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).

1,600,000 European Style Cash Settled Long Certificates relating to

the ordinary shares of NetEase, Inc.

with a Daily Leverage of 5x

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S$2.50 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the "**Certificates**") to be issued by SG Issuer (the "**Issuer**") unconditionally and irrevocably guaranteed by Société Générale (the "**Guarantor**"), and is supplemental to and should be read in conjunction with a base listing document dated 21 June 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[1] and Specified Investment Products (SIPs)[2], and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer and of no other person, and the guarantee dated 21 June 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 18 June 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.

17 June 2020

[1] As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.
[2] As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document 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 may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

(m) investors should note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;

(n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

(o) 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;

(p) 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;

(q) 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;

(r) 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;

(s) 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;

(t) 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;

(u) 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;

(v) 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;

(w) 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;

(x) 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;

(y) 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;

(z) 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;

(aa) the US Foreign Account Tax Compliance Act ("**FATCA**") withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer is subject to FATCA and, as a result, is required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide us with such certification, the Issuer and the Guarantor could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

(bb) 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

(cc) 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:	1,600,000 European Style Cash Settled Long Certificates relating to the ordinary shares of NetEase, Inc. (the "**Underlying Stock**")
ISIN:	LU1986498647
Company:	NetEase, Inc. (RIC: 9999.HK)
Underlying Price[3] and Source:	HK$128.10 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 2.50
Management Fee (p.a.)[4]:	0.40%
Gap Premium (p.a.)[5]:	7.50%, is a hedging cost against extreme market movements overnight.
Funding Cost[6]:	The annualised costs of funding, referencing a publically published interbank offered rate plus spread.
Rebalancing Cost[6]:	The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock.
Launch Date:	15 June 2020
Closing Date:	17 June 2020
Expected Listing Date:	18 June 2020

[3] These figures are calculated as at, and based on information available to the Issuer on or about 17 June 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 17 June 2020.
[4] Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.
[5] Please note that the Gap Premium is calculated on a 360-day basis.
[6] These costs are embedded within the Leverage Strategy.

Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 8 June 2023
Expiry Date:	15 June 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:	14 June 2023 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate Please refer to the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section on pages 38 to 52 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where: "**t**" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and ACT

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

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An “**Underlying Stock Business Day**” is a day on which The Stock Exchange of Hong Kong Limited (the “**HKEX**”) is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section on pages 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[3]: 0.1798

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the

	Issuer may reasonably determine to be appropriate at such a time.
Air Bag Mechanism:	The "**Air Bag Mechanism**" refers to the mechanism built in the Leverage Strategy and which is designed to reduce the Leverage Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock falls by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents 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.
Adjustments and Extraordinary Events:	The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.
Underlying Stock Currency:	Hong Kong Dollar ("**HKD**")
Settlement Currency:	Singapore Dollar ("**SGD**")
Exercise Expenses:	Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.
Relevant Stock Exchange for the Certificates:	The Singapore Exchange Securities Trading Limited (the "**SGX-ST**")
Relevant Stock Exchange for the Underlying Stock:	HKEX
Business Day and Exchange Business Day:	A "**Business Day**" is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore. An "**Exchange Business Day**" is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.

Warrant Agent:	The Central Depository (Pte) Limited ("**CDP**")
Clearing System:	CDP
Fees and Charges:	Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month's notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.
Further Information:	Please refer to the website at dlc.socgen.com 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

$\mathbf{LSL_t}$	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):
$\mathrm{LSL_1} = 1000$

On each subsequent Observation Date(t):
$\mathrm{LSL_t} = \mathrm{Max}\left[\mathrm{LSL_{t-1}} \times \left(1 + \mathrm{LR_{t-1,t}} - \mathrm{FC_{t-1,t}} - \mathrm{RC_{t-1,t}}\right), 0\right]$

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

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

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

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

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

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

TC means the Transaction Costs applicable (including Stamp Duty) that are equal to :
0.10%

Leverage 5

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

$\mathbf{Rate_t}$ means, in respect of each Observation Date(t), a rate calculated as of such day in accordance with the following formula:

$$\mathrm{Rate_t} = \mathrm{CashRate_t} + \%\mathrm{SpreadLevel_t}$$

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

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

where
Div_t is the dividend to be paid out in respect of the Underlying Stock and the

relevant ex-dividend date which shall be considered net of any applicable withholding taxes.

$\mathbf{CashRate_t}$	means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page.
$\%\mathbf{SpreadLevel_t}$	means, in respect of each Observation Date(t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the 12-month HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKD1YD= and (2) Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, each being the rate as of day (t), provided that if any of such rates is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Provided that if such difference is negative, $\%\mathbf{SpreadLevel_t}$ should be 0%.
ACT(t-1,t)	ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).
DayCountBasisRate	365

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

Extraordinary Strategy Adjustment for Performance Reasons

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

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Strategy Closing Level on the Intraday Restrike Date ($\mathrm{LSL_{IRD}}$) should be computed as follows :

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

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

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

$\mathbf{ILSL_{IR(k)}}$ means, in respect of IR(k), the Intraday Leverage Strategy Level in accordance with the following provisions :

(1) for k = 1 :

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

(2) for k > 1 :

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

$\mathbf{ILR_{IR(k-1),IR(k)}}$ means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows :

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

$\mathbf{IRC_{IR(k-1),IR(k)}}$ means the Intraday Rebalancing Cost of the Leverage Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows :

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

$\mathbf{IS_{IR(k)}}$ means the Underlying Stock Price in respect of IR(k) computed as follows :

(1) for k=0

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

(2) for k=1 to n

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

(3) with respect to IR(C)

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

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

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

For k=1 to n, means the k^{th} Intraday Restrike Event on the relevant Intraday Restrike Date.

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

n means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.

Intraday Restrike Event means in respect of an Observation Date(t):

(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS}_{\mathbf{IR(0)}}$ 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 $\mathbf{IS}_{\mathbf{IR(k)}}$ as of such Calculation Time.

Calculation Time means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage 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:	NetEase, Inc.
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	1,600,000 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 "**Master Instrument**") and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the "**Master Warrant Agent Agreement**") and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates

Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 18 June 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 a 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	=	**Daily Management Fee Adjustment** 1 – Management Fee x ACT (t-1;t) / 360 x **Daily Gap Premium Adjustment** 1 – Gap Premium (t-1) x ACT (t-1;t) / 360

Illustration of the Calculation of Cash Settlement Amount

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

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

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

		t=0				
Final Value of Certificates	=	Notional Amount	x	Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate	x	Hedging Fee Factor

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

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

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

[7] "t" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.
[8] 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 NetEase, Inc.
Expected Listing Date:	**03/07/2018**
Expiry Date:	**18/07/2018**
Initial Reference Level:	**1,000**
Initial Exchange Rate:	**1**
Final Reference Level:	**1,200**
Final Exchange Rate:	**1**
Issue Price:	**2.50 SGD**
Notional Amount per Certificate:	**2.50 SGD**
Management Fee (p.a.):	**0.40%**
Gap Premium (p.a.):	**7.50%**
Strike Level:	Zero

Hedging Fee Factor

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

HFF(0) = 100%

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

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

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

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

Assuming 2^{nd} Underlying Stock Business Day falls 3 Calendar Days after 1^{st} Underlying Stock Business Day:

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

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

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

The same principle applies to the following Underlying Stock Business Days:

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

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6713% as illustrated below:

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

Cash Settlement Amount

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

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

= [(1200 x 1) / (1000 x 1) – 0] x 99.6713%

= 119.61%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.61% x 2.50 SGD

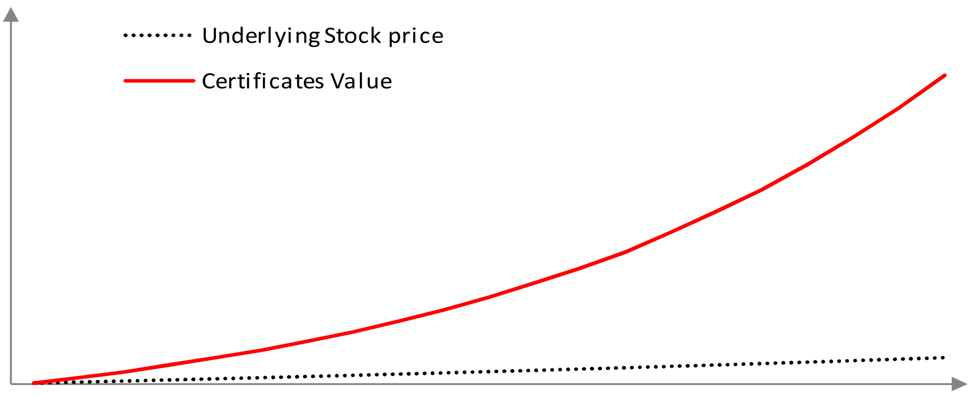
= 2.990 SGD

Illustration on how returns and losses can occur under different scenarios

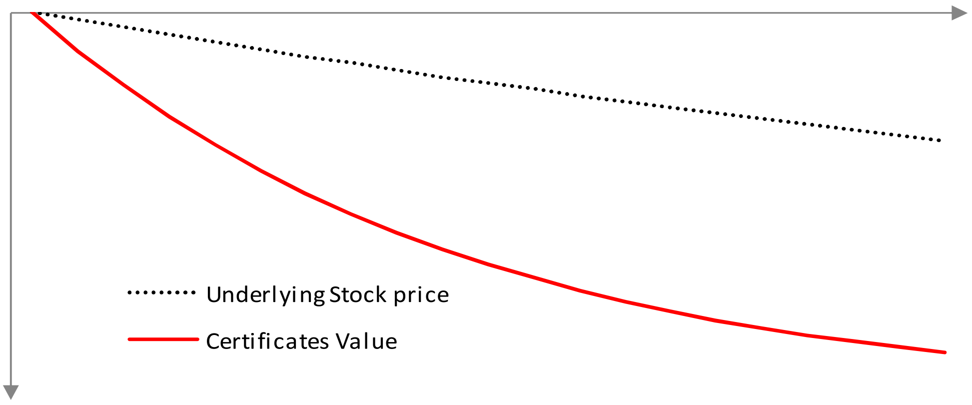
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. Illustrative examples

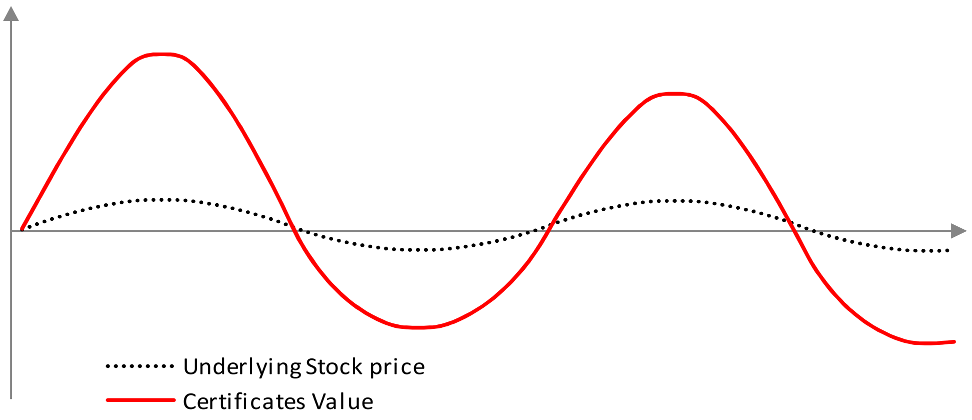
Scenario 1 – Upward Trend



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	2.5	2.75	3.03	3.33	3.66	4.03
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	2.5	2.25	2.03	1.82	1.64	1.48
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	2.5	2.75	2.48	2.72	2.45	2.70
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

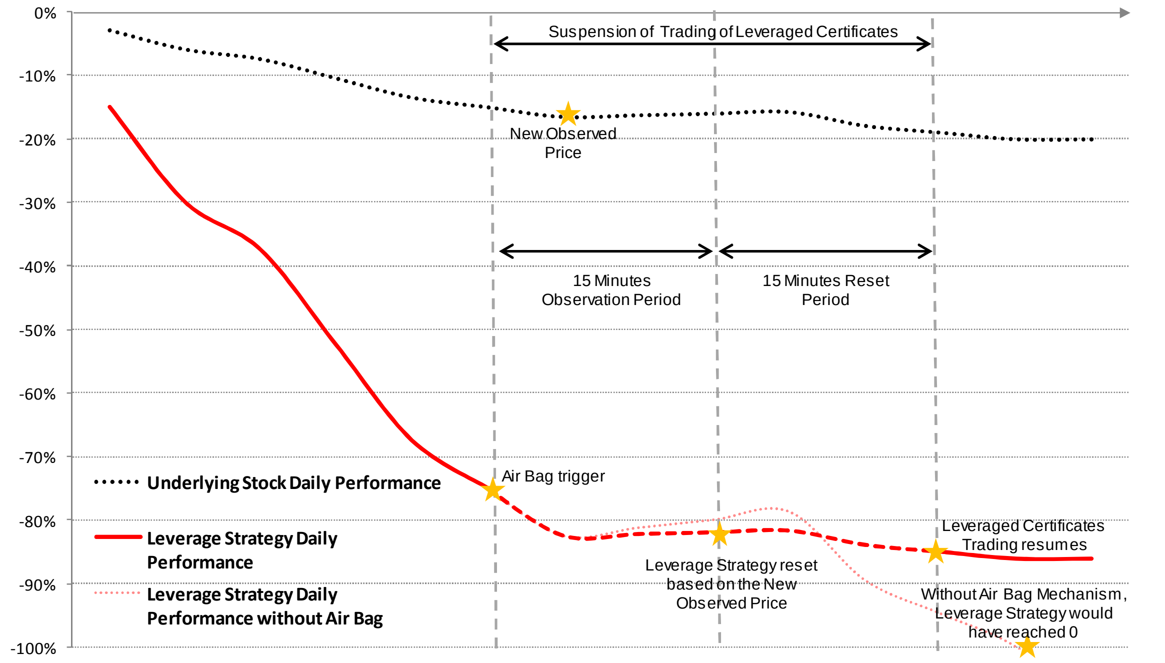
<table>
<tr><th>Air Bag Trigger</th><th>Observation Period</th><th>Resumption of Trading</th></tr>
<tr><td>More than 45 minutes before Market Close</td><td rowspan="5">First 15 minutes after Air Bag Trigger</td><td>Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger</td></tr>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

With **Market Close** defined as:

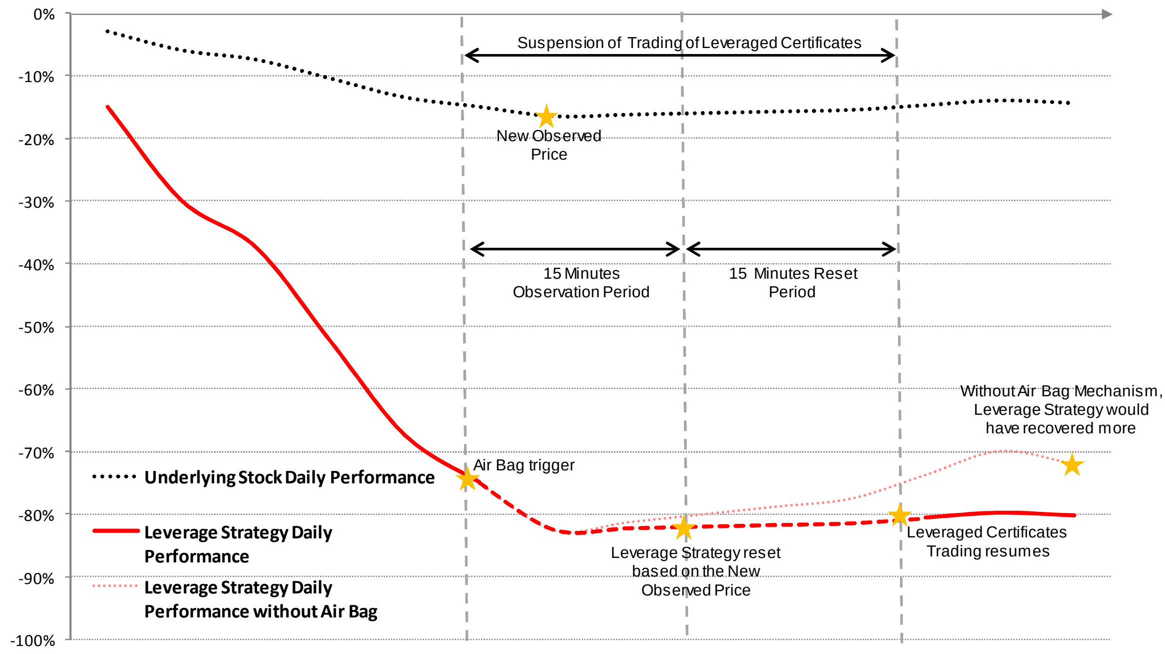
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

Illustrative examples of the Air Bag Mechanism[9]

Scenario 1 – Downward Trend after Air Bag trigger



Scenario 2 – Upward Trend after Air Bag trigger



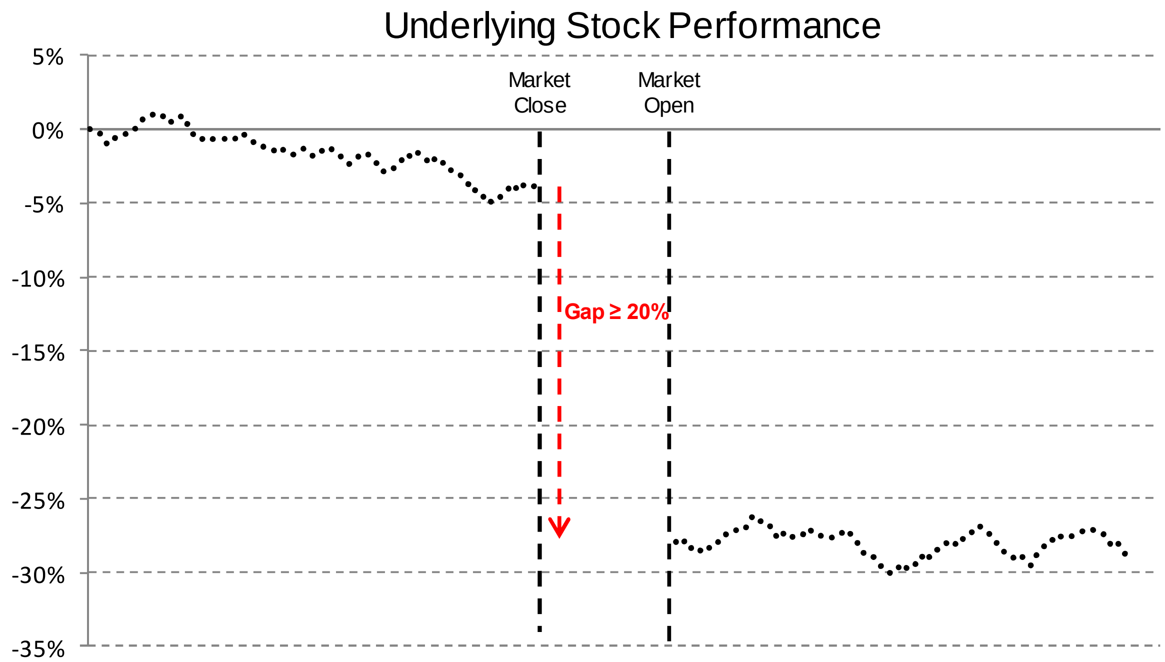
[9] The illustrative examples are not exhaustive.

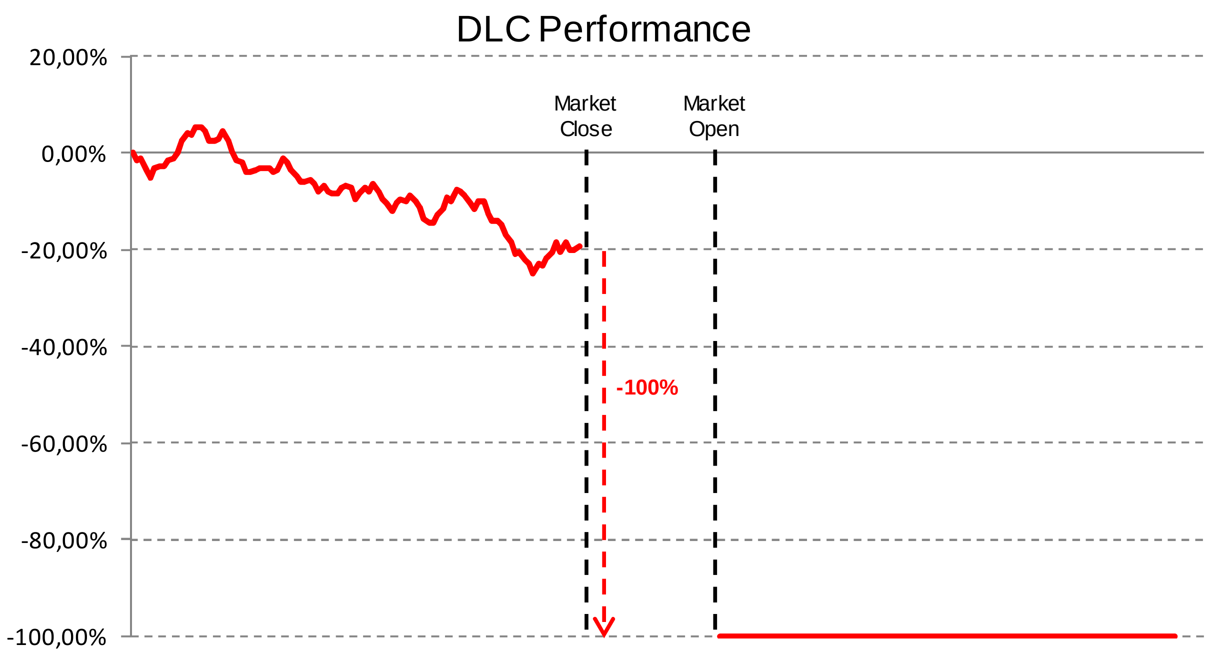
Scenarios where the investor may lose the entire value of the investment

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 :

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

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

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

Where:

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

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

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

1. Stock split

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

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

$\mathrm{S_t}$ = \$51

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

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:

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

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)
2.5	2.75	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. <u>Share Consolidation</u>

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

S_{t-1} = $100

S_t = $202

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

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

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:

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

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)
2.5	2.625	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. <u>Rights Issues</u>

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

S_{t-1} = $100

S_t = $84

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

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

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

M = 0.5 (i.e. 1 new share for every 2 existing shares)

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
2.5	3.125	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

$Div_t = \$0$

$DivExc_t = \$0$

R = \$0

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

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
2.5	2.75	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

$Div_t = \$0$

$DivExc_t = \$20$

R = \$0

M = 0

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

As a consequence:

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

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

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
2.5	3.125	25%

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

INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the "**HKExCL**") at http://www.hkex.com.hk and/or the Company's web-site at http://ir.netease.com/. The Issuer has not independently verified any of such information.*

NetEase, Inc. (the "**Company**" or "**NetEase**") (NASDAQ: NTES) is a leading internet technology company based in China dedicated to providing premium online services centered around content, community, communication and commerce. NetEase develops and operates some of the most popular PC-client and mobile games in China and has been expanding rapidly into other international markets such as Japan and North America in more recent years. In addition to its self-developed game content, NetEase also operates some of the most popular international online games in China by partnering with Blizzard Entertainment, Mojang AB (a Microsoft subsidiary) and other global game developers.

NetEase also offers other innovative services, including the intelligent learning services of its majority-controlled subsidiary, Youdao, its music streaming platform, NetEase Cloud Music, and its private label e-commerce platform, Yanxuan

The information set out in Appendix I of this document relates to the unaudited condensed interim financial information of the Company and its subsidiaries as at 31 March 2020 and has been extracted and reproduced from the Company's prospectus dated 2 June 2020. Further information relating to the Company may be located on the web-site of the HKExCL at http://www.hkex.com.hk.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker ("**DMM**") for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

(a)	Maximum bid and offer spread	:	10 ticks or S$0.20 whichever is greater
(b)	Minimum quantity subject to bid and offer spread	:	10,000 Certificates
(c)	Last Trading Day for Market Making	:	The date falling 5 Exchange Business Days immediately preceding the Expiry Date

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

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Certificates are valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);

(iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;

(iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;

(v) where the Certificates are suspended from trading for any reason;

(vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;

(vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;

(viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;

(ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

(x) if the stock market experiences exceptional price movement and volatility;

(xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and

(xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

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

SUPPLEMENTAL INFORMATION RELATING TO THE ISSUER

The information set out in Appendix II of this document is a reproduction of the annual financial statements of the Issuer as at and for the year ended 31 December 2019 and its auditor's report.

SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR

The information set out in Appendix III of this document is a reproduction of the press release dated 30 April 2020 containing the Guarantor's consolidated financial results for the first quarter ended 31 March 2020.

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 31 December 2019 or the Guarantor since 31 March 2020, 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 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 CONDENSED INTERIM FINANCIAL INFORMATION AS AT 31 MARCH 2020 OF NETEASE, INC. AND ITS SUBSIDIARIES

The information set out below is a reproduction of the unaudited condensed interim financial information of the Company and its subsidiaries as at 31 March 2020 and has been extracted and reproduced from the Company's prospectus dated 2 June 2020.

Unaudited Condensed Consolidated Balance Sheets
(in thousands except per share data)

	Notes	December 31, 2019	March 31, 2020	March 31, 2020
		RMB	*RMB*	*US$* *Note 2(a)*
Assets				
Current assets:				
Cash and cash equivalents	*2(d)*	3,246,373	5,592,847	789,861
Time deposits	*2(d)*	53,487,075	50,515,092	7,134,094
Restricted cash	*2(d)*	3,150,354	3,507,105	495,298
Accounts receivable, net		4,169,358	4,559,441	643,916
Inventories, net		650,557	562,117	79,386
Prepayments and other current assets	*5*	4,817,422	6,060,421	855,895
Short-term investments		15,312,595	19,373,366	2,736,042
Assets held for sale		271,278	50,751	7,167
Total current assets		85,105,012	90,221,140	12,741,659
Non-current assets:				
Property, equipment and software, net	*6*	4,621,712	4,569,982	645,405
Land use rights, net	*7*	3,707,179	3,687,971	520,841
Operating lease right-of-use assets, net	*7*	463,688	502,941	71,029
Deferred tax assets		903,904	934,604	131,991
Time deposits	*2(d)*	2,360,000	3,850,000	543,724
Long-term investments	*8*	9,293,868	9,217,017	1,301,691
Other long-term assets	*9*	5,666,610	5,670,163	800,780
Assets held for sale		2,398	—	—
Total non-current assets		27,019,359	28,432,678	4,015,461
Total assets		112,124,371	118,653,818	16,757,120
Liabilities, Redeemable noncontrolling interests and Shareholders' equity				
Current liabilities:				
Accounts payable		1,212,303	1,197,007	169,050
Salary and welfare payables		2,957,360	2,429,147	343,061
Taxes payable	*10(b)*	3,156,513	4,390,606	620,072
Short-term loans	*11*	16,828,226	19,624,535	2,771,514
Deferred revenue	*13*	8,602,227	9,981,353	1,409,636
Accrued liabilities and other payables	*12*	5,292,774	5,546,607	783,331
Short-term operating lease liabilities		191,454	238,071	33,622
Liabilities held for sale		2,156	87	12
Total current liabilities		38,243,013	43,407,413	6,130,298

Unaudited Condensed Consolidated Balance Sheets (Continued)
(in thousands except per share data)

	Notes	December 31, 2019	March 31, 2020	March 31, 2020
		RMB	*RMB*	*US$* *Note 2(a)*
Non-current liabilities:				
Deferred tax liabilities		382,030	625,578	88,348
Long-term operating lease liabilities		279,949	282,892	39,952
Other long-term payable		176,963	144,384	20,391
Liabilities held for sale		961	—	—
Total non-current liabilities		839,903	1,052,854	148,691
Total liabilities		39,082,916	44,460,267	6,278,989
Commitments and contingencies	*17*			
Redeemable noncontrolling interests	*14*	10,448,600	10,385,411	1,466,700
Shareholders' equity:				
Ordinary shares, US$0.0001 par value: 1,000,300,000 shares authorized, 3,228,531 shares issued and outstanding as of December 31, 2019 and 3,221,331 shares issued and outstanding as of March 31, 2020		2,640	2,654	375
Additional paid-in capital		3,913,656	4,687,742	662,036
Treasury Stock		—	(2,395,815)	(338,354)
Statutory reserves		1,215,208	1,215,208	171,620
Accumulated other comprehensive (loss)/income		(71,445)	69,456	9,809
Retained earnings		56,393,640	59,018,101	8,334,948
NetEase, Inc.'s shareholders' equity		61,453,699	62,597,346	8,840,434
Noncontrolling interests	*14*	1,139,156	1,210,794	170,997
Total shareholders' equity		62,592,855	63,808,140	9,011,431
Total liabilities, redeemable noncontrolling interests and shareholders' equity		112,124,371	118,653,818	16,757,120

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (in thousands except per share data or per ADS data)

		For the three months ended March 31,		
		2019	2020	2020
	Notes	*RMB*	*RMB*	*US$* *Note 2(a)*
Net revenues:				
Online game	*20*	11,850,184	13,518,244	1,909,141
Youdao	*20*	225,731	541,388	76,459
Innovative businesses and others	*20*	2,346,294	3,002,735	424,067
Total net revenues		14,422,209	17,062,367	2,409,667
Cost of revenues	*20*	(6,684,535)	(7,684,745)	(1,085,293)
Gross profit		7,737,674	9,377,622	1,324,374
Operating expenses:				
Selling and marketing expenses		(1,158,090)	(1,863,071)	(263,116)
General and administrative expenses		(786,850)	(885,434)	(125,047)
Research and development expenses		(2,037,694)	(2,142,649)	(302,600)
Total operating expenses		(3,982,634)	(4,891,154)	(690,763)
Operating profit		3,755,040	4,486,468	633,611
Other income/(expenses):				
Investment income/(losses), net		155,824	(109,731)	(15,497)
Interest income, net		172,206	345,184	48,749
Exchange (losses)/gains		(39,520)	244,057	34,467
Other, net		37,164	66,708	9,421
Income before tax		4,080,714	5,032,686	710,751
Income tax	*10(a)*	(1,266,685)	(1,082,033)	(152,812)
Net income from continuing operations		2,814,029	3,950,653	557,939
Net loss from discontinued operations		(350,755)	—	—
Net income		2,463,274	3,950,653	557,939
Accretion and deemed dividends in connection with repurchase of redeemable noncontrolling interests		(68,783)	(386,019)	(54,516)
Net income attributable to noncontrolling interests and redeemable noncontrolling interests		(12,373)	(13,628)	(1,925)

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Continued)
(in thousands except per share data or per ADS data)

		For the three months ended March 31,		
		2019	2020	2020
	Notes	*RMB*	*RMB*	*US$ Note 2(a)*
Net income attributable to NetEase, Inc.'s shareholders		2,382,118	3,551,006	501,498
Including:				
Net income from continuing operations attributable to **NetEase, Inc.'s** shareholders		2,732,873	3,551,006	501,498
Net loss from discontinued operations attributable to **NetEase, Inc.'s** shareholders		(350,755)	—	—
Net income		2,463,274	3,950,653	557,939
Other comprehensive income				
Foreign currency translation adjustment		(58,761)	150,103	21,199
Total other comprehensive (loss)/income		(58,761)	150,103	21,199
Total comprehensive income		2,404,513	4,100,756	579,138
Comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interests		(12,373)	(22,830)	(3,224)
Comprehensive income attributable to NetEase, Inc.'s shareholders		2,392,140	4,077,926	575,914
Net income/(loss) per share, basic		0.74	1.10	0.16
— Continuing operations		0.85	1.10	0.16
— Discontinued operations		(0.11)	—	—
Net income/(loss) per ADS, basic		18.57	27.47	3.88
— Continuing operations		21.31	27.47	3.88
— Discontinued operations		(2.74)	—	—

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Continued)
(in thousands except per share data or per ADS data)

		For the three months ended March 31,		
		2019	2020	2020
	Notes	*RMB*	*RMB*	*US$* *Note 2(a)*
Net income/(loss) per share, diluted	*16*	0.74	1.08	0.15
— Continuing operations		0.85	1.08	0.15
— Discontinued operations		(0.11)	—	—
Net income/(loss) per ADS, diluted		18.43	27.12	3.83
— Continuing operations		21.14	27.12	3.83
— Discontinued operations		(2.71)	—	—
Weighted average number of ordinary shares outstanding, basic	*16*	3,206,194	3,231,395	3,231,395
Weighted average number of ADS outstanding, basic		128,248	129,256	129,256
Weighted average number of ordinary shares outstanding, diluted	*16*	3,231,321	3,273,999	3,273,999
Weighted average number of ADS outstanding, diluted		129,253	130,960	130,960

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity
(in thousands)

	Ordinary shares		Additional paid-in capital	Treasury stock		Statutory reserves	Accumulated other comprehensive income	Retained earnings	Noncontrolling interests	Total shareholders' equity
	Share	Amount		Share	Amount					
		RMB	*RMB*		*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Balance as of January 1, 2019	3,199,018	2,620	–	–	–	1,214,578	17,050	43,997,388	794,209	46,025,845
Ordinary shares issued upon settlement of restricted share units	20,832	14	(14)	–	–	–	–	–	–	–
Share-based compensation	–	–	626,814	–	–	–	–	–	8,384	635,198
Net income attributable to NetEase, Inc. and noncontrolling interest shareholders	–	–	–	–	–	–	–	2,450,901	12,373	2,463,274
Dividends to shareholders	–	–	–	–	–	–	–	(413,589)	–	(413,589)
Foreign currency translation adjustment	–	–	–	–	–	–	(58,761)	–	–	(58,761)
Accretion of redeemable noncontrolling interests	–	–	–	–	–	–	–	(68,783)	(2,923)	(71,706)
Balance as of March 31, 2019	3,219,850	2,634	626,800	–	–	1,214,578	(41,711)	45,965,917	812,043	48,580,261
Balance as of January 1, 2020	3,228,531	2,640	3,913,656	–	–	1,215,208	(71,445)	56,393,640	1,139,156	62,592,855
Ordinary shares issued upon settlement of restricted share units	20,577	14	(14)	–	–	–	–	–	–	–
Share-based compensation	–	–	639,895	–	–	–	–	–	17,285	657,180
Net income attributable to NetEase, Inc. and noncontrolling interest shareholders	–	–	–	–	–	–	–	3,937,025	13,628	3,950,653
Repurchase of shares	–	–	–	(27,777)	(2,395,815)	–	–	–	–	(2,395,815)
Repurchase of noncontrolling interest and redeemable noncontrolling interests	–	–	(10,045)	–	–	–	–	(237,723)	(3,068)	(250,836)
Capital injection in subsidiaries by noncontrolling interest shareholders	–	–	144,250	–	–	–	–	–	37,380	181,630
Dividends to shareholders	–	–	–	–	–	–	–	(926,545)	–	(926,545)
Foreign currency translation adjustment	–	–	–	–	–	–	140,901	–	9,202	150,103
Accretion of redeemable noncontrolling interests	–	–	–	–	–	–	–	(148,296)	(2,789)	(151,085)
Balance as of March 31, 2020	3,249,108	2,654	4,687,742	(27,777)	(2,395,815)	1,215,208	69,456	59,018,101	1,210,794	63,808,140

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	For the three months ended March 31,		
	2019	2020	2020
	RMB	*RMB*	*US$* *Note 2(a)*
Cash flows from operating activities:			
Net income	2,463,274	3,950,653	557,939
Net loss from discontinued operations	350,755	—	—
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	581,177	690,057	97,455
Fair value change of equity security investments	(129,912)	327,040	46,187
Investment impairment	96,099	6,600	932
Share-based compensation cost	620,799	665,814	94,031
(Reversal of)/ allowance for doubtful debts	(18,319)	49,939	7,053
Loss on disposal of property, equipment and software	2,738	37	5
Unrealized exchange losses/(gains)	41,806	(242,508)	(34,249)
Gain on disposal of long-term investments, business and subsidiaries	(11,978)	(15,433)	(2,180)
Deferred income taxes	303,052	212,848	30,060
Net equity share of losses/(gains) from equity method investees	17,454	(46,211)	(6,526)
Fair value changes of short-term investments	(124,648)	(153,106)	(21,623)
Changes in operating assets and liabilities:			
Accounts receivable	(609,092)	(430,535)	(60,803)
Inventories	163,004	88,440	12,490
Prepayments and other assets	(979,373)	(1,103,798)	(155,886)
Accounts payable	94,147	(98,679)	(13,936)
Salary and welfare payables	(484,045)	(537,907)	(75,967)
Taxes payable	939,359	1,234,078	174,285
Deferred revenue	151,641	1,379,126	194,770
Accrued liabilities and other payables	(842,077)	524,194	74,030
Net cash provided by continuing operating activities	2,625,861	6,500,649	918,067
Net cash provided by discontinued operating activities	760,713	—	—
Net cash provided by operating activities	3,386,574	6,500,649	918,067

Unaudited Condensed Consolidated Statements of Cash Flows (Continued)
(in thousands)

	For the three months ended March 31,		
	2019	2020	2020
	RMB	*RMB*	*US$* *Note 2(a)*
Cash flows from investing activities:			
Purchase of property, equipment and software	(369,590)	(164,320)	(23,206)
Proceeds from sale of property, equipment and software	3,820	772	109
Purchase of intangible assets, content and licensed copyrights	(851,560)	(306,835)	(43,333)
Net change of short-term investments with terms of three months or less	(40,255)	(780,535)	(110,233)
Purchase of short-term investments	(4,890,000)	(10,070,000)	(1,422,156)
Proceeds from maturities of short-term investments	2,311,322	6,887,976	972,768
Investment in equity method investees	(11,200)	(9,643)	(1,362)
Acquisitions of other equity investments	(380,816)	(195,362)	(27,590)
Proceeds from disposal of subsidiaries, investment in equity method investees and other equity investments	208,682	196,952	27,815
Placement/rollover of time deposits	(16,596,540)	(11,667,487)	(1,647,764)
Proceeds from maturity of time deposits	15,959,459	13,640,617	1,926,423
Change in other long-term assets	(31,759)	(10,522)	(1,486)
Amounts received from disposed businesses	651,176	—	—
Net cash used in continuing investing activities	(4,037,261)	(2,478,387)	(350,015)
Net cash used in discontinued investing activities	(704,004)	—	—
Net cash used in investing activities	(4,741,265)	(2,478,387)	(350,015)
Cash flows from financing activities:			
Net proceeds from short-term loan with terms of three months or less	741,113	2,539,570	358,656
Proceeds of short-term loan	15,000	100,000	14,123
Repayment of short-term loan	—	(98,395)	(13,896)
Dividends paid to shareholders	(413,589)	(926,545)	(130,853)
Repurchase of redeemable noncontrolling interests	—	(462,632)	(65,336)
Proceeds from issuance of redeemable noncontrolling interest shareholders, net of issuance cost	68,611	—	—
Capital injection from noncontrolling interest shareholders	—	15,000	2,118
Cash paid for repurchase of NetEase's ADSs/ purchase of Youdao's ADSs	—	(2,560,897)	(361,668)
Net cash provided by/(used in) financing activities*	411,135	(1,393,899)	(196,856)

* There is no financing activity from discontinued operations.

Unaudited Condensed Consolidated Statements of Cash Flows (Continued)
(in thousands)

	For the three months ended March 31,		
	2019	2020	2020
	RMB	*RMB*	*US$* *Note 2(a)*
Effect of exchange rate changes on cash, cash equivalents and restricted cash held in foreign currencies	(17,894)	74,100	10,465
Net (decrease)/increase in cash, cash equivalents and restricted cash	(961,450)	2,702,463	381,661
Cash, cash equivalents and restricted cash, beginning of the period	10,206,538	6,397,860	903,550
Cash, cash equivalents and restricted cash, end of the period	9,245,088	9,100,323	1,285,211
Less: Cash, cash equivalents and restricted cash of held for sales at end of the period	580,979	371	52
Cash, cash equivalents and restricted cash of continuing operations, end of the period	8,664,109	9,099,952	1,285,159
Supplemental disclosures of cash flow information of continuing operation:			
Cash paid for income taxes, net of tax refund	535,723	202,044	28,534
Cash paid for interest expenses	108,664	96,711	13,658
Supplemental schedule of non-cash investing and financing activities of continuing operation:			
Fixed asset purchases financed by accounts payable and accrued liabilities	253,232	377,564	53,322

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2020
(Amounts expressed in Renminbi ("RMB"), unless otherwise stated)

1. Organization and Nature of Operations

(a) The Group

NetEase.com, Inc. was incorporated in the Cayman Islands on July 6, 1999 and changed its name to "NetEase, Inc." ("the Company") with effect from March 29, 2012. The Company completed its initial public offering in July 2000 in connection with its listing on the Nasdaq National Market (now the Nasdaq Global Select Market) in the United States of America. As of March 31, 2020, the Company has wholly-owned and majority-owned subsidiaries incorporated in countries and jurisdictions mainly in the People's Republic of China ("PRC" or "China", references to "China" and "PRC" are to the People's Republic of China, excluding, for the purposes of the financial statements only, Hong Kong, Macau and Taiwan), Hong Kong, Cayman Islands and British Virgin Islands ("BVI"). The Company also effectively controls a number of variable interest entities ("VIEs") for which the Company is the primary beneficiary. The Company, its subsidiaries and VIEs are hereinafter collectively referred to as the "Group."

In September 2019, the Company sold its Kaola e-commerce business. As a result, Kaola has been deconsolidated from the Company and its historical financial results are reflected in the Company's consolidated financial statements as discontinued operations accordingly. See additional discussion on the discontinued operation in Note 3 to the condensed consolidated financial statements.

On October 26, 2019, Youdao, Inc. ("Youdao"), one of the Company's majority-controlled subsidiaries completed its initial public offering ("IPO") on the New York Stock Exchange. After Youdao's offering, the Company continues to control Youdao and consolidates Youdao as its controlling shareholder.

The major subsidiaries and VIEs through which the Company conducts its business operations as of March 31, 2020 are described below:

Major Subsidiaries	Place and year of Incorporation
Guangzhou Boguan Telecommunication Technology Co., Ltd. ("Boguan")	Guangzhou, China 2003
NetEase (Hangzhou) Network Co., Ltd. ("NetEase Hangzhou")	Hangzhou, China 2006
Hong Kong NetEase Interactive Entertainment Limited	Hong Kong, China 2007

Major VIEs and VIEs' subsidiaries	Place and year of Incorporation
Guangzhou NetEase Computer System Co., Ltd. ("Guangzhou NetEase")	Guangzhou, China 1997
Shanghai EaseNet Network Technology Co., Ltd. ("Shanghai EaseNet")	Shanghai, China 2008
StormNet Information Technology (Hong Kong) Limited ("StormNet IT HK")	Hong Kong, China 2008
StormNet Information Technology (Shanghai) Co., Ltd. ("StormNet IT SH")	Shanghai, China 2008
Hangzhou NetEase Leihuo Technology Co., Ltd. ("HZ Leihuo", formerly known as Hangzhou NetEase Leihuo Network Co., Ltd.)	Hangzhou, China 2009

1. Organization and Nature of Operations (Continued)

(a) The Group (Continued)

Guangzhou NetEase, a major VIE of the Company, was incorporated in June 1997 in China and owned by William Lei Ding, or Mr. Ding, the Company's chief executive officer, director and major shareholder, and another Chinese employee of the Group. It is responsible for providing online game, e-mail and other value-added telecommunication services.

HZ Leihuo was incorporated in April 2009 in China by two Chinese employees of the Group and currently operates the Group's mobile game business.

In addition, Shanghai EaseNet is a PRC company owned by Mr. Ding, and has contractual arrangements with StormNet IT HK (a joint venture established between, and owned equally by, Blizzard Entertainment, Inc. ("Blizzard") and the Company), and with the Company. StormNet IT HK, together with its wholly owned subsidiary, StormNet IT SH, was established concurrently with the licensing of certain online games in August 2008 and provides technical services to Shanghai EaseNet.

(b) Nature of operations

The Group generates revenues mainly from providing online game services, online courses services, advertising services, e-commerce, and other fee-based premium services.

The industry in which the Group operates is subject to a number of industry-specific risk factors, including, but not limited to, rapidly changing technologies; government regulations of the Internet, online game, online education and e-commerce industry in China; numbers of new entrants; dependence on key individuals; competition of similar services from larger companies; customer preferences; and the need for the continued successful development, marketing and selling of its services.

2. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by US GAAP for a complete set of financial statements. Certain information and note disclosures normally included in our annual financial statements prepared in accordance with US GAAP have been condensed or omitted consistent with Article 10 of Regulation S-X.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustments as necessary for the fair statement of the Group's financial position as of March 31, 2020, and the results of operations and cash flows for the three months ended March 31, 2019 and 2020. The consolidated balance sheet at December 31, 2019 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by US GAAP. The unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the unaudited

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of presentation (Continued)

condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal years. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements and related footnotes for the years ended December 31, 2019. Results for the three months ended March 31, 2020 are not necessarily indicative of the results expected for the full fiscal year or for any future period.

Translations of balances in the condensed consolidated balance sheets, condensed consolidated statements of operations and comprehensive income and condensed consolidated statement of cash flows from Renminbi ("RMB") into the United States Dollar ("US$") as of and for the three months ended March 31, 2020 are solely for the convenience of the readers and are calculated at the rate of US$1.00 = RMB7.0808, representing the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on March 31, 2020. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at this rate, or at any other rate.

(b) Basis of consolidation

The condensed consolidated financial statements include the financial statements of the Company, its subsidiaries and VIEs for which the Company is the primary beneficiary with the ownership interests of minority shareholders reported as noncontrolling interests. All significant transactions and balances among the Company, its subsidiaries and VIEs have been eliminated upon consolidation. The Company consolidates a VIE if the Company has the power to direct matters that most significantly impact the activities of the VIE, and has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The nature of the businesses and activities of the consolidated VIEs have not changed materially from the preceding fiscal year.

(c) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reporting periods. Actual results might differ from those estimates. Critical accounting estimates and assumptions include, but are not limited to, assessing the following: average playing period of paying players of online games and impairment of long-term investments.

(d) Cash, cash equivalents and time deposits

Cash and cash equivalents mainly represent cash on hand, demand deposits placed with large reputable banks in Hong Kong and/or China, and highly liquid investments that are readily convertible to known amounts of cash and with original maturities from the date of purchase with terms of less than three months. As of December 31, 2019, there were cash at bank and demand deposits with terms of less than three months denominated in US dollars, HK dollars and Euro amounting to approximately US$226.6 million, HK$21.3 million and Euro0.4 million, respectively (equivalent to approximately RMB1,580.7 million, RMB19.0 million and RMB2.7 million, respectively). As of March 31, 2020,

2. Summary of Significant Accounting Policies (Continued)

(d) Cash, cash equivalents and time deposits (Continued)

there were cash at bank and demand deposits with terms of less than three months denominated in US dollars, HK dollars and Euro amounting to approximately US$327.4 million, HK$5.0 million and Euro0.4 million, respectively (equivalent to approximately RMB2,319.5 million, RMB4.5 million and RMB2.8 million, respectively).

Time deposits represent time deposits placed with banks with original maturities of three months or more. As of December 31, 2019, there were time deposits denominated in US dollars amounting to approximately US$4,382.9 million (equivalent to approximately RMB30,576.3 million). As of March 31, 2020, there were time deposits denominated in US dollars amounting to approximately US$4,497.4 million (equivalent to approximately RMB31,864.5 million).

As of December 31, 2019 and March 31, 2020, the Group had approximately RMB14.8 billion and RMB17.6 billion cash and cash equivalents and time deposits held by its PRC subsidiaries and VIEs, representing 25.0% and 29.3% of total cash and cash equivalents and time deposits of the Group, respectively.

As of December 31, 2019 and March 31, 2020, the Group had a restricted cash balance approximately RMB3,150.4 million and RMB3,507.1 million, respectively, comprising as follows (in millions):

	December 31, 2019	**March 31, 2020**
	RMB	*RMB*
Customer deposit of NetEase Pay accounts	1,523.3	1,879.1
Pledge deposits for short-term bank borrowings	1,595.0	1,595.0
Others	32.1	33.0
Total	3,150.4	3,507.1

The Group had no other lien arrangements during the three months ended March 31, 2019 and 2020.

(e) Credit Losses

In June 2016, the FASB issued ASU 2016-13 “Financial Instruments-Credit Losses (Topic 326)”, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. The Company adopted the new standard effective January 1, 2020 on a modified retrospective basis. The cumulative impact of adopting Topic 326 on the beginning retained earnings as of January 1, 2020 and on the Company’s operating results for the three months ended March 31, 2020 is immaterial.

3. Discontinued operations

In September 2019, the Group signed a series of agreements with a subsidiary of Alibaba Group Holding Limited ("Alibaba") to sell its e-commerce platform Kaola for a consideration of approximately US$1.9 billion. The consideration is comprised of approximately US$1.6 billion in cash payable to the Group and Kaola equity award holders, as well as approximately 14.3 million Alibaba ordinary shares issued to the Group. Upon completion of the transaction in September 2019, Kaola was deconsolidated from the Group and its historical financial results are reflected in the Group's consolidated financial statements as discontinued operations. The financial results of Kaola in the prior period are reflected on the same basis to provide the comparable financial information.

4. Concentrations and Risks

(a) Credit risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash and cash equivalents, time deposits, restricted cash, accounts receivable and short-term investments. As of December 31, 2019 and March 31, 2020, substantially all of the Group's cash equivalents, time deposits and restricted cash were held in major financial institutions located in the PRC or Hong Kong, which management consider being of high credit quality. Accounts receivable are typically unsecured and are generally derived from revenue earned from mobile games services (mainly related to remittances from distribution channels) and advertising services. Only one distribution channel had a receivable balance exceeding 10% of the total accounts receivable balance as of December 31, 2019 and March 31, 2020.

(b) Major Customers

No single customer represented 10% or more of the Group's total net revenues for the three months ended March 31, 2019 and March 31, 2020.

5. Prepayments and Other Current Assets

The following is a summary of prepayments and other current assets (in thousands):

	December 31, 2019	**March 31, 2020**
	RMB	*RMB*
Guarantee payment made to Blizzard — royalty fees	356,033	1,129,699
Prepayment for royalties, revenue sharing cost	2,627,048	2,809,860
Interest and other operating income receivable	524,069	708,548
Prepayments of content and marketing cost and other operational expenses	569,122	598,214
Prepayment for sales tax and deductible value added tax	483,547	461,822
Bridge loans in connection with ongoing investments	21,259	21,578
Deposits	11,882	38,017
Employee advances	79,823	76,816
Advance to suppliers	26,664	55,179
Others	117,975	160,688
	4,817,422	6,060,421

6. Property, Equipment and Software

The following is a summary of property, equipment and software (in thousands):

	December 31, 2019	March 31, 2020
	RMB	*RMB*
Building and decoration	2,987,003	2,989,873
Leasehold improvements	153,145	157,514
Furniture, fixtures and office equipment	198,909	198,813
Vehicles	74,487	75,048
Servers and computers	4,066,925	4,248,148
Software	181,223	184,393
Construction in progress	465,993	505,061
	8,127,685	8,358,850
Less: accumulated depreciation	(3,505,973)	(3,788,868)
Net book value	4,621,712	4,569,982

Depreciation expense was RMB266.4 million and RMB285.1 million for the three months ended March 31, 2019 and 2020, respectively.

7. Leases

The Group has operating leases for corporate offices, warehouses and retail stores. In addition, upon the adoption of ASC 842, land use rights, net with total carrying amount of RMB3,707.2 million and RMB3,688.0 million were identified as operating lease right-of-use assets as of December 31, 2019 and March 31, 2020, respectively.

The Group's leases have remaining lease terms of 1 months to 49 years, some of which include options to terminate the leases within certain periods. The Group considers these options in determining the classification and measurement of the leases when it is reasonably certain that the Group will exercise that option.

8. Long-term Investments

The following is a summary of long-term investments (in thousands):

	December 31, 2019	March 31, 2020
	RMB	*RMB*
Investments in equity method investees	1,137,774	1,178,773
Equity investments with readily determinable fair values	3,551,545	3,264,128
Equity investments without readily determinable fair values	4,604,549	4,774,116
	9,293,868	9,217,017

8. Long-term Investments (Continued)

(a) Investments in equity method investees

The Group recorded equity share of losses of RMB17.5 million and equity share of earnings of RMB46.2 million for the three months ended March 31, 2019, and 2020, respectively, which was included in "investment income, net" in the condensed consolidated statements of operations and comprehensive income.

(b) Equity investments with readily determinable fair values

As of March 31, 2020, equity investments with readily determinable fair values included RMB2,468.2 million invested in shares of Alibaba Group Holding Limited ("Alibaba"), RMB493.6 million invested in shares of Huatai Securities Company Limited ("Huatai") and RMB302.3 million invested in shares of Shenzhen Transsion Holding Limited ("Transsion"). The Group recorded fair value gain of RMB141.9 million and fair value loss of RMB327.0 million related to the equity investments with readily determinable fair value for the three months ended March 31, 2019 and 2020, respectively.

(c) Equity investments without readily determinable fair value

The Group recognized impairment provision of RMB87.7 million and RMB6.6 million related to certain of the equity investments as "investment income/(losses), net" in the condensed consolidated statements of operations and comprehensive income for the three months ended March 31, 2019 and 2020, respectively.

9. Other Long-term Assets

The following is a summary of other long-term assets (in thousands):

	December 31, 2019	**March 31, 2020**
	RMB	*RMB*
Copyrights, licenses and domain names	3,639,211	3,459,151
Long-term receivable	1,599,524	1,621,304
Staff housing loans	71,997	62,487
Non-current deposits	140,869	139,546
Others	215,009	387,675
	5,666,610	5,670,163

10. Taxation

(a) Income taxes

Cayman Islands

Under the current laws of the Cayman Islands, the Company, and its intermediate holding companies in the Cayman Islands are not subject to tax on income or capital gain. Additionally, upon payments of dividends by the Company or its subsidiaries in the Cayman Islands to their shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands ("BVI")

Subsidiaries in the BVI are exempted from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

Hong Kong

Subsidiaries in Hong Kong are subject to 16.5% income tax on their taxable income generated from operations in Hong Kong. For the three months ended March 31, 2019 and 2020, the first HK$2 million of profits earned by one of the Company's subsidiaries incorporated in Hong Kong is taxed at half the current tax rate (*i.e.*, 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

China

On March 16, 2007, the National People's Congress of PRC enacted the Enterprise Income Tax Law, under which Foreign Invested Enterprise s ("FIEs") and domestic companies would be subject to enterprise income tax ("EIT") at a uniform rate of 25%. Preferential tax treatments will continue to be granted to FIEs or domestic companies which conduct businesses in certain encouraged sectors and to entities otherwise classified as "Software Enterprises", "Key Software Enterprises" and/or "High and New Technology Enterprises" ("HNTEs"). The Enterprise Income Tax Law became effective on January 1, 2008.

Boguan, NetEase Hangzhou and certain PRC subsidiaries were qualified as HNTEs and enjoyed a preferential tax rate of 15% for the three months ended March 31, 2019 and 2020. Certain PRC subsidiaries were also qualified as a Key Software Enterprise and enjoyed a further reduced preferential tax rate of 10% and the related tax benefit was recorded in the period in which the Key Software Enterprise status is recognized and notified.

10. Taxation (Continued)

The following table sets forth the component of income tax expenses of the Group for the three months ended March 31, 2019 and 2020 (in thousands):

	For the three months ended March 31,	
	2019	2020
	RMB	*RMB*
Current tax expense	963,633	869,185
Deferred tax expense	303,052	212,848
Income tax expenses	1,266,685	1,082,033

(b) Taxes Payable

The following is a summary of taxes payable as of December 31, 2019 and March 31, 2020 (in thousands):

	December 31, 2019	March 31, 2020
	RMB	*RMB*
Sales Tax payable	541,175	359,579
Withholding individual income taxes for employees	190,340	948,952
Enterprise income taxes	2,377,655	3,044,903
Others	47,343	37,172
	3,156,513	4,390,606

11. Short-term Loans

As of December 31, 2019 and March 31, 2020, the short-term loans balances represent short-term loan arrangements with banks which were repayable within a maturity term within one year and charged at a fixed interest rates ranging from 0.68% to 4.57% and 0.68% to 2.41% per annum, respectively. As of December 31, 2019 and March 31, 2020, the weighted average interest rate for the outstanding short-term loans was approximately 2.38% and 1.54%, respectively. The short-term loans are denominated in US$, EUR, GBP, CAD, HK$, JPY or CNY.

As of December 31, 2019 and March 31, 2020, certain short-term loans were secured by RMB deposits of the Group in onshore branches of the banks in the amount of RMB1,595.0 million and RMB1,595.0 million (US$225.3 million), which was recognized as restricted cash (see Note 2(d)).

On August 9, 2018, the Group entered into a three year US$500 million syndicated facility agreement with a group of four mandated lead arrangers and bookrunners. The facility is priced at 95 basis points over London interbank offered rate ("LIBOR") and has a commitment fee of 0.20% on the undrawn portion. There were US$200.0 million of borrowings outstanding under the syndicated facility as of March 31, 2020. The Group was subject to certain covenants under the syndicated facility agreement and was in compliance with these covenants as of March 31, 2020.

12. Accrued Liabilities and Other Payables

The following is a summary of accrued liabilities and other payables as of December 31, 2019 and March 31, 2020 (in thousands):

	December 31, 2019	March 31, 2020
	RMB	*RMB*
Customer deposits on NetEase Pay accounts	1,539,417	1,933,706
Marketing expenses and promotion materials	1,672,096	1,343,975
Accrued fixed assets related payables	304,379	291,400
Server and bandwidth service fees and technical charges	231,868	206,128
Accrued revenue sharing	578,940	623,924
Content cost	403,402	561,872
Professional fees	88,041	130,740
Accrued freight and warehousing charge	47,524	49,846
Other staff related cost	69,849	150,127
Others	357,258	254,889
	5,292,774	5,546,607

13. Deferred Revenue

Deferred revenue represents sales proceeds from prepaid points sold, unamortized mobile game in-game spending, prepaid products fees before delivery and prepaid subscription fees for internet value-added services for which services are yet to be provided as of the balance sheet dates.

For the three months ended March 31, 2020, the additions to the deferred revenue balance were primarily due to cash payments received or due in advance of satisfying the Group's performance obligations, while the reductions to the deferred revenue balance were primarily due to the recognition of revenues upon fulfillment of the Group's performance obligations, both of which were in the ordinary course of business.

As of March 31, 2020, a significant majority of the balances of deferred revenue are generally recognized as revenue over the next 12 months, and the remainder thereafter. This balance does not include an estimate for variable consideration arising from sales rebates to advertising service customers and estimated breakage for online points.

14. Noncontrolling Interests and Redeemable Noncontrolling Interests

NetEase Cloud Music

During 2018 and 2019, Cloud Village Inc. ("Cloud Village"), the Cayman holding company of NetEase Cloud Music issued preferred shares ("NetEase Cloud Music Preferred Shares") to certain investors for an aggregated cash consideration of US$716.3 million and US$711.6 million, respectively.

In the first quarter of 2020, pursuant to the agreements entered between one of the redeemable noncontrolling interest and Cloud Village, Cloud Village repurchased this redeemable noncontrolling interest at a cash consideration of US$66.3 million. The Group accounted for the repurchase as an equity transaction, no gains or losses were recognized from the repurchase. The excess of the consideration transferred over the carrying amount of the redeemable noncontrolling interests surrendered, amounting to RMB240.6 million was recognized as a deemed dividend to preferred shareholders, which also reduces the numerator for EPS calculation.

As of March 31, 2020, the NetEase Cloud Music Preferred Shares investors together held approximately 36.5% issued and outstanding interests in NetEase Cloud Music. The Company still maintains in control of NetEase Cloud Music.

The NetEase Cloud Music Preferred Shares were entitled to certain preferences and privileges with respect to redemption. The Group determined that the preferred shares should be classified as redeemable noncontrolling interests since they are contingently redeemable upon the occurrence of a conditional event or a deemed redemption event, which is not solely within the control of the Group. The redemption price equals to the net initial investment amount plus annual interests, if any.

Youdao

In April 2018, Youdao issued equity interests with preferential rights ("Youdao Preferred Shares") to two investors for a total cash consideration of US$70.0 million. The Group determined that the equity interests with preferential rights should be classified as redeemable noncontrolling interest since they are contingently redeemable upon the occurrence of a conditional event, which is not solely within the control of the Company. The redemption price equals to the net initial investment amount plus annual interests. Upon completion of the IPO of Youdao in October 2019, all Youdao Preferred Shares held by external preferred shareholders were automatically re-designated and converted on a one-for-one basis into Class A ordinary shares of Youdao.

Each issuance of the preferred shares is recognized at the respective issue price at the date of issuance net of issuance costs. The Group records accretions on the redeemable noncontrolling interest to the redemption value from the issuance dates to the earliest redemption dates if redemption is probable. The accretions using the effective interest method, are recorded as deemed dividends to preferred shareholders, which reduces retained earnings and equity classified noncontrolling interests, and earnings available to common shareholders in calculating basic and diluted earnings per share.

15. Share-based Compensation

(a) Restricted share units plan

2019 Restricted Share Unit Plan

In October 2019, the Company adopted a 2019 restricted share unit plan (the "2019 Plan") for the Company's employees, directors and others. The 2019 Plan has a ten-year term and a maximum number of 322,458,300 ordinary shares available for issuance pursuant to all awards under the plan.

(b) Share-based compensation expense

The Group recognizes share-based compensation cost in the condensed consolidated statements of operations and comprehensive income based on awards ultimately expected to vest, after considering estimated forfeitures. Forfeitures are estimated based on the Group's historical experience over the last five years and revised in subsequent periods if actual forfeitures differ from those estimates.

The table below presents a summary of the Group's share-based compensation cost for the three months ended March 31, 2019 and 2020 (in thousands):

	For the three months ended March 31,	
	2019	**2020**
	RMB	*RMB*
Cost of revenues	199,209	207,915
Selling and marketing expenses	25,247	24,811
General and administrative expenses	197,858	230,371
Research and development expenses	198,485	202,717
	620,799	665,814

As of March 31, 2020, total unrecognized compensation cost related to unvested awards under the restricted share unit plans, adjusted for estimated forfeitures, was US$546.9 million (RMB3,872.6 million) and is expected to be recognized through the remaining vesting period of each grant. As of March 31, 2020, the weighted average remaining vesting periods was 2.35 years.

15. Share-based Compensation (Continued)

(c) Restricted share units award activities

The following table presents a summary of the Company's RSUs award activities for the three months ended March 31, 2020:

	Number of RSUs	Weighted average grant date fair value
	(in thousands)	*US$*
Outstanding at January 1, 2020	2,815	244.99
Granted	1,005	312.75
Vested	(823)	231.99
Forfeited	(16)	251.46
Outstanding at March 31, 2020	2,981	271.39

The aggregate intrinsic value of RSUs outstanding as of March 31, 2020 was US$956.6 million. The intrinsic value was calculated based on the Company's closing stock price of US$320.96 per ADS as of March 31, 2020.

The number of shares available for future grant under the Company's 2019 RSU Plan was 304,776,175 as of March 31, 2020.

(d) Other Share Incentive Plan

Certain of the Company's subsidiaries have adopted stock option plans, which allow the related subsidiaries to grant options to certain employees of the Group. The options expire in five to ten years from the date of grant and either vest or have a vesting commencement date upon certain conditions being met ("Vesting Commencement Date"). The award can become 100% vested on the Vesting Commencement Date, or vests in two, three, four or five substantially equal annual installments with the first installment vesting on the Vesting Commencement Date.

The Group has used the binomial model to estimate the fair value of the options granted. For the three months ended March 31, 2019 and 2020, RMB7.2 million and RMB23.4 million compensation expenses were recorded for the share options granted.

While certain share options granted will become vested or commence vesting beginning on the Vesting Commencement Date, the effectiveness of the conditions is not within the control of the Group and is not deemed probable to occur for accounting purposes until the Vesting Commencement Date. For such share options, no compensation expenses were recorded. As of March 31, 2020, there were RMB314.8 million unrecognized share-based compensation expenses are related to such share options for which the service condition had been met and are expected to be recognized when the conditions are achieved.

16. Net Income Per Share

The following table sets forth the computation of basic and diluted net income per share for the three months ended March 31, 2019 and 2020:

	For the three months ended March 31,	
	2019	**2020**
Numerator (RMB in thousands):		
Net income from continuing operations attributable to NetEase, Inc.'s shareholders	2,732,873	3,551,006
Net loss from discontinued operations attributable to NetEase, Inc.'s shareholders	(350,755)	—
Net income attributable to NetEase, Inc.'s shareholders for basic/dilutive net income per share calculation	2,382,118	3,551,006
Denominator (No. of shares in thousands):		
Weighted average number of ordinary shares outstanding, basic	3,206,194	3,231,395
Dilutive effect of employee stock options and restricted share units	25,127	42,604
Weighted average number of ordinary shares outstanding, diluted	3,231,321	3,273,999
Net income per share from continuing operations attributable to NetEase, Inc.'s shareholders, basic (RMB)	0.85	1.10
Net loss per share from discontinued operations attributable to NetEase, Inc.'s shareholders, basic (RMB)	(0.11)	—
Net income per share, basic (RMB)	0.74	1.10
Net income per share from continuing operations attributable to NetEase, Inc.'s shareholders, diluted (RMB)	0.85	1.08
Net loss per share from discontinued operations attributable to NetEase, Inc.'s shareholders, diluted (RMB)	(0.11)	—
Net income per share, diluted (RMB)	0.74	1.08

16. Net Income Per Share (Continued)

Basic net income per share is computed using the weighted average number of the ordinary shares outstanding during the year. Diluted net income per share is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the year. For the three months ended March 31, 2019 and 2020, options to purchase ordinary shares and RSUs that were anti-dilutive and excluded from the calculation of diluted net income per share totaled approximately 34.2 million shares and 17.4 million shares, respectively.

17. Contingencies

Litigation

Overview

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. Based on currently available information, management does not believe that the ultimate outcome of these unresolved matters, individually and in the aggregate, is reasonably possible to have a material adverse effect on the Group's financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the Group's financial position, results of operations or cash flows for the period in which the unfavorable outcome occurs, and potentially in future periods. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Group reviews the need for any such liability on a regular basis. The Group has not recorded any material liabilities in this regard as of December 31, 2019 and March 31, 2020.

Litigation

In April 2018, PUBG Corporation and PUBG Santa Monica, Inc. (collectively "PUBG"), filed a lawsuit against defendants NetEase, Inc., NetEase Information Technology Corp. and NetEase (Hong Kong) Limited in the U.S. District Court for the Northern District of California. PUBG subsequently dropped all claims against NetEase (Hong Kong) Limited, and added Hong Kong NetEase Interactive Entertainment Limited to the lawsuit. PUBG's complaint generally alleged that two of the Group's mobile games, *Rules of Survival* and *Knives Out*, infringed PUBG's copyrights and trade dress in their competing game, *Battlegrounds*. On March 11, 2019, the Group entered into a settlement agreement with PUBG, and the lawsuit was dismissed. On October 15, 2019, PUBG filed a second lawsuit against the same NetEase defendants, also in the U.S. District Court for the Northern District of California, claiming the Group had allegedly breached the settlement agreement. On March 3, 2020, the court dismissed PUBG's new lawsuit, without prejudice, for lack of subject matter jurisdiction. On March 4, 2020, the Group initiated a declaratory judgment action against PUBG in the Superior Court of California for the County of San Mateo, requesting a declaration that the Group had not breached the settlement agreement. As at the date of this report, this lawsuit against PUBG is on-going.

18. Dividends

Quarterly Dividend Policy

In May 2014, the Company's board of directors approved a new quarterly dividend policy. Under this policy, the Company intends to make quarterly cash dividend distributions at an amount equivalent to approximately 25% of the Group's anticipated net income after tax in each fiscal quarter. In the second quarter of 2019, the Company's board of directors determined that quarterly dividends will be set at an amount equivalent to approximately 20%-30% of the Company's anticipated net income after tax in each fiscal quarter.

Dividends are recognized when declared. There is no dividend payable as of December 31, 2019 and March 31, 2020, respectively.

The determination to make dividend distributions and the amount of such distributions in any particular quarter will be made at the discretion of the Company's board of directors and will be based upon its operations and earnings, cash flow, financial condition, capital and other reserve requirements and surplus, any applicable contractual restrictions, the ability of the Company's PRC subsidiaries to make distributions to their offshore parent companies, and any other conditions or factors which the board deems relevant and having regard to the directors' fiduciary duties.

19. Share Repurchase Programs

The Company accounts for repurchased ordinary shares under the cost method and includes such treasury stock as a component of the common shareholders' equity. Cancellation of treasury stock is recorded as a reduction of ordinary shares, additional paid-in-capital and retained earnings, as applicable. An excess of purchase price over par value is allocated to additional paid-in-capital first with any remaining excess charged entirely to retained earnings.

In November 2019, the Company announced that its board of directors had approved a share purchase program of up to US$20.0 million of Youdao's outstanding ADSs for a period not to exceed 12 months. As of March 31, 2020, approximately 134,000 Youdao's ADSs had been purchased under this program for a total cost of US$2.1 million.

In February 2020, the Company announced that its board of directors had approved a share repurchase program of up to US$1.0 billion of the Company's outstanding ADSs for a period not to exceed 12 months.

As of March 31, 2020, approximately 1.1 million ADSs had been purchased under this program for a total cost of US$341.9 million.

20. Segment Information

(a) Description of segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision making group, in deciding how to allocate resources and in assessing performance. The Group's CODM is the chief executive officer.

The Group's organizational structure is based on a number of factors that the CODM uses to evaluate, view and run its business operations which include, but are not limited to, customer base, homogeneity of products and technology. The Group's operating segments are based on this organizational structure and information reviewed by the Group's CODM to evaluate the operating segment results.

Effective in the third quarter of 2019, the Group changed its segment disclosure to add the financial results of its certain advertising services and Yanxuan into innovative businesses and others. In addition, the Group has commenced separately reporting the results of Youdao, which completed its initial public offering and listing on the New York Stock Exchange in October 2019. As a result, the Group now reports segments as online game services, Youdao and innovative businesses and others. This change in segment reporting aligns with the manner in which the Group's CODM currently receives and uses financial information to allocate resources and evaluate the performance of reporting segments. This change in segment presentation does not affect condensed consolidated balance sheets, condensed consolidated statements of operations and comprehensive income or condensed consolidated statements of cash flows. The Group retrospectively revised prior year segment information, to conform to current year presentation.

(b) Segment data

The table below provides a summary of the Group's operating segment results for the three months ended March 31, 2019 and 2020. The Group does not allocate any operating costs or assets to its business segments as the Group's CODM does not use this information to measure the performance of the operating segments. There was no significant transaction between reportable segments for the three months ended March 31, 2019 and 2020 (in thousands).

	For the three months ended March 31,	
	2019	**2020**
	RMB	*RMB*
Net revenues:		
Online game services	11,850,184	13,518,244
Youdao	225,731	541,388
Innovative businesses and others	2,346,294	3,002,735
Total net revenues	14,422,209	17,062,367
Cost of revenues:		
Online game services	(4,299,345)	(4,851,831)
Youdao	(172,836)	(305,663)
Innovative businesses and others	(2,212,354)	(2,527,251)
Total cost of revenues	(6,684,535)	(7,684,745)

20. Segment Information (Continued)

(b) Segment data (Continued)

	For the three months ended March 31,	
	2019	**2020**
	RMB	*RMB*
Gross profit:		
Online game services	7,550,839	8,666,413
Youdao	52,895	235,725
Innovative businesses and others	133,940	475,484
Total gross profit	7,737,674	9,377,622

The following table set forth the breakdown of net revenues by type of good or service for the three months ended March 31, 2019 and 2020 (in thousands):

	For the three months ended March 31,	
	2019	**2020**
	RMB	*RMB*
Online games services	11,850,184	13,518,244
Youdao learning services and products	135,455	442,138
Advertising services	483,153	473,912
Others	1,953,417	2,628,073
Total net revenue	14,422,209	17,062,367

The following table presents the total depreciation and amortization expenses of property and equipment and land use rights by segment for the three months ended March 31, 2019 and 2020 (in thousands):

	For the three months ended March 31,	
	2019	**2020**
	RMB	*RMB*
Online game services	52,485	66,703
Youdao	1,085	1,604
Innovative businesses and others	60,325	49,916
Total depreciation and amortization expenses of property and equipment and land use rights	113,895	118,223

As substantially all of the Group's long-lived assets are located in the PRC and substantially all of the Group's revenue of reportable segments are derived from China based on the geographical locations where services and products are provided to customers, no geographical information is presented.

21. Subsequent Events

After March 31, 2020, the extent and duration of the COVID-19 pandemic remains uncertain. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

In May 2020, the Company's board of directors approved a dividend of US$1.16 per ADS for the first quarter of 2020, which is expected to be paid on June 23, 2020 to shareholders of record as of the close of business on June 12, 2020.

In May 2020, the Company announced that its board of directors had approved an amendment to the share repurchase program to expand the authorized repurchase amount to US$2.0 billion.

APPENDIX II

REPRODUCTION OF THE ANNUAL FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019 AND ITS AUDITOR'S REPORT

The information set out below is a reproduction of the annual financial statements of the Issuer as at and for the year ended 31 December 2019 and its auditor's report.

SG Issuer

Société Anonyme

Financial statements,
Report of the Executive Board and Corporate Governance Statement and
Report of the Réviseur d'entreprises agréé

As at and for the year ended 31 December 2019

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

Table of Contents

Executive Board Members
As at 31 December 2019

EXECUTIVE BOARD MEMBERS

Chairman:

Mr Yves CACCLIN (until 29 April 2019 and since 27 September 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mrs Aude de ROQUANCOURT (from 29 April 2019 and until 27 September 2019)
Employee of Société Générale Luxembourg
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 Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Amaury de BELER (until 1 February 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

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

Mr Pascal JACOB (since 29 April 2019)
Employee of Société Générale Luxembourg
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

Mrs Aude de ROQUANCOURT (from 1 February 2019 and until 29 April 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Supervisory Board Members
As at 31 December 2019

SUPERVISORY BOARD MEMBERS

Chairman:

Mr Yves CACCLIN (from 29 April 2019 and until 27 September 2019)*
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Arnaud JACQUEMIN (until 29 April 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

* Yves CACCLIN was appointed as Chairman of the Executive Board on 27 September 2019. Therefore there was no Chairman of the Supervisory Board from 27 September 2019 to 11 February 2020. On 11 February 2020, Olivier BLANC was appointed as Chairman of Executive Board.

Members:

Mr Olivier BLANC (since 27 September 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

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

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

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

Audit Committee Members
As at 31 December 2019

AUDIT COMMITTEE MEMBERS

Chairman:

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

Members:

Mr Olivier FREITAS
Employee of Société Générale Luxembourg
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

Management and Administration
As at 31 December 2019

MANAGEMENT AND ADMINISTRATION

Issuer
SG Issuer
16, Bd Royal, L-2449 Luxembourg, Luxembourg

Guarantor (if applicable, as specified in the Final Terms)
Société Générale
29, boulevard Haussmann, F-75009 Paris, France

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

Security Trustee and Security Agent Trustee
The Bank of New York Mellon Corporate Trustee Services Limited
One Canada Square, London E14 5AL, United Kingdom

Collateral Custodian
The Bank of New York Mellon S.A., Luxembourg Branch
Vertigo Building, Polaris, 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg

Collateral Monitoring Agent
The Bank of New York Mellon London Branch
One Canada Square, London E14 5AL, United Kingdom

Custodian Agent, Issuing and Paying Agent, Registrar, Exchange Agent and Transfer Agent
Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

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

Warrant Agent
Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

<u>LEGAL ADVISERS AND RÉVISEUR D'ENTREPRISES AGRÉÉ</u>

Legal advisers
<u>To the Arranger as to English, French and U.S. laws</u>
Allen & Overy LLP
52, avenue Hoche, CS 90005, 75379 Paris Cedex 08, France

<u>To the Trustee as to English Law</u>
Allen & Overy LLP
1 Bishops Square, London E1 6AD, United Kingdom

<u>To the Arranger as to Luxembourg Law</u>
Allen & Overy Luxembourg
5, avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

Independent Auditor (Réviseur d'entreprises agréé)
Ernst & Young S.A.
35E, Avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

REPORT OF THE EXECUTIVE BOARD AND CORPORATE GOVERNANCE STATEMENT

The Directors of SG Issuer (the "Company" or "SGIS") (each a « Director », collectively the « Executive Board ») present the financial statements and the Report of the Executive Board and Corporate Governance Statement of the Company for the year ended 31 December 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, 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 are transferred to Société Générale Paris through a Fully Funded Swap ("FFS"), which perfectly hedges SGIS for the full issue size.

Warrants are financial products like Turbos, inline Warrants, daily Leverage Certificates, 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 distributed by Société Générale mainly to clients in France, Belgium, Luxembourg, United-Kingdom, Sweden, Finland, Norway, Spain, Hong-Kong, the Netherlands, Italy and Singapore. Issuing proceeds raised by the sale of the Warrants are transferred to Société Générale Paris S.A. ("Société Générale") through a FFS.

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 as arranger. The main programs for Notes are the Debt Instruments Issuance Program, for which the last annual updates have been approved by the CSSF on 14 June 2019 or the "Programme d'Emission de Titres de Créance" for which the last annual update has been approved by the CSSF on 21 June 2019. Similarly, the main programs for Warrants are the Issuance Program approved by the CSSF on 1 July 2019 and the Warrants and Turbo Warrants Issuance Program approved by the CSSF on 16 July 2019. Two programs are hosted by SG Frankfurt, Dual Language DIIP dated 12 July 2019 and Dual Language Daily Leveraged Products dated 17 July 2019. The Hong Kong Warrants Program was last updated on 3 April 2020 and the Singapore Warrants Program was last updated on 21 June 2019.

Report of the Executive Board and Corporate Governance Statement (continued)
As at 31 December 2019

The state of business of the Company at the closing of the financial year is adequately presented in the financial statements published herewith.

The increase in total assets and liabilities (before impact of the off-setting) (see Note 4) is due to the development of the activity of issuing financial instruments and significant changes in the fair value of the notes.

During the year ended 31 December 2019, 17 895 Notes were issued (among which 141 secured Notes) and 10 716 Warrants were issued[1]. The net profit for the financial year 2019 amounts to KEUR 148.

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 15 hereafter.

3. FUTURE DEVELOPMENTS AND PERSPECTIVES

In the context of acquisition by SG Group of the listed product activities from Commerz Bank, Société Générale has decided that new issuances for this activity would mostly be done by another issuer starting from 1 April 2020. As this activity represented most of the Warrants issued by SGIS so far, the Executive Board expects a significant drop in new Warrant issuances from second quarter 2020 which should represent however a slight decrease in the commission income for the Company.

On another hand, 2020 will no doubt be marked by the unprecedented macroeconomic consequences of the Covid-19 pandemic disease. In such highly uncertain environment, the Company intends to continue in the coming years the development of its business.

[1] The number of issued Notes and Warrants does not take into account the issuances which have been issued and cancelled during the same financial year.

4. SUBSEQUENT EVENTS

The current worldwide Coronavirus outbreak commenced in China shortly prior to the reporting date, being notified to the World Health Organisation ("WHO") by China on 31 December 2019, and the situation has continued to evolve throughout the period since the reporting date, being declared by the WHO as a Public Health Emergency of International Concern on 30 January 2020 and as a worldwide pandemic on 11 March 2020. In the opinion of the Directors, the Coronavirus outbreak is likely to have a material adverse effect on the volumes of Notes issued and sold to the public during the period when the outbreak continues, reducing in due proportion the results of the Company.

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.

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 information;
- 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 of the Company took place on 2020, during which the financial statements for the year ended 31 December 2019 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 Luxembourg ("SG Luxembourg") and Société Générale Group support the Company's Executive Board in overseeing the Company's activities and securing its operations by carrying out internal audits and providing consultative assistance. The objective of Internal Audit is to add value by making recommendations designed to improve the Company's functioning. Internal Audit is an independent function and its activities are based on international professional internal audit standards and rules of ethics.

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

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

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.

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

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

5.6 New Products Committee

All the new activities and business of the Company are analysed 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.

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

5.8 Prior years correction of error

During Q4 2019, SG Issuer identified that, in 2019 as well as in prior years, Société Générale S.A. had paid to SG Issuer a remuneration in excess of the contractually agreed remuneration due to an error in using the right notes' maturities when applying the contractually agreed remuneration formula. However, such undue remuneration had no impact on any remuneration due to investors in SG Issuer's notes and warrants at any time.

Société Générale S.A. confirmed in a letter addressed to SG Issuer on 15 April 2020 and duly signed by both parties that it had decided to waive any reimbursement claim from SG Issuer related to such undue remuneration whenever paid.

Therefore, this operational incident has no impact on SG Issuer net result and shareholders' equity.

The economic nature of this excess remuneration being different from the contractual remuneration, the excess remuneration is recorded in "Other income" for the year ended 31 December 2019. In accordance with IAS 8, SG Issuer has restated the comparative amount in the Income statement for the year ended 31 December 2018 as well as in the notes to the financial statements (notes 2.5, 11 and 16).

Given the absence of impact of such undue remuneration on both the net result and the shareholders' equity, SG Issuer has decided not to restate the opening balances of assets, liabilities and equity for the prior year presented.

This excess remuneration paid by Société Générale S.A. to SG Issuer amounts to KEUR 14 384 for the year ended 31 December 2019 and KEUR 25 807 for the year ended 31 December 2018.

Additional controls have been since implemented at different levels to enhance the monitoring of the remuneration calculation.

Report of the Executive Board and Corporate Governance Statement (continued)
As at 31 December 2019

Luxembourg, 30 April 2020

For the Executive Board

Yves CACCLIN
Chairman of the Executive Board

Alexandre GALLICHE
Member of the Executive Board

Thierry BODSON
Member of the Executive Board

GLOBAL STATEMENT FOR THE FINANCIAL STATEMENTS

To the best of our knowledge, the financial statements gives a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and the Report of the Executive Board (management report) includes a fair presentation of the development and performance of the business and the position of the Company, together with a description of the main risks and uncertainties that it faces.

Luxembourg, 30 April 2020

Executive Board Member

For the Executive Board

Yves CACCLIN
Chairman of the Executive Board

Alexandre GALLICHE
Member of the Executive Board

Thierry BODSON
Member of the Executive Board

Ernst & Young
Société anonyme

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Report of the réviseur d'entreprises agrée

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SG Issuer (the "Company"), which comprise the Statement of Financial Position as at 31 December 2019, the Statement of Profit and Loss and Other Comprehensive Income, the Statement of changes in equity and the Statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Hedging of financial instruments issued

Description

The activity of the Company consists in issuing Notes and Warrants, which are subscribed by investors. These financial instruments are fully hedged with mirror transactions concluded with Société Générale S.A. replicating the financial instruments issued by the Company (see Note 4).

We have considered the hedging of financial instruments issued to be a key audit matter considering the financial risk which would result from inadequate hedging of the financial instruments issued by the Company.

How the matter was addressed in our audit

We tested the key controls implemented by the Company in relation with the issuance of financial instruments and the conclusion of mirror transactions with Société Générale S.A., as well as the key controls on the stock of financial instruments to ensure the effectiveness of the hedging.

We verified the intercompany reconciliation process between the Company and Société Générale S.A., and the intercompany reconciliations performed as at 31 December 2019.

For a sample of financial instruments issued by the Company as at 31 December 2019, we ensured that the Company has contracted the mirror financial instruments with Société Générale S.A..

Also, we inquired about the existence of operational errors during the year and, if applicable, the related financial impact.

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Other information

The Executive Board is responsible for the other information. The other information comprises the information included in the report of the Executive Board and Corporate Governance Statement but does not include the financial statements and our report of “réviseur d’entreprises agréé” thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Executive Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Board 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 the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Conclude on the appropriateness of Executive Board'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. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 29 April 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The report of the Executive Board is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the report of the Executive Board, is the responsibility of the Executive Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Charles Dequaire

Luxembourg, 30 April 2020

Statement of Financial Position
As at 31 December

STATEMENT OF FINANCIAL POSITION

	Note	('000 EUR) 2019	('000 EUR) 2018 Restated*
Cash and cash equivalents	3	65 975	79 584
Financial assets at fair value through profit or loss			
- *Mandatorily measured at fair value through profit or loss*	4.1	52 893 265	45 062 134
- *Trading derivatives*	4.1	5 786 274	4 168 362
Loans and receivables	5	51 660	52 570
Other assets	6	430 988	170 589
Total assets		**59 228 162**	**49 533 239**
Financial liabilities at amortised cost	4.3	83 669	96 284
Financial liabilities at fair value through profit or loss			
- *Designated at fair value through profit or loss*	4.2	52 889 867	45 053 728
- *Trading derivatives*	4.2	5 788 693	4 170 486
Other liabilities	6	463 523	183 628
Tax liabilities	7	62	64
Total liabilities		**59 225 814**	**49 504 190**
Share capital	8.1	2 000	2 000
Share premium	8.1	-	25 000
Legal reserve	8.2	200	200
Other reserves	8.2	-	1 662
Profit for the financial year		148	187
Total equity		**2 348**	**29 049**
Total equity and liabilities		**59 228 162**	**49 533 239**

*** Restatement explained in Note 2.4 a.**

Statement of Profit and Loss and Other Comprehensive Income
For the year ended 31 December

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	('000 EUR) 2019	('000 EUR) 2018 Restated*
Interest income	9	1 023	1 682
Commission income	10	52 679	40 883
Other income	11	14 384	25 807
Impairments		-	1
Total revenues		**68 086**	**68 373**
Interest expenses	9	(36 624)	(33 035)
Net loss from financial instruments at fair value through profit or loss		(727)	(71)
Personnel expenses	12	(411)	(320)
Other operating expenses	13	(30 114)	(34 696)
Total expenses		**(67 876)**	**(68 122)**
Profit before tax		**210**	**251**
Income tax	7	**(62)**	**(64)**
Profit for the financial year		**148**	**187**
Total comprehensive income for the financial year		**148**	**187**

* Restatements explained in Notes 2.4 b and 2.5.

Statement of Changes in Equity
As at 31 December 2019

STATEMENT OF CHANGES IN EQUITY

	('000 EUR) Share capital	('000 EUR) Share premium	('000 EUR) *Legal reserve*	('000 EUR) *Other unavailable reserves*	('000 EUR) *Other available reserves*	('000 EUR) Total reserves	('000 EUR) Profit for the financial year	('000 EUR) Total equity
As at 31 December 2017	**2 000**	**-**	*200*	*1 664*	*1 716*	**3 580**	**78**	**5 658**
Transfer to available reserves	-	-	-	*(1 664)*	*1 664*	**-**	**-**	**-**
Allocation of the result of the previous year before dividend distribution	-	-	-	-	*78*	**78**	**(78)**	**-**
Dividend to the sole shareholder	-	-	-	-	*(1 794)*	**(1 794)**	**-**	**(1 794)**
IFRS 9 FTA impact	-	-	-	-	*(2)*	**(2)**	**-**	**(2)**
Capital increase/Allocation to the share premium account (Note 8.1)	-	62 725	-	-	-	-	-	**62 725**
Reimbursement of the share premium (Note 8.1)	-	(37 725)	-	-	-	**-**	**-**	**(37 725)**
Profit for the financial year 2017	-	-	-	-	-	**-**	**187**	**187**
As at 31 December 2018	**2 000**	**25 000**	*200*	-	*1 662*	**1 862**	**187**	**29 049**
Transfer to available reserves								
Allocation of the result of the previous year before dividend distribution	-	-	-	-	*187*	**187**	**(187)**	**-**
Dividend to the sole shareholder	-	-	-	-	*(1 849)*	**(1 849)**	**-**	**(1 849)**
Capital increase/Allocation to the share premium account (Note 8.1)	-	31 605	-	-	-	**-**	**-**	**31 605**
Reimbursement of the share premium (Note 8.1)	-	(56 605)	-	-	-	**-**	**-**	**(56 605)**
Profit for the financial year 2018	-	-	-	-	-	**-**	**148**	**148**
As at 31 December 2019	**2 000**	**-**	*200*	-	-	**200**	**148**	**2 348**

The accompanying Notes are an integral part of these financial statements.

Statement of Cash Flows
As at 31 December

STATEMENT OF CASH FLOWS

	Note	('000 EUR) 2019	('000 EUR) 2018 Restated*
OPERATING ACTIVITIES			
Profit for the financial year		148	187
Adjustments for:			
Net (Increase)/decrease in financial assets	4.1	(9 448 133)	(1 371 046)
Net Increase/(decrease) in financial liabilities	4.2	9 473 336	1 405 667
(Increase)/decrease in other assets	6	(260 399)	170 589
Increase/(decrease) in tax liabilities and other liabilities	6, 7	279 893	(201 181)
Other (IFRS 9 impact)		-	(2)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**44 845**	**4 214**
FINANCING ACTIVITIES			
Payment of capital surplus**	8.1	(56 605)	(37 725)
Dividend paid		(1 849)	(1 794)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(58 454)**	**(39 519)**
Cash and cash equivalents at the beginning of the year	3	79 584	114 889
Net increase/(decrease) in cash and cash equivalents		(13 609)	(35 305)
Cash and cash equivalents at the end of the year		**65 975**	**79 584**
Cash flows from interest and dividends			
Interest paid		57 428	38 566
Interest received		1 023	1 682
Dividend received		-	-

*** Restatements explained in Note 2.5.*

** KEUR 56 605 for the year ended 31 December 2019 (and KEUR 37 725 for the year ended 31 December 2018) represent the share premium reimbursed by the Company to the sole shareholder (see Note 8.1).*

NOTE 1 – CORPORATE INFORMATION

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

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

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

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

The Company’s capital is fully owned by Société Générale Luxembourg S.A. (hereafter “SG Luxembourg”), a bank incorporated under Luxembourg law.

The accounts of the Company are included in the consolidated accounts of SG Luxembourg, 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2019 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 2019 were authorised for issue by the Supervisory Board on 30 April 2020.

2.1.2 Basis of measurement of financial assets and financial liabilities

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

2.1.3 Functional and presentation currency

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

2.1.4 Use of estimates and judgments

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

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

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

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

- Fair value in the statement of financial position of financial instruments not quoted in an active market which are classified as financial assets and liabilities at fair value through profit or loss (see Notes 4.1 and 4.2);

- The amount of impairment and provisions for credit risk related to financial assets measured at amortized cost (see Note 4.3);

- The analysis of the contractual cash flow characteristics of financial assets (see Note 2.3.3.1).

2.1.5 Segment reporting

No dedicated management reporting information is presented for SGIS to a chief decision maker; only the annual financial statements 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.

2.2 New accounting standards

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

IFRS 15 “Revenue from contracts with customers” (Note 2.2.1.1.)

IFRS 16 "Leases" (Note 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.

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.

Changes in accounting policies were applied from 1 January 2019 related to revenue recognition to be in line with the standard and are described in Note 2.4.

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 and therefore the Company continues to expense the lease expense.

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.

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 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.

Notes to the financial statements (continued)
As at 31 December 2019

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 re-measured.

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 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. They were therefore not applied by the Company as at 31 December 2019.

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

2020

Amendements to IFRS 3 "Business combinations"
•Amendements to IAS 1 and IAS 8 "Definition of Material"
•Amendments to IAS 39, IFRS 7 and IFRS 9 in the context of IBOR reform

2023

•IFRS 17 « Insurance contracts »

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 application 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 not effect from these amendments as it has no business combinations.

Notes to the financial statements (continued)
As at 31 December 2019

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 'material' in order to facilitate the judgment in the context of the preparation 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 Amendments to IAS 39, IFRS 7 and IFRS 9 in the context of the interest rate benchmark reform

Published by IASB in September 2019; adopted by the European Union on 15 January 2020.

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: ESTR (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, ESTER has come to replace EONIA; this latter will however be published until 31 December 2021 by anchoring on ESTER (EONIA = ESTER + 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. 12 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 SG 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 Company decided not to early-apply the amendments in its 31 December 2019 financial statements, as it does not use hedging relationship and therefore is not submitted to uncertainties potentially affecting such relationships in the context of the IBOR reform.

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 2nd quarter 2020.

2.2.2.4 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 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.

Assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rates ruling at the reporting date. Foreign exchange differences arising on translation and realized exchange gains and losses are recognised in the statement of profit and loss and other comprehensive income in the caption Net gains from 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**
31.12.2019	1.1234	121.9400	0.8508	8.7473	1.0854
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.

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

2.3.3 Financial instruments

2.3.3.1. Classification of financial instruments

Classification of financial assets

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

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 Solely Payments of Principles and Interest (or "SPPI") test and consequently these financial assets are mandatorily mea sured at Fair Value through Profit and Loss ("FVTPL").

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

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

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

Classification of financial liabilities

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

- Financial liabilities at fair value through profit or loss:

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

The Company has designated at fair value through profit or loss the notes issued because mirror transactions

(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

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

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

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

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

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

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

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

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

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

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

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

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

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

The main L3 complex derivatives are:

- Equity derivatives: options with long maturities and/or incorporating bespoke remuneration mechanisms. These instruments are sensitive to market inputs (volatility, dividend rates, correlations, etc.). In the absence of market depth and an objective approach made possible by regularly observed prices, their valuation is based on proprietary methods (e.g. extrapolation from observable data, historical analysis). Hybrid equity instruments (i.e. having at least one non-equity underlying instrument) are also classified as L3 insofar as correlations between the different underlyings are generally unobservable;
- Interest rate derivatives: long-term and/or exotic options, products sensitive to correlation between different interest rates, different exchange rates, or between interest rates and exchange rates, for example for quanto products (in which the instrument is settled in a currency different from the currency of the underlying); they are liable to be classified as L3 because the valuation inputs are unobservable due to the liquidity of the correlated pair and the residual maturity of the transactions (e.g. exchange rate correlations are deemed unobservable for the USD/JPY);
- Credit derivatives: L3 credit derivatives mainly include baskets of instruments exposed to time to default correlation (“N to default” products in which the buyer of the hedge is compensated as of the Nth default, which are exposed to the credit quality of the issuers comprising the basket and to their correlation, or CDO Bespoke products, which are Collateralised Debt Obligations created specifically for a group of investors and structured according to their needs), as well as products subject to credit spread volatility;
- Commodity derivatives: this category includes products involving unobservable volatility or correlation inputs (i.e. options on commodity swaps or instruments based on baskets of underlyings).

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

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

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 Company to establish the fair value of financial instruments are detailed below.

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

- For unsecured Notes and Fully Funded Swaps

The fair value for both the unsecured Notes (liabilities) and the Fully Funded Swap (FFS) (assets) 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 S.A., Luxembourg Branch, hereafter "BNY Mellon Luxembourg") and pledged in favor of the Note holders.

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

The collateral assets are composed of eligible securities.

Should Société Générale 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 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 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.

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

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.

2.3.3.3. Impairments and provisions

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

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

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

Impairment and provisions for credit risk

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

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

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

Impairments / Reversal of impairments

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

2.3.3.4. Offsetting financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented on the 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 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.

2.3.4 Other assets and other liabilities

Settlement accounts for trades are included in other assets or other liabilities depending on the position reported in credit or debit (cf. Note 6).

2.3.5 Shareholders' equity

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

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

Notes to the financial statements (continued)
As at 31 December 2019

2.3.6 Interest income and expense

Interest is recognized as expense or income over the life of the financing service granted or received, proportionally to the principal amount outstanding.
Interest income and expense are recorded in the statement of profit and loss under Interest and similar income and Interest and similar expense for all financial instruments measured using the effective interest method (instruments at amortised cost and debt instruments at fair value through other comprehensive income).

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is measured at the effective interest rate applied to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

2.3.7 Fee income and expense

Fee income and Fee expense combine fees on services rendered and received, as well as fees on pledge security granted that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under Interest income and Interest expenses.
The Company recognizes fee income or expense for an amount equivalent to the remuneration for the service provided and depending on the progress transferring control of these services:

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

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

As stated in Note 2.4, 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 IFRS 9. The Company has reassessed the accounting treatment of such income in 2019 and now considers separately the income generated by 2 services when performing its activities:

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

2.3.8 Other operating expenses

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

Other operating expenses mainly include lease payments, building maintenance and other costs, travel and business expenses, outsourcing and advisory fees and marketing and advertising expenses. Detail is provided in Note 13.

2.3.9 Income tax

Income tax includes current taxes and deferred taxes:

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

2.3.9.1. Current tax

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

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

2.3.9.2. Deferred tax

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

The amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value. The Company off-sets its deferred tax assets against liabilities as there is both legal right to offset its current tax assets and liabilities and it is the Company’s intention to settle on a net basis.

Notes to the financial statements (continued)
As at 31 December 2019

2.3.10. Other commitments linked to secured notes

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

The security granted under each Pledge Agreement will be granted either in favour of:

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

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

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

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

2.4 Changes in accounting policy

a. Presentation of other assets and other liabilities

In 2018, the presentation of other assets and other liabilities in the statement of the financial position offset the positions of both captions and displayed the net position either on assets side or on liabilities side.

This presentation was changed as of 1 January 2019. The Company decided to provide a non-offsetting presentation in order to show separately the amounts in distinctive captions.

In order to comply with the requirements of IAS 8, the Company presents its financial figures in 2018 and 2019 with a restatement of 2018 amounts to clarify the comparative amounts as presented in the current period financial statements have been adjusted. The change in the presentation has been reflected in the statement of financial position and in the notes to the financial statements (note 6). Given the absence of impact of such offsetting on both the net result and the shareholders' equity, SG Issuer has decided not to restate the opening balances of assets, liabilities and equity for the prior year presented.

b. Revenue recognition

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 IFRS 9. Income were accounted upfront, at issuance of the Notes and Warrants. In 2019, the Company has reassessed the accounting treatment of such income and conclude that such income was in scope of IFRS 15. This new accounting policy has been applied since 1 January 2019. Comparative presentation of 2018 profit and loss was restated accordingly.

The remuneration of SGIS is composed by 2 distinct services:

- The issuing fee recognized upfront for the initiation and the structuration of the operation (thereafter issuing upfront fee);

- The account and security servicing during the lifecycle of the security recognized over time (thereafter security servicing fee).

2.5 Prior years corrections of error

During Q4 2019, SG Issuer, a fully owned subsidiary of SG Luxembourg, identified that, in 2019 as well as in prior years, Société Générale S.A. had paid to SG Issuer a remuneration in excess of the contractually agreed remuneration due to an error in using the right notes' maturities when applying the contractually agreed remuneration formula. However, such undue remuneration had no impact on any remuneration due to investors in SG Issuer's notes and warrants at any time.

Société Générale S.A. confirmed in a letter addressed to SG Issuer on 15 April 2020 and duly signed by both parties that it had decided to waive any reimbursement claim from SG Issuer related to such undue remuneration whenever paid.

Therefore, this operational incident has no impact on SG Issuer net result and shareholders' equity.

The economic nature of this excess remuneration being different from the contractual remuneration, the excess remuneration is recorded in "Other income" for the year ended 31 December 2019. In accordance with IAS 8, SG Issuer has restated the comparative amount in the Income statement for the year ended 31 December 2018 as well as in the notes to the financial statements (Notes 11 and 16).

Given the absence of impact of such undue remuneration on both the net result and the shareholders' equity, SG Issuer has decided not to restate the opening balances of assets, liabilities and equity for the prior year presented.

This excess remuneration paid by Société Générale S.A. to SG Issuer amounts to KEUR 14 384 for the year ended 31 December 2019 and KEUR 25 807 for the year ended 31 December 2018.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to KEUR 65 975 as at 31 December 2019 (31 December 2018: KEUR 79 584) and are mainly composed of cash held with SG Luxembourg and Société Générale.

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

NOTE 4 – FINANCIAL INSTRUMENTS

4.1 Financial assets measured at fair value through profit or loss

	31.12.2019 ('000 EUR)	31.12.2018 ('000 EUR)
Financial assets at fair value through profit or loss		
- Mandatorily at fair value through profit or loss (Fully Funded Swaps)	52 893 265	45 062 134
- Trading derivatives (Options)	5 786 274	4 168 362
Total	**58 679 539**	**49 230 496**

As at 31 December 2019, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 52 893 265 (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 31 December 2019, Trading derivatives (Options) amount to KEUR 5 786 274 (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 31 December 2019, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 30 038 519 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2018: KEUR 40 786 626) and KEUR 6 692 028 for the non-sold Warrants and the corresponding Options (31 December 2018: KEUR 5 281 042) (see Note 4.2).

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

Notes to the financial statements (continued)
As at 31 December 2019

	('000 EUR) Mandatorily at fair value through profit or loss	('000 EUR) Trading derivatives	('000 EUR) Total
As at 1 January 2018	**44 051 537**	**3 806 822**	**47 858 359**
Acquisition	61 735 479	33 911 397	95 646 876
Maturity/Disposal/Liquidation/Cancellation	(33 489 422)	(32 708 620)	(66 198 042)
Change in fair value	(12 067 577)	(2 686 752)	(14 754 329)
Exchange difference	1 987 248	181 090	2 168 338
Offsetting of Assets and Liabilities (Change)	(17 155 131)	1 664 425	(15 490 706)
As at 31 December 2018	**45 062 134**	**4 168 362**	**49 230 496**

	('000 EUR) Mandatorily at fair value through profit or loss	('000 EUR) Trading derivatives	('000 EUR) Total
As at 1 January 2019	**45 062 134**	**4 168 362**	**49 230 496**
Acquisition	71 660 086	40 408 628	112 068 714
Maturity/Disposal/Liquidation/Cancellation	(86 760 549)	(37 874 504)	(124 635 053)
Change in fair value	11 224 067	353 266	11 577 333
Exchange difference	959 420	141 508	1 100 928
Offsetting of Assets and Liabilities (Change)	10 748 107	(1 410 986)	9 337 121
As at 31 December 2019	**52 893 265**	**5 786 274**	**58 679 539**

4.2 Financial liabilities measured at fair value through profit or loss

	31.12.2019 ('000 EUR)	31.12.2018 ('000 EUR)
Financial liabilities at fair value through profit or loss		
- Designated at fair value through profit or loss (Notes)	52 889 867	45 053 728
- Trading derivatives (Warrants)	5 788 693	4 170 486
Total	**58 678 560**	**49 224 214**

As at 31 December 2019, the Company has issued secured and unsecured Notes for a total amount of KEUR 52 889 867 (31 December 2018: KEUR 45 053 728):

- 31 999 unsecured Notes were issued (stock) for a total amount of KEUR 48 347 725 (31 December 2018: 29 736 unsecured Notes were issued (stock) for a total amount of KEUR 41 584 165);
- 846 secured Notes were issued (stock) for a total amount of KEUR 4 542 142 (31 December 2018: 871 secured Notes were issued (stock) for a total amount of KEUR 3 469 563).

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 31 December 2019, securities deposited at BNY Mellon Luxembourg as collateral for secured issuances amount to KEUR 4 468 186 (31 December 2018: KEUR 3 609 288).

As at 31 December 2019, the Company also issued Warrants for a total amount of KEUR 5 788 693 (31 December 2018: KEUR 4 170 486). Refer to Note 14 for further details on Off-balance sheet items related to the Warrants activity.

As at 31 December 2019, the impact of the offsetting (decrease in the balance sheet) is KEUR 30 038 519 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2018: KEUR 40 786 626) and KEUR 6 692 028 for the non-sold Warrants and the corresponding Options (31 December 2018: KEUR 5 281 042) (see Note 4.1).

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

	('000 EUR) Designated at fair value through profit or loss	('000 EUR) Trading derivatives	('000 EUR) Total
As at 1 January 2018	**44 048 143**	**3 818 679**	**47 866 822**
Acquisition	62 374 839	33 934 907	96 309 746
Cancelled/Liquidation/Maturity Disposal	(33 989 259)	(33 348 931)	(67 338 190)
Change in fair value	(12 231 930)	(2 310 924)	(14 542 854)
Exchange difference	2 007 066	412 330	2 419 396
Offsetting of Assets and Liabilities (Change)	(17 155 131)	1 664 425	(15 490 706)
As at 31 December 2018	**45 053 728**	**4 170 486**	**49 224 214**

	('000 EUR) Designated at fair value through profit or loss	('000 EUR) Trading derivatives	('000 EUR) Total
As at 1 January 2019	**45 053 728**	**4 170 486**	**49 224 214**
Acquisition	73 253 218	39 985 252	113 238 470
Cancelled/Liquidation/Maturity Disposal	(87 579 976)	(37 303 767)	(124 883 743)
Change in fair value	10 470 909	122 616	10 593 525
Exchange difference	943 881	225 093	1 168 974
Offsetting of Assets and Liabilities (Change)	10 748 107	(1 410 987)	9 337 120
As at 31 December 2019	**52 889 867**	**5 788 693**	**58 678 560**

4.3 Financial liabilities measured at amortised cost

As at 31 December 2019 and 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 SG Luxembourg, with maturity in 2022. Conversion may occur each year.

On this convertible bond, the Company pays to SG Luxembourg both variable interests calculated on Euribor 3M plus a margin of 2.05% (total rate of 1.671% as at 31 December 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 31 December 2019, the Company also has amounts due to banks related to the Company's bank current accounts for KEUR 681 (31 December 2018: KEUR 16 673).

NOTE 5 – LOANS AND RECEIVABLES

As at 31 December 2019 and 2018, loans and receivables only consist in deposits with SG Luxembourg, 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 0 as at 31 December 2019 (31 December 2018: KEUR 2).

NOTE 6 – OTHER ASSETS AND OTHER LIABILITIES

As at 31 December 2019 and 2018, other assets and other liabilities are mainly composed of settlement accounts for trades, as presented below. Miscellaneous payables and receivables mainly consist of payables on partly paid Notes and receivables on financial instruments replicating the partly paid notes issued respectively.

	('000 EUR) 31.12.2019	**('000 EUR) 31.12.2018 Restated (Note 2.4)**
Settlement accounts on securities transactions	372 987	97 333
Miscellaneous receivables	58 001	73 256
Total other assets	**430 988**	**170 589**

	('000 EUR) 31.12.2019	**('000 EUR) 31.12.2018 Restated (Note 2.4)**
Settlement accounts on securities transactions	(392 183)	(94 524)
Deferred income	(7 605)	-
Miscellaneous payables	(63 735)	(89 104)
Total other liabilities	**(463 523)**	**(183 628)**

NOTE 7 – TAXATION

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

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

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

NOTE 8 – SHAREHOLDERS' EQUITY

8.1 Share capital and share premium

As at 31 December 2018, the subscribed and fully paid share capital, 100% held by SG Luxembourg, 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 authorized 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 2019 activity related interests amounting to EUR 31 604 629 have been allocated to the Share Premium. During the year ended 31 December 2019, a share premium amounting to a total of EUR 56 604 630 was reimbursed by the Company to the sole shareholder (EUR 31 604 630 in October 2019 and 25 000 000 in December 2019).

As at 31 December 2019, the subscribed and fully paid share capital, 100% held by Société Générale Luxembourg S.A., is EUR 2 000 240, divided into 50 006 shares with a 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 or the sole Shareholder, if the Company's activity evolves, incurring specific additional risks.

8.2 Reserves

8.2.1 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 31 December 2019, the legal reserve amounts to KEUR 200 (31 December 2018: KEUR 200).

8.2.2 Other reserves

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

As at 31 December 2019, the amount of other reserves is nil. As at 31 December 2018, the other reserves amounted to KEUR 1 662 and were mainly related to the remaining Net Wealth Tax reserve that was constituted by the Company before 2013 and released in 2018.

Notes to the financial statements (continued)
As at 31 December 2019

NOTE 9 – INTEREST INCOME AND EXPENSES

	('000 EUR) 31.12.2019	('000 EUR) 31.12.2018
Interest income on cash and cash equivalents	74	541
Interest income on loans and receivables	949	1 141
Total interest income	**1 023**	**1 682**
Interest expenses on financial liabilities at amortised cost	(36 624)	(33 035)
Total interest expenses	**(36 624)**	**(33 035)**
Net interest margin	**(35 601)**	**(31 353)**

NOTE 10 – COMMISSION INCOME

As explained in Note 2.4 b, the new accounting policy IFRS 15 has been applied by the Company since 1 January 2019. Comparative presentation of 2018 profit and loss was restated accordingly.

Commission income can be broken down as follows:

	('000 EUR) 31.12.2019	('000 EUR) 31.12.2018 Restated (Note 2.4)
Issuing upfront fees on Notes	45 436	29 926
Servicing fees on Notes	2 951	5 281
Commission on Warrants	4 292	5 676
Commission income	**52 679**	**40 883**

As at 31 December 2019, KEUR 7 605 are retained as deffered income under the caption "other liabilities"(2018 : nil).

NOTE 11 – OTHER INCOME

As explained in Note 2.5, Other income includes an excess remuneration of KEUR 14 384 for the year ended 31 December 2019 (KEUR 25 807 for the year ended 31 December 2018).

NOTE 12 – PERSONNEL EXPENSES

	('000 EUR) 31.12.2019	('000 EUR) 31.12.2018
Wages and salaries	(333)	(243)
Social charges and associated costs	(63)	(60)
Recharge of personnel expenses from related parties	(15)	(17)
Total	**(411)**	**(320)**

The Company had 3 full-time equivalent during the year ended 31 December 2019 (2018: 3).

The annual cost of pension is calculated and invoiced by SG Luxembourg, the parent company, based on SG Luxembourg's group total cost of pensions and according to the number of the Company's full time equivalent employees.

Notes to the financial statements (continued)
As at 31 December 2019

NOTE 13 – OTHER OPERATING EXPENSES

	(‘000 EUR) 31.12.2019	**(‘000 EUR) 31.12.2018**
Issuance fees	(26 556)	(27 425)
Other operating charges	(3 558)	(7 271)
Total	**(30 114)**	**(34 696)**

Issues fees mainly consist of listing fees, collateral monitoring agent fees, maintenance of registers fees and trading fees.

Other operating charges are mainly composed of operating costs related to the Company (including audit fees) as well as activities outsourced to Société Générale S.A. and SG Luxembourg.

Remuneration of the Réviseur d’entreprises agréé

The fees paid by the Company to its Réviseur d’entreprises agréé, Ernst & Young S.A., were as follows:

	(‘000 EUR) 31.12.2019	**(‘000 EUR) 31.12.2018**
Statutory audit of the financial statements	241	241
Other assurance services	40	40
Tax consulting services	-	-
Other services	-	-
Total	**281**	**281**

NOTE 14 – OFF-BALANCE SHEET

As at 31 December 2019, financial instruments to be issued (engagement taken before 31 December 2019 with value date after 31 December 2019) amount to KEUR 2 836 408 (31 December 2018: KEUR 2 790 111).

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

Notes to the financial statements (continued)

As at 31 December 2019

Warrants issuance summary

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

				31 December 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	1	12 462	14 432	2	15 581	14 584
		Equity	Call	-	-	-	4	3 144	4 350
Commodity Future Warrant	Future	Mutual Fund	Put	24	35 591	6 048	4	7 138	6
		Commodity Future	Call	76	637 284	42 969	76	381 303	11 361
			Put	74	176 905	25 045	148	439 664	119 532
Commodity Warrant	Commodity	Index	Call	9	40 197	19 188	-	-	-
		Mutual Fund	Call	136	904 041	130 055	63	161 967	40 489
			Put	83	154 736	10 222	80	240 430	27 319
		Precious metals	Call	11	22 469	5 626	12	24 767	3 657
			Put	11	26 439	126	14	34 545	2 235
		Future Contract	Call	1	-	57 440	-	-	-
Currency Warrant	Currency	Currency	Call	9 155	88 621	41 196	201	159 308	36 455
			Put	4 152	417 838	305 098	253	176 373	65 947
Equity Warrant	Equity	American Depositary Receipt	Call	63	202 059	9 155	21	25 218	1
			Put	36	60 612	4 152	18	17 817	-
		Mutual Fund	Call	6	139 725	960	-	-	-
		Ordinary Share	Call	4 397	27 304 462	1 045 517	4 654	26 923 067	596 199
			Put	3 217	10 749 863	522 589	3 487	11 659 558	790 924
		Other Certificate	Call	-	-	-	1	300	-
			Put	-	-	-	8	4 894	459
		Other Receipt	Call	-	-	-	2	2 442	-
			Put	-	-	-	2	1 252	-
		Own Share	Call	67	103 867	12 856	92	193 993	3 526
			Put	42	52 041	8 039	82	112 290	28 196
		Preference	Call	29	61 705	2 846	23	35 672	331
			Put	19	31 784	822	29	41 791	888

Notes to the financial statements (continued)

As at 31 December 2019

Warrant Type	Category of Underlying	Type of Underlying	Option Type	31 December 2019 Quantity	31 December 2019 Notional ('000 EUR)	31 December 2019 Fair Value ('000 EUR)	31 December 2018 Quantity	31 December 2018 Notional ('000 EUR)	31 December 2018 Fair Value ('000 EUR)
Real Estate Investment Trust	REIT	REIT	Call	47	140 612	6 483	42	148 254	908
			Put	40	87 700	2 315	35	35 074	3 453
Index Warrant	Index	Index	Call	2 169	53 295 928	3 009 616	1 354	51 887 633	1 066 292
			Put	1 319	25 762 353	471 170	1 451	30 468 115	1 333 566
Fund Warrant	Fund	Mutual Fund	Call	228	1 467 868	34 668	196	1 171 799	19 733
			Put	6	118 816	60	10	137 095	75
Total Call				**16 395**	**84 421 300**	**4 433 007**	**6 743**	**81 134 448**	**1 797 886**
Total Put				**9 023**	**37 674 678**	**1 355 686**	**5 621**	**43 376 036**	**2 372 600**
Total Warrants				**25 418**	**122 095 978**	**5 788 693**	**12 364**	**124 510 484**	**4 170 486**

NOTE 15 – 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).

15.1 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 FFS concluded with Société Générale, with strictly identical characteristics. In the same way, the Warrants issued are hedged with Options concluded with Société Générale, with strictly identical characteristics.

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

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

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

The Company is also exposed to structural interest rate risk, namely through the following transactions: reinvestment of available equity by participating interests or loans to the Company's treasury (SG Luxembourg) with hedged interest rate risk. 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.

15.2 Credit risk

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

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

As at 31 December 2019 and 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).

As at 31 December 2019, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

15.3 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.

15.4 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 material 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 replicating the financial instruments issued by the Company.

Notes to the financial statements (continued)
As at 31 December 2019

Analysis per remaining contractual maturities

As at 31 December 2019, analysis per remaining contractual maturities is as follows:

31.12.2019 - EUR' 000	**< 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**> 5 years**	**Without fixed maturity**	**Total**
Cash and cash equivalents	65 975	-	-	-	-	65 975
Financial assets at fair value through profit or loss						
- *Mandatorily at fair value through profit or loss*	3 163 448	11 165 213	19 600 467	18 964 137	-	52 893 265
- *Trading derivatives*	1 193 884	947 357	1 080 289	2 564 744	-	5 786 274
Loans and receivables	-	1 953	48 707	1 000	-	51 660
Other assets	430 988	-	-	-	-	430 988
Total assets	**4 854 295**	**12 114 523**	**20 729 463**	**21 529 881**	**-**	**59 228 162**
Financial liabilities at amortised cost	681	34 988	48 000			83 669
Financial liabilities at fair value through profit or loss						
- *Designated at fair value through profit or loss*	3 163 305	11 165 232	19 597 397	18 963 933	-	52 889 867
- *Trading derivatives*	1 191 838	949 542	1 079 739	2 567 574	-	5 788 693
Other liabilities	463 523	-	-	-	-	463 523
Tax liabilities	62	-	-	-	-	62
Total liabilities	**4 819 409**	**12 149 762**	**20 725 136**	**21 531 507**	**-**	**59 225 814**

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

31.12.2018 - EUR' 000 Restated (Note 2.4)	**< 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**> 5 years**	**Without fixed maturity**	**Total**
Cash and cash equivalents	79 584	-	-	-	-	79 584
Financial assets at fair value through profit or loss						
- *Mandatorily at fair value through profit or loss*	2 659 566	7 215 881	20 045 169	15 141 518	-	45 062 134
- *Trading derivatives*	682 685	1 033 560	508 253	1 943 864	-	4 168 362
Loans and receivables	189	828	50 553	1 000	-	52 570
Other assets	170 589	-	-	-	-	170 589
Total assets	**3 592 613**	**8 250 269**	**20 603 975**	**17 086 382**	**-**	**49 533 239**
Financial liabilities at amortised cost	16 673	31 611	48 000	-	-	96 284
Financial liabilities at fair value through profit or loss						
- *Designated at fair value through profit or loss*	2 648 107	7 216 548	20 037 056	15 152 017	-	45 053 728
- *Trading derivatives*	684 009	1 029 500	514 100	1 942 877	-	4 170 486
Other liabilities	183 628	-	-	-	-	183 628
Tax liabilities	64	-	-	-	-	64
Total liabilities	**3 532 481**	**8 277 659**	**20 599 156**	**17 094 894**	**-**	**49 504 190**

15.5 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 statement of financial position date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of Société Générale, in accordance with the methodologies defined by the Market Risk Department.

The Notes and the related FFS are classified as Level 3 when the valuation of the associated embedded derivatives (underlying 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 financial statements (continued)
As at 31 December 2019

Estimates of Level 3 instruments and other most significant unobservable inputs as at 31 December 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	21 089	21 089	Simple and complex derivatives on funds, equities or baskets on stocks	Various option models on funds, equities or baskets on stocks	Equity volatilities	[3.8% ; 90.5%]
					Equity dividends	[0.0% ; 21.3%]
					Unobservable correlations	[-80.0% ; 97.8%]
					Hedge funds volatilities	[8.5% ; 20.0%]
					Mutual funds volatilities	[1.7% ; 42.2%]
Rates and Forex	6 326	6 329	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[-47.30%;90%]
			Forex derivatives	Forex option pricing models	Forex volatilities	[1.0% ; 32.80%]
			Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools	Prepayement modeling	Constant prepayment rates	[0.0% ; 20.0%]
			Inflation instruments and derivatives	Inflation pricing models	Inflation/ inflation correlations	[50.50% ; 88.90%]
Credit	4 856	4 856	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%]
					Unobservable credit spreads	[0 bps ; 1 000 bps]
Commodity	6	6	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	[9.88% ; 96.37%]
Total	**32 277**	**32 280**				

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

Notes to the financial statements (continued)
As at 31 December 2019

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

31.12.2019 - EUR' 000	**Carrying amount**	**Fair value**
Cash and cash equivalents	65 975	65 975
Financial assets at fair value through profit or loss		
- *Mandatorily at fair value through profit or loss*	52 893 265	52 893 265
- *Trading derivatives*	5 786 274	5 786 274
Loans and receivables *	51 660	53 302
Other assets	430 988	430 988
Total assets	**59 228 162**	**59 229 804**
Financial liabilities at amortised cost *	83 669	85 311
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss*	52 889 867	52 889 867
- *Trading derivatives*	5 788 693	5 788 693
Other liabilities	463 523	463 523
Tax liabilities	62	62
Total liabilities	**59 225 814**	**59 227 456**

31.12.2018 - EUR' 000	**Carrying amount Restated (Note 2.4)**	**Fair value Restated (Note 2.4)**
Cash and cash equivalents	79 584	79 584
Financial assets at fair value through profit or loss		
- *Mandatorily at fair value through profit or loss*	45 062 134	45 062 134
- *Trading derivatives*	4 168 362	4 168 362
Loans and receivables *	52 570	54 993
Other assets	170 589	170 589
Total assets	**49 533 239**	**49 535 662**
Financial liabilities at amortised cost *	96 284	98 451
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss*	45 053 728	45 053 728
- *Trading derivatives*	4 170 486	4 170 486
Other liabilities	183 628	183 628
Tax liabilities	64	64
Total liabilities	**49 504 190**	**49 506 357**

* 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 financial statements (continued)
As at 31 December 2019

The fair value hierarchy of IFRS 13

As at 31 December 2019, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31.12.2019 - EUR' 000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
- Mandatorily at fair value through profit or loss		**21 171 636**	**31 721 629**	**52 893 265**
Commodities instruments	-	736 757	6 113	742 870
Credit derivatives/securities	-	1 378 833	4 856 266	6 235 099
Equity and index securities	-	15 198 731	20 867 313	36 066 044
Foreign exchange instruments/securities	-	1 777 010	847 690	2 624 700
Interest rate instruments/securities	-	1 921 912	3 961 009	5 882 921
Other financial instruments	-	158 393	1 183 238	1 341 631
- Trading derivatives		**5 229 694**	**556 580**	**5 786 274**
Equity and Index instruments	-	3 203 565	222 023	3 425 588
Other financial instruments	-	2 026 129	334 557	2 360 686
Financial liabilities at fair value through profit or loss				
- Designated at fair value through profit or loss		**21 169 553**	**31 720 314**	**52 889 867**
Commodities instruments	-	736 757	6 113	742 870
Credit derivatives/securities	-	1 379 219	4 855 992	6 235 211
Equity and index securities	-	15 197 980	20 866 396	36 064 376
Foreign exchange instruments/securities	-	1 775 900	847 573	2 623 473
Interest rate instruments/securities	-	1 921 464	3 961 009	5 882 473
Other financial instrument	-	158 233	1 183 231	1 341 464
- Trading derivatives		**5 229 108**	**559 585**	**5 788 693**
Equity and Index instruments	-	3 201 226	221 988	3 423 214
Other financial instruments	-	2 027 882	337 597	2 365 479

Notes to the financial statements (continued)
As at 31 December 2019

As at 31 December 2018, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31.12.2018 - EUR' 000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
- Mandatorily at fair value through profit or loss	**-**	**20 606 194**	**24 455 940**	**45 062 134**
Commodities instruments	-	1 160 486	40 872	1 201 358
Credit derivatives/securities	-	1 509 044	4 490 176	5 999 220
Equity and index securities	-	15 226 349	15 031 332	30 257 681
Foreign exchange instruments/securities	-	793 456	779 644	1 573 100
Interest rate instruments/securities	-	1 626 581	2 624 148	4 250 729
Other financial instruments	-	290 278	1 489 768	1 780 046
- Trading derivatives	**-**	**4 050 694**	**117 668**	**4 168 362**
Equity and Index instruments	-	3 573 416	94 142	3 667 558
Other financial instruments	-	477 278	23 526	500 804
Financial liabilities at fair value through profit or loss				
- Designated at fair value through profit or loss	**-**	**20 599 491**	**24 454 237**	**45 053 728**
Commodities instruments	-	1 160 486	40 872	1 201 358
Credit derivatives/securities	-	1 508 480	4 488 869	5 997 349
Equity and index securities	-	15 221 303	15 031 014	30 252 317
Foreign exchange instruments/securities	-	792 379	779 568	1 571 947
Interest rate instruments/securities	-	1 626 565	2 624 147	4 250 712
Other financial instrument	-	290 278	1 489 767	1 780 045
- Trading derivatives	**-**	**4 052 818**	**117 668**	**4 170 486**
Equity and Index instruments	-	3 574 563	94 142	3 668 705
Other financial instruments	-	478 255	23 526	501 781

Notes to the financial statements (continued)
As at 31 December 2019

The following table describes the variation in Level 3 by financial instruments (in KEUR):

Financial liabilities at fair value through profit or loss	**Balance at 01.01.2019**	Acquisitions	Change in fair value	Reimbursements	Transfers from L2 to L3	Transfers from L3 to L2	Offsetting of the assets and liabilities	**Balance 31.12.2019**
Designated at fair value through P&L	**24 454 237**	**30 514 576**	**(4 048 824)**	**(20 458 301)**	**(2 833 767)**	**349 154**	**3 743 239**	**31 720 314**
Equity and index instrument	15 031 014	25 508 705	(3 275 083)	(16 714 403)	(1 977 001)	126 495	2 166 669	20 866 396
Commodity instruments	40 872	87	(626)	(38 600)	(3 138)	-	7 518	6 113
Credit derivatives	4 488 869	2 220 574	(465 306)	(832 306)	(662 175)	128 031	(21 695)	4 855 992
Foreign exchange instruments	779 568	199 861	(46 032)	(85 976)	(9 976)	-	10 128	847 573
Interest rate instruments	2 624 147	2 384 246	(152 157)	(1 266 238)	(167 756)	75 488	463 279	3 961 009
Others financial instruments	1 489 767	201 103	(109 620)	(1 520 778)	(13 721)	19 140	1 117 340	1 183 231
Trading derivatives	**117 668**	**408 072**	**178 007**	**(175 707)**	**69 436**	**(13 588)**	**(24 303)**	**559 585**
Equity and index instruments	94 142	228 783	83 393	(153 324)	-	(13 588)	(17 418)	221 988
Other financial instruments	23 526	179 289	94 614	(22 383)	69 436	-	(6 885)	337 597

The above figures are valued on the liabilities side at fair value through profit or loss. Variations of Level 3 of financial instruments in assets are not presented because the figures are similar.

Transfers from Level 3 to Level 2

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

Transfers from Level 2 to Level 3

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

15.6 Operational risk

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

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

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

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

NOTE 16 – RELATED PARTIES

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at 31 December 2019 and 2018 are presented below. Related parties are considered to be a party that has the ability to control the Company or exercise significant influence over the Company in making financial or operational decisions. The Company has a related party relationship with its direct parent company (SG Luxembourg), its ultimate parent company (SG) and with its Executive Board Members, Supervisory Board Members and Executive Officers. As disclosed below in the table, the Company entered into transactions only with its direct parent company (SG Luxembourg) and its ultimate parent company (SG).

The issued Notes are sold to Société Générale as market maker, such Notes being expected to be subscribed *in fine* by third party investors, either for their own account or via distribution network. Moreover, all Notes are guaranteed by Société Générale.

Also, the Company borrows securities from Société Générale, which serve as collateral for the secured Notes issued by the Company.

Notes to the financial statements (continued)

As at 31 December 2019

As at 31 December 2019 **EUR' 000**	**Société Générale (Ultimate Parent Company)**	**SG Luxembourg (Parent Company)**
Cash and cash equivalents	62 219	1 426
Financial assets at fair value through profit or loss		
- *Mandatorily at fair value through profit or loss*	52 893 265	-
- *Trading derivatives*	5 786 274	-
Loans and receivables	-	51 660
Other assets	430 988	-
Total assets	**59 172 746**	**53 086**
Financial liabilities at amortised cost	-	82 988
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss**	-	-
- *Trading derivatives**	-	-
Other liabilities	(461 711)	-
Tax liabilities	-	62
Total liabilities	**(461 711)**	**83 050**
Interest income	18	949
Commission income	52 679	-
Other income (1)	14 384	-
Total revenues	**67 081**	**949**
Interest expenses	(405)	(35 805)
Personnel expenses	-	(411)
Other operating charges	(1 755)	(21 033)
Total expenses	**(2 160)**	**(57 249)**
Total comprehensive income for the financial year	**64 921**	**(56 300)**
Financial commitments	**2 836 408**	**-**
Financial commitments-collateral to be returned	**4 468 186**	**-**

*****The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

(1) As explained in Note 2.5 “Other Income” includes an excess remuneration of KEUR 14 384 for the year ended 31 December 2019 (KEUR 25 807 for the year ended 31 December 2018).

Notes to the financial statements (continued)
As at 31 December 2019

As at 31 December 2018 **EUR' 000**	**Société Générale (Ultimate Parent Company)** **Restated***	**SG Luxembourg (Parent Company)** **Restated***
Cash and cash equivalents	73 336	1 008
Financial assets at fair value through profit or loss		
- *Mandatorily at fair value through profit or loss*	45 062 134	-
- *Trading derivatives*	4 168 362	-
Loans and receivables	-	52 570
Other assets	170 589	-
Total assets	**49 474 421**	**53 578**
Financial liabilities at amortised cost	-	79 611
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss***	-	-
- *Trading derivatives***	-	-
Other liabilities	183 564	-
Tax liabilities	**-**	64
Total liabilities	**183 564**	**79 675**
Interest income	1 604	78
Commission income	40 883	-
Other income (1)	25 807	-
Total revenues	**68 294**	**78**
Interest expenses	(600)	(32 435)
Personnel expenses	-	(320)
Other operating charges	(4 559)	(28 022)
Total expenses	**(5 159)**	**(60 777)**
Total comprehensive income for the financial year	**63 135**	**(60 699)**
Financial commitments	**2 790 111**	**-**
financial commitments-collateral to be returned	**3 609 288**	**-**

* Restatements explained in Notes 2.4 a and 2.4 b.

****** The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

(1) As explained in Note 2.5 “Other Income” includes an excess remuneration of KEUR 14 384 for the year ended 31 December 2019 (KEUR 25 807 for the year ended 31 December 2018).

NOTE 17 – REMUNERATION, ADVANCES AND LOANS GRANTED TO MEMBERS OF THE ADMINISTRATIVE OR SUPERVISORY BODY

The independent director of the company, appointed 25 June 2018, earned a remuneration of EUR 28 000 for his services related to the year ended 31 December 2019 (31 December 2018: EUR 7 000).

As at 31 December 2019 and 2018, no other payment, advance or loans were given to members of the administrative or supervisory body.

NOTE 18 – SUBSEQUENT EVENTS

By resolution adopted on 15 January 2020, the Executive Board decided to increase the capital of the Company from EUR 2 000 240 to EUR 2 000 280 by the issue of a new share with a nominal value of EUR 40, subscribed by the sole shareholder. After this increase, the subscribed and fully paid share capital is EUR 2 000 280, divided into 50 007 shares with a nominal value of EUR 40 each. Such increase resulted in an allocation of EUR 34 981 050 to the share premium account.

The development of the COVID-19 virus into a pandemic has created an unprecedented environment both operationally and in financial markets. In this context, the Company has been closely monitoring the situation and following instructions with the whole Société Générale Group given by the World Health Organisation and the authorities in Luxembourg. The Company has put in place the necessary measures to ensure business continuity with consideration for staff and client health and safety as a priority. It is too early to perform a detailed assessment of the impact on SG Issuer. Nevertheless, it is expected that the financial market environment will affect the Company's volume of Notes issued and sold to the public during the period when the outbreak continues.

As at 31 December 2019, the COVID crisis had no impact on the Company's financial statements, neither on profit. As a result economic uncertainties have arisen which are likely to negatively impact in due proportion 2020 results. Given then uncertainties and ongoing developments the Company cannot accurately and reliably estimate the quantitative impact. It is to be noted that as of the date of this report, the Company does not expect a significant decrease in future financial position.

APPENDIX III

REPRODUCTION OF THE PRESS RELEASE DATED 30 APRIL 2020 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

The information set out below is a reproduction of the press release dated 30 April 2020 containing the Guarantor's consolidated financial results for the first quarter ended 31 March 2020.

SOCIETE GENERALE

RESULTS AT MARCH 31ST 2020

Press release

Paris, April 30th 2020

Q1 20 PERFORMANCE

Resilient performance in French Retail Banking and International Retail Banking and Financial Services

Underlying profitability of 10.7%(1) in French Retail Banking

Underlying profitability of 15.4%(1) in International Retail Banking and Financial Services

Global Banking and Investor Solutions penalised heavily by market conditions

Global Markets, mainly investment structured products on equities, impacted by exceptional market dislocations of the end of the quarter due to Covid-19

Satisfactory performance of other businesses

Cost of risk at 65 basis points amid Covid-19 crisis vs. 21 basis points in Q1 19

Decline in the underlying Group operating expenses: -3.6%(1) vs. Q1 19

Reported Group net income at EUR -326m and underlying Group net income at EUR 98m(1)

THE GROUP ENTERS THE CRISIS WITH A ROBUST PROFILE

A solid financial structure and liquidity position

CET1 ratio at 12.6% (12.7% pro forma(2)) at 31st March 2020: nearly 350 basis points above regulatory requirement(3)

LCR ratio at 144% on average in Q1 20 and liquidity buffer at EUR 203bn

Funding programme of which approximately 45% is already completed

Good quality loan portfolio with geography and sector diversification

Goodwill from our advanced digital strategy, facilitating operational management at a time of crisis

2020 OUTLOOK

Confirmation of decrease in Group costs in 2020 and additional cost reduction between EUR 600m and EUR 700m in 2020

Cost of risk outlook expected at around 70 basis points throughout 2020 in a base Covid scenario and around 100 basis points in a scenario of extended shutdown

CET1(4) ratio showing, as of end of 2020, a buffer between 200 and 250 basis points over regulatory requirement, depending on the assumption used for potential exceptional dividend distribution.

Frédéric Oudéa, the Group's Chief Executive Officer, commented:

« In the face of the unprecedented health, economic and social crisis we are experiencing, our Societe Generale teams worldwide have shown determination and unwavering tenacity in a truly exceptional mobilisation and I would like to thank them for this. Based on our strong sense of responsibility, the group's commitment is threefold : firstly, to protect the health of our clients and our employees by applying security measures in all of our sites and activities; secondly, to ensure the continuity of our services as a business of vital importance; and thirdly, to support our staff, clients, suppliers and all our partners during this especially difficult period.

We are tackling this crisis with insight but confident in the soundness of our business model, the agility of our operational model driven by technological and digital advancements and the robustness of our capital and risk profile. Beyond our focused adaptation to the immediate impact of the crisis, we are already working on the designs of our next strategic plan 2021-2025 to take into account the new environment post-crisis. »

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(1) Underlying data. See methodology note 5 for the transition from accounting data to underlying data.

(2) Pro forma for the announced disposals (+10 basis points) and the integration of EMC (-4 basis points)

(3) 9.05% as of 04.01.2020

(4) Including 2020 dividend accrual

*The footnote * in this document corresponds to data adjusted for changes in Group structure and at constant exchange rates.*

1. GROUP CONSOLIDATED RESULTS

In EURm	Q1 20	Q1 19	Change	
Net banking income	**5,170**	**6,191**	***-16.5%***	***-14.9%****
Operating expenses	**(4,678)**	**(4,789)**	**-2.3%**	**-0.7%***
Underlying operating expenses(1)	*(4,188)*	*(4,345)*	*-3.6%*	*-1.9%**
Gross operating income	**492**	**1,402**	**-64.9%**	**-63.8%***
Underlying gross operating income(1)	*982*	*1,846*	*-46.8%*	*-45.6%**
Net cost of risk	**(820)**	**(264)**	**x 3.1**	**x 3.1**
Operating income	**(328)**	**1,138**	**n/s**	**n/s**
Underlying operating income(1)	*162*	*1,582*	*-89.8%*	*-89.4%**
Net profits or losses from other assets	**80**	**(51)**	**n/s**	**n/s**
Underlying net profits or losses from other assets(1)	*157*	*2*	*x 78.5*	*x 79**
Income tax	46	(255)	n/s	n/s
Reported Group net income	**(326)**	**686**	**n/s**	**n/s**
Underlying Group net income(1)	***98***	***1,065***	***-90.8%***	***-90.4%****
ROE(2)	-3.6%	4.2%		
ROTE(2)	-4.2%	5.5%		
Underlying ROTE (1)	***-0.5%***	***8.4%***		

(1) Adjusted for exceptional items and IFRIC 21 linearisation

As from January 1st 2019, in accordance with the amendment to IAS 12 "Income Tax", the tax saving related to the payment of coupons on undated subordinated and deeply subordinated notes, previously recorded in consolidated reserves, is now recognised in income on the "income tax" line ; comparative data for Q1 19 have been restated.

Societe Generale's Board of Directors, which met on April 29th 2020 by video call under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q1 20.

The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

Net banking income

The Group's net banking income was down -16.5% in Q1 20. The business net banking income was down -12.2% (-10.5%*).
Net banking income (excluding PEL/CEL provision) of French Retail Banking was down -1.2% vs. Q1 19, the good commercial dynamic at the beginning of the year being partially offset by the slowdown of the retail activities from mid-March.
International Retail Banking & Financial Services showed revenue growth of +1.6%*, driven by commercial dynamic in International Retail Banking where net banking income was up +2.9%*. Insurance revenues are up +1.8%* adjusted from the contribution to the solidarity fund in France for EUR 6 million (-0.9% ; -0.8%* on reported basis). Slight declines were observed in Financial Services to Corporates (-3.5% ; -0.9%*).
Global Banking & Investor Solutions' net banking income fell -27.3% in an exceptional market environment which strongly penalised Global Markets revenues.

(1) Adjusted for exceptional items and linearisation of IFRIC 21
(2) See methodology note 7 for ROE, ROTE, RONE

Operating expenses

In Q1 20, underlying operating expenses declined -3.6% vs. Q1 19 at EUR -4,188 million vs Q1 19.

Operating expenses were down -2.4% in French Retail Banking, in a context of strict cost discipline.
International Retail Banking & Financial Services' operating expenses were down -4.8% notably due to the disposals executed in 2019 and up +2.6%* when adjusted for changes in Group structure and at constant exchange rates. Adjusted for contributions to Covid-19 funds, International Retail Banking & Financial Services presented an operating leverage with positive jaws again this quarter (retreated net banking income up +1.9%* and retreated costs up +1.5%*).
Global Banking & Investor Solutions operating expenses were down at -2.4% as a result of the continued implementation of the EUR 500 million cost savings plan.

The Group confirms its target to decrease operating expenses for the full year 2020 compared to 2019, excluding exceptional items. Furthermore the Goup will introduce additional cost reduction measures through 2020 for a total amount comprised between EUR 600 million and EUR 700 million net of additional costs related to the management of Covid-19 crisis (operational costs, contributions to solidarity funds, etc).

Cost of risk

The Group's commercial cost of risk amounted to 65 basis points in Q1 20 significantly higher vs. Q1 19 (21 basis points) marked by an increase of provisioning in the context of the Covid-19 crisis and some specific files, including two exceptionnal fraud files.

In a base Covid scenario (decrease of gross domestic product in 2020 of -5.8%, -6.8% and -2.3% respectively in France, Euro zone and Global), the Group expects a cost of risk of circa 70 basis points for 2020. In an scenario of extended shutdown (decrease of gross domestic product in 2020 of -11.1%, -12.8% and -7.8% respectively in France, Euro zone and Global), the Group expects a cost of risk of circa 100 basis points for 2020.

The gross doubtful outstandings ratio amounted to 3.1% at March, 31st 2020 (3.2% at end-December 2019). The Group's gross coverage ratio for doubtful outstandings stood at 55%(1) at March 31st, 2020 stable vs. December 31st, 2019.

Net profits or losses from other assets

Net profits or losses from other assets totalled EUR +80 million in Q1 20, including EUR -77 million corresponding to the application of IFRS 5 as part of the implementation of the Group's refocusing plan and EUR +130 million relating to the Group's property disposal programme.

Group net income

In EURm	Q1 20	Q1 19
Reported Group net income	(326)	686
Underlying Group net income(2)	98	1,065

In %	Q1 20	Q1 19
ROTE (reported)	-4.2%	5.5%
Underlying ROTE(2)	-0.5%	8.4%

Earnings per share is negative and amounts to EUR -0.57 in Q1 20 (EUR 0.65 in Q1-19).

(1) *Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings.*
(2) *Adjusted for exceptional items and linearisation of IFRIC 21*

2. GROUP FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 62.6 billion at March 31st, 2020 (EUR 63.5 billion at December 31st, 2019). Net asset value per share was EUR 63.9 and tangible net asset value per share was EUR 55.7.

The consolidated balance sheet totalled EUR 1,508 billion at March 31st, 2020 (EUR 1,356 billion at December 31st, 2019). The net amount of customer loan outstandings at March 31st, 2020, including lease financing, was EUR 445 billion (EUR 430 billion at December 31st, 2019) – excluding assets and securities purchased under resale agreements. Customer deposits amounted to EUR 438 billion, vs. EUR 410 billion at December 31st, 2019 (excluding assets and securities sold under repurchase agreements).

At end-March 2020, the parent company had issued EUR 14.4 billion of medium/long-term debt, with an average maturity of 5.7 years and an average spread of 48 basis points (vs. the 6-month mid-swap, excluding subordinated debt). Issuance from subsidiaries totalled EUR 150 million. In total, at March 31st, 2020, the Group had issued EUR 14.5 billion of medium/long-term debt. The LCR (Liquidity Coverage Ratio) well exceeded regulatory requirements at 141% at end-March 2020 vs. 119% at end-December 2019. At the same time, the NSFR (Net Stable Funding Ratio) was over 100% at end-March 2020.

The Group's **risk-weighted assets** (RWA) amounted to EUR 355.0 billion at March 31st, 2020 (vs. EUR 345.0 billion at end-December 2019) according to CRR/CRD4 rules. Risk-weighted assets in respect of credit risk represent 81.0% of the total, at EUR 287.6 billion, up +1.8% vs. December 31st, 2019.

At March 31st, 2020, the Group's **Common Equity Tier 1** ratio stood at 12.6%, 12.7% pro forma(1), nearly 350 basis points above the regulatory requirement(2). The Tier 1 ratio stood at 14.9% at end-March 2020 (15.1% at end-December 2019) and the total capital ratio amounted to 18.0% (18.3% at end-December 2019).

As of end of 2020, the Group aims to steer its CET1 between 200 basis points and 250 basis points over regulatory requirement, depending on the assumption used for potential exceptional dividend distribution.

With a level of 28.3% of RWA and 8.0% of leveraged exposure at end-March 2020, the Group's TLAC ratio is already above the FSB's requirements for 2020. At March 31st, 2020, the Group was also above its MREL requirements of 8% of the TLOF(3) (which in December 2016, represented a level of 24.36% of RWA), which were used as a reference for the SRB calibration.
The **leverage ratio** stood at 4.2% at March 31st, 2020 (4.3% at December end 2019).

The Group is rated by four financial rating agencies: (i) FitchRatings - long-term rating "A", Rating watch negative, senior preferred debt rating "A+", short-term rating "F1"; (ii) Moody's – long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1"; (iii) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (iv) S&P Global Ratings - long-term rating (senior preferred debt) "A", stable outlook, short-term rating "A-1".

(1) Pro forma for the announced disposals (+10 basis points) and the integration of EMC (-4 basis points)
(2) 9.05% as of 04.01.2020
(3) TLOF: Total Liabilities and Own Funds

3. FRENCH RETAIL BANKING

In EURm	**Q1 20**	**Q1 19**	**Change**
Net banking income	1,880	1,916	*-1.9%*
Net banking income excl. PEL/CEL	*1,905*	*1,928*	*-1.2%*
Operating expenses	(1,450)	(1,486)	-2.4%
Gross operating income	**430**	**430**	***0%***
Gross operating income excl. PEL/CEL	*455*	*442*	*+2.9%*
Net cost of risk	(249)	(94)	x2.6
Operating income	**181**	**336**	***-46.1%***
Net profits or losses from other assets	131	1	*x131*
Reported Group net income	**219**	**234**	***-6.4%***
RONE	**7.8%**	**8.3%**	
Underlying RONE (2)	**10.7%**	**10.4%**	

(1) Adjusted for linearisation of IFRIC 21 and PEL/CEL provision

French Retail Banking's financial performance remains resilient this quarter: underlying RONE stood at 10.7% in Q1 20. A good performance in the first two months of the year was offset by the impact of Covid-19 in the second half of March.

With France placed in lockdown since mid-March 2020, French Retail Banking has implemented measures to ensure operational continuity: supporting its customers while ensuring the safety of employees. Around 85% of branches and all back offices remain open, with operational adjustments. The group has benefited from its digital capabilities in both the networks and its online bank Boursorama.

French Retail Banking's three brands, Societe Generale, Crédit du Nord and Boursorama, enjoyed a healthy commercial momentum in Q1 20, in particular in January and February.
Boursorama consolidated its position as the leading online bank in France, with more than 2.3 million clients at end-March 2020.

At the same time, French Retail Banking experienced further expansion in the mass affluent and wealthy client base in Q1 20 (circa +2.2% vs. March 19). Net inflows for wealthy clients remained robust at circa EUR 0.5 billion, taking assets under management to EUR 64.2 billion (including Crédit du Nord) at end-March 2020.

French Retail Banking continued to strengthen its corporate client base, with a stable number of customers.

Bancassurance suffered from the current environment, with net outflows of EUR 0.2 billion in Q1-20. However, outstandings were up +0.6% at EUR 94.3 billion, with the unit-linked share accounting for 25.2%. Personal protection new contracts were up +14% vs Q1 19 reflecting a good dynamism. The equipment rate of property & casualty continued to grow at +9.8% in Q1 20.

Overall, the commercial momentum remained robust this quarter: average loan outstandings rose +7.3% vs. Q1 19 (to EUR 205.9 billion) supported by favourable momentum in housing loans, consumer credit and corporate investment loans. Average outstanding loans to individuals totalled EUR 122.1 billion in Q1 19, up +8.5% vs. Q1 19 and average corporate investment loan outstandings rose +6.4% vs. Q1 19 (to EUR 72.7 billion).

Average outstanding balance sheet deposits [2] are up +5.3% vs. Q1 19, to EUR 213.5 billion, still driven by sight deposits (+8.6%[3] vs Q1 19). As a result, the average loan/deposit ratio stood at 96.4% in Q1 19 (up + 1.9 points vs. Q1 19).

In this exceptional period, French Retail Banking is fully supporting the economy, accompanying individual, corporate and professional customers. The Group was extremely reactive in setting up the State Guaranteed Loan (PGE), and as of 27st April, circa 57,000 requests have been received for a total amount of EUR 14bn. In addition, as of 27st April, deferred payment for a total amount of EUR 1.8bn has been put in place for Corporate investment loans.

Net banking income excluding PEL/CEL

In Q1 20, French Retail Banking posted revenues (after neutralising the impact of PEL/CEL provisions) down -1.2% vs Q1 19.

Net interest income (excluding PEL/CEL) was 1.4% higher, underpinned in particular by buoyant volumes and steady margins. Commissions were -2.6% lower than in Q1 19: the strong increase in financials commissions over the quarter was more than offset by the drop in service commissions in particular in March.

Operating expenses

Operating expenses were down -2.4% compared to Q1 19 supported by good control of run costs and despite the increase in regulatory costs this quarter. In Q1 20, the cost to income ratio stood at 71.3% (after linearisation of the IFRIC 21 charge and restated for the PEL / CEL provision), down 1.9 point compared to Q1 19.

Cost of risk

The commercial cost of risk stood at 49 basis points, in Q1 20 (30 basis points in Q4 19; 20 basis points in Q1 19), reflecting the effect in particular of the provisioning related to Covid-19.

Net profits or losses from other assets

The “Net profits or losses from other assets” item includes a capital gain of EUR 130 million relating to the Group's property disposal programme.

Contribution to Group net income

The contribution to Group net income was at EUR 219m (-6.4% vs Q1 19), down -2.7% after neutralising the impact of PEL/CEL provisions vs Q1 19.

The underlying return on normative equity stood at 10.7% in Q1 20 (vs. 10.4% in Q1 19).

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(2) including BMTN
(3) including foreign currency deposit

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

In EURm	Q1 20	Q1 19	Change	
Net banking income	1,964	2,076	-5.4%	+1.6%*
Operating expenses	(1,146)	(1,204)	*-4.8%*	*+2.6%**
Gross operating income	**818**	**872**	***-6.2%***	***+0.2%****
Net cost of risk	(229)	(128)	*+78.9%*	*+80.9%**
Operating income	**589**	**744**	***-20.8%***	***-14.6%****
Net profits or losses from other assets	12	1	*x 12.0*	*x 12.1*
Reported Group net income	**365**	**464**	***-21.3%***	***-12.5%****
RONE	13.8%	16.0%		
Underlying RONE (1)	***15.4%***	***17.6%***		

(1) Adjusted for the linearisation of IFRIC 21

International Retail Banking and Financial Sercices enjoyed a good profitability this quarter with an underlying return on normative equity at 15.4%[1]. The commercial performance was very good at the beginning of the year despite first effects of the crisis from mid-March in particular in Western Europe and Financial Service to Corporates.

In International Retail Banking, outstanding loans totalled EUR 85.1 billion in Q1 20. They rose +6.2%* vs. end-March 2019 when adjusted for changes in Group structure and at constant exchange rates, with a healthy momentum across all regions. They were down -7.4% at current structure and exchange rates, given the disposals finalised since Q1 19 (Societe Generale Monténegro, Eurobank in Poland, Societe Generale Serbia, Mobiasbanca in Moldavia, SKB in Slovenia and OBSG in Macedonia). Outstanding deposits followed a similar positive trend, up +7.4%* (-6.3%) vs. end-March 2019, to reach EUR 77.7 billion.

Within the Europe scope, outstanding loans were up +5.9%* vs. end-March 2019 at EUR 53.3 billion (- 11.6%) and outstanding deposits were up +6.5%*(-12.5%).

In Russia, commercial activity was robust in the quarter, particularly in the corporate segment. Outstanding loans were up +7.7%* (-5.7%) vs. end-March 2019 while outstanding deposits climbed +14.0%* (+1.8%).

In Africa, Mediterranean Basin and French Overseas Territories, the commercial performance was also solid. Outstanding loans rose +6.4%*(+3.8%) vs. end-March 2019, with a good commercial momentum in the corporate segment. Outstanding deposits were up +6.3%* (+4.4%).

In Insurance, the life insurance savings business saw outstandings increase +1.4%* vs. end-March 2019. The share of unit-linked products, very high this quarter, reached 47% of gross inflows and 27% of outstandings. Protection insurance enjoyed steady growth (+5.5%*), with a very good performance in Property/Casualty premiums in particular, increasing by +14.1%* vs. Q1 19.

Financial Services to Corporates enjoyed also a good commercial momentum in the first quarter.

Net banking income

In Q1 20, revenues totalled EUR 1,964 million, up +1.6%* (-5.4%) vs. Q1 19, up +1.9%* excluding EUR 6m of contribution to the solidarity fund in Insurance in France.

Net banking income of **International Retail Banking**, totalled EUR 1,293 million, up +2.9%* (-6.8%) vs. Q1 19. In Europe revenues were up +1.0%* (-16.4%). The revenues growth remains solid in SG Russia[2] (+4.4%*, +6.0%) as well as in Africa, Mediterranean Basin and French Overseas Territories (+4.3%*, +4.7% vs. Q1 19).

The Insurance business posted EUR 229m of net banking income, slightly down (-0.8%*; -0.9%). Restated from the contribution to the solidarity fund in France, it was up +1.8%* vs. Q1 19.

Financial Services to Corporates' net banking income decreased by -0.9%* (-3.5%) to EUR 442 million.

Operating expenses

Operating expenses were up +2.6%* (-4.8%) vs. Q1 19. Excluding EUR 11m of contribution to the guarantee fund COVID in Mediterranean basin, operating expenses were up +1.5%*. The cost to income ratio stood at 58.4% in Q1 20.

In International Retail Banking, operating expenses were up +2.4%* (-6.9%) vs. Q1 19.

In the **Insurance** business, operating expenses in conjunction with the Insurance business' commercial expansion ambitions rose +3.6%* vs. Q1 19 to EUR 108 million.

In **Financial Services to Corporates,** operating expenses rose +2.8%* (-1.2%) vs. Q1 19.

Cost of risk

This quarter, the cost of risk is at 67 basis points vs. 39 basis points in Q1 19. This quarter included the first impact of Covid-19 notably in Europe.

Contribution to Group net income

The contribution to Group net income was at EUR 365m, -12.5%* (-21.3%) vs Q1 19.
Underlying RONE stood at 15.4% in Q1 20, vs. 17.6% in Q1 19.

(2) SG Russia encompasses the entities Rosbank, Rusfinance Bank, Societe Generale Insurance, ALD Automotive and their consolidated subsidiaries

5. GLOBAL BANKING & INVESTOR SOLUTIONS

In EURm	Q1 20	Q1 19	Change	
Net banking income	1,627	2,239	*-27.3%*	*-28.2%**
Operating expenses	(1,977)	(2,026)	*-2.4%*	*-2.9%**
Gross operating income	**(350)**	**213**	***n/s***	***n/s***
Net cost of risk	**(342)**	(42)	*x 8.1*	*x 8.0*
Operating income	**(692)**	**171**	***n/s***	***n/s***
Reported Group net income	**(537)**	**140**	***n/s***	***n/s***
RONE	-15.8%	3.4%		
Underlying RONE (1)	***-9.0%***	***8.0%***		

(1) Adjusted for the linearisation of IFRIC 21

Net banking income

Reported net banking income were down -27.3% at EUR 1,627m
When adjusted for the impact of restructuring (activities in the process of being closed or scaled back), the revaluation of SIX securities which positively impacted Q1 19 for EUR 66 million and the disposal of Private Banking in Belgium, net banking income was down -20.7% compared to Q1 19.

In Global Markets & Investor Services, reported net income banking totalled EUR 768 million, down - 42.2% vs Q1 19. When adjusted for the impact of restructuring and the revaluation of SIX securities (EUR +34 million in Q1 19), revenues in Q1 20 were down -33.7% vs. Q1 19.

When restated for the impact of restructuring in Global Markets, revenues from Fixed Income & Currencies were +51.6% higher in Q1 20 vs. Q1 19, driven by high client activity and greater volumes, especially in rates, foreign exchange and financing. On a reported basis, they were up +32.1%. at EUR 609 million. The very strong performance in rates and foreign exchanges fully offsetted a poor performance in structured credit, which was penalised by spreads widening and credit defaults.

Equity net banking income totalled EUR 9 million in Q1 20, down -98.7% vs. Q1 19 and impacted by different effects. These activities performed well in January and February. However, revenues from structured products activities were severely impacted by the equity markets dislocation in March, the cancellation of dividend payments (loss of EUR 200 million) and by counterparty defaults (loss of EUR 55 million). In addition, reserves increased this quarter, impacting revenues by EUR 175 million.

Despite the current crisis, a significant step in the integration of EMC activities within Societe Generale was successfully achieved in March. It concerns the integration of flow investment solutions (such as warrants and certificates).

Securities Services' assets under custody amounted to EUR 4,110 billion at end-March 2020, a decline of -2.4% vs end-December 2019. Over the same period, assets under administration were lower (-10.5%) at EUR 579 billion. In Q1 20, Securities Services' revenues totalled EUR 150 million, down -9.6% vs Q1 19, when adjusted for the revaluation of SIX securities (EUR +34 million), with fees decreasing in March due to the Covid-19 crisis in France.

Financing and Advisory revenues totalled EUR 629 million in Q1 20, down -4.1% vs a high Q1 19. Structured finance revenues were resilient, with a good start to the year. The Asset Backed Products platform suffered from credit market dislocation, in particular in US and posted a weaker quarter. Results were more mitigated in investment banking: debt capital markets were active this quarter but equity capital markets, M&A and LBO markets have been muted.
Transaction banking business continued to expand this quarter and confirmed its good profitability.

Asset and Wealth Management's net banking income totalled EUR 230 million in Q1 20, an increase of +5.5% when adjusted for the revaluation of SIX securities (EUR 32 million in Q1 19) and for the disposal of Private Banking in Belgium (-9.8% on a reported basis).

At end-March 2020, Private Banking presented a net new inflow of EUR 1 billion, driven by France. With the negative market effect, assets under management were, however, -6.6% lower than in December 2019, at EUR 111 billion. When adjusted for the revaluation of SIX securities and for the disposal of Private Banking in Belgium, net banking income amounted to EUR 176 million, up +4.1% vs. Q1 19 (- 14.6% on a reported basis), with resilient results in French Private Banking.

Lyxor's assets under management totalled EUR 126 billion at end-March 2020, down -15.2% vs end-December 2019, following the collapse of the equity index market in March. In Q1 20, revenues were up +13.6% vs Q1 19, driven by the contribution of Commerzbank assets.

Operating expenses

When restated from IFRIC21 impact, Q1 20 operating expenses were down -4.9% vs. Q1 19. Global Banking and Investor Solutions confirms the successful execution of its cost savings plan of EUR 500 million, totally secured for 2020, and is on track to deliver, this year, operating expenses below EUR 6.8 billion.

Net cost of risk

The net cost of risk was up sharply: 87 basis point in Q1 20 (vs. 17 basis point in Q4 19). It is heavily penalised by first sight of Covid-19 effect, as well as some specific files, including two exceptionnal fraud files.

Contribution to Group net income

The contribution to Group net income was at EUR -537m.
Underlying RONE stood was negative this quarter.

6. CORPORATE CENTRE

In EURm	Q1 20	Q1 19
Net banking income	(301)	(40)
Operating expenses	(105)	(73)
Gross operating income	**(406)**	**(113)**
Net cost of risk	-	-
Net profits or losses from other assets	(77)	(53)
Reported Group net income	**(373)**	**(152)**

Figures for Q1 19 restated for the implementation of the amendment to IAS 12. See Appendix 1.

The Corporate Centre includes:

- property management of the Group's head office,
- Group equity portfolio,
- Treasury function for the Group,
- certain costs related to cross-functional projects and certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR -301 million in Q1 20 vs. EUR -40 million in Q1 19. It contains notably the change in fair value of financial instruments corresponding to economic hedges of financial debt but that do not meet IFRS hedge accounting criteria.

Operating expenses totalled EUR -105 million in Q1 20 vs. EUR -73 million in Q1 19.

Gross operating income totalled EUR -406 million in Q1 20 vs. EUR -113 million in Q1 19.

Net profits or losses from other assets totalled EUR -77 million in Q1 20 and included primarily, with regard to the application of IFRS 5 as part of the implementation of the Group's refocusing plan, an expense amounting to EUR -69 million corresponding to the finalisation of the disposal of Societe Generale de Banque aux Antilles.

The Corporate Centre's contribution to Group net income was EUR -373 million in Q1 20 vs. EUR -152 million in Q1 19.

7. CONCLUSION

In the face of the unprecedented health, economic and social crisis we are experiencing, the Group is committed to ensure the safety of its employees and clients and to support its clients with both continuity and quality of service, wholly fulfilling its role of economic support in particular alongside its partners.

Able to draw on the prudent action delivered over the past few years, the Group is tackling this crisis with a sound business model. Its risk profile is robust with a good quality loan portfolio, diversified by geography and sector. The Group has built a strong balance sheet and liquidity profile.

Through the management of this health-triggered economic crisis, the Group confirms the decrease of its costs in 2020 versus 2019 and the good execution of initiated costs reduction plans. Furthermore it targets an additional cost reduction between EUR 600m and EUR 700m, net of specific costs related to Covid.

The Group expects, over 2020, a cost of risk of around 70 basis points in its base Covid scenario and a cost of risk of around 100 basis points in a scenario of extended shutdown. The Group aims to steer its CET1(1) between 200 and 250 basis points over regulatory requirement, depending on the assumption used for potential exceptional dividend distribution.

Beyond the focused adaptation to the immediate impact of the crisis, the Group is already working on the designs of its 2021-2025 strategic plan to take into account the new environment post crisis.

(1) Including 2020 dividend accrual

8. 2020 FINANCIAL CALENDAR

2020 Financial communication calendar

May 19th, 2020	General Meeting
August 3rd, 2020	Second quarter and first half 2020 results
November 5th, 2020	Third quarter and nine-month 2020 results

The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, (commercial) cost of risk in basis points, ROE, ROTE, RONE, net assets, tangible net assets, and the amounts serving as a basis for the different restatements carried out (in particular the transition from published data to underlying data) are presented in the methodology notes, as are the principles for the presentation of prudential ratios.

This document contains forward-looking statements relating to the targets and strategies of the Societe Generale Group.
These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations.
These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. The Group may be unable to:
- anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences;
- evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation.
Therefore, although Societe Generale believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.
More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the Registration Document filed with the French Autorité des Marchés Financiers.
Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, Societe Generale does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal.

9. APPENDIX 1: FINANCIAL DATA

GROUP NET INCOME CORE BUSINESS

In M EUR	Q1 20	Q1 19	Change
French Retail Banking	219	234	-6.4%
International Retail Banking and Financial Services	365	464	-21.3%
Global Banking and Investor Solutions	(537)	140	n/s
Core Businesses	47	838	-94.4%
Corporate Centre	(373)	(152)	n/s
Group	(326)	686	n/s

Corporate Centre and Group figures for Q1 19 restated for the application of the amendment to IAS 12

TABLE FOR THE TRANSITION FROM PUBLISHED DATA TO DATA RESTATED FOR THE APPLICATION OF THE AMENDMENT TO IAS 12

	Income Tax			Group Net Income		
	Reported	IAS 12 impact	Adjusted	Reported	IAS 12 impact	Adjusted
Q1 19	(310)	**55**	(255)	631	**55**	686

CONSOLIDATED BALANCE SHEET

ASSET – in million of euros	31.03.2020	31.12.2019
Cash, due from central banks	132,389	102,311
Financial assets at fair value through profit or loss	464,642	385,739
Hedging derivatives	20,204	16,837
Financial assets measured at fair value through other comprehensive income	55,493	53,256
Securities at amortised cost	12,841	12,489
Due from banks at amortised cost	63,246	56,366
Customer loans at amortised cost	461,775	450,244
Revaluation differences on portfolios hedged against interest rate risk	434	401
Investment of insurance activities	156,535	164,938
Tax assets	5,589	5,779
Other assets	95,861	68,045
Non-current assets held for sale	3,654	4,507
Investments accounted for using the equity method	115	112
Tangible and intangible assets	30,201	30,652
Goodwill	4,727	4,627
Total	**1,507,706**	**1,356,303**

LIABILITIES – in million of euros	31.03.2020	31.12.2019
Central banks	9,816	4,097
Financial liabilities at fair value through profit or loss	447,381	364,129
Hedging derivatives	11,452	10,212
Debt securities issued	139,565	125,168
Due to banks	115,628	107,929
Customer deposits	442,642	418,612
Revaluation differences on portfolios hedged against interest rate risk	8,129	6,671
Tax liabilities	1,353	1,409
Other liabilities	108,943	85,062
Non-current liabilities held for sale	847	1,333
Liabilities related to insurance activities contracts	135,458	144,259
Provisions	3,971	4,387
Subordinated debts	15,003	14,465
Total liabilities	**1,440,188**	**1,287,733**
SHAREHOLDERS' EQUITY		
Shareholders' equity, Group share		
Issued common stocks, equity instruments and capital reserves	30,059	31,102
Retained earnings	32,592	29,558
Net income	(326)	3,248
Sub-total	**62,325**	**63,908**
Unrealised or deferred capital gains and losses	256	(381)
Sub-total equity, Group share	**62,581**	**63,527**
Non-controlling interests	4,937	5,043
Total equity	**67,518**	**68,570**
Total	**1,507,706**	**1,356,303**

10. APPENDIX 2: METHODOLOGY

1 - The financial information presented for the quarter ending 31 March 2020 was reviewed by the Board of Directors on April 29st 2020 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at this date, and has not been audited.

2 – Net banking income

The pillars' net banking income is defined on page 43 of Societe Generale's 2020 Universal Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

3 – Operating expenses

Operating expenses correspond to the "Operating Expenses" as presented in note 8.1 to the Group's consolidated financial statements as at December 31st, 2019 (pages 423 et seq. of Societe Generale's 2020 Universal Registration Document). The term "costs" is also used to refer to Operating Expenses.
The Cost/Income Ratio is defined on page 43 of Societe Generale's 2020 Universal Registration Document.

4 – IFRIC 21 adjustment

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed.

5 – Exceptional items – Transition from accounting data to underlying data

It may be necessary for the Group to present underlying indicators in order to facilitate the understanding of its actual performance. The transition from published data to underlying data is obtained by restating published data for exceptional items and the IFRIC 21 adjustment.
Moreover, the Group restates the revenues and earnings of the French Retail Banking pillar **for PEL/CEL provision allocations or write-backs**. This adjustment makes it easier to identify the revenues and earnings relating to the pillar's activity, by excluding the volatile component related to commitments specific to regulated savings.

The reconciliation enabling the transition from published accounting data to underlying data is set out in the table below:

Q1 20 (in EURm)	Operating Expenses	Net profit or losses from other assets	Group net income	Business
Reported	**(4,678)**	**80**	**(326)**	
(+) IFRIC 21 linearisation	*490*		*347*	
*(-) Group refocusing plan**		*(77)*	*(77)*	*Corporate Centre*
Underlying	**(4,188)**	**157**	**98**	

Q1 19 (in EURm)	Operating Expenses	Net profit or losses from other assets	Group net income	Business
Reported	**(4,789)**	**(51)**	**686**	
(+) IFRIC 21 linearisation	*444*		*304*	
*(-) Group refocusing plan**		*(53)*	*(75)*	*Corporate Centre*
Underlying	**(4,345)**	**2**	**1,065**	

6 – Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk or commercial cost of risk is defined on pages 45 and 574 of Societe Generale's 2020 Universal Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

	(In EUR m)	Q1 20	Q1 19
French Retail Banking	Net Cost Of Risk	249	94
	Gross loan Outstandings	201,139	191,422
	Cost of Risk in bp	**49**	**20**
International Retail Banking and Financial Services	Net Cost Of Risk	229	128
	Gross loan Outstandings	136,407	129,861
	Cost of Risk in bp	**67**	**39**
Global Banking and Investor Solutions	Net Cost Of Risk	342	43
	Gross loan Outstandings	158,064	164,811
	Cost of Risk in bp	**87**	**10**
Corporate Centre	Net Cost Of Risk		0
	Gross loan Outstandings	9,710	9,248
	Cost of Risk in bp	**2**	**(1)**
Societe Generale Group	Net Cost Of Risk	820	264
	Gross loan Outstandings	505,319	495,341
	Cost of Risk in bp	**65**	**21**

The gross coverage ratio for doubtful outstandings is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default ("doubtful").

7 – ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 45 and 46 of Societe Generale's 2020 Universal Registration Document. This measure makes it possible to assess Societe Generale's return on equity and return on tangible equity.
RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses, according to the principles presented on page 46 of Societe Generale's 2020 Universal Registration Document.
Group net income used for the ratio numerator is book Group net income adjusted for "interest net of tax payable on deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisations" and "unrealised gains/losses booked under shareholders' equity, excluding conversion reserves" (see methodology note No. 9). For ROTE, income is also restated for goodwill impairment.
Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

ROTE calculation: calculation methodology

End of period	Q1 20	Q1 19
Shareholders' equity Group share	**62,581**	**61,830**
Deeply subordinated notes	(8,258)	(9,473)
Undated subordinated notes	(288)	(283)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	1	(37)
OCI excluding conversion reserves	(648)	(472)
Dividend provision	-	(2,025)
ROE equity end-of-period	**53,387**	**49,540**
Average ROE equity	**53,279**	**49,434**
Average Goodwill	(4,561)	(4,701)
Average Intangible Assets	(2,369)	(2,193)
Average ROTE equity	**46,349**	**42,540**
Group net Income (a)	**(326)**	**686**
Underlying Group net income (b)	**98**	**1,065**
Interest on deeply subordinated notes and undated subordinated notes (c)	(159)	(165)
Cancellation of goodwill impairment (d)		67
Ajusted Group net Income (e) = (a)+ (c)+(d)	**(485)**	**588**
Ajusted Underlying Group net Income (f)=(b)+(c)	**(61)**	**900**
Average ROTE equity (g)	**46,349**	**42,540**
ROTE quarter: (4*e/g)]	-4.2%	5.5%
Average ROTE equity (underlying) (h)	**46,773**	**42,730**
Underlying ROTE quarter: (4*f/h)]	-0.5%	8.4%

RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EUR m	Q1 20	Q1 19	Change
French Retail Banking	11,182	11,257	-0.7%
International Retail Banking and Financial Services	10,563	11,617	-9.1%
Global Banking and Investor Solutions	13,615	16,582	-17.9%
Core Businesses	35,360	39,456	-10.4%
Corporate Centre	17,919	9,978	+79.6%
Group	53,279	49,434	+7.8%

8 – Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 48 of the Group's 2020 Universal Registration Document. The items used to calculate them are presented below.

End of period	Q1 20	2019	2018
Shareholders' equity Group share	**62,581**	**63,527**	**61,026**
Deeply subordinated notes	(8,258)	(9,501)	(9,330)
Undated subordinated notes	(288)	(283)	(278)
Interest net of tax payableto holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	1	4	(14)
Bookvalue of own shares in trading portfolio	381	375	423
Net Asset Value	**54,416**	**54,122**	**51,827**
Goodwill	(4,611)	(4,510)	(4,860)
Intangible Asset	(2,376)	(2,362)	(2,224)
Net Tangible Asset Value	**47,429**	**47,250**	**44,743**
Number of shares used to calculate NAPS**	**851,133**	**849,665**	**801,942**
Nest Asset Value per Share	**63.9**	**63.7**	**64.6**
Net Tangible Asset Value per Share	**55.7**	**55.6**	**55.8**

*** The number of shares considered is the number of ordinary shares outstanding as at March 31st, 2020, excluding treasury shares and buybacks, but including the trading shares held by the Group.*
In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.

9 – Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 47 of Societe Generale's 2020 Universal Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE and ROTE. As specified on page 47 of Societe Generale's 2020 Universal Registration Document, the Group also publishes EPS adjusted for the impact of non-economic and exceptional items presented in methodology note No. 5 (underlying EPS).
The calculation of Earnings Per Share is described in the following table:

Average number of shares (thousands)	Q1 20	2019	2018
Existing shares	**853,371**	**834,062**	**807,918**
Deductions			
Shares allocated to cover stock option plans and free shares awarded to staff	2,972	4,011	5,335
Other own shares and treasury shares	-	149	842
Number of shares used to calculate EPS**	**850,399**	**829,902**	**801,741**
Group net Income	**(326)**	**3,248**	**4,121**
Interest on deeply subordinated notes and undated subordinated notes	(159)	(715)	(719)
Capital gain net of tax on partial buybacks	-	-	-
Adjusted Group net income	**(485)**	**2,533**	**3,402**
EPS (in EUR)	**-0.57**	**3.05**	**4.24**
Underlying EPS* (in EUR)	**-0.07**	**4.03**	**5.00**

** Excluding exceptional items and including linearisation of the IFRIC 21 effect.*
*** The number of shares considered is the number of ordinary shares outstanding as at March 31st, 2020, excluding treasury shares and buybacks, but including the trading shares held by the Group.*

10 – The Societe Generale Group's Common Equity Tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules. The fully-loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is calculated according to applicable CRR/CRD4 rules including the provisions of the delegated act of October 2014.

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.
(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website www.societegenerale.com in the "Investor" section.

Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth. Committed to the positive transformations of the world's societies and economies, Societe Generale and its teams seek to build, day after day, together with its clients, a better and sustainable future through responsible and innovative financial solutions.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 138,000 members of staff in 62 countries and supports on a daily basis 29 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking** which encompasses the Societe Generale, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates**, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Euronext Vigeo (World, Europe and Eurozone), four of the STOXX ESG Leaders indices, and the MSCI Low Carbon Leaders Index.

For more information, you can follow us on Twitter @societegenerale or visit our website www.societegenerale.com

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