these valuations include additional reserves or value adjustments. The models and data used to value these instruments, and their classification under the fair value hierarchy, are based on management's judgment and estimates.

Given the exercise of judgment in determining the 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 based on the key internal control processes related to the valuation of complex financial instruments.

With the support of experts in the valuation of financial instruments included in the audit team, we designed an approach including the following main stages:

- we obtained an understanding of the procedure to authorize and validate new products and their valuation models, including the process for the entry of these models in the information systems;
- we analyzed the governance set up by the Risk Department for the control of the valuation models;
- based on samples, we specifically analyzed the valuation formulas for certain categories of complex instruments and the relating value adjustments;
- we tested the key controls relating to the independent verification of the valuation parameters, and analyzed certain market parameters used to provide input for the valuation models;
- as regards the process used to explain the changes in fair value, we obtained an understanding of the bank's analysis principles and

performed tests of controls; in addition, we performed “analytical” IT procedures on the daily control data relating to certain activities;

- we obtained the quarterly results of the independent price verification process performed on the valuation models using external market data, and analyzed the differences in parameters with the market data in the event of a significant impact, and the accounting treatment of such differences;
- we performed counter-valuations of a selection of complex derivative financial instruments using our tools;
- we analyzed the observability criteria, among others, used to determine the fair value hierarchy of such instruments, and to estimate deferred margin amounts;
- we examined the compliance of the methods underlying the estimates with the principles described in Note 3.4 “Fair value of financial instruments measured at fair value” to the consolidated financial statements.

### INFORMATION TECHNOLOGY RISK ON DERIVATIVE FINANCIAL INSTRUMENTS AND STRUCTURED BONDS ISSUED

#### Risk identified

The Société Générale Group's derivative financial instruments and structured bonds issued constitute an important activity within the bank's 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 interfaced information systems.

The risk of occurrence of a significant misstatement in the accounts related to an incident in the data processing chains used or the recording of transactions until their transfer into the accounting system may result from:

- changes made to management and financial information by unauthorized persons via the information systems or underlying databases;
- a failure in processing or in the transfer of data between systems;
- a service interruption or an operating incident which may or may not be related to internal or external fraud.

In this context, the monitoring by the Société Générale Group of controls linked to the management of the information systems relating to the derivative financial instruments and structured bonds issued is essential for the reliability of the accounts.

As such, we considered the information technology risk on derivative financial instruments and structured bonds issued to be a key audit matter.

#### Our response

Our audit approach for this activity is based on the controls related to the management of the information systems set up by Société Générale Group. With the support of specialists in information systems included in the audit team, we tested the IT general controls of the applications that we considered to be key for this activity.

Our work concerned, in particular:

- the controls set up by the Société Générale Group on access rights, notably at sensitive periods in a professional career (recruitment, transfer, resignation, end of contract) with, where applicable, extended audit procedures in the event of ineffective control identified during the financial year;
- potential privileged access to applications and infrastructure;

- change management relating to applications, and more specifically the separation between development and business environments;
- security policies in general and their deployment in IT applications (for example, those related to passwords);
- handling of IT incidents during the audit period;
- governance and the control environment on a sample of applications.

For these same applications, and in order to assess the transfer of information flows, we tested the key application controls relating to the automated interfaces between the systems.

Furthermore, our tests of the IT general controls and application controls were supplemented by data analytics work on certain IT applications.

### Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations on the information relating to 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 (*Code de commerce*) is included in the information relating to the Group presented in the management report, it being specified that, in accordance with Article L.823-10 of the said 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 the Annual General Meeting held on April 18, 2003 for DELOITTE & ASSOCIÉS and on May 22, 2012 for ERNST & YOUNG et Autres.

As at December 31, 2019, DELOITTE & ASSOCIÉS was in the seventeenth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the eighth 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 operations.

The Audit and Internal Control Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

## Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

### OBJECTIVE AND AUDIT APPROACH

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

### REPORT TO THE AUDIT AND INTERNAL CONTROL COMMITTEE

We submit to the Audit and Internal Control Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Internal control Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Internal Control Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.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 12, 2020

The Statutory Auditors

*French original signed by*

ERNST & YOUNG et Autres  
Micha MISSAKIAN

DELOITTE & ASSOCIÉS  
Jean-Marc MICKELER

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