UNIVERSAL REGISTRATION DOCUMENT

2020

ANNUAL FINANCIAL REPORT 2019

(New version of the Registration Document)

SOCIETE GENERALE

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ABBREVIATIONS USED:

Millions of euros: EURm / **Billions of euros:** EURbn / **FTE:** Headcount in Full-Time Equivalents

Rankings: the source for all references to rankings is given explicitly. Where it is not, rankings are based on internal sources.

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document has been filed on 12 March 2020 with the AMF, as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of the said regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF in accordance with Regulation (EU) 2017/1129.

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MESSAGE FROM THE CHAIRMAN

Lorenzo Bini Smaghi
Chairman of the Board of Directors

We have always sought to help develop the economy over the long term through innovative solutions which we have achieved from generation to generation by building a solid and sustainable international bank.

The year 2019 was one of considerable progress during which we achieved all the targets we set ourselves, whether strategic, financial or extra-financial. We have accelerated the refocusing of our activities on our areas of strength. Our more compact business model builds on positions of leadership in businesses with high added-value for our clients and presence in buoyant geographic regions. These strategic adjustments enabled us to exceed our targeted increase in capital ratio to ensure the Bank's solidity over the long term. Our fourth-quarter and full-year financial results also reflected our discipline in terms of cost control, risk management and the in-depth changes of our businesses that are under way and already making an impact.

We equally received a great deal of recognition for the transparency and commitments of our Corporate Social Responsibility policy, which we have strengthened.

This strict and extensive effort, carried out with determination and success by our teams, seeks to meet the financial, regulatory, technological and societal challenges which the European banking sector is simultaneously facing. Its purpose is to create a competitive, innovative and resolutely customer-service oriented bank committed to the positive transformations of the world.

In 2020, the Board of Directors will continue to work in close collaboration with the General Management to pursue and take full benefit of this profound transformation,

AND CHIEF EXECUTIVE OFFICER

in response to the expectations of our stakeholders. In the short term, we will focus on the financial targets set for 2020: reinforcing our capital ratio and increasing profitability through highly disciplined cost control and risk management, while overcoming new decisive steps in our remediation projects in regulatory and compliance areas. We will also be preparing our next strategic stage in 2021-2025 consistent with our newly redefined corporate purpose.

"Building together, with our clients, a better and sustainable future through responsible and innovative financial solutions"

Societe Generale was created over 155 years ago to promote the development of trade and industry in France. This was our original purpose. We have always sought to help develop the economy over the long term through innovative solutions which we have achieved from generation to generation by building a solid and sustainable international bank while maintaining our pioneering spirit.

In today's world, economic development goes hand in hand with environmental and social progress. The result of collective reflection by staff around the world to define the role our Group seeks to continue to play in society, our renewed corporate purpose, in line with our values and the expectations of our stakeholders, will be the keystone of our strategic decisions and guide our actions on a daily basis.

Frédéric Oudéa
Chief Executive Officer

Our renewed corporate purpose, in line with our values and the expectations of our stakeholders, will be the keystone of our strategic decisions and guide our actions on a daily basis.

1

KEY FIGURES AND PROFILE OF SOCIETE GENERALE

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KEY POINTS OF THE YEAR 2019

GROUP REVENUES

€24.7 bn

GROUP NET INCOME[1]

€4.1 bn

FINANCIAL SOLIDITY CET1[2]

12.7 %

> 2019 was a year of considerable progress during which we achieved all the targets, both strategic and financial.

A BANK FINANCING THE ECONOMY

FRENCH RETAIL BANKING

+6.4% Outstanding loans vs. Q4 2018

+1% Number of clients[3]

INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

+6.3% Outstanding loans[4]

+4.9% Outstanding deposits[4]

GLOBAL BANKING AND INVESTOR SOLUTIONS

EUROPE BANK OF THE YEAR
PROJECT FINANCE INTERNATIONAL

COMMITTED TO POSITIVE TRANSFORMATIONS

DIGITAL TRANSFORMATION

57% of clients are digitally active[5]

ENERGY TRANSITION FINANCING

Commitment of €120 bn between 2019 & 2023

SUSTAINABLE DEVELOPMENT OF AFRICA

7 SME CENTRES OPEN AS PART OF GROW WITH AFRICA

(1) Underlying
(2) Core Equity Tier 1 Ratio
(3) Wealthy, Mass Affluent and Corporate clients
(4) When adjusted for changes in Group structure and at constant exchange rates
(5) Societe Generale France network

1.1 HISTORY

On 4 May 1864, Napoleon III signed Societe Generale's founding decree. Founded by a group of industrialists and financiers driven by the ideals of progress, the Bank's mission has always been "to promote the development of trade and industry in France".

Since its beginnings, Societe Generale has worked to modernise the economy, following the model of a diversified bank at the cutting edge of financial innovation. Its branch network grew rapidly throughout the French territory, increasing from 46 to 1,500 branches between 1870 and 1940. During the interwar period, it became the leading French credit institution in terms of deposits.

At the same time, Societe Generale began to build its international reach by financing infrastructure essential to the economic development of a number of countries in Latin America, Europe and North Africa. This expansion was accompanied by the establishment of an international retail network. In 1871, the Bank opened its London branch. On the eve of World War I, Societe Generale had a presence in 14 countries, either directly or through one of its subsidiaries, in particular in Russia. This network was then expanded by opening branches in New York, Buenos Aires, Abidjan and Dakar, and by acquiring stakes in financial institutions in Central Europe.

Societe Generale was nationalised by the French law of 2 December 1945 and played an active role in financing the reconstruction of the French territory. The Bank thrived during the prosperous post-war decades and contributed to the increased use of banking techniques by launching innovative products for businesses, including medium-term discountable credit and lease financing agreements, for which it held the position of market leader.

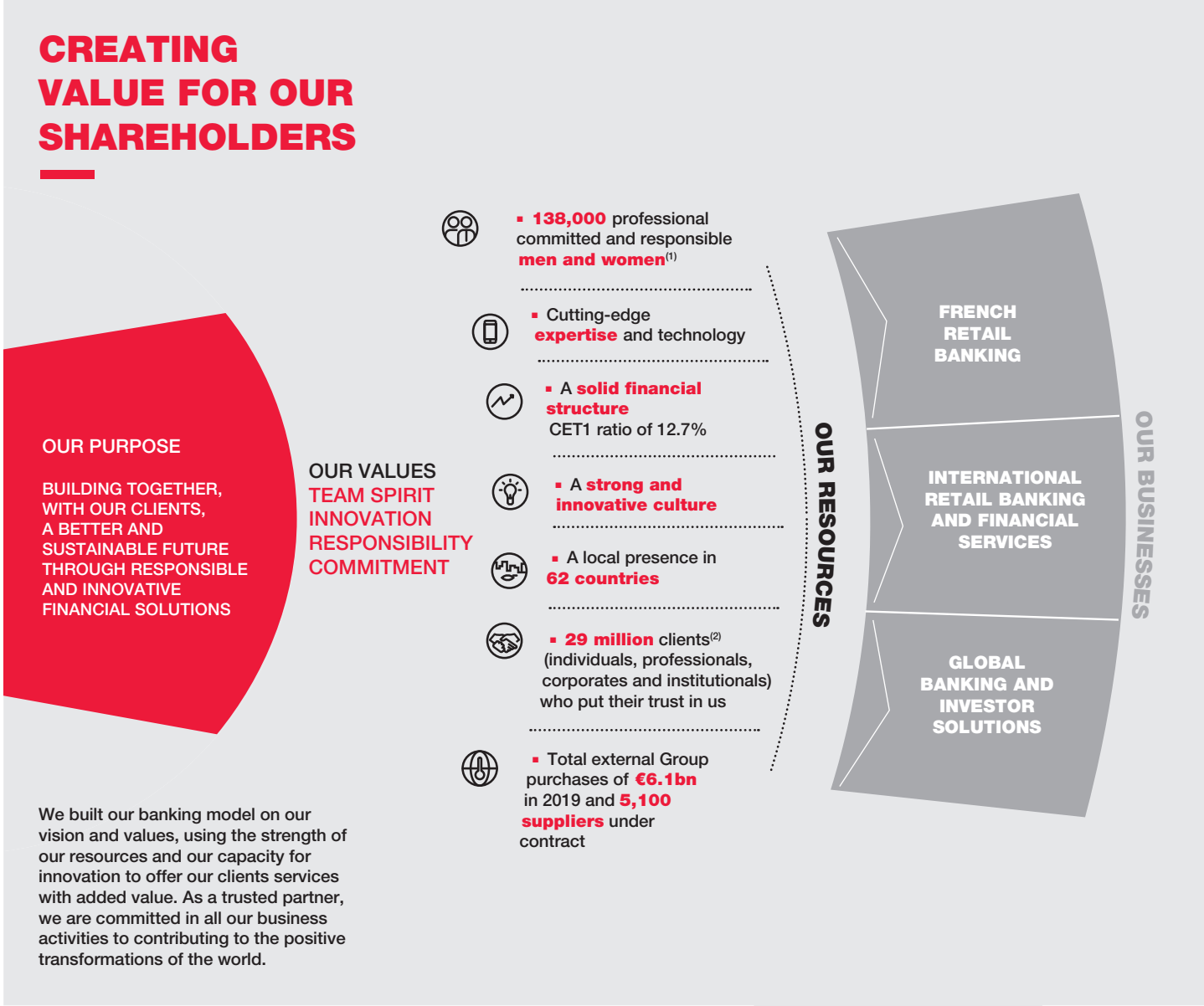
Societe Generale demonstrated its ability to adapt to a new environment by taking advantage of the banking reforms that followed the French Debré laws of 1966-1967. While continuing to support the businesses it partnered, the Group lost no time in focusing its business on individual customers. In this way, it supported the emergence of a consumer society by diversifying the credit and savings products it offered households.

In June 1987, Societe Generale was privatised with a successful stock market launch and shares were offered to Group staff. The Group developed a universal banking strategy, in particular through its Corporate and Investment Banking arm, to support the worldwide development of its customers. In France, it expanded its networks by founding Fimatex in 1995, which later became Boursorama, now a leading online bank, and by acquiring Crédit du Nord in 1997. Internationally, it established itself in Central and Eastern Europe through Komerční Banka in the Czech Republic and BRD in Romania, and in Russia with Rosbank, while consolidating its growth in Africa in Morocco, Côte d'Ivoire and Cameroon, among others. The Group has more than 138,000 members of staff[1] in 62 countries. It continues its process of transformation by adopting a sustainable growth strategy driven by its core values of team spirit, innovation, responsibility and commitment. Firmly focused on the future by helping our clients bring their projects to life, Societe Generale has embraced with conviction the opportunities of the digital age to best anticipate the needs of its customers and members of staff, and embody the bank of the 21st century. Drawing on more than 150 years of expertise at the service of its clients and the development of the real economy, in January 2020 Societe Generale group defined its purpose as **"Building together, with our clients, a better and sustainable future through responsible and innovative financial solutions"**.

(1) Headcount at end of period excluding temporary staff.

1.2 PROFILE OF SOCIETE GENERALE

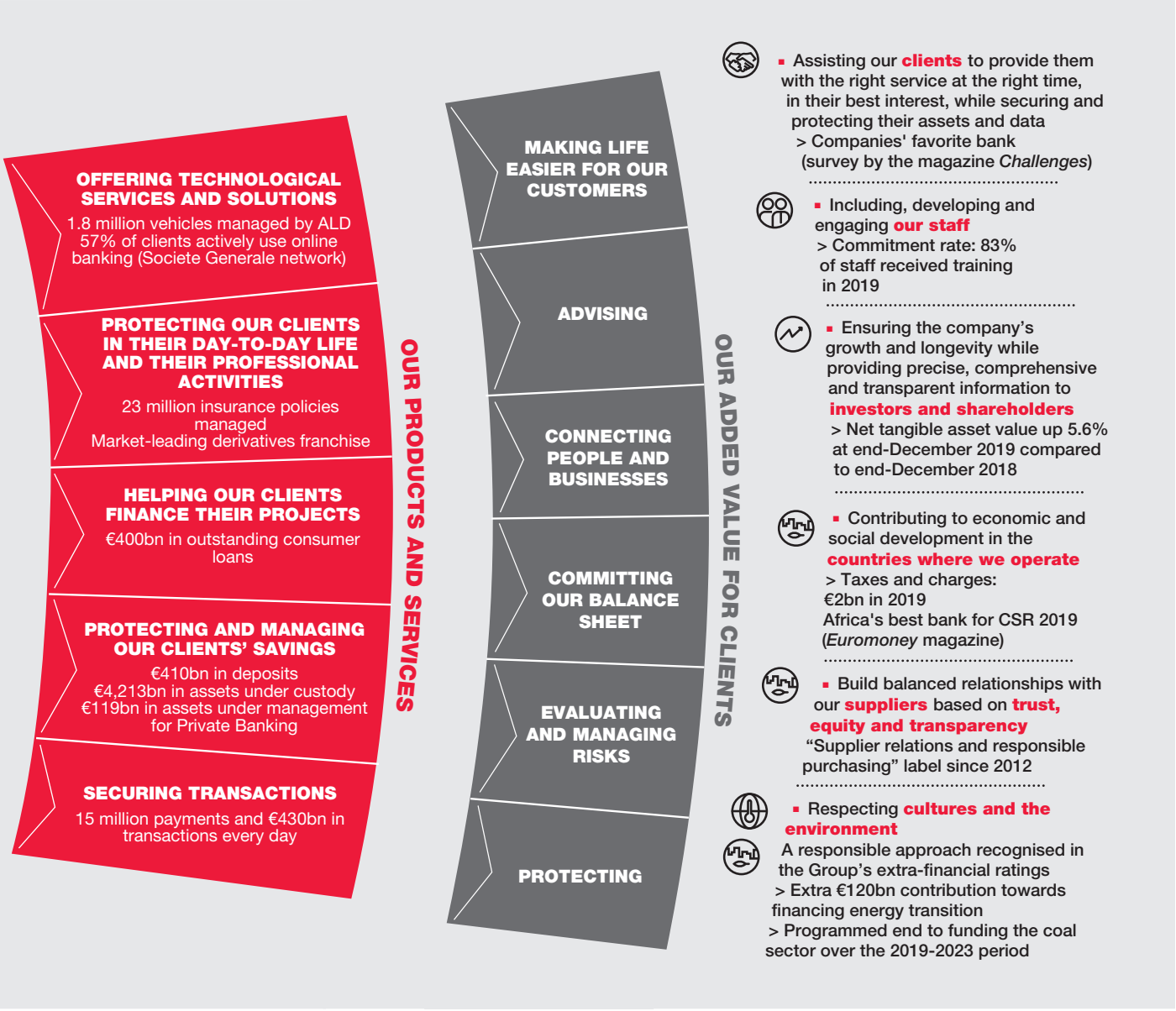
BUSINESS MODEL



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, aiming to be the trusted partner for its clients, committed to the positive transformations of the world.

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 employs over 138,000[1] members of staff in 62 countries and supports on a daily basis 29 million individual customers, businesses and institutional investors[2] around the world. The Group offers a wide range of advisory services and tailored financial solutions to secure transactions, protect and manage assets and savings, and help its clients finance their projects. Societe Generale seeks to protect them in both their day-to-day life and their professional activities, offering the innovative services and solutions they require. The Group's mission is to empower each and everyone who wants to have a positive impact on the future.

(1) Headcount at end of period, excluding temporary staff.
(2) Excluding Group insurance companies



Societe Generale follows a strategy of responsible growth, fully integrating its CSR engagements and commitments to all its stakeholders: clients, staff members, investors, suppliers, regulators, supervisors and representatives from civil society. The Group strives to respect the cultures and environment of all the countries where it operates.

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.

The Group has an agile organisation based on 16 Business Units (business lines, regions) and 9 Service Units (support and control functions) to encourage innovation and synergies, and best meet the evolving requirements and behaviours of its clients. With the presentation of its strategic plan Transform to Grow in 2017, Societe Generale set itself five strategic and operational priorities for the next three years: grow; accelerate the transformation of its businesses, particularly in digital; maintain strict cost discipline; complete the refocusing of the Group; and foster a culture of responsibility at every level of the company.

In a European banking sector undergoing radical industrial change, the Group is entering a new phase of its development and transformation.

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), STOXX ESG Leaders indexes, MSCI Low Carbon Leaders Index (World and Europe) and Socially Responsible Index (World and Europe).

KEY FIGURES

Results *(In EURm)*	**2019**	**2018**	**2017**	**2016**	**2015**
Net banking income	24,671	25,205	23,954	25,298	25,639
o.w. French Retail Banking	*7,746*	*7,860*	*8,131*	*8,403*	*8,550*
o.w. International Retail Banking and Financial Services	*8,373*	*8,317*	*8,070*	*7,572*	*7,329*
o.w. Global Banking and Investor Solutions	*8,704*	*8,846*	*8,887*	*9,309*	*9,442*
o.w. Corporate Centre	(152)	*182*	*(1,134)*	*14*	*318*
Gross operating income	6,944	7,274	6,116	8,481	8,746
Cost/income ratio (excluding the revaluation of own financial liabilities and DVA)	71.9%	71.1%	74.3%	65.6%	67.7%
Operating income	5,666	6,269	4,767	6,390	5,681
Group net income	3,248	3,864	2,806	3,874	4,001
Equity (in billions of euros)					
Group shareholders' equity	63,5	61.0	59.4	62.0	59.0
Total consolidated equity	68,6	65.8	64.0	66.0	62.7
ROE after tax	5.0%	7.1%	4.9%	7.3%	7.9%
Total Capital Ratio[1]	**18.3%**	**16.5%**	**17.0%**	**17.9%**	**16.3%**
Loans and deposits (in billions of euros)					
Customer loans	400	389	374	373	358
Customer deposits	410	399	394	397	360

(1) Figures based on CRR/CRD4 rules

Note: figures as published for the respective financial years. Definitions and potential adjustments presented in methodological notes on pages 43 to 48.

.../...

1.3 A STRATEGY OF STRONGER, PROFITABLE AND SUSTAINABLE GROWTH, BASED ON A DIVERSIFIED AND INTEGRATED BANKING MODEL

TRANSFORM TO GROW

5 STRATEGIC PRIORITIES

GENERATE PROFITABLE AND RESPONSIBLE GROWTH

GROW

Maintain responsible and profitable growth by building on client satisfaction, quality of service, value added and innovation.

This growth, which will be achieved taking a highly disciplined approach to risk management, will be generated by a series of ambitious commercial development initiatives, while adapting our system to the changing needs of our customers.

FOSTER A CULTURE OF RESPONSIBILITY

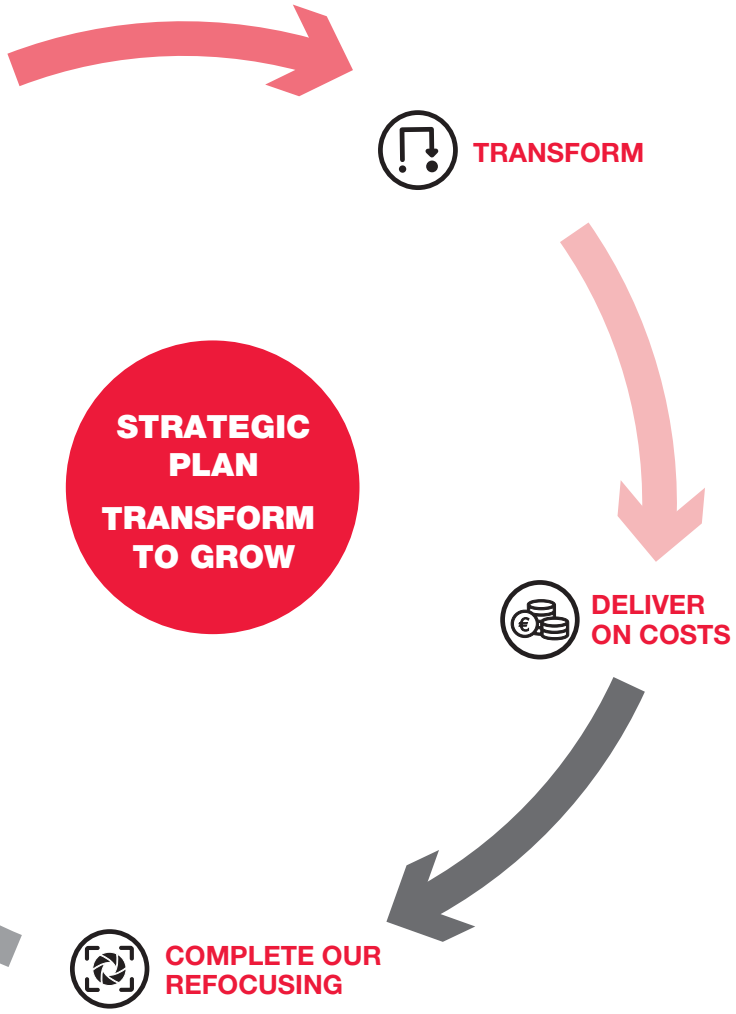
Bring the whole Group in line with the highest control and compliance standards in the banking sector and integrate our Corporate Social Responsibility commitments into our business development goals.

FIND OUT MORE
www.societegenerale.com/fr/investisseurs/investor-day

The Societe Generale Group has built a solid diversified banking model suited to the needs of its 29 million corporate, institutional and individual customers. It is structured around three complementary and diversified pillars that benefit from strong market positions:

- French Retail Banking;
- International Retail Banking and Financial Services;
- Global Banking and Investor Solutions.

In the Retail Banking businesses, the Group is focusing its development in Europe on selected markets – France, Czech Republic and Romania – and in Russia and Africa, where it has a historic presence and a close understanding of markets and first-tier positions, especially in its domestic market. In Financial Services, Societe Generale relies on franchises with leadership positions worldwide, notably in the operational vehicle leasing and fleet management businesses, and in equipment finance. Lastly, in the Global Banking and Investor Solutions businesses, the Group leverages its product expertise to serve its clients in the EMEA region, the US and Asia. The Group relies on its capacity to develop products at the cutting edge of innovation and makes customer experience the linchpin of its relationships by leveraging its digital expertise. Focused on Europe while being connected to the rest of the world, Societe Generale capitalises on leadership positions driven by synergies between the businesses to create value for stakeholders. Furthermore, the Group's model is strongly geared towards business-to-business-to-consumer activities, while business-to consumer activities target professional, high net worth and private banking customers, as well as Boursorama's purely digital customers.



TRANSFORM

Accelerate the transformation of the relationship model, particularly in French Retail Banking, to improve the customer experience, increase operational efficiency and enhance security.

Adapt the strategy for Market Activities in order to integrate regulatory and economic structural developments.

DELIVER ON COSTS

Pursue rigorous, disciplined cost management, primarily by automating processes and implementing a new €1.6 billion efficiency programme by 2020, while continuing to make the necessary investments to grow our businesses.

COMPLETE OUR REFOCUSING

Optimise the allocation of our capital by selling or closing business lines that have not reached critical mass and/or do not generate synergies. The programme is already well under way, with announced disposals adding 58 basis points to the CET1 ratio.

The Group capitalises on a digitalised, solid, diversified model that is refocused and firmly customer-oriented to make a positive contribution to the transformations of our economies.

In 2019, Societe Generale took adaptation measures to roll out the Transform to Grow strategic plan. The Group is fully committed to accomplishing its two priorities, namely capital and profitability.

The Group is forging ahead with its commercial development by focusing on quality of service, expertise and innovation to ensure customer satisfaction. The Group's transformation to improve the customer experience, operational efficiency and security is well under way across all its businesses. The 2019 eCAC40 Awards ranked Societe Generale fourth among CAC40 companies and the most mature bank in terms of digital transformation that rewarded the strategic continuity of its digital transformation.

Organic growth will also be stimulated by developing internal income synergies within and between each of the pillars. This will entail greater cooperation between Private Banking and the Retail Banking networks, cooperation along the entire Investor Services chain, cooperation between the Insurance business line and the French and International Retail Banking networks, and cooperation between the Group's pillars through Global Transaction Banking activities.

In a geopolitical context persistently dominated by large-scale uncertainty, amid a durably low interest rate environment in the euro zone, and clearer visibility on regulatory constraints, the Group is focused on implementing its Transform to Grow plan which was adapted in February 2019 by allocating capital more selectively, marking out growing, high-margin businesses that enjoy strong market positions, and which seeks to make additional cost cuts, particularly in Global Banking and Investor Solutions.

The Group is also resolutely committed to keeping a tight control on costs with a view to unlocking a positive jaws effect in 2020.

The Group is determined to press on with rigorous and disciplined risk management, i.e. maintaining credit portfolio quality, pursuing efforts on operational risk, compliance and the risk culture, and reinforcing the balance sheet.

The Group continues to create a group-wide culture of responsibility and to reinforce its internal control system, especially in the Compliance function, to meet the banking industry's highest standards. Societe Generale also finalised its Culture and Conduct programme, instilling rules of conduct and strong shared values within the entire company.

Lastly, Corporate Social Responsibility (CSR) is a core priority for the businesses, which plan to contribute an extra EUR 120 billion towards financing energy transition between 2019 and 2023. The Group has already met its contribution target of EUR 100 billion, over the 2019-2020 period.

French Retail Banking

The Group is the fourth-largest retail bank in France.

This business has made major transformations to its model based on rapid changes in customer behaviour and expectations that involve greater expertise and customisation.

French Retail Banking continues to build on the complementary nature of its three brands:

- the Societe Generale multi-channel relationship-banking network, which supports a diversified customer base of individuals, professionals, corporates, local authorities and non-profit associations;
- the Crédit du Nord network, which develops an original local and digital banking model through its network of community-oriented regional banks;
- Boursorama, the French leader in online banking, which relies on an innovative and fully digital business model, and competitive price positioning.

Through the French Retail Banking division, the Group's ambition is to set the standard for customer satisfaction. In so doing, the Group plans to grow customer loyalty and continue winning over new individual and professional customers, and thereby consolidate its positioning as a leading player among corporate, professional and high net worth customers.

Boursorama continued to acquire new customers at a very fast rate in 2019. It had more than two million customers at the end of 2019, beating its initial target one year ahead of schedule.

The pillar aims to further accelerate the operational and relational transformation of its Societe Generale brands and Crédit du Nord. For Societe Generale brands, the initiative entails the ongoing streamlining of the branch network, creating dedicated centres for professionals and business centres for corporates, reducing the number of back offices and designing specialised platforms, and work on digitalising processes and customer experience. French Retail Banking will also continue pushing the boundaries of its digital offer.

The pillar also aims to build on and enhance its growth drivers:

- taking advantage of Private Banking expertise to meet the expectations of high net worth customers in the French networks;
- capturing the full potential of the integrated bancassurance model by anticipating changes in the life insurance market and taking advantage of strong customer take-up potential for personal protection and non-life insurance;
- developing our activities among corporate and professional customers by providing strategic advice and comprehensive solutions;
- accelerating the growth of Boursorama, which is targeting over three million customers out to 2021.

International Retail Banking and Financial Services

International Retail Banking and Financial Services is a profitable growth driver for the Group thanks to its leading positions in high potential markets, its initiatives for operational efficiency and digital transformation, and its ability to unlock synergies. This pillar has undergone a major transformation over the last few years after refocusing its portfolio by introducing a more optimised model and improving its risk profile.

International Retail Banking activities are chiefly located in regions outside the euro zone and benefit from stronger growth potential and a more favourable interest rate environment than the euro zone. The Group plans to continue developing its international banking activities in Europe (Czech Republic and Romania), Russia and Africa, all areas in which the Group has established positions as a leader with recognised expertise:

- in Europe, the Group focuses its presence in markets where it enjoys leading positions with critical mass. The Group aims to become the first omnichannel bank in the Czech Republic and to record high profitability. In Romania, the Group intends to consolidate its Top 3 franchise. The strategy in this region has also involved introducing a more streamlined system, with the group finalising divestments in 2019 of subsidiaries in Poland, Bulgaria, Albania, Montenegro, Moldova, Macedonia, Serbia and Slovenia. In Russia, the Group continued rolling out the transformation plan for Rosbank's retail banking activities and pressed ahead with developing corporate activities, confirming the return to profitability since 2017. The Group intends to become the leading foreign bank in the country, with profitable client-centric growth underpinned by digital transformation;
- in Africa, the Group plans to take advantage of the continent's strong potential for economic growth and bank account penetration by building on its position as one of the three international banks with the largest footprint in Africa. It is the leading bank in Côte d'Ivoire, Guinea and Cameroon, and the second-largest bank in Senegal.

  As part of the Grow with Africa programme devised in partnership with a panel of international and local players, Societe Generale announced several sustainable growth initiatives to foster positive transformations on the continent. Accordingly, the Group is placing emphasis on providing multi-dimensional support to African SMEs, funding infrastructures and developing innovative financing solutions.

Financial Services and Insurance enjoy competitive positions, together with strong profitability and robust growth potential. The businesses are also in the process of rolling out programmes to innovate and transform their operational model.

- In Insurance, the Group plans to accelerate the rollout of its bancassurance model across all retail banking markets and all segments (life insurance, personal protection and non-life insurance) and the implementation of its digital strategy, specifically to enhance its product range and customer experience in an integrated omnichannel system, while diversifying its business models and growth drivers through a strategy of innovation and partnerships.
- In the vehicle leasing and car fleet management businesses, the Group intends to bolster its leadership position (No. 1 in Europe and No. 2 worldwide, excluding captives and financial leasing companies) by developing new activities and services in a mobility sector undergoing radical change. With this in mind, ALD has continued its active innovation and digitalisation strategy, and remains committed to energy transition by continuing to trim the number of diesel vehicles and increase its fleet of electric and hybrid vehicles. ALD continues to pursue growth opportunities in the B2B (corporate customers) and B2C (individual customers) markets. Accordingly, long-term leasing to individual customers picked up pace in 2019, with the fleet totalling than 150,000 vehicles by the end of 2019. ALD also finalised the acquisition of SternLease in 2019, thereby consolidating its position in the Netherlands.
- Lastly, for Vendor and Equipment Finance, the Group plans to leverage its position as European leader in markets where it holds a first-tier position to increase revenue and improve profitability. The Group is seeking to become a major operator for vendors and customers through first-rate service, innovation, product expertise and dedicated teams. As part of the initiative to refocus its business, the Group finalised the disposal in Germany of PEMA, a leasing company offering truck and trailer services, and announced the signing of an agreement to sell SG Finans AS, its equipment finance and factoring activities in Norway, Sweden and Denmark.

Societe Generale also continues to generate synergies between the pillar's activities and with the rest of the Group – with Private Banking and the regional Corporate and Investment Banking platforms – and by developing its commercial banking services such as trade finance, cash management, payment services and factoring.

Global Banking and Investor Solutions

The Global Banking and Investor Solutions business has strong product expertise and an international network in the EMEA region, US and Asia. It serves a broad and diversified customer base – businesses, financial institutions, asset managers, public-sector entities and high net worth individuals – by offering high-added-value and tailored solutions at the cutting edge of innovation and digitalisation.

In Global Markets, Societe Generale boasts a leading position in equity derivatives, structured products, and solid positions in flow solutions. The integration of Commerzbank's Equity Markets and Commodities activities since 2018 has consolidated the Group's leadership in equity derivatives and investment solutions.

In the Financing and Advisory businesses, Societe Generale has solid and in-depth expertise worldwide in structured and asset finance, and leverages strong positions in investment banking and corporate finance in Europe.

Lastly, in Asset & Wealth Management, the Group leverages its partners' know-how and capitalises on Lyxor's expertise and the development of passive asset management.

To address structural economic and regulatory changes, the Group adjusted its approach to refocus its Global Banking model on its strengths, where it enjoys sustainable and competitive advantages that set it apart from its peers. In Global Markets, the Bank closed its OTC commodities business and shut its proprietary trading subsidiary, Descartes Trading. The Bank has also reorganised and refocused its flow activities (cash and flow derivatives), chiefly in the Fixed Income, Credit, Currencies and Prime Services businesses, to make them more profitable. Lastly, the Group has confirmed its commitment to the equity value chain and has decided to make ESG analysis the cornerstone of equity research.

The Group is fully committed to delivering its strategic plan

In line with its strategy to fully address its customers' needs and comply with the new, more demanding regulatory environment, the Group's prime focus is to continue optimising its consumption of scarce capital and liquidity resources, and maintain a highly disciplined approach to costs and risk management.

Leveraging the quality of its assets, its balanced, diversified and customer-centric model, and the transformation initiatives undertaken over the past several years, albeit amid a more challenging economic environment, the Group is fully committed to achieving its strategic plan and locking in the following financial targets out to 2020:

- Increased Group profitability
  - Improved Group ROTE in 2020 ;
  - Higher Group net income in 2020 relative to 2019, with slightly growth in revenues in the current environment, reduction in the operating exepnses, a lower the cost-income ratio and a positive jaws effect. The cost of risk is expected to range between 30 and 35 basis points in 2020.
- Durably solid capital levels

The Group aims to bring its CET1 ratio to over 12%, which remains its target level.

- Value creation for shareholders
  - Increase in net tangible asset value per share and earnings per share in 2020 compared with 2019 ;
  - New shareholder dividend policy: a payout rate of 50% of underlying Group net income[1] which may include a share buyback component of up to 10% whith the dividend component being paid in cash.

(1) Net of interest on deeply subordinated notes and undated subordinated notes

1.3.1 RECENT DEVELOPMENTS AND OUTLOOK

The slowdown in the global economy, which has been going on for several quarters due to weakening demand, was accelerated by the shock of the Covid-19 coronavirus, which caused a marked slowdown in production. Developments in the Covid-19 situation remain an important source of uncertainty. It has already resulted in a sharp drop in activity in the most affected areas (China, South Korea, Japan, Italy and Iran to date) and should have repercussions on world demand via the disruption of value and the halt on demand linked to the various containment measures but also to trust. This crisis affects both supply and demand, making it difficult to respond to the right economic policy. Authorities in the most affected countries could take measures to support businesses in difficulty. The financial markets can be an accelerator of the economic crisis in the event of a marked and lasting fall in asset prices. If the epidemic were contained in the coming weeks of March 2020, the effects on world activity would be concentrated in the first or even the second quarter of 2020 and a rebound in the second half would partially offset the effects observed in the first half. As of the filing date of this document, the impact of this epidemic on the Group's results remains difficult to quantify.

In the longer term, the outlook will be strongly influenced by government responses to several major policy challenges. These include defining an appropriate policy mix to tackle weak structural growth and high indebtedness. A new approach to global governance is also necessary with respect to other major structural challenges such as trade tensions, climate change and digital transformation.

Central banks will continue to provide stimulus, but monetary policy accommodation risks being less effective, especially given that the financial leverage cycle is stretched and that macroprudential authorities, not least in Europe, are likely to respond with tightening. The situation has triggered calls for a more aggressive use of fiscal policy. To keep recession at bay, Japan announced a stimulus package that will bring a fresh budget impulse of 0.4% of GDP. The euro area should also enjoy some policy accommodation, but building political consensus for more determined efforts is set to remain elusive. Across the Atlantic, we see a modest fiscal drag and little scope for political agreement on a new stimulus package ahead of the US presidential elections in November 2020. The ECB is conducting a monetary policy review and is expected to disclose its findings during the course of 2020. The central bank is also making the effects of climate change on monetary policy part of its review.

The US-China phase 1 trade agreement has eliminated the short-term risk of additional tariffs, but the transition to bilateralism in trade negotiations marks a structural headwind, as do the enduring high tariffs. The risk of less global economic integration is a real one.

The withdrawal of the United Kingdom from the European Union at the end of January 2020 is also a negative factor. Negotiations are currently seeking to cement the future economic relationship between the UK and the 27-member European Union (EU27) that will enter into effect when the transition period ends on 31 December 2020. During the transition, the relationship between the UK and the EU27 will continue to function as before, but a risk subsists of a hard Brexit at the end of the transition period despite the introduction of an Irish backstop.

The global economy also faces challenges stemming from the need to address climate change and industry transformation to adapt to new digital technologies and automation, at the risk of further widening the gap between high- and low-skilled workers. Transition risks associated with climate change have already had a major impact on the automotive industry, which is adjusting to new regulations and changes in consumer preferences. While we see the business response to fighting climate change as welcome news over the medium to long term, it could be a constraint in the short term, not least if governments fail to introduce mitigating policies to make infrastructure investments and reskill workers. Physical risks have materialised on a large scale which could add pressure for a more determined policy response and new laws.

In this context, the Group sees persistent uncertainty over major policy and industry challenges, and expects growth in advanced economies to soften to 1.2% in 2020 and to 0.8% in 2021, versus 1.7% in 2019.

In emerging economies, headwinds coming from slower trade also dampened growth in Asia, albeit still the fastest-growing region in the world. Expansion is poised to moderate in emerging Europe, except in Turkey, where growth will rebound after the recession of 2018 and 2019. While financial conditions remain benign, especially since US monetary easing, emerging markets face large corporate debt repayments over 2019-2021 and are still vulnerable to changing markets. In China, the authorities are facing different challenges including structural economic slowdown, trade tensions with the US and the repercussions of the coronavirus outbreak. That said, given burgeoning debt levels, the Chinese authorities are taking a cautious approach to policy easing to support activity and avoid a hard landing, while keeping an eye on future stability.

As far as the regulatory landscape is concerned, 2019 was chiefly dominated by:

- the ratification of the Risk Reduction Package by the European trialogue - the European Parliament, the European Commission and the European Council - that notably comprises the new CRR2, CRD5 and BRRD2 regulations and directives. The package, which defines the prudential rules applicable to credit institutions and some investment firms, transposes into European law the international standards adopted by the Basel Committee (BCBS). They define the appropriate level of capital and liquidity ratios that these institutions must hold to cope with the risks they may take, as well as resolution requirements;
- progress by European authorities in rolling out European action plans aimed at consolidating the balance sheets of European banks with respect to their non-performing loans (NPLs), in addition to many other initiatives such as the broad stabilisation of measures related to minimum loss coverage with prudential provisions (the NPL backstop);
- increased interest in cyber risk on the part of international authorities, paired with greater and shared awareness by European authorities of the need for banks to reinforce their cyber-resilience;
- the ongoing European legislative process for the legislative package on sustainable finance, one of the highlights being a political agreement by the Council of the European Union on the taxonomy of activities with sustainable objectives;
- follow-up of preparations for Brexit and its regulatory implications;
- the strengthening of the normative framework for the fight against money laundering and the financing of terrorism ("LCB-FT") by the publication of an order and two implementing decrees, which transpose into French law the fourth directive drawn up in the framework of the 2016 European action plan.

For 2020, certain aspects mentioned above will be subject to further regulatory and even supervisory scrutiny. Some of these are likely to involve:

- technical details of the risk reduction package which will clarify prudential requirements; see EBA roadmap on CRR 2, CRD5 and BRRD2;
- ongoing discussions on European NPL measures with possible progress by the regulator on loan origination constraints and headway being made to finalise the European secondary market directive;
- additional initiatives on sustainable finance, with proposals from the regulator encouraging banks to take action to include environmental, social and governance factors in their strategy. Banks will most be assessed in terms of resilience to climate risk;
- tangible harmonisation of bank disclosures and reportings requested by regulators and supervisors in a single platform (EUCLID);
- the continuation of work in the area of LCB-FT, on the one hand at the national level with the French transposition of the fifth directive published in February 2020, and the work relating to the centralized management of the LCB-FT device at European Union level on the other hand, with the implementation of the Council of the EU's priorities set in 2019, and the strengthening of European supervision in the area of AML-CFT.

1.4 THE GROUP'S CORE BUSINESSES

KEY FIGURES FOR THE CORE BUSINESSES

	French Retail Banking			International Retail Banking and Financial Services			Global Banking and Investors Solutions		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Number of employees *(in thousands)*[1]	35.3	36.0	38.3	62.8	73.3	72.6	21.3	22.8	20.8
Number of branches	2,598	2,742	2,869	2,409	3,191	3,377		n/s	n/s
Net banking income *(in EUR m)*	7,746	7,860	8,131	8,373	8,317	8,070	8,704	8,846	8,887
Group net income *(in EUR m)*	1,131	1,237	1,010	1,955	2,065	1,975	958	1,197	1,566
Gross loan book outstandings[2] *(in EUR bn)*	201.1	191.4	196.9	138.2	135.7	138.7	158.1	164.8	136.0
Net loan book outstandings[3] *(in EUR bn)*	196.2	186.0	191.4	111.3	110.2	115.1	157.1	163.8	134.6
Segment assets[4] *(in EUR bn)*	232.6	222.1	226.3	333.7	320.2	306.2	674.4	660.8	625.9
Average allocated capital (regulatory)[5] *(in EUR m)*	11,263	11,201	11,081	11,075	11,390	11,165	15,201	15,424	14,442

(1) Headcount at end of period excluding temporary staff.

(2) Customer loans, deposits and loans due from banks, lease financing and similar agreements and operating leases. Excluding repurchase agreements. Excluding entities that are reclassified under IFRS 5.

(3) Net book outstandings, excluding operating leases.

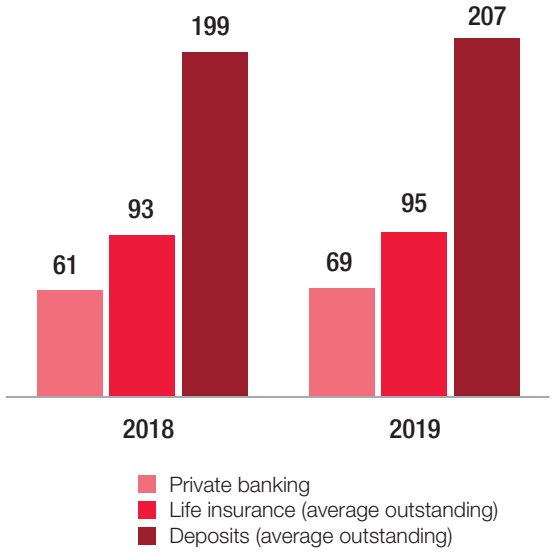
(4) Segment assets included in Note 8.1 of the Consolidated Financial Statements (segment reporting).

(5) Average allocated capital calculated on 11% of risk-weighted assets.

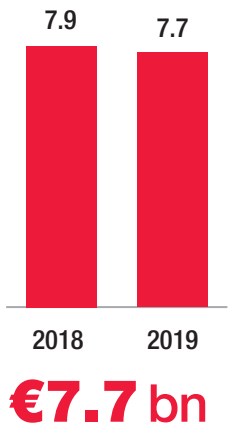
Datas as published in the respective financial year.

1.4.1 FRENCH RETAIL BANKING

CLIENTS' DEPOSITS AND SAVINGS (IN EURbn)



NET BANKING INCOME (IN EURbn)



€7.7 bn

OPERATING EXPENSES (IN EURbn)

35,000
members of staff

€196 bn
in loan outstandings

€1.1 bn
contribution to Group Net income (€1.2 bn in 2018)

French Retail Banking offers a wide range of products and services suited to the needs of a diversified base of individual and professional customers, businesses, non-profit associations and local authorities.

Leveraging the expertise of its teams and an efficient multi-channel distribution system, including nearly 2,600 branches, the pooling of best practices, and the optimisation and digitalisation of processes, French Retail Banking combines the strengths of three complementary brands: Societe Generale, the renowned domestic bank, Crédit du Nord, a group of regional banks, and Boursorama Banque, a major online bank.

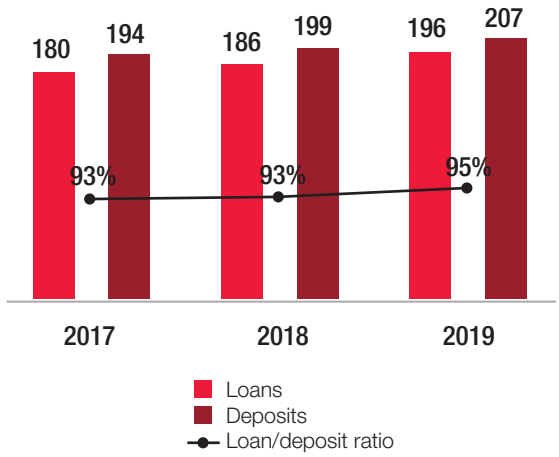
The Retail Banking networks are innovating to build the relationship-focused banking group of tomorrow. French Retail Banking is exemplified by its:

- industry-recognised customer service;
- leading position in online and mobile banking in France;
- robust sales momentum;
- constant adaptation to customers' needs and expectations.

French Retail Banking strives to improve customer satisfaction across all segments and to further develop value-added services to assist businesses with their expansion in France and worldwide. It capitalises on synergies with the specialised business lines, notably with Insurance, Private Banking, and Corporate and Investment Banking. For example, French Retail Banking markets insurance products developed by Sogécap and Sogessur, subsidiaries operating in the International Retail Banking and Financial Services Division.

Life insurance outstandings amounted to EUR 95 billion at the end of 2019, compared with EUR 93.2 billion in 2018.

LOANS AND DEPOSITS (IN EURBN)*



** Average quarterly outstandings.*

The networks continue to support the economy and help customers finance their projects, with growth in average loan outstandings up from EUR 187 billion in 2018 to EUR 196 billion in 2019. At the same time, and amid rife competition for savings inflows, robust deposit inflows resulted in a loan-to-deposit ratio of 95% in 2019, up on the 2018 performance.

Societe Generale network

The Societe Generale network offers solutions tailored to the needs of its individual customers and nearly 445,000 professional customers, non-profit associations and business customers that trust it with their business. The network leverages three major strengths:

- 1,793 branches located mainly in urban areas where a large portion of national wealth is concentrated;
- an exhaustive and diversified range of products and services, ranging from savings vehicles and asset management solutions to corporate finance and payment means;
- a comprehensive and innovative omnichannel system through Internet, mobile, telephone and service platforms.

TRANSFORMATION OF THE DISTRIBUTION PROGRAMME AND BACK OFFICE CENTRES

Societe Generale is continuing to roll out its #Client2020 transformation plan launched in French Retail Banking during 2015 by changing its distribution programme. Its target under the plan is to specialise its back office centres, and automate and digitalise 80% of its front-to-back processes by 2020 to meet fundamental changes in customer expectations and to be the Bank that best dovetails human and digital expertise.

Our sales organisation were streamlined and specialised to deliver even more expertise, fluidity and value-added advisory to customers across the markets. We have restructured and redeployed the organisation to:

- streamline the number of branches, in line with our objectives (from 2,200 to 1,700 by 2020) and create new customer journeys in more than 100 refurbished agencies;
- create over 126 professional concept areas throughout France and open approximately 20 corporate business centres to reach around 30 by 2020;
- introduce client relationship centres that are genuine remote-mode centres of expertise.

Moving ahead with this transformation plan, a new project to restructure the French Retail Bank's head office and back offices was submitted to the Staff Representation Bodies in November 2019. A new employee support agreement on changes to the French Retail Banking business out to 2023 was signed by Management and three trade unions on 30 January 2020. It forms part of our resolve to go the extra mile in refining the initiative to industrialise the Bank's processes and improve quality of service by introducing business units and a front-to-back organisation.

With a network portfolio of nearly 5.7 million[1] current accounts, the individual customer base is a key component of the Societe Generale network portfolio.

Individual customer deposits amounted to EUR 96 billion in 2019, compared with EUR 91 billion in 2018. Outstanding loans granted to individual customers stood at EUR 81 billion in 2019, a 3% increase on the 2018 level. Mortgage loans accounted for 88% of this total.

In 2019, Societe Generale stepped up the pace of its modernisation initiative for retail customers. It launched instant payment products and services in the payment means segment, broadened its cash-back offering on payment cards and introduced a Visa card for frequent travellers. The Group also stepped up to the mark with projects designed in the wake of France's Pacte Law on company transformation and healthcare reform, furnishing two customised offers. Societe Generale also launched the Boost services platform geared to 18-24 year olds that was designed with the startup Wizbii, a project that forms part of the bank-as-a-platform strategy.

In keeping with its customer relationship strategy, Societe Generale introduced its new private banking initiative involving a 750-strong team of asset management specialists across France and laid the groundwork for a new retail customer onboarding arrangement.

Societe Generale is also moving forward with its network specialisation strategy by creating business centres for corporate customers and regional sales departments for retail and professional customers. The specialisation strategy is due to be completed in 2020.

Societe Generale has introduced a new commercial initiative for its 245,000 professional customers to better meet their specific requirements and changing expectations based on a threefold relationship-centric promise: to deliver more personal attention, expertise and simplicity.

Our professional customers now enjoy full support with two expert advisers assigned to assist them: one to deal with their work life and the other to deal with their private life. A specific system involving dedicated advisers has also been rolled out for self-employed customers.

Some 126 concept areas dedicated to professionals were also opened at end-2019, the goal being to reach 150 by end-2020. These concept areas provide the experts and services that professional customers need to manage their everyday affairs and develop their business.

In addition, customers can use 850 open plan concept areas to take advantage of extended opening hours to deposit cheques, and make cash deposits and withdrawals. A total of 1,000 concept areas are planned for end-2020.

In the corporate market, 2019 was marked by durably strong sales momentum. At end-2019, the Bank was serving just under 94,000 corporate customers.

As part of its commitment to support the economy, the Societe Generale network helps its customers finance their investment projects. Business customer deposits - for professionals, corporates, non-profit associations and the public sector - totalled EUR 52 billion in 2019, while loan outstandings came to EUR 63 billion, compared with EUR 51 billion and EUR 59 billion, respectively, in 2018.

In a bid to forge closer ties with entrepreneur customers, the Societe Generale network sales strategy is specialised according to market. By 2020, around 30 regional business centres will be created for business customers, public economic actors and social and institutional economic actors. Nineteen business centres were opened at end-2019.

The Societe Generale network also relies on the Mid Cap Investment Banking (MCIB) platform. MCIB, the Corporate and Investment bank for French SMEs and mid-caps, works in partnership with Global Banking and Investor Solutions to support listed and unlisted mid-cap companies with their development through external growth or organic growth and transfers (disposals and capital restructuring). It offers them an integrated range of integrated Corporate and Investment Banking services such as advisory, bank or capital market financing, and private equity. The MCIB team comprises more than 130 professionals based in Paris and in the six regional divisions of the Societe Generale network: Lille, Rennes, Strasbourg, Marseille, Lyon and Bordeaux. The comprehensive platform rounds out Private Banking's dedicated offer for entrepreneurs based on personal attention and responsiveness.

The SG Entrepreneurs programme combines strategic advice for business owners with complementary solutions through the expertise of Retail Banking, Corporate and Investment Banking, Private Banking and Real Estate Finance, grouped together in regional divisions. We are committed to being the preferred partner of business owners leveraging a comprehensive package - Societe Generale Entrepreneurs - and to supporting them throughout their career path as entrepreneurs by developing their business and assisting them, both as private individuals and from a wealth management perspective.

To support businesses in the new economy, Societe Generale launched a programme aimed at startups in 2017. The programme includes initiatives such as a partnership with Bpifrance to strengthen relations between our two networks. Furthermore, 150 specialist advisers were appointed across France by end-2019. The measure was rounded out by dedicated support from the Mid Cap Investment Banking (MCIB) platform to leverage their expertise in raising capital.

Crédit du Nord network

The Crédit du Nord group consists of eight regional banks – Courtois, Kolb, Laydernier, Nuger, Rhône-Alpes, Société Marseillaise de Crédit, Tarneaud and Crédit du Nord – and an investment services provider, the brokerage firm Gilbert Dupont.

Crédit du Nord entities are characterised by a large degree of autonomy when managing their activities which is hiefly expressed by rapid decision-making and responsiveness to customer demands.

After rethinking its purpose, Crédit du Nord introduced a sweeping transformation plan called Agir 3 to give shape to its purpose of "placing our energy at the service of the country's entrepreneurs at all times".

The strategy of Crédit du Nord's banks is underpinned by three pillars:

- be the bank for entrepreneurs in France's regions to ensure a strong presence with targeted customers in the Corporate, Professional and Retail markets;
- be the bank close enough to be able to reinforce network adaptability in the group and organise fully complementary modes of interaction with customers;
- be the bank that uses a short decision-making circuit in a decentralised organisation, one that is agile and seeks to promote operational efficiency, responsibility and self-reliance and which is headed by a strong managerial culture.

(1) including professional customers' private activity

The quality and strength of Crédit du Nord's results have been recognised by the market and are confirmed by the long-term A rating at Standard & Poor's and the A rating at Fitch Ratings.

Spanning a network of 805 branches, Crédit du Nord serves 1.8 million individual customers[1], 219,000 professional customers and non-profit associations and 43,200 corporate and institutional customers. In 2019, Crédit du Nord's average outstanding deposits totalled EUR 45.1 billion, compared with 43.9 billion in 2018, while loan outstandings stood at EUR 43.9 billion, compared with EUR 41.5 billion in 2018.

Boursorama

Boursorama is a subsidiary of Societe Generale and a pioneer and leader in France for its three main businesses: online banking, online brokerage and online financial information at boursorama.com, ranked No. 1 for economic and stock market news.

The most price competitive bank in France for the twelfth consecutive year, Boursorama Banque has trebled its customer numbers since 2015 and currently has more than 2.1 million customers registered. Its recommendation rate continues to rank at a high 90% and its Net Promoter Score stands at +47. An online bank accessible to everyone and free of revenue and financial wealth prerequisites, Boursorama Banque's promise is the same as it was when it was first created, i.e. simplify customers' lives at the most competitive price and furnish the best service possible.

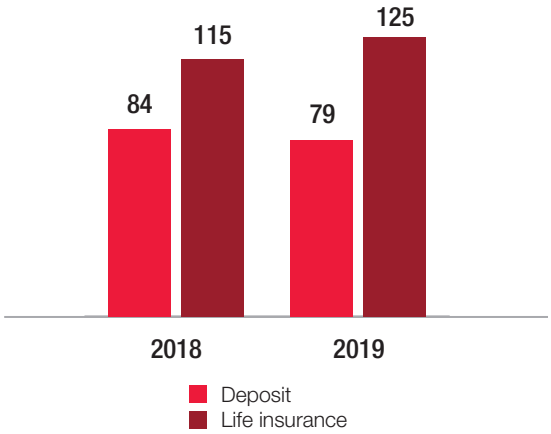
In 2019, Boursorama expanded its range of products and services by launching the Instant Payment and Performance Bourse (stock market data) modules, the Ultim travellers card, the Cli€ financing solution, as well as the Fitbit Pay and Garmin Pay mobile payment solutions.

By keeping development focused firmly on customers' changing expectations, on simplicity and efficiency, in addition to security and lower fees, Boursorama Banque has each year systematically reinforced its position as a leading banking operator and plans to reach its target of more than three million customers in 2021. Boursorama is also an online portal, www.boursorama.com. Launched over 20 years ago, it is ranked the No. 1 website for financial and economic news and receives 35 million visits a month (Source ACPM, November 2019).

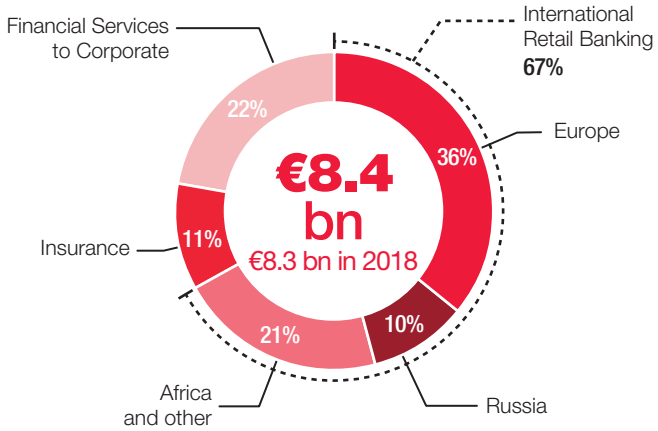
(1) number of active customers

1.4.2 INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

OUR CUSTOMERS'S DEPOSITS AND SAVINGS (IN EURBN)



BREAKDOWN OF NET BANKING INCOME

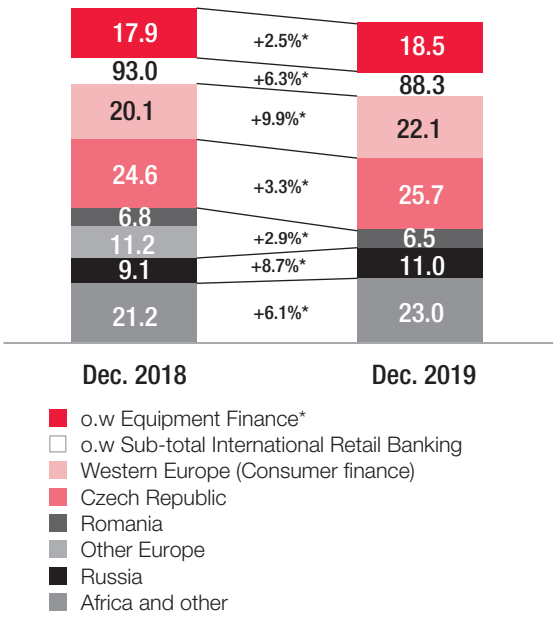


63,000 members of staff

€111 bn in loan outstandings

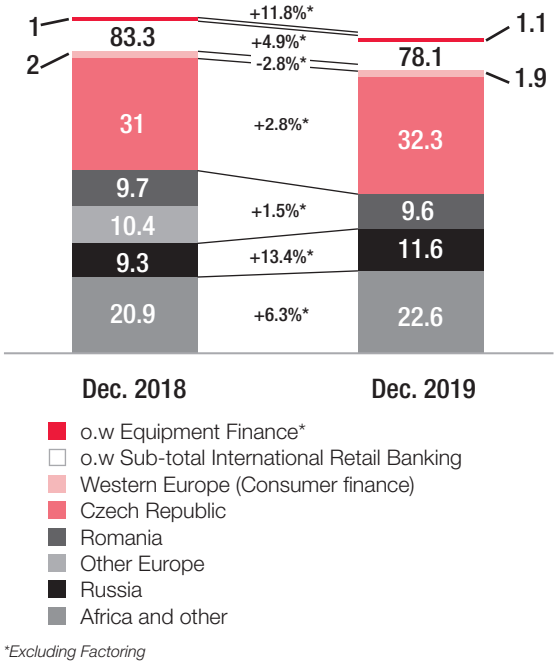
€2.0 bn contribution to Group Net income (€2.1 bn in 2018)

LOAN OUTSTANDING (IN EURBN)



*Excluding Factoring

DEPOSIT OUTSTANDING (IN EURBN)



*Excluding Factoring

International Retail Banking and Financial Services (IBFS) combines:

- International Retail Banking activities, divided into three Business Units: Europe, Russia and AFMO (Africa, Mediterranean Basin and Overseas France);
- three specialised businesses: Insurance, Operational Vehicle Leasing and Fleet Management, and Vendor and Equipment Finance.

Through this pillar, the Group's ambition is to better serve its individual and corporate customers, by adapting to changes in the economic and social environments and supporting the international growth of the Group's customers by drawing on the strength of its network in fast-growing regions. IBFS bases its strategy on the relationship-centric universal banking model, enhancing its customer base through an extended range of products, and distributing and pooling expertise to improve revenues while systematically seeking to optimise risk management and the allocation of scarce resources.

With almost 63,000 employees[1] and commercial operations in 62 countries, IBFS is dedicated to offering a wide range of products and services to its individual, professional and corporate customers.

Leveraging its complementary expertise, IBFS enjoys solid and recognised positions in its different markets.

International Retail Banking

International Retail Banking combines the services of the international banking networks and consumer finance activities. These networks are forging ahead with their growth strategy and currently hold leading positions in the regions where they operate, such as Europe, Russia, the Mediterranean Basin and Sub-Saharan Africa. They help finance the economies in which they grow, enabling the Group to continue bolstering growth in its own activities through this high-potential geographic strategy.

EUROPE

The Group is established in Western Europe predominantly via consumer finance and car finance activities in France, Germany and Italy. Loan outstandings grew by 9.9% in 2019 to EUR 22.1 billion, chiefly on back of strong growth in car finance markets.

In the Czech Republic, Komercni Banka (KB) is ranked third in terms of balance sheet size. At December 2019, it had loan outstandings of EUR 25.7 billion, 342 branches and 7,893 employees (FTE). KB was founded in 1990 and became a subsidiary of Société Générale in 2001. The Bank has developed its universal banking activities for individual customers and expanded its traditionally significant presence among corporate customers and municipalities. KB Group also offers a range of products geared to individual customers through ESSOX (consumer loans and car financing), Modra Pyramida (mortgage facilities), as well as a range developed in conjunction with Private Banking. In 2019, Komerční banka was ranked No. 1 for cash management and named "Euromoney Market Leader" in the Czech Republic in a Euromoney survey.

In Romania, BRD is the leading privately-owned banking network in the country with 649 branches, and the No. 3 bank in terms of balance sheet size with market share of approximately 12% in deposits and 12% in loans at end-November 2019. Société Générale Group became BRD's main shareholder in 1999. BRD Group's activity is divided into three major business lines: Retail Banking for individual and professional customers and SMEs, Corporate and Investment Banking, and Consumer Finance with BRD Finance. Loan and deposit outstandings respectively totalled EUR 6.5 billion and EUR 9.6 billion.

In 2019, Société Générale announced the sale of its majority stake in four of its European subsidiaries: Mobiasbanka in Moldova, SKB in Slovenia, Societe Generale Bank Montenegro in Montenegro and Ohridska Banka in Macedonia.

RUSSIA

The Group is developing its universal banking model and has established itself as the No. 2 banking group financed by foreign capital in Russia based on balance sheet size. At end-2019, loan and deposit outstandings totalled EUR 11.0 billion and EUR 11.6 billion, respectively. Societe Generale operates in Russia covering the different activities of corporate and individual client segments, with mortgage loans (previously operated by DeltaCredit, which merged with Rosbank in 2019) and car loans granted by Rusfinance Bank. In 2019, Rosbank exited the point of sale lending segment.

For its corporate customers, the Group continues to focus on financing and investment activities in partnership with SG CIB, targeting Russian and multi-national large corporates, and is gradually expanding its target client base. It is also keeping a strict focus on operational efficiency and on containing and reducing its risk profile.

The Group also operates in Russia through other consolidated entities in the Insurance business (Societe Generale Insurance) and in Corporate Financial Services.

AFRICA, MEDITERRANEAN BASIN AND OVERSEAS FRANCE

Through its operations in 19 countries, Societe Generale has reaffirmed its commitment for Africa in the Transform to Grow strategic plan and its contribution to the development of the banking and financial system.

In the Mediterranean Basin, the Group has been present in Morocco since 1913, in Algeria since 1999, and in Tunisia since 2002. The Group has 679 branches in the region and more than 2.4 million customers. At end-December 2019, deposit outstandings totalled EUR 10.7 billion and loan outstandings stood at EUR 11.6 billion.

The Group has a historic presence in Sub-Saharan Africa and operates in 16 countries. It boasts solid local positions, particularly in Côte d'Ivoire where it is market leader for loans and deposits, Senegal where it is ranked No. 2 for loans and deposits, and Cameroon where it is No. 1 for loans and No. 2 for deposits. In 2019, loan outstandings grew by a solid +14.4% at constant change and scope to EUR 6.8 billion while deposit outstandings increased to EUR 8.1 billion (+9.8% at constant change and scope).

(1) Headcount at end of period, excluding temporary staff

In 2019, Societe Generale was singled out for the "Africa's Best Bank for Corporate Responsibility" award by Euromoney, which also named Société Générale Algérie and Société Générale Côte d'Ivoire "Best Bank" in their respective countries. Societe Generale also notched up a raft of other awards including "Best Bank" and "Best Investment Bank" in Cameroon for the fifth consecutive year, "Best Foreign Bank", "Best Investment Bank" and "Best Asset Manager" in Morocco, "Best Bank" in Benin and Guinea (EMEA Finance magazine), "Best Bank" in Benin, Cameroon, Côte d'Ivoire, Guinea and Senegal, and "Best Trade Finance Bank in Africa", as well as in Cameroon, Côte d'Ivoire, Morocco and Tunisia (Global Finance).

To address the strategic challenges in the Group's "Transform to Grow" programme, the purpose of the "Grow with Africa" initiative launched in November 2018 is to contribute collectively to Africa's sustainable development. The initiative operates in partnership with local territories and actors as well as international experts by establishing dialogue, listening and sharing innovative resources and approaches. It focuses on four pillars: assisting the development of African SMEs, providing infrastructure finance, offering products and services that promote financial inclusion and delivering innovative finance for renewable energies and agribusiness.

In **Overseas France**, the Group operates in Reunion and Mayotte, French Polynesia and New Caledonia, where it has been present for more than 40 years. Societe Generale offers the same universal banking services to individual and corporate customers alike.

In 2019, Societe Generale announced the disposal of its subsidiary Société Générale de Banque aux Antilles.

Insurance (Societe Generale Insurance)

Societe Generale Assurances' works in synergy with its retail banking, private banking and financial services businesses and follows Societe Generale Group's development strategy. Societe Generale Assurances is also moving forward with the launch of its distribution model by developing external partnerships. Societe Generale Assurances furnishes a comprehensive range of products and services to meet the needs of individual, professional and corporate customers in the Life Insurance Savings, Retirement Savings and Property and Casualty segments. Leveraging the expertise of its 2,652 employees (FTE), Societe Generale Assurances combines financial strength with robust innovation and a sustainable development strategy to be its customers' trusted partner.

In 2019, Societe Generale Assurances' businesses continued to grow while broadening the services offered to policyholders. Furthermore, the diversification strategy in place on Societe Generale Assurance's business mix picked up speed with more unit-linked funds in life insurance investment solutions and the greater choice for personal protection and property and casualty insurance.

At the end of 2019, Societe Generale Assurance's outstandings in life insurance investment solutions rose by +8% to EUR 125 billion; the share of unit-linked outstandings amounted to 30%, growing rapidly compared to 2018. In personal protection and property and casualty insurance, revenue was up by +8% compared with 2018. In 2019, Societe Generale Assurance stepped up the pace of digital transformation in its bank insurance model by focusing on the design of innovative products and services to enhance customer satisfaction. On back of the transformation initiative, 56% of customer journeys in France are fully digital and 36% of contracts are sold on line. In the wake of the Pacte legislation (the action plan for business growth and transformation), Societe Generale Assurances was one of the first insurers on the French market to offer an individual retirement savings product adapted to each client segment for all its policy distributors, integrating a wide range of unit-linked supports, notably 100% SRI funds. Societe Generale Assurances also continued to diversify its business model in synergy with other Group businesses such as ALD, Boursorama and CGI, as well as with external partners, to test new markets and new offers.

Financial Services to Corporates

OPERATIONAL VEHICLE LEASING AND FLEET MANAGEMENT (ALD AUTOMOTIVE)

ALD Automotive furnishes mobility solutions centred on operational vehicle leasing and fleet management for businesses of every size in both local and international markets, as well as for private individuals. The activity combines the financial benefits of operational leasing with a comprehensive range of top-quality services, including maintenance, tyre management, fuel consumption, insurance and vehicle replacement. The ALD Automotive Group employs more than 6,142 people (FTE). With operations in 43 countries, ALD Automotive has the largest geographic coverage of any leasing company and manages more than 1.76 million vehicles. It boasts unparalleled knowledge of emerging markets and has established partnerships with Wheels in North America, FleetPartners in Australia and New Zealand, Absa in South Africa, AutoCorp in Argentina, and Arrend Leasing in Central America. In 2019, the business ranked No. 1 in Europe for multi-brand operational vehicle leasing and fleet management, and ranked No. 2 worldwide.

A pioneer in mobility solutions, ALD Automotive is constantly innovating to provide unrivalled support to customers, fleet managers and drivers, and to furnish customised solutions. The strategy received industry recognition again in 2019: the BVA Group-Viséo CI survey conducted from May to July 2019 awarded ALD Automotive France the "Customer Service of the Year 2020" prize for the operational vehicle leasing market for the twelfth consecutive year.

ALD has been listed on the Euronext Stock Market since June 2017, with 20.18% of its shares listed for trading. Societe Generale remains ALD's controlling shareholder and ALD Automotive continues to benefit from the Group's financing capacity.

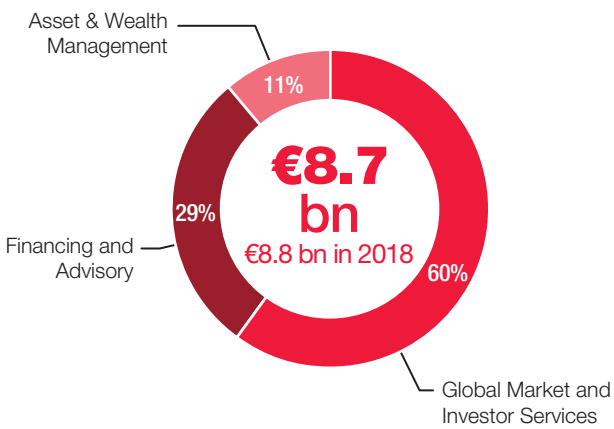
VENDOR AND EQUIPMENT FINANCE (SGEF)

Societe Generale Equipment Finance is specialised in vendor and professional equipment finance. The business is conducted through partnership agreements with international vendors (professional equipment manufacturers and distributors), and also directly with local manufacturers and distributors. Societe Generale Equipment Finance leverages its expertise in four major sectors: transport, industrial equipment, technology and healthcare, and green energy. SGEF boasts a leading position in Europe, operating in 31 countries. It employs over 2,500 people (FTE), and manages a portfolio of EUR 26.3 billion in outstandings[1]. It has a broadly diverse customer base, ranging from large international companies to SMEs, to which it offers a varied array of products including financial leasing, loans, leasing and purchase of receivables, and services such as insurance and marketing. In 2019, Société Générale announced the sale of its majority stake in two of its equipment finance subsidiaries, Pema in Germany and SG Finans in Scandinavia. A regular recipient of leasing industry awards, Societe Generale Equipment Finance was named "European Lessor of the Year" by Leasing Life Awards and ranked No. 1 by Annual Asset Finance Europe 50 in 2019.

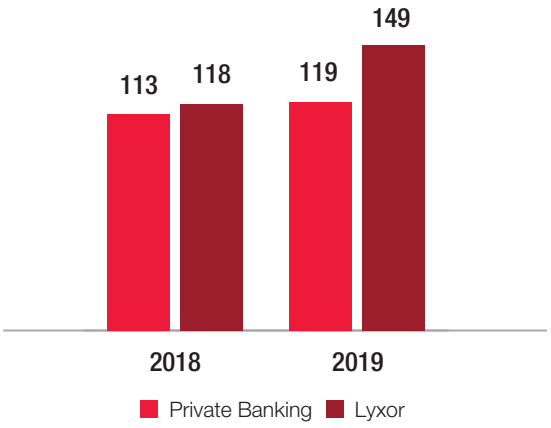
(1) Figures at 31 December 2019, including Franfinance, Sogelease and Starlease

1.4.3 GLOBAL BANKING AND INVESTOR SOLUTIONS

BREAKDOWN OF NET BANKING INCOME IN 2019



ASSETS UNDER MANAGEMENT (IN EURbn)



21,000 members of staff

€157 bn in loan outstandings

€1.0 bn contribution to Group Net income (€1.2 bn in 2018)

€4,213 bn in asset under custody (global leader in derivatives, No. 2 custodian in Europe)

Global Banking and Investor Solutions (GBIS) is tasked with providing Global Markets and Investor Services, Financing and Advisory, and Asset Management and Private Banking to a select customer base of businesses, financial institutions, investors, wealth managers and family offices, as well as private clients.

The linchpin of economic flows between issuers and investors, GBIS supports its customers over the long term, offering them a variety of services and integrated solutions tailored to their specific needs.

GBIS employs over 21,000 people located in 45 countries, and has operations[1] in more than 60 countries. It boasts extensive European coverage and representative offices in Central and Eastern Europe, the Middle East, Africa, the Americas and the Asia-Pacific region.

GBIS experts offer their issuer customers - large corporates, financial institutions, sovereigns and the public sector - strategic advisory on their development, as well as market access to finance their development and hedge their risks. They also furnish services to investors that manage savings according to defined risk/return targets. The Bank provides comprehensive access to equities and fixed income, credit and currencies to asset managers, pension funds, family offices, hedge funds, sovereign funds, public agencies, private banks, insurance companies and distributors, together with a range of unique cross-asset solutions and advisory services underpinned by first-rate research expertise. The offering is rounded out by a full range of investor services.

Pioneer in sustainable and positive-impact finance, the Group furnishes advisory to its clients and offers them concrete financing and investment solutions aimed at transitioning to a fairer and greener economy.

(1) In-country operations through partnerships within the Societe Generale Group.

The Group's ambition is to become the leading partner bank, delivering the most relevant and value-added experience to its customers, both in Europe and the rest of the world. To meet the challenge, the Group is accelerating its platform strategy with the aim of building THE pioneering marketplace for Business-to-Business financial services, capitalising on the functionalities of the SG Markets tool.

In 2019, Global Banking & Investor Solutions successfully implemented its restructuring plan, respecting the given financial targets. Societe Generale continues to focus its Global Banking model on its areas of strength where it has sustainable and differentiated competitive advantages, while reinforcing the allocation of resources to the geographic-offer-customer mix that is most relevant to customers and the Group.

Global Markets and Investor Services

The Global Markets and Investor Services (GMIS) Division is continuing to develop an integrated capital markets offering for its customers, combining the “Fixed Income and Currencies”, “Equities” and “Securities Services”. As such, the division combines the strength of a leading financial institution offering global access to markets with the customer-oriented approach of a broker positioned as a market leader in its activities.

In 2019, Societe Generale was named "Structured Products House of the Year" (Risk Awards 2019). Global Capital also singled out Societe Generale for its unprecedented "Hedge to Pledge" initiative of rounding up foreign exchange transactions to donate to a worthy cause (Global Capital Derivatives Awards 2019).

To help customers navigate through today's landscape of increasingly interconnected financial markets, experts - financial engineers, salespeople, traders and specialist advisors - use SG Markets, a unique integrated platform, to offer tailored solutions designed to meet the needs and specific risks of each customer.

As part of the restructuring plan under way in Global Banking and Investor Solutions, the proprietary trading subsidiary Descartes Trading has been closed and the OTC commodities trading desk is in the process of being wound down. The Bank also reorganised and refocused its flow activities (cash and flow derivatives) to make them more profitable, notably the Fixed Income and Currencies and Prime Services businesses.

FIXED INCOME AND CURRENCIES

Fixed Income and Currencies (FIC) activities cover a comprehensive range of products and services ensuring the liquidity, pricing and hedging of risks related to the fixed income, credit, forex and emerging market activities of Societe Generale customers.

Teams are based in London, Paris, Madrid and Milan, as well as the United States and the Asia-Pacific region, and offer a wide range of flow and derivative products. Underpinned by in-depth research, engineering, trading and e-commerce expertise, they furnish strategic advisory, flow data and competitive prices.

FIC teams receive regular industry accolades and were singled out at the Global Finance Awards 2019 as "Best FX Provider" in the following categories: "Best FX Provider in Central and Eastern Europe", "Best FX Provider for Corporates", "Best FX Execution Algorithms" and "Best FX Providers in France, Algeria, Romania". The teams also took out "Best House Interest Rates", "Best House Foreign Exchange" and "Best House Credit" at the Structured Retail Products Europe Awards 2019.

EQUITIES

Leveraging its historic presence in the world's major primary and secondary equity markets and its longstanding tradition of innovation, Societe Generale is a leader in a comprehensive range of varied solutions covering the full spectrum of cash, derivative and equity research activities. The Equity Department is one of the Group's areas of excellence. For several years, its expertise has been recognised by industry peers and clients alike. Accordingly, Societe Generale was named "Best Global Equity Derivatives House" and "Best House Europe" at the Structured Retail Products Europe Awards 2019.

Societe Generale announced in 2018 the acquisition of the Equity Markets and Commodities (EMC) activities at Commerzbank, a European leader in the design, distribution and maintenance of structured products and flow products markets, and asset management solutions.

The Prime Services & Clearing business houses clearing, prime brokerage and electronic and semi-electronic execution services. Prime Services & Clearing furnishes comprehensive expertise and global access to a complete cross-asset service in cash and derivative instruments.

Societe Generale's Cross Asset Research Department assesses the impact of chief events on the different asset categories, weighs up the relationship between them and delivers a strategic summary of key information to provide an integrated picture. In October 2019, the Bank announced that it would systematically include, with effect from January 2020, the Environmental, Social and Governance (ESG) aspects of companies in its Equity research in addition to its fundamental financial analyses.

SECURITIES SERVICES

The Societe Generale Security Services (SGSS) business offers a comprehensive range of solid and efficient securites services, including:

- market-leading clearing services;
- custody and depository bank activities, covering all asset classes;
- fund administration services for managers of complex financial products;
- issuer services, including administration of stock option plans and employee shareholdings;
- liquidity management services (cash and securities);
- transfer agent activities, providing a comprehensive array of services ranging from support to fund distribution.

With EUR 4,213 billion in assets under custody at end-December 2019 (versus EUR 4,011 billion at 31 December 2018), SGSS ranks second among European custodians. It also offers custodian services to more than 3,275 mutual funds and provides valuation services to more than 4,200 mutual funds, with EUR 647 billion in total assets under management in Europe.

In 2019, Societe Generale was singled out by Global Finance as "Best Sub-Custodian of the Year 2019" - Ivory Coast, Tunisia, Russia, Romania" and by Custody Risk as "Custodian of the Year - Italy".

Financing and Advisory

Financing and Advisory is responsible for covering and developing global relationships with the Bank's strategic clients. The business houses:

- the **Global Banking & Advisory platform** (GLBA) which now combines in one business unit the Coverage teams dedicated to Global Banking customers and the business teams: mergers & acquisitions, advisory and other corporate finance advisory services, corporate banking and investment banking (capital raising solutions for debt or equity, financial engineering and hedging for issuers), and
- the services of **Global Transaction and Payment Services**.

The GLBA platform operates on a worldwide scale with expert teams located in France and Europe, the CEEMEA region, the Americas and in Asia region, whose knowledge of customers and local regulations are key to conducting domestic, international and cross-border activities due to the international dimension of customers.

Leveraging this global expertise and sectoral knowledge, the **Financing Banking** teams provide issuer clients with a full range of products and integrated solutions, products and advisory, and are housed in three divisions:

- The Asset Finance division, which consists of five businesses: export finance, aircraft finance, shipping finance, real estate finance, and structured solutions and leasing. Through a wide range of products, experienced professionals design tailor-made solutions for customers, financial companies and public institutions, combining financial knowledge and industry expertise.

- The Natural Resources and Infrastructures division is tasked with developing a global activity in the natural resources, energy and infrastructure sector by providing clients with financing solutions, as well as advisory services. The customers of this division are producers, operators, refinery groups, traders, commodity service providers, commodity and distributor logistics companies, as well as public and private institutions.
- The Asset Backed Product division, which combines GLBA's expertise in the primary markets, blends sectoral skills, securitisation and structuring with know-how in secondary market trading, distribution channels and debt security refinancing, making it possible to capitalise on credit capacities and act as the single entry point for ABS-type products and structured loans, and assist the development of our issuer clients and investors.

Societe Generale was named "Most Innovative Bank in Infrastructure and Project Finance" by the The Banker 2019, "Europe Bank of the Year" at the PFI Awards 2019 and "TMT Financing Bank of the Year" at the TMT M&A Awards 2019.

The **investment Banking** teams offer customers, businesses, financial institutions and the public sector an integrated, comprehensive and tailored approach based on:

- extensive strategic advisory services, covering mergers and acquisitions and IPO structurings, as well as secondary share offerings. Societe Generale holds a leading position in the equity capital markets and on euro-denominated issues for corporate and financial institutions.
- access to optimised capital-raising solutions jointly with the Global Finance and Retail Banking teams.

Societe Generale notched up several awards for its Investment Bank in 2019, including "Best Investment Bank in France" at the Euromoney Awards for Excellence 2019, "Bond House of the Year" at the IFR Awards and "Best European Corporate and Investment Bank" by Finance Leaders Trophy 2019.

The **Global Transaction & Payment Services** (GTPS) teams are geared to economic and financial operators and particularly domestic and international financial institutions, medium and large companies with international and multinational activities that require flow management assistance for their banking, commercial, corporate flows and/or payment flow assistance.

Operating in more than 50 countries, the business line offers a full and integrated range of solutions and services, leveraging the expertise of the Transaction Banking business lines. It houses five transactional banking activities:

- cash management;
- trade finance;
- correspondent banking;
- supply chain finance;
- foreign exchange services associated with the payments of our activities, in partnership with Global Markets.

Global Transaction Banking teams are regular recipients of industry awards. In 2019, the Group was named "Best Trade Finance Provider in Emerging Markets" and "Best Bank for Cash Management in Africa" by Global Finance, "No. 1 Market Leader" for companies in the Euromoney Cash Management 2019 survey in France and notably the Czech Republic, Distinguished Provider of Transaction Banking Services for its correspondent banking services by FImetrix, and Best Factoring Services in EMEA, Europe and Africa, as well as Best Transactional Bank for Financial Institutions in Europe, Central and Eastern Europe and Africa by EMEA Finance.

Asset & Wealth Management

This business unit encompasses Asset Management through Lyxor Asset Management and Private Banking, which operates under the Societe Generale Private Banking brand. Lyxor has in the process added a retail segment to its institutional offering and furnishes a differentiating asset management service for the benefit of Societe Generale customers. Societe Generale Private Banking leverages Lyxor's presence to increase market penetration and its expertise in asset and liability management. Thanks to these partnerships, the offer is available to internal and external customers, particularly in the responsible finance segment.

SOCIETE GENERALE PRIVATE BANKING

Societe Generale Private Banking has an extensive foothold in Europe and offers global financial engineering and wealth management solutions, in addition to global expertise in structured products, hedge funds, mutual funds, private equity funds and real estate investment solutions. It also offers customer access to the capital markets.

Since January 2014 and in conjunction with the French Retail Banking Division, Societe Generale Private Banking has extensively modified its relationship banking model in France, extending its offering to all individual customers with more than EUR 500,000 in their accounts. These customers receive the benefits of close-hand service provided by 80 regional franchises and the know-how of Private Banking's expert teams.

Societe Generale Private Banking's offering is available in 13 countries. At the end of 2019, Private Banking held assets under management of EUR 119 billion, compared with EUR 113 billion at the end of 2018.

Societe Generale Private Banking's expertise is the regular recipient of industry accolades. In 2019, Private Banking was singled out as "Best Private Bank" for its digital advisory service proposal in Europe at the PWM Wealth Tech Awards. It was also named "Best Wealth Engineering Team and Best Credit Provider" by Wealth Briefing, in addition to "Best Private Bank" for its "Next Generations" offer by Private Banker International, and "Best Private Bank for Entrepreneurs in Western Europe" by Global Finance.

LYXOR ASSET MANAGEMENT

Lyxor Asset Management ("Lyxor") is a wholly-owned subsidiary of the Societe Generale Group and was founded in 1998. Lyxor is a European asset management specialist with expertise in the full array of investment styles. It is able to create innovative investment solutions to address the challenges of the future.

Driven by its tradition of engineering and research, and building on an agile combination of passive, active and alternative management styles, Lyxor covers the whole liquidity spectrum and adapts to customer needs, irrespective of their financial constraints, by offering the most astute combination of long-term performance and disciplined risk management.

As a financial architect and asset manager, Lyxor furnishes customers with allocation advisory within a comprehensive investment universe, developed both internally and selected externally in an open architecture structure. Its fiduciary services and investment platforms help institutional investors meet their investment objectives while increasing their operational efficiency.

Lyxor pioneered the asset management industry by creating the first alternative managed accounts platform in 1998, and the European ETF market with the first ETF on the CAC 40 index in 2001. Lyxor is now ranked third-largest European ETF provider[1].

(1) Source: ETFGI, ranking by total assets under management at end-December 2019

At the end of 2019, Lyxor's total assets under management stood at EUR 149 billion, an increase of +26.1% over the year, including EUR 17 billion from the integration of Commerzbank assets.

In 2019, Lyxor notched up a number awards, notably "Best UCITS Alternative Platform" by The Hedge Fund Journal and "Best ETF Provider" by Wealthbriefing.

2

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2.1 SOCIETE GENERALE GROUP'S MAIN ACTIVITIES

SIMPLIFIED OWNERSHIP STRUCTURE AT 31 DECEMBER 2019

Societe Generale Group

- Corporate Centre
- International Retail Banking and Financial Services (IBFS)

FRANCE

Société Générale*	
Généfinance	100%
SG Financial SH	100%
Sogéparticipations	100%
Société Générale SFH	100%
Société Générale SCF	100%
Sogefim Holding	100%
Galybet	100%
Genevalmy	100%
Valminvest	100%
Sogemarché	100%
Sogecampus	100%

Sogessur	100%
Sogecap	100%
CGL	99.9%
Banque Française Commerciale Ocean Indien	50%
SGEF SA	100%
ALD	80%

EUROPE

Hanseatic Bank *Germany*	75%
Komercni Banka A.S *Czech Republic*	61%
BRD-Groupe SG *Romania*	60.2%
PJSC Rosbank *Russia*	99.9%
Fiditalia S.P.A, *Italy*	100%

AFRICA - MEDITERRANEAN

SG Marocaine de Banques, *Morocco*	57.5%
Société Générale Algérie	100%
Société Générale Côte d'Ivoire	73.2%
Union Internationale de Banques	55.1%

AMERICAS

ASIA - AUSTRALIA

* Parent company
Notes:
- the percentages given indicate the percentage of capital held by the Group in the subsidiary
- the groups are listed under the geographic region where they carry out their principal activities

Societe Generale Group

French Retail Banking (RBDF)

FRANCE

- Société Générale*
- Crédit du Nord 100%
- Boursorama 100%

- Franfinance 100%
- Sogefinancement 100%
- Sogelease France 100%

- Sogeprom 100%

Global Banking and Investor Solutions (GBIS)

FRANCE

- Société Générale*
- Lyxor Asset Management 100%
- CALIF 100%
- Société Générale Capital Partenaires 100%

EUROPE

- Société Générale Bank&Trust *Luxembourg* 100%
- SG Kleinwort Hambros Bank Limited *United Kingdom* 100%
- SG Investments (U.K.) Ltd *United Kingdom* 100%
- Société Générale International Ltd London *United Kingdom* 100%
- Société Générale Effekten, *Germany* 100%
- SG Issuer, *Luxembourg* 100%
- SGKBB Limited *United Kingdom* 100%
- SGSS Spa *Italy* 100%
- SG Private Banking *Switzerland* 100%
- SG Private Banking *Monaco* 100%

- Société Générale* branches in:
  London *United Kingdom*
  Milan *Italy*
  Frankfurt *Germany*
  Madrid *Spain*

AFRICA - MEDITERRANEAN

AMERICAS

- Banco SG Brazil SA, *Brazil* 100%
- SG Americas, Inc. *United States* 100%
- SG Americas Securities Holdings, LLC *United States* 100%

- Société Générale* branches in:
- New York *United States*
- Montreal *Canada*

ASIA - AUSTRALIA

- Société Générale (China) Ltd *China* 100%
- SG Securities Asia International Holdings Ltd *Hong Kong* 100%
- SG Securities Korea Co, Ltd *South Korea* 100%
- SG Securities Japan Limited *Japan* 100%

- Société Générale* branches in:
  Seoul *South Korea*
  Taipei *Taiwan*
  Singapore
  Mumbai
  Sydney

2.2 GROUP ACTIVITY AND RESULTS

Definitions and details of methods used are provided on page 43 and following.

Information followed by an asterisk (*) is indicated as adjusted for changes in Group structure and at constant exchange rates.

The reconciliation of reported and underlying data is provided on page 45.

From 1 January 2019, following the introduction of the IAS 12 "Income Tax" standard, the tax saving on coupon payments on deeply subordinated notes and undated subordinated notes previously recorded in the retained earnings is henceforth recorded in the income statement under the heading "Income tax". Comparative data have been restated accordingly. The change in allocation had a positive impact on the "Income tax" and "Group net income" lines of EUR 257 million for 2018. See also Chapter 6, page 320.

2.2.1 ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

(In EURm)	2019	2018	Change	
Net banking income	**24,671**	**25,205**	**-2.1%**	**-1.5%***
Operating expenses	(17,727)	(17,931)	-1.1%	-0.5%*
Gross operating income	**6,944**	**7,274**	**-4.5%**	**-3.8%***
Net cost of risk	(1,278)	(1,005)	+27.2%	+30.3%*
Operating income	**5,666**	**6,269**	**-9.6%**	**-9.2%***
Net income from companies accounted for by the equity method	(129)	56	n/s	n/s
Net profits or losses from other assets	(327)	(208)	-57.2%	-56.9%*
Impairment losses on goodwill	0	0	n/s	n/s
Income tax	(1,264)	(1,304)	-3.1%	-2.4%*
Net income	**3,946**	**4,813**	**-18.0%**	**-17.5%***
o.w. noncontrolling interests	698	692	+0.9%	+2.3%*
Group net income	**3,248**	**4,121**	**-21.2%**	**-20.9%***
Cost-to-income ratio	71.9%	71.1%		
Average allocated capital	50,586	48,138		
ROTE	**6.2%**	**8.8%**		

** When adjusted for changes in Group structure and at constant exchange rates*

Net banking income

The Group's net banking income was down -2.1% in 2019, due primarily to a base effect in the Corporate Centre, but net banking income across the businesses remained stable (-0.1%*).

- French Retail Banking's net banking income grew marginally by +0.3% (excluding PEL/CEL provision). This was higher than the target communicated by the Group, amid a low interest rate environment and the transformation of the French networks.
- International Retail Banking & Financial Services enjoyed +4.6%* revenue growth, with solid commercial momentum offsetting falling revenue on back of disposals finalised during the year.
- Global Banking and Investor Solutions' net banking income fell -1.6%. Revenues were slightly higher (+0.9%), excluding the impact of restructuring and the disposal of Private Banking in Belgium.

Operating expenses

Underlying operating expenses declined -1.0% in 2019. Around 70% of the multi-year programme to reduce costs by EUR 1.1 billion had been achieved at end-2019.

In French Retail Banking, operating expenses were up +1.3% in 2019 vs. 2018, in line with the target communicated by the Group. They were contained at +0.3% in 2019 vs. 2018, when adjusted for the EUR 55 million restructuring provision.

International Retail Banking & Financial Services saw an improvement in its operational efficiency, with a positive jaws effect excluding provisions for restructuring and tax on assets in Romania. Restated accordingly, operating expenses were up +4.3%* in 2019 vs. 2018.

Global Banking and Investor Solutions confirmed the successful implementation of its EUR 500 million cost savings plan, 44% of which had already been achieved in 2019 and which is fully secured for 2020. Costs declined by -1.6% in 2019, when adjusted for the restructuring provision of EUR 227 million.

Gross operating income

Book gross operating income totalled EUR 6,944 million in 2019 (vs. EUR 7,274 million in 2018 and underlying gross operating income EUR 7,260 million (vs. EUR 7,610 million in 2017).

Cost of risk

The Group's commercial cost of risk amounted to 25 basis points in 2019 which is at the low end of the full-year targeted range of between 25 and 30 basis points. Normalisation stood at 21 basis points and is consequently very gradual compared with the 2018 level.

The Group expects a cost of risk of between 30 and 35 basis points in 2020.

The gross doubtful outstandings ratio continued to decline throughout 2019 and amounted to 3.2% at 31 December, 2019 (versus 3.6% at end-December 2018). The Group's gross coverage ratio for doubtful outstandings stood at 55%[1] at 31 December, 2019 (54% at 31 December, 2018).

Operating income

Book operating income totalled EUR 5,666 million in 2019, vs. 6,269 in 2018. Underlying operating income came to EUR 6,000 million (vs. EUR 6,605 million in 2018).

Net profits or losses from other assets

Net profits or losses from other assets totalled EUR -327 million in 2019, including EUR -386 million corresponding to the effect of the application of IFRS 5 as part of the implementation of the Group's refocusing plan.

Net income from companies accounted for by the equity method

Net income from companies accounted for by the equity method includes an impairment of EUR -158 million corresponding to the Group's entire minority stake (16.8%) in SG de Banque au Liban.

Net income

(In EURm)	2019	2018
Reported Group net income	3,248	4,121
Underlying Group net income[1]	4,061	4,725

(In %)	2019	2018
ROTE (reported)	6.2%	8.8%
Underlying ROTE[1]	7.6%	9.7%

(1) Adjusted for exceptional items.

Earnings per share amounted to EUR 3.05 in 2019 (EUR 4.24 in 2018).

(1) Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings

2.3 ACTIVITY AND RESULTS OF THE CORE BUSINESSES

2.3.1 RESULTS BY CORE BUSINESSES

	French Retail Banking		International Retail Banking and Financial Services		Global Banking and Investor Solutions		Corporate Centre		Group	
(In EURm)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net banking income	**7,746**	**7,860**	**8,373**	**8,317**	**8,704**	**8,846**	**(152)**	**182**	**24,671**	**25,205**
Operating expenses	(5,700)	(5,629)	(4,581)	(4,526)	(7,352)	(7,241)	(94)	(535)	(17,727)	(17,931)
Gross operating income	**2,046**	**2,231**	**3,792**	**3,791**	**1,352**	**1,605**	**(246)**	**(353)**	**6,944**	**7,274**
Net cost of risk	(467)	(489)	(588)	(404)	(206)	(93)	(17)	(19)	(1,278)	(1,005)
Operating income	**1,579**	**1,742**	**3,204**	**3,387**	**1,146**	**1,512**	**(263)**	**(372)**	**5,666**	**6,269**
Net income from companies accounted for by the equity method	8	28	12	15	3	6	(152)	7	(129)	56
Net profits or losses from other assets	58	74	3	8	6	(16)	(394)	(274)	(327)	(208)
Impairment losses on goodwill	-	-	-	-	-	-	-	-	-	-
Income tax	(514)	(607)	(760)	(841)	(174)	(281)	184	425	(1,264)	(1,304)
Net income	**1,131**	**1,237**	**2,459**	**2,569**	**981**	**1,221**	**(625)**	**(214)**	**3,946**	**4,813**
o.w. non-controlling interests	-	-	504	504	23	24	171	164	698	692
Group net income	**1,131**	**1,237**	**1,955**	**2,065**	**958**	**1,197**	**(796)**	**(378)**	**3,248**	**4,121**
Cost-to-income ratio	73.6%	71.6%	54,7%	54.4%	84.5%	81.9%			71.9%	71.1%
Average allocated capital	**11,263**	**11,201**	**11,075**	**11,390**	**15,201**	**15,425**	**13,047**	**10,123**	**50,586**	**48,138**
RONE (businesses)/ROTE (Group)	**10.0%**	**11.0%**	**17.7%**	**18.1%**	**6.3%**	**7.8%**			**6.2%**	**8.8%**

The figures for 2018 for Corporate Centre and the Group were restated to take account of the introduction of IAS 12. See Chapter 6, p. 320 and note p.32

2.3.2 FRENCH RETAIL BANKING

(In EURm)	2019	2018	Change
Net banking income	**7,746**	**7,860**	**-1.5%**
Operating expenses	(5,700)	(5,629)	+1.3%
Gross operating income	**2,046**	**2,231**	**-8.3%**
Net cost of risk	(467)	(489)	-4.5%
Operating income	**1,579**	**1,742**	**-9.4%**
Net income from companies accounted for by the equity method	8	28	-71.4%
Net profits or losses from other assets	58	74	-21.6%
Impairment losses on goodwill	-	-	
Income tax	(514)	(607)	-15.3%
Net income	1,131	1,237	-8.6%
o.w. non-controlling interests	-	-	
Group net income	**1,131**	**1,237**	**-8.6%**
Cost-to-income ratio	73.6%	71.6%	
Average allocated capital	11,263	11,201	

French Retail Banking delivered a resilient performance against the backdrop of a low interest rate environment and the transformation of the French networks. Underlying RONE stood at 11.1% in 2019.

Activity and net banking income

French Retail Banking's three brands - Societe Generale, Crédit du Nord and Boursorama - recorded healthy commercial momentum.

Boursorama consolidated its position as the leading online bank in France, registering more than 2.1 million clients at end-December 2019.

French Retail Banking expanded its business among mass affluent and wealthy clients, with the number of customers increasing by around 1% vs. 31 December, 2018. Net inflow for private banking clients remained robust at around EUR 4.2 billion in 2019, taking assets under management to EUR 68.8 billion at end-December 2019, including Crédit du Nord.

French Retail Banking continued to strengthen its corporate client base, with the number of customers increasing by around 1% relative to Q4 18. Bancassurance continued to enjoy brisk activity: life insurance net inflows totalled approximately EUR 1.7 billion in 2019. Outstandings were up +4.1% to EUR 96.1 billion, with the unit-linked share accounting for 25% of outstandings. Casualty insurance business also rose, scoring a penetration rate of 21.8% in 2019, up by around 60 basis points vs. 2018.

Average loan outstandings climbed +6.4% compared with Q4 18 to EUR 201.5 billion, underpinned by favourable momentum in mortgage loans, consumer loans and investment loans. As a result, average outstanding loans to individuals were 7.0% higher than in Q4 18, coming in at EUR 119.8 billion, while average investment loan outstandings rose 6.8% vs. Q4 18 to EUR 71.2 billion. Average outstanding balance sheet deposits were 4.4% higher than in Q4 18 at EUR 210.7 billion and continue to be driven by sight deposits (+9.0% vs. Q4 18). As a result, the average loan-deposit ratio stood at 95.6% in Q4 19 (up 1.8 points vs. Q4 18).

The Group continued to adapt its operational initiatives, in parallel with the digital transformation process. Societe Generale network customers are making increasing use of digital tools, with 57% of customers being digitally active. The Group has closed 390 Societe Generale branches since 2015, representing 78% of the 2015-2020 target. Societe Generale continued to introduce specific facilities for the corporate sector and professional customers. At end-December 2019, Societe Generale had 19 regional business centres, 116 professional concept areas in branches and 10 dedicated professional concept areas.

Performances in 2019 were in line with targets, with net banking income (excluding PEL/CEL) up +0.3% compared to 2018 (vs. an expected decline of between 0% and -1% in 2019). Net interest income (excluding PEL/CEL) rose by 2.0%, underpinned in particular by brisk volumes, a positive trend on certain margins and the tiering effect. Commissions were 2.1% lower than in 2018 on back of the banking industry's commitments towards vulnerable sectors of the population.

Operating expenses

Operating expenses in 2019 were 1.3% higher than in 2018, in line with the targeted increase of between +1% to +2%. The total included a EUR 55 million restructuring provision recognised in Q4 19. The restructuring provision relates to planned changes that is expected to concern part of French Retail Banking's head office, the platforms for processing customer transactions in back offices and certain network support functions. When restated for the provision, operating expenses were slightly higher (+0.3% vs. 2018). The cost-to-income ratio for 201, excluding the restructuring provision and restated for the PEL/CEL provision, stood at 71.8% .

Cost of risk

The cost of risk remained low at 24 basis points in 2019, compared with 26 basis points in 2018.

Contribution to Group net income

Excluding the restructuring and PEL/CEL provisions, the contribution to Group net income was up +2.1% in 2019. Group net income (excluding the restructuring provision, after linearisation of the IFRIC 21 expense into line and restated for the PEL/CEL provision) totalled 9.3% for Q4 19, compared with 9.9% for Q4 18, and 11.1% for 2019, compared with 10.9% in 2018.

2.3.3 INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

(In EURm)	2019	2018	Change	
Net banking income	**8,373**	**8,317**	**+0.7%**	**+4.6%***
Operating expenses	(4,581)	(4,526)	+1.2%	+5.6%*
Gross operating income	**3,792**	**3,791**	**+0.0%**	**+3.4%***
Net cost of risk	(588)	(404)	+45.5%	+56.1%*
Operating income	**3,204**	**3,387**	**-5.4%**	**-2.7%***
Net income from companies accounted for by the equity method	12	15	-20.0%	-2.0%*
Net profits or losses from other assets	3	8	-62.5%	-50.0%*
Impairment losses on goodwill	0	0		
Income tax	(760)	(841)	-9.6%	-7.9%*
Net income	2,459	2,569	-4.3%	-1.2%*
o.w. non-controlling interests	504	504	+0.0%	+1.9%*
Group net income	**1,955**	**2,065**	**-5.3%**	**-1.9%***
Cost-to-income ratio	54.7%	54.4%		
Average allocated capital	11,075	11,390		

** When adjusted for changes in Group structure and at constant exchange rates*

Revenues totalled EUR 8,373 million in 2019, up +4.6%* (+0.7%) vs. 2018. Revenue growth offset the full-year impact of disposals finalised during the year. Operating expenses were up +5.6%* (+1.2%) in 2019, including a restructuring provision of EUR 34 million in 2019 related to the plan to simplify the head office's structure and a tax on assets in Romania of EUR 16 million in Q4 19. When restated for these items, operating expenses were 4.3%* higher than in 2018, generating a positive jaws effect. The cost-to-income ratio stood at 54.7% in 2019.

The cost of risk remained low at 43 basis points in 2019 (30 basis points in 2018), given the slight deterioration in the cost of risk in Africa and, to a lesser extent, the gradual normalisation in Europe and Russia.

Underlying RONE stood at a high 17.9% in 2019, compared with 18.1% in 2018.

International Retail Banking

(In EURm)	2019	2018	Change	
Net banking income	**5,592**	**5,608**	**-0.3%**	**5.6%***
Operating expenses	(3,218)	(3,238)	-0.6%	+5.4%*
Gross operating income	**2,374**	**2,370**	**+0.2%**	**+6.0%***
Net cost of risk	(504)	(335)	+50.4%	+64.7%*
Operating income	**1,870**	**2,035**	**-8.1%**	**-3.6%***
Net income from companies accounted for by the equity method	11	14	-21.4%	-2.1%*
Net profits or losses from other assets	3	7	-57.1%	-40.1%
Impairment losses on goodwill	0	0		
Income tax	(421)	(474)	-11.2%	-7.8%*
Net income	1,463	1,582	-7.5%	-2.5%*
o.w. non-controlling interests	394	395	-0.3%	+2.4%*
Group net income	**1,069**	**1,187**	**-9.9%**	**-4.4%***
Cost-to-income ratio	57.5%	57.7%		
Average allocated capital	6,661	6,926		

** When adjusted for changes in Group structure and at constant exchange rates*

In International Retail Banking, outstanding loans totalled EUR 88.3 billion. They rose +6.3%* in 2019 when adjusted for changes in Group structure and at constant exchange rates, with healthy momentum in all regions. They were down -5.1% at current structure and exchange rates, given the disposals finalised during 2019 (SG Albania, Express Bank in Bulgaria, Societe Generale Montenegro, Eurobank in Poland, Societe Generale Serbia, Mobiasbanca in Moldova, SKB in Slovenia and OBSG in Macedonia). Outstanding deposits showed a similar trend, up +4.9%* (-6.3% at current structure and exchange rates) to EUR 78.1 billion in 2019.

In Europe, outstanding loans grew +5.8%* to EUR 54.3 billion (-13.4%) at end-2019 vs. end-December 2018, driven by excellent momentum in Western Europe (+9.9%) and solid growth in Romania (+2.9%*) and the Czech Republic (+3.3%*). Outstanding deposits were up +2.2%* (-17.5%).

In Russia, commercial activity was robust in a buoyant banking market, particularly for the individual customer segment. Outstanding loans were up +8.7%* (+21.5%) while outstanding deposits climbed by +13.4%* in 2019 (+25.1%).

In Africa, the Mediterranean Basin and Overseas France, the commercial performance was generally solid. Outstanding loans rose +6.1%* (or +8.1%) in 2019, with an excellent commercial momentum in Sub-Saharan Africa (+14.4%*). Outstanding deposits were up +6.3%* (+8.3%).

In International Retail Banking, net banking income totalled EUR 5,592 million in 2019, up +5.6%*(-0.3%) vs. 2018, driven by decent momentum in all regions, i.e. SG Russia (+7.8%*, +10.4%), Africa, Mediterranean Basin and Overseas France (+6.9%*, +8.8%) and Europe (+4.0%*, -7.4%). Operating expenses were up +5.4%* (-0.6%) relative to 2018.

Insurance

(In EURm)	2019	2018	Change	
Net banking income	**909**	**887**	**+2.5%**	**+2.5%***
Operating expenses	(349)	(333)	+4.8%	+4.7%*
Gross operating income	**560**	**554**	**+1.1%**	**+1.2%***
Net cost of risk	0	0		
Operating income	**560**	**554**	**+1.1%**	**+1.2%***
Net income from companies accounted for by the equity method	0	0		
Net profits or losses from other assets	0	0		
Impairment losses on goodwill	0	0		
Income tax	(174)	(183)	-4.9%	-4.8%*
Net income	386	371	+4.0%	+4.2%*
o.w. non-controlling interests	3	3	+0.0%	-0.6%*
Group net income	**383**	**368**	**+4.1%**	**+4.2%***
Cost-to-income ratio	38.4%	37.5%		
Average allocated capital	1,506	1,825		

** When adjusted for changes in Group structure and at constant exchange rates*

In the Insurance business, the life insurance savings business saw outstandings increase +8.4%* vs. end-December 2018. The share of unit-linked products in outstandings was 30% at end-December 2019, up +3.4 points vs. end-2018. Personal Protection and Property, and Casualty insurance also enjoyed robust growth, with premiums increasing by a respective +7.4%* and +9.2%* vs. 2018. Sogecap carried out a EUR 350 million capital increase following approval by the Board of Directors on 12 December, 2019. The Sogecap group's solvency ratio is expected to exceed 220% at end-December 2019. The capital increase has had a limited impact on the Group's CET1 ratio and has already been included in the end-of-year ratio.

The Insurance business posted a positive financial performance in 2019, with net banking income increasing +2.5%* to EUR 909 million. Operating expenses rose +4.8% vs. 2018 to EUR 349 million in conjunction with the Insurance business' commercial development plans.

Financial Services to Corporates

(In EURm)	2019	2018	Change	
Net banking income	**1,872**	**1,822**	**+2.7%**	**+3.1%***
Operating expenses	(980)	(955)	+2.6%	+2.7%*
Gross operating income	**892**	**867**	**+2.9%**	**+3.6%***
Net cost of risk	(84)	(69)	+21.7%	+19.9%*
Operating income	**808**	**798**	**+1.3%**	**+2.1%***
Net income from companies accounted for by the equity method	1	1		
Net profits or losses from other assets	0	1		
Impairment losses on goodwill	0	0		
Income tax	(176)	(184)	-4.3%	-3.5%*
Net income	633	616	+2.8%	+3.6%*
o.w. non-controlling interests	107	106	+0.9%	+0.0%*
Group net income	**526**	**510**	**+3.1%**	**+4.4%***
Cost-to-income ratio	52.4%	52.4%		
Average allocated capital	2,870	2,639		

** When adjusted for changes in Group structure and at constant exchange rates*

Financial Services to Corporates recorded positive commercial momentum in 2019. Operational Vehicle Leasing and Fleet Management saw a +6.1% increase in its vehicle fleet in 2019 to 1.8 million vehicles. Equipment Finance's outstanding loans were up +2.5%* and totalled EUR 18.5 billion in 2019 (excluding factoring).

Financial Services to Corporates' net banking income rose +2.7% (+3.1%*) in 2019 to EUR 1,872 million, reflecting growth in the Operational Vehicle Leasing and Fleet Management fleet. Operating expenses rose +2.6% (+2.7%*) vs. 2018.

2.3.4 GLOBAL BANKING AND INVESTOR SOLUTIONS

(In EURm)	2019	2018	Change	
Net banking income	**8,704**	**8,846**	**-1.6%**	**-3.1%***
Operating expenses	(7,352)	(7,241)	+1.5%	+0.4%*
Gross operating income	**1,352**	**1,605**	**-15.8%**	**-18.6%***
Net cost of risk	(206)	(93)	x2.2	x2.2*
Operating income	**1,146**	**1,512**	**-24.2%**	**-26.9%***
Net income from companies accounted for by the equity method	3	6	-50.0%	-50.0%*
Net profits or losses from other assets	6	(16)		
Impairment losses on goodwill	-	0		
Income tax	(174)	(281)	-38.1%	-40.8%*
Net income	981	1,221	-19.7%	-22.3%
o.w. non-controlling interests	23	24	-4.2%	-4.0%*
Group net income	**958**	**1,197**	**-20.0%**	**-22.7%***
Cost-to-income ratio	84.5%	81.9%		
Average allocated capital	15,201	15,425		

** When adjusted for changes in Group structure and at constant exchange rates*

In 2019, Global Banking and Investor Solutions successfully implemented its restructuring plan, respecting the given financial targets:

- the target of reducing risk-weighted assets (RWA) by EUR 10 billion by 2020 (including EUR 8 billion in Global Markets), was already met in Q3 2019, more than one year ahead of schedule.
- 44% of the EUR 500 million in targeted cost savings was achieved in 2019 (vs. a target of 20%-30%), with the total secured for 2020, and lends weight to the feasibility of the EUR 6.8 billion operating expense target for 2020.
- EUR 268 million in restructuring costs were recorded, in line with the target of EUR 250-300 million.
- the loss of revenues from closed or scaled back activities is in line with the given full-year target of EUR 300 million.

Net banking income was up +0.9% vs. 2018, after adjustment for the impact of restructuring (activities in the process of being closed or scaled back), the cost of exceptional RWA reduction operations and the disposal of Private Banking in Belgium, .

Operating expenses were down -2.5% vs. 2018 after restating restructuring costs of EUR 268 million, costs associated with integrating EMC activities and the disposal of Private Banking in Belgium, reflecting the success of the cost savings plan implemented in Global Banking and Investor Solutions (+1.5% vs. 2018 on a reported basis). When restated solely for the restructuring provision of EUR 227 million, costs were 1.6% lower in 2019 than in 2018.

Net cost of risk was low, registering 17 basis points over the final quarter of the period and 13 points for the full year.

Adjusted for the EUR 227 million restructuring provision, RONE for the pillar stood at 7.4% for the period, compared with 7.8% for 2018.

Global Markets & Investor Services

(In EURm)	2019	2018	Change	
Net banking income	**5,210**	**5,414**	**-3.8%**	**-5.9%***
Operating expenses	(4,788)	(4,706)	+1.7%	+0.3%*
Gross operating income	**422**	**708**	**-40.4%**	**-44.6%***
Net cost of risk	(13)	(25)	-48.0%	-48.3%*
Operating income	**409**	**683**	**-40.1%**	**-44.4%***
Net income from companies accounted for by the equity method	4	9	-55.6%	-55.6%*
Net profits or losses from other assets	4	(1)		
Impairment losses on goodwill	0	0		
Income tax	(89)	(180)	-50.6%	-53.8%*
Net income	328	511	-35.8%	-40.5%*
o.w. non-controlling interests	20	20	+0.0%	+0.2%*
Group net income	**308**	**491**	**-37.3%**	**-42.0%***
Cost-to-income ratio	91.9%	86.9%		
Average allocated capital	8,454	8,510		

** When adjusted for changes in Group structure and at constant exchange rates*

2018 figures restated to reflect new quarterly series incorporating the change in analytical split of the result of market products sale to Corporates, Asset Backed Products and Commodities

Global Markets & Investor Services recorded a -1.6% contraction in revenues in 2019 after adjustment for restructuring measures compared with 2018, in the wake of a first half characterised by low volumes. Reported net banking income totalled EUR 5,210 million in 2019, down -3.8% vs. 2018.

Restated for the impact of restructuring in Global Markets, revenues from **Fixed Income and Currencies** were 3.4% higher. Excluding the restatement, revenues contracted -2.3% vs. 2018.

Equities and Prime Services' net banking income totalled EUR 2,502 million in 2019, down -5.2% vs. 2018.

Despite a challenging environment, the Group maintained its leadership position in structured products, with the franchise once again being named "Structured Products House of the Year" by Risk Awards.

Securities Services' assets under custody amounted to EUR 4,213 billion at end-December 2019, a decline of EUR 34 billion vs. end-September 2019. Over the same period, assets under administration were slightly higher (+2.4%) at EUR 647 billion. Over the year, Securities Services' assets totalled EUR 714 million, down -2.7%.

Financing & Advisory

(In EURm)	2019	2018	Change	
Net banking income	**2,547**	**2,466**	**+3.3%**	**+1.5%***
Operating expenses	(1,676)	(1,630)	+2.8%	+1.4%*
Gross operating income	**871**	**836**	**+4.2%**	**+1.7%***
Net cost of risk	(195)	(49)	x4.0	x3.9*
Operating income	**676**	**787**	**-14.1%**	**-16.2%***
Net income from companies accounted for by the equity method	(1)	(2)		
Net profits or losses from other assets	0	(1)		
Impairment losses on goodwill	(70)	(93)	-24.7%	-28.3%*
Income tax	-	-		
Net income	605	691	-12.4%	-14.3%*
o.w. non-controlling interests	0	1		
Group net income	**605**	**690**	**-12.3%**	**-14.1%***
Cost-to-income ratio	65.8%	66.1%		
Average allocated capital	5,732	5,756		

** When adjusted for changes in Group structure and at constant exchange rates*

2018 figures restated to reflect new quarterly series incorporating the change in analytical split of the result of market products sale to Corporates, Asset Backed Products and Commodities

Financing & Advisory revenues totalled EUR 2,547 million in 2019, up +3.3% vs. 2018 despite the cost of exceptional RWA reduction operations. This increase reflects the strong commercial momentum of financing activities. The Asset Backed Products platform continued to expand.

Transaction Banking revenues continued to grow (revenues were 9.2% higher in 2019 than in 2018) on back of the successful rollout of growth initiatives.

Asset and Wealth Management

(In EURm)	2019	2018	Change	
Net banking income	**947**	**966**	**-2.0%**	**+0.7%***
Operating expenses	(888)	(905)	-1.9%	+0.7%*
Gross operating income	**59**	**61**	**-3.3%**	**+0.0%***
Net cost of risk	2	(19)	n/s	n/s
Operating income	**61**	**42**	**+45.2%**	**+49.0%**
Net income from companies accounted for by the equity method	0	(1)		
Net profits or losses from other assets	2	(14)		
Impairment losses on goodwill	0	0		
Income tax	(15)	(8)	+87.5%	+92.4%*
Net income	48	19	x2.5	x2.6*
o.w. non-controlling interests	3	3	+0.0%	+0.1%*
Group net income	**45**	**16**	**x2.8**	**x2.9***
Cost-to-income ratio	93.8%	93.7%		
Average allocated capital	1,015	1,158		

** When adjusted for changes in Group structure and at constant exchange rates*

Asset and Wealth Management's net banking income totalled EUR 947 million in 2019, an increase of +1.2%, adjusted for the disposal of Private Banking in Belgium, vs. 2018 (-2.0% on a reported basis).

At end-December 2019, Private Banking's assets under management were 1.4% higher than in September 2019, at EUR 119 billion. Inflows remained buoyant in France. Adjusted for the disposal of Private Banking in Belgium, net banking income totalled EUR 727 million in 2019, 0.3% higher than in 2018 (-3.8% on a reported basis).

Lyxor's assets under management reached a record EUR 149 billion at end-December 2019, up +7.6% vs. September 2019 and +26.1% year-on-year, including EUR 17 billion from the integration of Commerzbank assets. Revenues totalled EUR 200 million in 2019, an increase of +4.7% vs. 2018.

2.3.5 CORPORATE CENTRE

(In EURm)	2019	2018	Change
Net banking income	**(152)**	**182**	**n/s**
Operating expenses	(94)	(535)	-82.4%
Gross operating income	**(246)**	**(353)**	**+30.3%**
Net cost of risk	(17)	(19)	-10.5%
Operating income	**(263)**	**(372)**	**+29.3%**
Net income from companies accounted for by the equity method	(152)	7	n/s
Net profits or losses from other assets	(394)	(274)	-43.8%
Impairment losses on goodwill	-	-	
Income tax	184	425	+56.7%
Net income	(625)	(214)	n/s
o.w. non-controlling interests	171	164	+4.3%
Group net income	**(796)**	**(378)**	**n/s**

The Corporate Centre includes:

- real estate management of the Group's head office;
- the Group's equity portfolio;
- the Group's Treasury function;
- 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 -152 million in 2019 vs. EUR 182 million in 2018 (which included the revaluation of Euroclear securities for EUR 271 million).

Operating expenses totalled EUR -94 million in 2019 and included an operating tax adjustment for EUR +241 million. Operating expenses totalled EUR -535 million in 2018 and included an allocation to the provision for litigation of EUR -336 million. Gross operating income totalled EUR -246 million in 2019 vs. EUR -353 million in 2018.

Net profits or losses from other assets totalled EUR -394 million in 2019 and primarily included a capital loss of EUR -386 million as a result of the application of IFRS 5 following the rollout of the Group's refocusing plan. Scope-wise, the capital loss breaks down as follows:

- EUR -249 million for Europe as a result of the following disposals: SKB Banka in Slovenia, Ohridska Banka Societe Generale in North Macedonia, Societe Generale Serbia, Societe Generale Montenegro, Modiasbanka in Moldova, Eurobank in Poland, SG Express Bank in Bulgaria and SG Albania;
- EUR -148 million for Financial Services to Corporates on the announced disposal of SG Finans and the disposal of Pema GmbH;

Net income from companies accounted for by the equity method includes an impairment of EUR -158 million corresponding to the Group's entire minority stake (16.8%) in SG de Banque au Liban.

The Corporate Centre's contribution to Group net income was EUR -796 million in 2019 vs. EUR -378 million in 2018.

2.3.6 DEFINITIONS AND METHODOLOGY, ALTERNATIVE PERFORMANCE MEASURES

Framework

The financial information presented in respect of the financial year ended 31 December 2019 has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date.

Capital allocation

In 2019, the allocation of normative capital to the businesses on the basis of their capital consumption was determined in accordance with CRR rules, i.e. 11% of their risk-weighted assets, supplemented by the consumption of Common Equity Tier 1 capital chargeable to each business after taking into account non-controlling interests and the adjustment of capital consumption in insurance activities. Accordingly, the capital allocation rule applies to the Group's three pillars - French Retail Banking, International Retail Banking and Financial Services, and Global Banking and Investor Solutions - and enables each activity's capital consumption and profitability to be calculated by activity on a standalone and uniform basis, taking into account the Group's regulatory constraints.

Net banking income

Net banking income (NBI) for each business division includes:

- revenues generated by its activity;
- the yield on normative capital allocated to the business division, which is calculated using a long-term rate by currency. In return, in order to compare performances between the Group's different business lines, book capital is reassigned to the Corporate Centre at the same rate.

Moreover, capital gains and losses generated by the business divisions on the disposal of shares in non-consolidated entities, and income from management of the Group's industrial and bank equity portfolios, are booked under NBI as these securities are classified as available-for-sale financial assets.

Operating expenses

Operating expenses for the business divisions correspond to the information reported in Note 8.1 to the Group's consolidated financial statements at 31 December 2019 (see p. 423 and 424) and include their direct expenses, their management overheads, and a share of the head-office expenses, which are in principle almost fully redistributed between the business divisions. The Corporate Centre only books costs related to its own activity, along with certain technical adjustments.

Cost-to-income ratio

The cost-to-income ratio indicates the operating expenses of a business in relation to its net banking income. This indicator provides a measure of a system's effectiveness (see glossary).

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) in order to recognise only the portion concerning the current quarter, i.e. a quarter of the total. It consists of smoothing the charge recognised accordingly over the financial year to give a more reliable economic picture of the costs actually attributable to the activity over the period analysed. By applying the IFRIC 21 adjustment, the expense – previously recognised progressively if the generating event occurs over a period of time – is instead recognised once and in its entirety.

Underlying indicators

The Group may be required to provide underlying indicators to gain a clearer understanding of its actual performance. Underlying data is obtained from reported data by restating the latter and taking into account exceptional items and the IFRIC 21 adjustment. Several indicators may be provided in this respect, such as all income statement amounts - net banking income, operating expenses, net cost of risk, net profits or losses from other assets and Group net income - in addition to profitability indicators (ROE, RONE and ROTE), earnings per share and the cost-to-income ratio,...

The Group may need to adjust some components of its results; i.e. the exceptional items, to provide a clearer picture of its actual performance.

The Group reports net banking income excluding PEL/CEL (cost-to-income ratio, gross operating income and operating income), i.e. adjusted for the provisions for risk for specific commitments on regulated savings.

These items, together with the underlyings obtained from reported data, appear in the table below.

(In EUR m)	2019	2018	Change	
Operating Expenses[1]	**(17,727)**	**(17,931)**	**- 1.1%**	
(-) Provision for disputes*		(336)		Corporate Centre
(-) Restructuring provision*	(316)			see note (2)
Underlying Operating Expenses	**(17,411)**	**(17,595)**	**- 1.0%**	
Net cost of risk	**(1,278)**	**(1,005)**	**+ 27.2%**	
(-) Group refocusing plan*	(18)			Corporate Centre
Underlying net cost income	**(1,260)**	**(1,005)**	**+ 25.4%**	
Net profit or losses from other assets	**(327)**	**(208)**	**- 57.2%**	
(-) Group refocusing plan*	(386)	(268)		Corporate Centre
Underlying net profit or losses from other assets	**59**	**60**	**- 1.7%**	
Net income from companies accounted for by the equity method	**(129)**	**56**	**n/s**	
(-) Write-off of Group minority stake in SG de Banque au Liban*	(158)			Corporate Centre
Underlying Net income from companies accounted for by the equity method	**29**	**56**		
Group Net Income	**3,248**	**4,121**	**- 21.2%**	
Effect in Group net income of above restatements	(813)	(604)		
Underlying Group Net Income	**4,061**	**4,725**	**-14.1%**	

** Exceptional items*

(1) Reflects the sum total of the following items in the financial statements: Personnel expenses + Other operating expenses + Amortisation, depreciation and impairment of tangible and intangible fixed assets.

(2) French Retail Banking (EUR - 55 million), International Retail Banking and Financial Services (EUR - 34 million), Global Banking and Investor Solutions (EUR - 227 million)

Cost of risk

Net cost of risk is charged to each business division to reflect the cost of risk inherent in their activity during each financial year. Impairment losses concerning the whole Group are booked by the Corporate Centre.

Societe Generale's commercial net cost of risk is expressed in basis points. It is calculated by dividing the net annual allocation to provisions for commercial risks by average loan outstandings at the end of the four quarters preceding the closing date. This indicator reveals the level of risk borne by each of the pillars as a percentage of balance sheet loan commitments, including operating leases. The key items used in this calculation are indicated in the table below.

		2019	2018
French Retail Banking	Net cost of risk (EUR m)	467	489
	Gross loan outstandings (EUR m)	194,359	186,782
	Cost of risk in bp	**24**	**26**
International Retail Banking and Financial Services	Net cost of risk (EUR m)	588	404
	Gross loan outstandings (EUR m)	136,303	134,306
	Cost of risk in bp	**43**	**30**
Global Banking and Investor Solutions	Net cost of risk (EUR m)	206	93
	Gross loan outstandings (EUR m)	161,865	152,923
	Cost of risk in bp	**13**	6
Societe Generale Group	Net cost of risk (EUR m)	1,278	1,005
	Gross loan outstandings (EUR m)	501,929	481,608
	Cost of risk in bp	**25**	**21**

Gross coverage ratio for doubtful outstandings

Doubtful outstandings are outstandings that are in default within the meaning of the regulations.

The gross doubtful outstandings ratio measures the doubtful outstandings recognised in the balance sheet compared with gross loan outstandings.

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 being in default within the meaning of the regulations, without taking into account any guarantees provided. The coverage ratio measures the maximum residual risk associated with outstandings in default, i.e. doubtful.

Net income/expense from other assets

Net income or expense from other assets essentially comprises capital gains and losses on operating fixed assets, or when the Group ceases to control a consolidated subsidiary, as well as goodwill immediately written down when the Group takes control of an entity and recalculates the stake previously held by the Group in entities that have been fully consolidated during the year.

Impairment losses on goodwill

Impairment losses on goodwill are booked by the business division to which the corresponding activity is attached.

Income tax

The Group's tax position is managed centrally.

Income tax is charged to each Business Division on the basis of a normative tax rate which takes into account the local tax rate of the countries in which it conducts its activities and the nature of its revenues. The difference between the income tax charged to the Group's consolidated companies and the sum of normative taxes of the strategic pillars is assigned to the Corporate Centre.

ROE, ROTE

Group ROE and ROTE is calculated on the basis of average Group shareholders' equity under IFRS.

It excludes:

- unrealised or deferred capital gains or losses booked directly under shareholders' equity, excluding conversion reserves;
- deeply subordinated notes;
- undated subordinated notes restated as shareholders' equity.

It deducts:

- interest payable to holders of deeply subordinated notes and of restated, undated subordinated notes;
- a provision in respect of the dividends to be paid to shareholders.

For the ROTE, the following items are also excluded:

- average net goodwill in the assets, and underlying average goodwill relating to shareholdings in companies accounted for by the equity method;
- average net intangible assets.

Net income used to calculate ROE is based on Group net income adjusted for interest to be paid to holders of deeply subordinated notes for the period and, since 2006, holders of restated deeply subordinated notes and undated subordinated notes.

Net income used to calculate ROTE is based on Group net income excluding the goodwill impairment loss but reinstating interest on deeply subordinated notes for the period (including issuance fees paid, for the period, to external parties and the discount charge related to the issue premium for deeply subordinated notes) and interest on undated subordinated notes (including issuance fees paid, for the period, to external parties and the discount charge related to the issue premium for undated subordinated notes).

RONE

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses (see "capital allocation" above). The allocation principle in force since 1 January 2016 consists of allocating to each business normative equity corresponding to 11% of its risk-weighted assets.

The key items used in this calculation are indicated in the tables below:

(In EURm, end of period)	2019	2018
Shareholders' equity Group share	**63,527**	**61,026**
Deeply subordinated notes	(9,501)	(9,330)
Undated subordinated notes	(283)	(278)
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	4	(14)
OCI excluding conversion reserves	(575)	(312)
Dividend provision	(1,869)	(1,764)
ROE equity end-of-period	51,303	49,328
Average ROE equity	50,586	48,138
Average Goodwill	(4,586)	(5,019)
Average Intangible Assets	(2,243)	(2,065)
Average ROTE equity	43,757	41,054
Group net Income (a)	**3,248**	**4,121**
Underlying Group net income (b)	**4,061**	**4,725**
Interest on deeply subordinated notes and undated subordinated notes (c)	(715)	(719)
Cancellation of goodwill impairment (d)	200	198
Corrected Group net Income (e) = (a) + (c) + (d)	**2,733**	**3,600**
Corrected Underlying Group net Income (f) = (b) + (c)	**3,346**	**4,006**
Average ROTE equity (g)	**43,757**	**41,054**
ROTE (e/g)]	6.2%	8.8%
Average ROTE equity (underlying) (h)	**43,983**	**41,345**
Underlying ROTE (f/h)	7.6%	9.7%

RONE CALCULATION: AVERAGE CAPITAL ALLOCATED TO CORE BUSINESSES

(in EURm)	2019	2018
French Retail Banking	11,263	11,201
International Retail Banking and Financial Services	11,075	11,390
Global Banking and Investor Solutions	15,201	15,424

Earnings per share

In accordance with IAS 33, to calculate earnings per share, "Group net income" for the period is adjusted by the amount (net of tax, capital gains/losses on partial buybacks of securities issued and classified as equity) of costs pertaining to these equity instruments and the interest paid on them.

Earnings per share is therefore calculated as the ratio of corrected Group net income for the period to the average number of ordinary outstanding shares, excluding own shares and treasury shares, but including:

a) trading shares held by the Group; and

b) shares held under the liquidity contract.

The Group also reports its underlying earnings per share, i.e. also corrected for exceptional items (restatement of debt related to own credit risk) and Debit Valuation Adjustment (DVA), in addition to underlying, i.e. also corrected for exceptional items and the IFRIC 21 adjustment.

	2019	2018
Existing shares (average number, in thousands of shares)	**834,062**	**807,918**
Deductions (in thousands of shares)		
Shares allocated to cover stock option plans and free shares awarded to staff (average, in thousands of shares)	4,011	5,335
Other own shares and treasury shares	149	842
Number of shares used to calculate EPS[1]	**829,902**	**801,741**
Group net Income (in EURm)	**3,248**	**4,121**
Interest on deeply subordinated notes and undated subordinated notes (in EURm)	(715)	(719)
Capital gain net of tax on partial buybacks (in EURm)	0	0
Adjusted Group net income (in EURm)	**2,533**	**3,402**
EPS (in EUR)	**3.05**	**4.24**
Underlying EPS[2] (in EUR)	**4.03**	**5.00**

(1) The number of shares considered is the number of ordinary shares outstanding at 31 December 2019, excluding treasury shares and buybacks, but including the trading shares held by the Group.

(2) Adjusted for exceptional items.

Net Asset, Net Tangible Asset Value

Net assets comprise Group shareholders' equity, excluding:

- deeply subordinated notes, undated subordinated notes previously recognised as debt; and
- interest payable to holders of deeply subordinated notes and undated subordinated notes, but reinstating the book value of trading shares held by the Group and shares held under the liquidity contract.

Tangible net assets are corrected for net goodwill in the assets, goodwill under the equity method and intangible assets.

In order to calculate Net Asset Value Per Share or Net Tangible Asset Value Per Share, the number of shares used to calculate book value per share is the number of shares issued at the end of the period, excluding own shares and treasury shares, but including:

- trading shares held by the Group; and
- shares held under the liquidity contract.

	2019	2018
Shareholders' equity Group share (in EUR m)	**63,527**	**61,026**
Deeply subordinated notes (in EUR m)	(9,501)	(9,330)
Undated subordinated notes (in EUR m)	(283)	(278)
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 (in EUR m)	4	(14)
Book value of own shares in trading portfolio (in EUR m)	375	423
Net Asset Value (in EUR m)	**54,122**	**51,827**
Goodwill (in EUR m)	(4,510)	(4,860)
Intangible Asset (in EUR m)	(2,362)	(2,224)
Net Tangible Asset Value (in EUR m)	**47,250**	**44,743**
Number of shares used to calculate NAPS[(1)]	**849,665**	**801,942**
Net Asset Value per Share (EUR)	**63.7**	**64.6**
Net Tangible Asset Value per Share (EUR)	**55.6**	**55.8**

(1) In thousands of shares, the number of shares considered is the number of ordinary shares outstanding at 31 December 2019, excluding treasury shares and buybacks, but including the trading shares held by the Group. In accordance with IAS33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transactions.

Prudential capital and solvency ratios

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.

Where reference is made to phased-in ratios, the latter include the earnings for the current financial year, unless otherwise specified.

The leverage ratio is calculated according to applicable CRR/CRD4 rules, including the provisions of the Delegated Act of October 2014.

2.4 NEW IMPORTANT PRODUCTS OR SERVICES

Business Unit	Product name	New product or service
French Retail Banking	**Instant transfer offer** (January, May and June 2019, Societe Generale) (January 2019, Boursorama)	Instant transfers are available from respective client websites (retail, professional and corporate customers, app and mobile websites). In contrast to standard SEPA transfers, the instant transfer is irrevocable and can be sent and received in 10 seconds, 24/7/365, with a systematic check performed on the account balance.
	Card with degressive fees (January 2019, Societe Generale)	A simple and efficient concept giving self-employed customers with a Jazz Pro account the advantage of an additional percentage reduction on their next Business card subscription fee.
	WELCOME PROF LIB (Offer for self-employed customers) (April 2019, Societe Generale)	A finance package geared to our prospective self-employed customers who are either starting up or who have already set up their business. The package includes pre-arranged approval on a EUR 5,000 overdraft (through a Current Account Agreement) and a loan for fixed asset investments of up to EUR 50,000 with no personal guarantee required, all at significantly reduced rates.
	Fizen (January 2019, Societe Generale)	In partnership with Fizen, we offer our PRO customers a new management and accounting preparation tool. The service enables professional customers to automatically import bank statements, track cash positions, create an activity dashboard, prepare quotes and manage expenses.
	Electronic account statements (January and May 2019, Societe Generale)	We have enriched our remote banking service by making available electronic statements and invoices detailing fees subject to VAT to our corporate customers and non-profit associations, in addition to monthly and yearly statements recapping fees charged on card payments. The enriched remote banking service for professional customers furnishes new electronic account statements and, more specifically, business card account statements.
	Sogecommerce Lite (April 2019, Societe Generale)	A simplified version of our Sogecommerce secure online payments solution, the Sogecommerce Lite service is geared to our merchant, corporate and self-employed customers who do not have a website or who have a showcase website only, which now gives their own customers the possiblity to pay online. The pack includes the four following functionalities: payment requests by email, by SMS, by link or by hosted form.
	Travellers card (Visa card for frequent travellers) (October 2019, Societe Generalee)	Visa card for frequent travellers outside the eurozone. Customers are exempted from fees on payments and withdrawals made abroad. They also enjoy access to airport lounges.
	Boost (September 2019, Societe Generale)	A services platform for 18-24 year olds, in partnership with the start-up Wizbii.
	Cashback (November 2019, Societe Generale)	A free-of-charge change in the “Grande Avenue” service which reimburses online or instore purchases made with an SG payment card at partnering brands.
	Remote banking for professionals (August 2019, Societe Generale)	PROGELIANCE NET provides an enhanced service to professional customers by providing information on their business cards and outstanding loans (see also electronic account statements).
	DIT NET Pro and Medical Information Portal (October 2019, Societe Generale)	DIT NET PRO was introduced in the pre-assessed professional medium- to long-term loan segment, enabling customers to take out borrower insurance policies electronically. A medical information portal has also been set up for policy holders to send medical files securely and confidentially to the insurer.
	Investment offers for Corporates and Non-profit Associations (October 2019, Societe Generale)	Our enriched Coeur de Gamme investment products are marketed by the Network’s financial advisors to our corporate and non-profit association customers. The offer now includes long-dated cash UCIs, bond and diversified UCIs, in addition to real estate funds.
	EXPENSYA partnership (End-2018, Crédit du Nord)	An expense management solution that uses a web- and mobile-based platform to comprehensively and electronically manage professional expenses. Zero inputs, zero paper and 100% mobile.

Business Unit	Product name	New product or service
French Retail Banking	**CAPTAIN CONTRAT partnership** Legal and administrative assistance (March 2019, Crédit du Nord)	A legal support start-up offering a comprehensive electronic range of services and content to assist VSEs and SMEs with their legal and administrative tasks.
	CSR personal loan offer (January 2019, Crédit du Nord)	Zero fees charged on new or second hand hybrid or electric vehicles.
	Convention Étoile (Essential services offer) (April 2019, Crédit du Nord)	A package comprising a suite of essential services, including a payment card, payment means protection, online banking services and exemption from account keeping fees. The Convention Etoile offer also includes three customisable packages for Family, Investment Savings and International services.
	Electronic file for real estate mortgage applications (April 2019, Crédit du Nord)	A file is automatically created when the real estate mortgage is arranged and replaces a paper file. The electronic file is shared by internal contributors, enabling them to compile full file details.
	Digital auto insurance (September 2019, Crédit du Nord)	Customers take charge of every step of the insurance process – from getting a quote to subscribing – directly on line in their Secure Internet Area, 24/7/365.
	CSR Lumo partnership (November 2019, Crédit du Nord)	Lumo is a French fintech and an SG Group subsidiary. It is a crowdfunding platform for the renewable energies sector. Our investor customers can participate directly and on line in renewable energy debt projects operating in their respective regions.
	End-to-end account opening procedure in branches for professional customers (October 2019, Crédit du Nord)	Customer relationship managers in agencies handle end-to-end account opening requests made by professional customers until final approval by the branch manager which occurs in one day for 65% of the professional customer perimeter, i.e. non-trading property investment companies, companies with a French company identification number (SIREN) and sole proprietorships.
	Electronic signatures on borrower insurance for legal entities (December 2019, Crédit du Nord)	Customers can take out Group borrower insurance electronically. A dedicated online area is available to input medical information (health questionnaires) and sign contracts electronically.
	Stock exchange performance (May 2019, Boursorama)	Boursorama Banque has launched new and exclusive tools and content to help retail customers manage their share portfolios. These include a new tracking service for net and real performances of securities portfolios, a customisable New Trading Board for active investors, exclusive advice from industry magazines Investir and Le Revenu, plus video webinars reserved for customers to enhance their understanding of financial markets.
	Ultim card (June 2019, Boursorama)	Boursorama Banque launched Ultim, a free-of-charge premium card, including for payments and withdrawals made worldwide, the condition being that it is used, failing which a €15/month fee is charged if no transactions are billed in the preceding month. The Ultim card is available to everyone and no proof of income is required. An initial EUR 500 is immediately transferred to the account, together with an overdraft of EUR 100 or more that is scalable from the time the card account is opened. Respective ceilings of EUR 3,000 and EUR 920 are set for payments and withdrawals from the time the card account is opened. An exclusive ceiling of up to EUR 20,000 exists depending on flows and outstandings. ULTIM is an instant debit card compatible with ApplePay, GooglePay and SamsungPay.
	Fitbit Pay and Garmin Pay (December 2019, Boursorama)	Boursorama has rounded out its suite of mobile payment solutions by adding Fitbit Pay and Garmin Pay to its range, making Boursorama the first French bank to offer Visa cardholders the full array of mobile payment solutions for smartphones and smartwatches.

Business Unit	Product name	New product or service
International Retail Banking and Financial Services	**Amazon** (June 2019, ALD Automotive Spain) (Financial Services to Corporates and Insurance)	ALD Automotive offers fully digital personal car leasing on Amazon.es with the launch of Amazon Motors in Spain. Available on *www.amazon.es/motors*, car leasing is available from a range of brands to private customers and comes with no initial deposit, free doorstep delivery and a 50km/30-day return policy. Leasing packages are available for either 36 or 48 months and include service and maintenance, insurance, tyre replacement, breakdown assistance, vehicle registration and an excess mileage buffer. ALD Automotive has implemented a fully digital customer journey that is fully integrated with the Amazon marketplace.
	ALD Electric (May 2019, ALD Automotive) (Financial Services to Corporates and Insurance)	As part of its commitment to shape the future of sustainable mobility, ALD Automotive signed an international framework agreement with ChargePoint, Inc., the world's leading electric vehicle (EV) charging network, to facilitate and accelerate the transition to e-mobility for international corporate clients, small and medium companies and private individuals. This initiative is part of ALD Electric, a holistic approach to electric vehicles composed of five key services which facilitates customer decision making and helps alleviate anxiety related to EV adoption: ■ consultancy services dedicated to the energy transition, helping clients to identify the right vehicle for the right usage and encouraging the adoption of new forms of mobility; ■ test driving services with electrically-chargeable vehicles; ■ smart charging infrastructure (home and office chargers, as well as public network access); ■ reporting and payments with dedicated digital access for drivers and fleet managers; ■ short-term rental flexibility with ALD Switch, a non-EV exchange service for longer journeys.
	ALD Move (September 2019, ALD Automotive The Netherlands) (Financial Services to Corporates and Insurance)	ALD Automotive launched in the Netherlands ALD Move, the company's first Mobility-as-a-Service app. Aimed at fostering a holistic, flexible approach to travel, ALD Move provides a combination of real time travel insight and advice with a range of mobility offerings to improve efficiency and encourage responsible mobility behavior.
	Mon Assurance mobile (January 2019, Sogessur – France) (Financial Services to Corporates and Insurance)	Mon Assurance Mobile, offered to Societe Generale Retail Banking customers, covers all at-home phones and tablets. Policyholders benefit from repair or replacement cover for theft and/or damage, regardless of cause. Mon Assurance Mobile also includes an exclusive phone loan service covering the period until the policyholder's device has been repaired or replaced.
	Easy Travel 365 and Easy Travel (March 2019, Societe Generale Assurance Poland) (Financial Services to Corporates and Insurance)	In partnership with April Poland, introduction of a travel insurance product marketed through a network of travel agencies and insurance agents and on April's website. Both Easy Travel 365 and Easy Travel offers include an innovative remote medical consultation service providing 24/7 access to a first aid doctor or specialist.
	Retirement offers (October 2019, Societe Generale Assurances France) (Financial Services to Corporates and Insurance)	Since France's PACTE Law (Action Plan for Business Growth and Transformation) took effect on 1 October 2019, a number of individual and corporate retirement offers have been launched and group together all existing retirement packages. The offers are adapted for each customer category - individual, professional and corporate - and cover all distribution channels.
	Health offers (November 2019, Societe Generale Assurances France) (Financial Services to Corporates and Insurance)	Destined for Societe Generale and Credit du Nord retail banking customers, these sustainable health offers integrate the changes planned under France's health reform programme ("100% Santé") during the next three years. The aim is to improve access to healthcare services by proposing a large choice of optical, dental prosthetic and hearing equipment, with no gap payment attached.
	Winter sports offers (December 2019, Societe Generale Assurances France and Italy) (Services Financiers aux Entreprises et Assurances)	Diversifying the distribution model in France and Italy, the insurance product range has been extended to winter sports. Policies are tailored to meet customer needs and practices for the duration of their choice.

Business Unit	Product name	New product or service
International Retail Banking and Financial Services	**Factoring solution** (January 2019, SGEF Scandinavia) (Financial Services to Corporates and Insurance)	Development of a fully digitalised factoring solution customised for SMEs, spanning the prospecting phase to on-boarding and servicing.
	Lighting as a service (February 2019, SGEF) (Financial Services to Corporates and Insurance)	Signify assures lighting services to the headquarters of one of the Netherlands' main telecoms companies and SGEF provides finance over a 10-year period. The service covers installation and maintenance, and guarantees optimum lighting quality in addition to substantial energy savings thanks to LED technology.
	Ombona (May 2019, Societe Generale Madagasikara – Madagascar) (International Retail Banking)	Ombona is a village association savings collection initiative in Madagascar (Vondron'Olona An-toerana Miaramanao tahiry sy Mifampindrambola – VOAMAMI). Funds are collected acccording to the traditional custom and channelled to a bank account to secure members' shared micro-savings. Ombona is the result of collaboration between CARE International Madagascar, Societe Generale Madagasikara, TELMA and the VOAMAMI association, and gives VOAMAMI members access to a banking offer that meets their needs.
	YUP Music (June 2019, YUP – Senegal) (International Retail Banking)	The YUP e-wallet has broadened its offering with YUP Music, a music streaming platform. The app enables YUP users to download music of their choice from Universal Music Group. Initially launched in Senegal, YUP Music will be gradually offered to other countries covered by YUP. YUP goes beyond the traditional banking model by using mobile technology as a gateway to delivering exclusive experiences.
	Apple PAY (January 2019, Komerční banka – Czech Republic) (International Retail Banking)	Komerční banka cardholders can use Apple PAY, an easy, secure and personal payment tool that has radically transformed the sphere of mobile payments by offering speed and convenience.
	Instant payments for KB customers (December 2019, Komerční banka – Czech Republic) (International Retail Banking)	Komerční banka customers can receive and send instant payments to accounts held at many other Czech banks for the same price as standard payments, at no extra cost. Using the online banking service or the Mobilni banka app, remittances take a matter of seconds any time day or night, irrespective of whether it is a business day, a weekend or a public holiday.
	Instant payments for businesses (January 2019, Hanseatic Bank – Germany) (International Retail Banking)	With Hanseatic Bank, businesses can transfer funds throughout Europe in less than ten seconds, 24/7/365. As soon as the funds are received, Hanseatic Bank's systems send a push message to the recipient company, confirming the cash receipt. E-commerce goods can be dispatched immediately after payment confirmation, which considerably reduces delivery times.
	JuhuAuto: innovative online used-car marketplace (December 2019, BDK – Germany) (International Retail Banking)	A smart search engine is the linchpin of this new service. Rather than clicking through filters, users simply enter their preferences into a free text search engine, set their budget and state their location. JuhuAuto pulls up a selection of used cars matching the customer's requirements. The technology gradually intuits user preferences and improves search relevance.
	Mob.application (Q1 2019, Rosbank) (International Retail Banking)	A new digital service optimises and speeds up the customer loan repayment process.
	Digital life insurance (Q1 2019, Rosbank) (International Retail Banking)	A new fully digital service for customers wishing to take out a loan that is available via web banking and a mobile banking app.
	Access bank services on WhatsApp (November 2019, Rosbank) (International Retail Banking)	Rosbank customers can now access bank services by using WhatsApp messenger to contact the customer call centre.

Business Unit	Product name	New product or service
Global Banking and investor Solutions	**SG Equity Machine Learning Indices Range** (March 2019) (Global Markets and Investor Services)	Leveraging a Machine Learning algorithm developed by Microsoft, the SG Quantitative Research team developed a comprehensive model taking as an input 80 common equity factors. Using these factors, the model assesses the probability of a stock outperforming in three universes (US, Europe and Japan). These probabilities are then used to rank the stocks and to go long on the top quantile. In addition to monthly rebalancing, the model undergoes training on a new set of data every month to continuously improve accuracy and adapt it to changing market conditions.
	SG Equity US Intraday Trend (April 2019) (Global Markets and Investor Services)	The SGI Equity US Intraday Trend Index is a rules-based index that aims to capture the intraday trend of the US equity market by taking long or short positions on the S&P 500 Index based on an observable signal. The strategy takes positions on S&P 500 futures contracts during the day (several times a day) according to trend signals. The trend signal is based on the intra-day returns versus the previous day's close: ■ if the return is positive, the strategy takes a long position on the underlying; ■ if the return is negative, the strategy takes a short position on the underlying. The size of the position depends on the strength of the trend, measured at a particular point of time (i.e. the higher/lower the return, the higher the long or short exposure), with a cap and smoothed using TWAP. Any position is unwound at the end of day as smoothly as possible to limit market impact.
	SGI FX Value Index (November 2019) (Global Markets and Investor Services)	The SGI FX Value G10 Index is a long short FX strategy that aims to capture the FX value premium by purchasing "cheap" currencies (undervalued) and selling "expensive" ones (overvalued) as identified by their deviation from the Purchasing Power Parity (PPP) level. Every day the index calculates the score of each of the G10 currencies (AUD, CAD, CHF, EUR, GBP, JPY, NOK, NZD, SEK, USD) to identify the relatively cheap and expensive currencies. The currency score is the ratio of the spot FX and the PPP on any given day. The PPP exchange rates, which are calculated and published regularly by the OECD for a wide range of countries, can be used as a proxy for a relative fair value across the countries. The index is long on the cheap currencies, where scores are above the average score across the G10 universe,and short the expensive ones, where scores are below the average.
	SG European Quantitative ESG Index (November 2019) (Global Markets and Investor Services)	In November 2019 the SG QIS team launched the SGI European Quantitative ESG Index, which aims to outperform the benchmark based on a strategy that selects stocks according to an Environmental, Social and Corporate Governance (ESG) score. The Index is a basket of European stocks determined according to a systematic scoring methodology that excludes certain stocks based on ESG criteria. The Index selects the "best in class" stocks based on the scores provided by Sustainalytics, a global leader in ESG ratings and research. The Index uses a minimum variance allocation of selected stocks to avoid concentration risk while respecting liquidity constraints (maximum weight by stock, maximum holding per stock).

Business Unit	Product name	New product or service
Global Banking and investor Solutions	**Gates mechanism** (September 2019) (Societe Generale Securities Services)	SGSS has implemented a gate mechanism to help asset managers manage liquidity risks. This automated service allows fund managers to stagger redemptions on multiple net asset values via a temporary ceiling in order to: ■ maintain the quality of the assets in the funds by protecting them from forced sales under unfavourable conditions; ■ enable the fund to honour redemptions progressively while maintaining equal treatment of unitholders. The mechanism enables SGSS to offer an innovative response by proposing an automated solution to process gates on AIFs as well as UCITS funds. The first of its kind in France, the solution allows the application of gates on high volumes of inflows to be processed securely.
	ETF Link (October 2019) (Societe Generale Securities Services)	A comprehensive service offer dedicated to ETF issuers. SGSS currently services over 230 ETFs as custodian/depositary, paying/transfer agent and fund administrator. The service includes a dedicated solution servicing the ETF primary market. A white-labelled, scalable platform provides authorised participants with web-based portal access to process subscription and redemption orders through SGSS in a direct, fluid and efficient manner and allows ETF issuers to monitor their activity in real time.
	Instant Payment for corporates (June 2019) (Global Transaction & Payment Services)	Instant payment simplifies money transfers in a host of situations. Available to Societe Generale's individual customers since January, the instant payment service was extended to corporate customers in June via the Sogecash Net web banking platform. The transaction is completed in less than 10 seconds. As soon as the customer receives the payment notification, the beneficiary is credited and can immediately reuse the amount. This optional service is available 24/7/365.
	SWIFT gpi product coverage extension (March 2019) (Global Transaction & Payment Services)	After France and Monaco in 2018, Societe Generale announced the extended coverage of the SWIFT gpi product to nine new countries in Europe - Germany, Belgium, Spain, Italy, the Netherlands, the UK and Switzerland - as well as Hong Kong and Singapore in Asia. Through SWIFT gpi, Societe Generale furnishes customers pre-eminent experience in tracking and managing their cross-border payments. Benefits of SWIFT gpi include increased processing speed, fee transparency, real-time payment tracking and end-to-end payment information transfer.
	We.trade (Summer 2019) (Global Transaction & Payment Services)	A blockchain-based digital platform, we.trade secures and simplifies intra-European trade transactions. By connecting to the platform, customers of the we.trade consortium of banks - both buyers and sellers - agree on the terms of a transaction. After both parties agree, the transaction is carried out with every event tracked on the blockchain. When all conditions are met, the buyer's bank automatically triggers the associated payment. we.trade facilitates and expands the customer experience through: ■ a shared buyer/seller view of every stage of the transaction process, secured at each node of the chain; ■ the ability to implement a payment guarantee; ■ a delayed payment financing service.
	GARI Euro Equity Dynamic Overlay (Lyxor)	Shares offer long-term earnings prospects. They are also inherently risky, with episodes of volatility that can have a lasting impact on portfolios. The Fund has a dual investment objective: exposure to euro zone equities selected by Lyxor through a proprietary strategy ("GARI Euro") and reduction of equity risk through the use of proprietary dynamic hedging, which was initially developed for our insurance customers.

Business Unit	Product name	New product or service
Global Banking and investor Solutions	**Marathon Emerging Markets Bond Fund** (Lyxor)	The Marathon Emerging Markets Bond Fund is a long-only emerging market debt strategy focused on emerging markets sovereign and quasi sovereign bonds denominated in USD, with additional diversification in corporate credit. Emerging markets may provide a diversified, uncorrelated return to a number of more traditional fixed income investments.
	Extendam real estate club deal (February 2019) (Private Banking)	The partnership between SGPB France and management group Extendam enables shares of funds invested predominantly in real estate assets ("real estate club deal") to be marketed to our customers. The investor may invest through a feeder fund. The investment vehicle is an FPCI.
	U'Wine partnership (April 2019) (Private Banking)	The partnership between SGPB France and Bordeaux trading company U'Wine furnishes our individual and legal entity customers two offers: ▪ the U'Wine Management Offer gives customers the opportunity of building up over time a cellar of Grand Cru wines for consumption or wealth management purposes. It offers customised management of Grand Cru wine futures; ▪ the U'Wine Grand Cru Offer enables customers to benefit from the price performances of Grand Cru wines over a period of time through an offer of financial securities for wealth management purposes (investment and transmission). This is a private equity service in that it involves the securities of an investment company and not wine, even though the company's underlying is wine.
	My Wealth Management (Private Banking)	My Wealth Management is an innovative digital solution developed by SGPB France in conjunction with customers to help them with their financial and wealth management decisions. Based on asset aggregation, the solution proposes a 360° vision of the overall wealth package and provides a detailed view of the financial assets by institution, type of contract and asset class. An area is dedicated to real estate assets and credits. My Wealth Management includes financial allocation analyses and, since December 2019, legal and tax information. The solution is accessible from the EIP and on mobile devices via the SG app.

2.5 ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

ASSETS

(In EURbn)	31.12.2019	31.12.2018
Cash, due from central banks	102.3	96.6
Financial assets at fair value through profit or loss	385.7	365.6
Hedging derivatives	16.8	11.9
Financial assets at fair value through other comprehensive income	53.3	50.0
Securities at amortised cost	12.5	12.0
Due from banks at amortised cost	56.4	60.6
Customer loans at amortised cost	450.2	447.2
Revaluation differences on portfolios hedged against interest rate risk	0.4	0.3
Investments of insurance companies	164.9	146.8
Tax assets	5.8	5.8
Other assets	68.0	67.4
Non-current assets held for sale	4.5	13.5
Investments accounted for using the equity method	0.1	0.2
Tangible and intangible fixed assets	30.7	26.8
Goodwill	4.6	4.7
TOTAL	**1,356.3**	**1,309.4**

LIABILITIES

(In EURbn)	31.12.2019	31.12.2018
Due to central banks	4.1	5.7
Financial liabilities at fair value through profit or loss	364.1	363.1
Hedging derivatives	10.2	6.0
Due to banks	107.9	94.7
Customer deposits	418.6	416.8
Debt securities issues	125,2	116,3
Revaluation differences on portfolios hedged against interest rate risk	6.7	5.3
Tax liabilities	1.4	1.2
Other liabilities	85.1	76.6
Non-current liabilities held for sale	1.3	10.5
Insurance contract related liabilities	144.3	129.5
Provisions	4.4	4.6
Subordinated debt	14.5	13.3
Shareholder's equity	63.5	61.0
Non-controlling interests	5.0	4.8
TOTAL	**1,356.3**	**1,309.4**

2.5.1 MAIN CHANGES IN THE CONSOLIDATION SCOPE

The main changes to the consolidation scope at 31 December 2019 compared with the scope applicable at the closing date of 31 December 2018 are as follows:

SG EXPRESS BANK

On 15 January 2019, the Group sold its entire stake in its Bulgarian subsidiary, SG Express Bank, to OTP Bank. The disposal reduced the Group's balance sheet by EUR 3.4 billion, mainly through a EUR 2.4 billion decrease in customer loans and a EUR 2.7 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

SOCIETE GENERALE PRIVATE BANKING NV/SA

On 28 February 2019, the Group sold its entire stake in its Belgian private banking subsidiary, Societe Generale Private Banking NV/SA, to ABN AMRO. The disposal reduced the Group's balance sheet by EUR 1.1 billion due to a EUR 1.1 billion decrease in Non-current assets held for sale (o/w EUR 0.4 billion in cash from central banks and EUR 0.5 billion in customer loans) and a EUR 1.1 billion decrease in Non-current liabilities held for sale (o/w EUR 1 billion in customer deposits).

LA BANQUE POSTALE FINANCEMENT

On 28 March 2019, the Group sold to La Banque Postale its 35% equity interest in La Banque Postale Financement, accounted for under the equity method.

BANKA SOCIETE GENERALE ALBANIA SH.A.

On 29 March 2019, the Group sold its entire stake in its Albanian subsidiary, Banka Societe Generale Albania SH.A., to OTP Bank. The disposal reduced the Group's balance sheet by EUR 0.7 billion, mainly through a EUR 0.4 billion decrease in customer loans and a EUR 0.6 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

EURO BANK S.A.

On 31 May 2019, the Group sold its entire stake in its Polish subsidiary, Eurobank, to Bank Millennium. The disposal reduced the Group's balance sheet by EUR 3.4 billion, mainly through a EUR 2.9 billion decrease in customer loans and a EUR 1.8 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

SOCIETE GENERALE BANKA MONTENEGRO A.D.

On 16 July 2019, the Group sold its entire stake in its Montenegrin subsidiary, SG Banka Montenegro A.D., to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.5 billion, mainly through a EUR 0.4 billion decrease in customer loans and a EUR 0.4 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

MOBIASBANCA GROUPE SOCIETE GENERALE

On 25 July 2019, the Group sold its entire stake in its Moldavian subsidiary, Mobiasbanca, to OTP Bank. The disposal reduced the Group's balance sheet by EUR 0.5 billion, mainly through a EUR 0.3 billion decrease in customers loans and a 0.5 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD

On 24 September 2019, the Group sold its entire stake in its Serbian subsidiary, SG Banka Srbija A.D Beograd, to OTP Bank. The disposal reduced the Group's balance sheet by EUR 2.7 billion, mainly through a EUR 2 billion decrease in customer loans and a 1.6 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

OHRIDSKA BANKA A.D. SKOPJE

On 4 November 2019, the Group sold its entire stake in its Macedonian subsidiary, SG Banka Ohridska Banka A.D. Skopje, to Steiermärkische Sparkasse. The sale reduced the Group's balance sheet by EUR 0.6 billion, mainly through a EUR 0.5 billion decrease in customer loans and a 0.5 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

PEMA GMBH

On 2 December 2019, the Group sold its entire stake in PEMA GmbH, a truck and trailer rental company, to TIP Trailer Services. The transfer resulted in a EUR 0.6 billion decrease in Tangible and intangible fixed assets and a EUR 0.5 billion decrease in Customer deposits compared to 31 December 2018.

SKB GROUPE

On 13 December 2019, the Group sold its entire stake in SKB Banka D.D. Ljubljana (Slovenia) and its subsidiaries Leasing D.O.O and SKB Leasing Select D.O.O. to OTP Bank. The sale reduced the Group's balance sheet by EUR 3 billion, mainly through a EUR 2.4 billion decrease in customer loans and a 2.5 billion decrease in customer deposits compared to 31 December 2018.

The result from these disposals recorded in Net income/expense from other assets amounted to EUR -277 million for the period.

2.5.2 CHANGES IN MAJOR CONSOLIDATED BALANCE SHEET ITEMS

Financial assets at fair value through profit or loss increased by EUR 20.2 billion (+5.5%) compared to 31 December 2018.

The increase in financial assets at fair value through profit or loss is mainly attributable to the growth of trading derivatives and other capital instruments.

Debt securities issued increased by EUR 8.9 billion (+7.7%) compared to 31 December 2018 mainly due to the growth of interbank certificates and negotiable debt instruments.

Customer loans at amortised cost increased by EUR 3.0 billion (+0.7%) compared to 31 December 2018. The rise is mainly attributable to the increase in other customer loans, which was offset by a decrease in securities purchased under resale agreements.

Customer deposits increased by EUR 1.8 billion (+0.4%) compared to 31 December 2018, mainly due to the growth of other demand deposits which was partially offset by securities sold to customers under repurchase agreements.

Due from banks at amortised cost decreased by EUR 4.2 billion (-6,9%) due to the decline in the number of current accounts.

Due to banks increased by EUR 13.2 billion (+13.9%) compared to 31 December 2018 chiefly due to the increase of other term deposits and securities sold under repurchase agreeements.

Investments of insurance companies increased by EUR 18.1 billion (+12,3%) compared to 31 December 2018 mainly due to the financial asset at fair value through profit or loss and available for sale financial assets.

Insurance contract related liabilities increased by EUR 14.8 billion (+11.4%) compared with 31 December 2018 due to underwriting reserves of insurance companies.

Other assets and liabilities increased by a respective EUR 0.6 billion (+0,9%) and EUR 8.4 billion (+11%), including EUR 2.2 billion recorded as a lease liability under IFRS 16 and EUR 5.8 billion from guarantee deposits received.

Non-current assets and liabilities held for sale decreased by respective EUR 9 billion (-66.7%) and EUR 9.2 billion (-87.6%) compared to 31 December 2018, principally owing to the disposal of SG Express Bank, Societe Generale Banka Srbija A.D. Beograd, Ohridska Banka A.D. Skopje, Mobiasbanka Groupe Societe Generale and Eurobank S.A.

Groupe shareholders' equity totalled EUR 63.5 billion at 31 December 2019 versus EUR 61 billion at 31 December 2018. The change can be primarily attributable to the following items:

- Net income Group share for the financial year at 31 December 2019 of EUR +3.2 billion;
- A dividend payment of EUR -1.8 billion;
- Remuneration of other equity instruments totalled EUR -0.7 billion;
- Unrealised or deferred capital gains and losses of EUR +0.6 billion;
- A EUR + 1 billion capital increase of which EUR +0.9 billion was due to a payment of dividends in shares

After taking into account non-controlling interests of EUR 5.0 billion, Group shareholders' equity totalled EUR 68.5 billion at 31 December 2019.

2.6 FINANCIAL POLICY

The objective of the Group's financial policy is to optimise the use of shareholders' equity in order to maximise short- and long-term return for shareholders, while maintaining a level of capital ratios (Common Equity Tier 1, Tier 1 and Total Capital ratios) consistent with the market status of Societe Generale and the Group's target rating.

Since 2010, the Group has implemented a major realignment programme, strengthening capital and focusing on the rigorous management of scarce resources (capital and liquidity) and proactive risk management in order to apply the regulatory changes related to the implementation of new Basel 3 regulations.

2.6.1 GROUP SHAREHOLDERS' EQUITY

Group shareholders' equity totalled EUR 63.5 billion at 31 December 2019, Net asset value per share stood at EUR 63.70 and net tangible asset value per share was EUR 55.61 using the new methodology disclosed in Chapter 2 of this Universal Registration Document, on page 48. Book capital includes EUR 9.5 billion in deeply subordinated notes and EUR 0.3 billion in undated subordinated notes.

At 31 December 2019, Societe Generale held, directly or indirectly, 3.7 million Societe Generale shares, representing 0.43% of the capital (excluding shares held for trading purposes). In 2019, the Group acquired 1.7 million Societe Generale shares under the liquidity contract concluded with an external investment services provider on 22 August 2011. Over the period, Societe Generale also transferred 1.8 million Societe Generale shares via the liquidity contract.

Information concerning the Group's capital and shareholding structure is available in Chapter 7 of this Universal Registration Document, on page 541 and following.

2.6.2 SOLVENCY RATIOS

As part of managing its capital, the Group ensures that its solvency level is consistently compatible with its strategic targets and regulatory obligations.

The Group also ensures that its Total Capital Ratio (Common Equity Tier 1 + hybrid securities recognised in additional Tier 1 and Tier 2) provides a sufficient safety buffer for unsecured senior lenders.

The Common Equity Tier 1 ratio stood at 12.71% at 31 December 2019 compared to 10.94% at 31 December 2018.

The leverage ratio, calculated according to the CRR/CRD4 rules integrating the Delegated Act of October 2014 remained stable at 4.3% at 31 December 2019, in keeping with the expected trend and the target range of between 4% and 4.5%.

At end-2019, the Tier 1 ratio stood at 15.1% and the Total Capital Ratio stood at 18.3%, i.e. above the regulatory requirements.

The TLAC (Total Loss-Absorbing Capacity) ratio for RWAs was 27.4% and the TLAC leverage ratio stood at 7.9% at end-2019.

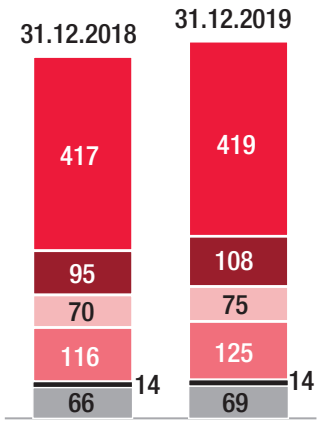
Under French Act No. 2016-1691 of 9 December 2016, published in the French Official Journal (*Journal Officiel*) no. 0287 of 10 December 2016, the creditor hierarchy that applies in cases of compulsory liquidation of French credit institutions was modified by introducing a new category of debt securities intended to cover liquidation losses. This new category ranks after subordinated instruments and before preferred debt instruments. In contracts for securities issues falling within this new category, the ranking of said securities in the creditors' hierarchy must be clearly specified. The new category allows TLAC and MREL eligible securities to be issued.

Further details on the regulatory framework governing TLAC and MREL are provided in Chapter 4.1, "Risk factors".

Detailed information on capital management, together with the regulatory framework, is provided in Chapter 4 of this Universal Registration Document on page 172 and following.

2.6.3 GROUP DEBT POLICY*

FUNDING STRUCTURE



- Due to customers
- Due to banks
- Financial liabilities at fair value through profit or loss - Structured Debt
- Debt Securities issued
- Subordinated debt
- Total Equity (incl. TSS and TSDI)

The Group's funding structure is as follows:

- total equity including deeply subordinated notes and undated subordinated notes (respectively representing EUR 9.8 billion at 31 December 2019 and EUR 9.7 billion at 31 December 2018);
- debt securities issued by the Group, of which:
  - dated subordinated debt (EUR 13.7 billion at end-2019 and EUR 13.7 billion at end-2018),
  - long-term vanilla senior non-preferred debt (EUR 21.8 billion at end-2019 and EUR 13.4 billion at end-2018),
  - long-term vanilla senior preferred debt (EUR 34.6 billion at end-2019 and EUR 27.9 billion at end-2018),
  - covered bonds issued through the following vehicles: SGSCF (EUR 3.4 billion at end-2019 and EUR 5.7 billion at end-2018), SGSFH (EUR 13.8 billion at end-2019 and EUR 13.3 billion at end-2018), and CRH (EUR 5.5 billion at end-2019 and EUR 5.9 billion at end-2018),
  - securitisations and other secured debt issues (EUR 2.7 billion at end-2019 and EUR 3.1 billion at end-2018),
  - conduits (EUR 10.0 billion at end-2019 and EUR 10.6 billion at end-2018),
  - financial liabilities reported at fair value through P&L, including debt securities reported in the trading book, and debt securities measured using the fair value option through P&L;
- amounts due to customers, in particular deposits.

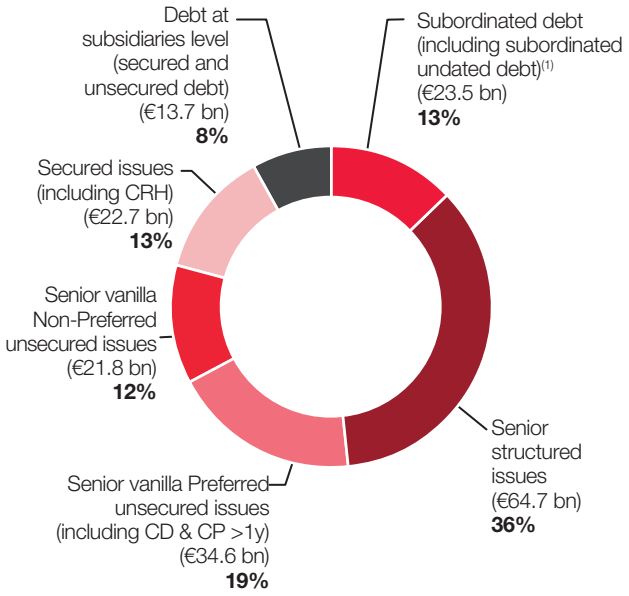
* *Additional information about the Group liquidity risk management is available in Chapter 4 of this Universal Registration Document, on page 235 and following, and in Note 7.4 to the consolidated financial statements on page 520.*

These resources also include funding via securities lending and borrowing transactions and securities sold under repurchase agreements measured at fair value through P&L totalling EUR 136.8 billion at 31 December 2019, versus EUR 150.2 billion at 31 December 2018 (see Note 3.1 to the consolidated financial statements), which are not included in this graph. **The Societe Generale Group's debt policy** is designed not only to ensure financing for the growth of the businesses' commercial activities and debt renewal, but also to maintain repayment schedules that are compatible with the Group's ability to access the market and its future growth.

The Group's debt policy is based on two principles:

- maintaining an active policy of diversifying the Societe Generale Group's sources of refinancing in order to guarantee its stability; and
- adopting a Group refinancing structure that consistently matches the maturities of its assets and liabilities.

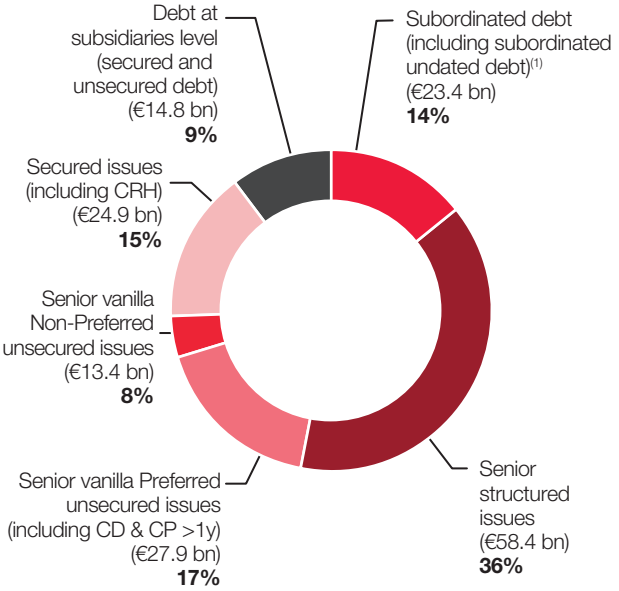
GROUP LONG-TERM DEBT AT 31 DECEMBER 2019: EUR 181.0 BN*



** Group short-term debt totalled EUR 43.4 billion at 31 December 2019, of which EUR 10.0 billion issued by conduits.*

(1) Of which EUR 9.8 billion accounted as "other equity instruments" (see consolidated financial statements, changes in shareholders' equity).

GROUP LONG-TERM DEBT AT 31 DECEMBER 2018: EUR 162.9 BN*



** Group short-term debt totalled EUR 46.4 billion at 31 December 2018, of which EUR 10.6 billion issued by conduits.*

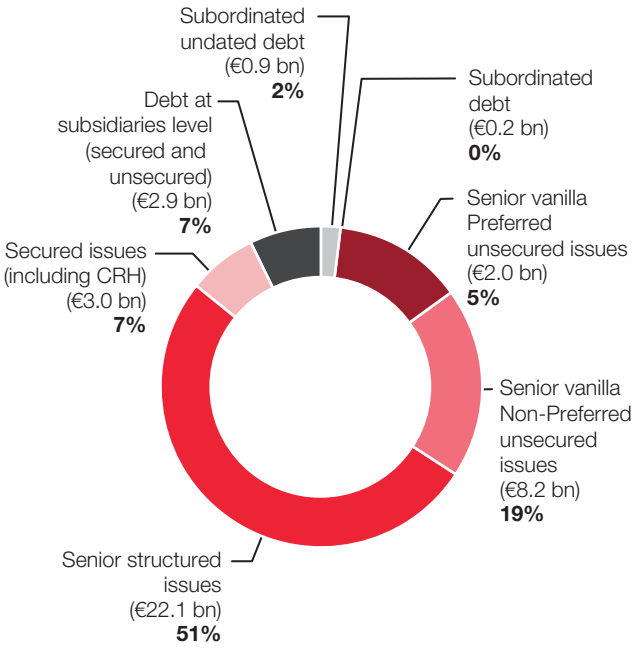
(1) Of which EUR 9.7 billion accounted as "other equity instruments" (see consolidated financial statements, changes in shareholders' equity)

Accordingly, **the Group's long-term financing plan**, implemented gradually and in a coordinated manner during the year and based on a non-opportunistic issuance policy, is designed to maintain a surplus liquidity position over the medium and long term.

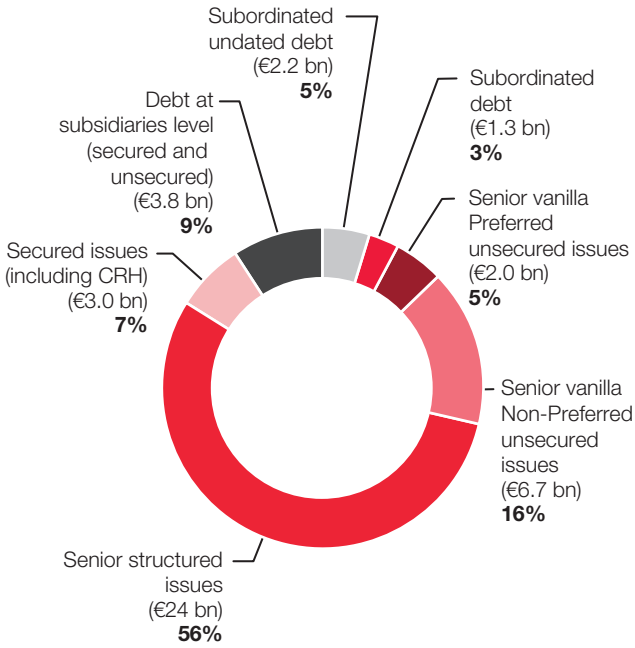
At end-2019, liquidity raised under the 2019 financing programme amounted to EUR 43.0 billion in senior and subordinated debt. Liquidity raised at parent company level amounted to EUR 40.1 billion at 31 December 2019.

The breakdown of refinancing sources is as follows: EUR 8.2 billion in senior vanilla non-preferred unsecured issues, EUR 5.6 billion in senior vanilla preferred unsecured issues, EUR 22.1 billion in senior structured issues, EUR 3.0 billion in secured issues (SG SFH and CRH), EUR 0.2 billion in subordinated Tier 2 debt and EUR 0.9 billion in subordinated undated debt. At subsidiary level, a total of EUR 2.9 billion was raised at 31 December 2019.

2019 FINANCING PROGRAMME: EUR 43.0 BN



2018 FINANCING PROGRAMME: EUR 43.0 BN



2.6.4 LONG-TERM RATINGS, SHORT-TERM RATINGS, COUNTERPARTY RATINGS AND CHANGES OVER THE FINANCIAL YEAR

The table below summarises Societe Generale's counterparty ratings and senior long-term and short-term ratings at 31 December 2019:

	DBRS	FitchRatings	Moody's	R&I	Standard & Poor's
Long-term/short-term counterparty assessment	AA/R-1(high)	A+(dcr)/F1	A1(CR)/P-1(CR)	n/a	A+/A-1
Long-term senior preferred rating	A (high) (Positive)	A+ (Stable)	A1 (Stable)	A (Stable)	A (Positive)
Short-term senior rating	R-1 (middle)	F1	P-1	n/a	A-1

The credit ratings remained unchanged in 2019, reflecting the Group's robust risk profile.

2.7 MAJOR INVESTMENTS AND DISPOSALS

The group maintained a targeted acquisition and disposal policy, in line with its strategy focused on its core businesses and the management of scarce resources.

Business division	Description of investments
2019	
International Retail Banking and Financial Services	Acquisition of Sternlease by ALD (fleet leasing in Netherlands).
Global Banking and Investor Solutions	Acquisition of Equity Capital Markets and Commodities activies from Commerzbank.
French Retail Banking	Acquisition of Treezor, pioneering Bank-As-A-Service platform in France.
2018	
International Retail Banking and Financial Services	Acquisition of a stake by CGI in Reezocar, a French start-up specialising in the sale of used cars to private individuals.
International Retail Banking and Financial Services	Acquisition of Reflex (flexible vehicle rental in Spain).
Global Banking and Investor Solutions	Acquisition of Lumo (pioneering renewable energy crowdfunding platform).
2017	
International Retail Banking and Financial Services	Acquisition of BBVA Autorenting (long-term vehicle rental in Spain) and Merrion Fleet (long-term vehicle rental in Ireland).
International Retail Banking and Financial Services	Acquisition of 50% and exclusive control of Antarius (Insurance).

Business division	Description of disposals
2019	
International Retail Banking and Financial Services	Disposal of SKB Banka in Slovenia.
International Retail Banking and Financial Services	Disposal of Pema GmbH, a truck and trailer rental company in Germany.
International Retail Banking and Financial Services	Disposal of its majority stake in Ohridska Banka SG in Macedonia.
International Retail Banking and Financial Services	Disposal of SG Serbja in Serbia.
International Retail Banking and Financial Services	Disposal of SG Montenegro.
International Retail Banking and Financial Services	Disposal of Mobiasbanka in Moldova.
International Retail Banking and Financial Services	Disposal of Inora Life en Ireland.
International Retail Banking and Financial Services	Disposal of Eurobank in Poland.
Global Banking and Investor Solutions	Disposal of SG Private Banking Belgium.
French Retail Banking	Disposal of SelfTrade Bank S.A.U. in Spain.
French Retail Banking	Disposal of the entire stake in La Banque Postale Financement (35%).
International Retail Banking and Financial Services	Disposal of Express Bank in Bulgaria.
International Retail Banking and Financial Services	Disposal of SG Albania.
2018	
Corporate Centre	Disposal of a 2.05% stake in Euroclear.
2017	
International Retail Banking and Financial Services	Disposal of 20% of ALD at the time of the company's stock market listing.
International Retail Banking and Financial Services	Disposal of Splitska Banka in Croatia.
Global Banking and Investor Solutions	Disposal of the entire stake in Fortune (49%) in China.
French Retail Banking	Disposal of Onvista in Germany.

2.8 PENDING ACQUISITIONS AND MAJOR CONTRACTS

2.8.1 FINANCING OF THE MAIN ONGOING INVESTMENTS

Ongoing investments will be financed using the Group's usual sources of funding.

2.8.2 PENDING ACQUISITIONS

On 18 July 2019, the Group announced having entered into exclusive discussions with My Money Bank for the acquisition of Socalfi, the subsidiary of My Money Bank in New Caledonia.

2.8.3 ONGOING DISPOSALS

On 19 December 2019, the Group announced the signing of an agreement to sell SG Finans AS, its equipment finance and factoring activities in Norway, Sweden and Denmark, to Nordea Finance. The closing is expected to take place during the second half of 2020.

2.9 PROPERTY AND EQUIPMENT

The gross book value of Societe Generale Group's tangible operating fixed assets amounted to EUR 42.6 billion at 31 December 2019. The figure comprises land and buildings (EUR 5.6 billion), the right of use (EUR 2.6 billion) due to the first-time application of IFRS 16, assets leased by specialised financing companies (EUR 28.6 billion) and other tangible assets (EUR 5.8 billion). The net book value of tangible operating assets and investment property amounted to EUR 28.3 billion, representing only 2.1 % of the consolidated balance sheet at 31 December 2019. Due to the nature of Societe Generale's activities, property and equipment are not material at Group level.

2.10 POST-CLOSING EVENTS

On 21 January 2020, the Group announced an agreement to acquire ITL, a leading provider in equipment finance specialised in the environmental, manufacturing and healthcare sectors, through its subsidiary Franfinance. The transaction is subject to the approval of competition authorities.

On 2 March 2020, the Group finalised the disposal to Promontoria MMB of Société Générale Banque aux Antilles.

On 2 March 2020, the Group finalised the disposal to Absa of Societe Generale's custody, depository and clearing activities in South Africa.

2.11 INFORMATION ABOUT GEOGRAPHIC LOCATIONS AND ACTIVITIES RELATED TO 2019

Article L.511-45 of the French Monetary and Financial Code (*Code monétaire et financier*) as amended by Order No. 2014-158 of 20 February, 2014, requires credit institutions to communicate information about the geographic locations and activities of their entitites included in their consolidation scope, in each country or territory.

Information relative to Societe Generale's staff and financial information by country or territory is published below.

The list of locations is published in Note 8.6 to the consolidated financial statements.

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subsidies*
South Africa	90	12	2	(1)	(0)	(0)	-
Albania	-	5	2	-	-	(0)	-
Algeria	1,578	200	68	(37)	17	(7)	-
Germany	2,764	851	141	(47)	(3)	(3)	-
Australia	50	15	(10)	0	4	(0)	-
Austria	78	13	4	(1)	(0)	(0)	-
Belgium	314	86	39	(1)	(8)	(1)	-
Benin	258	10	(18)	(0)	3	(1)	-
Bermuda[1]	-	6	6	-	-	-	-
Brazil	343	82	41	(21)	(2)	(8)	-
Bulgaria	-	-	-	-	-	-	-
Burkina Faso	320	52	12	(3)	1	(0)	-
Cameroon	675	114	32	(18)	4	(2)	-
Canada	160	33	7	(1)	(0)	(0)	-
China	332	67	24	-	2	(6)	-
Congo	129	25	4	-	(1)	(2)	-
South Korea	114	130	60	(21)	6	(3)	-
Côte d'Ivoire	1,081	221	88	(18)	(1)	(5)	-
Croatia	43	6	4	(1)	0	(0)	-
Curacao[2]	-	(0)	(0)	-	-	-	-
Denmark	169	69	40	(3)	(5)	(6)	-
United Arab Emirates	49	10	1	-	-	(0)	-
Spain	675	270	133	(27)	(6)	(3)	-
Estonia	13	2	1	(0)	-	-	-
United States of America	2,368	1,343	203	3	(80)	(8)	-
Finland	104	40	25	(5)	0	-	-

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subsidies*
France	55,984	11,604	527	(20)	(205)	(1,118)	-
Ghana	562	89	31	(8)	(1)	(0)	-
Gibraltar	40	15	2	-	(0)	(0)	-
Greece	41	5	2	0	(1)	(0)	-
Guernsey	117	44	3	-	-	-	-
Guinea	443	58	32	(10)	(1)	(1)	-
Equatorial Guinea	287	35	(31)	(2)	12	(0)	-
Hong Kong	1,182	620	226	(29)	1	(0)	-
Hungary	98	13	7	(1)	(0)	(0)	-
Isle of Man	-	-	-	-	-	-	-
Cayman Islands[3]	-	-	(0)	-	-	-	-
British Virgin Islands	-	-	-	-	-	-	-
India[4]	8,875	93	114	(42)	4	(1)	-
Ireland	188	75	52	(7)	(0)	(0)	-
Italy	2,000	723	276	(23)	4	(3)	-
Japan	263	200	45	(21)	6	(16)	-
Jersey	229	45	5	(1)	(0)	(0)	-
Latvia	16	3	2	(0)	-	-	-
Lebanon	-	-	15	-	-	-	-
Lithuania	13	3	2	(0)	0	-	-
Luxembourg	1,510	685	367	(26)	(16)	(13)	-
Macedonia	-	23	8	(1)	(0)	(1)	-
Madagascar	879	55	27	(5)	0	(2)	-
Malta	-	-	-	-	-	-	-
Morocco	3,934	510	202	(70)	(11)	(17)	-
Mauritius	-	0	0	-	-	-	-
Mexico	108	16	9	(1)	(1)	-	-
Moldova	-	19	10	(1)	(0)	(0)	-
Monaco	345	119	39	(13)	0	(0)	-
Montenegro	-	15	7	(0)	(0)	(1)	-
Norway	340	130	74	(21)	(1)	-	-
New Caledonia	304	78	37	(20)	1	(0)	-
Netherlands	268	99	66	(24)	(1)	(0)	-
Poland	461	127	26	(10)	1	(7)	-
French Polynesia	281	46	16	(11)	1	(1)	-
Portugal	115	21	12	(4)	1	-	-
Czech Republic	8,313	1,315	748	(135)	(4)	(33)	-
Romania	9,940	695	399	(66)	2	(35)	-
United Kingdom	2,645	1,380	242	(38)	8	(8)	-
Russian Federation	14,081	968	299	(67)	(1)	(35)	-
Senegal	1,015	112	49	(15)	(1)	(2)	-

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subsidies*
Serbia	26	102	53	(6)	(0)	(5)	-
Singapore	218	136	(12)	(4)	(0)	(0)	-
Slovakia	103	25	12	(3)	(0)	(0)	-
Slovenia	19	123	74	(13)	(0)	(3)	-
Sweden	195	77	31	(7)	(0)	(1)	-
Switzerland	593	283	102	(13)	(15)	(0)	-
Taiwan	50	28	9	(3)	0	(2)	-
Chad	212	27	3	(2)	1	(2)	-
Thailand	4	2	(0)	-	-	-	-
Togo	41	5	1	(0)	-	-	-
Tunisia	1,376	130	60	(20)	(1)	(4)	-
Turkey	110	24	15	(1)	(8)	(0)	-
Ukraine	57	8	6	(2)	1	(0)	-
TOTAL	**129,586**	**24,671**	**5,210**	**(968)**	**(296)**	**(1,369)**	**-**

* ***Staff***: *Full-time equivalent (FTE) at closing date. Staff members of entities accounted for by the equity method and removed during the year are excluded.*
NBI (in EURm) *: Net banking income by territorial contribution to the consolidated statement, in millions of euros, before elimination of intragroup reciprocal transactions. Net income from companies accounted for by the equity method is directly recorded in the earnings before tax, there is no contribution from them.*
Earnings before corporate tax (in EURm): *Earning before tax by territorial contribution to the consolidation statement before elimination of intragroup reciprocal transactions.*
Corporate tax (in EURm): *Such as presented in the consolidated statement in accordance with the IFRS standards and by distinguishing the current taxes of the deferred taxes.*
Other taxes (In EURm) *: Other taxes include among others payroll taxes, the C3S, the contribution to the SRF, CET taxes and local taxes. The data arise from the consolidated reporting and from management report, in millions of euros*
Public subsidies received: *Non-matching or non-refundable subsidies granted by a public entity on a one-off or renewable basis to complete a clearly defined project.*

(1) Income from the entity located in Bermuda is taxed in France.
(2) Income from the entity located in Curacao is taxed in France
(3) Income from entities located in Cayman Islands is taxed in the United States and in Japan.
(4) Most of the staff located in India is assigned to a shared services centre, the re-invoicing income of which is recorded in general and administrative expenses and not in NBI.

3

CORPORATE GOVERNANCE

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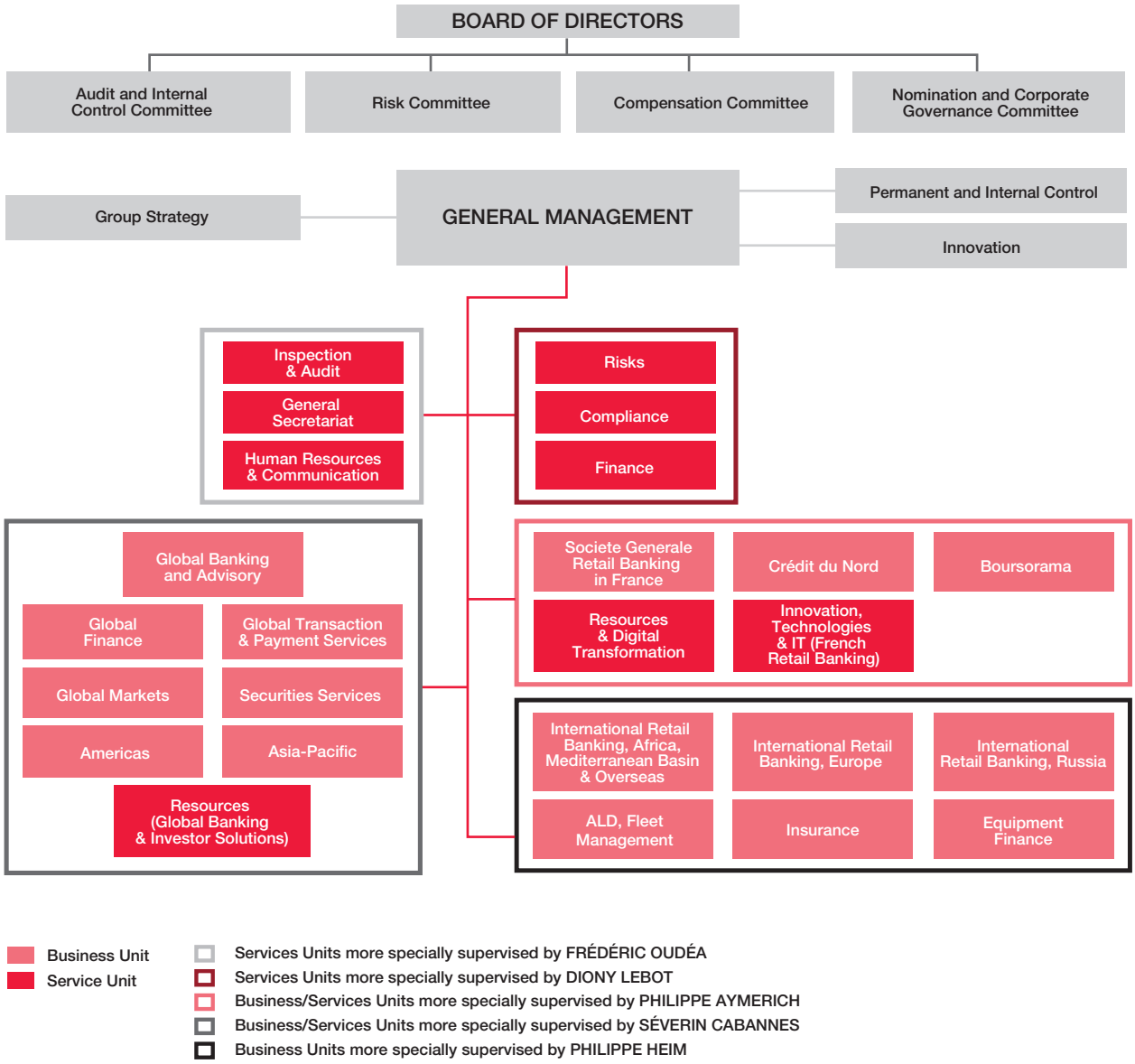
3.1 BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

3.1.1 GOVERNANCE

Presentation of the organisation

(AT 1 JANUARY 2020)



The composition of the Board of Directors is presented on page 72 and following of this report on corporate governance. The internal rules of the Board of Directors, defining its powers, are provided in Chapter 7 of this Universal Registration Document, on pages 557 and following. The Board's work is presented on pages 87 and 88.

The composition of the General Management and Management Committee is presented in the respective sections of this report (see pages 96 and 100).

The role of the Supervision Committees is described on page 99.

The powers of the Board of Directors and of the different Committees of the Board of Directors, along with their Activity Reports, are presented on pages 86 and following, in particular:

- role of the Chairman and the report on his activities, page 86;
- Audit and Internal Control Committee, page 90;
- Risk Committee, page 91;
- Compensation Committee, page 93;
- Nomination and Corporate Governance Committee, page 94.

Organisation of the governance

On 15 January 2015, the Board of Directors decided that the offices of Chairman and Chief Executive Officer would be separated following the General Meeting of 19 May 2015. At that date, Mr. Lorenzo Bini Smaghi became Chairman of the Board of Directors, and Mr. Frédéric Oudéa remained Chief Executive Officer. On 21 May 2019, the Board of Directors decided to renew the term of office of Mr. Frédéric Oudéa as Chief Executive Officer for a further four-year term, following the renewal of his term of office as Director during the General Meeting on 21 May 2019.

Mr. Lorenzo Bini Smaghi was reappointed as Chairman of the Board of Directors on 23 May 2018.

Mr. Frédéric Oudéa is assisted by four Deputy Chief Executive Officers whose mandate has been renewed, until the expiration of the term of office of Mr. Frédéric Oudéa.

Statement on the corporate governance regime

Societe Generale refers to the AFEP-MEDEF Corporate Governance Code for listed companies (amended in June 2018 and updated in January 2020, hereinafter the "AFEP-MEDEF Code" – document available at *www.hcge.fr*). In accordance with the "comply or explain" principle, Societe Generale specifies that it applies all recommendations from the AFEP-MEDEF Code.

The operation of the Board of Directors and its Committees is governed by internal rules (hereinafter the "Internal Rules"), updated on 31 July 2019. The Internal Rules and the Company's By-laws are included in the Universal Registration Document (see Chapter 7).

3.1.2 BOARD OF DIRECTORS

Presentation of the Board of Directors

(AT 1 JANUARY 2020)

14
Number of Directors (including 2 Directors elected by the employees)

>90%
Proportion of independent Directors

42.9%
Representation of women[1]

8
Number of nationalities[2]

58.5 years
Average age

6 years
Average duration of presence to the Board

14
Number of meetings in 2019

94%
Average attendance in 2019

(1) Or 41.6% if we exclude from the calculation the two Directors representing the employees in accordance with the provisions of the Law dated 27 January 2011.
(2) Taking into account the dual nationality of certain Directors.

At 1 January 2020, the Board of Directors comprised twelve Directors appointed by the General Meeting and two Directors representing the employees. A representative of the Social and Economic Committee attends meetings of the Board of Directors, without voting rights.

The duration of the term of office of Directors appointed by the General Meeting is four years. The expiry of these terms of office is staggered, enabling the renewal or appointment of between two and four Directors every year.

At the next General Meeting, Juan Maria Nin Génova, an independent Director since 2016, member of the Risk Committee and the Compensation Committee will be proposed for a second term renewal. A Spanish national and former bank executive, Mr. Nin Génova brings to the Board a well-known banking expertise, particularly in retail banking.

Nathalie Rachou, an independent Director since 2008, Chairman of the Risk Committee and member of the Nomination and Corporate Governance Committee, pursuant to the best corporate governance practices, did not wish to solicit a fourth term.

As early as spring 2019, the Nomination and Corporate Governance Committee began a research process with the help of an outside firm based on the following criteria:

- very solid expertise in banking and financial markets;
- a woman.

Annette Messemer was selected. A 55-year-old German national, she has a lengthy career in finance and investment banking, particularly at JP Morgan Chase and Commerzbank. She is an independent Director of the Board of Directors of EssilorLuxottica.

The two Directors elected by Societe Generale's employees on 20 March 2018, France Houssaye (elected for the first time in 2009) and David Leroux (elected in 2018), are serving a three-year term of office that will expire at the end of the General Meeting of May 2021.

At 1 January 2020, ten Directors were members of one or several Board of Directors' Committees.

Presentation of the Board of Directors

COMPOSITION OF THE BOARD OF DIRECTORS

Directors	Gender	Age[1]	Nationality	Initial year of appointment	End of term of office (GM)	Number of years on the Board[2]	Inde-pendent Director	Member of a Board Committee	Number of terms of offices held in listed companies	Number of shares
Lorenzo BINI SMAGHI Chairman of the Board of Directors	M	63	Italian	2014	2022	6	Yes	-	1	2,174
Frédéric OUDÉA Chief Executive Officer	M	56	French	2009	2023	11	No	-	2	206,280 2,414[7]
William CONNELLY	M	61	French	2017	2021	3	Yes	CR[3] CONOM[4]	3	2,173
Jérôme CONTAMINE	M	62	French	2018	2022	2	Yes	CACI[5]	1	1,069
Diane CÔTÉ	F	56	Canadian	2018	2022	2	Yes	CACI[5]	2	1,000
Kyra HAZOU	F	63	British/ American	2011	2023	9	Yes	CACI[5] CR[3]	1	1,086
France HOUSSAYE[8]	F	52	French	2009	2021	11	No	COREM[6]	1	
David LEROUX[8]	M	41	French	2018	2021	2	No	-	1	
Jean-Bernard LÉVY	M	64	French	2009	2021	11	Yes	Chairman of the COREM[6] CONOM(4)	3	1,000
Gérard MESTRALLET	M	70	French	2015	2023	5	Yes	Chairman of the CONOM[4] COREM[6]	3	1,200
Juan Maria NIN GÉNOVA	M	66	Spanish	2016	2020	4	Yes	CR[3] COREM[6]	1	1,669
Nathalie RACHOU	F	62	French	2008	2020	12	Yes	Chairman of the CR[3] CONOM[4]	4	2,048
Lubomira ROCHET	F	42	French/ Bulgarian	2017	2021	3	Yes	-	1	1,000
Alexandra SCHAAPVELD	F	61	Dutch	2013	2021	7	Yes	Chairman of the CACI[5] CR[3]	3	1,000

(1) Age at 1 January 2020.
(2) As at the date of the next General Meeting, to be held on 19 May 2020.
(3) Risk Committee.
(4) Nomination and Corporate Governance Committee.
(5) Audit and Internal Control Committee.
(6) Compensation Committee.
(7) Through "Societe Generale Actionnariat (Fonds E)".
(8) Directors representing the employees.

SUMMARY OF THE END OF TERMS OF OFFICE OF THE DIRECTORS APPOINTED BY THE GENERAL MEETING[1]

Directors	GM 2020	GM 2021	GM 2022	GM 2023
Lorenzo BINI SMAGHI			x	
Frédéric OUDÉA				x
William CONNELLY		x		
Jérôme CONTAMINE			x	
Diane CÔTÉ			x	
Kyra HAZOU				x
Jean-Bernard LÉVY		x		
Gérard MESTRALLET				x
Juan Maria NIN GÉNOVA	x			
Nathalie RACHOU	x			
Lubomira ROCHET		x		
Alexandra SCHAAPVELD		x		

(1) The terms of office of the Directors elected by the employees expire at the end of the General Meeting to be held in 2021.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2019

Board of Directors

Directors	Departure	Appointment	Renewal
Frédéric OUDÉA			21 May 2019
Gérard MESTRALLET			21 May 2019
Kyra HAZOU			21 May 2019

The composition of the Committees remained unchanged in 2019

DIVERSITY AND COMPLEMENTARITY OF THE BOARD COMPOSITION

The composition of the Board of Directors is designed to achieve a balance between experience, expertise and independence, in accordance with parity of women/men and the diversity. The Board of Directors ensures to maintain a balance in terms of age within the Board of Directors as well as professional and international experience. Its objectives are reviewed annually by the Nomination and Corporate Governance Committee and in the context of the annual appraisal (see p.94). The Board of Directors also ensures the regular renewal of its members and strictly applies the recommendations of the AFEP-MEDEF Code regarding the independence of its members. The results obtained are presented in this report on corporate governance.

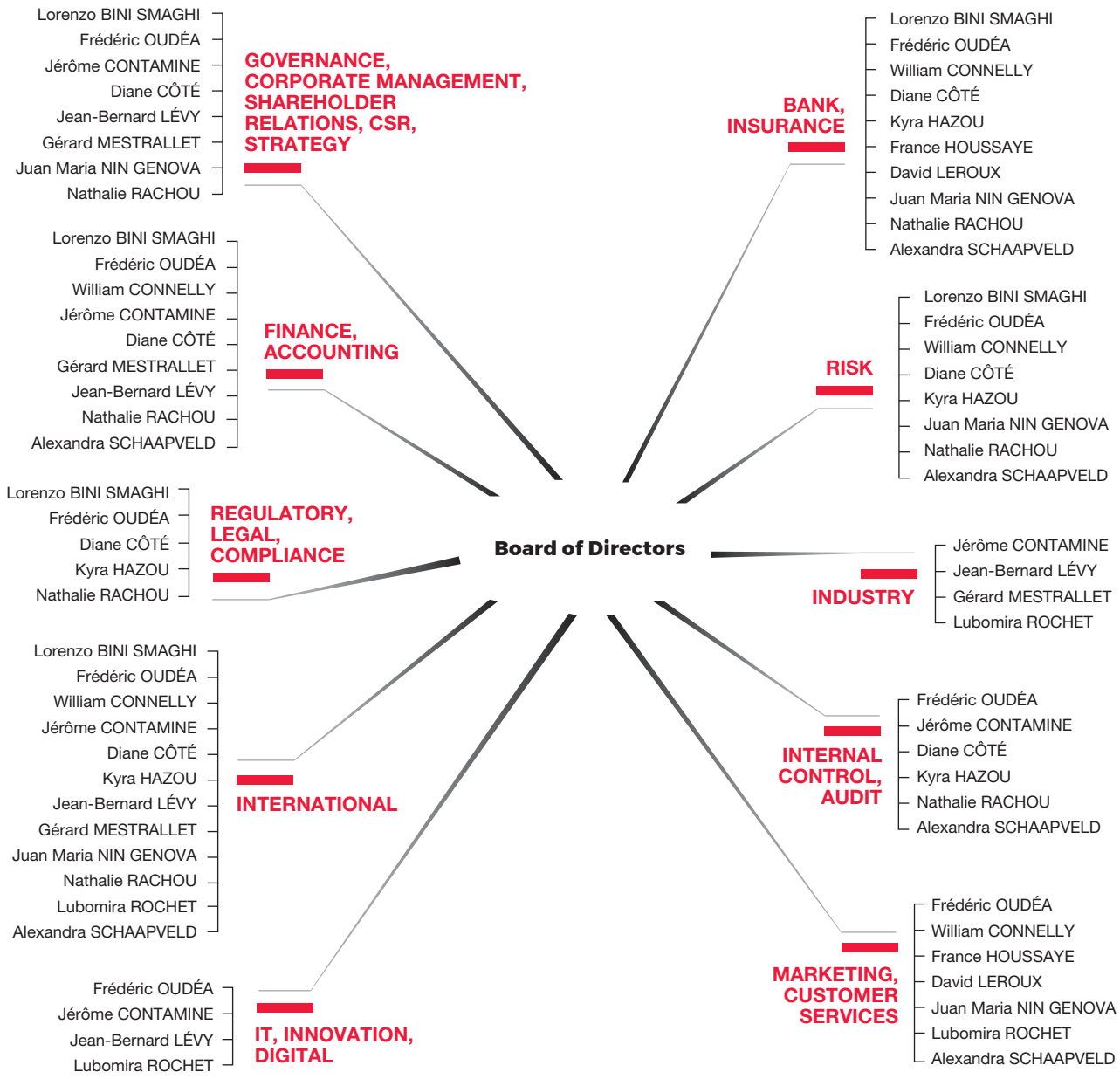
Experienced and complementary Directors

Expertise and experience in the financial world and the management of large international companies are the basic criteria for the selection of Directors. Furthermore, the Board of Directors ensures that some of its members have expertise in terms of technological and digital transformation. Each year, the balance thus established in the composition of the Board of Directors is reviewed by the Nomination and Corporate Governance Committee and the Board of Directors. The analysis of the Directors' expertise shows the complementary nature of their various profiles, which cover the entire spectrum of the Bank's business and the risks associated with its activity.

Directors' expertise

The table below summarises the Directors' main areas of expertise and experience. Their biographies can be found in this report, pages 78 à 95.

Each of the ten key areas of expertise of the Board of Directors is held by at least two Directors.



A balanced representation of women and men on the Board of Directors

At 1 January 2020, the Board of Directors comprised six women and eight men, i.e. 42.9% women or 41.6% if the two Directors representing the employees are excluded from the calculation, in accordance with the provisions of the Law dated 27 January 2011.

The Board of Directors ensures a balanced representation of men and women among the twelve members appointed by the General Meeting of Shareholders. In 2019, no new Directors were appointed by the General Meeting and only the term of office of three Directors was renewed.

The Board also ensures a balanced representation of men and women both for the chairmanship of the Committees and for their composition. At 1 January 2020, two out of four Committees were chaired by women and each Committee has persons of different genders.

Age and length of service of the Directors

At 1 January, the average age of the Directors is 58.5:

- two Directors are less than 50;
- three Directors are between 50 and 60;
- seven Directors are between 60 and 65;
- one Director is between 65 and 70;
- one Director is more than 70.

This balanced breakdown combines both experience and availability. The aim is to ensure equilibrium between different age ranges within the Board of Directors.

At the date of the next General Meeting the Board's average length of service will be six years. The average compares with board member terms of office of four years and the Board of Directors' practice to factor in the independence aspect (not to be a board member for over 12 years for the renewal of independent Directors).

Composition suited to the Group's international dimension

Eight different nationalities are represented on the Board of Directors, including two dual nationals.

All board members, beyond those receiving a salary, have international experience, either because they have exercised a function outside France during their career, or because they have held one or several terms of office in non-French companies.

The aim is to ensure that at least one-third of non-French members are among those appointed by the General Meeting, and notably to include nationalities representing the Group's European dimension.

OVER 90% OF DIRECTORS INDEPENDENT AT 1 JANUARY 2020

In accordance with the AFEP-MEDEF Code and based on the report of its Nomination and Corporate Governance Committee, the Board of Directors reviewed the situation of each of its members at 1 January 2020 with regard to the independence criteria defined in the aforementioned report.

It reviewed the status of the business relationships existing between the Directors or the companies they manage and Societe Generale or its subsidiaries. The review concerned both customer and supplier relationships.

The Board specifically focused on the banking and advisory relationships between the Group and the companies in which its Directors are also executive officers to assess whether the nature and extent of these relationships could possibly affect the Directors' independence of judgment. The review is based on a multi-criteria review integrating several parameters (the company's overall debt and liquidity, the ratio of bank debt to overall debt, the amount of Societe Generale's commitments and the significance of these commitments compared to the total bank debt, advisory offices held, and other commercial relationships).

The review concentrated primarily on Mr. Jean-Bernard Lévy, Chairman and Chief Executive Officer of EDF, Mr. Gérard Mestrallet, Executive President of Afalula, Mr. William Connelly, Chairman of the Supervisory Board of Aegon N.V., and Mr. Juan Maria Nin Génova, Chairman of the Board of Directors of Promociones Habitat and Itinere Infraestructuras.

In the four cases, the Committee observed that the nature of the economic, financial and other relationships between the Directors, the groups they manage or chair and Societe Generale did not alter the findings of their independence review conducted in early 2019. Societe Generale's role in financing the debt of their groups appeared to be compatible with the Committee's assessment criteria (less than 5% of the banking and non-banking debt). They are therefore considered to be independent.

Following the report, only three Directors are considered not to ben independent: Mr. Frédéric Oudéa and the two Directors representing the employees.

At 1 January 2020, 11 out of 14 Directors were independent, i.e. 91.6% of the members of the Board of Directors, using the AFEP-MEDEF Code's calculation rule that excludes the two employee representatives.

The percentage is well above the Board of Directors' objective of complying with the minimum threshold of 50% of independent Directors recommended in the AFEP-MEDEF Code.

The Board of Directors also reviewed the situation of Annette Messemer who is set to replace Nathalie Rachou, subject to the vote of the General Assembly. She will be considered to be an independent Director.

If the General Meeting accepts these proposals, the percentage of women sitting on the Board of Directors will be 42.9% and the percentage of independent Directors will be more than 90%. It will have an increased international dimension, with six non-French nationals out of the 14 Directors, and nine nationalities represented, including the members with dual nationalities. The Board has consequently ensured that it will have all the necessary skills to function properly and to carry out its brief of defining the strategy of Societe Generale Group and monitoring its implementation.

DIRECTORS' POSITION IN RESPECT OF THE AFEP-MEDEF CODE'S INDEPENDENCE CRITERIA

	Over the past five years, company employee or executive officer status[2]	Existence or otherwise of cross-directorship	Existence or otherwise of significant business relations	Existence of close family ties with a company officer	Not having been a Statutory Auditor for the Company over the past five years	Not having been a company Director for more than twelve years	Representative of major shareholders
Lorenzo BINI SMAGHI[1]	✓	✓	✓	✓	✓	✓	✓
Frédéric OUDÉA	×	✓	✓	✓	✓	✓	✓
William CONNELLY	✓	✓	✓	✓	✓	✓	✓
Jérôme CONTAMINE	✓	✓	✓	✓	✓	✓	✓
Diane CÔTÉ	✓	✓	✓	✓	✓	✓	✓
Kyra HAZOU	✓	✓	✓	✓	✓	✓	✓
France HOUSSAYE	×	✓	✓	✓	✓	✓	✓
David LEROUX	×	✓	✓	✓	✓	✓	✓
Jean-Bernard LÉVY	✓	✓	✓	✓	✓	✓	✓
Gérard MESTRALLET	✓	✓	✓	✓	✓	✓	✓
Juan Maria NIN GÉNOVA	✓	✓	✓	✓	✓	✓	✓
Nathalie RACHOU	✓	✓	✓	✓	✓	✓	✓
Lubomira ROCHET	✓	✓	✓	✓	✓	✓	✓
Alexandra SCHAAPVELD	✓	✓	✓	✓	✓	✓	✓

NB. ✓ represents a satisfied independence criterion and × represents an unmet independence criterion.
(1) The Chairman receives neither variable compensation, nor attendance fees/compensation for his term as Director, nor securities, nor any compensation contingent on the performance of Societe Generale or the Group.
(2) In a company that the Company consolidates, the parent company of the Company or a company consolidated by that parent company.

DILIGENT DIRECTORS

In 2019, Lorenzo Bini Smaghi chaired all Board of Director meetings.

The Directors' attendance rates at Board of Directors and Committee meetings are very high. The average attendance rate per meeting is:

- 94% for the Board of Directors (93% in 2018);
- 98% for the Audit and Internal Control Committee (CACI) (90% in 2018);
- 92% for the Risk Committee (CR) (98% in 2018);
- 100% for the Nomination and Corporate Governance Committee (CONOM) (82% in 2018) and;
- 92% for the Compensation Committee (COREM) (97% in 2018).

	Board of Directors		CACI		CR		CONOM		COREM	
Attendance in 2019	**Number of meetings**	**Attendance rate**	**Number of meetings**	**Attendance rate**	**Number of meetings**	**Attendance rate**	**Number of meetings**	**Attendance rate**	**Number of meetings**	**Attendance rate**
Lorenzo BINI SMAGHI	14	100%								
Frédéric OUDÉA	14	100%								
William CONNELLY	14	100%			8	80%	6	100%		
Jérôme CONTAMINE	13	93%	10	100%						
Diane CÔTÉ	14	100%	10	100%						
Kyra HAZOU	14	100%	10	100%	10	100%				
France HOUSSAYE	14	100%							7	78%
David LEROUX	12	86%								
Jean-Bernard LÉVY	13	93%					6	100%	9	100%
Gérard MESTRALLET	13	93%					6	100%	9	100%
Juan Maria NIN GÉNOVA	12	86%			9	90%			8	89%
Nathalie RACHOU	13	93%			10	100%	6	100%		
Lubomira ROCHET	12	86%								
Alexandra SCHAAPVELD	12	86%	9	90%	9	90%				
Number of meetings held in 2019	14		10		10		6		9	
Average attendance rate (%)	**94%**		**98%**		**92%**		**100%**		**92%**	

DIRECTORS BOUND BY STRINGENT ETHICS RULES

Each Director is required to comply with the ethics rules provided for in the Internal Rules, in particular regarding:

The regulations relating to insider trading

EXTRACT FROM ARTICLE 4 OF THE INTERNAL RULES:

4.3 Directors shall abstain from intervening on the market of Societe Generale Financial instruments during the 30 calendar days preceding the publication of Societe Generale's quarterly, half-yearly and annual results as well as on the day of the said publication.

They shall refrain from carrying out speculative or leveraged transactions on Societe Generale Financial instruments or those of a listed company controlled directly or indirectly by Societe Generale within the meaning of Article L. 233-3 of the French Commercial Code.

They shall inform the Secretary of the Board of Directors of any difficulty they may encounter in enforcing the above.

The management of conflict of interest

ARTICLE 14 OF THE INTERNAL RULES:

14.1 The Director shall inform the Secretary of the Board of Directors of any conflict of interest, including potential ones, in which he/she may be directly or indirectly involved. He/she shall refrain from taking part in the debates and decision-making on related matters.

14.2 The Chairman is in charge of managing conflict of interest situations of the members of the Board of Directors. Where appropriate, he/she refers the matter to the Nomination and Corporate Governance Committee. Regarding conflicts which could affect him/her personally, he/she refers to the Chairman of the Nomination and Corporate Governance Committee. If necessary, the Chairman may invite a Director having a conflict of interest not to attend the deliberation.

14.3 The Director shall inform the Chairman and the Chairman of the Nomination and Corporate Governance Committee of his/her intention to accept a new mandate, including his/her participation in a Committee, in a listed company that does not belong to a group of which he/she is an executive officer, in order to enable the Board of Directors, based on the Committee's proposal, to decide where appropriate that such an appointment would be inconsistent with the directorship in Societe Generale.

14.4 The Director shall inform the Chairman of the Board of Directors of any conviction for fraud, of any incrimination and/or public sanction, and of any prohibition to manage or administer that may have been pronounced against him/her, as well as any bankruptcy, sequestration or liquidation proceedings to which he/she may have been associated.

14.5 Each Director shall make a sworn statement as to the existence or otherwise of the situations referred to in 14.1 and 14.3: i) upon taking up his/her office, ii) each year in response to the request made by the Secretary of the Board of Directors upon the preparation of the Registration Document, iii) at any time if the Secretary of the Board of Directors requests it and iv) within ten working days following the occurrence of any event that renders the previous statement made by him/her in whole or in part inaccurate.

In 2019, no conflict of interest situation was reported to the Board of Directors. Nevertheless, during debates on Brexit, Diane Côté did not take part in discussions concerning relationships with the London Stock Exchange.

DIRECTORS REQUIRED TO HOLD A SIGNIFICANT NUMBER OF SOCIETE GENERALE SHARES

Directors appointed by the General Meeting must hold a minimum of 600 shares after six months of office and 1,000 shares after one year, in accordance with the provisions of Article 7 of the bylaws of the Company and Article 16 of the Internal Rules. At 1 January 2020, all Directors complied with these rules. The Chairman of the Board of Directors holds 2,174 Societe Generale shares. Each Director shall refrain from hedging his/her shares. The Directors representing employees are not subject to any obligation regarding holding shares.

The Chief Executive Officers are bound by specific obligations (see p. 138 – Societe Generale share ownership and holding obligations).

Presentation of the Board of Directors' members

Date of birth: 29 November 1956
Nationality: Italian
Year of first appointment: 2014
Term of office expires in: 2022
Holds 2,174 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Lorenzo BINI SMAGHI

Chairman of the Board of Directors
Independent Director

Biography

An Italian national, with a degree in Economic Sciences from the *Université Catholique de Louvain* (Belgium) and a Ph.D in Economic Sciences from the University of Chicago. Began his career in 1983 as an Economist at the Research Department of the Banca d'Italia. In 1994, appointed Head of the Policy Division of the European Monetary Institute. In October 1998, Director-General of International Financial Relations in Italy's Economy and Finance Ministry. Chairman of SACE from 2001 to 2005. From June 2005 to December 2011, member of the Executive Board of the European Central Bank. From 2012 to 2016, Chairman of the Board of Directors of SNAM (Italy). From 2016 to April 2019, he was Chairman of the Board of Directors of Italgas (Italy). He is currently Chairman of the Board of Directors of Societe Generale since 2015.

Other offices held currently

None

Other offices and positions held in other companies in the past five years

- *Chairman of the Board of Directors:*
  SNAM (Italy) (from 2012 to 2016),
  ChiantiBanca (Italy) (from 2016 to 2017),
  Italgas (Italy) (from 2016 to 2019).
- *Director:*
  TAGES Holding (Italy)
  (from 2014 to December 2019).

Date of birth: 3 July 1963
Nationality: French
Year of first appointment: 2009
Term of office expires in: 2023
Holds 206,280 shares
2,414 shares through Société Générale Actionnariat (Fonds E)
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Frédéric OUDÉA

Chief Executive Officer

Biography

Frédéric Oudéa is a graduate of the *École polytechnique* and the *École nationale d'administration*. From 1987 to 1995, he held a number of positions in the French senior civil service, Audit Department of the Ministry of Finance, Ministry of the Economy and Finance, Budget Ministry and Cabinet of the Ministry of the Treasury and Communication. He joined Societe Generale in 1995 and went from Deputy Head to Head of the Corporate Banking arm in London. In 1998, he became Head of Global Supervision and Development of Equities. Appointed Deputy Chief Financial Officer of the Societe Generale Group in May 2002. Appointed Chief Financial Officer in January 2003. Appointed Chief Executive Officer of the Group in 2008. Chairman and Chief Executive Officer of Societe Generale from May 2009 to May 2015. Chief Executive Officer since May 2015, further to the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer.

Other offices held currently

In French listed companies:

- *Director:*
  Capgemini (since 2018).

Other offices and positions held in other companies in the past five years

None.

Date of birth: 3 February 1958
Nationality: French
Year of first appointment: 2017
Term of office expires in: 2021
Holds 2,173 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

William CONNELLY

Company Director
Independent Director, Member of the Risk Committee and Member of the Nomination and Corporate Governance Committee

Biography

Graduated from Georgetown University in Washington (USA). From 1980 to 1990, he was a banker at Chase Manhattan Bank in the United States, Spain and the United Kingdom. From 1990 to 1999, worked at Barings then ING Barings as Head of Mergers and Acquisitions in Spain and subsequently as Head of Corporate Finance for Western Europe. From 1999 to 2016, performed various functions in the Investment Banking Division at ING Bank N.V. (Netherlands). His latest positions were Global Head of Corporate and Investment Banking and member of the Executive Committee, as well as Chief Executive Officer of ING Real Estate B.V. (an ING Bank subsidiary).

Other offices held currently

In foreign listed companies:
- *Chairman of the Supervisory Board:*
  Aegon N.V. (Netherlands) (member since 2017 and Chairman since 2018).
- *Director:*
  Amadeus IT Group (Spain) (since June 2019)

In foreign non-listed companies:
- *Director:*
  Self Trade Bank SA (Spain) since February 2019.

Other offices and positions held in other companies in the past five years

- *Member of the Management Board:*
  ING Bank N.V. (Netherlands) (from 2011 to 2016).

Date of birth: 23 November 1957
Nationality: French
Year of first appointment: 2018
Term of office expires in: 2022
Hold 1,069 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Jérôme CONTAMINE

Company Director
Independent Director, Member of the Audit and Internal Control Committee

Biography

Graduated from the *École polytechnique*, of *ENSAE* and the *École nationale d'administration*. After four years as an auditor of the *Cour des Comptes*, he performed various functions for Total. From 2000 to 2009, Chief Financial Officer of Veolia Environnement. Director of Valeo from 2006 to 2017. From 2009 to 2018, Chief Financial Officer of Sanofi.

Other offices held currently

None.

Other offices and positions held in other companies in the past five years

- *Chairman of the Board:*
  SANOFI European Treasury Center*
  (Belgium) (from 2012 to 2015),
  SECIPE (France) (from 2009 to 2016),
  SANOFI 1* (France) (from 2009 to 2015).
- *Director:*
  Valeo (France) (from 2006 to 2017).

* *Sanofi Group*

Date of birth: 28 December 1963
Nationality: Canadian
Year of first appointment: 2018
Term of office expires in: 2022
Holds 1,000 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Diane CÔTÉ

Chief Risk Officer of LSE Group
Independent Director, Member of the Audit and Internal Control Committee

Biography

Former student of Ottawa University, with financial and accounting training. From 1992 to 2012, performed crucial functions in audit, risk and finance in diverse insurance companies (Prudential, Standard Life and Aviva) in Canada and in the United Kingdom. Since 2012, Chief Risk Officer and member of the Executive Committee of the London Stock Exchange Group (LSEG).

Other offices held currently

In French unlisted companies:
- *Director*: LCH SA (since June 2019).

Other offices and positions held in other companies in the past five years

- *Director:*
  Novae Syndicates Limited
  (United Kingdom) (from 2015 to 2018),
  Frank Russell Company
  (United States) (from 2014 to 2016)
  Russell Investment Inc.
  (United States) (from 2015 to 2016).

Date of birth: 13 December 1956
Nationality: American/British
Year of first appointment: 2011
Term of office expires in: 2023
Holds 1,086 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Kyra HAZOU

Company Director
Independent Director, Member of the Audit and Internal Control Committee and of the Risk Committee

Biography

A British and US national, Kyra Hazou graduated with a law degree from Georgetown University Law Center in Washington (USA). Managing Director and Regional General Counsel for Salomon Smith Barney/Citibank from 1985 to 2000, after working as a lawyer in London and New York. From 2001 to 2007, was a non-executive Director and a member of the Audit Committee and Risk Committee at the Financial Services Authority in London.

Other offices held currently

None.

Other offices and positions held in other companies in the past five years

None.

Date of birth: 18 March 1955
Nationality: French
Year of first appointment: 2009
Term of office expires in: 2021
Holds 1,000 shares
Professional address:
22-30 avenue de Wagram,
75008 Paris

Jean-Bernard LÉVY

Chairman and Chief Executive Officer of EDF
Independent Director, Chairman of the Compensation Committee and Member of the Nomination and Corporate Governance Committee

Biography

Graduate of the *École polytechnique* and *Télécom Paris Tech*. From 1978 to 1986, engineer at France Télécom. From 1986 to 1988, technical advisor to the Cabinet of Gérard Longuet, Deputy Minister for the Postal Service and Telecommunications. From 1988 to 1993, Head of Telecommunication Satellites at Matra Marconi Space. From 1993 to 1994, Director of the Cabinet of Gérard Longuet, French Minister for Industry, Postal Service, Telecommunications and Foreign Trade. From 1995 to 1998, Chairman and Chief Executive Officer of Matra Communication. From 1998 to 2002, Chief Executive Officer and then Managing Partner responsible for Corporate Finance of Oddo et Cie. Joined Vivendi in August 2002 as Chief Executive Officer. Chairman of the Management Board of Vivendi from 2005 to 2012. Chairman and Chief Executive Officer of Thalès from 2012 to 2014. Chairman and Chief Executive Officer of EDF since November 2014.

Other offices held currently

In French listed companies:
- *Chairman and Chief Executive Officer:*
  EDF* (since 2014).

In French unlisted companies:
- *Chairman of the Supervisory Board:*
  Framatome* (since 2018).
- *Director:*
  Dalkia* (since 2014),
  EDF Énergies Renouvelables* (since 2015).

In foreign listed companies:
- *Director:*
  Edison S.p.A* (Italy) (since June 2019).

In foreign unlisted companies:
- *Director:*
  EDF Energy Holdings*
  (United Kingdom) (since 2017).

** EDF Group*

Other offices and positions held in other companies in the past five years

- *Chairman of the Board of Directors:*
  EDF Energy Holdings*
  (United Kingdom) (from 2015 to 2017),
  Edison S.p.A* (Italy) (from 2014 to June 2019).
- *Director:*
  Vinci (from 2007 to 2015).

Date of birth: 1 April 1949
Nationality: French
Year of first appointment: 2015
Term of office expires in: 2023
Holds 1,200 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Gérard MESTRALLET

Independent Director, Chairman of the Nomination and Corporate Governance Committee and Member of the Compensation Committee

Biography

Graduate of the *École polytechnique* and the *École nationale d'administration*. Held different positions in the French Administration before joining the *Compagnie Financière de Suez* in 1984 as Special Advisor to the Chairman, then as Senior Executive Vice-Chairman in charge of industrial affairs. In February 1991, executive Director of Societe Generale de Belgique. In July 1995, Chairman and Chief Executive Officer of Compagnie de Suez, then in June 1997, Chairman of the Management Board of *Suez Lyonnaise des Eaux* and, finally, in 2001, Chairman and Chief Executive Officer of Suez. From July 2008 to May 2016, Chairman and Chief Executive Officer of ENGIE (previously GDF SUEZ). From May 2016 to May 2018, he was Chairman of the Board of Directors following the separation of the functions of Chairman and Chief Executive Officer.

Other offices held currently

In French listed companies:

- *Director:*
  SUEZ* (until May 2020).

In French unlisted companies:

- *Chairman:*
  Agence française de développement d'Al Ula (since July 2018)

In foreign listed companies:

- *Director:*
  Saudi Electricity Company (Saudi Arabia) (since 2018).

Other offices and positions held in other companies in the past five years

- *Chairman of the Board of Directors and Chief Executive Officer:*
  ENGIE* (from 2008 to 2016).
- *Chairman of the Board of Directors:*
  Electrabel* (Belgium) (from 2010 to 2016),
  ENGIE Energy Management Trading* (Belgium) (from 2010 to 2016),
  ENGIE *Énergie Services** (from 2005 to 2016),
  ENGIE* (from 2016 to May 2018),
  SUEZ* (from 2008 to 2019).
- *Vice-Chairman of the Board of Directors:*
  Aguas de Barcelona (Spain) (from 2010 to 2015).
- *Director:*
  International Power* (United Kingdom) (from 2011 to 2016),
  Saint-Gobain (from 1995 to 2015).
- *Member of the Supervisory Board:*
  Siemens AG (Germany) (from 2013 to 2018).

** ENGIE Group*

Date of birth: 10 March 1953
Nationality: Spanish
Year of first appointment: 2016
Term of office expires in: 2020
Holds 1,669 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Juan Maria NIN GÉNOVA

Company Director
Independent Director, Member of the Risk Committee and of the Compensation Committee

Biography

A Spanish national and graduate of the University of Deusto (Spain) and the London School of Economics and Political Sciences (United Kingdom), he is a lawyer and economist who began his career as a Programme Manager in the Spanish Ministry for Relations with the European Community. General Manager of Santander Central Hispano from 1980 to 2002, before becoming an advisor of Banco Sabadell until 2007. In June 2007, Chief Executive Officer of La Caixa. In July 2011, Vice-Chairman and Deputy Advisor of CaixaBank until 2014.

Other offices held currently

In foreign unlisted companies:

- *Chairman of the Board of Directors:*
  Promociones Habitat (Spain) (since 2018),
  Itinere Infraestructuras (Spain) (since May 2019).
- *Director:*
  Azora Capital S.L.* (Spain) (since 2014).

** Grupo de Empresas Azvi, S.L*

Other offices and positions held in other companies in the past five years

- *Director:*
  DIA Group SA (Spain) (from 2015 to 2018),
  Naturhouse (Spain) (from 2014 to 2016),
  Grupo Indukern* (Spain) (from 2014 to 2016),
  Gas Natural (Spain) (from 2008 to 2015),
  Repsol SA (Spain) (from 2007 to 2015),
  Grupo de Empresas Azvi S.L.*
  (Spain) (from 2015 to 2019),
  Azora Gestion* (Spain) (from 2018 to 2019).

Date of birth: 7 April 1957
Nationality: French
Year of first appointment: 2008
Term of office expires in: 2020
Holds 2,048 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Nathalie RACHOU

Company Director
Independent Director, Chairman of the Risk Committee and Member of the Nomination and Corporate Governance Committee

Biography

Nathalie Rachou graduated from HEC, one of France's top business schools. From 1978 to 1999, she held a number of positions within Banque Indosuez and Crédit Agricole Indosuez: foreign exchange dealer, Head of asset/liability management, founder then Chief Executive Officer of Carr Futures International Paris (brokerage subsidiary of Banque Indosuez trading on the Paris Futures Exchange), Corporate Secretary of Banque Indosuez and Global Head of Foreign Exchange and Currency Options at Crédit Agricole Indosuez. In 1999, founded Topiary Finance Ltd., an asset management company based in London. Since 2015, she has been Senior Advisor of Rouvier Associés. Foreign Trade Advisor for France since 2001.

Other offices held currently

In French listed companies:

- *Director:*
  Veolia Environnement (since 2012),
  Altran (since 2012).

In foreign listed companies:

- *Member of the Supervisory Board:*
  Euronext N.V. (Netherlands) (since October 2019).

Other offices and positions held in other companies in the past five years

- *Director:*
  Laird PLC (United Kingdom) (from 2016 to 2018).

Date of birth: 8 May 1977
Nationality: French/Bulgarian
Year of first appointment: 2017
Term of office expires in: 2021
Holds 1,000 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Lubomira ROCHET

Chief Digital Officer of the L'Oréal Group
Independent Director

Biography

Lubomira Rochet is a graduate of the *École normale supérieure* and *Sciences Po* in France, and of the College of Europe in Bruges (Belgium). From 2003 to 2007, Head of Strategy at Sogeti (Capgemini). From 2008 to 2010, Head of Innovation and Start-ups in France at Microsoft. Joined Valtech in 2010 and became Chief Executive Officer in 2012. Since 2014, Chief Digital Officer and member of the Executive Committee of L'Oréal.

Other offices held currently

In foreign unlisted companies:

- *Director:*
  Founders Factory Ltd.*
  (United Kingdom) (since 2016).

** L'Oréal Group*

Other offices and positions held in other companies in the past five years

None.

Date of birth: 5 September 1958
Nationality: Dutch
Year of first appointment: 2013
Term of office expires in: 2021
Holds 1,000 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Alexandra SCHAAPVELD

Company Director
Independent Director, Chairman of the Audit and Internal Control Committee and Member of the Risk Committee

Biography

A Dutch national, she is a graduate in Politics, Philosophy and Economics from the University of Oxford (United Kingdom) and holds a Master's degree in Development Economics from Erasmus University Rotterdam (Netherlands). She began her career in the ABN AMRO Group in the Netherlands, where she held various positions in the Investment Banking Division from 1984 to 2007, in particular being responsible for relations with the bank's major corporate clients. In 2008, appointed Head of Investment Banking for Western Europe at the Royal Bank of Scotland Group.

Other offices held currently

In French listed companies:

- *Member of the Supervisory Board:*
  Vallourec SA (since 2010).

In foreign listed companies:

- *Member of the Supervisory Board:*
  Bumi Armada Berhad (Malaysia) (since 2011).

In foreign unlisted companies:

- *Member of the Supervisory Board:*
  FMO (Netherlands) (since 2012).

Other offices and positions held in other companies in the past five years

- *Member of the Supervisory Board:*
  Holland Casino* (Netherlands) (from 2007 to 2016).

** Foundation*

Date of birth: 27 July 1967
Nationality: French
Year of first appointment: 2009
Term of office expires in: 2021
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

France HOUSSAYE

Director elected by employees
Branch manager of Bois Guillaume, DEC of Rouen
Member of the Compensation Committee

Biography

Societe Generale employee since 1989.

Other offices held currently

None.

Other offices and positions held in other companies in the past five years

None.

Date of birth: 3 June 1978
Nationality: French
Year of first appointment: 2018
Term of office expires in: 2021
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

David LEROUX

Director elected by employees
In charge of General Meeting conduct for Securities Services

Biography

Societe Generale employee since 2001.

Other offices held currently

None.

Other offices and positions held in other companies in the past five years

None.

The Chairman of the Board of Directors

ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors appointed Lorenzo Bini Smaghi Chairman of the Board of Directors following the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer on 19 May 2015. At the end of the Combined General Meeting dated 23 May 2018, which renewed the Director's term of office of Lorenzo Bini Smaghi, the Board of Directors unanimously renewed his term as Chairman of the Board of Directors.

The duties of the Chairman are set out in Article 5 of the Internal Rules.

ARTICLE 5 OF THE INTERNAL RULES:

5.1 The Chairman convenes and chairs the Board of Directors meetings. He/she sets the timetable and agenda of the meetings. He/she organises and manages the work of the Board of Directors and reports on its activities to the General Meeting. He/she chairs the General Meetings of Shareholders.

5.2 The Chairman ensures the proper functioning of the Company's bodies and the implementation of the best corporate governance practices, in particular as regards the Committees set up within the Board of Directors, which he/she may attend without the right to vote. He/she may submit questions for the consideration of these Committees.

5.3 He/she receives all information relevant to his/her missions. He/she is regularly informed by the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officers, of significant events relating to the life of the Group. He/she may request the disclosure of any information or document that may inform the Board of Directors. For the same purpose, he/she may hear the Statutory Auditors and, after having informed the Chief Executive Officer, any Group senior manager.

5.4 He/she ensures that the Directors are in a position to fulfil their missions and ensures that they are properly informed.

5.5 He/she is the only person authorised to speak on behalf of the Board of Directors, except in exceptional circumstances or with a specific mandate entrusted to another Director.

5.6 He/she devotes his/her best efforts to promote in all circumstances the values and the image of the Company. In consultation with the General Management, he/she may represent the Group in its high-level relations, in particular with major clients, regulators, major shareholders and public authorities, both domestically and internationally.

5.7 He/she has the material resources necessary for the performance of his/her missions.

5.8 The Chairman has no executive responsibilities, these responsibilities being exercised by the General Management which proposes and applies the Company's strategy, within the limits defined by law and in compliance with the corporate governance rules and directions set by the Board of Directors.

REPORT ON THE ACTIVITIES OF THE CHAIRMAN OF THE BOARD OF DIRECTORS FOR 2019

In 2019, the Chairman of the Board devoted at least three days a week to Group business.

He chaired all Board meetings and executive sessions. He also attended nearly every Committee meeting. He met Directors individually, notably with regard to the Board's assessment of the Directors' performances, including individual assessments of Directors. With the support of the Chairman of the Nomination and Corporate Governance Committee, he oversaw procedures to recruit new Directors. He also met the Group's main senior executives (heads of business lines or functions). He visited a number of offices abroad (in Africa and in Romania notably) and in the French Retail Banking network. He also visited Boursorama's offices. He attended meetings with the financial and banking authorities of several countries (Romania, Belgium, Morocco and Greece). The Chairman also met with banking regulators of the European Union on several occasions,. He participated in the annual meetings of the IMF and held several meetings with the ECB. The Chairman also took part in several public events both in and outside Europe, where he spoke on a range of themes, in particular the macro-economy and banking regulations. The Chairman also gave media interviews on several occasions, and met with clients, investors and shareholders. To prepare for the General Meeting, he attended meetings with the main shareholders and proxies. Lastly, he took part in a roadshow in New York and London to present the Group's governance system to investors.

His contact with investors resulted in the Board approving two points relating to long-term incentives, namely the introduction of a new extra-financial target and the non-payment of long-term incentives in the event that performances fall short of the median of the peer panel.

Board of Directors' expertise

The Internal Rules of Societe Generale's Board of Directors define its organisation and operating procedures. They were updated on 31 July 2019.

The Board of Directors deliberates on any matter falling within its legal and regulatory powers and must devote sufficient time to perform its tasks.

In particular, the scope of the Board of Directors' remit includes the following areas (see pages 557 and 558, Article 1 of the Internal Rules):

- **strategic focus and operations:** it approves the Group's strategic focus, ensures its implementation and reviews it at least once a year. The focus essentially deals with the Group's values and the Code of Conduct as well as the main thrusts of the policy on social and environmental responsibility, human resources, and information and organisation systems. It approves the plans for strategic operations, in particular acquisitions and disposals, which may have a significant impact on the Group's earnings, its balance sheet structure and risk profile;
- **financial statements and communication:** it ensures the accuracy and truthfulness of the annual and consolidated annual accounts and the quality of the information provided to the shareholders and the market. It approves the Management Report. It controls the publication and communication process, and the quality and reliability of the information to be published and communicated;

- **risk management:** it approves the global strategy and risk appetite of any nature, and oversees the corresponding implementation. To this end, it approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which Societe Generale is or could be exposed, including the risks created by the economic environment. It notably ensures the adequacy and effectiveness of the risk management systems, monitors the risk exposure stemming from Group activities and approves the overall risk limits. It ensures the effectiveness of the corrective measures taken in the event of a default;
- **governance:** it appoints the Chairman, Chief Executive Officer and, upon the latter's proposal, the Deputy Chief Executive Officer(s), it determines any possible limitations on the powers of the Chief Executive Officer and the Deputy Chief Executive Officer(s). It reviews the governance system, periodically assesses its effectiveness and ensures that remediation measures to address potential shortcomings have been taken. It ensures, in particular, compliance with the banking regulations with respect to internal control. It also fixes guidelines and controls the implementation by the Effective Senior Managers of the oversight systems in order to ensure effective and prudent management of the institution, in particular the avoidance of conflicts of interest. It deliberates on changes to the Group's management structure prior to their implementation and is informed of the main changes to its organisation. It deliberates at least once a year on its operation and that of its Committees, on the skills, aptitudes and availability of its members as well as on the conclusions of the periodic assessment thereof. It reviews once a year the succession plan for the Chairman and the Chief Executive Officers. It gives, where appropriate, its prior consent to the dismissal of the Chief Risk Officer, after the Risk Committee and the Nomination and Corporate Governance Committee have been consulted. It prepares the report on corporate governance;
- **compensation and wage policy:** it distributes the total amount of compensation for Directors and establishes the compensation policy principles applicable in the Group, in particular regarding regulated persons. It sets the compensation of the Chief Executive Officers and decides on the allocation of performance shares under the authorisations given by the General Meeting. It deliberates once a year on the Company's policy regarding professional and wage equality between men and women;
- **preventive recovery plan:** it establishes the preventive recovery plan that is communicated to the European Central Bank and deliberates on any similar plan requested by foreign supervisory authorities.

Functioning of the Board of Directors

The Internal Rules govern the functioning of the Board of Directors (see Article 6 of the Internal Rules, p. 559). The latter is convened by the Chairman, by letter, fax, email or any other means, or at the request of one-third of the Directors. It meets at least eight times a year, in particular to adopt the annual and consolidated financial statements.

Each Director receives the information required to carry out his or her duties, in particular for the preparation of each Board of Directors meeting. The Directors also receive any useful information, including critical information, on significant events for the Company. Each Director attends the training sessions necessary to fulfil his or her duties.

The Board of Directors' work

In 2019, the Board held 14 meetings, the average duration of which was three hours. The Directors' attendance rate averaged 94% per meeting compared with 93% in 2018. In addition to these meetings, the Board of Directors also held several conference calls on current events.

Two executive sessions focused on assessing the General Management team and the succession plan.

Representatives of the ECB and the ACPR were also present at the Board of Directors meeting of 2 May 2019.

As it does every year, the Board of Directors prepared the annual, interim and quarterly financial statements and reviewed the budget. It deliberated on the disposals and acquisitions carried out in 2019.

During 2019, the Board continued to monitor the Group's liquidity profile and capital trajectory in light of regulatory requirements. Similarly, at each meeting, it monitored the developments in major ongoing disputes. The Board of Directors was regularly informed of the remediation plans instigated following the agreements with the US authorities, the French Director of Prosecutions (*Parquet National Financier*) and the French anti-bribery agency. The remediations notably deal with anti-corruption initiatives, sanctions and embargoes, an anti-money laundering plan and benchmark management.

The Board reviewed during a one-day seminar the Group's strategy and its main businesses, as well as its competitive environment during a one-day seminar.

In 2019, the Board addressed the following main topics:

- annual strategic plan;
- progress of the Culture & Conduct programme in the Group;
- market activities;
- Retail Banking (BDDF, Crédit du Nord, Boursorama);
- insurance;
- activities in the United States;
- CSR (corporate social responsibility) policy;
- innovation;
- information systems and IT security;
- cyber-security;
- customer satisfaction;
- compliance;
- human resources;
- the Group's image;
- resolution and recovery plans;
- ALD;
- SGEF;
- Brexit;
- global employee shareholding plan.

The Board of Directors was informed of regulatory changes and their consequences on the Group's organisation and its business. The Board regularly reviewed the Group's risk status. It approved the Group's risk appetite. It approved the ICAAP and the ILAAP as well as the Group's overall market risk limits. It reviewed the Annual Reports on internal control communicated to the French Prudential Supervisory and Resolution Authority (ACPR), as well as the responses to follow-up letters following ACPR and ECB inspections. It also reviewed actions taken in response to recommendations by US regulators.

The Board assessed the performances of the Chief Executive Officers and determined their compensation, as well as that of the Chairman. It decided performance share plans.

Board members also discussed the policy in place with respect to gender equality in the workplace and equal pay.

Lastly, the Baord decided the allocation of compensation to Directors (see p. 95).

The Board of Directors determined and prepared the resolutions to be submitted to the Annual General Meeting and in particular those relating to the reappointment of Directors following the expiry of their terms of office and the appointment of new Directors.

Each year, the Board conducts a review of its operation under the format of an external evaluation. The conclusions of this review in 2019 are indicated in the assessment section of this report (see p.94).

Similarly, it discussed as is the case every year the succession plan of the General Management. These succession plans distinguish between situations of renewal at the end of the terms of office and renewal not anticipated in advance. The succession plans are prepared by the Nomination and Corporate Governance Committee.

Following the introduction of the so-called PACTE Law (Law n° 2019-486 of 22 May 2019, hereinafter referred to as the "Pacte Law"), the Board of Directors discussed the Company's purpose and adopted the following wording: "Building together, with our clients, a better and sustainable future through responsible and innovative financial solutions". It was formally decided not to provide a company's purpose in the by-laws. On the other hand, at its 2020 Annual General Meeting, Societe Generale intends to amend its beylaws to set out that the Board of Directors determines the direction of the activity and ensures their implementation in accordance with the Company's corporate interest, taking into account the corporate social responsibility (CSR) of its activity.

In May 2019, Kyra Hazou, Gérard Mestrallet and Frédéric Oudéa were reappointed as Directors. The Board of Directors also decided to reappoint Frédéric Oudéa as Chief Executive Officer for a further four-year term when his term of office as Director expired in May 2019. It reappointed Diony Lebot, Philippe Aymerich, Séverin Cabannes and Philippe Heim as Deputy Chief Executive Officers, confirmed their compensation and adopted their particular post-employment commitments.

In January 2020, the Board of Directors carried out the annual review of related-party agreements and commitments entered into and authorised during previous financial years and which continued during the 2019 financial year. This covered the non-compete clause agreements and severance pay commitments subject to performance conditions in favour of Frédéric Oudéa and Séverin Cabannes and the pension commitment in favour of Séverin Cabannes. This also concerns the regulated pension and severance pay commitments subject to performance conditions and the regulated non-compete clause agreements authorised by the Board of Directors on 3 May 2018 in favour of Philippe Aymerich, Philippe Heim and Diony Lebot, appointed Deputy Chief Executive Officers with effect from 14 May 2018. These new agreements and commitments were approved by the General Meeting of 21 May 2019.

On 6 February 2019, the Board considered that the pension commitments were still justified and amended their regime with effect from 1 January 2019. It also decided to amend the non-compete clause agreements and the severance pay commitments in favour of the Chief Executive Officers and Deputy Chief Executive Officers to make them more demanding. These amended commitments and agreements, and their renewal, were approved by the General Meeting of 21 May 2019 (see pages 108 and 109).

During past financial years, in accordance with Article L. 225-37-4 paragraph 2 of the French Commercial Code, the present report explicitly took into consideration agreements made by one of the corporate officers or any shareholder owning or holding a number of votes greater than 10% of a company and, on the other hand, any other company of which the first company owns or holds, either directly or indirectly, more than half the share capital, except for agreements relating to routine operations or transactions and made on arm's-length terms and conditions.

The Pacte Law modified the wording of Article L. 225-37-4 paragraph 2 of the French Commercial Code which henceforth applies to agreements that are not considered to be agreements relating to routine operations made on arm's-length terms and conditions, made directly or through an intermediary between one of the corporate officers or any shareholder owning or holding a number of votes greater than 10% of a company and, on the other hand, any other company controlled by the first company within the meaning of Article L. 233-3 of the French Commercial Code (and no longer a company of which more than half the share capital is owned, either directly or indirectly).

It was noted that for the financial year ended 31 December 2019, no new agreements were made directly or through an intermediary between one of the corporate officers or any shareholder owning or holding a number of votes greater than 10% of a company and, on the other hand, any other company controlled by the first company within the meaning of Article L. 233-3 of the French Commercial Code, excluding from this scope agreements relating to routine transactions and made on arm's-length terms and conditions.

Following its meeting of 12 December 2019 and in accordance with the provisions of Article L. 225-39 of the French Commercial Code, the Board of Directors was informed of a procedure reviewed by the Nomination and Corporate Governance Committee to regularly assess whether agreements relating to routine transactions and made on arm's-length terms and conditions satisfy these conditions.

The basis of the procedure is to identify transactions that do not comply with internal standards applicable to customers and suppliers.

The procedure may be viewed on the Company's website under the Board of Directors tab.

Publication of information relating to the agreements described in Article L. 225-38 of the French Commercial Code, in accordance with the provisions of Article L. 225-40-2 of the French Commercial Code.

In accordance with the provisions of the Pacte law codified in Article L. 225-40-2 of the French Commercial Code, information relating to the agreements described in Article L. 225-38 of the French Commercial are available on the Company's website under the Board of Directors tab and in the Universal Registration Document.

The Board of Directors' Committees

The Board of Directors was assisted by four Committees in 2019:

- the Audit and Internal Control Committee;
- the Risk Committee (and its extension, the US Risk Committee);
- the Compensation Committee;
- the Nomination and Corporate Governance Committee.

AUDIT AND INTERNAL CONTROL COMMITTEE

4 Number of Directors	100% Proportion of independent Directors
75% Representation of women	
10 Number of meetings in 2019	98% Average attendance in 2019

RISK COMMITTEE

5 Number of Directors	100% Proportion of independent Directors
60% Representation of women	
10 Number of meetings in 2019	92% Average attendance in 2019

COMPENSATION COMMITTEE

4 Number of Directors	100% Proportion of independent Directors[1]
25% Representation of women	
9 Number of meetings in 2019	92% Average attendance in 2019

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

4 Number of Directors	100% Proportion of independent Directors
25% Representation of women	
6 Number of meetings in 2019	100% Average attendance in 2019

(1) Calculation excluding Directors representing employees, in accordance with AFEP-MEDEF Corparate Governance Code.

Each Committee comprises at least four members. No Director is a member of more than two Committees. Each Committee comprises at least one member of each gender.

One Director representing the employees sits on the Compensation Committee. One Director sits on both the Risk Committee and the Compensation Committee.

Since 2018, the Risk Committee has been extended to include the members of the Audit and Internal Control Committee when it acts as US Risk Committee. Accordingly, the composition of the latter is as follows: Nathalie Rachou (Chairperson), Alexandra Schaapveld, Kyra Hazou, William Connelly, Jérôme Contamine and Juan Maria Nin Génova. The Board has excused Diane Côté from attending, in application of Article 11 of the Internal Rules.

The Chairpersons of the Risk Committee and the Audit and Internal Control Committee meet with the ECB and the US Federal Reserve at least once a year to provide an overview on the Committees' activities.

The duties of the Board of Directors' four Committees are set out in Articles 10 to 13 of the Internal Rules (see Chapter 7).

AUDIT AND INTERNAL CONTROL COMMITTEE

At 1 January 2020, the Audit and Internal Control Committee comprised four independent Directors: Diane Côté, Kyra Hazou, Alexandra Schaapveld and Jérôme Contamine. The Committee is chaired by Alexandra Schaapveld.

All members hold or have held positions as bankers, or have been Chief Financial Officers, auditors or Chief Legal Officers in banks. Accordingly, they are highly qualified in the financial and accounting fields, and in evaluating internal control systems.

ARTICLE 10 OF THE INTERNAL RULES:

10.1 The Audit and Internal Control Committee's mission is to monitor issues concerning the preparation and control of accounting and financial information as well as the monitoring of the effectiveness of internal control, measurement, monitoring and risk control systems.

10.2 In particular, it is responsible for:

a) ensuring the monitoring of the process for the production of the financial information, particularly reviewing the quality and reliability of existing systems, making proposals for their improvement and ensuring that corrective actions have been implemented in the event of a malfunction in the process; where appropriate, it makes recommendations to ensure their integrity;

b) analysing the draft accounts to be submitted to the Board of Directors in order to, in particular, verify the clarity of the information provided and assess the relevance and consistency of the accounting methods adopted for drawing up annual accounts and consolidated annual accounts;

c) conducting the procedure for selecting the Statutory Auditors and issuing a recommendation to the Board of Directors, developed in accordance with the provisions of Article 16 of the Regulation (EU) n° 537/2014 dated 16th April 2014, concerning their appointment or renewal as well as their remuneration;

d) ensuring the independence of the Statutory Auditors in accordance with the regulations in force;

e) approving, in accordance with Article L. 823-19 of the French Commercial Code and the policy adopted by the Board of Directors, the provision of services other than the certification of accounts referred to in Article L. 822-11-2 of the said Code after analysing the risks to the Statutory Auditor's independence and the safeguard measures applied by the latter;

f) reviewing the work programme of the Statutory Auditors and, more generally, monitoring the control of the accounts by the Statutory Auditors in accordance with the regulations in force;

g) ensuring the monitoring of the effectiveness of internal control, risk management and internal audit systems, with regard to the procedures for the preparation and processing of the accounting and financial information. To this end, the Committee is responsible in particular for:

- reviewing the Group's permanent control quarterly dashboard,
- reviewing the internal control and risk control of the business segments, divisions and main subsidiaries,
- reviewing the Group's periodic monitoring programme and giving its opinion on the organisation and functioning of the internal control departments,
- reviewing the follow-up letters from the banking and markets supervisors and issuing an opinion on draft replies to these letters;

h) reviewing the reports prepared in order to comply with the regulations in terms of internal control.

10.3 It regularly reports to the Board of Directors on the performance of its missions, including the outcomes of the mission of certification of the accounts, how this mission contributed to the integrity of the financial information and the role it played in this process. It informs the Board of Directors without delay of any difficulty encountered.

10.4 The Statutory Auditors shall be invited to the meetings of the Audit and Internal Control Committee, unless the Committee decides otherwise. They may also be consulted outside these meetings.

10.5 The Audit and Internal Control Committee or its Chairman also includes the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, where necessary, the managers in charge of preparing the accounts, internal control, risk control, compliance control and periodic control.

10.6 The Audit and Internal Control Committee is composed of at least three Directors appointed by the Board of Directors, who have the appropriate financial, accounting, or statutory audit skills. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

Audit and Internal Control Committee Activity Report for 2019

The Committee met ten times in 2019, with an attendance rate of 98% (90% in 2018).

The Committee reviewed the draft annual, interim and quarterly consolidated accounts prior to their presentation to the Board and submitted its opinion on them to the Board. It validated the corresponding financial communication.

At each account closing period, the Committee interviewed the Statutory Auditors in the presence of management before attending a presentation of the accounts by the Finance Division. Early in the year, the Statutory Auditors presented in detail the Key Audit Matters. One of the Chief Executive Officers attended the meetings dedicated to each account closing and discussed the quarter's significant events with the Committee.

The heads of the internal control functions (audit, risk, compliance and finance) report to the Committee at each meeting.

The Committee reviewed the Annual Report on internal control.

It devoted several agenda items to internal control issues and the monitoring of remediation plans following inspections by supervisors, including the US Federal Reserve, the Financial Conduct Authority, the European Central Bank and the French banking and insurance sector supervisor (ACPR). The Committee conducted a quarterly review of the work dedicated to bring permanent control to the required level. The Committee regularly assessed the work performed by the General Inspection and Audit Department. It was informed of significant compliance incidents.

Except for Diane Côté, committee members took part in work performed by the US Risk Committee which serves as the Risk Committee and oversees audits of US-based businesses.

It reviewed the work schedule for the General Inspection Department and the audit teams, in addition to the follow-up procedures on audit recommendations. It was briefed on the activities of the subsidiaries' audit committees pursuant to the Group's rules.

It examined the Group's draft replies to follow-up letters from the ACPR, as well as the replies to the ECB or foreign regulators. It is tasked with supervising on a regular basis the implementation of the ECB's recommendations.

The Committee dealt with the following issues during the year:

- IFRS 9;
- ALD;
- SGEF;
- compliance with the Volcker rule;
- Newedge/SGIL;
- review of the Statutory Auditors;
- KYC (Know Your Customer) ;
- reports of suspicious transactions;
- sanctions and embargos;
- remediation benchmark-setting principles;
- investment services policy;
- market integrity;
- claims/mediator's report;
- customer protection;
- whistleblower mechanism;
- SACC (services furnished by Statutory Auditors other than the certification of financial statements).

The Committee paid a visit to Boursorama. It also travelled to Romania (BRD and SGEBS) and to New York. During its visits, the Committee verified the proper functioning of the Bank's internal control systems.

It discussed the audit programme and the budget for Statutory Auditors' fees for 2019. It defined and implemented new regulations relating to the approval of services furnished by Statutory Auditors other than the certification of financial statements. It also issued a recommendation to the Board of Directors on the selection of the Statutory Auditors.

RISK COMMITTEE

At 1 January 2020, the Risk Committee comprised five independent Directors: Kyra Hazou, Nathalie Rachou, Alexandra Schaapveld, William Connelly and Juan Maria Nin Génova. The committee is chaired by Nathalie Rachou.

All members hold or have held positions as bankers, or have been Chief Financial Officers, auditors or Chief Legal Officers in banks. Accordingly, they are highly qualified in the financial and accounting fields, and in evaluating risks.

ARTICLE 11 OF THE INTERNAL RULES:

11.1 The Risk Committee advises the Board of Directors on the overall strategy and the appetite regarding all kinds of risks, both current and future, and assists it when it controls the implementation of this strategy.

11.2 In particular, it is responsible for:

a) preparing the debates of the Board of Directors on documents relating to risk appetite;

b) reviewing the risk control procedures and is consulted for the setting of overall risk limits;

c) undertaking a regular review of the strategies, policies, procedures and systems used to detect, manage and monitor the liquidity risk and communicating its conclusions to the Board of Directors;

d) issuing an opinion on the Group's global provisioning policy, as well as on specific provisions for significant amounts;

e) reviewing the reports prepared to comply with the banking regulations on risks;

f) reviewing the policy concerning risk control and the monitoring of off-balance sheet commitments, especially in the light of the memoranda prepared to this end by the Finance Division, the Risk Division and the Statutory Auditors;

g) reviewing, as part of its brief, whether the prices for the products and services mentioned in Books II and III of the French Monetary and Financial Code and offered to clients are consistent with the Company's risk strategy. When these prices do not correctly reflect the risks, it informs the Board of Directors accordingly and gives its opinion on the action plan to remedy the situation;

h) without prejudice to the Compensation Committee's missions, reviewing whether the incentives provided for by the compensation policy and practices are consistent with the Company's situation with regard to the risks to which it is exposed, its capital and its liquidity, as well as the probability and timing of expected benefits;

i) reviewing the risks associated with the Group's implementation of the guidelines on social and environmental responsibility and the indicators relating to the Conduct as part of the "Culture and Conduct" programme;

j) reviewing the enterprise risk management related to the Company's operations in the United States in accordance with the requirements of the U.S. Federal Reserve's Enhanced Prudential Standards Rules and guidelines issued by the supervisors ("supervisory guidelines"). When acting as US Risk Committee, the Risk Committee operates according to a dedicated charter

which is an integral part of this article and complete it. The Chairman of the Risk Committee reports the work decided by the US Risk Committee to the Board of Directors, which validates it.

11.3 It has all information on the Company's risk situation. It may use the services of the Chief Risk Officer or external experts.

11.4 The Statutory Auditors are invited to the meetings of the Risk Committee, unless the Committee decides otherwise. They may also be consulted outside these meetings.

The Risk Committee or its Chairman includes the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, as necessary, the managers responsible for preparing the accounts, internal control, risk control, compliance control and periodic control.

11.5 The Risk Committee is composed of at least three Directors appointed by the Board of Directors who have knowledge, skills and expertise concerning risks. At least two-thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

Risk Committee activity report for 2019

The Risk Committee met ten times during the year. The attendance rate for its members was 92%, compared with 98% in 2018.

The Chief Risk Officer reports at each meeting to the Risk Committee on changes in the risk environment and highlights. The Committee examines the documents relating to risk appetite (risk appetite statement and risk appetite framework) and prepares the decisions on the ICAAP and ILAAP. It regularly receives risks dashboards of all kinds, included reputation and conformity ones. It receives operations dashboards as well. It examined the following topics:

- risk limits (including market and structural risks);
- counterparty risks;
- Culture & Conduct;
- liquidity;
- Brexit;
- model risks;
- non-performing loans;
- IFRS 9;
- integration of pricing risk;
- legal risks related to digitisation;
- recovery policy in France;
- integration of Commerzbank;
- HR risks;
- compliance function assessment;
- ALM and structural risks;
- Private Bank;
- regulatory projects;
- Lyxor;
- GDPR (General Data Protection Regulation);
- CSR (Corporate Social Responsibility);
- litigation management;
- internal audit assessment;
- information systems and cybersecurity risks;
- risk function assessment;
- European Banking Authority stress tests;
- tax management;
- compensation policy;
- BCBS standard 239;
- recovery plan;
- benchmark reform.

The Committee devoted several agenda items in 2019 to IT security- and information systems-related matters. It was briefed on the main disputes, including tax disputes. It reviewed the the Risk department's organisation. It also conducted a review of the Compliance department. It examined risk areas specific to regulatory projects (MiFID II, etc.) and prepared the Board's work on recovery and resolution plans. It issued an opinion to the Compensation Committee on the risks involved in the compensation of regulated employees (market professionals and others).

It examined the risks related to specialised financial services and offshoring. The Risk Committee, together with the Audit and Internal Control Committee, visited Boursorama to address the risks associated with its activity. It also travelled to Romania and New York to conduct a thorough review of the risk management system.

In its capacity as the US Risk Committee, the Risk Committee held quarterly meetings to validate the risk appetite of US operations. It also performed other tasks required by US regulations such as the supervision of liquidity risk and the validation of risk strategies. It reviewed the remediation plan requested by the US Federal Reserve for monitoring risks. The Committee received specific training on its responsibilities as members of the US Risk Committee. It met a total of nine times during the year. The US Risk Committee charter is appended to the Board's Internal Rules (see page 564).

COMPENSATION COMMITTEE

At 1 January 2020, the Compensation Committee comprised four Directors, including three independent Directors (Jean-Bernard Lévy, Gérard Mestrallet and Juan Maria Nin Génova), and one employee (France Houssaye). The Compensation Committee is chaired by Jean-Bernard Lévy, who is an independent Director.

Members have the skills needed to assess compensation policies and practices, including those relating to the Group's risk management.

ARTICLE 12 OF THE INTERNAL RULES:

12.1 The Compensation Committee prepares the decisions that the Board of Directors adopts concerning compensation, especially those related to the Chief Executive Officers *(dirigeants mandataires sociaux)* as well as those that have an impact on the risk and the management of risks in the Company.

12.2 It conducts an annual review of:

- **a)** the principles of the Company's compensation policy;
- **b)** the compensation, allowances and benefits of any kind granted to the Company's executive officers *(mandataires sociaux)* as well as the Effective Senior Managers, if they are different;
- **c)** the compensation policy for regulated employees within the meaning of the banking regulations.

12.3 It controls the compensation of the Chief Risk Officer and the Chief Compliance Officer.

12.4 It receives all information necessary for its mission and in particular the annual report sent to the European Central Bank.

12.5 It may be assisted by the internal control services or by external experts.

12.6 In particular, the Committee:

- **a)** proposes to the Board of Directors, in compliance with the regulations applicable to credit institutions, the principles given by the AFEP-MEDEF Corporate Governance Code and professional standards, the principles of the compensation policy for the Chief Executive Officers *(dirigeants mandataires sociaux)*, and especially the criteria for the determination, the structure and the amount of this compensation, including allowances and benefits in kind, insurance or pension benefits, and compensation of any kind received from all the Group companies; it ensures their application;
- **b)** prepares the annual performance assessment of the Chief Executive Officers *(dirigeants mandataires sociaux)*;
- **c)** proposes to the Board of Directors the policy for performance shares;
- **d)** prepares the decisions of the Board of Directors concerning the employee savings plan.

12.7 It is composed of at least three Directors and includes a Director elected by the employees. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Code[1]. Its composition enables it to exercise a competent and independent judgement on the compensation policies and practices with regard to the management of risks, the equity and the liquidities of the Company.

(1) Employees are not taken into consideration when calculating the percentage of independent members in the Committees, in accordance with the AFEP-MEDEF Code.

Compensation Committee activity report for 2019

The Compensation Committee met nine times in 2019. The attendance rate for its members was 92%, compared with 97% in 2018.

The Chief Executive Officer was involved in the Compensation Committee's work, except when he was directly concerned.

The main topics addressed during the year were as follows:

- guidance on compensation policy;
- compensation policy of GBIS (Global Banking & Investor Solutions);
- regulated employees;
- supplementary incentive payment;
- compliance of the compensation policy;
- structure of deferred compensation;
- employment conditions of the new Chief Executive Officers;
- quantitative and qualitative objectives for 2019;
- compensation chapter of the present report on corporate governance and annual report on compensation policies;
- allocation of performance shares.

During its meetings, the Committee prepared the Board's decisions on the situation and compensation of the Chief Executive Officers. It prepared the decisions regarding the monitoring of long-term or deferred compensation. In particular, it prepared decisions relating to the compensation of the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officers.

The Committee prepared the appraisals of the Chief Executive Officers and submitted their annual target recommendations to the Board.

In accordance with the CRD4 Directive and its transposition into French law, the Compensation Committee ensured that the Group's compensation policies comply with regulations and that they are aligned with the risk management strategy and shareholder equity targets.

The Committee reviewed the principles of the compensation policy applicable in the Group, in particular concerning employees whose activities have a significant impact on the Group's risk profile, in accordance with the new regulations in force. It devoted several meetings to this issue and to ensuring that the structure proposed for regulated employees complies with new rules in force. It notably ensured that the compensation policy effectively takes into account the risks generated by the businesses and that employees comply with risk management policies and professional standards. The Risk Committee issued an opinion on the matter. One member, Juan Maria Nin Génova, sits on both Committees. The Committee also relied on work by external and internal control bodies. It reviewed the annual report on compensation. The compensation policy is described in detail on pages 102 and following.

Lastly, the Committee proposed the share (or share equivalent) allocation plans to the Board.

The Committee prepared the Board's work on gender equality in the Company.

Other significant modifications were made to the compensation policy, notably extra-financial targets for long-term incentives. Furthermore, following the General Meeting of 2019, conditions related to severance pay and the LTI plan will be amended to meet shareholders' expectations.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

At 1 January 2020, the Nomination and Corporate Governance Committee comprised four independent Directors:

Nathalie Rachou, William Connelly, Jean-Bernard Lévy and Gérard Mestrallet. The Committee is chaired by Gérard Mestrallet.

Members have the skills required to assess the nomination and corporate governance policies and practices.

ARTICLE 13 OF THE INTERNAL RULES:

13.1 The Nomination and Corporate Governance Committee:

- **a)** is responsible for making proposals to the Board of Directors for the appointment of Directors and Committees members as well as on the succession of the executive officers *(mandataires sociaux)*, especially in the event of an unforeseeable vacancy, after having carried out necessary studies. To this end, it prepares the selection criteria to be submitted to the Board of Directors, proposes to the Board of Directors an objective to be achieved concerning the balanced representation of women and men on the Board of Directors and develops a policy designed to achieve this objective[(1)];
- **b)** periodically reviews the structure, size, composition and effectiveness of the Board of Directors' work and submits to the Board of Directors any recommendation relevant to the carrying out of the annual assessment of the Board of Directors and its members;
- **c)** periodically reviews the Board of Directors' policies concerning the selection and appointment of the Effective Senior Managers, the Deputy Chief Executive Officers and the Heads of risk, compliance, audit and finance functions; it makes recommendations in this area;
- **d)** is informed in advance of the appointment of the Heads of risk, compliance, audit and finance functions. It is also informed of the appointment of the Heads of Business Units or of Service Units. It is informed of the succession plan for these senior officers *(dirigeants)*;
- **e)** prepares the review by the Board of Directors of corporate governance issues as well as the Board of Directors' work on matters relating to Corporate culture. It proposes to the Board of Directors the presentation of the Board of Directors in the Registration Document and in particular the list of independent Directors.

13.2 It is composed of at least three Directors. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code. The Chief Executive Officer is involved, as necessary, in the Committee's work.

(1) The objective and policy of the credit institutions, as well as the terms of implementation, are made public in accordance with paragraph 2 (c) of Article 435 of Regulation (EU) n° 575/2013 dated 26 June 2013.

Nomination and Corporate Governance Committee activity report for 2019

The Nomination and Corporate Governance Committee held six meetings in 2019. The attendance rate was 100% (82% in 2018).

The Chief Executive Officer was involved in Nomination and Corporate Governance Committee work during 2019, including work on succession plans.

The Committee prepared the resolutions for the General Meeting. It examined the proposed updates of the Internal Rules of the Board of Directors. It prepared the reappointments of Directors effected in 2019 and ensured the balanced representation of men and women on the Board.

The Nomination and Corporate Governance Committee, in the context of the preparation of the succession plans of the General Management, relies on work carried out internally by the Chief Executive Officer and as necessary by external consultants. These plans distinguish the case of unexpected successions and the successions prepared in the medium and long term.

The Chairman of the Committee, together with the Chairman of the Board, oversaw the procedure for appraisal of the Board (see below p. 94) that has been implemented by an external consultant.

The Nomination and Corporate Governance Committee has prepared the conditions of allocation of compensation to Directors.

It prepared the Board's review this report on corporate governance, in particular concerning the assessment of Directors' independence.

Appraisal of the Board of Directors and its members

Each year, the Board of Directors devotes part of a meeting to discussing its functioning, based on an appraisal by a specialised external consultant performed every three years, and in other years based on interviews and surveys carried out by the Nomination and Corporate Governance Committee.

In both cases, a summary of anonymous responses are presented in a document that serves as a basis for the Board's discussions.

For 2019, the Board decided to rely on an external appraisal conducted by the firm Spencer Stuart. The appraisal focused on the collective functioning of the Board, as well as on the individual evaluation of each Director. The appraisal was based on an interview guide validated by the Nomination and Corporate Governance Committee. For individual appraisals, each Director was asked to give his/her viewpoint on the contribution of each of the other Directors. This individual appraisal also focused on the Chairman of the Board of Directors and the interaction between the Chairman and the Directors.

The appraisal findings were discussed at the Nomination and Corporate Governance Committee and the Board of Directors.

The overall assessment of the Board of Directors was extremely positive. In addition to comments on the need for more concise files that more clearly summarise the decisions to be made, the Board expressed its desire to devote more time to the strategy and activities of the core businesses. In particular, responses highlighted that the impact of new technologies and IT risks should be reinforced.

The composition of Board members was highly appreciated. The importance of diversity of experiences was emphasised, particularly regarding technological areas and the management of large groups.

CSR and culture and the conduct deliberations were greatly appreciated and will need to be dealt with in depth, notably climate risks. Interactions with the Chairman and with General Management were deemed to be excellent.

Litigation management and follow-up at Board level were also considered in a positive light.

The Board of Directors also wished to spend more time on human resources and on succession plans.

The appraisal underscores the importance of training for Directors when they first join the Board, as well as during their appointment. Measures will be put in place to round out the training programme so that Board members gain a better understanding of the Group's organisation and technological challenges, and of the impact of new regulations. The Chairman provides a copy of the individual appraisal to each of the Directors.

Training

Six training sessions were organised in 2019. For new directors, customised onboarding training is arranged systematically.

Board member training on the following issues was enhanced in 2019:

- regulatory aspects in particular in the United States (corruption, anti-money laundering, compliance with benchmarks regulation);
- financial subjects (prudential ratios, regulatory capital, debt securities);
- technological subjects (artificial intelligence, cybersecurity, data);
- risks (rates, derivatives);
- governance.

This initiative will be further strengthened in 2020, in light of the guidelines contained in the Board of Directors' appraisal.

Furthermore, the Board decided to better organise training given to new Directors, notably on the Bank's structure.

The annual seminar and certain topics discussed at Board meetings also aim to provide additional training, particularly on the regulatory and competitive environment.

Compensation of company directors

The annual amount allocated to attendance fees was set at EUR 1,700,000 at the General Meeting of 21 May 2019. The entire amount was used in 2019.

The rules governing the breakdown of compensation to Directors are determined by Article 15 of the Board's Internal Rules (see Chapter 7).

Since 2018, the amount of allocated compensation has been reduced by EUR 200,000 to be distributed between the members of the Risk Committee and the members of the Audit and Internal Control Committee gathered as the US Risk Committee. Diane Côté, member of the Audit and Internal Control Committee, is exempted from participating in the work of the US Risk Committee and thus does not have any corresponding compensation. This amount is distributed in equal portions, except for the Chairman of the Risk Committee who has two portions. The balance is then reduced by a lump sum of EUR 130,000 distributed between the Chairman of the Audit and Internal Control Committee and the Chairman of the Risk Committee.

The balance is divided into 50% fixed, 50% variable. The number of fixed portions per Director is 6.

Additional fixed portions are allocated:

- Chairman of the Audit and Internal Control Committee or of the Risk Committee: 4 portions;
- Chairman of the Nomination and Corporate Governance Committee or of the Compensation Committee: 3 portions;
- Member of the Nomination and Corporate Governance Committee or of the Compensation Committee: 0.5 portion;
- Member of the Audit and Internal Control Committee or of the Risk Committee: 1 portion.

The additional fixed portions may be reduced in proportion to the actual attendance when the attendance over the year is below 80%.

The variable portion of compensation is divided up at the end of the year, in proportion to the number of meetings or working meetings of the Board of Directors and of each of the Committees which each Director has attended.

The Chairman of the Board of Directors and the Chief Executive Officer do not receive any compensation.

3.1.3 GENERAL MANAGEMENT

(AT 1ST JANUARY 2020)

Organisation of the General Management

General Management oversees the Company and acts as its representative vis-à-vis third parties. General Management comprises the Chief Executive Officer, Mr. Frédéric Oudéa, who is assisted by four Deputy Chief Executive Officers:

- Mrs. Diony Lebot, in office since 14 May 2018, responsible in particular for supervising the control functions (Risks, Finance and Compliance);
- Mr. Philippe Aymerich, in office since 14 May 2018, responsible in particular for supervising the activities of French Retail Banking and its Innovation, Technologies & Informatics Department as well as Group Resources (IT, Real Estate and Sourcing);
- Mr. Séverin Cabannes, in office since May 2009, responsible in particular for overseeing the activities of Global Banking and Investor Solutions;
- Mr.Philippe Heim, in office since 14 May 2018, responsible in particular for supervising the activities of International Retail Banking, Financial Services and Insurance.

Limitations imposed on the powers of the Chief Executive Officer and the Deputy Chief Executive Officers

The By-laws and the Board of Directors do not impose any special restrictions on the powers of the Chief Executive Officer or Deputy Chief Executive Officers; they shall exercise these powers in accordance with the applicable laws and regulations, By-laws, Internal Rules and guidelines set by the Board of Directors.

Article 1 of the Internal Rules (see Chapter 7, p. 557) defines the cases in which prior approval by the Board of Directors is required (strategic investment projects in excess of a specific amount, etc.).

Presentation of the members of General Management

Date of birth: 3 July 1963
Nationality: French
Holds 206,280 shares
2,414 shares through Société Générale Actionnariat (Fonds E)

Frédéric OUDÉA

Chief Executive Officer

Biography

See p. 78

Other offices held currently

In French listed companies:

- *Director:*
  Capgemini (since 2018).

Other offices and positions held in other companies in the past five years

None.

Date of birth: 15 July 1962
Nationality: French
Holds 12,480 shares
2,386 shares through Société Générale Actionnariat (Fonds E)

Diony LEBOT

Deputy Chief Executive Officer

Biography

From 1986 to 2004 she held several positions within the Structured Finance activity, Financial Engineering and as Head of Asset Finance. In 2004 she joined the Corporate Coverage Department as Head of Corporate Coverage in Europe for the Corporations & Institutions Division. In 2007 she was appointed Chief Executive Officer of Societe Generale Americas and became a member of the Societe Generale Group Management Committee. In 2012, she became Deputy Head of Coverage and Investment Banking and Chief Executive Officer for Global Banking and Investor Solutions Western Europe. In March 2015, she was appointed Deputy Chief Risk Officer before becoming Group Chief Risk Officer in July 2016. Deputy Chief Executive Officer since May 2018.

Other offices held currently

None.

Other offices and positions held in other companies in the past five years

- *Director:*
  Sogécap* (France) (from 2016 to 2018),
  Societe Generale Factoring*
  (France) (from 2013 to 2016),
  SG Americas Securities Holding LLC*
  (United Staes) (2016),
  Societe Generale Bank & Trust*
  (Luxembourg) (from 2014 to 2015).

** Societe Generale Group*

Date of birth: 12 August 1965
Nationality: French
Holds 13,005 shares
8,498 shares through Société Générale Actionnariat (Fonds E)

Philippe AYMERICH

Deputy Chief Executive Officer

Biography

Graduated of the French *École des hautes études commerciales* (HEC), he first joined Societe Generale in 1987 as Inspector at the Group's headquarters in Paris and served in this capacity until 1994, at which time he was appointed Inspecteur Principal. He joined Societe Generale Corporate & Investment Banking in 1997 as Deputy Managing Director of SG Spain in Madrid. From 1999 until 2004, Philippe Aymerich served in New York, first as Deputy Chief Operating Officer and then as Chief Operating Officer for SG Americas from 2000. In 2004, he was appointed Head of the Automotive, Chemicals & General Industries Group in the Corporate & Institutions Division of Societe Generale Corporate and Investment Banking. In December 2006, he was appointed Deputy Chief Risk Officer for Societe Generale Group. He was appointed Chief Executive Officer of Credit du Nord in January 2012. Then Deputy Chief Executive Officer since May 2018.

Other offices held currently

In French listed companies:

- *Chairman of the Board of Directors:*
  Boursorama* (since 2018),
  Crédit du Nord* (since 2018),
  Franfinance* (since April 2019).

Other offices and positions held in other companies in the past five years

- *Chairman of the Supervisory Board:*
  Rhône-Alpes Bank* (from 2013 to 2018),
  Courtois Bank* (France) (from 2012 to 2018),
  Laydernier Bank* (France) (from 2016 to 2018),
  Société Marseillaise de Crédit*
  (France) (from 2012 to 2018),
  Société de Bourse Gilbert Dupont*
  (France) (from 2016 to 2018)
- *Chairman of the Board of Directors:*
  Norbail Immobiler* (from 2017 to 2018)
- *Director:*
  Antarius (France) (from 2016 to 2018),
  Sogécap* (France) (from 2014 to 2016),
  Amundi Group* (France) (from 2012 to 2015)
- *Member of the Supervisory Board:*
  Tarneaud Bank* (France) (from 2012 to 2018)

** Societe Generale Group*

Date of birth: 21 July 1958
Nationality: French
Holds 94,795 shares

Séverin CABANNES

Deputy Chief Executive Officer

Biography

Worked for Crédit National, Elf Atochem, then La Poste Group (1983-2001). Joined Societe Generale in 2001 as Group Chief Financial Officer until 2002. Deputy Chief Executive Officer responsible for the Steria Group's strategy and finance, then Chief Executive Officer (2002-2007). Became Societe Generale's Group Head of Corporate Resources in January 2007, followed by Deputy Chief Executive Officer since May 2008.

Other offices held currently

None.

Other offices and positions held in other companies in the past five years

- *Director:*
  Crédit du Nord* (from 2007 to 2016),
  Amundi Group* (from 2009 to 2015).

** Societe Generale Group*

Date of birth: 3 April 1968
Nationality: French
Holds 11,177 shares
3,110 shares through Société Générale Actionnariat (Fonds E)

Philippe HEIM

Deputy Chief Executive Officer

Biography

Having started his career in 1997 to 2007 at the French Finance Ministry, he was first appointed by Societe Generale as a Senior Banker from 2007 to 2009. He was appointed Head of Group Strategy before becoming Deputy Chief Financial Officer of the Group and Head of Group Strategy in April 2012. Philippe Heim was appointed Group Chief Financial Officer in March 2013 and member of the Group's Executive Committee. Then Deputy Chief Executive Officer since May 2018.

Other offices held currently

In French unlisted companies:
- *Chairman of the Board of Directors:*
  ALD* (since May 2019).

In foreign unlisted companies:
- *Chairman of the Board of Directors:*
  Sogécap* (since June 2019).

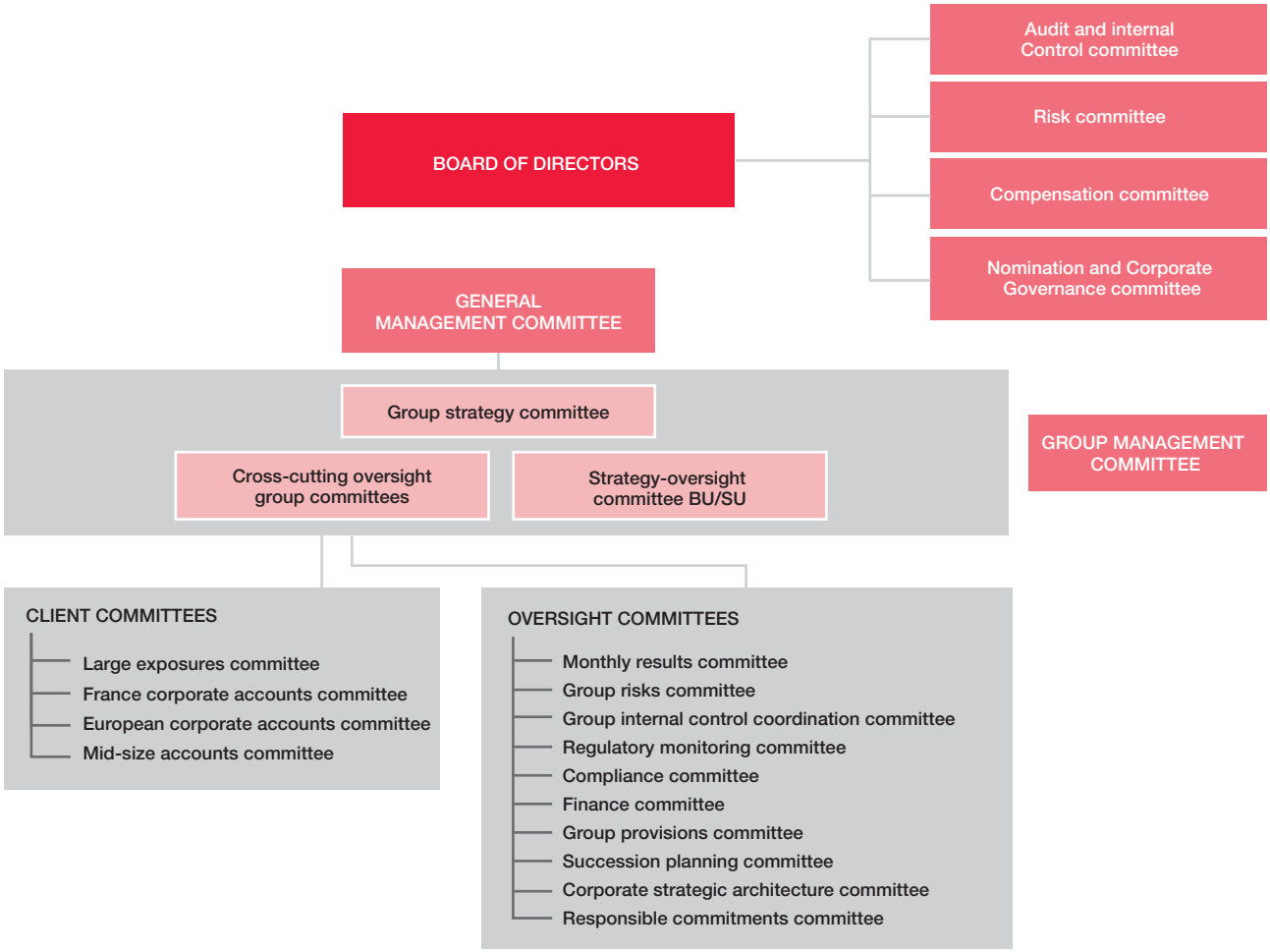
In foreign listed companies:
- *Director:*
  BRD Group Societe Generale SA* (Romania) (since 2018).
- *Member of the Supervisory Board:*
  PJSC Rosbank* (Russia) (since 2018).

** Societe Generale Group*

Other offices and positions held in other companies in the past five years

- *Director:*
  Inter Europe Conseil* (from 2013 to April 2019).

3.1.4 GOVERNANCE BODIES



General Management Committee

The Group General Management Committee, which comprises the Chief Executive Officer and Deputy Chief Executive Officers, meets every week.

The Committee, which reports to the Chief Executive Officer, submits the Group's overall strategy to the Board of Directors and oversees its implementation.

Group Strategy Committee

The Group Strategy Committee, which comprising the Chief Executive Officer, Deputy Chief Executive Officers and Heads of Business Unit and Service Unit, meets every two months.

It reports to the Chief Executive Officer and is responsible for implementing the Group's strategy.

This Group Strategy Committee is divided into Business Unit and Service Unit Strategy Oversight Committees.

The Business Unit and Service Unit Strategy Oversight Committees comprise General Management, the Head of the Business Unit or Service Unit in question, the Head of Strategy, and the Heads of some Business Units and Service Units and meet at least once a year for each Business Unit and Service Unit. During the meetings, the Committee focuses on the strategic management of the Business Unit or Service Unit in question.

Group Management Committee

(AT 10 FEBRUARY 2020)

Comprising of 60 executives appointed by the Chief Executive Officer and belonging to the Service Units and Business Units, the Group Management Committee meets at least once per quarter.

The Group Management Committee communicates and debates strategy and issues of general interest to the Group.

Name	Main function within the Societe Generale Group
General Management	
Frédéric OUDÉA	Chief Executive Officer
Diony LEBOT	Deputy Chief Executive Officer
Philippe AYMERICH	Deputy Chief Executive Officer
Séverin CABANNES	Deputy Chief Executive Officer
Philippe HEIM	Deputy Chief Executive Officer
Members of Group Strategy Committee (excluding General Management)	
David ABITBOL[1]	Global Head of Societe Generale Securities Services
Pascal AUGÉ[1]	Head of the Inspection and Audit Division
Cécile BARTENIEFF[1]	Chief Operating Officer of Global Banking and Investor Solutions
Gilles BRIATTA[1]	Group General Secretary
Bruno DELAS[1]	Chief Operating Officer of the French Network
Marie-Christine DUCHOLET[1]	Head of Societe Generale Retail Banking in France
Patrick FOLLÉA[1]	Head of Societe Generale Private Banking, LYXOR supervisor
Laurent GOUTARD[1]	Head of International Retail Banking for Africa, the Mediterranean Basin & Overseas
Jean-François GRÉGOIRE[1]	Head of Global Markets
Benoît GRISONI[1]	Chief Executive Officer of Boursorama
Caroline GUILLAUMIN[1]	Group Head of Human Resources and Group Head of Communication
Édouard-Malo HENRY[1]	Group Head of Compliance
Jochen JEHMLICH[1]	Head of the Equipment Finance businesses and CEO of GEFA Bank
William KADOUCH-CHASSAING[1]	Groupe Chief Financial Officer
Slawomir KRUPA[1]	Chief Executive Officer for Societe Generale Americas
Christophe LEBLANC[1]	Group Head of Corporate Resources and Digital Transformation
Mike MASTERSON[1]	Chief Executive Officer of ALD Automotive
Alexandre MAYMAT[1]	Head of Global Transaction and Payment Services
Françoise MERCADAL-DELASALLES[1]	Chief Executive Officer of Credit du Nord
Gaëlle OLIVIER[1]	Chief Executive Officer of Societe Generale Asia Pacific
Pierre PALMIERI[1]	Head of Global Banking & Advisory
Philippe PERRET[1]	Head of the Insurance businesses
Sylvie RÉMOND[1]	Group Chief Risk Officer
Giovanni-Luca SOMA[1]	Head of International Retail Banking for Europe & Group Country Head for Russia
Members of Group Management Committee (excluding members of Group Strategy Committee)	
Tim ALBERTSEN	Deputy Chief Executive Officer of ALD Automotive
Philippe AMESTOY	Director of the French Network
Hervé AUDREN de KERDREL	Deputy Group Head of Compliance
François BLOCH	Chief Executive Officer of BRD
Claire CALMEJANE	Group Chief Innovation Officer
Antoine CREUX	Chief Security Officer
Geoffroy DALLEMAGNE	Global Head of Permanent Control and Internal Control Coordination
Thierry D'ARGENT	Deputy Head of Global Banking and Advisory
Odile de SAIVRE	Deputy Chief Officer of Societe Generale Equipment Finance
Claire DUMAS	Deputy Chief Financial Officer

Name	Main function within the Societe Generale Group
Carlos GONCALVES	Head of Global Technology Services
Donato GONZALEZ-SANCHEZ	Head of Corporate & Investment Banking, Private Banking, Asset Management, Securities Services and Group Country Head for Spain and Portugal
Éric GROVEN	Head of the Real Estate Division of Retail Banking activities in France
Alvaro HUETE	Deputy Head of Global Banking and Advisory
Arnaud JACQUEMIN	Group Country Head for Luxembourg and CEO of Societe Generale Luxembourg
Jan JUCHELKA	Chairman of the Board and CEO of Komerční Banka and Group Country Head for the Czech Republic and Slovakia
Jean-Louis KLEIN	Deputy Chief Executive Officer of Crédit du Nord
Véronique LOCTIN	Head of Corporate Accounts for Societe Generale Retail Banking in France
Xavier LOFFICIAL	Deputy Chief Financial Officer of the Group
Michala MARCUSSEN	Group Chief Economist and Head of Economic and Sectorial Research
Anne MARION-BOUCHACOURT	Group Country Head for Switzerland et Chief Executive Officer of SG Zurich
Laetitia MAUREL	Group Deputy Head of Communication
Jean-François MAZAUD	Head of Group transformation
Ilya POLYAKOV	Chief Executive Officer and Chairman of Rosbank's Management Board
Sylvie PRÉA	Director of Corporate Social Responsibility
Sébastien PROTO	Head of Group Strategy
Sadia RICKE	Deputy Group Chief Risk Officer
John SAFFRETT	Deputy Chief Executive Officer of ALD Automotive
Grégoire SIMON-BARBOUX	Deputy Group Chief Risk Officer
Mathieu VEDRENNE	Head of Societe Generale Private Banking France
Guido ZOELLER	Group Country Head for Germany and Head of Societe Generale Corporate & Investment Banking activities in Germany

(1) Manager of Business Unit or Service Unit

3.1.5 DIVERSITY POLICY WITHIN SOCIETE GENERALE

General Management submits the diversity policy to the Board of Directors on an annual basis.

The Group has signed various charters on non-discrimination, in particular with regard to men and women. Each year, the Board of Directors examines a progress report on these issues in France and abroad. The Group has set targets for the promotion of women and international profiles.

With regard to the Board of Directors, Societe Generale is committed to respecting the 40% gender diversity rate. In addition, the Board of Directors ensures that each Committee includes men and women and that their chairs are divided between the two genders.

Since May 2018 General Management has been composed of five members, including one woman. The 20% representation rate is similar to that observed in the Group Management Committee.

At 10 February 2020, the proportion of women in the Group's General Management Committee was 27%. These women attend the Corporate University (see page 265, "Strategy for High-Potential Employees") and receive career guidance. The Group has also increased the selection pool for management appointments to enhance gender diversity in management positions.

Thirty-six percent of women hold positions in the upper 10% echelon of senior-ranking positions in the Company (top banking positions in France).

Societe Generale's policy on gender equality covers a range of subjects such as monitoring the proportion of women in high-potential and future-manager pools, "Group Key Person" positions and in defined succession plans, as well as their participation in specific development programmes, the monitoring of their career paths and any potential pay gaps, and initiatives to draw the attention of the Bank's management bodies to some of these women.

3.1.6 REMUNERATION OF GROUP SENIOR MANAGEMENT

Policy governing remuneration of Chief Executive Officers subject to shareholders' approval

The policy governing the remuneration of the Chief Executive Officers, presented below, was defined by the Board of Directors on 5th February 2020 following the recommendations of the Compensation Committee.

Its key features remain unchanged from the policy that applied in 2019.

Certain changes have however been made to adapt to new market practices and take into account the shareholders votes during the General Meeting of 21st May 2019. These changes are primarily as follows:

- a narrower set of circumstances in which Chief Executive Officers are entitled to severance pay: no longer payable upon resignation for any reason;
- introduction of a *pro rata* calculation in certain cases for the long-term incentives (LTIs) owed to Chief Executive Officers once they have left the Company.

Changes have also been made to the Societe Generale collective pension schemes, in line with new legislation. The Deputy Chief Executive Officers are beneficiaries of these schemes.

In accordance with Article L. 225-37-2 of the French Commercial Code, the remuneration policy detailed below is subject to the approval of the General Meeting. If the General Meeting rejects this new policy, the previous policy, approved by the General Meeting of 21st May 2019, will remain in effect.

The General Meeting must give its approval prior to payment of the variable components of remuneration (annual variable remuneration and LTIs) or any exceptional components.

In accordance with the second paragraph of Article L. 225-37-2 (III) of the French Commercial Code, as amended by Order Np. 2019-1234 of 27th November 2019 on remuneration for executive officers of listed companies, the Board of Directors reserves the right to deviate from the approved remuneration policy in certain exceptional circumstances, provided that such deviation is temporary, in the Company's best interests and necessary to ensure the Company's viability or long-term survival.

GOVERNANCE OF REMUNERATION FOR CHIEF EXECUTIVE OFFICERS

The governance framework and decision-making process in respect of the Chief Executive Officers' remuneration is designed to ensure that their remuneration is in line with both the shareholders' interests and the Group's strategy.

The process for all decisions in respect of the policy on Chief Executive Officers' remunerations is designed to avoid any conflict of interests, by means of the make-up of the Compensation Committee, studies commissioned from an outside firm, internal and external auditing and the multistage approval procedure.

- **Make-up and operation of the Compensation Committee:** The Committee is composed of at least three Directors, including one elected by the employees. At least two thirds of the Committee's members must be independent, within the meaning of the AFEP-MEDEF Code[(1)]. This make-up allows the Committee to exercise competent and independent judgement on remuneration policies and practices, in view of managing the Company's risks, equity and liquidities. The Chief Executive Officer is excluded from the Compensation Committee's deliberations when they directly concern his own remuneration.
- **Independent evaluation:** The Compensation Committee bases its work on studies conducted by the independent firm of Willis Towers Watson. These studies are based on the CAC 40 companies as well as a panel of comparable benchmark European banks. They assess:
  - the competitiveness of the Chief Executive Officers' overall remuneration as compared with a panel of peers;
  - Societe Generale's results as compared to the criteria defined by the Group to assess the Chief Executive Officers' performance; and
  - the correlation between the Chief Executive Officers' performance and their remuneration.
- **Internal and external auditing:** The information serving as the basis for decisions on the Chief Executive Officers' remuneration is regularly audited by either the internal audit division or external auditors.
- **Multistage approval:** The Compensation Committee submits its proposals to the Board of Directors for approval. The Board's decisions then form the object of a binding annual resolution from the Shareholders' General Meeting.

The remuneration and employment conditions for the Group's employees are also taken into account as part of the decision-making process when defining and implementing the policy applicable to the Chief Executive Officers.

The Compensation Committee reviews the Company remuneration policy as well as the remuneration policy for regulated employees (as defined under banking regulations) on an annual basis.

It monitors remuneration for the Chief Risk Officer and the Chief Compliance Officer. It receives all information necessary for such purposes, in particular the annual report sent to the European Central Bank. It submits a policy proposal to the Board of Directors for performance share awards and prepares the Board's decisions on the employee savings plan.

As a result of the process for decision-making on remuneration policies, when reviewing the policy and terms of remuneration for the Chief Executive Officers, the Board of Directors is necessarily made aware of and must approve any changes to the policies and terms of employee remuneration. Accordingly, its decisions on Chief Executive Officer remuneration duly take into account the employment and remuneration conditions for the Group's employees.

The Compensation Committee's work in 2019 is detailed on page 93.

(1) The AFEP-MEDEF Code does not take employees into account when calculating the proportion of independent committee members.

POSITION OF CHIEF EXECUTIVE OFFICERS

Lorenzo Bini Smaghi was appointed Chairman of the Board on 19th May 2015. His mandate was renewed on 23rd May 2018, for the same duration as his term of office as Director (*i.e.* four years). He does not have an employment contract.

Frédéric Oudéa was appointed Chief Executive Officer in May 2008, then Chairman and Chief Executive Officer in May 2009, and Chief Executive Officer again on 19th May 2015. His mandate was renewed on 21st May 2019. Mr. Oudéa gave up his employment contract upon his appointment as Chairman and CEO in 2009, in accordance with the recommendations from the AFEP-MEDEF Code, which state that corporate officers should not also be employees.

Séverin Cabannes was appointed Deputy Chief Executive Officer in May 2008. His mandate was renewed on 21st May 2019. Philippe Aymerich, Philippe Heim and Diony Lebot were appointed Deputy Chief Executive Officers as from 14th May 2018; their mandates were renewed on 21st May 2019. The employment contracts held by Mr. Aymerich, Mr. Cabannes, Mr. Heim and Ms. Lebot have been suspended for the duration of their respective terms of office. The terms of the end of the employment contract and in particular the notice periods are those provided for in the collective bargaining agreement for the French banking sector.

Chief Executive Officers are appointed for a term of four years and may be removed from office at any time.

Chief Executive Officers are not bound to the Group by any service agreement.

Further information on the Chief Executive Officers' status can be found in the table on page 137. The post-employment benefits and conditions applicable to Chief Executive Officers are detailed on pages 108-109.

REMUNERATION PRINCIPLES

The remuneration policy for the Chief Executive Officers aims to ensure that the Company's top-level positions attract the most promising candidates and to cultivate motivation and loyalty on a lasting basis, whilst also ensuring appropriate compliance and risk management, in accordance with the principles laid down by the Group's Code of Conduct.

The policy takes into account all components of remuneration as well as any other benefits granted, so as to cover the entirety of the Chief Executive Officers' compensation. It ensures an appropriate balance between these various elements, in the general interest of the Group.

Variable remuneration, based on certain performance criteria, is designed to recognise implementation of the Group's strategy and promote its longevity in the interests of shareholders, clients and staff alike.

Performance is assessed on an annual and multi-annual basis, taking into account both Societe Generale's intrinsic performance as well as its performance as compared to the market and its competitors.

In accordance with the principle of "pay for performance", nonfinancial aspects are taken into account in addition to financial performance criteria when calculating variable remuneration and long-term incentives; such nonfinancial aspects include in particular issues of corporate social responsibility and compliance with the Group's leadership model.

Furthermore, the Chief Executive Officers' remuneration complies with:

- the Capital Requirements Directive of 26th June 2013 (CRD4), the aim of which is to impose remuneration policies and practices compatible with effective risk management. CRD4 has been transposed into national law and its principles in terms of remuneration have been applicable since 1st January 2014;
- the French Commercial Code; and
- the recommendations of the AFEP-MEDEF Code.

REMUNERATION OF THE NON-EXECUTIVE CHAIRMAN

Lorenzo Bini Smaghi's fixed annual remuneration is set at EUR 925,000 for the duration of his term of office, as decided by the Board of Directors on 7 February 2018 and approved at the AGM on 23 May 2018.

Mr. Bini Smaghi does not receive attendance fees.

To guarantee total independence in fulfilling his mandate, he receives neither variable compensation, nor securities, nor any compensation contingent on the performance of Societe Generale or the Group.

He is provided with Company accommodation for the performance of his duties in Paris.

REMUNERATION OF GENERAL MANAGEMENT

Balanced remuneration taking into account the expectations of the various stakeholders

The remuneration of Chief Executive Officers is broken down into three components:

- **fixed remuneration (FR)** rewards experience and responsibility, taking into account market practices. It accounts for a significant proportion of overall remuneration and serves as the basis for calculating the maximum percentages for annual variable remuneration and long-term incentives;
- **annual variable remuneration (AVR)** rewards both financial and nonfinancial performance over the year as well as the contribution of Chief Executive Officers towards the success of the Societe Generale Group. It is capped at 135% of annual fixed remuneration for the Chief Executive Officer and 115% for Deputy Chief Executive Officers;
- **long-term incentives (LTIs)** aim to align the Chief Executive Officers' focus with shareholders' interests, and to provide the former with an incentive to deliver long-term performance. Vesting of LTIs is subject to a condition of continued presence and is based on the Group's financial and nonfinancial performance as measured against both internal and external criteria. The amount awarded is capped at 135% of annual fixed remuneration for the Chief Executive Officer and at 115% for Deputy Chief Executive Officers (based on IFRS values).

Pursuant to CRD4, and as approved by the General Meeting in May 2014, the total variable elements of remuneration (*i.e.* annual variable remuneration plus long-term incentives) is capped at 200% of fixed remuneration[(1)].

When they receive remuneration in the form of shares or share equivalents, the Chief Executive Officers cannot adopt any hedging or insurance strategies over the vesting and holding periods.

Fixed remuneration

In line with the recommendations from the AFEP-MEDEF Code, fixed remuneration is only reviewed at relatively long intervals.

Since the Board of Directors' decision of 31st July 2014 to include the EUR 300,000 compensation for the loss of his rights to the Group's supplementary pension schemes as part of his fixed remuneration, Frédéric Oudéa, Chief Executive Officer, has received EUR 1,300,000 in annual fixed remuneration. The previous revision had been effective as from 1st January 2011.

Séverin Cabannes, Deputy Chief Executive Officer, receives EUR 800,000 in annual fixed remuneration, unchanged since the Board of Directors' decision of 31st July 2014.

Philippe Aymerich, Philippe Heim and Diony Lebot, all appointed Deputy Chief Executive Officers on 3rd May 2018 with effect as from 14th May 2018, each receive the same annual fixed remuneration as Séverin Cabannes, *i.e.* EUR 800,000, as decided by the Board of Directors on 3rd May 2018 in compliance with the Company's remuneration policy as applicable at that time.

The above fixed remuneration for each of the Chief Executive Officers was approved at the AGM on 21st May 2019.

As recommended by the Compensation Committee, the Board of Directors decided on 5th February 2020 to maintain the fixed remuneration for all Chief Executive Officers at the same amounts.

Any changes to the above fixed remuneration decided by the Board will require the approval of the General Meeting before entering into effect.

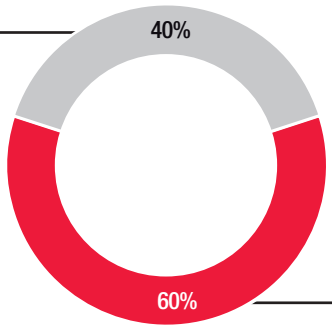
Annual variable remuneration

GENERAL PRINCIPLES

At the beginning of each year, the Board of Directors defines the evaluation criteria used to calculate the Chief Executive Officers' annual variable remuneration in respect of the preceding financial year.

Annual variable remuneration is 60% based on quantitative criteria, and 40% on qualitative criteria, thus combining an evaluation of the Group's financial performance with an assessment of managerial skills, in line with the Group's strategy and leadership model.

Qualitative criteria based essentially on the achievement of key targets in relation to the Group's strategy, operational efficiency and risk management, as well as the CSR policy.



Quantitative criteria based on annual financial performance. Indicators and target achievement levels are set in advance by the Board of Directors, primarily based on the budget targets for the Group and the businesses within each Chief Executive Officer's scope of supervision.

(1) *After application of the discount rate for variable remuneration awarded as instruments deferred for five years or more, pursuant to Article L. 511-79 of the French Monetary and Financial Code, where applicable.*

Quantitative portion

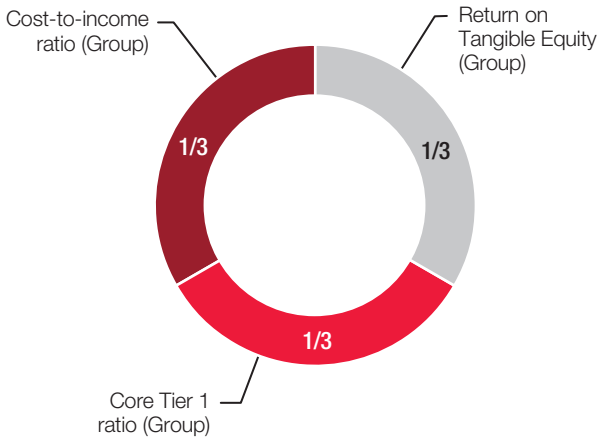
For Frédéric Oudéa and Diony Lebot, the quantitative portion is calculated according to the achievement of Group targets. For Philippe Aymerich, Séverin Cabannes and Philippe Heim, half of the quantitative criteria concern Group targets and the other half targets for their specific areas of responsibility.

The quantitative criteria for the Group are the return on tangible equity (ROTE), the Core Equity Tier 1 (CET1) ratio and the cost-to-income (C/I) ratio, with an equal weighting for each indicator.

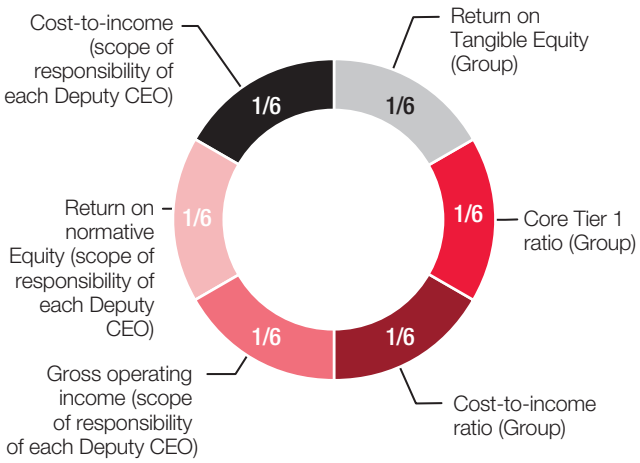
The quantitative criteria for each specific area of responsibility are gross operating income (GOI), the return on normative equity (RONE) and the cost-to-income ratio for each Deputy Chief Executive Officer's remit, with an equal weighting for each indicator.

Covering both financial and operational aspects, these indicators are directly linked to the Group's strategy and reflect compliance with the predefined budgets. Any components regarded as exceptional by the Board of Directors are excluded from the calculations.

FRÉDÉRIC OUDÉA AND DIONY LEBOT



PHILIPPE AYMERICH, SÉVERIN CABANNES AND PHILIPPE HEIM



Qualitative portion

Each year, the Board of Directors sets between six and ten qualitative targets for the next financial year. Most of these targets are collective, reflecting the team spirit that is essential within General Management, but the Board also sets targets specific to each Chief Executive Officer, according to their respective remits.

The Board of Directors at its meetings on 5 February 2020 and 12 March 2020 also set qualitative targets. These targets will be distributed for 70% on objectives common to the five Chiefs Executive Officers and for 30% on objectives specific to the areas of responsibility.

The objectives common to the five Chiefs Executive Officers are based the following areas:

- Group strategy execution and namely:
  - preparation of the 2021-2025 strategic plan setting out the Group's purpose in strategic choices concerning customers, activities and geographies with the objective of a lasting improvement of the Group's profitability,
  - appropriate management of scarce resources prioritising profitable and growth-promoting activities and anticipating regulatory impacts;
  - improvement of operational efficiency,
  - accelerating digital transformation ;
- continued progress in terms of customer satisfaction, the Net Promoter Score and client experience;
- achievement of our Corporate and Social Responsibility (CSR) targets in line with our strategic plan guidelines and our positioning in the extra-financial ratings;
- reinforcement of our regulatory obligations (KYC, RAS, internal control, remediation);
- good operational management of the Coronavirus crisis.

The specific targets are distributed between the different areas of supervision (two targets for each Chief Executive Officer). These targets are based on:

- Human Resources Management: internal communication, managerial engagement and social dialogue;
- monitoring and proper execution of the remediation plan in the United States;
- improvement of the operational model of the corporate functions, while ensuring the remediation and upgrading of the Group's control systems
- successful deployment of the last stage of the 2017-2020 French Retail Banking transformation and the definition of strategic guidelines by 2025 for Societe Generale, Crédit du Nord and Boursorama;
- strengthening the operational performance of the Group's IT systems (security, quality of service and cost) and adapting them to the new challenges of the businesses while taking advantage of the "Group effect";
- improvement of the Global Banking & Investor Solutions (GBIS) and International Retail Banking and Financial Services (IBFS) operational model;
- contribution to the growth of the Group and the execution of the "Transform to Grow" development roadmap of IBFS Business Units.

Attainment of these targets is assessed on the basis of certain key questions defined in advance by the Board of Directors and backed by figures where possible. The achievement rate can be anywhere between 0 and 100% of the maximum qualitative portion. The qualitative portion cannot represent more than 40% of the maximum annual variable remuneration (capped at a total of 135% of annual fixed remuneration for the Chief Executive Officer and 115% for Deputy Chief Executive Officers).

The Board of Directors reviews the quantitative and qualitative performance criteria each year.

VESTING AND PAYMENT OF ANNUAL VARIABLE REMUNERATION

In accordance with CRD4, and with a view to strengthening the correlation between remuneration and the Group's risk appetite targets whilst promoting alignment with shareholders' interests, vesting of at least 60% of the annual variable remuneration is deferred for three years, *pro rata*. This concerns both cash payments and shares or share equivalents awarded subject to the achievement of long-term targets in terms of Group profitability and equity; the amounts awarded are reduced if targets are not met. The Board of Directors reviews the target achievement rates ahead of the definitive vesting of deferred variable remuneration. A six-month holding period applies after each definitive vesting date.

The value of the variable portion granted in shares or share equivalents is calculated based on a share price established by the Board of Directors in March each year and corresponding to the trade-weighted average from the last 20 trading days prior to the Board meeting. The portion of annual variable remuneration granted as share equivalents entitles the beneficiary to payment of a sum equivalent to any dividend payments made over the compulsory holding period. No dividends are paid during the vesting period.

Furthermore, if the Board observes that a decision taken by a Chief Executive Officer has particularly significant consequences for the Company's results or image, it may decide not only to reconsider payment of part or all of the deferred annual variable remuneration pending (malus clause) but also to recover all or part of the sums already paid within five years (clawback clause).

Lastly, vesting of the deferred annual variable remuneration is also subject to a condition of presence throughout the Chief Executive Officer's current term of office. The only exceptions to this condition are as follows: retirement, death, disability, incapacity to carry out duties or removal from office due to a strategic divergence with the Board of Directors.

Once their current term of office comes to an end, this condition of presence no longer applies. However, if the Board observes, after the departure of a Chief Executive Officer, that a decision taken during their term of office has particularly significant consequences for the Company's results or image, it may decide to apply either the malus or the clawback clause.

CAP

Annual variable remuneration is capped at 135% of annual fixed remuneration for the Chief Executive Officer and at 115% for the Deputy Chief Executive Officers.

Long-term incentives

GENERAL PRINCIPLES

In order to involve the Chief Executive Officers in the Company's long-term progress and to align their interests with those of the shareholders, it was decided in 2012 that they should be awarded long-term incentives, consisting of shares or share equivalents.

In order to comply with the recommendations from the AFEP-MEDEF Code, each year, at its meeting held to approve the financial statements for the previous year, the Board of Directors decides whether to award any Societe Generale shares or share equivalents to the Chief Executive Officers. The fair value of the award upon granting is proportional to the other components of their remuneration and is set in line with practices from previous years. Such fair value is set based on the share closing price on the day before the Board meeting.

The Board cannot award Chief Executive Officers long-term incentives upon leaving office.

VESTING AND PAYMENT OF LONG-TERM INCENTIVES

In line with previous years, the Board of Directors on 5 February 2020 accepted the proposal of the Compensation Committee and decided to renew the main characteristics of the long-term incentive (LTI).

In order to take into account the change in market practices and the shareholders' votes at the General Meeting of 21 May 2019, the Board of Directors accepted the proposal of the Compensation Committee and decided to adjust the rules applying to LTI's in the event of a departure from office.

The current rule provides for the cancellation of the payment in the case of departure unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares will be awarded based on the performance observed and assessed by the Board of Directors.

The Board of Directors accepted the proposal of the Compensation Committee and decided to introduce a prorata temporis principle for the LTIs in the event of departure from the Group due to changes in its structure or organisation. In this case, the payments would be made in proportion to the duration of the term of office as Chief Executive Officer compared to the vesting period duration and based on the performance observed and assessed by the Board of Directors. The current rule remains unchanged for retirement and in the event of departure linked to a change of control in which case the shares will be awarded or payments made in totality (based on the performance observed and assessed by the Board of Directors), as well as in case of death, disability, incapacity. This adjustment applies from the plans granted in 2020 for the 2019 financial year.

Other features of the long-term incentives plan remain unchanged. The characteristics of the LTI plan are as follows:

- shares or share equivalents granted in two instalments, with vesting periods of four and six years, followed by a one-year holding period, thus increasing the indexing periods to five and seven years respectively;
- definitive vesting subject to a condition of presence throughout the vesting periods, as well as performance conditions.

Accordingly, vesting is dependent on:

- for 80% of the LTI award, relative performance of the Societe Generale share, as measured by the increase in total shareholder return (TSR) compared with that for 11 comparable European banks[1] over the full vesting periods. Thus, the entirety of the award will only vest if Societe Generale's TSR is in the upper quartile of the panel; if it is slightly above the median value, the vesting rate will be 50% of the total number of shares or share equivalents granted; no shares or share equivalents will vest if the TSR performance is below the median value[2];

(1) The panel is selected on the date of the Board meeting at which the award is decided. For example, the panel for the 2019 LTI plan comprises: Barclays, BBVA, BNP Paribas, Crédit Agricole SA, Crédit Suisse, Deutsche Bank, Intesa, Nordea, Santander, UBS and Unicredit.

(2) The complete vesting chart is shown on p. 107.

- for 20% of the LTI award, the Group's relative CSR performance. 10% is linked to compliance with the Group's commitments in terms of energy transition financing and 10% to the Group's positioning within the main extra-financial ratings (RobecoSAM, Sustainalytics and MSCI).

The Board of Directors will set a target over the course of 2020 for the energy transition financing criterion in connection with the energy mix financing, in view of the Group's CSR policy and commitments.

As for the portion based on external extra-financial ratings, the vesting rate will be as follows:

- 100% vesting if all three target ratings are achieved over a three-year period as from the year of the award (*i.e.* for awards made in 2021 in respect of 2020, the positions/ratings for 2022, 2023 and 2024);
- 2/3 vesting if on average at least two target ratings are achieved over a three-year period as from the year of the award;
- 1/3 vesting if on average at least one target rating is achieved over a three-year period as from the year of the award.

The target rating for each of the three extra-financial ratings agencies considered is as follows:

- RobecoSAM: positioning in the first quartile;
- Sustainalytics: positioning in the first quartile;
- MSCI: rating ≥ BBB.

If the ratings are adjusted over the year, the rating considered is the one used during the annual reviews. As the extra-financial ratings sector shifts, the panel of ratings considered may be subject to modification if appropriate justification can be provided.

- If the Group is not profitable in the year preceding the definitive vesting of long-term incentives, no payment will be made, regardless of the Societe Generale share performance and the Group's CSR performance.
- The Board of Directors reviews the satisfaction of the performance conditions ahead of the definitive vesting of any long-term incentives.

Lastly, a malus clause also applies to long-term incentives. Accordingly, if the Board observes that a decision made by a Chief Executive Officer has particularly significant consequences for the Company's results or image, it may decide to reconsider payment of the long-term incentives in full or in part.

The complete vesting chart based on the relative performance of the Societe Generale share is shown below:

SG Rank	Ranks 1*-3	Rank 4	Rank 5	Rank 6	Ranks 7-12
% of the maximum number awarded	100%	83.3%	66.7%	50%	0%

* *The highest rank in the panel.*

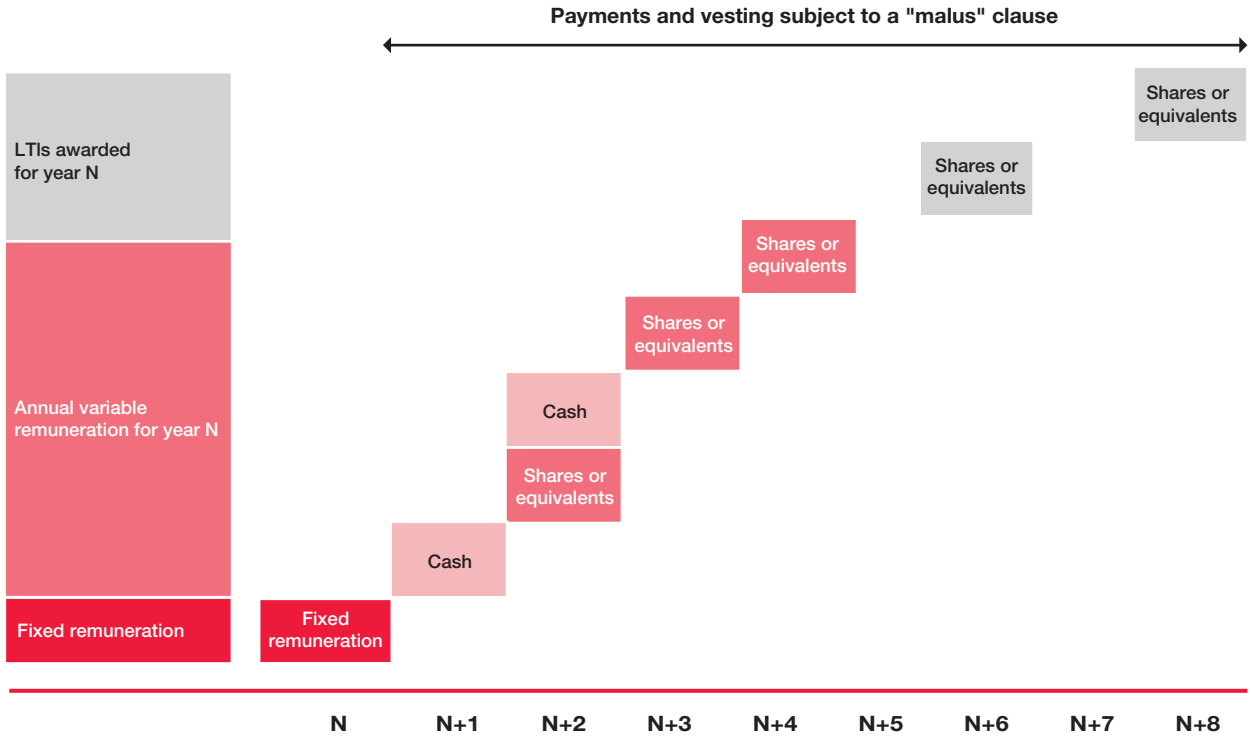
CAP

In accordance with the AFEP-MEDEF Code, the Board of Directors decided, on 5th February 2020, to keep the cap on the total amount of LTIs awarded (in IFRS value) at the same level as for the annual variable remuneration. Hence, LTIs are capped at 135% of fixed annual remuneration for Frédéric Oudéa and at 115% for each of the Deputy Chief Executive Officers.

This cap applies in addition to the cap on the definitive vesting value of shares or payment value of share equivalents. This value is capped at an amount corresponding to a multiple of the net asset value per Societe Generale Group share as at 31st December of the year in respect of which the LTIs were awarded.

In all events, pursuant to applicable regulations, the total variable component awarded (*i.e.* annual variable remuneration plus long-term incentives) cannot exceed two times the fixed remuneration.

TOTAL REMUNERATION - TIMING OF PAYMENTS



POST-EMPLOYMENT BENEFITS: PENSION, SEVERANCE PAY, NON-COMPETE CLAUSE

Pension

As Frédéric Oudéa terminated his employment contract by resigning when he was appointed Chairman and Chief Executive Officer in 2009, he is no longer entitled to any supplementary pension from Societe Generale.

SUPPLEMENTARY PENSION ALLOCATION PLAN

Philippe Aymerich, Séverin Cabannes[(1)], Philippe Heim and Diony Lebot[(2)] remain entitled to the senior management supplementary pension scheme to which they contributed as employees prior to becoming Chief Executive Officers.

Under this supplementary scheme, which was introduced in 1991 and satisfies the requirements of Article L. 137-11 of the French Social Security Code, top-level executives appointed since its implementation received a total pension, as from the date on which they claimed their French State pension, calculated on the basis of:

- the average, over the last ten years of their career, of their fixed remuneration in excess of "Tranche B" of the AGIRC pension, plus variable remuneration of up to 5% of their fixed remuneration; and
- a rate equal to the number of years' service at Societe Generale divided by 60, representing potential annuity rights of 1.67% for each year worked (given that the number of years' service is capped at 42).

Their AGIRC "Tranche C" pension entitlement in respect of their Societe Generale career was then deducted from this total sum. The supplementary pension paid by Societe Generale was increased for beneficiaries with three or more children, as well as for those who remained in work beyond the French legal retirement age. It represented at least one-third of the full service value of the AGIRC "Tranche B" points accumulated by the beneficiary since their appointment as a top-level Societe Generale executive.

This scheme was initially revised[(3)] on 17th January 2019, with effect as from 1st January 2019: future rights were frozen as at 31st December 2018 based on the beneficiary's seniority and AGIRC "Tranches B and C" points accumulated at that time, as well as the average, over the three last financial years, of their fixed remuneration in excess of "Tranche B" of the AGIRC pension, plus variable remuneration of up to 5% of their fixed remuneration.

Only the minimum rights – previously set at one third of the AGIRC "Tranche B" points accumulated since the beneficiary's appointment as a top-level Societe Generale executive – remained beyond 1st January 2019, in the form of annuity rights equal to 0.4% of the share of the beneficiary's gross annual remuneration corresponding to between one and four times the annual French Social Security ceiling.

Subsequently, Order Np. 2019-697 of 3rd July 2019 on corporate supplementary pension schemes prohibited (i) the affiliation of any new beneficiaries to schemes under which pension rights are conditional upon the beneficiary still working at the company when they reached retirement, and (ii) the award of conditional pension rights for any periods worked after 2019. Accordingly, this pension scheme was shut down as from 4th July 2019, with no further rights having been awarded since 31st December 2019.

The total rights accumulated when a beneficiary claims their pension will therefore consist of the sum of the rights frozen at 31st December 2018 and the minimum rights built up between 1st January 2019 and 31st December 2019. These rights will be revalued according to the change in value of the AGIRC point between 31st December 2019 and the date on which the beneficiary claims their pension. Such rights remain conditional upon the beneficiary still working at Societe Generale when they reach retirement. They are pre-financed with an insurance company.

As required by law, the annual increase in supplementary pension benefits was subject to the following performance condition: potential annuity rights for any given year could only be awarded in full if at least 80% of the variable remuneration performance conditions for that year were met. For performance levels of 50% or below, there was no increase in the annuities. For levels between 80% and 50%, the rights awarded for the year were calculated on a straight-line basis.

ADDITIONAL DEFINED CONTRIBUTION PENSION PLAN (ART. 82)

In the wake of the revision of the supplementary scheme for top-level executives on 31st December 2018, in particular the removal of the differential portion of the scheme for remuneration in excess of four times the annual French Social Security ceiling, a defined contribution pension scheme (Art. 82) has been implemented for Management Committee members (applicable to the Deputy Chief Executive Officers[(4)] as from 1st January 2019).

Under this regime, the Company pays a yearly contribution into an individual Art. 82 pension account opened in the name of the eligible beneficiary, calculated on the basis of the amount of their fixed remuneration that exceeds four times the annual French Social Security ceiling. The rights accumulated will be paid, at the earliest, on the date on which the beneficiary draws their French State pension.

The rate set for the Company's contribution is 8%.

As required by law, the contribution for each year is subject to the following performance condition: it will only be paid in full if at least 80% of the variable remuneration performance conditions for the year are met. For performance levels of 50% or below, no contribution is paid. For levels between 80% and 50%, the contribution paid for the year is calculated on a straight-line basis.

VALMY PENSION SAVINGS SCHEME (FORMERLY IP-VALMY SCHEME)

Philippe Aymerich, Séverin Cabannes, Philippe Heim and Diony Lebot also remain entitled to the supplementary defined contribution pension scheme to which they contributed as employees prior to becoming Chief Executive Officers.

This defined contribution scheme (the *Épargne Retraite Valmy*, *i.e.* Valmy pension savings scheme) was set up in 1995 in line with Article 83 of the French General Tax Code and amended on 1st January 2018. The scheme is compulsory for all employees with more than six months' seniority within the Company and allows them to save for their retirement. Upon retirement, their savings are converted into life annuities. Up until 31st December 2019, total contributions corresponded to 2% of the employee's remuneration, capped at twice the annual French Social Security ceiling. 1.5% was paid by the Company (*i.e.* EUR 1,216 based on the 2019 annual French Social Security ceiling). As from 1st January 2020, the remuneration cap for the purposes of this calculation has been raised from twice the annual French Social Security ceiling to four times that amount, and the percentage covered by the Company will be increased to 1.75% as from 1st July 2020. This scheme is insured with Sogecap.

(1) Related-party commitment with Mr. Cabannes approved by the General Meeting of 19th May 2009.
(2) Related-party commitments with Mr. Aymerich, Mr. Heim and Ms. Lebot approved by the General Meeting of 21st May 2019.
(3) The modified pension -related-party commitments for all Deputy Chief Executive Officers were also approved by the General Meeting of 21st May 2019.
(4) The modified pension related-party commitments for all Deputy Chief Executive Officers were approved by the General Meeting of 21st May 2019.

Sums payable upon leaving the Group

The rules governing departure of the Chief Executive Officer or a Deputy Chief Executive Officer from the Group upon leaving office have been defined in light of market practices and comply with the AFEP-MEDEF Code.

NON-COMPETE CLAUSE

In accordance with standard practice for financial institutions, the Chief Executive Officers (Frédéric Oudéa, Philippe Aymerich, Séverin Cabannes, Philippe Heim and Diony Lebot[1]) have all signed a non-compete clause in favour of Societe Generale, valid for a period of six months as from the date on which they leave office. The clause prohibits them from accepting a position at the same level with either a listed credit institution in Europe (defined as the European Economic Area, including the United Kingdom) or an unlisted credit institution in France. In exchange, they may continue to receive their gross fixed monthly salary over such six-month period.

The Board of Directors alone can waive such clause, within fifteen days as from the date on which the Chief Executive Officer in question leaves office. In such a case, the Chief Executive Officer will no longer be bound by any commitment, and no sums will be payable to them in such respect.

In the event of breach of the non-compete, the Chief Executive Officer in question will be required to immediately pay a sum equal to six months' fixed remuneration. Societe Generale will in such a case be released from its obligation to pay any financial consideration and may furthermore claim back any consideration as may have already been paid since the breach.

In accordance with Article 23.4 of the revised AFEP-MEDEF Code, no payments will be made under the non-compete to any Chief Executive Officer leaving the Company within six months of claiming their pension or beyond the age of 65.

SEVERANCE PAY

In accordance with the recommendations of the AFEP-MEDEF Code, Frédéric Oudéa gave up his employment contract upon his appointment to the position of Chairman and Chief Executive Officer in 2009. He thus forfeited his entitlement to the benefits and guarantees that he would have enjoyed as an employee with close to fifteen years of service.

All Chief Executive Officers (Frédéric Oudéa, Philippe Aymerich, Séverin Cabannes, Philippe Heim and Diony Lebot[2]) are entitled to severance pay in respect of their positions as Chief Executive Officers.

In order to take into account the change in market practices and the shareholders votes during the General Meeting of 21 May 2019, the Board of Directors, on the proposal of the Compensation Committee, decided to restrict the scope of the severance pay for the Chief Executive Officers by removing the concept of "non-voluntary" resignation. Henceforth, no severance pay would be due in the event of resignation or non-renewal of the term of office whatever its motivation. This provision applies to all existing mandates as of the General Meeting of 19th May 2020.

The other terms of the severance pay for Chief Executive Officers remain unchanged as follows:

- payment will only be due in the event of a non-voluntary departure from the Group, justified as such by the Board of Directors. No payment will be due in the event of serious misconduct, resignation or non-renewal of the Chief Executive Officer's appointment;
- payment will be contingent upon an overall achievement rate for the annual variable remuneration targets of at least 60% on average over the three years prior to the Chief Executive Officer leaving office (or over the duration of their term of office if less than three years);
- the sum paid will represent two years' fixed remuneration, in line with the recommendation from the AFEP-MEDEF Code (*i.e.* two years' fixed plus annual variable remuneration);
- no severance pay will be owed to the Chief Executive Officer or any Deputy Chief Executive Officer if they leave office within six months of claiming their pension or if they are entitled to a full State pension upon their departure (in accordance with Article 24.5.1 of the revised AFEP-MEDEF Code);
- in accordance with Article 24.5.1 of the AFEP-MEDEF Code, the Board of Directors reviews the Company's situation and the performance of each Chief Executive Officer ahead of any decisions on severance pay, in order to confirm that neither the Company nor the Chief Executive Officer are failing.

In no circumstances may the combined severance pay and non-compete consideration exceed the cap recommended in the AFEP-MEDEF Code (*i.e.* two years' fixed plus annual variable remuneration including, where applicable, any other severance payments provided for under an employment contract – in particular any contractual redundancy pay). This cap is calculated on the basis of the fixed and annual variable remuneration awarded over the two years preceding severance.

(1) Related-party agreements with Mr. Oudéa and Mr. Cabannes approved by the General Meeting of 23rd May 2017 and renewed with amendments by the General Meeting of 21st May 2019. Related party agreements with Mr. Aymerich, Mr. Heim and Ms. Lebot approved and renewed with amendments by the General Meeting of 21st May 2019.

(2) Related-party agreements with Mr. Oudéa and Mr. Cabannes approved by the General Meeting of 23rd May 2017 and renewed with amendments by the General Meeting of 21st May 2019. Related party agreements with Mr. Aymerich, Mr. Heim and Ms. Lebot approved and renewed with amendments by the General Meeting of 21st May 2019.

OTHER BENEFITS FOR CHIEF EXECUTIVE OFFICERS

The Chief Executive Officers each have their own company car, available to them for private as well as professional use, and insurance providing the same cover in terms of health and death/disability benefits as for employees.

Exceptional variable remuneration

Societe Generale does not generally award exceptional variable remuneration to its Chief Executive Officers. However, in light of legislation requiring prior approval of all aspects of the remuneration policy, the Board of Directors reserves the right to pay additional variable remuneration if warranted in certain highly specific situations, for example due to the corresponding impact on the Company, or the level of commitment and challenges involved. Such remuneration would need to be justified, and would be set in accordance with the general principles of the AFEP-MEDEF Code on remuneration, as well as with the recommendations of the French Financial Markets Authority (AMF).

It would be paid on the same terms as the annual variable remuneration, *i.e.* partially deferred over a period of three years, and subject to the same conditions in terms of vesting.

In compliance with current regulations, the total variable component (*i.e.* annual variable remuneration, long-term incentives and any exceptional variable remuneration) is in all events capped at 200% of the fixed component.

APPOINTMENT OF A NEW CHIEF EXECUTIVE OFFICER

As a rule, the remuneration components and structure described in this remuneration policy will also apply to any new Chief Executive Officer appointed whilst said policy remains in effect, according to their responsibilities and professional experience. The same principle will also apply to all other benefits granted to Chief Executive Officers (supplementary pension, insurance, etc.).

The Board of Directors is therefore responsible for setting the new Chief Executive Officer's fixed remuneration in light of these terms, and in line with the remuneration awarded to the existing Chief Executive Officers and the practices of comparable European financial institutions.

Lastly, any new Chief Executive Officer selected from outside the Societe Generale Group may be awarded a hiring bonus, designed to act as compensation, if appropriate, for any remuneration forfeited upon leaving their previous employer. This remuneration would vest on a deferred basis, and would be conditional upon the satisfaction of performance conditions similar to those applicable to the Chief Executive Officers' deferred variable remuneration.

REMUNERATION OF THE BOARD MEMBERS

The total remuneration awarded to Directors is approuved by the General Meeting. Since 2018, it has been set at EUR 1,700,000. The Board of Directors then divides this total amount between fixed and variable remuneration. Specific fixed sums are paid to the members of the US Risk Committee and the Chairs of the Risk Committee and the Audit and Internal Control Committee. The remainder of the sum allocated to fixed remuneration is then shared between the Directors based on their responsibilities on the Board and its various committees. *Pro rata* deductions may apply if their attendance at meetings over the year falls below 80%.

The sum allocated to variable remuneration is divided up according to the number of Board and Committee meetings and working sessions each Director has attended.

The rules governing this remuneration and its breakdown between the Directors are defined under Article 15 of the Internal Rules of the Board of Directors (see Chapter 7).

Total remuneration and benefits for Chief Executive Officers paid in or awarded in respect of 2019

Report on implementation of the remuneration policy in 2019, submitted to the approval of the shareholders pursuant to Article L. 225-100 (II).

The Chief Executive Officers' remuneration for 2019 complies with the remuneration policy approved by the General Meeting of 21st May 2019.

The remuneration policy, the performance criteria used to establish the annual variable remuneration, and the terms on which long-term incentives were awarded were all defined in accordance with the principles set out at the beginning of this chapter. The awards proposed for 2019 comply with this policy framework.

Resolutions passed at the General Meeting of 21st May 2019

Resolutions 14 and 15 from the General Meeting of 21st May 2019, regarding the Ex-ante remuneration policy applicable to Chief Executive Officers, were adopted by majorities of 95.03% (for the resolution regarding the Chairman of the Board) and 95.12% (for the resolution regarding the Chief Executive Officers).

Resolutions 16 to 23, regarding the remuneration awarded to Chief Executive Officers for financial year 2018, were all adopted by majorities of over 90%, except for Resolution 22 concerning Bernardo Sanchez Incera, a Deputy Chief Executive Officer who left office on 14th May 2018.

Resolution 8 (on the auditors' special report on the application of related party agreements and commitments for Chief Executive Officers approved in previous years) and Resolutions 9 to 13 (on the renewal, with amendments, of the related party agreements and commitments for each Chief Executive Officer) were all adopted, by an average majority of 68.63%.

The differing majorities for each of these resolutions was primarily due to the conditions granted to the Chief Executive Officers upon leaving office, in particular the rule that entitled them to severance pay if the Board of Directors considered their resignation to have been non-voluntary. As a result, the Board of Directors decided to adjust the remuneration policy to limit the award of severance pay, by removing all references to the concept of non-voluntary resignation. Henceforth, Chief Executive Officers will not receive any severance pay if they resign (regardless of the circumstances) or if their appointment is not renewed. These new terms apply to all existing and new mandates as from the General Meeting of 19th May 2020.

In addition, the Board reviewed the terms governing the vesting of long term incentives for Chief Executive Officers having left office, introducing the concept of *pro rata* vesting in certain circumstances, in line with changes in market practices. These new terms will apply as from the awards made in respect of 2019.

REMUNERATION OF THE NON-EXECUTIVE CHAIRMAN

Lorenzo Bini Smaghi's fixed annual remuneration is set at EUR 925,000 for the duration of his mandate, as decided by the Board of Directors on 7th February 2018 and approved at the AGM on 23rd May 2018.

He receives neither variable remuneration, nor attendance fees, nor securities, nor any compensation contingent on the performance of Societe Generale or the Group.

He is provided with Company accommodation for the performance of his duties in Paris.

The amounts paid in financial year 2019 are shown in the table on page 119.

REMUNERATION OF GENERAL MANAGEMENT

The policy governing remuneration of Chief Executive Officers ensures a balanced remuneration that takes into account the expectations of the various stakeholders (see pages 102-110).

Fixed remuneration for financial year 2019

The Chief Executive Officers' fixed remuneration remained unchanged over financial year 2019. It amounted to EUR 1,300,000 for the Chief Executive Officer and EUR 800,000 for each Deputy Chief Executive Officer.

Annual variable remuneration for financial year 2019

PERFORMANCE CRITERIA AND ASSESSMENT FOR 2019

At its meetings of 6th February 2019 and 13th March 2019, the Board of Directors defined the evaluation criteria for the Chief Executive Officers' annual variable remuneration for financial year 2019. In accordance with the remuneration policy approved by the General Meeting of 21st May 2019, these criteria are as follows:

Quantitative portion

For Frédéric Oudéa and Diony Lebot, the quantitative portion is measured according to their achievement of the Group targets for return on tangible equity (ROTE), the Core Equity Tier 1 ratio and the cost-to-income ratio, with an equal weighting for each indicator. For Philippe Aymerich, Séverin Cabannes and Philippe Heim, the economic criteria concern both the Group as a whole and their specific areas of responsibility, as detailed on page 105.

These indicators reflect targets for operational efficiency and risk management for their areas of responsibility, as well as value creation for the shareholders. Covering both financial and operational aspects, these indicators are directly linked to the Group's strategy and reflect compliance with the predefined budgets. Any components regarded as exceptional by the Board of Directors are excluded from the calculations.

Compliance with the budgetary target equates to an achievement rate of 80%. The quantitative portion cannot represent more than 60% of the maximum annual variable remuneration (the latter being capped at 135% of annual fixed remuneration for the Chief Executive Officer and 115% for Deputy Chief Executive Officers).

Achievement of the quantitative objectives for 2019

Concerning the quantitative objectives, all the targets, both strategic and financial for 2019 have been achieved. The Group very significantly strengthened its financial solidity throughout the year, with the CET1 ratio increasing by 180bp to 12.7%, above the 12% target. There was a decrease in the underlying operating expenses of -1%, while the cost of risk remained low (25bp), within the range communicated to the market.

In French Retail Banking, commercial momentum was good with a strengthening of the customer base, notably among wealth management and corporate clients. In a context of low interest rates and transformation of retail banking networks, revenues excluding PEL/CEL are slightly progressing by +0.3% and cost increases are under control, in line with the communicated objectives.

The profitable growth of International Retail Banking and Financial Services has been confirmed, with revenue growth and good commercial momentum offsetting the disposals carried out as part of the refocusing programme this year.

The restructuring plan for the Global Banking & Investor Solutions division was successfully implemented, exceeding the annual objectives regarding the reduction of RWA and cost savings. Capitalising on the refocusing on the core franchises, and after adjustment for the impact of the restructuring, NBI is increasing by 1% versus 2018, and by 11% in Q4-19 versus Q4-18.

Qualitative portion

The Board of Directors at its meeting on 13 March 2019 set qualitative targets for the 2019 financial year. Most of these targets are collective, reflecting the team spirit that is essential within General Management. Targets specific to each Chief Executive Officer are also set, according to their respective areas of responsibility.

The collective targets for 2019 were based on a number of main areas relating to the implementation of the Group's and the businesses' strategy, with a specific focus on cost control and scarce resources management; operational efficiency and risk management, notably on the reinforcement of regulatory obligations (KYC, internal control, remediations), the reinforcement of innovation capacity and, finally, the achievement of Corporate Social Responsibility (CSR) targets, reflected in particular by Societe Generale's positioning in the extra-financial ratings.

The targets specific to the scopes of supervision concerned the deployment of the Group's Culture & Conduct programme, Human Resources management, the ongoing transformation of the French Retail Banking network and the development of Boursorama, the execution of the efficiency programme in the IT division, and the implementation of the GBIS and IBFS strategy.

Attainment of these targets is assessed on the basis of certain key questions defined in advance by the Board of Directors. The achievement rate can be anywhere between 0 and 100%. All targets are equally weighted and the overall achievement rate corresponds to the average of the scores for each target. The qualitative portion cannot represent more than 40% of the maximum annual variable remuneration (capped at a total of 135% of annual fixed remuneration for the Chief Executive Officer and 115% for Deputy Chief Executive Officers).

Achievement of the qualitative objectives for 2019

In order to assess the qualitative objectives, the Board of Directors on 5th February 2020 noted the following achievements.

Regarding the strategic plan execution, the Board recognised the success of most strategic initiatives. The disposals were carried out in line with the 2019 budget and the actions implemented by the Group consolidated the capital.

Capital allocation management has also been optimised by increasing the selectivity of allocations to strategic businesses.

Customer satisfaction according to business continued to progress or remain at a high level compared to peers due to the positive impacts of action plans that were introduced.

Businesses and functions respected cost limits, and the cost reduction plans are moving forward according to plan to improve efficiency and simplify operations.

The deadlines for updating the permanent control programme were met. Several major milestones have already been achieved. The KYC compliance rate for new client relationships and the upgrading of the portfolio of clients are in line with objectives in almost all banking entities. Finally, the various ongoing remediation programmes are progressing according to plan.

With respect to innovation, the "Internal Start-Up Call" programme was completed satisfactorily during the second half of 2019. Indicators were launched to measure the value of new digital services and, more generally, training on innovation models, particularly on the use of Big Data and Artificial Intelligence, has been introduced for executives and managers. Societe Generale Ventures is up and running, and carries out its own investments through the Innovation Department. In 2019, Societe Generale was ranked number four overall and ranked number one in 2018 for its digital maturity in the e-CAC Rankings, an index that notes the digital maturity of among French CAC40 companies.

The Group also met its CSR targets. The Group moved up the RobecoSAM yardstick in the first decile out of 175 banks, outperforming its target in the first quartile. It maintained its A rating in the MSCI index.

In 2019, the Group respected and even achieved its environmental commitments early. The proportion of coal in the financed energy mix was 16.3% versus the target of 19% in 2020. The bank's commitments were also strengthen in September with new targets set for 2023. The Bank has signed the Principles for Responsible Banking.

Amid profound transformation in certain businesses, the employee commitment rate slightly decreased. The move to appoint women in management positions has continued to progress.

The Culture & Conduct programme has been deployed in line with the objectives, although differences still exist depending on the Business Units and Service Units. Action plans are in place. The Group has set up a preliminary analysis of risks and indicators.

The transformation of the French Retail Banking network continued in 2019 and work on the guidelines for the coming years has been deepened in order to succeed in Societe Generale's and Crédit du Nord's transformation in a context of revenue erosion and rapid technological development. Similarly, Boursorama repositioned its strategy as part of its ongoing success in winning new customers in 2019.

The IT efficiency programmes that were introduced are meeting targets but will nonetheless be reinforced. The Group did not experience any significant loss of data or fraud involving cybercrime in 2019, but will continue to push forward with strengthening its security system.

GBIS (Global Banking and Investors Solutions) exceeded its costs and RWA reduction targets, based on the programme announced on 7 February 2019. Market activities were restructured, and financing and coverage activities were merged. The transformation was carried out in accordance with the Group's social commitments.

Lastly, a sweeping refocusing and reorganisation plan was achieved in IBFS (International Retail Banking and Financial Services). Commercial performance was robust in Africa, while targets were either met or exceeded in Russia and Europe. The ALD and Insurance businesses confirmed their financial and operational strength.

The breakdown of achievement rates by objective approved by the Board of Directors on 5 February 2020 are presented in the table below:

		Quantitative objectives								
		Group perimeter			Scope of responsibility of Deputy Chief Executive Officers			Total quanti-tative part	Quali-tative objectives	Global achievement rate for the 2019 objectives
		ROTE	CET 1 Ratio	C/I	GOI	C/I	RONE			
F. Oudéa	Weight	20%	20%	20%	-	-	-	60%	40%	
	Achievement rate	9.2%	20.0%	13.1%	-	-	-	42.3%	36.7%	**79.0%**
Ph. Aymerich	Weight	10%	10%	10%	10%	10%	10%	60%	40%	
	Achievement rate	4.6%	10.0%	6.6%	7.7%	8.2%	8.7%	45.8%	36.3%	**82.1%**
S. Cabannes	Weight	10%	10%	10%	10%	10%	10%	60%	40%	
	Achievement rate	4.6%	10.0%	6.6%	0.0%	0.0%	4.7%	25.9%	37.2%	**63.1%**
Ph. Heim	Weight	10%	10%	10%	10%	10%	10%	60%	40%	
	Achievement rate	4.6%	10.0%	6.6%	8.3%	8.1%	8.3%	45.9%	37.0%	**82.9%**
D. Lebot	Weight	20%	20%	20%	-	-	-	60%	40%	
	Achievement rate	9.2%	20.0%	13.1%	-	-	-	42.3%	36.8%	**79.1%**

Note: In this table, rates have been rounded for presentation purposes.
ROTE: Return on Tangible Equity.
CET 1 Ratio: Core Tier 1 Ratio.
C/I: Cost/income ratio.
GOI: Gross operating income.
RONE: Return on normative equity.

Consequently, the following annual variable remuneration amounts have been calculated for the 2019 financial year:

- EUR 1,387,152 for Mr. Frédéric Oudéa, corresponding to a quantitative achievement rate of 70.6% and a qualitative achievement rate assessed by the Board of Directors at 91.7%;
- EUR 755,136 for Mr. Philippe Aymerich corresponding to a quantitative achievement rate of 76.4% and a qualitative achievement rate assessed by the Board of Directors at 90.6%;
- EUR 580,520 for Mr. Séverin Cabannes, corresponding to a quantitative achievement rate of 43.1% and a qualitative achievement rate assessed by the Board of Directors at 93.1%;
- EUR 762,680 for Mr. Philippe Heim corresponding to a quantitative achievement rate of 76.5% and a qualitative achievement rate assessed by the Board of Directors at 92.5%;
- EUR 727,904 for Mrs. Diony Lebot corresponding to a quantitative achievement rate of 70.6% and a qualitative achievement rate assessed by the Board of Directors at 91.9%.

The amounts awarded correspond to the maximum annual variable remuneration allowed (135% of fixed remuneration for the Chief Executive Officer and 115% for the Deputy Chief Executive Officers) multiplied by the global achievement rate for the Chief Executive Officer in question.

ANNUAL VARIABLE REMUNERATION FOR 2019 AND RECORD OF FIXED AND ANNUAL VARIABLE REMUNERATION AWARDED TO CHIEF EXECUTIVE OFFICERS IN PREVIOUS YEARS

	Reminder of 2017 fixed + annual variable remuneration			Reminder of 2018 fixed + annual variable remuneration			2019 fixed + annual variable remuneration			
(In EUR)	**Fixed rem.**	**Annual variable rem.**	**Total rem.**	**Fixed rem.**	**Annual variable rem.**	**Total rem.**	**Fixed rem.**	**Annual variable rem.**	**% of Fixed rem.**	**Total rem.**
Mr. Oudéa	1,300,000	1,305,720	2,605,720	1,300,000	1,251,151[1]	2,551,151	1,300,000	1,387,152	*107%*	2,687,152
Mr. Aymerich[2]	N/A	N/A	N/A	504,000	423,105	927,105	800,000	755,136	*94%*	1,555,136
Mr. Cabannes	800,000	672,998	1,472,998	800,000	524,924[1]	1,324,924	800,000	580,520	*73%*	1,380,520
Mr. Heim[2]	N/A	N/A	N/A	504,000	437,300	941,300	800,000	762,680	*95%*	1,562,680
Ms. Lebot[2]	N/A	N/A	N/A	504,000	393,030	897,030	800,000	727,904	*91%*	1,527,904

Note: Gross amounts in EUR, as calculated upon award.

(1) The amounts of 2018 annual variable remuneration are those before the decision of Frédéric Oudéa and Séverin Cabannes to cede part of their variable compensation following the agreements reached with the American authorities; variable remuneration after reduction was EUR 1,063,478 for Frédéric Oudéa and EUR 485,555 for Séverin Cabannes.

(2) Mr. Aymerich, Mr. Heim and Mrs. Lebot were appointed as Deputy Chief Executive Officers as of 14th May 2018; thus, the amounts of 2018 remuneration were prorated based on the date of their appointment in 2018.

VESTING AND PAYMENT OF VARIABLE REMUNERATION FOR FINANCIAL YEAR 2019

In accordance with the standards applicable to bank Directors (CRD4), the Board of Directors has defined the following vesting and payment conditions for annual variable remuneration:

- 40% of the total amount awarded vests in March 2020 (provided it is approved by the General Meeting of 19th May 2020); half of this, converted into share equivalents, is subject to a one-year holding period;
- 60% of the total amount awarded remains invested and is broken down into three equal sums payable over each of the next three years; two-thirds of this portion is awarded as shares, subject to two performance conditions: Group profitability and Core Tier One levels. A six-month holding period applies after each definitive vesting date.

The amount of variable remuneration granted in shares or share equivalents is converted based on a share price determined each year by the Board of Directors in March and corresponding to the trade-weighted average over the last 20 trading days prior to the Board meeting.

If the Board observes that a decision taken by a Chief Executive Officer has had particularly significant consequences for the Company's results or image, it may decide not only to reconsider payment of the deferred annual variable remuneration in full or in part (malus clause), but also to recover, for each award, all or part of the sums already paid over a five-year period (clawback clause).

Lastly, vesting of the deferred annual variable remuneration is also subject to a condition of presence throughout the Chief Executive Officer's term of office. The exceptions to this requirement are as follows: retirement, death, disability, incapacity to carry out duties or termination for reasons of a strategic divergence with the Board of Directors.

Once the Chief Executive Officer's current term of office comes to an end, this condition of presence no longer applies. However, if the Board observes, after a Chief Executive Officer has left office, that they took a decision whilst in office that has had particularly significant consequences for the Company's results or image, it may decide not only to reconsider payment of the deferred annual variable remuneration in full or in part (malus clause), but also to recover, for each award, all or part of the sums already paid over a five-year period (clawback clause).

The portion of annual variable remuneration granted as share equivalents entitles the beneficiary to payment of a sum equivalent to any dividend payments made over the compulsory holding period. No dividends are paid during the vesting period.

Any attendance fees received by Deputy Chief Executive Officers in respect of their duties within Societe Generale companies in which they are Directors are deducted from their variable remuneration. The Chief Executive Officer does not receive any attendance fees.

ANNUAL VARIABLE REMUNERATION PAID IN FINANCIAL YEAR 2019

In 2019, the Chief Executive Officers received annual variable remuneration in respect of financial years 2015, 2016, 2017 and 2018, as previously approved by the General Meetings of 18th May 2016 (Resolutions 6 and 7), 23rd May 2017 (Resolutions 11 and 12), 23rd May 2018 (Resolutions 8 and 9) and 21st May 2019 (Resolutions 17 to 21) respectively. For deferred payments that were subject to performance conditions, the Board of Directors assessed and confirmed satisfaction of the conditions in question at its meeting of 6th February 2019. Details of the overall sums and individual amounts paid are given in the tables on pages 119-128 and in Table 2 on page 131.

Long-term incentives for financial year 2019

LONG-TERM INCENTIVES FOR FINANCIAL YEAR 2019

In accordance with the remuneration policy approved by the General Meeting of 21 May 2019, the amounts and principles of the long-term incentive (LTI) plan which the Chief Executive Officers have benefited from since 2012 have been renewed. The plan's objective is to involve the Chief Executive Officers in the Company's long-term progress and align their interests with those of shareholders.

To take into account the change in market practices and the shareholders' votes at the General Meeting of 21 May 2019, the Board of Directors accepted the proposal of the Compensation Committee and decided to adjust the rules applicable to LTI's in the event of departure.

Under the current rule, the payment of an LTI will be cancelled in the event of departure unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares will be awarded subject to performance conditions being met and at the discretion of the Board of Directors.

The Board of Directors, on the proposal of the Compensation Committee, decided to introduce a prorata temporis principle for the LTIs in the event of departure from the Group due to changes in its structure or organisation. In this hypothesis, the payments would be made in proportion to the duration of the term of office as Chief Executive Officer compared to the vesting period duration and based on the performance observed and assessed by the Board of Directors. The current rule remains unchanged for retirement and in the event of departure linked to a change of control in which case the shares will be awarded or payments made in totality (based on the performance observed and assessed by the Board of Directors), as well as in case of death, disability, incapacity. This adjustment applies from the plans granted in 2020 for the 2019 financial year.

The other features of the long-term incentives plan remain unchanged.

The total amount of long-term incentives awarded (valued under IFRS) is capped at the same level as that for the annual variable remuneration. Frédéric Oudéa's long-term incentive is therefore capped at 135% of his annual fixed remuneration. For Deputy Chief Executive Officers, their incentive is capped is 115% of their annual fixed remuneration.

In any event, legislation provides that the total variable component awarded (i.e. annual variable remuneration plus long-term incentives) cannot exceed twice the fixed remuneration[1].

On this basis, and in line with previous years, the Board of Directors decided at its meeting of 5 February 2020 (subject to the approval of the General Meeting on 19 May 2020, in accordance with Article L. 225-100 of the French Commercial Code) to implement an incentive plan for 2019 whose terms are as follows:

- the value of the incentive will remain unchanged over time (measured using IFRS). The corresponding number of shares was calculated on the basis of the Societe Generale share book value at 4 February 2020;
- shares will be granted in two instalments, with vesting periods of four and six years followed by a one-year holding period, thereby increasing the total indexing periods to five and seven years;
- definitive vesting is subject to the Officer still being in office throughout all vesting periods, and to performance conditions.

Accordingly, the vesting of the long-term incentives will depend on:

- for 80% of the LTI award, the relative performance of the Societe Generale share measured by the increase in the total shareholder return (TSR) compared with that for the TSR of 11 comparable European banks over the entire vesting periods. Consequently, the full amount will only vest if Societe Generale's TSR falls in the upper quartile of the sample panel. If it falls slightly above the median value, the vesting rate will be 50% of the total number of shares or share equivalents granted. Last, no shares or share equivalents will vest if the TSR performance is below the median value[2];
- for 20% of the LTI award, the Group's relative CSR performance. Half of the percentage is conditional on the Group's compliance with its energy transition financing commitments and half is conditional on the Group's positioning with respect to the main extra-financial ratings (RobecoSAM, Sustainalytics and MSCI).

The target for energy transition financing relates to the Group commitment of EUR 120 billion to support the energy transition between 2019 and 2023:

- EUR 100 billion in sustainable bonds;[3] and
- EUR 20 billion for renewable energies, in the form of advisory and financing.

The vesting rate will be 100% if the target of EUR 120 billion is met in 2023. It will be 75% if EUR 100 billion is raised. The vesting rate will be zero for anything less than EUR 100 billion.

As for the portion based on external extra-financial ratings, the vesting rate will be as follows:

- 100% vesting if all three target ratings are achieved over a three-year period as from the year of the award (i.e. the positions/ratings for 2021, 2022 and 2023);
- Two-thirds vesting if an average of at least two target ratings are achieved over a three-year period as from the year of the award;
- One-third vesting if on average at least one target rating is achieved over a three-year period as from the year of the award.

(1) After application of the discount rate for variable remuneration awarded as instruments deferred for five years or more, pursuant to Article L. 511-79 of the French Monetary and Financial Code, where applicable.

(2) The complete vesting chart is shown p. 115.

(3) Sustainable bond issues lead-managed or co-lead managed by Societe Generale. Sustainable bonds include both green bonds and sustainability bonds (as defined by the EU's ICMA and GBS guidelines), as well as any bonds related to climate targets.

The target rating for each of the three extra-financial ratings is considered achieved if the following levels are attained:

- RobecoSAM: positioning in the first quartile;
- Sustainalytics: positioning in the first quartile;
- MSCI: rating ≥ BBB.

In the even the ratings are adjusted during the year, the rating applied will be that allocated at the annual review. As the extra-financial rating sector shifts, the panel of ratings may be modified if appropriate justification can be provided.

- If the Group is not profitable in the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of Societe Generale's share performance and CSR results.

The complete vesting chart based on the relative performance of the Societe Generale share is shown below:

SG Rank	Ranks 1*- 3	Rank 4	Rank 5	Rank 6	Ranks 7-12
% of the maximum number awarded	100%	83.3%	66.7%	50%	0%

* *The highest rank in the panel.*

The 2020 peer panel comprises the following financial institutions: Barclays, BBVA, BNP Paribas, Crédit Agricole, Crédit Suisse, Deutsche Bank, Intesa Sanpaolo, Nordea, Santander, UBS and UniCredit.

The final payment value for the shares will be capped at EUR 76 per share, i.e. approximately 1.2 times the net asset value per Societe Generale Group share at 31 December 2019.

Lastly, a malus clause also applies to long-term incentives. Accordingly, if the Board finds conduct or actions that fall short of Societe Generale's expectations, in particular as defined in the Group's Code of Conduct, or risk-taking that exceeds the level deemed acceptable by Societe Generale, it may decide to withhold payment of the long-term incentives in full or in part.

The table below indicates the number of shares awarded to each Chief Executive Officer under the plan with respect to 2019, and their book value:

	Amount in book value (IFRS)[1]	Maximum number of shares awarded[2]
Frédéric Oudéa	EUR 850,000	51,861
Philippe Aymerich	EUR 570,000	34,777
Séverin Cabannes	EUR 570,000	34,777
Philippe Heim	EUR 570,000	34,777
Diony Lebot	EUR 570,000	34,777

(1) Based on the share price on the day preceding the Board of Directors' meeting of 5 February 2020, at which the LTIs were awarded.
(2) The number of awarded shares corresponds to the total IFRS amount of the grant divided by IFRS SG share value based on the share price on the day preceding the Board of Directors' meeting of 5th February 2020.

The allocation of performance share is to be decided by the Board of Directors at its meeting of 12 March 2020, pursuant to the powers conferred upon it at the General Meeting of 23 May 2018 (Resolution 25). Such awards should represent less than 0.01% of the share capital.

LONG-TERM INCENTIVES PAID IN FINANCIAL YEAR 2019

In financial year 2019, Frédéric Oudéa and Séverin Cabannes each received payments corresponding to the first instalment of the long-term incentive plan awarded in 2014. The award was approved by a shareholders' vote at the General Meeting of 19 May 2015 (Resolutions 5 and 6). The Board of Directors reviewed the performance conditions at its meeting of 6 February 2019 and were satisfied that they had been met. The individual amounts received are shown in Table 7 on p. 134 and tables on p. 119-128.

POST-EMPLOYMENT BENEFITS: PENSION, SEVERANCE PAY, NON-COMPETE CLAUSE

Pension

Frédéric Oudéa terminated his employment contract by resigning when he was appointed Chairman and Chief Executive Officer in 2009. Accordingly, he is no longer entitled to any supplementary pension benefits from Societe Generale.

Details of the pension schemes for the Deputy Chief Executive Officers are given on page 108[1].

For financial year 2019, the annual increase in rights under the supplementary pension scheme for senior managers and the Art. 82 supplementary defined contribution scheme was conditional upon a performance target, as required by law.

(1) The pension related party commitments for Mr. Aymerich, Mr. Heim and Ms. Lebot, authorised by the Board of Directors on 3rd May 2018 and 6th February 2019, were approved and then amended and renewed, at the General Meeting of 21st May 2019 (Resolutions 11 to 13). The pension related party commitment for Mr. Cabannes, authorised by the General Meeting of 19th May 2009, was amended and renewed at the General Meeting of 21st May 2019 (Resolution 10), further to the Board of Directors' authorisation of 6th February 2019.

The table below sets out the achievement rate of potential pension benefits based on the overall performance rate recognised by the Board of Directors on 5 February 2020:

	Overall achievement rate for 2019 targets	Potential pension rights[1] / Art. 82 defined contribution acquisition%
Philippe Aymerich	82.1%	100%
Séverin Cabannes	63.1%	44%
Philippe Heim	82.9%	100%
Diony Lebot	79.1%	97%

(1) The supplementary pension plan has been closed to new pension benefit rights from 1 January 2020.

Information on each Chief Executive Officer's contributions and potential rights appears on pages 123-128.

Sums payable upon leaving the Group

The Chief Executive Officers (Frédéric Oudéa, Philippe Aymerich, Séverin Cabannes, Philippe Heim and Diony Lebot) are entitled to severance pay and a non-compete clause in respect of their roles as Chief Executive Officers[1].

The terms of these benefits are detailed on pages 120-128. No payments were made to the Chief Executive Officers in respect of such benefits in financial year 2019.

OTHER BENEFITS OF CHIEF EXECUTIVE OFFICERS

The Chief Executive Officers each have their own company car, which is available to them for private as well as professional use, and insurance providing the same cover for health and death/disability benefits as employees. Details of the benefits granted in respect of and paid over the course of the financial year are provided on pages 120-128.

PAY RATIOS AND CHANGES IN REMUNERATIONS

In accordance with Article L. 225-37-3 of the French Commercial Code, as amended by Order No. 2019-1234 of 27 November 2019 on the remuneration paid to executive officers of listed companies, the following tables break down the changes over the past five financial years in each Chief Executive Officer's remuneration and the average and median remuneration of the Company's employees compared with the Group's performance.

The parameters for these calculations were defined in accordance with the AFEP-MEDEF guidelines.

The following scope was used to calculate average and median employee remuneration:

- Societe Generale SA, including foreign branches;
- Employees on permanent contracts and with at least one year's seniority at 31 December of the year in question.

The following components of remuneration were taken into account:

- For employees: base salary, bonuses and benefits, annual variable remuneration and long-term incentives awarded in respect of the year and profit-sharing for the year.
- For Chief Executive Officers: fixed remuneration and value of benefits in kind, annual variable remuneration and long-term incentives awarded in respect of the year.

The calculation of employee remuneration for 2019 included the base salary, bonuses and benefits for 2019, in addition to all variable components (annual bonus, long-term incentives and profit-sharing), estimated on the basis of the total amounts awarded in the previous financial year.

CHANGES IN AVERAGE AND MEDIAN EMPLOYEE REMUNERATION OVER THE PAST FIVE YEARS

(In thousand EUR)	2015	2016	2017	2018	2019	Change 2015-2019
Average employee remuneration	**72.8**	**73.5**	**74.2**	**75.3**	**75.5**	
Change	+3.8%	+0.9%	+0.9%	+1.5%	+0.3%	+3.7%
Median employee remuneration	**49.0**	**50.5**	**52.3**	**54.4**	**54.6**	
Change	+3.9%	+3.1%	+3.6%	+3.9%	+0.5%	+11.5%

(1) Related-party agreements with Mr. Oudéa and Mr. Cabannes approved by the General Meeting of 23rd May 2017 and renewed with amendments by the General Meeting of 21st May 2019, further to the Board of Directors' authorisation of 6th February 2019 (Resolutions 9 and 10). Related party agreements with Mr. Aymerich, Mr. Heim and Ms. Lebot approved and renewed with amendments by the General Meeting of 21st May 2019, further to the Board of Directors' authorisations of 3rd May 2018 and 6th February 2019 (Resolutions 11 to 13).

CHANGES IN CHIEF EXECUTIVE OFFICERS' REMUNERATION AND PAY RATIOS FOR THE PAST FIVE YEARS

(In thousand EUR)	2015	2016	2017	2018	2019	Change 2015-2019
Lorenzo Bini Smaghi[1] Chairman						
Remuneration	**893.6**	**902.8**	**903.4**	**948.7**	**979.4**	
Change		+1.0%	+0.1%	+5.0%	+3.2%	+9.6%
Ratio to employee average remuneration	**12:1**	**12:1**	**12:1**	**13:1**	**13:1**	
Change		+0.1%	-0.8%	+3.5%	+2.9%	+1.8%
Ratio to employee median remuneration	**18:1**	**18:1**	**17:1**	**17:1**	**18:1**	
Change		-2.0%	-3.4%	+1.1%	+2.7%	-6.5%
Frédéric Oudéa[2] Chief Executive Officer						
Remuneration	**3,630.6**	**3,606.2**	**3,461.6**	**3,193.2**	**3,542.3**	
Change		-0.7%	-4.0%	-7.8%	+10.9%	-2.4%
Ratio to employee average remuneration	**50:1**	**49:1**	**47:1**	**42:1**	**47:1**	
Change		-1.6%	-4.9%	-9.1%	+10.5%	-5.9%
Ratio to employee median remuneration	**74:1**	**71:1**	**66:1**	**59:1**	**65:1**	
Change		-3.7%	-7.3%	-11.2%	+10.4%	-12.5%
Philippe Aymerich[3] Deputy Chief Executive Officer						
Remuneration	**-**	**-**	**-**	**1,903.0**	**2,125.1**	
Change					+11.7%	+11.7%
Ratio to employee average remuneration	**-**	**-**	**-**	**25:1**	**28:1**	
Change					+11.3%	+11.3%
Ratio to employee median remuneration	**-**	**-**	**-**	**35:1**	**39:1**	
Change					+11.1%	+11.1%
Séverin Cabannes[2] Deputy Chief Executive Officer						
Remuneration	**2,085.5**	**2,121.0**	**2,049.4**	**1,807.3**	**1,955.7**	
Change		+1.7%	-3.4%	-11.8%	+8.2%	-6.2%
Ratio to employee average remuneration	**29:1**	**29:1**	**28:1**	**24:1**	**26:1**	
Change		+0.8%	-4.2%	-13.1%	+7.8%	-9.6%
Ratio to employee median remuneration	**43:1**	**42:1**	**39:1**	**33:1**	**36:1**	
Change		-1.4%	-6.7%	-15.1%	+7.7%	-15.9%
Philippe Heim[3] Deputy Chief Executive Officer						
Remuneration	**-**	**-**	**-**	**1,915.5**	**2,135.7**	
Change					+11.5%	+11.5%
Ratio to employee average remuneration	**-**	**-**	**-**	**25:1**	**28:1**	
Change					+11.1%	+11.1%
Ratio to employee median remuneration	**-**	**-**	**-**	**35:1**	**39:1**	
Change					+10.9%	+10.9%
Diony Lebot[3] Deputy Chief Executive Officer						
Remuneration	**-**	**-**	**-**	**1,872.6**	**2,103.8**	
Change					+12.4%	+12.4%
Ratio to employee average remuneration	**-**	**-**	**-**	**25:1**	**28:1**	
Change					+12.0%	+12.0%
Ratio to employee median remuneration	**-**	**-**	**-**	**34:1**	**39:1**	
Change					+12.4%	+12.4%

(1) Mr. Bini Smaghi was appointed as Chairman of the Board of Directors on 19 May 2015; his compensation for 2015 has been annualised for the purpose of comparability.

(2) With regard to Mr. Oudéa and Mr. Cabannes, the calculation for 2018 includes the amount of their 2018 annual variable remuneration before their decision to waive part of it following agreements with US authorities.

(3) The terms of office of Mr. Aymerich, Mr. Heim and Ms. Lebot as Deputy Chief Executive Officers began on 14th May 2018. Their remuneration for 2018 has been annualised for the purpose of comparability.

GROUP PERFORMANCE OVER THE PAST FIVE YEARS

	2015	2016	2017	2018	2019	Change 2015-2019
Fully-loaded CET1	**10.9%**	**11.5%**	**11.4%**	**10.9%**	**12.7%**	
Change		+0.6 pt	-0.1 pt	-0.5 pt	+1.8 pt	+1.8 pt
Underlying C/I	**67.5%**	**68.1%**	**68.8%**	**69.8%**	**70.6%**	
Change		+0.7 pt	+0.7 pt	+1.0 pt	+0.8 pt	+3.1 pt
Underlying ROTE	**9.5%**	**9.0%**	**9.2%**	**9.7%**	**7.6%**	
Change		-0.5 pt	+0.2 pt	+0.5 pt	-2.1 pt	-1.9 pt
Net tangible asset value per share	**53.9 €**	**55.6 €**	**54.4 €**	**55.8 €**	**55.6 €**	
Change		+3.2%	-2.2%	+2.6%	-0.4%	+3.2%

REMUNERATION OF THE DIRECTORS

The rules governing the breakdown of the annual amount paid to Directors are specified in Article 15 of the Internal Rules (see Chapter 7) and detailed on page 95.

The General Meeting of 23 May 2018 allocated a total of EUR 1,700,000 for Directors' annual remuneration. The full amount was paid to Directors in respect of the 2019 financial year.

The breakdown of the total amount paid in respect of 2019 is shown in the table on page 132.

TOTAL REMUNERATION AND BENEFITS PAID IN OR AWARDED FOR FINANCIAL YEAR 2019 TO CHIEF EXECUTIVE OFFICERS AND SUBMITTED TO THE SHAREHOLDERS FOR APPROVAL

In accordance with Article L. 225-100 (III) of the French Commercial Code, no variable components (i.e. annual variable remuneration and long-term incentives) or exceptional components of the 2019 remuneration can be paid until they have been approved by the General Meeting to be held on 19th May 2020.

TABLE 1

Lorenzo BINI SMAGHI, Chairman of the Board of Directors
Remuneration compliant with the policy approved by the General Meeting of 21st May 2019

Remuneration components put to the vote	Amounts awarded in respect of 2019	Description	Amounts paid in 2019
Fixed remuneration	EUR 925,000	Gross fixed remuneration paid in 2019. The annual fixed remuneration of Mr. Lorenzo Bini Smaghi has been EUR 925,000 since May 2018 and will continue as such for the duration of his term of office.	EUR 925,000
Annual variable remuneration	N/A	Lorenzo Bini Smaghi does not receive any variable remuneration.	N/A
Attendance fees	N/A	Lorenzo Bini Smaghi does not receive any attendance fees.	N/A
Value of benefits in kind	EUR 54,378	He is provided with Company accommodation for the performance of his duties in Paris.	EUR 54,378

TABLE 2

Frédéric OUDÉA, Chief Executive Officer
Remuneration compliant with the policy approved by the General Meeting of 21st May 2019

Remuneration components put to the vote	Amounts awarded in respect of 2019	Description	Amounts paid in 2019
Fixed remuneration	EUR 1,300,000	Gross fixed remuneration paid in 2019, unchanged since the Board of Director's decision of 31st July 2014 (confirmed in May 2015 when the roles of Chairman of the Board and Chief Executive Officer were separated).	EUR 1,300,000
Annual variable remuneration		Frédéric Oudéa receives annual variable remuneration which breaks down into two sub-components: 60% is based on financial targets and 40% on qualitative targets. These components are detailed on p. 111 of the 2020 Universal Registration Document. His annual variable remuneration is capped at 135% of his fixed remuneration.	
o.w. annual variable remuneration payable in 2020	EUR 277,430 (nominal amount)	**Evaluation of 2019 performance** – Given the quantitative and qualitative criteria defined by the Board of Directors on 6th February and 13th March 2019 and the achievement rates observed in financial year 2019, Mr. Oudéa's annual variable remuneration was set at EUR 1,387,152.[1] This corresponds to an overall target achievement rate of 79.0% of his maximum annual variable remuneration (see p. 112 of the 2020 Universal Registration Document).	■ Annual variable remuneration in respect of 2018, as approved by the General Meeting of 21st May 2019 (Resolution 17): EUR 212,696 The criteria used to calculate and pay annual variable remuneration are detailed in the chapter on the remuneration of Chief Executive Officers. Payment of 50% of the annual variable remuneration vested is deferred. ■ Deferred annual variable remuneration (see Table 2, p. 131): - in respect of 2015: EUR 230,796 - in respect of 2016: EUR 169,489 - in respect of 2017: EUR 261,144 EUR 164,264 The above variable remuneration was approved by the General Meetings of 18th May 2016 (Resolution 6), 23rd May 2017 (Resolution 11) and 23rd May 2018 (Resolution 8) respectively. For deferred payments that were subject to performance conditions, the Board of Directors assessed and confirmed satisfaction of the conditions in question at its meeting of 6th February 2019.
o.w. annual variable remuneration payable in subsequent years	EUR 1,109,722 (nominal amount)	■ payment of the full annual variable remuneration in respect of 2019 is subject to approval by the General Meeting of 19th May 2020; ■ 40% of this annual variable remuneration is conditional upon approval by the General Meeting of 19th May 2020. Half of this sum is converted into Societe Generale share equivalents, paid after a one-year holding period; ■ 60% of this annual variable remuneration is conditional upon achievement of the Group's targets in terms of profitability and equity capital, as assessed over financial years 2020, 2021 and 2022. Two thirds of this sum is converted into Societe Generale shares, half of which become transferable after 2.5 years and half after 3.5 years; ■ the terms and conditions of vesting and payment in respect of this deferred remuneration are detailed on p. 113 of the 2020 Universal Registration Document.	
Multi-annual variable remuneration	N/A	Frédéric Oudéa does not receive any multi-annual variable remuneration.	N/A
Exceptional remuneration	N/A	Frédéric Oudéa does not receive any exceptional remuneration.	N/A

Value of options awarded in respect of the financial year	N/A	Frédéric Oudéa has not been awarded any stock options since 2009.	N/A
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year	EUR 850,000 (value according to IFRS 2 at 4th February 2020). This amount corresponds to an award of 51,861 shares	Since 2012, the Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to involve them more closely in the Company's long-term progress and align their interests with those of the shareholders. The details of the plan granted in respect of 2019 by the Board of Directors at its meeting of 5th February 2020 are as follows: ■ awards capped at the same level as the annual variable remuneration; ■ 51,861 shares awarded in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; ■ award of the long-term incentives in respect of 2019 is conditional upon approval by the General Meeting of 19th May 2020; ■ definitive vesting subject to presence and performance conditions as detailed on p. 114 of the 2020 Universal Registration Document; ■ the award under Resolution 25 of the General Meeting of 23rd May 2018 (Board of Directors' decision of 12th March 2020 on the award of performance shares); it represents less than 0.01% of the share capital.	Share equivalents paid as the first instalment of the long-term incentives awarded in 2014*: EUR 532,727 *Approved in a shareholders' vote at the General Meeting of 19th May 2015 (Resolution 5). The Board of Directors assessed and confirmed satisfaction of the performance conditions at its meeting of 6th February 2019 (see p. 115 and Table 7, p. 134).
Attendance fees	N/A	N/A	N/A
Value of benefits in kind	EUR 5,147	Frédéric Oudéa is provided with a company car.	EUR 5,147
Severance pay	No amount due in respect of the financial year	The features of severance pay for Chief Executive Officers are detailed on p.109 of the Universal Registration Document.	No amount paid over the financial year
Non-compete clause	No amount due in respect of the financial year	The features of the non-compete clauses for Chief Executive Officers are detailed on p. 109 of the Universal Registration Document.	No amount paid over the financial year
Supplementary pension scheme	N/A	Frédéric Oudéa does not have any supplementary pension scheme.	N/A
Death and disability scheme		Frédéric Oudéa benefits from the death and disability scheme whose guarantees and contribution rates are aligned with those of the staff.	Contribution into the death/disability scheme: EUR 10,020

(1) Nominal amount decided by the Board of Directors on 5 February 2020.

TABLE 3

Philippe AYMERICH, Deputy Chief Executive Officer
Remuneration compliant with the policy approved by the General Meeting of 21st May 2019

Remuneration components put to the vote	Amounts awarded in respect of 2019	Description	Amounts paid in 2019
Fixed remuneration	EUR 800,000	Mr. Aymerich's gross annual fixed remuneration amounts to EUR 800,000, as set by the Board of Directors on 3rd May 2018 at the time of his appointment as Deputy Chief Executive Officer, effective as from 14th May 2018.	EUR 800,000
Annual variable remuneration		Philippe Aymerich benefits from annual variable remuneration broken down into two sub-components: 60% based on financial targets and 40% on qualitative targets. These components are detailed on p. 111 of the 2020 Universal Registration Document. This annual variable remuneration is capped at 115% of his fixed remuneration.	■ Annual variable remuneration in respect of 2018, as approved by the General Meeting of 21st May 2019 (Resolution 18): EUR 84,621
o.w. annual variable remuneration payable in 2020	EUR 151,027 (nominal amount)	**Evaluation of 2019 performance** – Given the quantitative and qualitative criteria defined by the Board of Directors on 6th February and 13th March 2019 and the achievement rates observed in financial year 2019, Mr. Aymerich's annual variable remuneration was set at EUR 755,136.[1] This corresponds to an overall target achievement rate of 82.1% of his maximum annual variable remuneration (see p. 112 of the 2020 Universal Registration Document).	The criteria used to calculate and pay annual variable remuneration are detailed in the chapter on the remuneration of Chief Executive Officers. Payment of 50% of the annual variable remuneration vested is deferred.
o.w. annual variable remuneration payable in subsequent years	EUR 604,109 (nominal amount)	■ payment of the full annual variable remuneration in respect of 2019 is subject to approval by the General Meeting of 19th May 2020; ■ 40% of this annual variable remuneration is conditional upon approval by the General Meeting of 19th May 2020. Half of this sum is converted into Societe Generale share equivalents, paid after a one-year holding period; ■ 60% of this annual variable remuneration is conditional upon achievement of the targets related to Group profitability and equity capital, as assessed over financial years 2020, 2021 and 2022. Two thirds of this sum is converted into Societe Generale shares, half of which become transferable after 2.5 years and half after 3.5 years ; ■ the terms and conditions of vesting and payment in respect of this deferred remuneration are detailed on p. 113 of the 2020 Universal Registration Document.	■ Deferred annual variable remuneration: Mr. Aymerich did not receive any deferred annual variable remuneration in 2019 for his Chief Executive Officer role.
Multi-annual variable remuneration	N/A	Philippe Aymerich does not receive any multi-annual variable remuneration.	N/A
Exceptional remuneration	N/A	Philippe Aymerich does not receive any exceptional remuneration.	N/A
Value of options awarded during the financial year	N/A	Philippe Aymerich has not been awarded any stock options.	N/A
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year	EUR 570,000 (value according to IFRS 2 at 4th February 2020). This amount corresponds to an award of 34,777 shares	Since 2012, the Chief Executive Officers have been eligible for a long-term inc entive plan consisting of shares or share equivalents in order to involve them more closely in the Company's long-term progress and align their interests with those of the shareholders. The details of the plan granted in respect of 2019 by the Board of Directors at its meeting of 5th February 2020 are as follows: ■ awards capped at the same level as the annual variable remuneration; ■ 34,777 shares awarded in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; ■ award of the long-term incentives in respect of 2019 is conditional upon approval by the General Meeting of 19th May 2020; ■ definitive vesting subject to presence and performance conditions as detailed on p. 114 of the 2020 Universal Registration Document; ■ the award under Resolution 25 of the General Meeting of 23rd May 2018 (Board of Directors' decision of 12th March 2020 on the award of performance shares); it represents less than 0.01% of the share capital.	N/A

Remuneration for directorship	N/A	Philippe Aymerich did not receive any attendance fees in 2019.	N/A
Value of benefits in kind	N/A	Philippe Aymerich did not benefit a company car in 2019.	N/A
Severance pay	No amount due in respect of the financial year	The features of severance pay for Chief Executive Officers are detailed on p. 109 of the Universal Registration Document.	No amount paid over the financial year
Non-compete clause	No amount due in respect of the financial year	The features of the non-compete clauses for Chief Executive Officers are detailed on p. 109 of the Universal Registration Document.	No amount paid over the financial year
Supplementary pension scheme	Contribution into additional defined contribution pension plan: EUR 51,032	A detailed description of the Deputy Chief Executive Officers' pension schemes is given on p. 108. ■ Supplementary pension allocation plan. (plan closed to the acquisition of new rights as of December 31, 2019, past rights remaining conditional on the completion of the career with Societe Generale) For FY 2019, in view of Philippe Aymerich overall performance score of 82.1%, he acquired potential pension rights of 100%. For example, based on retirement at 62 years of age and his current annual fixed remuneration, the potential annuity rights allocated to Philippe Aymerich as at 31st December 2019 represent an estimated yearly income of EUR 139k (*i.e.* 8.9% of his reference remuneration as defined by the AFEP-MEDEF Code), subject to satisfaction of the attached conditions. ■ Additional defined contribution pension plan. For FY 2019, in view of Philippe Aymerich overall performance score of 82.1%, this contribution amounted to EUR 51,032 (contribution acquisition rate: 100%). ■ Valmy pension saving scheme. The annual contribution paid by the company is EUR 1,216.	Contribution into Valmy pension saving scheme: EUR 1,216
Death and disability scheme		Philippe Aymerich benefits from the death and disability scheme whose guarantees and contribution rates are aligned with those of the staff.	Contribution into the death/disability scheme: EUR 5,224

(1) Nominal amount decided by the Board of Directors on 5 February 2020.

TABLE 4

Séverin CABANNES, Deputy Chief Executive Officer
Remuneration compliant with the policy approved by the General Meeting of 21st May 2019

Remuneration components put to the vote	Amounts awarded in respect of 2019	Description	Amounts paid in 2019
Fixed remuneration	EUR 800,000	Gross annual fixed remuneration paid in 2019, unchanged since the Board of Directors' decision of 31st July 2014.	EUR 800,000
Annual variable remuneration		Séverin Cabannes benefits from annual variable remuneration broken down into two sub-components: 60% based on financial targets and 40% on qualitative targets. These components are detailed on p. 111 of the 2020 Universal Registration Document. This annual variable remuneration is capped at 115% of his fixed remuneration.	
o.w. annual variable remuneration payable in 2020	EUR 116,104 (nominal amount)	**Evaluation of 2019 performance** – Given the quantitative and qualitative criteria defined by the Board of Directors on 6th February and 13th March 2019 and the achievement rates observed in financial year 2019, Mr. Cabannes's annual variable remuneration was set at EUR 580,520.[1] This corresponds to an overall target achievement rate of 63.1% of his maximum annual variable remuneration (see p. 112 of the 2020 Universal Registration Document).	■ Annual variable remuneration in respect of 2018, as approved by the General Meeting of 21st May 2019 (Resolution 19): EUR 97,111 The criteria used to calculate and pay annual variable remuneration are detailed in the chapter on the remuneration of Chief Executive Officers. Payment of 50% of the annual variable remuneration vested is deferred.
o.w. annual variable remuneration payable in subsequent years	EUR 464,416 (nominal amount)	■ payment of the full annual variable remuneration in respect of 2019 is subject to approval by the General Meeting of 19th May 2020; ■ 40% of this annual variable remuneration is conditional upon approval by the General Meeting of 19th May 2020. Half of this sum is converted into Societe Generale share equivalents, paid after a one-year holding period; ■ 60% of this annual variable remuneration is conditional upon achievement of the targets related to Group profitability and equity capital, as assessed over financial years 2020, 2021 and 2022. Two-thirds of this sum is converted into Societe Generale shares, half of which become transferable after 2.5 years and half after 3.5 year;. ■ the terms and conditions of vesting and payment in respect of this deferred remuneration are detailed on p. 113 of the 2020 Universal Registration Document.	■ Deferred annual variable remuneration (see Table 2, p. 131): - in respect of 2015: EUR 111,481 - in respect of 2016: EUR 87,025 - in respect of 2017: EUR 134,599 EUR 84,659 The above variable remuneration was approved by the General Meetings of 18th May 2016 (Resolution 7), 23rd May 2017 (Resolution 12) and 23rd May 2018 (Resolution 9) respectively. For deferred payments that were subject to performance conditions, the Board of Directors assessed and confirmed satisfaction of the conditions in question at its meeting of 6th February 2019.
Multi-annual variable remuneration	N/A	Séverin Cabannes does not receive any multi-annual variable remuneration.	N/A
Exceptional remuneration	N/A	Séverin Cabannes does not receive any exceptional remuneration.	N/A
Value of options awarded during the financial year	N/A	Séverin Cabannes has not been awarded any stock options since 2009.	N/A
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year	EUR 570,000 (value according to IFRS 2 at 4th February 2020) This amount corresponds to an award of 34,777 shares	Since 2012, the Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to involve them more closely in the Company's long-term progress and align their interests with those of the shareholders. The details of the plan granted in respect of 2019 by the Board of Directors at its meeting of 5th February 2020 are as follows: ■ awards capped at the same level as the annual variable remuneration; ■ 34,777 shares awarded in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; ■ award of the long-term incentives in respect of 2019 is conditional upon approval by the General Meeting of 19th May 2020; ■ definitive vesting subject to presence and performance conditions as detailed on p. 114 of the 2020 Universal Registration Document; ■ the award was approved under Resolution 25 of the General Meeting of 23rd May 2018 (Board of Directors' decision of 12th March 2020 on the award of performance shares); it represents less than 0.01% of the share capital.	Share equivalents paid as the first instalment of the long-term incentives awarded in 2014*: EUR 339,013 *Approved in a shareholders' vote at the General Meeting of 19th May 2015 (Resolution 5). The Board of Directors assessed and confirmed satisfaction of the performance conditions at its meeting of 6th February 2019 (see p. 115 and Table 7, p. 134).

Remuneration for directorship	N/A	Séverin Cabannes did not receive any attendance fees in 2019.	
Value of benefits in kind	EUR 5,147	Séverin Cabannes is provided with a company car.	EUR 5,147
Severance pay	No amount due in respect of the financial year	The features of severance pay for Chief Executive Officers are detailed on p. 109 of the Universal Registration Document.	No amount paid over the financial year
Non-compete clause	No amount due in respect of the financial year	The features of the non-compete clauses for Chief Executive Officers are detailed on p.109 of the Universal Registration Document.	No amount paid over the financial year
Supplementary pension scheme	Contribution into additional defined contribution pension plan: EUR 22,284	A detailed description of the Deputy Chief Executive Officers' pension schemes is given on p. 108. ■ Supplementary pension allocation plan. (plan closed to the acquisition of new rights as of December 31, 2019, past rights remaining conditional on the completion of the career with Societe Generale) For FY 2019, in view of Séverin Cabannes's overall performance score of 63.1%, he acquired potential pension rights of 44%. For example, based on retirement at 62 years of age and his current annual fixed remuneration, the potential annuity rights allocated to Séverin Cabannes as at 31st December 2019 represent an estimated yearly income of EUR 150K (*i.e.* 10.9% of his reference remuneration as defined by the AFEP-MEDEF Code), subject to satisfaction of the attached conditions. ■ Additional defined contribution pension plan. For FY 2019, in view of Séverin Cabannes's overall performance score of 63.1%, this contribution amounted to EUR 22,284 (contribution acquisition rate: 44%). ■ Valmy pension saving scheme. The annual contribution paid by the company is EUR 1,216.	Contribution into Valmy pension saving scheme: EUR 1,216
Death and disability scheme		Séverin Cabannes benefits from the death and disability scheme whose guarantees and contribution rates are aligned with those of the staff.	Contribution into the death/disability scheme: EUR 6,026

(1) Nominal amount decided by the Board of Directors on 5th February 2020.

TABLE 5

Philippe HEIM, Deputy Chief Executive Officer
Remuneration compliant with the policy approved by the General Meeting of 21st May 2019

Remuneration components put to the vote	Amounts awarded in respect of 2019	Description	Amounts paid in 2019
Fixed remuneration	EUR 800,000	Philippe Heim's gross fixed remuneration, set by the Board of Directors on 3rd May 2018 at the time of his appointment as Deputy Chief Executive Officer, with effect from 14th May 2018, amounts to EUR 800,000.	EUR 800,000
Annual variable remuneration		Philippe Heim benefits from annual variable remuneration broken down into two sub-components: 60% based on financial targets and 40% on qualitative targets. These components are described on p. 111 of the 2019 Registration Document. This annual variable remuneration is capped at 115% of his fixed remuneration.	Annual variable remuneration in respect of 2018, as approved by the General Meeting of 21st May 2019 (Resolution 20): EUR 87,460 The criteria used to calculate and pay annual variable remuneration are detailed in the chapter on the remuneration of Chief Executive Officers. Payment of 50% of the annual variable remuneration vested is deferred. ■ Deferred annual variable remuneration: Philippe Heim did not receive any deferred annual variable remuneration in 2019 for his Chief Executive Officer role.
o.w. annual variable remuneration payable in 2020	EUR 152,536 (nominal amount)	**Evaluation of 2019 performance** – Given the quantitative and qualitative criteria defined by the Board of Directors on 6th February and 13th March 2019 and the achievement rates observed in financial year 2019, Mr. Heim's annual variable remuneration was set at EUR 762,680.[1] This corresponds to an overall target achievement rate of 82.9% of his maximum annual variable remuneration (see p. 112 of the 2020 Universal Registration Document).	
o.w. annual variable remuneration payable in subsequent years	EUR 610,144 (nominal amount)	■ payment of the full annual variable remuneration in respect of 2019 is subject to approval by the General Meeting of 19th May 2020; ■ 40% of this annual variable remuneration is conditional upon approval by the General Meeting of 19th May 2020. Half of this sum is converted into Societe Generale share equivalents, paid after a one-year holding period; ■ 60% of this annual variable remuneration is conditional upon achievement of the targets related to Group profitability and equity capital, as assessed over financial years 2020, 2021 and 2022. Two thirds of this sum is converted into Societe Generale shares, half of which become transferable after 2.5 years and half after 3.5 years; ■ the terms and conditions of vesting and payment in respect of this deferred remuneration are detailed on p. 113 of the 2020 Universal Registration Document.	
Multi-annual variable remuneration	N/A	Philippe Heim does not receive any multi-annual variable remuneration.	N/A
Exceptional remuneration	N/A	Philippe Heim does not receive any exceptional remuneration.	N/A
Value of options awarded in respect of the financial year	N/A	Philippe Heim has not been awarded any stock options.	N/A
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year	EUR 570,000 (value according to IFRS 2 at 4th February 2020) This amount corresponds to an award of 34,777 shares	Since 2012, the Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to involve them more closely in the Company's long-term progress and align their interests with those of the shareholders. The details of the plan granted in respect of 2019 by the Board of Directors at its meeting of 5th February 2020 are as follows: ■ awards capped at the same level as the annual variable remuneration; ■ 34,777 shares awarded in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; ■ award of the long-term incentives in respect of 2019 is conditional upon approval by the General Meeting of 19th May 2020; ■ definitive vesting subject to presence and performance conditions as detailed on p. 114 of the 2020 Universal Registration Document; ■ the award was approved under Resolution 25 of the General Meeting of 23rd May 2018 (Board of Directors' decision of 12th March 2020 on the award of performance shares); it represents less than 0.01% of the share capital.	

Remuneration for directorship	N/A	Philippe Heim did not receive any attendance fees in 2019.	N/A
Value of benefits in kind	EUR 3,064	Philippe Heim is provided with a company car.	EUR 3,064
Severance pay	No amount due in respect of the financial year	The features of severance pay for Chief Executive Officers are detailed on p. 109 of the Universal Registration Document.	No amount paid over the financial year
Non-compete clause	No amount due in respect of the financial year	The features of the non-compete clauses for Chief Executive Officers are detailed on p. 109 of the Universal Registration Document.	No amount paid over the financial year
Supplementary pension scheme	Contribution into additional defined contribution pension plan: EUR 51,032	A detailed description of the Deputy Chief Executive Officers' pension schemes is given on p. 108. ■ Supplementary pension allocation plan. (plan closed to the acquisition of new rights as of December 31, 2019, past rights remaining conditional on the completion of the career with Societe Generale) For FY 2019, in view of Philippe Heim overall performance score of 82.9%, he acquired potential pension rights of 100%. For example, based on retirement at 62 years of age and his current annual fixed remuneration, the potential annuity rights allocated to Philippe Heim as at 31st December 2019 represent an estimated yearly income of EUR 51,000 (*i.e.* 3.3% of his reference remuneration as defined by the AFEP-MEDEF Code), subject to satisfaction of the attached conditions. ■ Additional defined contribution pension plan. For FY 2019, in view of Philippe Heim overall performance score of 82.9%, this contribution amounted to EUR 51,032 (contribution acquisition rate: 100%). ■ Valmy pension saving scheme. The annual contribution paid by the company is EUR 1,216.	Contribution into Valmy pension saving scheme: EUR 1,216
Death and disability scheme		Philippe Heim benefits from the death and disability scheme whose guarantees and contribution rates are aligned with those of the staff.	Contribution into the death/disability scheme: EUR 5,399

(1) Nominal amount decided by the Board of Directors on 5 February 2020.

TABLE 6

Diony LEBOT, Deputy Chief Executive Officer
Remuneration compliant with the policy approved by the General Meeting of 21st May 2019

Remuneration components put to the vote	Amounts awarded in respect of 2019	Description	Amounts paid in 2019
Fixed remuneration	EUR 800,000	Diony Lebot's gross fixed remuneration, set by the Board of Directors on 3rd May 2018 at the time of her appointment as Deputy Chief Executive Officer, with effect from 14th May 2018, amounts to EUR 800,000.	EUR 800,000
Annual variable remuneration		Diony Lebot benefits from annual variable remuneration broken down into two sub-components: 60% based on financial targets and 40% on qualitative targets. These components are detailed on p. 111 of the 2020 Universal Registration Document. This annual variable remuneration is capped at 115% of her fixed remuneration.	Annual variable remuneration in respect of 2018, as approved by the General Meeting of 21st May 2019 (Resolution 21): EUR 78,606 The criteria used to calculate and pay annual variable remuneration are detailed in the chapter on the remuneration of Chief Executive Officers. Payment of 50% of the annual variable remuneration vested is deferred. ■ Deferred annual variable remuneration: Diony Lebot did not receive any deferred annual variable remuneration in 2019 for her Chief Executive Officer role.
o.w. annual variable remuneration payable in 2020	EUR 145,581 (nominal amount)	**Evaluation of 2019 performance** – Given the quantitative and qualitative criteria defined by the Board of Directors on 6th February and 13th March 2019 and the achievement rates observed in financial year 2019, Ms. Lebot's annual variable remuneration was set at EUR 727,904.[1] This corresponds to an overall target achievement rate of 79.1% of his maximum annual variable remuneration (see p. 112 of the 2020 Universal Registration Document).	
o.w. annual variable remuneration payable in subsequent years	EUR 582,323 (nominal amount)	■ payment of the full annual variable remuneration in respect of 2019 is subject to approval by the General Meeting of 19th May 2020; ■ 40% of this annual variable remuneration is conditional upon approval by the General Meeting of 19th May 2020. Half of this sum is converted into Societe Generale share equivalents, paid after a one-year holding period; ■ 60% of this annual variable remuneration is conditional upon achievement of the targets related to Group profitability and equity capital, as assessed over financial years 2020, 2021 and 2022. Two thirds of this sum is converted into Societe Generale shares, half of which become transferable after 2.5 years and half after 3.5 years:; ■ the terms and conditions of vesting and payment in respect of this deferred remuneration are detailed on p. 113 of the 2020 Universal Registration Document.	
Multi-annual variable remuneration	N/A	Diony Lebot does not receive any multi-annual variable remuneration.	N/A
Exceptional remuneration	N/A	Diony Lebot does not receive any exceptional remuneration.	N/A
Value of options awarded in respect of the financial year	N/A	Diony Lebot has not been awarded any stock options.	N/A
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year	EUR 570,000 (value according to IFRS 2 at 4th February 2020) This amount corresponds to an award of 34,777 shares	Since 2012, the Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to involve them more closely in the Company's long-term progress and align their interests with those of the shareholders. The details of the plan granted in respect of 2019 by the Board of Directors at its meeting of 5th February 2020 are as follows: ■ awards capped at the same level as the annual variable remuneration; ■ 34,777 shares awarded in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; ■ award of the long-term incentives in respect of 2019 is conditional upon approval by the General Meeting of 19th May 2020; ■ definitive vesting subject to presence and performance conditions as detailed on p. 114 of the 2020 Universal Registration Document; ■ the award was approved under Resolution 25 of the General Meeting of 23rd May 2018 (Board of Directors' decision of 12th March 2020 on the award of performance shares); it represents less than 0.01% of the share capital.	

Remuneration for directorship	N/A	Diony Lebot did not receive any attendance fees in 2019.	
Value of benefits in kind	EUR 5,940	Diony Lebot is provided with a company car.	EUR 5,940
Severance pay	No amount due in respect of the financial year	The features of severance pay for Chief Executive Officers are detailed on p. 109 of the Universal Registration Document.	No amount paid over the financial year
Non-compete clause	No amount due in respect of the financial year	The features of the non-compete clauses for Chief Executive Officers are detailed on p. 109 of the Universal Registration Document.	No amount paid over the financial year
Supplementary pension scheme	Contribution into additional defined contribution pension plan: EUR 49,501	A detailed description of the Deputy Chief Executive Officers' pension schemes is given on p. 108. ■ Supplementary pension allocation plan. (plan closed to the acquisition of new rights as of December 31, 2019, past rights remaining conditional on the completion of the career with Societe Generale) For FY 2019, in view of Diony Lebot overall performance score of 79.1%, he acquired potential pension rights of 97%. For example, based on retirement at 62 years of age and his current annual fixed remuneration, the potential annuity rights allocated to Diony Lebot as at 31st December 2019 represent an estimated yearly income of EUR 167K (*i.e.* 10.9% of his reference remuneration as defined by the AFEP-MEDEF Code), subject to satisfaction of the attached conditions. ■ Additional defined contribution pension plan. For FY 2019, in view of Diony Lebot overall performance score of 79.1%, this contribution amounted to EUR 49,501 (contribution acquisition rate: 97%). ■ Valmy pension saving scheme. The annual contribution paid by the company is EUR 1,216.	Contribution into Valmy pension saving scheme: EUR 1,216
Death and disability scheme		Diony Lebot benefits from the death and disability scheme whose guarantees and contribution rates are aligned with those of the staff.	Contribution into the death/disability scheme: EUR 5,474

(1) Nominal amount decided by the Board of Directors on 5 February 2020.

Standard tables in accordance with AMF recommendations

TABLE 1

SUMMARY OF REMUNERATION AND STOCK OPTIONS, SHARES AND SHARE EQUIVALENTS AWARDED TO EACH CHIEF EXECUTIVE OFFICER(1)

(In EUR)	Financial year 2018	Financial year 2019
Lorenzo BINI SMAGHI, Chairman of the Board of Directors		
Remuneration due for the financial year (detailed in Table 2)	948,741	979,378
Value of options awarded in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year	0	0
TOTAL	**948,741**	**979,378**
Frédéric OUDÉA, Chief Executive Officer		
Remuneration due for the financial year (detailed in Table 2)	2,368,625	2,692,299
Value of options awarded in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year(2)	636,936	850,000
TOTAL	**3,005,561**	**3,542,299**
Philippe AYMERICH, Deputy Chief Executive Officer(3)		
Remuneration due for the financial year (detailed in Table 2)	1,195,335	1,555,136
Value of options awarded in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year(2)	268,501	570,000
TOTAL	**1,463,836**	**2,125,136**
Séverin CABANNES, Deputy Chief Executive Officer		
Remuneration due for the financial year (detailed in Table 2)	1,290,702	1,385,667
Value of options awarded in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year(2)	477,246	570,000
TOTAL	**1,767,948**	**1,955,667**
Philippe HEIM, Deputy Chief Executive Officer(3)		
Remuneration due for the financial year (detailed in Table 2)	1,324,027	1,565,744
Value of options awarded in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year(2)	263,560	570,000
TOTAL	**1,587,587**	**2,135,744**
Diony LEBOT, Deputy Chief Executive Officer(3)		
Remuneration due for the financial year (detailed in Table 2)	1,428,106	1,533,844
Value of options awarded in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents awarded under the long-term incentive plan in respect of the financial year(2)	278,970	570,000
TOTAL	**1,707,076**	**2,103,844**

(1) Remuneration expressed in EUR, gross, before tax.
(2) This plan is detailed in the chapter on the remuneration of Chief Executive Officers, from p. 110.
(3) Mr. Aymerich, Mr. Heim and Ms. Lebot became Deputy Chief Executive Officers from 14 May 2018. The sums recorded for FY 2018 include fixed and variable remuneration awarded for previous positions.

TABLE 2

SUMMARY OF THE REMUNERATION OF EACH CHIEF EXECUTIVE OFFICER[1]

	Financial year 2018		Financial year 2019	
	Amounts paid	Amounts due for the financial year	Amounts paid	Amounts due for the financial year
Lorenzo BINI SMAGHI, Chairman				
■ fixed remuneration	895,208	895,208	925,000	925,000
■ non-deferred annual variable remuneration	0	0	0	0
■ deferred annual variable remuneration	0	0	0	0
■ exceptional remuneration	0	0	0	0
■ attendance fees	0	0	0	0
■ benefits in kind[2]	53,533	53,533	54,378	54,378
TOTAL	**948,741**	**948,741**	**979,378**	**979,378**
Frédéric OUDÉA, Chief Executive Officer				
■ fixed remuneration	1,300,000	1,300,000	1,300,000	1,300,000
■ non-deferred annual variable remuneration[3]	261,144	212,696	212,696	277,430
■ deferred annual variable remuneration[3]	1,181,670	850,782	825,693	1,109,722
■ exceptional remuneration	0	0	0	0
■ attendance fees	0	0	0	0
■ benefits in kind[4]	5,147	5,147	5,147	5,147
TOTAL	**2,747,961**	**2,368,625**	**2,343,536**	**2,692,299**
Philippe AYMERICH, Deputy Chief Executive Officer				
■ fixed remuneration	504,000	504,000	800,000	800,000
■ non-deferred annual variable remuneration[3]	0	84,621	84,621	151,027
■ deferred annual variable remuneration[3]	0	338,484	0	604,109
■ other remuneration paid[6]	524,537	263,041	261,458	0
■ exceptional remuneration	0	0	0	0
■ attendance fees	0	0	0	0
■ benefits in kind[4]	5,189	5,189	0	0
TOTAL	**1,033,726**	**1,195,335**	**1,146,079**	**1,555,136**
Séverin CABANNES, Deputy Chief Executive Officer				
■ fixed remuneration	800,000	800,000	800,000	800,000
■ non-deferred annual variable remuneration[3]	134,600	97,111	97,111	116,104
■ deferred annual variable remuneration[3]	604,755	388,444	417,764	464,416
■ exceptional remuneration	0	0	0	0
■ attendance fees	0	0	0	0
■ benefits in kind[4]	5,147	5,147	5,147	5,147
TOTAL	**1,544,502**	**1,290,702**	**1,320,022**	**1,385,667**
Philippe HEIM, Deputy Chief Executive Officer				
■ fixed remuneration	504,000	504,000	800,000	800,000
■ non-deferred annual variable remuneration[3]	0	87,460	87,460	152,536
■ deferred annual variable remuneration[3]	0	349,840	0	610,144
■ other remuneration paid[6]	630,650	379,694	323,180	0
■ exceptional remuneration	0	0	0	0
■ attendance fees	0	0	0	0
■ benefits in kind[4]	3,033	3,033	3,064	3,064
TOTAL	**1,137,683**	**1,324,027**	**1,213,704**	**1,565,744**

	Financial year 2018		Financial year 2019	
	Amounts paid	Amounts due for the financial year	Amounts paid	Amounts due for the financial year
Diony LEBOT, Deputy Chief Executive Officer				
■ Fixed remuneration	504,000	504,000	800,000	800,000
■ non-deferred annual variable remuneration[3]	0	78,606	78,606	145,581
■ deferred annual variable remuneration[3]	0	314,424	0	582,323
■ other remuneration paid[6]	740,890	525,166	390,031	0
■ exceptional remuneration	0	0	0	0
■ attendance fees	0	0	0	0
■ benefits in kind[4]	5,910	5,910	5,940	5,940
TOTAL	**1,250,800**	**1,428,106**	**1,274,577**	**1,533,844**

(1) Remuneration expressed in EUR, gross, before tax. The long-term incentives received by Chief Executive Officers are detailed in Tables 1 and 7.

(2) Provision of company accommodation.

(3) The criteria used to calculate and pay annual variable remuneration are detailed in the chapter on the remuneration of Chief Executive Officers. Payment of 50% of the annual variable remuneration vested is deferred.

(4) Provision of a company car.

(5) See table below for a detailed breakdown of the amounts paid.

(6) Mr. Aymerich, Mr. Heim and Ms. Lebot became Deputy Chief Executive Officers from 14 May 2018.

The amounts recorded under "other remuneration paid" correspond to fixed and variable remuneration awarded for previous positions.

BREAKDOWN OF DEFERRED ANNUAL VARIABLE REMUNERATION PAID IN 2019 TO THE CHIEF EXECUTIVE OFFICERS

(In EUR)	2015[1]	2016[2]	2017[3]	2017[4]	Total paid in 2019
Performance condition applicable and status of condition	**Core Tier 1 > 9.75% at 31.12.2018 and 2018 Group net income > 0 Condition met**	**Core Tier 1 > 7.75% at 31.12.2018 and 2018 Group net income > 0 Condition met**	**Basel 3 Core Tier 1 > 8.63% at 31.12.2018 and 2018 Group net income > 0 Condition met**	**N/A**	
Mr. OUDÉA	230,796	169,489	261,144	164,264	825,693
Mr. AYMERICH[5]	N/A	N/A	N/A	N/A	218,158
Mr. CABANNES	111,481	87,025	134,599	84,659	417,764
Mr. HEIM[5]	N/A	N/A	N/A	N/A	269,780
Ms. LEBOT[5]	N/A	N/A	N/A	N/A	326,431

(1) Value of shares vested in March 2019 corresponding to the third instalment of the nonvested portion of the annual variable remuneration for financial year 2015.

(2) Value of shares vested in March 2019 corresponding to the second instalment of the nonvested portion of the annual variable remuneration for financial year 2016.

(3) First instalment of the nonvested portion of the annual variable remuneration for financial year 2017, granted in cash and not indexed.

(4) Vested portion of the annual variable remuneration for financial year 2017 indexed to the Societe Generale share price.

(5) Mr. Aymerich, Mr. Heim and Ms. Lebot became Deputy Chief Executive Officers from 14 May 2018.

The amounts indicated correspond to the deferred annual variable remuneration paid in 2019 in respect of their previous positions.

TABLE 3

ATTENDANCE FEES RECEIVED BY NON-EXECUTIVE DIRECTORS

	Fees received in 2018		Fees received in 2019		Fees/Remuneration	
(In EUR)	Balance for financial year 2017	Interim payment for financial year 2018	Balance for financial year 2018	Interim payment for financial year 2019	In respect of financial year 2018	In respect of financial year 2019*
Robert CASTAIGNE						
Attendance fees	78,235	54,451	10,399	-	64,850	-
William CONNELLY						
Attendance fees	55,828	52,773	86,428	56,842	139,201	146,511
Jérôme CONTAMINE						
Attendance fees	-	-	72,172	49,550	72,172	131,446
Diane COTE						
Attendance fees	-	-	52,365	39,991	52,365	105,174
Barbara DALIBARD						
Attendance fees	3,945	-	-	-	-	-
Kyra HAZOU						
Attendance fees	77,541	65,662	100,386	62,655	166,048	163,875
France HOUSSAYE						
Attendance fees(1)	61,197	38,490	59,091	35,656	97,581	93,912
Societe Generale salary	-	-	-	-	52,400	52,500
Béatrice LEPAGNOL						
Attendance fees	46,946	28,691	5,154	-	33,845	-
Societe Generale salary	-	-	-	-	40,351	-
David LEROUX						
Attendance fees(1)	-	-	40,721	25,408	40,721	70,446
Societe Generale salary	-	-	-	-	37,885	37,077
Jean-Bernard LÉVY						
Attendance fees	74,005	55,351	78,298	51,317	133,649	132,227
Ana-Maria LLOPIS RIVAS						
Attendance fees	54,812	20,304	1,396	-	21,700	-
Gérard MESTRALLET						
Attendance fees	70,450	55,351	78,298	49,839	133,649	132,227
Juan Maria NIN GENOVA						
Attendance fees	82,516	62,572	92,607	61,276	155,179	148,810
Nathalie RACHOU						
Attendance fees	129,883	110,797	163,280	101,258	274,077	263,813
Lubomira ROCHET						
Attendance fees	40,171	25,336	41,943	26,887	67,279	70,446
Alexandra SCHAAPVELD						
Attendance fees	124,224	96,248	151,436	96,033	247,684	241,112
TOTAL (ATTENDANCE FEES)					**1,700,000**	**1,700,000**

* *Board members received the balance of their attendance fees for financial year 2019 at the end of January 2020.*

(1) *Paid to Societe Generale trade union SNB.*

TABLE 4

SHARE PURCHASE OR SUBSCRIPTION OPTIONS AWARDED DURING THE FINANCIAL YEAR TO EACH CHIEF EXECUTIVE OFFICER BY THE ISSUER AND BY ANY GROUP COMPANY

The Board of Directors did not award any options in 2019.

TABLE 5

SHARE PURCHASE OR SUBSCRIPTION OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH CHIEF EXECUTIVE OFFICER

The last option plan expired in 2017.

TABLE 6

SHARES AWARDED TO EACH CHIEF EXECUTIVE OFFICER

Societe Generale performance shares awarded during the financial year to each Chief Executive Officer by the issuer and by any Group company.

(In EUR)	Award date	Reasons for award	Number of shares awarded over the year	Value of the shares based on the method used in the consolidated financial statements	Date of assessment of performance condition	Date of availability	Performance conditions
Mr. BINI SMAGHI	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. OUDÉA	13.03.2019	Payment of the annual variable remuneration due in respect of financial year 2018[1]	8,244	184,006	31.03.2021	01.10.2021	yes[3]
			8,244	172,547	31.03.2022	01.10.2022	yes[3]
		Long-term incentives due in respect of financial year 2018[1]	35,108	299,471	31.03.2023	01.04.2024	yes[3]
			35,109	331,780	31.03.2025	01.04.2026	yes[3]
Mr. AYMERICH	13.03.2019	Payment of the annual variable remuneration due in respect of financial year 2018[1]	3,279	73,187	31.03.2021	01.10.2021	yes[3]
			3,280	68,650	31.03.2022	01.10.2022	yes[3]
		Payment of the annual variable remuneration due in respect of financial year 2018[2]	576	12,056	31.03.2022	01.10.2022	yes
		Long-term incentives due in respect of financial year 2018[1]	14,800	126,244	31.03.2023	01.04.2024	yes[3]
			14,800	139,860	31.03.2025	01.04.2026	yes[3]
		Long-term incentives due in respect of financial year 2018[2]	576	6,255	31.03.2023	01.10.2023	yes
			578	6,560	31.03.2024	01.10.2024	yes
Mr. CABANNES	13.03.2019	Payment of the annual variable remuneration due in respect of financial year 2018[1]	3,763	83,990	31.03.2021	01.10.2021	yes[3]
			3,764	78,781	31.03.2022	01.10.2022	yes[3]
		Long-term incentives due in respect of financial year 2018[1]	26,306	224,390	31.03.2023	01.04.2024	yes[3]
			26,306	248,592	31.03.2025	01.04.2026	yes[3]
Mr. HEIM	13.03.2019	Payment of the annual variable remuneration due in respect of financial year 2018[1]	3,389	75,642	31.03.2021	01.10.2021	yes[3]
			3,390	70,953	31.03.2022	01.10.2022	yes[3]
		Payment of the annual variable remuneration due in respect of financial year 2018[2]	1,017	21,286	31.03.2022	01.10.2022	yes
		Long-term incentives due in respect of financial year 2018[1]	14,527	123,915	31.03.2023	01.04.2024	yes[3]
			14,528	137,290	31.03.2025	01.04.2026	yes[3]
		Long-term incentives due in respect of financial year 2018[2]	1,017	11,045	31.03.2023	01.10.2023	yes
			1,017	11,543	31.03.2024	01.10.2024	yes
Ms. LEBOT	13.03.2019	Payment of the annual variable remuneration due in respect of financial year 2018[1]	3,046	67,987	31.03.2021	01.10.2021	yes[3]
			3,047	63,774	31.03.2022	01.10.2022	yes[3]
		Payment of the annual variable remuneration due in respect of financial year 2018[2]	1,649	34,514	31.03.2022	01.10.2022	yes
		Long-term incentives due in respect of financial year 2018[1]	15,377	131,166	31.03.2023	01.04.2024	yes[3]
			15,377	145,313	31.03.2025	01.04.2026	yes[3]
		Long-term incentives due in respect of financial year 2018[2]	1,649	17,908	31.03.2023	01.10.2023	yes
			1,650	18,728	31.03.2024	01.10.2024	yes

(1) *The amounts of variable remuneration and long-term incentives were set at the Board meeting of 6 February 2019. The corresponding performance shares were awarded at the Board meeting of 13 March 2019.*

(2) *Mr. Aymerich, Mr. Heim and Ms. Lebot became Deputy Chief Executive Officers from 14 May 2018. The amounts recorded correspond to remuneration awarded in respect of their previous positions.*

(3) *Vesting of the annual variable remuneration is subject to two conditions: Group profitability and the Core Tier One level. Vesting of the long-term incentives is subject to two conditions: profitability and relative TSR as compared to a panel of peers. The performance conditions are further detailed in the 2020 Universal Registration Document on p. 107–108.*

TABLE 7

SHARES RECEIVED DURING THE FINANCIAL YEAR BY EACH CHIEF EXECUTIVE OFFICER

	Award date	Number of shares received over the financial year
Mr. BINI SMAGHI	N/A	N/A
Mr. OUDÉA	18.05.2016	8,956[1]
	15.03.2017	6,577[2]
Mr. AYMERICH	18.05.2016	1,813[3]
Mr. CABANNES	18.05.2016	4,326[1]
	15.03.2017	3,377[2]
Mr. HEIM	18.05.2016	2,430[3]
Ms. LEBOT	18.05.2016	2,430[3]

(1) As deferred annual variable remuneration awarded in 2016 in respect of financial year 2015 (presented in Table 2); vesting of such remuneration was subject to the satisfaction of Group profitability and Core Tier One level conditions in 2018.

(2) As deferred annual variable remuneration granted in 2017 in respect of financial year 2016 (presented in Table 2); vesting of such remuneration was subject to the satisfaction of Group profitability and Core Tier One level conditions in 2018.

(3) Mr. Aymerich, Mr. Heim and Ms. Lebot became Deputy Chief Executive Officers from 14 May 2018. The shares recorded correspond to remuneration awarded in respect of their previous positions.

Note: : Shares from the share buyback programme.

SHARE EQUIVALENTS RECEIVED OVER THE FINANCIAL YEAR BY EACH CHIEF EXECUTIVE OFFICER

	Award date	Number of share equivalents vested over the financial year	Amount paid *(in EUR)*
Mr. BINI SMAGHI	N/A	N/A	N/A
Mr. OUDÉA	31.07.2014	18,343[1]	532,727
	14.03.2018	5,656[2]	164,264
Mr. AYMERICH	13.03.2019	1,678[3]	43,437
Mr. CABANNES	31.07.2014	11,673[1]	339,013
	14.03.2018	2,915[2]	84,659
Mr. HEIM	13.03.2019	2,069[3]	53,559
Ms. LEBOT	13.03.2019	2,465[3]	63,810

(1) Share equivalents received after one year of the holding period for the first instalment of the long-term incentive plan, awarded in 2014; vesting in March 2018 was entirely subject to the Societe Generale share's performance as compared to a panel of peers. The share performance evaluated in early 2018 placed Societe Generale in fifth place in the panel (corresponding to vesting of 66.7% of the maximum number of share equivalents awarded).

(2) Share equivalents received as deferred annual variable remuneration awarded in 2018 in respect of financial year 2017 (indicated in Table 2).

(3) Mr. Aymerich, Mr. Heim and Ms. Lebot became Deputy Chief Executive Officers from 14 May 2018. The amounts recorded correspond to remuneration awarded in respect of their previous positions.

TABLE 8

RECORD OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS AWARDED INFORMATION ON SUBSCRIPTION OR PURCHASE OPTIONS

The last option plan expired in 2017.

TABLE 9

SHARE SUBSCRIPTION OR PURCHASE OPTIONS AWARDED TO THE TOP TEN EMPLOYEES (NOT EXECUTIVE OFFICERS) AND OPTIONS EXERCISED BY THESE EMPLOYEES

Societe Generale did not implement any option plan during financial year 2019.

The last option plan expired in 2017.

AUDITED I TABLE 10

RECORD OF PERFORMANCE SHARES AWARDED

INFORMATION ON PERFORMANCE SHARES AWARDED

Date of General Meeting	23.05.2018	18.05.2016	18.05.2016	18.05.2016	20.05.2014
Date of Board meeting	13.03.2019	14.03.2018	15.03.2017	18.05.2016	12.03.2015
Total number of shares awarded	2,834,045	1,677,279	1,796,759	2,478,926	1,233,505
o.w. number awarded to executive officers[1]	*265,413*	*75,880*	*74,565*	*101,544*	
Frédéric OUDÉA	86,705	46,472	45,871	62,900	-
Diony LEBOT	41,795	7,277	5,986	4,860	-
Philippe AYMERICH	37,889	2,815	2,857	3,626	-
Séverin CABANNES	60,139	29,408	28,694	38,644	-
Philippe HEIM	38,885	4,990	5,224	7,290	-
Total number of beneficiariesVesting date	5,747	6,016	6,710	6,495	6,733
Vesting date	see table below	see table below	see table below	see table below	31.03.2017[2] 31.03.2019[3]
Holding period end date	see table below	see table below	see table below	see table below	31.03.2019[2]
Performance conditions[4]	yes	yes	yes	yes	yes
Fair value (in EUR)[5]	see table below	see table below	see table below	see table below	36.4[2] 34.9[3]
Number of shares vested at 31.12.2019	0	193	338,659	2,062,231	1,137,060
Total number of cancelled or lapsed shares	33,938	119,144	149,123	207,356	96,445
Performance shares outstanding at year-end	2,800,107	1,557,942	1,308,977	209,339	0

(1) For the Chief Executive Officers, see also Tables 6 and 7 of the 2020 Universal Registration Document.
(2) French tax residents.
(3) Non-French tax residents.
(4) The applicable performance conditions are described in Performance and Remuneration report, available on societegenerale.com.
(5) The performance shares are valued at their market value, taking into account a discount for non-transferability.

SUMMARY OF THE 2016 PERFORMANCE SHARE PLAN[1]

Date of General Meeting				18.05.2016
Date of Board meeting				18.05.2016
Total number of shares awarded				2,478,926
Vesting date	29.03.2018 (1st instalment)	29.03.2019	31.03.2020 (1st instalment)	31.03.2021
	29.03.2019 (2nd instalment)		31.03.2022 (2nd instalment)	
Holding period end date	30.09.2018		01.04.2021	
	30.09.2019	N/A	01.04.2023	02.10.2021
Fair value (in EUR)[2]	30.18 (1st instalment)		22.07 (1st instalment)	
	28.92 (2nd instalment)	29.55	21.17 (2nd instalment)	32.76

(1) Under the annual employee LTI plan and awards under the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers).
(2) The performance shares are valued at their market value, taking into account a discount for non-transferability.

SUMMARY OF THE 2017 PERFORMANCE SHARE PLAN[1]

Date of General Meeting				18.05.2016
Date of Board meeting				15.03.2017
Total number of shares awarded				1,796,759
Vesting date	29.03.2019 (1st instalment)	31.03.2020	31.03.2021 (1st instalment)	31.03.2022
	31.03.2020 (2nd instalment)		31.03.2023 (2nd instalment)	
Holding period end date	30.09.2019		01.04.2022	
	02.10.2020	N/A	01.04.2024	02.10.2022
Fair value (in EUR)[2]	42.17 (1st instalment)		27.22 (1st instalment)	
	40.33 (2nd instalment)	41.05	26.34 (2nd instalment)	43.75

(1) Under the annual employee LTI plan and awards under the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers).
(2) The performance shares are valued at their market value, taking into account a discount for non-transferability.

SUMMARY OF THE 2018 PERFORMANCE SHARE PLAN[1]

Date of General Meeting				18.05.2016
Date of Board meeting				14.03.2018
Total number of shares awarded				1,677,279
Vesting date	31.03.2020 (1st instalment)	31.03.2021	31.03.2022 (1st instalment)	31.03.2023
	31.03.2021 (2nd instalment)		29.03.2024 (2nd instalment)	
Holding period end date	01.10.2020		01.04.2023	
	01.10.2021	N/A	31.03.2025	01.10.2023
Fair value (in EUR)[2]	40.39 (1st instalment)		26.40 (1st instalment)	
	38.59 (2nd instalment)	39.18	24.43 (2nd instalment)	39.17

(1) Under the annual employee LTI plan and awards under the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers).
(2) The performance shares are valued at their market value, taking into account a discount for non-transferability.

SUMMARY OF THE 2019 PERFORMANCE SHARE PLAN(1)

Date of General Meeting				23.05.2018
Date of Board meeting				13.03.2019
Total number of shares awarded				2,834,045
Vesting date	31.03.2021 (1st instalment)	31.03.2022	31.03.2023 (1st instalment)	31.03.2023 (1st instalment)
	31.03.2022 (2nd instalment)		31.03.2025 (2nd instalment)	29.03.2024 (2nd instalment)
Holding period end date	01.10.2021		01.04.2024	01.10.2023
	01.10.2022	N/A	01.04.2026	01.10.2024
Fair value (in EUR)(2)	22.32 (1st instalment) 20.93 (2nd instalment)	21.4	8.53 (1st instalment) 9.45 (2nd instalment)	10.86 (1st instalment) 11.35 (2nd instalment)

(1) Under the annual employee LTI plan and awards under the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including chief executive officers).
(2) The performance shares are valued at their market value, taking into account a discount for non-transferability.

TABLE 11

POSITION OF CHIEF EXECUTIVE OFFICERS IN 2019

	Term of office		Employment contract(1)(5)		Supplementary pension scheme(2)		Compensation or benefits due or likely to become due as a result of leaving office or changing position(3)		Compensation payable under a non-compete clause(4)	
	start	end	yes	no	yes	no	yes	no	yes	no
Mr. BINI SMAGHI, Chairman of the Board of Directors	2015(6)	2022		X		X		X		X
Mr. OUDÉA, Chief Executive Officer	2008(7)	2023		X		X	X		X	
Mr. AYMERICH, Deputy Chief Executive Officer	2018(8)	2023	X		X		X		X	
Mr. CABANNES, Deputy Chief Executive Officer	2008(9)	2023	X		X		X		X	
Mr. HEIM, Deputy Chief Executive Officer	2018(8)	2023	X		X		X		X	
Ms. LEBOT, Deputy Chief Executive Officer	2018(8)	2023	X		X		X		X	

(1) According to the recommendations of the AFEP-MEDEF Code, only the following people should not hold an employment contract during their term of office: the Chairman of the Board of Directors, the Chairman and Chief Executive Officer, and the Chief Executive Officer in companies with a Board of Directors.
(2) Details of the supplementary pension schemes can be found on p. 108.
(3) Details of the compensation or benefits due or likely to become due to Chief Executive Officers as a result of leaving office or changing position are provided on p. 108-109.
(4) Details of the non-complete clause for the Chief Executive Officers are provided on p. 109.
(5) The employment contracts of Mr. Aymerich, Mr. Cabannes, Mr. Heim and Ms. Lebot have been suspended for the duration of their respective terms of office.
(6) Mr. Bini Smaghi was appointed Chairman of the Board on 19 May 2015. His mandate was renewed on 23 May 2018.
(7) Mr. Oudéa was appointed Chief Executive Officer in May 2008, then Chairman and Chief Executive Officer in May 2009, and Chief Executive Officer on 19 May 2015. His position as Chief Executive Officer was renewed on 21 May 2019.
(8) Mr. Aymerich, Mr. Heim and Ms. Lebot were appointed Deputy Chief Executive Officers on 14 May 2018. Their terms of office were renewed on 21 May 2019.
(9) Mr. Cabannes' term of office was renewed on 21 May 2019.

Societe Generale share ownership and holding obligations

Pursuant to the AMF's recommendations and in order to align the Chief Executive Officers' interests with those of the Company, the Chief Executive Officers have since 2002 been required to hold a minimum number of Societe Generale shares. Accordingly, at its meeting of 15 March 2016, the Board of Directors issued the following requirements:

- 90,000 shares must be held by the Chief Executive Officer;
- 45,000 shares must be held by the Deputy Chief Executive Officers.

On 13 March 2019, the Board of Directors decided to increase the minimum shareholding thresholds as follows:

- 120,000 shares must be held by Frédéric Oudéa, Chief Executive Officer;
- 60,000 shares must be held by Séverin Cabannes, Deputy Chief Executive Officer;
- 45,000 shares must be held by Philippe Aymerich, Philippe Heim and Diony Lebot, Deputy Chief Executive Officers.

Chief Executive Officers who were previously employees may hold shares either directly or indirectly through the company savings plan.

This minimum shareholding requirement has already been met for Frédéric Oudéa and Séverin Cabannes. For Philippe Aymerich, Philippe Heim and Diony Lebot, the minimum requirement must be satisfied by the end of their four-year term of office (2023). Until the requirement is satisfied, the Chief Executive Officer in question must retain 50% of the vested shares awarded under Societe Generale share plans, as well as all shares resulting from the exercise of stock options, after deducting the cost of exercising said options and the corresponding social security charges and taxes.

The Board will review the minimum holding requirement when the Chief Executive Officers are proposed for re-election.

In addition, and in accordance with the law, Chief Executive Officers are required to hold a certain percentage of the vested shares awarded under Societe Generale share plans or resulting from the exercise of stock options in a registered account until the end of their term of office. At its meeting of 15 March 2017, the Board of Directors set this share percentage at 5% of vested shares with effect from the award for 2017, in view of the regulatory requirement for a significant proportion of variable remuneration to be granted in the form of shares and of the meeting of the minimum holding requirements. For stock options, the percentage is set at 40% of the capital gains realised after exercising the options, net of tax and any other relevant mandatory deductions and less any capital gains used to finance the acquisition of the shares.

The Chief Executive Officers are therefore required to hold a significant number of shares. They are prohibited from hedging their shares or options throughout the vesting and holding periods.

Each year, the Chief Executive Officers must provide the Board of Directors with all information enabling it to verify that these requirements are being fully complied with.

In their statements to the Board, the Chief Executive Officers declared that they have not hedged their Societe Generale shares or "Société Générale Actionnariat (Fonds E)" shares and undertook not to do so in the future.

Remuneration of the other members of the Management Committee (not Chief Executive Officers)

As part of the Group's new organisation, the Executive Committee was dissolved in 2018. The Group is now organised into 25 Business and Service Units. A Management Committee was set up, comprising some 60 Managers appointed by the Chief Executive Officer, including the 24 Managers of the Business Units (core businesses, regions) and Service Units (support and audit functions).

Remuneration for the Management Committee's members is compliant with CRD4. It is set by General Management and comprises two components:

- fixed remuneration, set according to each member's responsibilities, as well as market practices;
- annual variable remuneration, dependent on achievement of predefined collective and individual targets. The collective targets apply to all members of the Management Committee and represent a substantial portion of their total annual variable remuneration. They reflect the Group's collective performance and are defined in line with the targets set for the Chief Executive Officers.

3.1.7 ADDITIONAL INFORMATION

Specific conditions relating to shareholders' participation in the General Meeting

The By-laws (see Chapter 7) define the conditions for shareholders' participation in the General Meeting.

In accordance with Article 14 of the Company's by-laws, General Meetings are convened and deliberate in accordance with the conditions set forth by the laws and regulations in force. They meet at the registered office or in any other place in metropolitan France indicated in the convening notice. Such meetings are chaired by the Chairman of the Board of Directors or, failing this, by a Director appointed for this purpose by the Chairman of the Board of Directors.

Regardless of the number of shares held, any shareholder whose shares are registered under the terms and at a date set by decree, has the right, upon proof of their identity and status as a shareholder, to participate in the General Meetings. A shareholder may, in accordance with the laws and regulations in force, personally attend the General Meetings, vote remotely or appoint a proxy. The intermediary registered on behalf of shareholders may participate in the General Meetings, under the conditions set forth by the provisions of the laws and regulations in force.

In order for the ballots to be counted, they must be received by the Company at least two days before the General Meeting is held, unless a shorter period is specified in the convening notice or required by the regulations in force.

Shareholders may participate in General Meetings by videoconference or any other means of telecommunication, when provided for in the convening notice and subject to the conditions defined therein.

The General Meeting may be publicly broadcast by means of electronic communication subject to the approval of and under the terms set by the Board of Directors. Notice will be given in the notice of meeting and/or the convening notice.

In all General Meetings, the voting right attached to shares with a right of beneficial ownership is exercised by the beneficial owner.

Any shareholder may participate in the General Meeting online under the conditions indicated in the notice of meeting published in the *Bulletin des Annonces Légales Obligatoires* (French Mandatory Legal Announcements Gazette).

Information required by Article L. 225-37-5 of the French Commercial Code

Pursuant to the provisions of Article L. 225-37-5 of the French Commercial Code, Societe Generale must disclose and, where applicable, explain the following items when they are likely to have an impact in case of a public tender or exchange offer.

To the best of its knowledge, Societe Generale does not have any specific measures likely to have an impact in case of a public tender or exchange offer. However, the information required by Article L. 225-37-5 of the French Commercial Code is listed below as it has been included in the Universal Registration Document to satisfy other obligations:

1. Share capital structure: this information appears in Chapter 7, "Share, share capital and legal information", section 7.2, "Information on share capital", under the heading "Breakdown of capital and voting rights over 3 years".
2. Statutory restrictions on the exercise of voting rights and share transfers: this information appears in Chapter 7, "Share, share capital and legal information", section 7.4, "By-laws", more specifically in Articles 6 and 14.
3. Direct or indirect holdings in the share capital of which Societe Generale is aware pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code: this information appears in Chapter 7, "Share, share capital and legal information", section 7.2, "Information on share capital", under the heading "Breakdown of capital and voting rights over 3 years".
4. The list of holders of any securities bearing special control rights and the description of these: not applicable since the cancellation of the preference shares on 23rd December 2009.
5. Control mechanisms provided for under a potential employee share ownership plan, when the control rights are not exercised by the latter. Under the terms of the rules governing the Group's mutual fund, the voting rights attached to the Societe Generale shares included in the Fund's assets belong individually to the holders of fund units in proportion to the respective shares they hold. The Fund's Supervisory Board, which is composed of an equal number of unit-holding employee representatives and representatives of management, exercises voting rights for fractional shares and voting rights not exercised by unit holders. In the event of a public purchase or exchange offer, the Supervisory Board decides whether or not to tender shares to the offer, based on the relative majority of the votes cast. If there is no relative majority, the decision is put to the vote of the unit holders, who decide according to the relative majority of the votes cast.
6. Shareholder agreements of which Societe Generale is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights: not concerned.
7. Rules applicable to the appointment and replacement of members of the Board of Directors as well as to the amendment of the Company's By-laws: this information appears in Chapter 7, "Share, share capital and legal information", section 7.4, "By-laws", more specifically in Articles 7 and 14.
8. Powers of the Board of Directors regarding share issuances or buybacks: the delegations granted by the General Meeting to the Board of Directors in this respect appear in this Chapter 3, in this section 3.1, under this heading, in the subsection "List of outstanding delegations and their use in 2019 and early 2020 (up to 6th February 2020)" and the information about share buybacks appears in Chapter 7, "Share, share capital and legal information", section 7.2 "Information on share capital", under the heading "Share buybacks".
9. Agreements entered into by Societe Generale that are amended or terminated in case of a change of control of Societe Generale, unless this disclosure would, except in cases where disclosure is a legal obligation, seriously undermine its interests: not concerned.
10. Agreements providing for compensation for members of the Board of Directors or employees if they resign or are dismissed without real and serious grounds, or if their employment is terminated due to a public tender or exchange offer: this information appears in this Chapter 3, in this section 3.1, under the heading "Remuneration of Group senior management" for the Directors. For the employees: not concerned.

LIST OF OUTSTANDING DELEGATIONS AND THEIR USE IN 2019 AND EARLY 2020 (UP TO 6TH FEBRUARY 20120)

Type of authorisation	Purpose of the authorisation granted to the Board of Directors	Validity of the delegation
Share buybacks	To buy Societe Generale shares	**Granted by:** AGM of 21rd May 2019, 25th resolution **For a period of:** 18 months **Start date:** 22nd May 2018 **Expiry date:** 21th November 2020
Capital increase	To increase the share capital with pre-emptive subscription rights through the issuance of ordinary shares and/or securities giving access to the share capital	**Granted by:** AGM of 23rd May 2018, 20th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
	To increase the share capital through the incorporation of reserves, profits or premiums or any other item that may be incorporated to the share capital	**Granted by:** AGM of 23rd May 2018, 20th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
	To increase the share capital with cancellation of pre-emptive subscription rights through the issuance of ordinary shares and/or securities giving access to the share capital	**Granted by:** AGM of 23rd May 2018, 21st resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
	To increase the share capital in order to remunerate contributions in kind consisting of equity securities or securities giving access to the share capital	**Granted by:** AGM of 23rd May 2018, 22nd resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
Issuance of subordinated bonds	Issuance of contingent convertible bonds with cancellation of pre-emptive subscription rights	**Granted by:** AGM of 23rd May 2018, 23rd resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
Capital increase in favour of employees	To increase the share capital through the issuance of ordinary shares or securities giving access to the share capital reserved for members of a Societe Generale company or Group savings plan	**Granted by:** AGM of 23rd May 2018, 24th resolution **For a period of:** 26 months **Early termination:** 23rd July 2020
Allocation of free shares	To allocate free shares, existing or to be issued, to regulated persons and assimilated	**Granted by:** AGM of 23rd May 2018, 24th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
	To allocate free shares, existing or to be issued, to employees other than the regulated persons and assimilated	**Granted by:** AGM of 23rd May 2018, 26th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
Cancellation of shares	To cancel shares purchased as part of share buyback programmes	**Granted by:** AGM of 23rd May 2018, 27th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020

Limit	Use in 2020	Use in 2020 (up to 6th February)
5% of the share capital at the completion date of the purchases	Excluding the liquidity agreement: none. On 31st December 2019, no shares were recorded in the liquidity agreement's account. (see details on p. 546 of the 2020 Universal Registration Document)	Excluding the liquidity agreement: none. On 6th February 2020, 0 shares were recorded in the liquidity agreement's account.
Nominal EUR 333.200 million for shares, *i.e.* 32.99% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards those set forth in resolutions 21 to 26 of the AGM of 23rd May 2018* Nominal EUR 6 billion for debt securities giving access to the share capital *Note: this limit counts towards those set forth in resolutions 21 to 24 of the AGM of 23rd May 2018*	None	None
Nominal EUR 550 million	None	None
Nominal EUR 100.980 million for shares, *i.e.* 10% of the share capital at the date on which the authorisation was granted Nominal EUR 6 billion for debt securities giving access to the share capital *Note: these limits count towards those set forth in resolution 20, and include those set forth in resolutions 22 and 23 of the AGM of 23rd May 2018*	None	None
10% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards those set forth in resolutions 20 and 21 of the AGM of 23rd May 2018*	None	None
10% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards those set forth in resolutions 20 and 21 of the AGM of 23rd May 2018*	None	None
1.5% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards the limit set forth in resolution 20 of the AGM of 23rd May 2018*	As a 1st August 2019, 5,638,846 shares issued representing 0.7% of the share capital as at the transaction date.	None
1.4% of the share capital at the date on which the authorisation was granted including a maximum of 0.5% of the share capital with a 2-year vesting period for the payment of the deferred variable compensation *Note: this limit counts towards the limit set forth in resolution 20 of the AGM of 23rd May 2018* 0.1% of the share capital for the Chief Executive Officers *Note: this limit counts towards the 1.4% and 0.5% limits set forth in resolution 25 of the AGM of 23rd May 2018*	As at 13th March 2019, 1,314,000 shares issued representing 0.16% of the share capital as at the allocation date	None
0.6% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards* the limit set forth in resolution 20 of the AGM of 23rd May 2018	As at 13th March 2019, 1,545,000 shares issued representing 0.19% of the share capital as at the allocation date	None
5% of the total number of shares per 24-month period	None	None

Additional information about the Chief Executive Officer, the Deputy Chief Executive Officers and the members of the Board of Directors

ABSENCE OF CONFLICTS OF INTEREST

To the best of the Board of Directors' knowledge:

- no potential conflicts of interest exist between the duties of the Chief Executive Officer, the Deputy Chief Executive Officers and the members of the Board of Directors towards Societe Generale and any other obligations or private interests. If necessary, Article 14 of the Board of Directors' Internal Rules governs conflicts of interest for Directors;
- no arrangements or agreements have been entered into with a shareholder, customer, supplier or other party pursuant to which one of the aforementioned persons has been selected;
- there is no family relationship between the aforementioned persons;
- no restriction other than statutory restrictions shall be accepted by any of the aforementioned persons with regard to the disposal of their stake in Societe Generale's share capital.

ABSENCE OF CONVICTIONS

To the best of the Board of Directors' knowledge:

- neither the Chief Executive Officer, the Deputy Chief Executive Officers, nor any current member of the Board of Directors has been convicted of fraud over the past five years;
- neither the Chief Executive Officer, nor any Deputy Chief Executive Officer, nor any current member of the Board of Directors has been involved (as a member of the Board of Directors, Management Board or Supervisory Board, or as a manager) in any bankruptcy, receivership or liquidation proceedings over the past five years;
- neither the Chief Executive Officer, nor any Deputy Chief Executive Officer, nor any current member of the Board of Directors, has been the object of any criminal charges and/or official public sanction from state or regulatory authorities;
- neither the Chief Executive Officer, nor any Deputy Chief Executive Officer, nor any current member of the Board of Directors has been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer or from acting in a managerial capacity or being involved in the conduct of the business or affairs of any issuer over the past five years.

3.2 STATUTORY AUDITORS' REPORT ON RELATED-PARTY AGREEMENTS

ERNST & YOUNG et Autres
Tour First
TSA 1444492037
Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

DELOITTE & ASSOCIÉS
6, place de la Pyramide
92908 Paris-La Défense Cedex
S.A.S. au capital de € 2.188.160
572 028 041 R.C.S. Nanterre

SOCIETE GENERALE
Société Anonyme
17, cours Valmy
92972 Paris-La Défense

Annual General Meeting held to approve the financial statements for the year ended on 31st December 2019

This is a translation into English of the Statutory Auditors' report on related-party agreements that is issued in French and it is provided solely for the convenience of English-speaking users. This report on related-party agreements should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

To the Annual General Meeting of Société Générale,

In our capacity as statutory auditors of your Company, we hereby report to you on related-party agreements.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying why they benefit the Company, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code *(Code de Commerce)* relating to the implementation during the year ended on 31st December 2019 of agreements previously approved by the Annual General Meeting.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement.

Agreements submitted to the approval of the shareholders' General meeting

We hereby inform you that we have not been notified of any agreements that were authorised and entered into during the year ended on December 31, 2019 to be submitted to the approval of the Annual General Meeting in accordance with Article L. 225-38 of the French Commercial Code.

Agreements previously approved by the shareholders' General meeting

We hereby inform you that we have not been notified of any agreement previously approved by the Annual Meeting whose implementation continued during the year ended on December 31, 2019.

Paris-La Défense, March 12, 2020

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres

Micha MISSAKIAN

DELOITTE & ASSOCIÉS

Jean-Marc MICKELER

4

RISKS AND CAPITAL ADEQUACY

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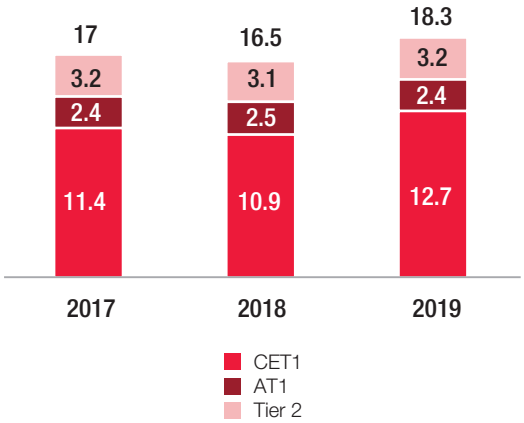
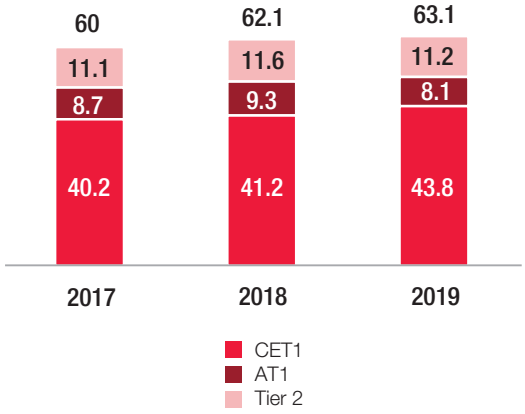
KEY FIGURES

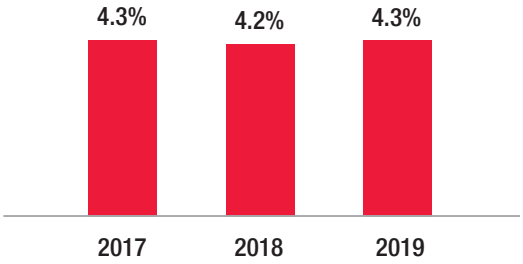
Solvency ratios
(In %)



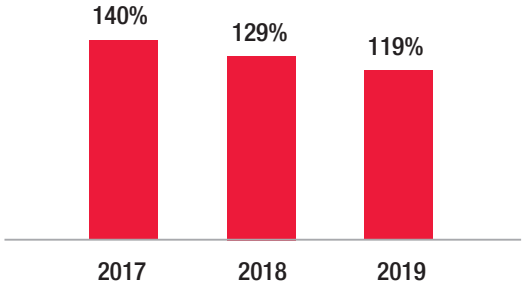
Regulatory capital
(In EURbn)



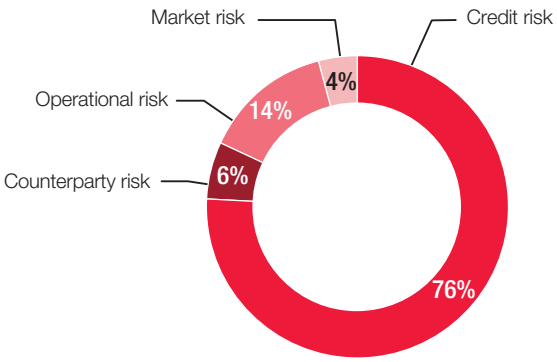
Leverage ratio



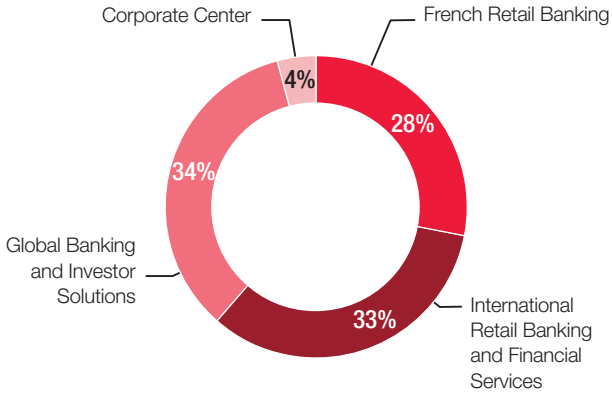
LCR ratio



Distribution of RWA by risk type
(RWA at end 2019: EUR 345bn
RWA at end 2018: EUR 376bn)



Distribution of RWA by pillar
(RWA at end 2019: EUR 345bn
RWA at end 2018: EUR 376bn)



This section includes information on the risk management linked to financial instruments, and information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union.

Some of this information forms an integral part of the notes to the consolidated financial statements and is covered by the opinion of the Statutory Auditors on the consolidated financial statements. This information is indicated with the note "Audited I", (the symbol ▲ indicates the end of the audited part).

The Societe Generale Group is subject to oversight by supervisory authorities and to regulations on capital requirements applicable to credit institutions and investment firms (Regulation (EU) No. 575/2013 of 26th June 2013).

Within the framework of the Third Pillar of the Basel Accord, a detailed and standardised statement is included in the "Risk Report for the purposes of improving published financial disclosures" (Pillar 3 Report and cross-reference table).

All the information regarding the Pillar 3 Report and the prudential disclosures is available on the www.societegenerale.com website, under "Investors", Universal Registration Document and Pillar 3.

TYPES OF RISKS

The Group's risk management framework involves the following main categories:

- **Credit and counterparty risk:** risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by individual, country and sector concentration risk;
- **Market risk:** risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include, but are not limited to, exchange rates, interest rates, the price of securities (equity, bonds), commodities, derivatives and other assets;
- **Operational risk:** risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events. It includes:
  - **non-compliance risk (including legal and tax risks):** risk of court-ordered, administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Group's activities,
  - **reputational risk:** risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Group's ability to maintain or engage in business relationships and to sustain access to sources of financing,
  - **misconduct risk:** risk resulting from actions (or inactions) or behaviour of the Bank or its employees inconsistent with the Group's Code of Conduct, which may lead to adverse consequences for our stakeholders, or place the Bank's sustainability or reputation at risk,
  - **IT and Information Systems Security risk** (cybercrime, IT systems failures, etc.);
- **Model risk:** potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.
- **Risk related to insurance activities:** through its insurance subsidiaries, the Group is also exposed to a variety of risks linked to this business. In addition to balance sheet management risks (interest rate, valuation, counterparty and exchange rate risk), these risks include premium pricing risk, mortality risk and the risk of an increase in claims;
- **Risk on private equity and related transactions:** risk of reduction in the value of our equity ownership interests;
- **Structural risk:** risk of losses in interest margin or banking book value if interest rates, exchange rates, or credit spreads change. This risk is related to the commercial and own activities of the Bank, it includes the distortion of the structural difference between assets and liabilities related to pension obligations, as well as the risk related to longer terms of future payments;
- **Liquidity and funding risk:** liquidity risk is defined as the inability of the Group to meet its financial obligations: debt repayments, collateral supply, etc. Funding risk is defined as the risk that the Group will not be able to finance its business growth on a scale consistent with its commercial objectives and at a cost that is competitive compared to its competitors;
- **Strategic/business risk:** risks resulting from the Group's inability to execute its strategy and to implement its business plan for reasons that are not attributable to the other risks in this list; for instance, the non-occurrence of the macroeconomic scenarios that were used to construct the business plan or sales performance that was below expectations;
- **Residual value risk:** through its Specialised Financial Services Division, mainly in its long-term vehicle leasing subsidiary, the Group is exposed to residual value risk (where the net resale value of an asset at the end of the leasing contract is less than expected).

In addition, **risks associated with climate change**, both physical (increase in the frequency of extreme climatic events) and transition-related (New Carbon Regulation), have been identified as factors that could aggravate the Group's existing risks.

4.1 RISK FACTORS

This section identifies the main risk factors that the Group estimates could have a significant effect on its business, profitability, solvency or access to financing.

The risks inherent to the Group's activity are presented below under six main categories, in accordance with Article 16 of the "Prospectus 3" regulation 2017/1129 of 14 June 2017 applicable since 21 July 2019 to risk factors:

- risks related to the macroeconomic, market and regulatory environments;
- credit and counterparty risks;
- market and structural risks;
- operational risks (including risk of inappropriate conduct) and model risks;
- liquidity and funding risks;
- risks related to insurance activities.

Risk factors are presented on the basis of an evaluation of their materiality, with the most material risks indicated first within each category. The risk exposure or measurement figures included in the risk factors provide information on the Group's exposure level but are not necessarily representative of future evolution.

4.1.1 RISKS RELATED TO THE MACROECONOMIC, MARKET AND REGULATORY ENVIRONMENTS

4.1.1.1The global economic and financial context, as well as the context of the markets in which the Group operates, may adversely affect the Group's activities, financial position and results of operations.

As a global financial institution, the Group's activities are sensitive to changes in financial markets and economic conditions generally in Europe, the United States and elsewhere around the world. The Group generates 47% of its business in France (in terms of 2018 net banking income), 34% in Europe, 6% in the Americas and 13% in the rest of the world. The Group could face a significant deterioration in market and economic conditions resulting from, in particular, crises affecting capital or credit markets, liquidity constraints, regional or global recessions, sharp fluctuations in commodity prices (notably oil), currency exchange rates or interest rates, inflation or deflation, rating downgrades, restructuring or defaults of sovereign or private debt, or adverse geopolitical events (including acts of terrorism and military conflicts). Such events, which may develop quickly and thus potentially may not be anticipated and hedged, could affect the operating environment for the Group for short or extended periods and have a material adverse effect on the Group's financial position, cost of risk and results of operations. In recent years, the financial markets have thus experienced significant disruptions resulting from concern over the trajectory of the sovereign debt of several euro-zone countries, Brexit (refer to the risk factor "Brexit and its impact on the financial markets and the economic environment could have repercussions on the Group's activity and results of operations . "), the persistence of commercial tensions (especially between the United States and China), fears of a cyclical slowdown growth (particularly in China) and more recently the economic effects of the spread of the Covid-19 coronavirus. These factors are likely to weaken several economic sectors and consequently the credit quality of the players concerned, which could negatively affect the Group's activities and results. Geopolitical risks also remain high and the accumulation of different risks is an additional source of instability which could also weigh on economic activity and demand for credit, while increasing the volatility of financial markets. Developments related to the Covid-19 coronavirus remain a source of uncertainty. It has already resulted in a sharp drop in activity in the most affected areas (China, South Korea, Japan, Italy and Iran to date) and should have repercussions on world demand and via the disruption of value chain. This crisis affects both supply and demand, which complicates the appropriate economic policy response. Authorities in the most affected countries could take measures to support businesses in difficulty. The financial markets can be an accelerator of the economic crisis in the event of a marked and lasting fall in asset prices. If the epidemic were to be contained in the coming weeks of March 2020, the effects on global activity would be concentrated in the first or possibly second quarter of 2020 and a rebound in the second half would partially offset the effects observed in the first semester. For information, 6% of the Group's exposure (Exposure at Default or EAD) is concentrated in the Asia Pacific region and 2% is in Italy.

The long period of low interest rates in the Eurozone and the United States, driven by accommodating monetary policies, has affected, and could continue to affect, the Group's net interest margin (which stood at 4 billion euros in 2019 for Retail Banking in France). Furthermore, this context of low interest rates tends to lead to an increased risk appetite of some participants in the banking and financial system which could result in excessive risk-taking, lower risk premiums compared to their historical average and high valuation levels of certain assets. The current economic slowdown could also lead to excessive risk-taking.

Furthermore, the environment of abundant liquidity that has been at the origin of the upturn in credit growth in the Eurozone and particularly in France could lead to additional regulatory measures from the supervisory authorities in order to limit the extension of credit or to further protect banks against a financial cycle downturn.

Lastly, the increase or accumulation of geopolitical or political risks (in particular in the Middle East) is another source of uncertainty which, in case of military conflict, could impact global economic activity and credit demand, while increasing the volatility of financial markets.

The Group's results are significantly exposed to economic, financial and political conditions in the principal markets in which it operates.

At 31 December 2019, 90% of the Group's credit and counterparty risk EAD was concentrated in Europe and the United States (accounting for 90% of EAD), with a predominant exposure to France (45% of EAD). The other exposures concern Western Europe excluding France (accounting for 22%), North America (accounting for 14%), Eastern European members of the European Union (accounting for 7%) and Eastern Europe excluding the European Union (accounting for 2%).

In France, the Group's principal market, the good growth performance during the 2016-2019 period and low interest rates have fostered an upturn in the housing market. A reversal of activity in this area could have a material adverse effect on the Group's asset value and business, by decreasing demand for loans and in higher rates of non-performing loans.

The Group also operates in emerging markets, such as Russia (2% of the Group's exposure to credit and counterparty risk at 31 December 2019) and Africa and the Middle East (4% of the Group's credit exposure at 31 December 2019). A significant adverse change in the political, macroeconomic or financial environment in these emerging markets could have a material adverse effect on the Group's business, results and financial position. These markets may be adversely affected by uncertainty factors and specific risks, such as a significant decline in oil prices since the beginning of coronavirus Covid-19 epidemic, which, if it were to last beyond several quarters, would deteriorate the financial health of producing countries. The correction of macroeconomic or budgetary imbalances that would result could be imposed by the markets with an impact on growth and on exchange rates. Another source of uncertainty comes from the enforcement of international sanctions against certain countries such as Russia. In the longer term, the energy transition to a "low-carbon economy" could adversely affect fossil energy producers, energy-intensive sectors of activity and the countries that depend on them. In addition, capital markets (including foreign exchange activity) and securities trading activities in emerging markets may be more volatile than those in developed markets and may also be vulnerable to certain specific risks, such as political instability and currency volatility. These elements could negatively impact the Group's activity and results of operations.

4.1.1.2 The Group is subject to an extensive supervisory and regulatory framework in each of the countries in which it operates and changes in this regulatory framework could have a negative effect on the Group's businesses, financial position, costs, as well as on the financial and economic environment in which it operates.

The Group applies the regulations of the jurisdictions in which it operates. French, European and U.S. regulations as well as other local regulations are concerned, given the cross-border activities of the Group. The application of existing regulations and the implementation of future regulations requires significant resources that could affect the Group's performance.

In addition, non-compliance with regulations could lead to fines, damage to the Group's reputation, forced suspension of its operations or the withdrawal of operating licences.

By way of illustration, as at 31 December 2019, exposures to credit and counterparty risks (Exposure at Default (EAD)) in France, the 27-member European Union (including France) and the United States represented 45%, 66% and 14%, respectively.

Among the recent regulations that have a significant influence on the Group:

- the implementation of prudential reforms, notably in the context of the finalisation of the Basel Agreement, including the Fundamental Review of the Trading Book and the IRB repair initiative (including the new definition of defaults), could result in increased capital and liquidity requirements, revised standards for calculating risk-weighted assets and a restriction on the use of internal models for calculating capital requirements;
- in the United States, the implementation of the Dodd-Frank Act has not yet been finalised and additional regulations (including new Securities and Exchange Commission (SEC) regulations) have yet to be introduced. These developments could in particular have an impact on the Group's U.S. market activities;
- the constant evolution of the legal and regulatory framework for activities on the financial markets (such as the European regulations and directives EMIR, MIFID 2 and MIFIR or the Volcker regulation in the United States) increases the Group's obligations, notably in the areas of transparency and reporting. This regulatory context, combined with the strengthening of controls exercised by various authorities, notably European and American, could have a significant impact on the conduct of some of the Group's activities, such as through the obligation to offset some of its derivative transactions or the introduction of additional collateral requirement;
- new European measures aimed at restoring banks' balance sheets through active management of non-performing loans ("NPLs"), which are leading to a rise of prudential requirements and an adaptation of the Group's strategy for managing NPLs. Additional regulatory provisions (as indicated in the Guidelines of the European Banking Authority), the scope of which remains to be determined, are being considered to define a framework of good practices for granting and monitoring loans;
- the strengthening of the supervisor's requirements (through the adoption of best practices) within the Single Supervisory Mechanism (SSM) could have an impact on the management costs and risk-weighted exposure levels of internal models;
- a strengthening of requirements related to internal control as well as the Group's rules of governance and good conduct, with a potential impact on costs;
- the strengthening of data quality and protection requirements and a potential strengthening of cyber-resilience requirements in relation to the consultation on "digital operational resilience framework for financial services" initiated by the European Commission in December 2019;
- sustainable finance considerations on the European political and regulatory agenda, with uncertainty for the Group regarding the inclusion of environmental and social issues in the supervisory review and assessment process (Supervisory Review and Evaluation Process - SREP) as well as the computation of the prudential capital requirement of credit institutions;
- the strengthening of the crisis prevention and resolution regime set out in the Bank Recovery and Resolution Directive of 15 May 2014 ("BRRD"), as revised, gives the Single Resolution Board ("SRB") the power to initiate a resolution procedure when the point of non-viability is reached which could, in order to limit the cost to the taxpayer, result in creditors and shareholders of the Group incurring losses in priority. Should the resolution mechanism be triggered, the Group could, in particular, be forced to sell certain of its activities, modify the terms and conditions of its debt instruments, issue new debt instruments, or result in the total or partial depreciation or conversion of debt instruments into equity securities. Furthermore, the Group's contribution to the annual financing of the Single Resolution Fund ("SRF") is significant and will grow steadily until 2023, with 2024 being the year of the full endowment of the fund. The contribution to the banking resolution mechanisms is described on p. 427 of the 2020 Universal Registration Document.

The Group is also subject to complex tax rules in the countries in which it operates. Changes in applicable tax rules, uncertainty regarding the interpretation of such changes or their impact may have a negative impact on the Group's business, financial position and costs.

Moreover, as an international bank that handles transactions with "US persons", denominated in US dollars, or involving US financial institutions, the Group is subject to US laws and regulations relating in particular to compliance with economic sanctions, the fight against corruption and market abuse. More generally, in the context of agreements with US and French authorities, the Group has undertaken to implement, through a dedicated program and organisation, corrective actions to address identified deficiencies, the cost of which will be significant, and strengthen its compliance program. In the event of a failure to comply with relevant US laws and regulations, or a breach of the Group's commitments under these agreements, the Group could be exposed to the risk of (i) administrative sanctions, including fines, suspension of access to US markets, and even withdrawals of banking licences, (ii) criminal proceedings, and (iii) damage to its reputation.

As at 31 December 2019, the Group had own funds CET1 of 43.8 billion euros (for a CET1 ratio of 12.7%) and total regulatory capital of 63.1 billion euros (for a total ratio of 18.3%).

4.1.1.3 Brexit and its impact on financial markets and the economic environment could have an adverse effect on the Group's activities and results of operations.

Pursuant to the agreement between the United Kingdom and the European Union on a new "flexible extension" of the United Kingdom's withdrawal from the European Union until 31 January 2020 (or earlier upon approval of the updated withdrawal agreement), the UK Withdrawal Agreement Bill (WAB) has now received the Queen's royal assent, thus confirming the United Kingdom's withdrawal from the European Union on Friday, 31 January 2020. The WAB received the final approval of the European parliament on 29 January 2020.

The transition period during which the United Kingdom and the European Union will define the future of their relationship began on 1 February 2020 and is scheduled to end on 31 December 2020 (unless extended). Even after the withdrawal agreement's approval, there is no guarantee that a trade agreement will be concluded by the end of the transition period, and the nature of future relations between the United Kingdom and the European Union remains unclear beyond the end of the transition period. The possibility of a "no-deal" Brexit remains in the event that no trade agreement is reached and no extension to the transition period is agreed.

At 31 December 2019, the Group had an Exposure at Default of 39 billion euros in the United Kingdom (4% of the Group's credit exposure). Beyond a direct impact on our credit exposure in the United Kingdom, Brexit is likely (depending on the scenarios considered) to considerably disrupt the European and global economies and financial markets and thus have an impact on the Group's overall activity and results.

4.1.1.4 Risks related to the implementation of the Group's strategic plan.

On 28 November 2017, the Group announced a strategic and financial plan for 2017-2020. This plan includes a number of strategic objectives, in particular a plan to accelerate the digital transformation of the Group's model, the streamlining of its French Retail Banking network, the implementation of the program to refocus activities, the improvement of operational efficiency, the strengthening of its internal control function and the embedding of a culture of corporate responsibility. It also includes a certain number of financial objectives related to return on equity, net income, cost savings and regulatory ratios.

This strategic plan is based on a number of assumptions, in particular relating to the macroeconomic environment and the development of the Group's activities. Failure to achieve these objectives (including as a result of the realization of one or more of the risks described in this section) or the occurrence of unexpected events could compromise the achievement of the strategic plan and have a material adverse effect on the Group's business, results of operations and financial position.

Upon publication of the 2019 annual results on 6 February 2020, the Group communicated on its outlook for 2020 in terms of revenues (slight growth expected), cost management (lower costs at Group level, lower cost/income ratio and a positive jaws effect at Group level and across all pillars) and cost of risk (expected between 30bp and 35bp) as well as an improvement in return on tangible equity (ROTE) and a new shareholder return policy.

In addition, the Group aims to steer above a CET1 ratio of 12%, which remains its current target.

Global Markets & Investor Solutions has confirmed the successful execution of its restructuring plan, in line with financial targets, including:

- EUR 500 million in cost savings (of which 44% was already achieved in 2019 and is fully secured for 2020);
- EUR 10 billion of risk-weighted assets (RWA) by 2020 (including EUR 8 billion of RWA allocated to Market Activities) was reached in Q3 2019.

The Group is committed to becoming a leading bank in the field of responsible finance through, among others:

- a new commitment to raise EUR 120 billion for energy transition between 2019 and 2023 (including EUR 100 billion in sustainable bond issues and EUR 20 billion for the renewable energy sector in the form of advisory and financing);
- a planned total exit from thermal coal;
- the signing as co-founder of the Principles for a Responsible Banking Sector, through which the Group undertakes to strategically align its business with the Sustainable Development Objectives set by the United Nations and the Paris Agreement on Climate Change.

These actions (or similar actions that may be taken in the future) could in some cases decrease the Group's results in the sectors concerned.

For more details on the Group's revised profit objectives, see paragraph *The Group is fully engaged to deliver its strategic plan* in Chapter 1.3 of the 2020 Universal Registration Document. A quarterly statement on the execution of these objectives is included in the Group's financial communications.

4.1.1.5 Increased competition from banking and non-banking operators could have an adverse effect on the Group's business and results, both in its French domestic market and internationally.

Due to its international activity, the Group faces intense competition in the global and local markets in which it operates, whether from banking or non-banking actors. As such, the Group is exposed to the risk of not being able to maintain or develop its market share in its various activities. This competition may also lead to pressure on margins, which is detrimental to the profitability of the Group's activities.

In France and in the other main markets in which the Group operates, the presence of major domestic banking and financial actors, as well as new market participants (notably online banking and financial services providers), has increased competition for virtually all products and services offered by the Group (particularly our online banking activities, with Boursorama, which had 2,100,000 customers at the end of 2019). Driven by new market participants such as "fintechs", new services that are automated, scalable and based on new technologies are developing rapidly and are fundamentally changing the relationship between consumers and financial services providers, as well as the function of traditional retail bank networks. To address these challenges, the Group has implemented a strategy that includes developing digital technologies and the establishment of commercial or equity partnerships with these new players (such as the platform Lumo proposing green investments) which could, if it proves ineffective or poorly executed, lead to a weakened competitive position. This intensification of competition could have an adverse effect on the Group's business and results, both in the French market and internationally.

Consolidation in the financial services industry could result in the Group's remaining competitors benefiting from greater capital, resources and an ability to offer a broader range of products and services. In addition, competition is increasing from emerging non-banking actors that, in some cases, may benefit from a regulatory framework that is more flexible and in particular less demanding in terms of equity capital requirements.

4.1.2 CREDIT AND COUNTERPARTY RISKS

Weighted assets subject to credit and counterparty risks amounted to EUR 282 billion at 31 December 2019.

4.1.2.1 The Group is exposed to counterparty and concentration risks, which may have a material adverse effect on the Group's business, results of operations and financial position.

Due to its financing and market activities, the Group is exposed to credit and counterparty risk The Group may therefore realise losses in the event of default by one or more counterparties, particularly if the Group encounters legal or other difficulties in enforcing its collateral or if the value of the collateral is not sufficient to fully recover the exposure in the event of default. Despite the Group's vigilant efforts to limit the concentration effects of its credit portfolio exposure, it is possible that counterparty defaults could be amplified within the same economic sector or region of the world due to the interdependence effects of these counterparties. Moreover, some economic sectors could, in the longer term, be particularly impacted by the measures implemented to promote energy transition or by the physical risks related to climate change (more information is available in the Group's Task Force on Climate-related Financial Disclosures report).

Consequently, the default of one or more significant counterparties of the Group could have a material adverse effect on the Group's cost of risk, results of operations and financial position.

For information, as at 31 December 2019, the Group's exposure at default (EAD, excluding counterparty risk) was EUR 801 billion, with the following breakdown by type of counterparty: 32% on corporates, 24% on sovereigns, 25% on retail customers and 7% on credit institutions and similar. Risk-weighted assets (RWA) for credit risk totalled 264 billion euros.

Regarding counterparty risks resulting from market transactions (excluding CVA), at the end of December 2019, the exposure value (EAD) was EUR 118 billion, mainly to credit institutions and similar entities (42%) and corporates (38%), and to a lesser extent to sovereign entities (20%). Risk-weighted assets (RWA) for counterparty risk amounted to EUR 16 billion.

The main sectors to which the Group was exposed in its corporate portfolio included finance and insurance (accounting for 17% of exposure), business services (11%), real estate (10%), wholesale trade (7%), transport and logistics (7%), the oil and gas sector (6%) and collective services (6%).

In terms of geographical concentration, the five main countries in which the Group is exposed at 31 December 2019 were France (45% of the Group's total EAD, mainly related to retail customers and corporates), the United States (14% of EAD, mainly related to corporates and sovereign customers), the Czech Republic (5% of the Group's total EAD, mainly related to sovereigns, retail clients and corporates) the United Kingdom (4% of EAD, mainly related to corporates and financial institutions) and Germany (4% of the Group's total EAD, mainly related to corporates and financial institutions).

For more details on credit and counterparty risk, see thesection 4.5.6 *Quantitative information* in the Documentof Universal Registration 2020.

4.1.2.2 The financial soundness and conduct of other financial institutions and market participants could adversely affect the Group.

For information, at 31 December 2019, the Group's exposure (EAD) to credit and counterparty risk on financial institutions amounted to EUR 107 billion, representing 12% of EAD in respect of the Group's credit risk.

Financial institutions are important counterparties for the Group in capital and inter-bank markets. Financial services institutions are closely interrelated as a result of trading, clearing, counterparty and funding relationships. As a result, defaults by one or several actors in the sector or a crisis of confidence affecting one or more actors may result in market-wide liquidity scarcity or chain defaults.

The Group is also exposed to clearing institutions and their members because of the increase in transactions traded through these institutions. For information, the Group's exposure to clearing houses amounted to 32 billion euros of EAD at 31 December 2019. The default of a clearing institution or one of its members could generate losses for the Group and have an adverse effect on the Group's business and results of operations.

4.1.2.3 The Group's results of operations and financial position could be adversely affected by a late or insufficient provisioning of credit exposures.

The Group regularly records provisions for doubtful loans in connection with its lending activities in order to anticipate the occurrence of losses and moderate the volatility of its results. The amount of provisions is based on the most accurate assessment at the time of the recoverability of the debts in question. This assessment relies on an analysis of the current and prospective situation of the borrower as well as an analysis of the value and recovery prospects of the debt, taking into account any security interests. In some cases (loans to individual customers), the provisioning method may call for the use of statistical models based on the analysis of historical loss and recovery data. Since 1 January 2018, the Group has also been recording provisions on performing loans under the IFRS9 accounting standard. This assessment is based on statistical models for assessing probabilities of default and potential losses in the event of default, which take into account a prospective analysis based on macroeconomic scenarios.

As at 31 December 2019, the stock of provisions relating to outstanding amounts (on- and off-balance sheet) amounted to EUR 2.3 billion euros on performing assets and EUR 9.3 billion euros on assets in default. Outstanding loans in default (stage 3 under IFRS 9) represented 17.4 billion euros, including 57% in France, 19% in Africa and Middle East and 11% in Western Europe (excluding France). For more details, see Chapter 4.5 *Credit and conterparty risk* of the 2020 Universal Registration Document. The gross ratio of doubtful loans on the balance sheet was 3.2% and the gross coverage ratio of these loans was approximately 55%.

Net changes in provisions are recorded as net cost of risk in the Group's consolidated income statement. Over the last three years, the Group has recorded a historically low net cost of risk (25 bp in 2019), partly due to an economic environment that is generally favourable to credit risk. Depending on its intensity, an economic slowdown and the expected reversal of the credit cycle could lead to an increase in provisions for doubtful outstandings, reflecting both an increase in borrowers' defaults and a potential deterioration in the value of collateral. This increase could have an adverse effect on the Group's results of operations and financial position.

In addition, IFRS 9 accounting standard principles and provisioning models could be pro-cyclical in the event of a sharp and sudden deterioration in the environment or result in enhanced volatility in the event of fluctuations in economic prospects. This could lead to a significant and/or not fully anticipated variation in the cost of risk and therefore in the Group's results of operations.

4.1.3 MARKET AND STRUCTURAL RISKS

Market risk corresponds to the risk of impairment of financial instruments resulting from changes in market parameters, the volatility of these parameters and the correlations between these parameters. The concerned parameters include exchange rates, interest rates, as well as the prices of securities (shares, bonds) and commodities, derivatives and any other assets.

4.1.3.1 Changes and volatility in the financial markets may have a material adverse effect on the Group's business and the results of market activities.

In the course of its market activities, the Group is exposed to "market risk". For information, Global Markets & Investor Services activities, which account for the bulk of the Group's market risks, represented 5 billion euros of net banking income in 2019, or 21% of the Group's total revenues. At 31 December 2019, risk-weighted assets (RWA) subject to market risk represented EUR 15 billion, or 4% of the Group's total RWA.

Volatility in the financial markets can have a material adverse effect on the Group's market activities. In particular:

- significant volatility over a long period of time could lead to corrections on risky assets and generate losses for the Group; and
- a sudden change in the levels of volatility could make it difficult or more costly to hedge certain structured products and thus increase the risk of loss for the Group.

Severe market disruptions and high market volatility have occurred in recent years and may occur again in the future, which could result in significant losses for the Group's markets activities. Such losses may extend to a broad range of trading and hedging products, including swaps, forward and future contracts, options and structured products.

In the event that a low-volatility environment emerges, reflecting a generally optimistic sentiment in the markets and/or the presence of systematic volatility sellers, increased risks of correction may also develop, particularly if the main market participants have similar positions on certain products. Such corrections could result in significant losses for the Group's market activities.

The volatility of the financial markets makes it difficult to predict trends and implement effective trading strategies; it also increases risk of losses from net long positions when prices decline and, conversely, from net short positions when prices rise. Such losses could have a material adverse effect on the Group's results of operations and financial position.

The assessment and management of market risks in the Group is based on a set of risk indicators that make it possible to evaluate the potential losses incurred at various time horizons and given probability levels, by defining various scenarios for changes in market parameters impacting the Group's positions. These scenarios are based on historical observations or are theoretically defined. However, these risk management approaches are based on a set of assumptions and reasoning that could turn out to be inadequate in certain configurations or in the case of unexpected events, resulting in a potential underestimation of risks and a significant negative effect on the results of the Group's market activities.

Furthermore, in the event of a deterioration of the market situation, the Group could experience a decline in the volume of transactions carried out on behalf of its customers, leading to a decrease in the revenues generated from this activity and in particular in commissions received.

4.1.3.2 Changes in interest rates may adversely affect retail banking activities.

The Group generates a significant part of its income through net interest margin and as such remains highly exposed to interest rate fluctuations as well as to changes in the yield curve, particularly in its retail banking activities. The Group's results are influenced by changes in interest rates in Europe and in the other markets in which it operates. In Europe in particular, a protracted environment of low or even negative interest rates has affected and could continue to adversely affect the Group's retail banking income, notably in France.

For information, net banking income (NBI) of French retail banking amounted to EUR 7.7 billion in 2019, or 31% of the Group's total NBI.

For more details on structural interest rate risks, see chapter 3.5 *Structural interest rate risks* and Note 8.1 *Segmented reporting* of the 2020 Universal Registration Document.

4.1.3.3 Fluctuations in exchange rates could adversely affect the Group's results.

As a result of its international activities and its geographic implantation in many countries, the Group's revenues and expenses as well as its assets and liabilities are recorded in different currencies, which exposes it to the risk of exchange rate fluctuations.

Because the Group publishes its consolidated financial statements in euros, which is the currency of most of its liabilities, it is also subject to translation risk for items recorded in other currencies, in the preparation of its consolidated financial statements. Exchange rate fluctuations of these currencies against the euro may adversely affect the Group's consolidated results, financial position and cash flows. Exchange rate fluctuations may also negatively affect the value (denominated in euros) of the Group's investments in its subsidiaries outside the Eurozone.

For information, at 31 December 2019, out of a total of EUR 1,356 billion of assets on the balance sheet, 61% was recorded in euros, 19% in USD and 4% in JPY.

See Chapter 4.6.5 *Market Risk Capital Requirements and Risk-Weighted Assets*, Chapter 4.8.3 *Structural exchange rate risk* and Note 8.5 *Foreign exchange transactions* in Chapter 6 of the 2020 Universal Registration Document.

4.1.4 OPERATIONAL RISKS (INCLUDING RISK OF INAPPROPRIATE CONDUCT) AND MODEL RISKS

At 31 December 2019, risk-weighted assets subject to operational risk amounted to EUR 48 billion, or 14% of the Group's total RWA. These risk-weighted assets relate mainly to Global Markets & Investor Services (67% of total operational risk).

Between 2015 and 2019, the Group's operational risks were primarily concentrated in five risk categories, representing 96% of the Group's total operating losses over the period: fraud and other criminal activities (29%), execution errors (23%), disputes with the authorities (18%), commercial disputes (14%), errors in pricing or risk evaluation including model risk (12%).

The Group's other categories of operational risk (unauthorized activities in the markets, failure of information systems and loss of operating resources) remain minor, representing 4% of the Group's losses on average over the 2015 to 2019 period.

See Chapter 4.7.3 *Operational risk measure* of the 2020 Universal Registration Document for more information on the allocation of operating losses.

4.1.4.1 The Group is exposed to legal risks that could have a material adverse effect on its financial position or results of operations.

The Group and certain of its former and current representatives may be involved in various types of litigation, including civil, administrative, tax, criminal and arbitration proceedings. The large majority of such proceedings arise from transactions or events that occur in the Group's ordinary course of business. There has been an increase in client, depositor, creditor and investor litigation and regulatory proceedings against intermediaries such as banks and investment advisors in recent years, in part due to the challenging market environment. This has increased the risk, for the Group, of losses or reputational harm arising from litigation and other proceedings. Such proceedings or regulatory enforcement actions could also lead to civil, administrative, tax or criminal penalties that could adversely affect the Group's business, financial position and results of operations.

In preparing its financial statements, the Group makes estimates regarding the outcome of civil, administrative, tax, criminal and arbitration proceedings in which it is involved, and records a provision when losses with respect to such matters are probable and can be reasonably estimated. It is inherently difficult to predict the outcome of litigation and proceedings involving the Group's businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, cases where claims for damages are of unspecified or indeterminate amounts, or cases involving unprecedented legal claims. Should such estimates prove inaccurate or should the provisions set aside by the Group to cover such risks prove inadequate, the Group's financial position or results of operations could be adversely affected.

The provision recorded in the Group's financial statements for public rights disputes amounted to EUR 340 million at 31 December 2019.

For a description of the most significant ongoing proceedings, see the section *Compliance and reputational risk, Litigations,* Note 8.3.2 "Other provisions", Note 9 *Information on risks and litigation* of the 2020 Universal Registration Document.

4.1.4.2 Operational failure, termination or capacity constraints affecting institutions the Group does business with, or failure or breach of the Group's information technology systems, could have an adverse effect on the Group's business and result in losses and damages to the reputation of the Group.

The Group relies heavily on communication and information systems to conduct its business and this is reinforced by the widespread use of remote banking. Any failure, dysfunction, interruption of service or breach in security of its systems, even if only brief and temporary, could result in significant disruptions to the Group's business. Despite the Group's preventive measures and backup solutions, such incidents could result in significant costs related to information retrieval and verification, loss of revenue, loss of customers, litigation with counterparties or customers, difficulties in managing market operations and short-term refinancing, and ultimately damage to the Group's reputation.

The Group is exposed to the risk of operational failure or capacity constraints in its own systems and in the systems of third parties, including those of financial intermediaries that it uses to facilitate cash settlement or securities transactions (such as clearing agents and houses and stock exchanges), as well as of clients and other market participants.

The interconnectivity of multiple financial institutions with clearing agents and houses and stock exchanges, and the increased concentration of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could adversely affect the Group's ability to conduct business and could therefore result in losses. Industry concentration, whether among market participants or financial intermediaries, can exacerbate these risks, as disparate complex systems need to be integrated, often on an accelerated basis.

The Group is also exposed to risks relating to cybercrime and has experienced fraudulent attempts to break into its information systems. Every year, the Group experiences numerous cyber-attacks to its systems, or via those of its clients, partners or suppliers. The Group could be subject to targeted and sophisticated attacks on its IT network, resulting in embezzlement, loss, theft or disclosure of confidential or customer data (in particular in violation of the European Data Protection Regulation "GDPR"). Even if the Group has the means to monitor and to effectively respond to these issues, such actions are likely to result in operational losses and have an adverse effect on the Group's business and results of operations.

See *Information security risks* of section 4.7.1 *Organisation of operational risk management, Quantitative data* of section 4.7.3 *Measurement of operational risk* for a breakdown of operational risk losses, and section 4.7.4 *Weighted assets and capital requirements* of the 2020 Universal Registration Document.

4.1.4.3 Reputational damage could harm the Group's competitive position, its activity and financial condition

The Group's reputation for financial strength and integrity is critical to its ability to foster loyalty and develop its relationships with customers and other counterparties in a highly competitive environment. Any reputational damage could result in loss of activity with its customers or a loss of confidence on the part of its investors, which could affect the Group's competitive position, its business and its financial condition. As a result, negative comments regarding the Group, whether or not legitimate, and concerning events that may or may not be attributable to the Group, could deteriorate the Group's reputation and affect its competitive position.

The Group's reputation could also be adversely affected by a weakness in its internal control measures aimed at monitoring and preventing operational, compliance, credit and market risks, particularly with respect to monitoring inappropriate conduct of its employees (such as corruption, fraud, market abuse and tax evasion). This risk may arise from the conduct itself as well as from administrative or criminal sanctions resulting from an insufficiently effective control environment, such as the sanctions issued by the American and French authorities in 2018.

Financing extended by the bank that does not comply with regulations or its commitments could affect the Group's reputation. Methods of distribution of products and services that do not provide sufficient information to customers, a lack of transparency in its communication (particularly financial communication) or internal management rules (including human resources management or relations with suppliers and service providers) that do not comply with regulatory obligations or the bank's commitments could affect the Group's reputation. In addition, a corporate social responsibility strategy (in particular with regard to environmental issues) deemed insufficiently ambitious in relation to the expectations of external stakeholders or difficulties in implementing this strategy could also impact the Group's reputation.

The consequences of these events, which could potentially result in legal proceedings, may vary according to the extent of media coverage and the overall context and remain difficult to estimate.

In particular, the Group monitors client satisfaction and loyalty through the use of a Net Promoter Score© system, detailed in section 5.1.3 *Satisfying clients by ensuring their protection* of Chapter 5 *Corporate Social Responsibility*.

4.1.4.4 The Group's inability to attract and retain qualified employees may adversely affect its performance.

The Group employs more than 138,000 people[(1)] in 62 countries and supports 29 million individual, corporate and institutional clients[(2)] worldwide on a daily basis. The performance of banking and financial activities is closely linked to the human factor. The inability to attract and retain employees, whether in terms of career prospects and training or in terms of compensation levels in line with market practices, could have an impact on the Group's performance. A high rate of turnover or the departure of strategic employees could expose the Group to a loss in its know-how as well as a deterioration in the quality of service, at the expense of client satisfaction.

Furthermore, the European financial sector is subject to increased oversight of employee compensation policies, including rules on certain types of compensation (fixed, variable, performance conditions, deferred payments, etc.), which may limit the Group's ability to attract and retain talent. In particular, the CRD IV directive, which has applied since 2014 to banks in the European Economic Area and therefore to the Group, includes a cap on the variable component of compensation compared to its fixed component for the relevant personnel.

4.1.4.5 The models, in particular the Group's internal models, used in strategic decision-making and in risk management systems could fail or prove to be inadequate and result in financial losses for the Group.

Internal models used within the Group could prove to be deficient in terms of their conception, calibration, use or monitoring of performance over time in relation to operational risk and therefore could produce erroneous results, with financial consequences in particular.

In particular:

- the valuation of certain financial instruments that are not traded on regulated markets or other trading platforms, such as OTC derivative contracts between banks, uses internal models that incorporate unobservable parameters. The unobservable nature of these parameters, even if they are prudently valued, results in an additional degree of uncertainty as to the adequacy of the valuation of the positions. In the event that the relevant internal models prove unsuitable for changing market conditions, some of the instruments held by the Group could be misvalued and the Group could incur losses. For illustrative purposes, financial assets and liabilities measured at fair value on the balance sheet categorized within Level 3 (for which the valuation is not based on observed data) represented EUR 10 billion and EUR 52 billion, respectively, as of 31 December 2019 (see Note 3.4.1 and Note 3.4.2 of chapter 6 of the 2020 Universal Registration Document on level 3 financial assets and liabilities measured at fair value);
- the assessment of customer solvency and the bank's exposure to credit and counterparty risk is generally based on historical assumptions and observations that may prove to be inappropriate in light of new economic conditions and is based on economic scenarios and projections that may not adequately anticipate unfavourable economic conditions or the occurrence of unprecedented events. This miscalculation could, among other things, result in an under-provisioning of risks and an incorrect assessment of capital requirements;
- hedging strategies used in market activities rely on models that include assumptions about the evolution of market parameters and their correlation, partly inferred from historical data. These models could be inappropriate in certain market environments (in the event of strong movements in volatility resulting, for example, from the evolution of the trade war between the United States and China, or from Brexit), leading to an ineffective hedging strategy and causing unanticipated losses that could have a material adverse effect on the Group's results and financial position;
- management of the interest rate risk of the investment portfolio and of the liquidity risk of all balance sheet and off-balance sheet items uses behavioural models that depend on market conditions. These models, based in particular on historical observations, could have an impact on the hedging of these risks when unprecedented events occur.

4.1.4.6 The Group may incur losses as a result of unforeseen or catastrophic events, including terrorist attacks or natural disasters.

The occurrence of unforeseen or catastrophic events, including terrorist attacks, natural disasters (including earthquakes, such as in Romania, and floods, such as the exceptional flooding of the Seine in Paris), a major health crisis or the fear of the occurrence of such a crisis (linked for example to the Covid-19 coronavirus) or major social unrest (such as the "*gilets jaunes*" movement in France) could create economic and financial disruptions or lead to operational difficulties (including travel limitations or relocation of affected employees) for the Group. These events could impair the Group's ability to manage its businesses and also expose its insurance activities to significant losses and increased costs (such as higher re-insurance premiums). Upon the occurrence of such events, the Group could incur losses.

(1) Number of employees at the end of 2019 excluding temporary staff.
(2) Excluding customers of the Group's insurance companies.

4.1.5 LIQUIDITY AND FUNDING RISKS

4.1.5.1 A number of exceptional measures taken by governments, central banks and regulators could have a material adverse effect on the Group's cost of financing and its access to liquidity.

For several years now, central banks have taken measures to facilitate financial institutions' access to liquidity, in particular by lowering interest rates to historical lows. Various central banks have substantially increased the amount and duration of liquidity provided to banks. They have relaxed collateral requirements and, in some cases, have implemented "non-conventional" measures to inject substantial liquidity into the financial system, including direct market purchases of government bonds, corporate bonds, and mortgage-backed securities.

In the United States, after a tightening period that began in December 2015, the Fed started a new rate cut cycle in 2019 that will continue in 2020, due to the slowdown in the U.S. economy and of global demand. In addition, tensions in the repo market in September 2019 led the Fed, for the first time in ten years, to inject liquidity in order to normalise the situation. The Fed has also put in place a plan to buy short-term Treasury bills to avoid further tensions in the money markets at least until the second quarter of 2020. If tensions in the dollar funding market were to spread internationally, this would represent a risk for countries and sectors whose debt is denominated in US dollars, and therefore for some of the Group's counterparties. For information, as at 31 December 2019, out of a total of EUR 1,356 billion of liabilities on the balance sheet of the Group, 19% was denominated in dollars.

The fragmentation of the European financial markets is now partly "hidden" by ECB policy. The lack of significant progress on the Banking Union and the Capital Markets Union leaves the Eurozone in a situation of potential vulnerability. In the extreme case of a restructuring of a Eurozone Member State's sovereign debt, cross-border capital flows restrictions could be implemented, thus impacting the Group.

A more politically fragmented world and the risks of counterproductive exceptional measures could have a material adverse effect on the Group's business, financial position and results of operations.

As at 31 December 2019, the Group's regulatory short-term liquidity coverage ratio (LCR) stood at 119% and liquidity reserves amounted to EUR 190 billion.

4.1.5.2 A downgrade in the Group's external rating or in the sovereign rating of the French State could have an adverse effect on the Group's cost of financing and its access to liquidity.

For the proper conduct of its activities, the Group depends on access to financing and other sources of liquidity. In the event of difficulties in accessing the secured or unsecured debt markets on terms it considers acceptable, due to market conditions or factors specific to the Group, or if it experiences unforeseen outflows of cash or collateral, including material decreases in customer deposits, its liquidity could be impaired. In addition, if the Group is unable to maintain a satisfactory level of customer deposits collection, it may be forced to turn to more expensive funding sources, which would reduce the Group's net interest margin and results.

The Group is exposed to the risk of an increase in credit spreads. The Group's medium- and long-term financing cost is directly linked to the level of credit spreads which can fluctuate depending on general market conditions. These spreads can also be affected by an adverse change in France's sovereign debt rating or the Group's external ratings by rating agencies.

The Group is currently monitored by four financial rating agencies: Fitch Ratings, Moody's, R&I and Standard & Poor's. The downgrading of the Group's credit ratings, by these agencies or by other agencies, could have a significant impact on the Group's access to funding, increase its financing costs and reduce its ability to carry out certain types of transactions or activities with customers. This could also require the Group to provide additional collateral to certain counterparties, which could have an adverse effect on its business, financial position and results of operations.

Access to financing and liquidity constraints could have a material adverse effect on the Group's business, financial position, results of operations and ability to meet its obligations to its counterparties.

For 2020, the Group has planned a funding program of approximately EUR 18 billion in vanilla long-term debt, mainly in senior preferred and secured debt format as well as in senior non-preferred debt format.

As at 31 December 2019, the Group had raised a total of EUR 43 billion of long-term funding (EUR 40.1 billion for the parent company and EUR 2.9 billion for the subsidiaries) mainly, at the parent company level, via senior structured issues (EUR 22.1 billion), senior vanilla non-preferred issues (EUR 8.2 billion), senior vanilla preferred issues (EUR 5.6 billion) and secured issued (EUR 3.0 billion).

See Chapter 2.6 *Financial policy* of the 2020 Universal Registration Document, including the breakdown the Group's long-term funding programme's completion (page 62).

4.1.6 RISKS RELATED TO INSURANCE ACTIVITIES

4.1.6.1 A deterioration in the market condition, and in particular a significant increase or decrease in interest rates, could have a material adverse effect on the life insurance activities of the Group's Insurance business.

In 2019, the Group's insurance activities represented net banking income of EUR 909 million, or 3.7% of the Group's consolidated net banking income. The Group's Insurance division is mainly focused on Life Insurance. At 31 December 2019, life insurance contracts had an outstanding amount of EUR 125 billion, divided between euro-denominated contracts (70%) and unit-linked contracts (30%).

The Group's Insurance business is highly exposed to structural interest rate risk due to the high proportion of bonds in the euro-denominated funds in its life insurance contracts. The level of and changes in interest rates may, in certain configurations, have a material adverse effect on the results and financial position of this business line.

With its impact on the yield of euro-denominated contracts, a prolonged outlook of low interest rates reduces the attractiveness of these products for investors, which can negatively affect fundraising and income from this segment of the life insurance business.

A sharp rise in interest rates could also degrade the competitiveness of the life insurance offerings in euros (compared with bank savings products, for example) and trigger significant repurchases and arbitrage by customers, in an unfavourable context of unrealised losses on bond holdings. This configuration could affect the revenues and the profitability of the life insurance business.

More generally, a pronounced widening of spreads and a decline in equity markets could also have a significant negative effect on the results of the Group's life insurance business.

In the event of a deterioration in market parameters, the Group could be required to strengthen the own funds of its insurance subsidiaries in order to enable them to continue to meet their regulatory capital requirements.

4.2 RISK MANAGEMENT ORGANISATION

4.2.1 RISK APPETITE

Risk appetite is defined as the level of risk that the Group is prepared to accept to achieve its strategic goals.

Principles governing risk appetite

Societe Generale seeks sustainable development based on a diversified and balanced banking model with a strong European anchor and a targeted global presence in selected areas of strong business expertise; the Group also strives to maintain long-term relationships with its clients built on the confidence it has earned and to meet the expectations of all of its stakeholders.

This results in:

- an organisation with 16 Business Units offering various products and services to clients in different locations;
- a balanced capital allocation between activities:
  - a preponderance in retail banking activities in France and abroad, which currently represent more than 60% of risk weighted assets ("RWA");
  - limitation of Business Unit Global Markets' share in the RWA of the Group. In accordance with its client-focused development strategy, the Group has also announced the closure of its proprietary trading activities[1], and seeks to simplify the products offered;
  - non-bank services activities, in particular Insurance, conducted in coherence with the business strategy, and which demonstrate a controlled risk profile and which profitability meets the Group's expectation.
- a geographically balanced model:
  - in Retail Banking, the Group focuses its development on Europe and Africa, where it enjoys a historic presence, extensive knowledge of the markets and prominent positions ;
  - as regards Global Banking and Investor Solutions, outside the Europe and Africa zones, the Group targets activities in which it can rely on international expertise;
- a positive contribution to the transformations of our economies, in particular with regard to the technological revolution, and economic, social and environmental transitions; CSR concerns are therefore at the heart of its strategy and its relationships with stakeholders;
- vigilance as regards its reputation, which it considers a high-value asset which must be protected.

A strong financial profile

Societe Generale seeks to achieve sustainable profitability, relying on a robust financial profile consistent with its diversified banking model, by:

- targeting profitable and resilient business development ;
- maintaining a target rating allowing access to financial resources at a cost consistent with the development of the Group's businesses and its competitive positioning;
- calibrating its capital and hybrid debt targets to ensure:
  - satisfaction of minimum regulatory requirements on CET1, and others capital ratio in the baseline scenario, with a security buffer;
  - coverage of one year of "internal capital requirement" using available CET capital;
  - a sufficient level of creditor protection consistent with the Group's goals with respect to rating and regulatory ratios such as TLAC ("Total Loss Absorbing Capacity"), MREL ("Minimum Required Eligible Liabilities"), and the leverage ratio;
- ensuring resilience in its liabilities, calibrated by taking into account a survival horizon in a liquidity stress ratio, compliance with LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) regulatory ratios and the level of dependence on short-term fundings;
- controlling the leverage ratio.

Credit and counterparty risks (including concentration effects)

Credit risk appetite is managed through a system of credit policies, risk limits and pricing policies.

When it assumes credit risk, the Group focuses on medium- and long-term client relationships, targeting both clients with which the bank has an established relationship of trust and prospects representing profitable business development potential over the mid-term.

Acceptance of any credit commitment is based on in-depth client knowledge and a thorough understanding of the purpose of the transaction.

In a credit transaction, risk acceptability is based, first, on the borrower's ability to meet its commitments, in particular through the cash flows which will allow the repayment of the debt. For medium and long-term operations, the funding duration must remain compatible with the economic life of the financed asset and the visibility horizon of the borrower's cash flow.

(1) In accordance with French banking law, certain residual trading activities of the Group with no connection to clients were isolated in a dedicated subsidiary called Descartes Trading, closed in February 2020.

Security interests are sought to reduce the risk of loss in the event of a counterparty defaulting on its obligations, but may not, except in exceptional cases, constitute the sole justification for taking the risk. Security interests are assessed with prudent value haircuts and paying special attention to their actual enforceability.

Complex transactions or those with a specific risk profile are handled by specialied teams within the Group with the required skills and expertise.

The Group seeks risk diversification by controlling concentration risk and maintaining a risk allocation policy through risk sharing with other financial partners (banks or guarantors).

Counterparty ratings are a key criterion of the credit policy and serve as the basis for the credit approval authority grid used in both the commercial and risk functions. The rating framework relies on internal models. Special attention is paid to timely updating of ratings (which, in any event, are subject to annual review).

Market risks

The Group's market activities are carried out in the context of a business development strategy primarily focused on meeting client requirements with a full range of products and solutions.

The market risk is strictly managed through a set of limits for several indicators (such as stress tests, Value at Risk (VaR) and stressed Value at Risk (SVaR), "sensitivity" and "nominal" indicators). These indicators are governed by a series of limits proposed by the business lines and approved by the Risk Division within the framework of a discussion-based process.

Limits are set at different sub-levels of the Group's organization, thereby cascading down the Group's risk appetite from a transactional standpoint throughout its organization.

Within these limits, the limits of the Global stress test on market activities and the Market Stress Test play a pivot role in determining the Group's market risk appetite; in fact, these indicators cover all operations and the main market risk factors as well as risks associated with a severe market crisis which helps limit the total amount of risk and takes account of any diversification effects.

Market operations that do not fall within the activity related to customers are confined to a dedicated subsidiary (Descartes Trading), closed in February 2020.

Operational risks (including reputation and compliance risk)

The Group is exposed to a diversity of operational risks inherent in its business: execution errors, internal and external fraud, IT system failures, malicious acts against IT systems, loss of operational resources, commercial disputes, failure to comply with tax obligations, but also risk of non-compliance, unappropriated behavior or even reputation.

As a general rule, the Group has no appetite for operational risk. Furthermore, there is zero tolerance for incidents severe enough that they are likely to gravely harm its image, jeopardise its results or the trust displayed by its customers and employees, disrupt the continuity of its critical operations or call into question its strategy.

The Group underscores that it has is no or low tolerance for operational risk involving the following:

- internal fraud: The Group does not tolerate unauthorised trading by its employees. The Group's growth is founded on relationships of trust among its employees, within the Group and between the Group and its employees. This requires respect, at every level, of the Group's principles, such as displaying loyalty and integrity. The bank's internal control system must be capable of preventing acts of major fraud;
- cybersecurity: The Group has no tolerance for fraudulent intrusions, in particular those resulting in the theft of customer data or a major operational disruption. The Bank intends to introduce effective means to prevent and detect this risk. It is adequately organised to deal with any incidents;
- data leaks: trust is one of the Group's key assets. As a result, the Bank is committed to deploying the necessary resources and implementing controls to prevent, detect and remedy data leaks. The bank does not tolerate leaks of its most sensitive information, in particular where it concerns its customers;
- business continuity: the Group relies heavily on its information systems to carry out its operations and is therefore committed to deploying and keeping its information systems resilient so that they can ensure the continuity of its most essential services. The Bank has very low tolerance for the risk of unavailability of its information systems that take care of its essential functions, in particular when it comes to systems directly accessible to its customers or those allowing it to conduct business on the financial markets;
- outsourced services: the Group intends to demonstrate a high degree of thoroughness in the control of its activities entrusted to external service providers. As such, the Group adheres to a strict discipline of monitoring its providers with a review frequency depending on their level of risk.

Structural interest rate and exchange risks, Risks on Pension/Long-Service Obligations

The Group measures and strictly controls structural risks. The mechanism to control interest rate risk, foreign exchange risk and the risk on pension/long-service obligations is based on sensitivity or stress limits which are broken down within the various businesses (entities and business lines).

There are four main types of risk: rate level risk; curve risk, related to the term structure of the instruments in the banking book; optional risk (arises from automatic options and behavioral options) and basis risk, related to the impact of relative changes in interest rates indices. The Group's structural interest rate risk management primarily relies on the sensitivity of Net Present Value ("NPV") of fixed-rate residual positions (excesses or shortfalls) to interest rate changes according to several interest rate scenarios. Limits are set by the Finance Committee or the Board of Directors at the Business Unit/Service Unit and Group levels. Furthermore, the Group measures and controls the sensitivity of its net interest margin ("NIM") to +/ 10bp interest rates shocks, on a sliding 2-year horizon.

The Group's policy consists of requesting entities to hedge their exposure to currency fluctuations by endorsing all on and off-balance sheet positions and controlling residual exposure by setting low limits. In addition, at the Group level, the hedging policy consists of reducing, as far as possible, the sensitivity of its CET1 ratio to fluctuations in exchange rates.

Regarding risks on pension/long-service obligations, which are the bank's long-term obligations towards its employees, the amount of the provision is monitored for risk on the basis of a specific stress test and an attributed limit. There are two main objectives of the risk management policy: reduce risk by moving from defined-benefit plans to defined-contribution plans, and optimize asset risk allocation (between hedge assets and performance assets) where regulatory and tax constraints allow.

Liquidity Risk and Funding Risk

Liquidity risk calibration and control is based on:

- two complementary metrics, the Business as Usual (BAU) static gap, that measures the price risk, meaning the economic risk, without taking into account new productions in a non-stressed environment (no impact on assets prices, for instance). And the Combined (CMB) stressed dynamic gap, used to measure the lethal risk. That risk is asymmetrical - i.e. the risk that the Group could not meet all its liquidity commitments in a stressed environment due to a short liquidity position;
- maintaining sufficient liquidity reserve in an amount and quality to cover short-term financial obligations in stress scenarios;
- controlling "liquidity gaps" in the principal business lines and entities to control the risk of inconsistent maturities between cash inflows and outflows.

Funding risk calibration and control is based on:

- maintaining a liabilities structure designed to meet Group regulatory requirements (Tier1, Total Capital, Leverage, TLAC, NSFR and MREL ratios) and rating agency requirements in order to secure a minimum rating level;
- capping use of market funding (in particular, overnight and short-term) and of short term financing raised by treasuries;
- diversifying the Group's funding sources by maturity, market, currency and counterparty;
- healthy and prudent management of treasury/ALM transactions as determined by the Group to meet the requirements of the Law on the Separation and Regulation of Banking Activities *(Loi de Séparation et de Régulation des activités bancaires)*;
- maintaining an available collateral volume which ensures access to secured debt markets, as well as access to ECB facilities, if necessary.

Model Risk

Societe Generale is committed to defining and deploying internal standards to reduce model risk, on the basis of key principles, including the establishment of three independent lines of defense, a proportionality approach (i.e. modular standards depending on the inherent level of risk associated with each model), a comprehensive analysis of the model risk (end-to-end view of the model lifecycle) and the consistency of the approaches used within the Group.

Risks related to Insurance

The Group conducts Insurance activities (Life Insurance and Savings, Retirement savings, Property & Casualty Insurance, etc.) which exposes the Group to two major types of risks:

- subscription risk related to pricing and claim rates deterioration;
- risks related to financial markets (interest rate, credit and equity) and asset-liability management.

4.2.2 RISK APPETITE – GENERAL FRAMEWORK

Risk appetite is determined at Group level and declined in the businesses and subsidiaries. It is followed up according to the principles set out in the Risk Appetite Framework, which are summarised below.

Governance

Each year the Board of Directors approves the Group's Risk Appetite Statement proposed by the Executive Management and the Group Risk Appetite Framework which oversees and implements risk appetite. It ensures that risk appetite is relevant to the Group's strategic and financial objectives and its vision of the risks presented by the macroeconomic and financial environment. The Board of Directors is also informed of the appropriate implementation of the risk appetite through an annual assesment.

The Risk Department and the Finance Department determines the risk appetite and, in conjunction with the Compliance Department, conducts second-level monitoring and controls of its implementation.

Determining and allocating risk appetite

The following procedures result from the process of determining and allocating risk appetite:

- the identification and assessement of all significant risks to which the Group is exposed using prospective tools (stress tests);
- a forecast of the Group's profitability and solvency in a central scenario and in a stressed scenario over a horizon of at least three years which is used to define the strategic and financial plan;
- an allocation of the risk appetite within the Group, up to the relevant level, taking into account the risk/profitability profile of the businesses and their development prospects;
- a formalisation at Group, Business Unit and main subsidiary level.

The Group's risk appetite is formalised in the Risk Appetite Statement which sets out:

- the Group's strategic profile;
- its profitability and financial strength profile;
- the qualitative and quantitative frameworks for the Group's main risks, respectively through risk strategies and indicators.

Every year ahead of the budgeting procedure and after an independent review by the Risk Department, the Finance Department submits Group level targets to General Management sitting at the Finance Committee. The targets are supplemented by alert thresholds and crisis levels using a traffic light approach. These frameworks are subsequently submitted for approval to the Board of Directors.

These financial targets enable the Group to:

- comply, using a sufficient safety buffer, with the regulatory obligations to which it is subject (in particular the minimum regulatory solvency, leverage and liquidity ratios), by anticipating the introduction of new regulations as best as possible;
- ensure, using a safety buffer, sufficient resistance to stress scenarios (stress normalised by regulators or stress defined according to a process internal to the Group).

The main risks to which the Group is exposed are identified and subject to risk targets/limits that include alert thresholds and potentially a crisis level.

Allocation of risk appetite within the organisation

The allocation of risk appetite within the organisation relies on the strategic and financial plan, and on risk management systems.

The Finance Department submits the financial targets defined at Group level to General Management. Targets are broken down into budget allocation targets at business level as part of the budget, and the strategic and financial plan.

At the end of the budget planning process, General Management and the Finance Department submit to the Board of Directors the budget plan in a central scenario and in a stressed scenario, and they verify that the initial financial targets are being respected, if not the Board of Directors may either approve new frameworks or request amendments.

Allocation of risk appetite is based on an understanding of the businesses' needs and development. The allocation takes into account the profitability and financial strength objectives of the Business Unit and/or the entity.

4.2.3 RISK MANAGEMENT ORGANISATION

Audited I Implementing a high-performance and efficient risk management structure is a critical undertaking for Societe Generale in all businesses, markets and regions in which it operates, as is maintaining a balance between strong awareness of risks and promoting innovation. The Group's risk management, supervised at the highest level, is compliant with the regulations in force, in particular the Order of 3 November 2014 relating to the internal control of companies in the banking sector, payment services and investment services subject to the control of the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) and European Regulations Basel 3 (CRR/CRD). ▲ (See Board's Expertise, p. 86.)

Audited I The main objectives of the Group's risk management strategy are:

- to contribute to the development of the Group's businesses and profitability by defining the Group's risk appetite in conjunction with the Finance Division and the business divisions;
- to contribute to the Group's sustainability by establishing a risk management and monitoring system;
- to reconcile the independence of the risk management system (with respect to the businesses) with close collaboration with the core businesses, which have primary responsibility for the transactions they initiate. ▲

Governance of risk management

Audited I Two main high-level bodies govern Group risk management: the Board of Directors and General Management.

General Management presents the main aspects of, and notable changes to, the Group's risk management strategy to the Board of Directors at least once a year (more often if circumstances so require).

Within the Board of Directors, the Risk Committee (see Art. 11 of the Internal rules of the Board of Directors, p. 91) advises the Board of Directors on overall strategy and the appetite regarding all kinds of risks, both current and future, and assists the Board when it verifies the implementation of this strategy.

The Board of Directors' Audit and Internal Control Committee (see Art. 10 of the Internal Rules of the Board of Directors, p. 90) ensures that the risk control systems operate effectively.

Chaired by General Management, the specialised Committees responsible for central oversight of internal control and risk management are as follows:

- **the Risk Committee** (CORISQ), which met 17 times in 2019, defines the Group's key priorities in terms of risk (credit, country, market and operational risks), within the framework of the risk appetite and financial targets set by the Group Strategy Committee, and monitors compliance in such respect. Subject to the powers attributed to the Board of Directors, the CORISQ, based on proposals from the Risk Division, takes the main decisions relating to the management of various risks (credit risks, country risks, market and operational risks). The Group also has a Large Exposures Committee, which is responsible for approving the sales and marketing strategy and risk-taking with regard to major client groups;
- **the Finance Committee** (COFI) is responsible for setting out the Group's financial strategy and for managing scarce resources (capital, liquidity, balance sheet, tax capacity) in the context of the allocation and the management of structural risks. The COFI, upon proposal from DFIN and RISQ, validates the structural risk monitoring and management framework for the Group and its significant entities and reviews changes in such risks (limits and consumption). It periodically assesses the consumption of scarce resources. It reviews the financial panorama, ILAAP and ICAAP documents, ongoing issues regarding to ALM, Liquidity, the Preventive Recovery Plan, and the Corporate Centre budget and intra-Group re-invoicing. Lastly, it covers issues pertaining to the Group's taxation (managed jointly by DFIN and SEGL);
- **the Compliance Committee** (COMCO) meets at least quarterly in order to define defines the Group's main guidelines and principles in terms of compliance;
- **the Corporate Strategic Architecture Committee** (CSAE) defines the Company's architecture from the standpoint of data and reference systems, operational processes and information systems, and ensures the consistency of the Group's projects with the architecture set out;
- **the Group Internal Control Coordination Committee** (CCCIG) is responsible for the overall architecture of the Group's internal control system: for evaluating its efficiency, consistency and coprehensiveness, for taking corrective actions and for monitoring their implementation;
- **the Responsible Commitments Committee** (CORESP) deals with topics related to the Group's commitments and normative framework in CSR (including CSR sectoral policies), culture and conduct, or other topics that have an impact on the Group's liability or reputation and not already covered by an existing Committee.

Divisions in charge of risk monitoring

The Group's Corporate Divisions, which are independent from the core businesses, contribute to the management and internal control of risks.

The Corporate Divisions provide the Group's General Management with all the information needed to assume its role of managing Group strategy under the authority of the Chief Executive Officer. The Corporate Divisions report directly to General Management.

- The main role of the **Risk Division** is to support the development of the Group's activities and profitability by defining the Group's risk appetite (allocated between the Group's different business lines) in collaboration with the Finance Division and the Business and Service Units and establishing a risk management and monitoring system as a second line of defense.

  In performing its work, the Risk Division reconciles independence from the businesses with a close working relationship with the Businesses Units, which are responsible in the first instance for the transactions they initiate.

  Accordingly, the Risk Division:

  - provides hierarchical and functional supervision for the Group's Risk function,
  - is jointly responsible, with the Finance Division, for setting the Group's risk appetite as recommended to General Management;
  - identifies all Group risks,
  - implements a governance and monitoring system for these risks, including cross-business risks, and regularly reports on their nature and extent to General Management, the Board of Directors and the banking supervisory authorities,

- contributes to the definition of risk policies, taking into account the aims of the businesses and the relevant risk issues,
- defines or validates the methods and procedures used to analyse, measure, approve and monitor risks,
- implements a second-level control to ensure the correct application of these methods and procedures,
- assesses and approves transactions and limits proposed by business managers,
- defines or validates the architecture of the central risk information system and ensures its suitability to business requirements;

- **The Finance Division** is organised according to three levels of supervision, each attached to a Chief Financial Officer:
  - French Retail Banking, and International Retail Banking and Financial Services,
  - Global Banking and Investor Solutions,
  - Cross-business functions, bringing together all the areas of expertise that are key to the operations of the Finance Division;

It also carries out extensive accounting and finance controls. As such:

- **The Group Accounting Department** is responsible for coordinating the mechanism used to draw up the Group's consolidated financial statements,
- **The Experts on Metrics and Reporting Department** is responsible for producing the regulatory reports of the Group,
- **The Mutualised Accounting and Regulatory Activities Department** within the **pooled operations division** is responsible for accounting, regulatory and tax production and coordinating the continuous improvement and management of processes for entities within its scope (o.w. Societe Generale SA),
- **The Finance Control Department** is responsible for the second-level permanent control system over all of the Finance Processes,
- **The Asset and Liability Management Department** is in charge of the ALM function for the Group, structural interest rate, Group liquidity, and exchange rate risks, as well as the operational management of ALM for the Societe Generale Parent Company (SGPM);

The other cross-business functions provide various tasks for the Finance Division, in particular with the Finance Division of the Group Service Units, Group Investor Relations and Financial Communication, Human Resources and the Corporate Secretary.

- **The Finance Departments of the Business Units and Service Units,** which report hierarchically to the Group Finance Division, ensure that the financial statements are prepared correctly at the local level and control the quality of the information in the financial reports (accounting, management control, regulations, etc.).
- **The Group Compliance Division,** which has been reporting to General Management since 1 June 2017, ensures that the Group's banking and investment activities are compliant with all laws, regulations and ethical principles applicable to them. It also ensures the prevention of reputational risk.
- **The Corporate Secretary** includes the **Group Legal Department,** which notably monitors the security and legal compliance of the Group's activities, relying where applicable on the legal departments of subsidiaries and branches, the **Group Tax Department,** which ensures compliance with tax laws in France and abroad, the **Group Corporate Social Responsibility Department,** which is responsible for defining and proposing a CSR (Corporate Social Responsibility) policy for the Group and **the Group Security Department,** which manages the security of the Group in cooperation with the Corporate Resources and Digital Transformation Service Unit with regard to information systems security, and the **Group's central administration services,** and, when necessary, supports the Secretary of the Board of Directors.
- **The Human Resources and Communication Division** monitors the implementation of compensation policies, amongst other things.
- **The Corporate Resources and Innovation Division** is specifically responsible for defining information system security policies.
- **The Group Internal Audit Division** is in charge of internal audits, under the authority of the Head of Group Internal Audit. ▲

According to the latest voluntary census (31 December 2019) with respect to full-time equivalent (FTE) employees:

- the Group Risk function had 5,568 FTE employees (including 1,617 FTE employees within the Group Risk Division);
- the Compliance function had approximately 3,705 FTE employees;
- the Information System Security function had approximately 457 FTE employees.

Risk reporting and assessment systems

The Group's data aggregation system operates at two levels, with clearly defined responsibilities. The teams of Business Units or Support Units and entities provide data collection and quality functions for both local and Group consolidation needs, as well as a first level of aggregation when necessary. The central teams of the Finance Department and the Risk Department aggregate this data and produce Group-wide risk indicators and reports.

Since 2015, the Group has defined architectural principles relating to Finance and Risk information systems. The TOMFIR principles (Target Operating Model for Finance & Risk) revolve around the following objectives:

- the production of risk indicators is based on data from Business Units and certified entities (Golden sources), with granularity of the contract, of accounting quality, updated daily and fed by the operational systems of the entities;
- the Group-level information system manages its own data aggregation rules to avoid multiplying local developments at BU and entity level. It is based on Group-wide benchmarks, subject to the benchmarks of Business Units and entities;
- the IS architecture must address Finance and Risk uses to meet local needs and needs shared with the Group.

These architectural principles are applied to the following four main application areas:

- the mutual Finance and Risk information system for credit risk and the calculation of RWA;
- interest rate and liquidity risk calculation chains;
- the market risk calculation chain;
- the counterparty risk calculation chain on market operations.

RISK QUANTIFICATION PROCEDURES AND METHODOLOGIES

The Group has been authorised by its supervisory authorities:

- for credit risk, to use the internal ratings-based approach (IRB method) for most of its exposures to credit risk.

  Currently, the standard approach is used for certain selected activities and exposures. They have a limited impact on the Group's regulatory capital. The system for monitoring rating models is operational, in accordance with applicable regulations. This system is described in detail further on in this document; for these exposures covered by the standard approach, Societe Generale mainly uses the external ratings assigned by Standard & Poor's, Moody's and Fitch Ratings;

- for market risk, to use internal models (VaR – Value at Risk, Stressed VaR, IRC – Incremental Risk Charge, and CRM – Comprehensive Risk Measure).

  These models cover almost all of the transactions involved. Only some transactions are still calculated using the standard method;

- for counterparty risk on market transactions, to use the internal model since 2013 to calculate the EEPE (Effective Expected Positive Exposure) indicator.

  Exposure at Default (EAD) counterparty risk has been calculated on the basis of this indicator since June 2012 for "simple" products and since December 2013 for more complex derivative products. For Group entities where the internal model has been approved, the internal model covers 98% of derivative and repo transactions. The Group uses the marked-to-market valuation method for the rest of these transactions;

- for operational risks, to use the Advanced Measurement Approach (AMA).

  Lastly, its information systems are regularly upgraded to accommodate changes in the products processed and the associated risk management techniques, both locally (within the banking entities) and centrally (Risk Division).

4.2.4 RISK MAPPING FRAMEWORK AND STRESS TESTS

Group risk mapping framework

The risk mapping is an annual overview of the Group's risk identification process. Risk identification contributes to the overall assessment of the Group's risk profile, and is used in various tasks such as the Internal Capital Adequacy Assessment Process (ICAAP). Prepared by the Risk Division under the authority of General Management, the risk map is presented annually to the Board of Directors' Risk Committee.

The aim of this approach is to estimate potential material losses for the main types of risk to which the Group is exposed, including credit, market, operational and structural risks. The risk map matches potential losses to hypothetical scenarios within defined scopes. The assessment combines expert analysis and various estimated statistical approaches using historical data.

Stress tests

Stress tests or crisis simulations are used to assess the potential impact of a downturn in activity on the behaviour of a portfolio, activity or entity.

At Societe Generale, stress tests are used to help identify, assess and manage risk, and to evaluate the Group's capital adequacy with regard to risks. Accordingly, stress tests are:

- an important indicator of the Group's resilience and that of its activities and portfolios, and a core component in the definition of its risk appetite ;
- based on hypothetical or historical scenarios defined with the Economic and Sector Reseach Department, or on historical scenarios. They are translated into impacts on the Group's activities, taking into account potential counter-measure and systematically combining quantitative methods with an expert assessment (risk, finance or business lines) ;
- may also rely on sensitivity analyses (single-factor or multi-factor risk).

As such, the stress test framework in place includes:

- an annual global stress test exercise, incorporated into the budget process (Strategic and Financial Plan) to ensure that the Group's profile is in line with its risk exposure tolerance in the event of an adverse scenario and to quantify the extent of deterioration in the profitability of the BUs under such a scenario. It is also incorporated into the ICAAP (Internal Capital Adequacy Assessment Process) ;
- specific stress tests by risk or portfolio type:
  - credit risk stress tests complement the comprehensive analysis with a more granular approach, thereby helping to clarify the establishment of risk appetite for an array of portfolios, an activity, etc. They are also used to refine the identification, measurement and operational oversight of this risk ;
  - stress tests of capital market activities are based on historical and hypothetical scenarios and apply to the whole Group. They are supplemented by special risk exposure stress tests based on a number of risk factors (interest rate, equities, etc.) or activities (emerging markets, etc.). A stress test limit is defined for these different risk measurements ;
  - stress tests give a picture of exposure of the value and the interest margin of the banking portfolio to structural interest rate risk. The Group sets limits on these exposures in scenarios of yield curve changes and shifts (steepening and flattening) ;

- a stress test of employee benefits involves simulating the impacts of variations in market risk factors (inflation, interest rates, etc.) on the Group's net position (dedicated investments less the corresponding employee benefits). A stress test indicator is established on that indicator ;
- liquidity stress tests; the survival horizon of one of these stresses is identified as a financial target ;
- the operational risk assessment under stress uses scenario analyses and loss modelling to calibrate the Group's capital need for operational risk purposes and allows a better understanding of the exposure to operational losses, including the exposure to unusual and severe losses which are not present historically ;
- insurance stress tests support the process of defining risk appetite for the Insurance Business Unit, which relies on minimum profitability objectives and an SCR coverage ratio under the benchmark scenario and under a stress scenario; Furthermore, the Insurance Business Line also uses the results of its stress tests to develop its hedging policy, the allocation of its assets and its dividend distribution policy.

- reverse stress tests, for both Risk Appetite and the Recovery Plan. The impact of these stress tests is defined in principle, typically using a solvency ratio or liquidity indicator disruption point (reflecting a serious threat to the bank). The hypothetical scenarios leading to this disruption point are then recreated to determine whether new vulnerabilities appear.

Along with the internal stress test exercises, the Group is part of a selection of European banks that participate in the large-scale international stress tests supervised by the European Banking Authority and the European Central Bank.

In particular, the Group is also taking part in a review of the scenarios being defined for 2020 by Banque de France and the European Banking Authority with respect to the risk posed by climate change.

DEFINITION OF "CENTRAL" AND "STRESSED" ECONOMIC SCENARIOS

Central scenario

It is developed on the basis of a series of observed factors, including the recent economic situation and trends in economic policy (budgetary, monetary, exchange rate policy). Based on these observed factors, economists determine the most likely trajectory for the economic and financial variables over a given time frame.

Stressed scenario

The severity of the stress scenario is quantified through a GDP degradation compared to the central scenario, observed on a historical recession taken as reference. This degradation ismaintained from one exercise to another to ensure severityconstant.

4.3 INTERNAL CONTROL FRAMEWORK

4.3.1 INTERNAL CONTROL

Internal control is part of a strict regulatory framework applicable to all banking institutions.

In France, the conditions for conducting internal controls in banking institutions are defined in the Order of 3 November 2014. This Order, which applies to all credit institutions and investment companies, defines the concept of internal control, together with a number of specific requirements relating to the assessment and management of the various risks inherent in the activities of the companies in question, and the procedures under which the supervisory body must assess and evaluate how the internal control is carried out.

The Basel Committee has defined four principles – independence, universality, impartiality, and sufficient resources – which must form the basis of internal control carried out by credit institutions.

The Board of Directors ensures that Societe Generale has a solid governance system and a clear organisation ensuring:

- a well-defined, transparent and coherent sharing of responsibilities;
- effective procedures for the detection, management, monitoring and reporting of risks to which the Company could be exposed.

To implement this set up, it gives mandate to The Group General Management which is tasked with rolling out the Group's strategic guidelines.

The Audit and Internal Control Committee (CACI) is a CA Committee that is specifically responsible for preparing the decisions of the CA in in the area of internal control supervision.

As such, General Management reports to it on the internal control of the Group. It monitors the implementation of remediation plans when it considers the risk level to be justified.

Control is based on a **body of standards and procedures.**

All Societe Generale Group activities are governed by rules and procedures covered by a set of documents referred to collectively as the "Normative Documentation", gathered in the Societe Generale Code:

- setting forth rules for action and behaviour applicable to Group staff;
- defining the structures of the businesses and the sharing of roles and responsibilities;
- describing the management rules and internal procedures specific to each business and activity.

The Societe Generale Code gathers The Normative Documentations:

- which define the governance of the Societe Generale Group, the structures and duties of its Business Units and Services Units, as well as the operating principles of the cross-business systems and processes (Codes of Conduct, charters, etc.);
- which set out the operating framework of an activity and the management principles and rules applicable to products and services rendered, and also define internal procedures.

The Societe Generale Code has force of law within the Group. It falls under the responsibility of the Group Corporate Secretary.

In addition to the Societe Generale Code, operating procedures specific to each Group activity are applied. The rules and procedures in force are designed to follow basic rules of internal control, such as:

- segregation of functions;
- immediate, irrevocable recording of all transactions;
- reconciliation of information from various sources.

Multiple and evolving by nature, risks are present in all business processes. Risk management and control systems are therefore key to the Bank's ability to meet its targets.

The internal control system is represented by all methods which ensure that the operations carried out and the organisation and procedures implemented comply with:

- legal and regulatory provisions;
- professional and ethical practices;
- the internal rules and guidelines defined by the Company's management body of the undertaking in its executive function.

In particular, internal control aims to:

- prevent malfunctions;
- assess the risks involved, and exercise sufficient control to ensure they are managed;
- ensure the adequacy and effectiveness of internal processes, particularly those which help safeguard assets;
- detect irregularities;
- guarantee the reliability, integrity and availability of financial and management information;
- check the quality of information and communication systems.

The internal control system is based on **five basic principles:**

- the comprehensive scope of the controls, which cover all risk types and apply to all the Group's entities;
- the individual responsibility of each employee and each manager in managing the risks they take or supervise, and in overseeing the operations they handle or for which they are responsible;
- the responsibility of functions, in line with their expertise and independence, in defining normative controls and, for three of them, exercising second-level permanent control;
- the proportionality of the controls to the magnitude of the risks involved;
- the independence of internal auditing.

The internal control framework is organised on the "**three lines of defense**" model, in accordance with the Basel Committee and European Banking Authority guidelines:

- the **first line of defence** comprises all Group employees and operational management, both within the businesses and in Corporate Divisions (in the latter case, with respect to their own operations).

  Operational management is responsible for risks, their prevention and their management – by putting in place first-level permanent control measures, among other things – as well as for implementing corrective or remedial actions in response to any failures identified by controls and/or process steering;

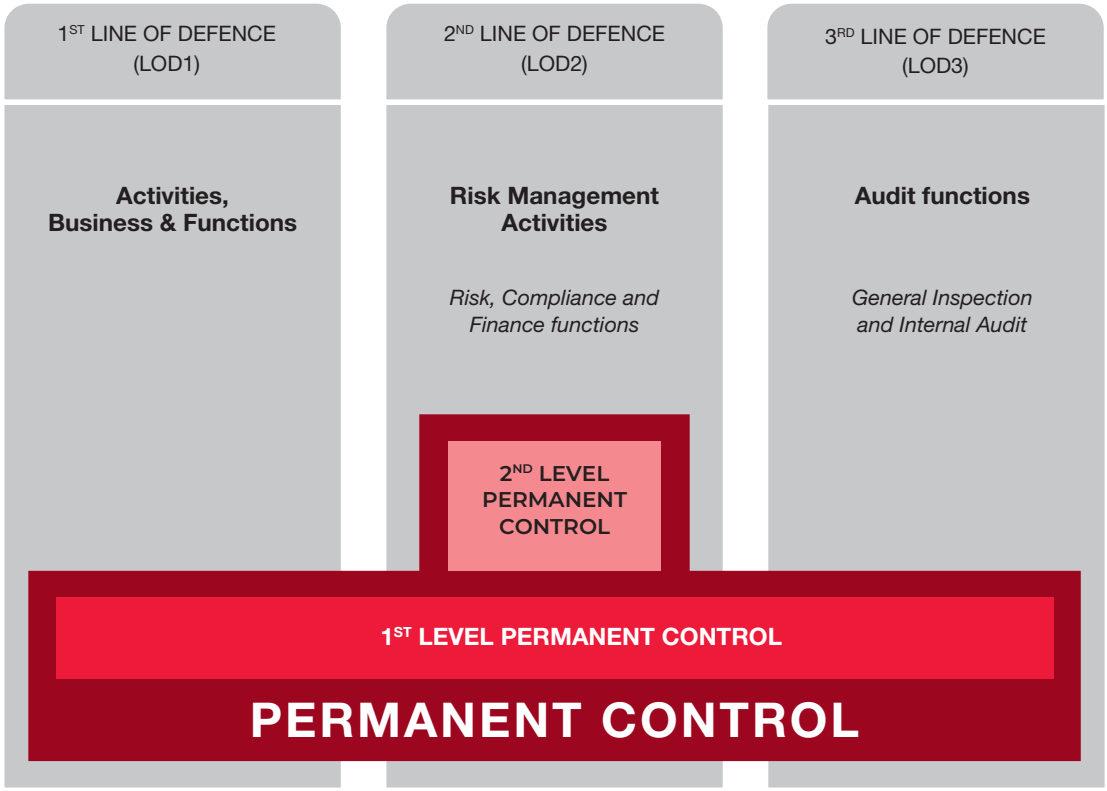
- the **second line of defence** is provided by the compliance, finance and risk functions.

  Within the internal control framework, these functions are tasked with continuously verifying that the security and management of risks affecting operations are ensured, under the responsibility of operational management, through the effective application of established standards, defined procedures, methods and controls as instructed.

  Accordingly, these functions must provide the necessary expertise to define, within their respective fields, the controls and other means of risk management to be implemented by the first line of defence, and to ensure that they are effectively implemented; they conduct second-level permanent control over all of the Group's risks, employing the controls they have established, where appropriate with other expert functions (e.g. sourcing, legal, tax, human resources, information system security, etc.) and by the businesses;

- the **third line of defence** is provided by the Internal Audit Division, which encompasses the Internal Audit and General Inspection functions. This division carries out internal audits that are strictly independent of the business lines and the permanent control function;

- **internal control coordination,** under the responsibility of a Deputy Chief Executive Officer, is also provided at Group level and is rolled out in each core business and Corporate Division.



A Deputy Chief Executive Officer is responsible for ensuring the overall consistency and effectiveness of the internal control system. This Deputy Chief Executive Officer also chairs the Group Internal Control Coordination Committee (Group ICCC), which comprises the Chief Risk Officer, the Chief Financial Officer, the Group Chief Compliance Officer, the Group Chief Information Officer, the Head of Group Internal Audit, and the Head of Internal Control Coordination.

The Group Internal Control Coordination Committee met 13 times in 2019. It addressed the following issues:

- review of the effectiveness of permanent control in each Business Unit (BU) and Service Unit (SU);
- review of the effectiveness and consistency of the Group internal control framework;
- review of the Group quarterly permanent control dashboard prior to its communication to the Group Audit and Internal Control Committee (CACI);
- transversal review of new technologies regarding control.

The structure implemented at Group level to coordinate the actions of participants in internal control is rolled out in all Business Unit (BU) and Service Unit (SU). All of the Group's Business Unit (BU) and Service Unit (SU) have an Internal Control Coordination Committee. Chaired by the Head of Business Unit (BU) and Service Unit (SU), these Committees bring together the competent Heads of Internal Audit and Permanent Control for the Business Unit (BU) and Service Unit (SU) in question, as well as the Head of Group Internal Control Coordination and the Heads of the Group-level control functions.

Permanent control system

The Group's permanent control system comprises:

- **first-level permanent control,** under the responsibility of the businesses, which aims to ensure, at the operational level, the security, quality, regularity and validity of transactions completed;
- **second-level permanent control,** independent from the businesses, comes under three Corporate Divisions (Compliance, Risk and Finance Division).

General management initiated in 2018 a program of transformation of the permanent control of the Group, which is under its direct supervision. Through a set of actions affecting the standards, the methods, the tools and the procedures, the training, etc., this program aims at strengthening the culture of control and at optimizing the risk control, so contributing to improve the quality and the reliability of services provided to our customers and partners. It progressed in 2019 as scheduled. It is planned to end at the end of 2020.

FIRST-LEVEL PERMANENT CONTROL

Conducted within the BUs and SUs in connection with operations, first-level permanent controls guarantee the security and quality of transactions and operations. These controls are defined as a set of measures that are permanently in place to guarantee, at operational level, the compliance with rules, validity and security of transactions carried out.

First-level permanent control consists of:

- **risk prevention systems:** controls performed on a regular and continuous basis by the businesses or *via* automated systems when transactions are processed. They comprise a risk prevention framework: security rules and controls – automated or not – forming part of the processing of transactions, or controls included in operational procedures;
- **controls performed by managers:** line managers check the correct functioning of all systems under their responsibility. In this respect, they are required to regularly apply formalised procedures to ensure the employees comply with rules and procedures and that the first-level controls are carried out effectively.

The line managers may rely on controls carried out by dedicated teams, for example (i) on the most sensitive processes requiring stricter or industrialised controls, or to avoid self-controlling practices (*e.g.* the establishment of customer relations in retail banking), and/or (ii) where the pooling of control tasks improves productivity.

Whatever the choice of organisation, managers retain oversight of the processes carried out by the teams that report to them; they are responsible for their production quality and for correcting identified anomalies.

A "first-level permanent control coordination" function is set up in each business line. It is responsible for the design and reporting of controls, as well as awareness-raising and training of employees with respect to control issues.

SECOND-LEVEL PERMANENT CONTROL

Second-level permanent control is one of the missions of the second line of defence. It involves ensuring the security and risk management of operations at all times, under the responsibility of operational management, through the effective application of established standards, defined procedures, methods and controls, as instructed.

Second-level control has two parts:

- assessment of the architecture of the first-level control framework by process/risk, comprising verification of the definition and efficient conduct of first-level controls,. This review also makes it possible to check the effectiveness and relevance of control implementation based on key controls and risk type, the existence of remedial action plans;
- review of the control execution quality and anomaly corrections. The purpose of this work is to verify:
  - the quality of control execution in terms of time, compliance with procedures, operating methods and the appropriateness of samples (representativeness, selection method), frequency of execution and formal documentation,
  - the quality of follow-up of anomalies identified: appropriateness of the solution provided, efficiency of operational implementation, reaction time proportionate to the risk identified, etc;

These reviews and checks form the basis for an opinion on (i) the effectiveness of first-level controls, (ii) the quality of their implementation, (iii) their appropriateness, notably in risk-prevention and response to control objectives defined in the library of normative controls, (iv) the definition of their implementation in practice, (v) the appropriateness of remedial plans to correct anomalies and the quality of follow-up, so arriving at a conclusion as to the effectiveness of first-level controls.

These controls are performed centrally by dedicated teams within Risk Service Unit (RISQ/CTL), Compliance Service Unit (CPLE/CTL) and Finance Service Unit (DFIN/CTL) and locally by the second-level control teams within the BU/SUs or entities.

Internal audit

Reporting to the Group Head of Inspection and Audit, the Inspection and Audit Service Unit (IGAD) is the Group's third line of defense.

The IGAD Service Unit comprises General Inspection (IGAD/INS), Internal Audit departments (IGAD/AUD) and a support function (IGAD/COO). To fulfil its mandate, the Group's IGAD Service Unit has adequate resources from a qualitative and quantitative point of view. The Group's Inspection and Audit Service Unit has about 1,100 employees.

The Group Head of Inspection and Audit reports directly to the Group Chief Executive Officer, with whom it has regular meetings. The Group Head of Inspection and Audit meets regularly with the Chairman of the Board of Directors. The Audit and Internal Control Committee and the Risk Committee refer to the Group Head of Inspection and Audit on their initiative or at his request on any subject. The Group Head of Inspection and Audit participates in the Internal Control Committee and the Risk Committee meetings. Moreover, there are regular bilateral meetings between the Group Head of Inspection and Audit and the chairpersons of these Committees.

The Inspection and Audit Service Unit, delivering its internal audit role, forms the third line of defense, strictly independent of the businesses and permanent control functions.

This is defined in line with IIA (Institute of Internal Auditors) standards as an independent and objective activity that provides the Group with assurance as to how effectively it is controlling its operations, advises on improvements and contributes to the creation of added value. By carrying out this mandate, Inspection and Internal Audit help the Group to achieve its targets, by evaluating systematically and methodically, its processes for risk management, control and corporate governance and making proposals to increase their efficiency.

The Inspection and Audit Service Unit exercises a key role in the Group's risk management set-up and can assess any of its components.

Under this mandate, the General Inspection and Internal Audit assess the quality of risk management within an audited scope, the appropriateness and effectiveness of the permanent control framework, management's risk awareness and compliance with codes of conduct and expected professional practices.

Beyond its internal audit role, General Inspection has a mandate to undertake any type of analysis or research mission, be involved in the assessment of strategic projects or intervene on specific subjects as requested by General Management. The General Inspection also supervises the roll-out of data-analysis initiatives within the scope of Inspection and Audit activities. This mission is ensured *via* a dedicated data-lab (INS/DAT), under the responsibility of an Inspection Managing Director *('Inspecteur principal')*. The General Inspection also supervises and coordinates the Service Unit's relationship with regulators as third line of defense.

Inspection and Audit teams work together on an annual risk assessment to define the Inspection and Audit plans for the upcoming year. IGAD teams regularly work together on joint assignments. They issue recommendations to correct flaws identified in risk management and generally improve operations and risk management within the Group. IGAD teams are subsequently in charge of monitoring the effective implementation of these recommendations.

IGAD has six distinct audit departments aligned with the Group organisation. The Audit departments, placed under the supervision of a head of internal Audit, each have the responsibility for a scope of activity. A matrix organisation allows coverage of the main cross-business issues at the Group level. In France, the internal Audit teams are hierarchically linked to the Inspection unit. Abroad, the internal Audit teams have a strong functional link (supervision over hiring, audit plans, missions and their follow-up) with IGAD top management. The six Audit departments are:

- French Retail Banking Audit handles the audit of Retail Banking activities in France (BDDF Business Unit), the audit of the Boursorama and GTPS Business Units as well as the audit of the Group's activities in French Overseas territories;
- Crédit du Nord inspection is in charge of the internal audit of Crédit du Nord and its subsidiaries (CDN Business Unit);
- Audit for Europe, Russia, Africa - International Retail Banking and Financial Services is responsible for auditing the EURO, AFMO, RUSS, ALDA, SGEF and ASSU Business Units;
- Global Banking and Investor Solutions Audit is responsible, on a worldwide basis, for auditing the MARK, GLBA, SGSS, WAAM, AMER and ASIA Business Units and the GBSU Service Unit. This department also audits the Group's Shared Service Centres (SG EBS and SG GSC);
- Group Information Systems Audit is responsible for auditing all IT functions within the RESG, GBSU Service Units and for auditing the ITM Service Unit. The IT audit teams are organised as a global function with strong expertise on IT security and the ability to interact with all teams within IGAD;
- Group functions audit is responsible for auditing the RISQ, DFIN, CPLE, SEGL and HRCOI/COMM Service Units, as well as the Purchasing (ACHA) and Real estate (IMM) functions of the RESG Service Unit. The department also comprises a team in charge of the Model Risk management audit teams, which interacts with other Audit and Inspection teams, and a team dedicated to the audit of risks related to Sanctions and Embargos, created in 2019.

Besides being responsible for the internal audit of the divisions falling within their scope, these teams also provide expertise and coordination in support of the work performed by other audit teams in the areas applicable to them, notably on issues related to Risk, Compliance and Finance.

4.3.2 CONTROL OF THE PRODUCTION AND PUBLICATION OF FINANCIAL MANAGEMENT INFORMATION

The players involved

There are many participants in the production of financial data:

- the **Board of Directors,** and more specifically its Audit and Internal Control Committee, has the task of examining the draft financial statements which are to be submitted to the Board, as well as verifying the conditions under which they were prepared and ensuring not only the relevance but also the consistency of the accounting principles and methods applied. There has been a strengthening of the Audit and Internal Control Committee's role in the follow-up of the process of elaboration of the financial information in accordance with the audit reform. It also approves the Group's financial communication. The Statutory Auditors meet with the Audit and Internal Control Committee during the course of their assignment;
- the **Group Finance Division** gathers all accounting and management data compiled by the subsidiaries and the Business Units/Services Units in a series of standardised reports. It consolidates and verifies this information so that it can be used in the overall management of the Group and disclosed to third parties (supervisory bodies, investors, etc.).

The **Group Finance Division** also has a team in charge of the preparation of the Group regulatory reports.

- The **Finance Divisions of subsidiaries and Business Units/Services Units** carry out certification of the accounting data and entries booked by the back offices and of the management data submitted by the front offices. They are accountable for the financial statements and regulatory information required at the local level and submit reports (accounting data, finance control, regulatory reports, etc.) to the Group Finance Division. They can perform these activities on their own or else delegate their tasks to Shared Service Centres operating in finance and placed under Group Finance Division governance.
- The **Risk Division** consolidates the risk monitoring data from the Group's Business Units/Services Units and subsidiaries in order to control credit, market and operational risks. This information is used in Group communications to the Group's governing bodies and to third parties. Furthermore, it ensures in collaboration with the Group Finance Division, its expert role on the dimensions of credit risk, structural liquidity risks, rates, exchange rates, on the issues of recovery and resolution and the responsibility of certain closing processes, notably the production of solvency ratios.
- The **back offices** are responsible for all support functions to front offices and ensure contractual settlements and deliveries. Among other responsibilities, they check that financial transactions are economically justified, book transactions and manage means of payment.

Beyond consolidating accounting and financial information as described above, the Group Finance Division is charged with significant control responsibilities:

- monitoring the financial aspects of the Group's capital transactions and its financial structure;
- managing its assets and liabilities, and consequently defining, managing and controlling the Group's financial position and structural risks;
- ensuring that the regulatory financial ratios are respected;
- defining accounting standards, standards, frameworks, principles and procedures for the Group, and ensuring that they are observed;
- verifying the accuracy of all financial and accounting data published by the Group.

Accounting and regulatory standards

Local financial statements are drawn up in accordance with local accounting standards, and the consolidated Group financial statements are prepared in accordance with the standards defined by the Group Finance Division, which are based on IFRS as adopted by the European Union.

The applicable standards (called Basel 3) on solvency and liquidity, promulgated by the Basel Committee, were translated into European law by a directive (CRD4) and a regulation (CRR) They were completed by the regulation CRR2 and the directive CRD5 wich entered into force on 28 June 2019. These texts are supplemented by several delegated acts and implementation technical standards. The Societe Generale Group identified as a "financial conglomerate" is subjected to an additional supervision.

The Group Finance Division has dedicated teams that monitor the applicable normative regulations and draft new internal standards to comply with any changes in the accounting and regulatory framework.

Procedures for producing financial and accounting data

Each entity within the Group prepares its own accounting and management statements on a monthly basis. This information is then consolidated each month at the Group level and published for the markets on a quarterly basis. Data reported are subject to analytical reviews and consistency checks performed by Finance Divisions or, by delegation under their responsibility, by Shared Service Centres operating in finance, and sent to the Group Finance Division. The Group Finance Division transmits the consolidated financial statements, Management Reports and regulatory statements to General Management and any interested third parties.

In practice, procedures have been tailored to the growing complexity of products and regulations. Moreover, specific action plans for adaptation can be implemented where necessary.

Internal control procedures governing the production of financial and accounting data

Accounting data are compiled independently of the front offices and the sales teams.

The quality and objectivity of the accounting and management data are insured by the separation of sales functions and all the functions of operational processing and follow-up of the operations: back offices and middle offices integrated into Resources Division and team in charge of result production integrated into Finance Division. These teams carry out a series of controls defined by Group procedures on financial and accounting data, in particular:

- daily verification of the economic justification of all information reported;
- reconciliation, within the specified deadlines, of accounting and management data, using specific procedures;

- on market activities, reconciliation between the accounting result (produced by Finance Division) and the economic result (produced by an expert' department dedicated within the Resource Division).

Given the increasing complexity of the Group's financial activities and organisation, staff training and IT tools are regularly upgraded to ensure that the production and verification of accounting and management data are effective and reliable.

SCOPE OF CONTROL

In practice, the internal control procedures implemented in the Group's businesses are designed to guarantee the quality of financial and accounting information, and notably to:

- ensure that the transactions entered in the Group's accounts are exhaustive and accurate;
- validate the valuation methods used for certain transactions;
- ensure that transactions are correctly assigned to the corresponding fiscal period and recorded in the accounts in accordance with the applicable accounting regulations, and that the accounting aggregates used to prepare the Group financial statements are compliant with the regulations in force;
- ensure the inclusion of all entities that must be consolidated in accordance with Group regulations;
- check that the operational risks associated with the production and transmission of accounting data through the IT system are correctly controlled, that the necessary adjustments are accurately performed, that the reconciliation of accounting and management data is satisfactory, and that the flows of cash payments and other items generated by transactions are exhaustive and adequate.

CONTROL BY THE FINANCE DEPARTMENTS

The Finance Department of each subsidiary verifies the accuracy and consistency of the financial statements with respect to the relevant accounting frameworks (local standards and IFRS for subsidiaries, as well as French standards for branches). It performs checks to guarantee the accuracy of the information disclosed.

The data received for consolidation from each subsidiary are drawn from corporate accounting data by the subsidiaries, after they have been locally brought into compliance with Group accounting principles.

Each subsidiary must be able to explain the transition from the company financial statements to the financial statements reported through the consolidation tool.

The Finance Departments of Business Units/Services Units have a dedicated department to management and financial monitoring.

CONTROL BY THE SHARED SERVICE CENTRES OPERATING IN FINANCE

Shared Service Centres operating in finance perform first-level controls, as necessary to ensure the reliability of the accounting, tax and regulatory information, on the financial statements they produce in accordance with Local and IFRS standards and notably data quality and consistency checks (equity, securities, foreign exchange, financial aggregates from the balance sheet and income statement, deviations from standards), justification and certification of the financial statements under their responsibility, intercompany reconciliation of the financial statements, regulatory statement checks and verification of evidence of tax charges and balances (current, deferred and duties).

These controls are declared within the managerial supervision and Group accounting certification processes.

The Shared Services Centres have also implemented a process monitoring approach, which consists in monitoring the teams' works and progress according to the various milestones, communication of incidents affecting the preparation of the financial statements, key indicators (monitoring deadlines and the quality of accounting, regulatory and tax reports; manual entries; internal/intercompany/cash gaps) and follow-up of action plans.

These controls allow the Shared Services Centres to provide all necessary information to the Finance Departments of Business Units/Services Units and the Group Finance and Accounting Division.

SUPERVISION BY THE GROUP FINANCE DIVISION

Once the financial statements produced by the entities have been restated according to Group standards, they are entered into a central database and processed to produce the consolidated statements.

The service in charge of consolidation within Group Accounting Officer Department, checks that the consolidation scope is compliant with the applicable accounting standards and performs multiple verifications on data received for consolidation. These verifications include:

- confirmation that the data collected are properly aggregated;
- verification of recurring and non-recurring consolidation entries;
- exhaustive treatment of critical points in the consolidation process;
- treatment of any residual differences in reciprocal or intercompany statements.

Ultimately, this service ensures that the overall consolidation process has been conducted properly by performing analytical reviews of the summary data and verifying the consistency of the main aggregates of the financial statements. Changes in shareholders' equity, goodwill, provisions and any deferred taxes consolidated in the fiscal year are also analysed.

Within this department, a team is in charge of managing and coordinating the quarterly Group accounting certification framework in order to certify first-level key controls on a quarterly basis (Internal Control Certification).

The Group Finance Division has also a dedicated team responsible for second-level permanent control with respect to all Group Finance processes, independent of the production teams. Its mission consists to ensure effectiveness, quality and relevance of the permanent first-level control system; by an evaluation of this system with processes or activities reviews, testings of controls and the follow-up of quarterly certification.

Accounting audit framework

CONTROLS BY ALL OPERATIONAL STAFF INVOLVED IN THE PRODUCTION OF ACCOUNTING, FINANCIAL AND MANAGEMENT DATA

The operational staff monitor their activity *via* a permanent supervision process, under the direct responsibility of their management teams, repeatedly verifying the quality of the controls carried out on accounting data and the associated accounting treatment.

CONTROLS THROUGH AUDITS AND SPECIALISED AUDIT TEAMS OF THE INTERNAL AUDIT DIVISION

As part of their assignments, audit teams verify the quality of the control environment contributing to the quality of the accounting and management data produced by the audited entities. They check a certain number of accounts and assess the reconciliations between accounting and management data, as well as the quality of the permanent supervision procedures for the production and control of accounting data. They also assess the performance of IT tools and the accuracy of manual processing.

The team in charge of auditing the Corporate Divisions is also responsible for auditing the Group Finance Division. Placed under the responsibility of a dedicated business correspondent, the team coordinates and monitors all audits related to accounting and financial matters on a Group-wide basis. The team provides expertise in identifying the Group's main accounting risks and carries out audits to verify the adequate application of accounting standards in areas deemed to be the most significant for the accuracy of the Group's accounting information. The team also organises training sessions and develops methodologies to help share expertise in the auditing of accounting risks.

Based on their audit findings, these teams issue recommendations to the parties involved in the production and control of accounting, financial and management data in order to improve this process through more specific initiatives targeted towards particular entities or activities.

CONTROLS CARRIED OUT BY THE GENERAL INSPECTION DEPARTMENT

The Group's General Inspection teams typically perform accounting audits as part of their assignments, and thus check the quality of the controls carried out by the persons involved in producing accounting, financial and management data.

4.4 CAPITAL MANAGEMENT AND ADEQUACY

4.4.1 THE REGULATORY FRAMEWORK

Audited I Since January 2014, Societe Generale has been applying the new Basel 3 Regulation implemented in the European Union *via* a directive (CRD4) and a regulation (CRR).

The general framework defined by Basel 3 is structured around three pillars:

- Pillar 1 sets the minimum solvency requirements and defines the rules that banks must use to measure risks and calculate the related capital requirements, according to standard or more advanced methods;
- Pillar 2 concerns the discretionary supervision implemented by the competent authority, which allows them – based on a constant dialogue with supervised credit institutions – to assess the adequacy of capital requirements as calculated under Pillar 1, and to calibrate additional capital requirements taking into account all the risks to which these institutions are exposed;
- Pillar 3 encourages market discipline by developing a set of qualitative or quantitative disclosure requirements which will allow market participants to better assess a given institution's capital, risk exposure, risk assessment processes and, accordingly, capital adequacy.

In terms of capital, the main measures introduced to strengthen banks' solvency were as follows:

- the complete revision and harmonisation of the definition of capital, in particular with the amendment of the deduction rules, the definition of a standardised Common Equity Tier 1 (or CET1) ratio, and new Tier 1 capital eligibility criteria for hybrid securities;
- new capital requirements for the counterparty risk of market transactions, to factor in the risk of a change in CVA (Credit Value Adjustment) and to hedge exposures on the central counterparties (CCP);
- the set-up of capital buffers that can be mobilised to absorb losses in case of difficulties. The new rules require banks to create a conservation buffer and a countercyclical buffer to preserve their solvency in the event of adverse conditions. Moreover, an additional buffer is required for systemically important banks. As such, the Societe Generale Group, as a global systemically important bank (G-SIB), has had its Common Equity Tier 1 ratio requirement increased by an additional 1% ;
- the set-up of restrictions on distributions relating to dividends (MDA - Maximum Distribuable Amount), AT1 instruments and variable remuneration;
- in addition to these measures, there will be measures to contain the size and, consequently, the use of excessive leverage. To this end, the Basel Committee has defined a leverage ratio, for which the definitive regulations were published in January 2014, and included in the Commission's Delegated Regulation (EU) 2015/62. The leverage ratio compares the bank's Tier 1 capital to the balance sheet and off-balance sheet items, with restatements for derivatives and pensions. Banks have been required to publish this ratio since 2015.

Moreover, some amendements to the European regularory legislation has been adopted in May 2019 (CRR2/ CRD5). Most of the new provisions will enter into force in mid-2021.

The new provisions concern the following aspects:

- NSFR: introduction of a new requirement on long-term funding;
- Leverage ratio: a 3% minimum requirement plus an additional 50% buffer for the systemic entities;
- Counterparty derivatives risk: the Basel method "SA-CCR" replaces the current "CEM" method to calculate the prudential exposure to derivatives using the Standardised approach;
- Large exposures: the main change concerns the calculation of the Tier 1 regulatory limit (25%, instead of total capital), as well as the introduction of a cross-specific limit on systemic institutions (15%);
- TLAC: The ratio requirement for G-SIBs is introduced in CRR. According to the Basel text, the G-SIBs must have an amount of eligible capital and debt equal to the highest between 16% plus risk-weighted capital buffers and 6% of the leverage exposure in 2019, the ratio increasing to 18%+risk-weighted cushions and 6.75% leverage in 2022.

With regard to the implementation of market risk reform (FRTB), after the publication in January 2016 of the first revised standard and of Consultation in March 2018 on this subject, the Basel Committee published in January 2019 its final text: BCBS457.

According to its previous publications, the Basel Committee confirms its implementation schedule (which does not challenge the European Union calendar below, with an entry into force no later than 1 January 2022).

As a reminder, in Europe, the CRR2 calendar will apply as follows:

- First, the FRTB reform will come into force as a disclosure requirement (2021 for the Standardised approach and 2023 for the IMA);
- FRTB's own funds requirements will then become mandatory in the futur CRR3 package (not before 2023).

In December 2017, the Group of Central Bank Governors and Heads of Supervision (GHOS), the Basel Committee's oversight body has endorsed the last Basel 3 regulatory reforms. These new rules will take effect from 2022 with an overall output floor: the RWA will be floored to a percentage of the Standardised method (credit, market and operational). The output floor level will increase gradually, from 50% in 2022 to 72.5% in 2027. Nevertheless, these rules will have to be transposed into European law (CRR3/CRD6) to be applicable to the Group. ▲

At the beginning of 2019, the European Central Bank (ECB) has noticed to Societe Generale a requirement of 1.75% effective as of 1 March 2019.

At the end of 2019, the ECB confirmed the level of additional capital requirements in respect of Pillar 2 (P2R or "Pillar 2 Requirement"), effective as of 1 January 2020 at 1.75% for Societe Generale.

Detailed information on the G-SIB requirements and other prudential information is available on the Group's website, *www.societegenerale.com*, under "Universal Registration Document and Pillar 3".

Throughout 2019, the Societe Generale Group complied with the minimum ratio requirements applicable to its activities.

4.4.2 SCOPE OF APPLICATION – PRUDENTIAL SCOPE

The Group's prudential reporting scope includes all fully consolidated entities, with the exception of insurance entities, which are subject to separate capital supervision.

All of the Group's regulated entities comply with their prudential commitments on an individual basis.

Non-regulated entities outside of the scope of prudential consolidation are subject to periodic reviews, at least annually.

The following table provides the main differences between the accounting scope (consolidated Group) and the prudential scope (Banking Regulation requirements).

TABLE 1: DIFFERENCE BETWEEN ACCOUNTING SCOPE AND PRUDENTIAL REPORTING SCOPE

Type of entity	Accounting treatment	Prudential treatment under Basel 3
Entities with a finance activity	Full consolidation	Full consolidation
Entities with an Insurance activity	Full consolidation	Equity method
Holdings with a finance activity by nature	Equity method	Equity method
Joint ventures with a finance activity by nature	Equity method	Proportional consolidation

The following table provides a reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope. The amounts presented are accounting data and not a measure of risk-weighted assets, EAD or prudential capital. Prudential filters related to entities and holdings not associated with an insurance activity are grouped together on account of their non-material weight (< 0.2%).

TABLE 2: RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AND THE PRUDENTIAL ACCOUNTING BALANCE SHEET

ASSETS at 31.12.2019 *(In EURm)*	**Consolidated balance sheet**	**Prudential restatements linked to insurance[1]**	**Prudential restatements linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Cash, due from banks	102,311	-	-	102,311
Financial assets at fair value through profit or loss	385,739	9,499	-	395,238
Hedging derivatives	16,837	36	-	16,873
Financial assets at fair value through other comprehensive income	53,256	-	-	53,256
Securities at amortised cost	12,489	-	-	12,489
Due from banks at amortised cost	56,366	-	94	56,460
of which subordinated loans to credit institutions	*88*	-	-	*88*
Customer loans at amortised cost	450,244	1,556	(3)	451,797
Revaluation differences on portfilios hedged against interest rate risk	401	-	-	401
Investment of insurance activities	164,938	(164,938)	-	-
Tax assets	5,779	(135)	-	5,644
o.w deferred tax assets that rely on future profitability excluding those arising from temporary differences	*2,659*	-	*(756)*	*1,903*
o.w deferred tax assets arising from temporary differences	*2,082*	-	*650*	*2,732*
Other assets	68,045	(2,614)	65	65,496
o.w defined-benefit pension fund assets	*120*	-	-	*120*
Non-current assets held for sale	4,507	-	-	4,507
Investments accounted for using the equity method	112	4,501	(73)	4,540
Tangible and intangible assets	30,652	(169)	-	30,483
o.w intangible assets exclusive of leasing rights	*2,363*	-	*(138)*	*2,225*
Goodwill	4,627	(325)	-	4,302
TOTAL ASSETS	**1,356,303**	**(152,589)**	**83**	**1,203,797**

(1) Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions relating to its entities.

LIABILITIES at 31.12.2019 *(In EURm)*	**Consolidated balance sheet**	**Prudential restatements linked to insurance[1]**	**Prudential restatements linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Due to central banks	4,097	-	-	4,097
Financial liabilities at fair value through profit or loss	364,129	3,228	(59)	367,298
Hedging derivatives	10,212	3	-	10,215
Debt securities issued	125,168	1,135	-	126,303
Due to banks	107,929	(3,643)	61	104,347
Customer deposits	418,612	1,517	(73)	420,056
Revaluation differences on portfolios hedged against interest rate risk	6,671	-	-	6,671
Tax liabilities	1,409	(396)	-	1,013
Other Liabilities	85,062	(9,204)	154	76,012
Non-current liabilities held for sale	1,333	-	-	1,333
Liabilities related to insurance activities contracts	144,259	(144,259)	-	-
Provisions	4,387	(14)	-	4,373
Subordinated debts	14,465	40	-	14,505
o.w redeemable subordinated notes including revaluation differences on hedging items	*14,032*	*42*	-	*14,074*
TOTAL DEBTS	**1,287,733**	**(151,593)**	**83**	**1,136,223**
Sub-Total Equity, Group share	63,527	(203)	-	63,324
Issued common stocks, equity instruments and capital reserves	31,102	-	-	31,102
Retained earnings	29,558	(203)	-	29,355
Net income	3,248	-	-	3,248
Unrealised or deferred capital gains and losses	(381)	-	-	(381)
Minority interests	5,043	(793)	-	4,250
TOTAL EQUITY	**68,570**	**(996)**	**-**	**67,574**
TOTAL LIABILITIES	**1,356,303**	**(152,589)**	**83**	**1,203,797**

(1) Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions relating to its entities.

ASSETS at 31.12.2018 *(In EURm)*	**Consolidated balance sheet**	**Prudential restatements linked to insurance[1]**	**Prudential restatements linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Cash, due from banks	96,585	-	-	96,585
Financial assets at fair value through profit or loss	365,550	9,736	-	375,286
Hedging derivatives	11,899	32	-	11,931
Financial assets at fair value through other comprehensive income	50,026	-	-	50,026
Securities at amortised cost	12,026	-	-	12,026
Due from banks at amortised cost	60,588	-	150	60,738
o.w subordinated loans to credit institutions	*91*	-	-	*91*
Customer loans at amortised cost	447,229	1,539	213	448,981
Revaluation differences on portfilios hedged against interest rate risk	338	0	-	338
Investment of insurance activities	146,768	(146,768)	-	0
Tax assets	5,819	(143)	-	5,676
o.w deferred tax assets that rely on future profitability excluding those arising from temporary differences	*2,895*	-	*(816)*	*2,079*
o.w deferred tax assets arising from temporary differences	*1,858*	-	*762*	*2,620*
Other assets	67,446	(2,396)	56	65,106
o.w defined-benefit pension fund assets	*76*	-	-	*76*
Non-current assets held for sale	13,502	3	-	13,505
Investments accounted for using the equity method	249	3,569	(68)	3,750
Tangible and intangible assets	26,751	(152)	-	26,599
o.w intangible assets exclusive of leasing rights	*2,198*	-	*(132)*	*2,066*
Goodwill	4,652	(325)	-	4,327
TOTAL ASSETS	**1,309,428**	**(134,905)**	**351**	**1,174,874**

(1) Restatement of entities outside the prudential reporting scope and reconsolidation of intra-group transactions relating to its entities.

LIABILITIES at 31.12.2018 *(In EURm)*	**Consolidated balance sheet**	**Prudential restatements linked to insurance[1]**	**Prudential restatements linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Due to central bank	5,721	-	-	5,721
Financial liabilities at fair value through profit or loss	363,083	2,472	-	365,555
Hedging derivatives	5,993	8	-	6,001
Debt securities issued	116,339	1,757	-	118,096
Due to bank	94,706	(2,966)	(30)	91,710
Customer deposit	416,818	1,529	40	418,387
Revaluation differences on portfolios hedged against interest rate risk	5,257	-	-	5,257
Tax liabilities	1,157	(333)	-	824
Other Liabilities	76,629	(6,996)	341	69,974
Non-current liabilities held for sale	10,454	58	-	10,512
Liabilities related to insurance activities contracts	129,543	(129,543)	-	0
Provisions	4,605	(12)	-	4,593
Subordinated debts	13,314	139	-	13,453
o.w redeemable subordinated notes including revaluation differences on hedging items	*12,730*	*139*	-	*12,869*
TOTAL DEBTS	**1,243,619**	**(133,887)**	**351**	**1,110,083**
Sub-Total Equity, Group share	61,026	(203)	-	60,823
Issued common stocks, equity instruments and capital reserves	29,856	-	-	29,856
Retained earnings	28,342	(203)	-	28,139
Net income	3,864	-	-	3,864
Unrealised or deferred capital gains and losses	(1,036)	-	-	(1,036)
Minority interests	4,783	(815)	-	3,968
TOTAL EQUITY	**65,809**	**(1,018)**	**-**	**64,791**
TOTAL LIABILITIES	**1,309,428**	**(134,905)**	**351**	**1,174,874**

(1) Restatement of entities outside the prudential reporting scope and reconsolidation of intra-group transactions relating to its entities.

The main Group companies outside the prudential reporting scope are as follows:

TABLE 3: ENTITIES OUTSIDE THE PRUDENTIAL REPORTING SCOPE

Company	Activity	Country
Antarius	Insurance	France
ALD RE Designated Activity Company	Insurance	Ireland
Catalyst RE International LTD	Insurance	Bermuda
Société Générale Strakhovanie Zhizni LLC	Insurance	Russia
Sogelife	Insurance	Luxembourg
Genecar - Société Générale de Courtage d'Assurance et de Réassurance	Insurance	France
SG Strakhovanie LLC	Insurance	Russia
Sogecap	Insurance	France
Komercni Pojstovna A.S.	Insurance	Czech Republic
La Marocaine Vie	Insurance	Morocco
Oradea Vie	Insurance	France
Société Générale RE SA	Insurance	Luxembourg
Sogessur	Insurance	France
Société Générale Life Insurance Broker SA	Insurance	Luxembourg
Banque Pouyanne	Bank	France

Generally, all regulated Group undertakings are subject to solvency requirements set by their respective regulators. Regulated financial entities and affiliates outside of Societe Generale's prudential consolidation scope are all in compliance with their respective solvency requirements.

The supervising authority accepted that some Group entities may be exempted from the application of prudential requirements on an individual basis or, where applicable, on a sub-consolidated basis. Accordingly, Societe Generale SA is not subject to prudential requirements on an individual basis.

Any transfer of equity or repayment of liabilities between the parent company and its entities shall be carried out in compliance with capital and liquidity requirements applicable locally.

4.4.3 REGULATORY CAPITAL

Reported according to international financial reporting standards (IFRS), Societe Generale's regulatory capital consists of the following components.

Common Equity Tier 1 capital

According to the applicable regulations, Common Equity Tier 1 capital is made up primarily of the following:

- ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts;
- retained earnings;
- components of other comprehensive income;
- other reserves;
- minority interests limited by CRR/CRD4.
- Deductions from Common Equity Tier 1 capital essentially involve the following:
- estimated dividend payments;
- goodwill and intangible assets, net of associated deferred tax liabilities;
- unrealised capital gains and losses on cash flow hedging;
- income on own credit risk;
- deferred tax assets on tax loss carryforwards;
- deferred tax assets resulting from temporary differences beyond a threshold;
- assets from defined benefit pension funds, net of deferred taxes;
- any positive difference between expected losses on customer loans and receivables, risk-weighted using the internal ratings-based (IRB) approach, and the sum of related value adjustments and collective impairment losses;
- expected losses on equity portfolio exposures;
- value adjustments resulting from the requirements of prudent valuation;
- securitisation exposures weighted at 1,250%, where these positions are not included in the calculation of total risk-weighted exposures.

Additional Tier 1 capital

According to CRR/CRD4 Regulations, Additional Tier 1 capital is made up of deeply subordinated notes that are issued directly by the Bank, and have the following features:

- these instruments are perpetual and constitute unsecured, deeply subordinated obligations. They rank junior to all other obligations of the Bank, including undated and dated subordinated debt, and senior only to common stock shareholders;
- in addition, Societe Generale may elect, on a discretionary basis, not to pay the interest and coupons linked to these instruments. This compensation is paid out of distributable items;
- they include neither a step-up in compensation nor any other incentive to redeem;
- they must have a loss-absorbing capacity;
- they migt be haicut or converted when in resolution or independently of a resolution measurement;
- subject to the prior approval of the European Central Bank, Societe Generale has the option to redeem these instruments at certain dates, but no earlier than five years after their issuance date.

Deductions of Additional Tier 1 capital essentially apply to the following:

- AT1 hybrid treasury shares;
- holding of AT1 hybrid shares issued by financial sector entities;
- minority interests beyond the minimum T1 requirement in the entities concerned.

Tier 2 capital

Tier 2 capital includes:

- undated deeply subordinated notes[1];
- dated subordinated notes;
- any positive difference between the sum of value adjustments and impairment losses on customer loans and receivables exposures, risk-weighted using the IRB approach and expected losses, up to 0.6% of the total credit risk-weighted assets using the IRB approach;
- value adjustments for credit risk related to collective impairment losses on customer loans and receivables exposures, risk-weighted using the standard approach, up to 1.25% of the total credit risk-weighted assets.

Deductions of Tier 2 capital essentially apply to the following:

- Tier 2 hybrid treasury shares;
- holding of Tier 2 hybrid shares issued by financial sector entities;
- minority interests beyond the minimum capital requirement in the entities concerned.

All capital instruments and their features are detailed online (*www.societegenerale.com*/Investors/Universal Registration Document and Pillar 3).

TABLE 4: CHANGES IN DEBT INSTRUMENTS ELIGIBLE FOR THE SOLVENCY CAPITAL REQUIREMENTS

(In EURm)	31.12.2018	Issues	Redemptions	Prudential supervision valuation haircut	Others	31.12.2019
Debt instruments eligible for Tier 1	9,424	934	(2,310)	-	117	8,165
Debt instruments eligible for Tier 2	13,389	185	(6)	(641)	105	13,032
TOTAL ELIGIBLE DEBT INSTRUMENTS	**22,813**	**1,119**	**(2,316)**	**(641)**	**222**	**21,197**

Solvency ratio

The solvency ratio is set by comparing the Group's equity (Common Equity Tier 1 (CET1), Tier 1 (T1) or Total Capital (TC)) with the sum of risk-weighted credit exposures and the capital requirement multiplied by 12.5 for market and operational risks. They are expressed as a percentage of the risk-weighted assets and according to the split of own funds i.e.: Common Equity Tier 1 (CET1), Tier 1 (T1) or Total Capital (TC).

Every quarter, each ratio is calculated following the accounting closing and then compared to the supervisory requirements.

The regulatory minimum requirement is set at 4.5% for the CET1, 6% fot the T1 and 8% for the TC. This minimum remains stable over time.

The minimum P2R requirement is set by the supervisor following the Supervisory Review and Evaluation Process (SREP). It has been standing at 1.75% since March 2019 .

In addition comes the overall buffer requirement which is the sum of : .

- the average countercyclical buffer rate for each country, adjusted to take into account the relevant credit risk exposures in these countries. The countercyclical buffer rate, in force as of 1 January 2020, is equal to 0.28%;
- the conservation buffer in force as of 1 January 2016 with a maximum level stands at 2.50% since 1 January 2019;
- the Groupe's G-SIB buffer imposed by the Financial Stability Board (FSB) is equal to 1%.

Taking into account the combined regulatory buffers, the phased-in CET1 ratio level that would trigger the Maximum Distributable Amount mechanism would be 10.03% as of 1 January 2020.

(1) The undated deeply subordinated notes's remuneration will be paid from the distribuable profits for the purposes of the consolidated prudential regulation.

TABLE 5: BREAKDOWN OF PRUDENTIAL CAPITAL REQUIREMENT FOR SOCIETE GENERALE

	01.01.2020	01.03.2019	01.01.2019
Minimum requirement for Pillar 1	4.50%	4.50%	4.50%
Minimum requirement for Pillar 2 (P2R)	1.75%	1.75%	1.50%
Minimum requirement for countercyclical buffer	0.28%	0.12%	0.12%
Minimum requirement for conservation buffer	2.50%	2.50%	2.50%
Minimum requirement for systemic buffer	1.00%	1.00%	1.00%
Minimum requirement for CET1 ratio	**10.03 %**	**9.87%**	**9.62%**

TABLE 6: REGULATORY CAPITAL AND CRR/CRD4 SOLVENCY RATIOS

(In EURm)	31.12.2019	31.12.2018
Shareholders' equity (IFRS), Group share	**63,527**	**61,026**
Deeply subordinated notes	(9,500)	(9,329)
Perpetual subordinated notes	(282)	(278)
Group consolidated shareholders' equity net of deeply subordinated and perpetual subordinated notes	**53,745**	**51,419**
Non-controlling interests	3,928	3,600
Intangible assets	(2,214)	(2,095)
Goodwill	(4,302)	(4,643)
Dividends proposed (to the General Meeting) and interest expenses on deeply subordinated and perpetual subordinated notes	(1,971)	(1,871)
Deductions and regulatory adjustments	(5,356)	(5,256)
COMMON EQUITY TIER 1 CAPITAL	**43,830**	**41,154**
Deeply subordinated notes and preferred shares	8,165	9,424
Other additional Tier 1 capital	84	71
Additional Tier 1 deductions	(137)	(138)
TOTAL TIER 1 CAPITAL	**51,942**	**50,511**
Tier 2 instruments	13,032	13,389
Other Tier 2 capital	42	(63)
Tier 2 deductions	(1,915)	(1,781)
Total regulatory capital	**63,101**	**62,056**
TOTAL RISK-WEIGHTED ASSETS	**345,010**	**376,049**
Credit risk-weighted assets	282,536	302,727
Market risk-weighted assets	14,513	23,701
Operational risk-weighted assets	47,961	49,621
Solvency ratios		
Common Equity Tier 1 ratio	12.7%	10.9%
Tier 1 ratio	15.1%	13.4%
Total capital ratio	18.3%	16.5%

The solvency ratio as at 31 December 2019 stood at 12.7% in Common Equity Tier 1 (10.9% at 31 December 2018), and 15.1% in Tier 1 (13.4% at 31 December 2018) for a total ratio of 18.3% (16.5% at 31 December 2018).

Group shareholders' equity at 31 December 2019 totalled 63.5 billion EUR (compared to EUR 61.0 billion at 31 December 2018).

After taking into account non-controlling interests and regulatory adjustments, CET1 regulatory capital was EUR 43.8 billion at 31 December 2019, vs. EUR 41.2 billion at 31 December 2018. The Additional Tier One deductions mainly concern authorisations to buy back own Additional Tier 1 capital instruments as well as subordinated bank and insurance loans.

The table below shows the key factors in this change.

TABLE 7: CET1 REGULATORY DEDUCTIONS AND ADJUSTMENTS UNDER CRR/CRD4

(In EURm)	31.12.2019	31.12.2018
Unrecognised minority interests	(2,158)	(1,917)
Deferred tax assets	(1,903)	(2,079)
Prudent Valuation Adjustment	*(935)*	*(844)*
Adjustments related to changes in the value of own liabilities	217	107
Other	(577)	(523)
TOTAL CET1 REGULATORY DEDUCTIONS AND ADJUSTMENTS	**(5,356)**	**(5,256)**

CRR/CRD4 prudential deductions and restatements included in "Other" essentially involve the following:

- any positive difference between expected losses on customer loans and receivables, measured according to the internal ratings-based (IRB) approach, and the sum of related value adjustments and impairment losses;
- expected losses on equity portfolio exposures;
- unrealised gains and losses on cash flow hedges;
- assets from defined benefit pension funds, net of deferred taxes;
- securitisation exposures weighted at 1,250%, where these positions are not included in the calculation of total risk-weighted exposures.

4.4.4 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

The Basel 3 Accord established the rules for calculating minimum capital requirements in order to more accurately assess the risks to which banks are exposed taking into account the transaction risk profile based on two approaches for determining risk-weighted assets: a standard method, and advanced methods based on internal models for rating counterparties.

Change in risk-weighted assets and capital requirements

TABLE 8: GROUP CAPITAL REQUIREMENTS AND RISK-WEIGHTED ASSETS

	RWA		Minimum capital requirements	
(In EURm)	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Credit risk (excluding counterparty credit risk)	**251,113**	**264,787**	**20,089**	**21,183**
o.w. standardised approach	*93,302*	*102,225*	*7,464*	*8,178*
o.w. Foundation IRB (F-IRB) approach	*4,725*	*4,588*	*378*	*367*
o.w. Advanced IRB (A-IRB) approach	*133,026*	*142,795*	*10,642*	*11,424*
o.w. equity IRB under the simple risk-weighted approach or IMA	*20,061*	*15,178*	*1,605*	*1,214*
Counterparty credit risk	**19,567**	**26,834**	**1,565**	**2,147**
o.w. risk exposure for contributions to the default fund of a CCP	*1,077*	*1,103*	*86*	*88*
o.w. CVA	*2,586*	*4,904*	*207*	*392*
Settlement risk	**41**	**6**	**3**	**-**
Securitisation exposures in the banking book (after cap)	**3,762**	**2,199**	**301**	**176**
o.w. IRB approach	*70*	*95*	*6*	*8*
o.w. IRB supervisory formula approach (SFA)	*1,860*	*78*	*149*	*6*
o.w. internal assessment approach (IAA)	*1,766*	*1,842*	*141*	*147*
o.w. standardised approach	*66*	*184*	*5*	*15*
Market risk	**14,513**	**23,701**	**1,161**	**1,896**
o.w. standardised approach	*1,373*	*2,444*	*110*	*196*
o.w. IMA	*13,140*	*21,257*	*1,051*	*1,701*
Large exposures	-		-	
Operational risk	**47,961**	**49,621**	**3,837**	**3,970**
o.w. basic indicator approach	-	-	-	-
o.w. standardised approach	*2,470*	*2,872*	*198*	*230*
o.w. advanced measurement approach	*45,491*	*46,749*	*3,639*	*3,740*
Amounts below the thresholds for deduction (subject to 250% risk-weighting)	8,052	8,902	644	712
Floor adjustment	-	-	-	-
TOTAL	**345,010**	**376,049**	**27,601**	**30,084**

TABLE 9: RISK-WEIGHTED ASSETS (RWA) BY PILLAR AND RISK TYPE (IN EURBN)

(In EURbn)	Credit	Market	Operational	Total 2019	Total 2018
French Retail Banking	92.4	0.1	5.3	97.8	97.6
International Retail Banking and Financial Services	108.3	0.1	6.9	115.3	119.7
Global Banking and Investor Solutions	72	13.5	32.2	117.7	142.3
Corporate Centre	9.8	0.8	3.5	14.1	16.5
Group	**282.5**	**14.5**	**48.0**	**345.0**	**376.0**

As at 31 December 2019, RWA (EUR 345 billion) were distributed as follows:

- credit risk accounted for 82% of RWA (of which 38% for International Retail Banking and Financial Services);
- market risk accounted for 4% of RWA (of which 93% for Global Banking and Investor Solutions);
- operational risk accounted for 14% of RWA (of which 67% for Global Banking and Investor Solutions).

4.4.5 CAPITAL MANAGEMENT

Audited I As part of its capital management, the Group (under the supervision of the Finance Division) ensures that its solvency level is always compatible with the following objectives:

- maintaining its financial solidity and respecting the Risk Appetite targets;
- preserving its financial flexibility to finance organic growth and growth through acquisitions;
- allocating adequate capital to the various businesses, according to the Group's strategic objectives;
- maintaining the Group's resilience in the event of stress scenarios;
- meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders.

The Group determines its internal solvency targets in accordance with these objectives and regulatory thresholds.

The Group has an internal process for assessing the adequacy of its capital that measures the adequacy of the Group's capital ratios in light of regulatory constraints. ▲

In addition, the Group maintains a balanced capital allocation among its three strategic pillars:

- French Retail Banking;
- International Retail Banking and Financial Services;
- Global Banking and Investor Solutions.

Each of the Group's three pillars accounts for around a third of all risk-weighted assets (RWA), with French and International Retail Banking (more than 62% of total business loans and receivables) and credit risks (representing 82% of the Group's risk-weighted assets) accounting for the largest share.

As at 31 December 2019, the Group's risk-weighted assets were down by 8.3% to EUR 345 billion, compared to EUR 376 billion at end-December 2018.

4.4.6 TLAC AND MREL RATIOS

The Total Loss Absorbing Capacity (TLAC) requirement which applies to Société Générale is 16% of RWA until 1 January 2022, and 18% RWA thereafter, to which the conservation buffer of 2.5%, the G-SIB buffer of 1%, and the contracyclical buffer must be added. As at 31 December 2019, the global TLAC requirement was 19.78% of group RWA.

The TLAC rule also provides a minimum ratio of 6% of the leverage exposure in 2019 before reaching 6.75% of the leverage exposure starting from 1 January 2022. As at 31 December 2019, SG group had reached a TLAC ratio of 24.88% RWA and 7.87% of leverage exposure.

The Minimum Requirement for own funds and Eligible Liabilities (MREL) applies to credit institutions and investment firms of European Union since 2016.

Contrary to the TLAC ratio, the MREL requirement is tailored to each institution and revised regularly by the resolution authority.

Throughout the year 2019, SG group complied with its requirement of 8% of total own funds and liabilities, as required by its resolution authority the Single Resolution Board.

4.4.7 LEVERAGE RATIO MANAGEMENT

The Group calulates its leverage effect according to the CRR leverage ratio rules, as amended by the Delegated Act of 10 October 2014 and manages it according to the changes brought by CRR2 applicable from June 2021 (except those regarding G-SIBs expected to be applicable from January 2022).

Managing the leverage ratio means both calibrating the amount of Tier 1 capital (the ratio's numerator) and controlling the Group's leverage exposure (the ratio's denominator) to achieve the target ratio levels that the Group sets for itself. To this end, the "leverage" exposure of the different businesses is under the Finance Division's control.

The Group aims to maintain a consolidated leverage ratio that is significantly higher than the 3.5% minimum in the Basel Committee's recommendations. These recommandations are currently being transposed into CRR2, including a fraction of the systemic buffer which is applicable to the Group.

At the end of 2019, Societe Generale's leverage ratio was 4.3% compared to 4.2% at the end of 2018. As at 31 December 2019, the exposures taken into account for the purposes of the leverage ratio comprise the exemption relating to centralised exposures to the Caisse des Dépôts et Consignations for regulated savings.

TABLE 10: LEVERAGE RATIO SUMMARY AND RECONCILIATION OF PRUDENTIAL BALANCE SHEET AND LEVERAGE EXPOSURE

(In EURm)	31.12.2019	31.12.2018
Tier 1 capital[1]	**51,942**	**50,511**
Total assets in prudential balance sheet[2]	1,203,797	1,174,873
Adjustments for fiduciary assets recognised on the balance sheet but excluded from the leverage ratio exposure	-	-
Adjustments for derivative financial instruments	(80,869)	(45,520)
Adjustments for securities financing transactions[3]	(3,037)	(11,146)
Off-balance sheet exposure (loan and guarantee commitments)	103,856	99,777
Technical and prudential adjustments (Tier 1 capital prudential deductions)	(10,217)	(10,320)
Technical and prudential adjustments (Regulated Saving exempted)	**(13,268)**	**-**
Leverage ratio exposure	**1,200,262**	**1,207,664**
Leverage ratio	**4.3%**	**4.2%**

(1) Capital overview is available in Table 6: Regulatory capital and CRR/CRD4 solvency ratios – fully loaded.
(2) Reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope is available in Table 2.
(3) Securities financing transactions: repurchase transactions, securities lending or borrowing transactions and other similar transactions.

4.4.8 RATIO OF LARGE EXPOSURES

The CRR incorporates the provisions regulating large exposures. As such, the Societe Generale Group must not have any exposure on a single beneficiary who exceeds 25% of the Group's capital.

The eligible capital used to calculate the large exposure ratio is the total regulatory capital, with a limit on the amount of Tier 2 capital. Tier 2 capital cannot exceed one-third of Tier 1 capital.

The final rules of the Basel Committee on large exposures will be transposed in Europe via CRR2. The main change compared with the current CRR is the calculation of the regulatory limit (25%), henceforth expressed as a proportion of Tier 1 (instead of total Tier 1 and Tier 2 additionnel), as well as the introduction of a cross-specific limit on systemic institutions (15%).

4.4.9 FINANCIAL CONGLOMERATE RATIO

The Societe Generale Group, also identified as a "Financial conglomerate", is subject to additional supervision by the French Prudential Supervisory and Resolution Authority (Autorité de contrôle prudentiel et de résolution – ACPR).

As at 31 December 2019, the Societe Generale Group's financial conglomerate equity covered the solvency requirements for both banking and insurance activities.

As at 30 June 2019, the financial conglomerate ratio was 133%, consisting of a numerator ("Own funds of the Financial Conglomerate") of EUR 66.7 billion, and a denominator ("Regulatory requirement of the Financial Conglomerate") of EUR 50.3 billion.

The financial conglomerate ratio as at 31 December 2018 was corrected as follows: 135%, consisting of a numerator "Own funds of the Financial Conglomerate" of EUR 64.6 billion, and a denominator "Regulatory requirement of the Financial Conglomerate" of EUR 47.8 billion.

4.5 CREDIT AND COUNTERPARTY CREDIT RISK

Audited I Credit and counterparty risk corresponds to the risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitization activities. In addition, credit risk may be further amplified by individual, country and sector concentration risk. ▲

4.5.1 CREDIT AND COUNTERPARTY CREDIT RISKS MONITORING AND SURVEILLANCE SYSTEM

General principles governing risk-taking

Audited I The risk approval process is based on three fundamental principles:

- the analysis and the validation of the files fall respectively to the sector of commercial follow-up of the client and to the dedicated risk units within the risk management function. In order to guarantee a consistent approach to Group risk-taking, this commercial monitoring sector and this risk unit examine all authorisation requests relating to a given client or category of clients. This commercial monitoring sector and this risk unit must be independent of each other;
- the internal rating of counterparties is a key criterion in the granting policy. These ratings are proposed by the commercial monitoring sector and validated by the dedicated risk unit;
- for retail customers, the granting process is based on risk analysis tools (score) controlled by the risk units. Credit decisions are subject to compliance with the granting criteria previously defined in credit policies whose effectiveness is regularly evaluated;
- a system of delegation of competence, largely based on the internal rating of the counterparties, confers decision-making capacities to the risk units on the one hand and the commercial monitoring sector on the other.

The business line assumes the burden of provisions and losses related to its credit decisions as the first line of defense. The Risk Department submits recommendations to CORISQ on the evolution of the granting policy, with limits on credit portfolios, for the countries, geographic areas, sectors, products or types of customers presenting high concentration risks.

The monthly risk monitoring report presented to CORISQ by the Risk Department comments on the evolution of the Group's credit portfolio and ensures compliance with the guidelines. Changes in the credit portfolio, changes in credit policy validated by CORISQ and respect for the Group's risk appetite are presented at least quarterly to the Risk Committee of the Board of Directors. ▲

Monitoring individual concentration

Societe Generale complies with regulations governing large exposures (major regulatory risks exposure cap of 25% of equity). Moreover, the Group has set a stricter internal limit at 10% of consolidated shareholders' equity applying to any concentrated exposure on linked clients. Since 1 July 2018, the High Council for Financial Stability has imposed an exposure limit on France's most indebted companies at a maximum level of 5% of eligible equity.

Due to the size of the Group and its diversification, compliance with this constraint remains compatible with the individual support of our customers.

An internal process is implemented to identify and manage the risks of individual concentrations. Concentration thresholds, depending on the internal rating, are set by the CORISQ and define the validation governance of limits on individual concentrations. Exposures on connected clients that are considered significant by the Group are reviewed by the Large Exposure Committee chaired by the General Management. In Business Units, concentration levels on related client groups are defined during Concentration Committees (Concentration Committee for Global Banking and Investor Solutions and French Retail Banking or Local Risk Committees, CORISQ Corporate Region and Regional Major Risk Committees for the former International Retail Banking and Financial Services division).

The Group uses credit derivatives to reduce some exposures considered to be overly significant. Furthermore, the Group systematically seeks to mutualise risks with other banking partners by avoiding keeping an excessive share in the banking pool of large-scale companies.

Monitoring country risk

Country risk arises when an exposure (loan, security, guarantee or derivative) becomes susceptible to negative impact from changing regulatory, political, economic, social and financial conditions.

Country risk breaks down into two major categories:

- political and non-transfer risk covers the risk of non-payment resulting from either actions or measures taken by local government authorities (decision to prohibit the debtor from meeting its commitments, nationalisation, expropriation, non-convertibility, etc.), domestic events (riots, civil war, etc.) or external events (war, terrorism, etc.);
- commercial risk occurs when the credit quality of all counterparties in a given country deteriorates due to a national economic or financial crisis, independently of each counterparty's individual financial situation. This could be a macroeconomic shock (sharp slowdown in activity, systemic banking crisis, etc.), currency depreciation, or sovereign default on external debt potentially entailing other defaults.

Overall limits and strengthened monitoring of exposures have been established for countries based on their internal ratings and governance indicators. Supervision is not limited to emerging countries.

Country limits are approved annually by General Management. They can be revised downward at any time if the country's situation deteriorates or is expected to deteriorate.

All Group exposures (securities, derivatives, loans and guarantees) are taken into account by this monitoring. The Country Risk methodology determines an initial risk country and a final risk country (after any guarantee-related effects), which is supervised using country limits.

The procedure for placing a country on a watch list is triggered when there is a deterioration in country risk, or such a deterioration can be anticipated. During 2019, only one country has been placed on a watch list due to difficulties encountered, some other countries have been removed from the list.

Sector monitoring

The Group regularly reviews its entire credit portfolio through analyses by business sector. To do this, it relies on industrial studies (including a one-year anticipation of sectoral risk) and on sectoral concentration analyses.

In addition, the Group regularly reviews its entire credit portfolio through analyses by business sector. To do this, it relies on industrial studies (including a one-year anticipation of sectoral risk) and on sectoral concentration analyses. These identified sectors or sub-portfolios are subject to a specific guidance through a portfolio limit and specific granting criteria validated by the Group CORISQ.

As a complement, more targeted sector-based research and business portfolio analyses, may be conducted by General Management, the Risk Division or bank divisions, depending on current issues.

Portfolios specifically monitored by the Group CORISQ are:

- individual and professional credit portfolio (retail) in metropolitan France on the first hand and in international retail banking in Europe on the other hand. Other retail perimeters are covered by the Business Unit CORISQ. The Group defines in particular a risk appetite target concerning the minimum share covered by Credit Logement guarantee for real estate loans granted to individuals;
- Oil and gas scope, on which the Group has defined a credit policy adapted to the different types of activity of sector players. This policy distinguishes financing guaranteed by oil reserves, project financing, short-term trade finance transactions, and takes into regional characteristics;
- commercial real estate scope, on which the Group has defined a framework for origination and monitoring of exposures and limits according to the different types of financing, geographical areas and/or activities;
- leveraged finance, on which the Group applies the ECB definition of perimeter and management approach ("Guidance on Leveraged Transactions"). The Group continues to pay a particular attention to the Leverage Buy-Out (LBO) sub-portfolio;
- exposures on hedge funds is subject to a specific attention. The Group incurs risk on hedge funds through derivative transactions and its financing activity guaranteed by shares in funds. Risks related to hedge funds are governed by individual limits and global limits on market risks and wrong way risks;
- exposures on shadow banking are managed and monitored in accordance with the EBA guidelines published in 2015 which specifies expectations regarding the internal framework for identifying, controlling and managing identified risks. CORISQ has set a global exposure threshold for shadow banking.

Credit stress tests

With the aim of identifying, monitoring and managing credit risk, the Risk Division works with the businesses to conduct a set of specific stress tests relating to a country, subsidiary or activity. These specific stress tests combine both recurring stress tests, conducted on those portfolios identified as structurally carrying risk, and *ad hoc* stress tests, designed to recognise emerging risks. Some of these stress tests are presented to the Risk Committee and used to determine how to frame the corresponding the activities concerned.

Like global stress tests, specific stress tests are based on a stressed scenario, which is defined by the Group's sector experts and economists. The stressed scenario describes triggering events and assumptions regarding the development of a crisis, in both quantitative terms (changes in a country's GDP, the unemployment rate, deterioration in a sector) and qualitative terms. The credit stress system also includes sensitivity analyses relating to the deterioration in credit quality of certain portfolios (expert rating transition matrix) or to exposure volatility at the time of default.

Structured around the portfolio analysis function, the Risk Division teams translate these economic scenarios or analyses into impacts on risk parameters (default exposure, default rate, provisioning rate at entry into default, etc.). Where relevant, models are applied based on historical link between the economic context and risk parameters. Stress tests take into account the possible effect of the default of counterparties in which the Group is mostly concentrated in a stressed environment.

4.5.2 CREDIT RISK HEDGING

Audited I Guarantees and collateral

The Group uses credit risk mitigation techniques for both market and commercial banking activities. These techniques provide partial or full protection against the risk of debtor insolvency.

There are two main categories:

- personal guarantees are commitments made by a third party to replace the primary debtor in the event of the latter's default. These guarantees encompass the protection commitments and mechanisms provided by banks and similar credit institutions, specialised institutions such as mortgage guarantors (e.g. Crédit Logement in France), monoline or multiline insurers, export credit agencies, etc. By extension, credit insurance and credit derivatives (purchase of protection) also belong to this category;
- collateral can consist of physical assets in the form of property, commodities or precious metals, as well as financial instruments such as cash, high-quality investments and securities, and also insurance policies.

Appropriate haircuts are applied to the value of collateral, reflecting its quality and liquidity.

In order to reduce its risk-taking, the Group is pursuing active management of its securities, in particular by diversifying them: physical collateral, personal guarantees and others (including CDS).

During the credit approval process, an assessment is performed on the value of guarantees and collateral, their legal enforceability and the guarantor's ability to meet its obligations. This process also ensures that the collateral or guarantee successfully meets the criteria set forth in the Capital Requirements Directive (CRD).

Guarantor ratings are reviewed internally at least once a year and collateral is subject to revaluation at least once a year. The Risk function is responsible for approving the operating procedures established by the core businesses for the regular valuation of guarantees and collateral, either automatically or based on an expert opinion, whether during the approval phase for a new loan or upon the annual renewal of the credit application.

In accordance with the requirements of European Regulation No. 575/2013 (CRR), the Group applies minimum collateralisation frequencies for all collateral held in the context of commitments granted (financial collateral, commercial real estate, residential real estate, other security interests, leasing guarantees).

Closer valuations must be carried out in the event of a significant change in the market concerned, the default or litigation of the counterparty or at the request of the risk management function.

In addition, the effectiveness of credit risk hedging policies is monitored as part of the LGD.

It is the responsibility of the risk management function to validate the operational procedures put in place by the business lines for the periodic valuation of collateral (guarantees and collateral), whether automatic valuations or on an expert opinion and whether during the credit decision for a new competition or during the annual renewal of the credit file.

The amount of guarantees and collateral is capped at the amount of outstanding loans less provisions, i.e. EUR 302.31 billion at 31 December 2019 (compared with EUR 290.17 billion at 31 December 2018), of which EUR 139.24 billion for retail customers and EUR 163.07 billion for other types of counterparty (compared with EUR 140.37 billion and EUR 149.80 billion at 31 December 2018, respectively).

The oustanding loans covered by these guarantees and collateral correspond mainly to loans and receivables amounted to EUR 238.27 billion at 31 December 2019, and to off-balance sheet commitments amounted to EUR 56.85 billion (compared with EUR 237.18 billion and EUR 50.46 billion at 31 December 2018 respectively).

The amounts of guarantees and collateral received for performing outstanding loans (Stage 1) and under-performing loans (Stage 2) with payments past due amounted to EUR 4.50 billion at 31 December 2019 (EUR 2.07 billion at 31 December 2018), including EUR 1.54 billion on retail customers and EUR 2.96 billion on other types of counterparties (versus EUR 1.05 billion and EUR 1.01 billion at 31 December 2018 respectively).

The amount of guarantees and collateral received for non-performing outstanding loans at 31 December 2019 amounted to EUR 3.92 billion (compared to EUR 4.77 billion at 31 December 2018), of which EUR 1.90 billion on retail customers and EUR 2.02 billion on other types of counterparties (compared to EUR 2.21 billion and EUR 2.57 billion respectively at 31 December 2018). These amounts are capped at the amount of outstanding individually impaired loans.

Use of credit derivatives to manage Corporate concentration risk

Within Corporate and Investment Banking, the Performance & Scarce Resources management (PSR) team is responsible for working in close cooperation with the Risk Division and the businesses to reduce excessive portfolio concentrations, react quickly to any deterioration in the creditworthiness of a particular counterparty and suggest actions improving the capital allocation. PSR is part of the department responsible for the definition and effective deployment of the strategy, performance and scarce resources management for the credit and loan portfolio.

The Group may use credit derivatives for in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentrations and to implement a proactive risk and capital management approach.

Total outstanding purchases of protection through Corporate credit derivatives increased to EUR 2.5 billion at end of December 2019 (compared to EUR 0.4 billion at end of December 2018). New operations have mainly been performed to approve capital allocation (+EUR 2 billion) and to a lower extend reduce concentration risk (EUR 71 million).

In 2019, the Credit Default Swap (CDS) spreads from European investment-grade issuances (iTraxx index) followed a downward trend (45bps at end of December 2019 versus 88bp at end of December 2018). The overall sensitivity of the portfolio to spread widening increased, since the outstanding purchases of protection increased and the average maturity of protection is now longer.

Protection purchases were mostly made from European clearing houses (96% of the outstanding amounts as at 31 December 2019). All operations have been performed with Investment Grade counterparties (rating at least equal to BBB-).

Moreover, the amounts recognized as assets (EUR 2.4 billion as at 31 December 2019 versus EUR 2.2 billion as at 31 December 2018) and liabilities (EUR 2.0 billion as at 31 December 2019 versus EUR 2.7 billion as at 31 December 2018) correspond to the fair value of credit derivatives held under transaction activities.

Credit insurance

The Group has been developing relationships with private insurers over the last several years in order to hedge some of its loans against commercial and political non-payment risks.

This activity is performed within a risk framework and monitoring system approved by the Group's General Management. The system is based on an overall limit for the activity, along with sub-limits by maturity, and individual limits for each insurance counterparty, the latter being furthermore required to meet strict eligibility criteria. There is also a limit for insured transactions in *Non Investment Grade* countries.

The implementation of such a policy contributes overall to the management of the Group's risk and RWA. ▲

TABLE 11: CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW

	31.12.2019			
(In EURm)	**Exposures unsecured - Carrying amount**	**Exposures secured - Carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**
Total loans	380,896	250,974	116,495	134,479
Total debt securities	66,963	152	-	152
TOTAL EXPOSURES	**447,859**	**251,126**	**116,495**	**134,631**

	31.12.2018			
(In EURm)	**Exposures unsecured - Carrying amount**	**Exposures secured - Carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**
Total loans	387,962	239,880	115,925	123,954
Total debt securities	63,044	147	0	147
TOTAL EXPOSURES	**451,006**	**240,027**	**115,925**	**124,101**

4.5.3 IMPAIRMENT

Exposures classified in stages

Audited | Impairment includes impairments of performing loans (stages 1 and 2) and impairments of non-performing loans.

The applicable accounting principles are specified in Note 3.8 to the consolidated financial statements included in Chapter 6 of the Universal Registration Document (p.378).

CLASSIFIED AS PERFORMING LOANS (STAGE 1 AND 2)

At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are purchased or originated credit-impaired instruments.

To identify the exposures classified in Stage 2, the significant increase in credit risk compared to the date of initial recognition is assessed within the Group taking into account all the historical and prospective information available (behavioral scores, rating, indicators "loan to value" type, macroeconomic forecasting scenarios, etc.).

CLASSIFIED AS NON-PERFORMING LOANS (STAGE 3)

To identify Stage 3 exposures (doubtful exposures), the Group determines whether there is objective evidence of impairment (default events):

- payments more than 90 days past due (with the exception of restructured loans during the two-year probation period which are retransferred into Stage 3 as of payments more than 30 days past due), whether or not a collection procedure is instigated. To assess this criterion, the Group does not apply any threshold, except if such threshold is requested by a local authority. In addition, only missed payments related to business litigations, specific contractual features or IT failures cannot lead to a transfer into Stage 3.
- identification of other criteria indicating that the counterparty is unlikely to meet its financial obligations, even in the absence of missed payments,:
  - a significant deterioration in the counterparty's financial situation creates a strong probability that it will be unable to meet all of its commitments and thus represents a risk of loss for the Group;
  - concessions are granted to the clauses of the loan agreement in light of the borrower's financial difficulties that would not have been granted in other circumstances (restructured loans);
  - the existence of probable credit risk or litigious proceedings (ad hoc mandate, bankruptcy, court-ordered settlement or compulsory liquidation or other similar proceedings in local jurisdictions).

The Group applies the impairment contagion principle to all of the defaulting counterparty's exposures. When a debtor belongs to a group, the impairment contagion principle may also be applied to all of the group's exposures.

NEW DEFINITION OF DEFAULT

The European Banking Authority (EBA) published Guidelines on the application of the default definition under Article 178 of Regulation (EU) N° 575/2013, applicable from 1 January 2021, and the European Central Bank (ECB) published Regulation (EU) 2018/1845 in relation to the threshold for assessing the materiality of credit obligations past due, applicable on 31 December 2020 at the latest. Both the Guidelines and the ECB Regulation will harmonise the definition of default across the European Union, thus contributing to improve consistency and comparability of capital requirements.

In particular, they clarify all aspects related to the application of the definition of default including the conditions for the return to non-defaulted status (introduction of a probation period), specific conditions for default identification of restructured loans, and setting materiality thresholds (including an absolute and a relative component) for credit obligations that are past due.

Starting 6 April 2020, the Group will apply these provisions for default credit identification from the second quarter of 2020, whereas internal parameters for expected credit losses computation will be adjusted on 1 January 2021.

Following the Group's preliminary analysis, these clarifications are still consistent with criteria applied to identify Stage 3 exposures (doubtful exposures) according to IFRS 9 provisions regarding expected credit risks. The Group does not deem the future changes to default definition induced by these new regulatory provisions to have any material impact on the Group's consolidated financial statements.

Estimation of expected credit losses

The methodology for calculating Stage 1 and 2 expected credit losses is based on the Basel framework, which served as the basis for determining the methods for setting calculation inputs (probability of default and loss given default for exposures under the A-IRB and F-IRB approaches, and the provisioning rate for exposures under the standardised method).

The Group's portfolios have been segmented to ensure consistency in risk characteristics and a better correlation with both global and local macro-economic variables. This segmentation allows to deal with all the specifics of the Group. This segmentation is consistent or similar to that defined in the Basel framework in order to guarantee the uniqueness of default and credit loss.

IMPAIRMENT OF PERFORMING LOANS (STAGES 1 AND 2)

Impairment is recorded on performing loans based on estimates of 12-month expected credit losses (general case) or lifetime expected credit losses (contracts on which the credit risk has deteriorated since the loan was granted).

This impairment is calculated using assumptions on default rates and losses on default. It takes into account macro-economic forecasts or forecasts specific to the business sector or country. The assumptions are calibrated by homogenous groups of assets based on each group's specific characteristics, its sensitivity to the economic environment and historical data. The assumptions are reviewed periodically by the Risk Division.

IMPAIRMENT OF NON-PERFORMING LOANS (STAGE 3)

Impairment is recorded on the counterparties concerned when there is objective evidence of default. The amount of impairment depends on the probability of recovering the amounts due. The expected cash flows are based on the financial position of the counterparty, its economic prospects and the guarantees called up or which may be called up.

The variables and segmentations are described in the table below:

Scope		Macro-economic variables
Retail	France	French growth rate French inflation rate French unemployment rate 10Y Yield France
	Romania	Romanian growth rate Exchange rate EUR/RON Romanian unemployment rate
	Italy	Italian unemployment rate
Non retail	Financial institutions	Spread EURIBOR - EONIA swap 3 months US growth rate
	Very large enterprises	Brazilian growth rate Indian growth rate Chinese growth rate Russian growth rate Japanese growth rate US growth rate Euro zone growth rate
	Middle-market companies France	Profit margins of companies France French growth rate
	Local communities	French growth rate
	SMEs France	Profit margins of French companies French growth rate
	SMEs (excluding France)	Romanian growth rate Romanian unemployment rate Euro zone growth rate Norwegian growth rate Swedish growth rate

The expected credit losses are calculated using the probabilised average of three macro-economic scenarios established by Group economists for all entities of the Group (base scenarios and current stress scenarios, plus an optimistic scenario). The base and stress scenarios correspond to those used by the Group in its budget plan and its stress test.

The probabilities used are based on past observations, spanning a 25-year period, of differences in outcome between the base scenario and the actual scenario (positive and negative differences) which corresponds at 31 December 2019 to: 74% for the central scenario, 16% for the stress scenario and 10% for the optimistic scenario. The method is quarterly updated according to the base scenario evolution and annually updated according to the observations evolution. The method is supplemented with a sector adjustment that increases or decreases expected credit loss in an effort to better anticipate defaults or recoveries in certain cyclical sectors. These sector adjustments are quarterly reviewed and updated.

These adjustments concern cyclical economic sectors which have had default peaks in the past and whose Group exposure exceeds a threshold determined and reviewed every year by Risk Department. Lastly, on an ancillary basis, loss allowances based on expert opinion that increase or decrease expected credit loss have been retained to factor in future risks which cannot be modelled (mainly legislative or regulatory changes). These inputs are updated quarterly. ▲

4.5.4 COUNTERPARTY CREDIT RISK

Audited I Counterparty credit risk (CCR) is the risk of losses stemming from market operations should a counterparty fail to meet its payment obligations. The future market value of the exposure and the counterparty's credit quality are uncertain and may vary over time as underlying market parameters change.

CCR covers the replacement risk resulting from the default of a counterparty, the CVA (Credit Valuation Adjustment) risk related to the adjustment to the value of the Group portfolio, and the risk over the central counterparties (CCP) following clearing of market transactions.

CCR is also affected by the wrong-way risk, which occurs when the exposure to a counterparty is positively correlated with the probability of default of the counterparty, i.e. the risk of the Group's exposure to a counterparty increasing significantly, combined with a simultaneous increase in the probability of the counterparty defaulting.

Market transactions involving counterparty credit risk include among others repurchase agreement transactions, securities and lending transactions, and derivative contracts, cleared or not, whether they are processed in principal (house trades) or on behalf of third parties (agency activity). ▲

4.5.4.1 Limit setting and framework monitoring

Audited I Counterparty credit risks are framed through a set of limits which comply with the Group's risk appetite. The limits defined for each counterparty are proposed by the credit management team in charge of the counterparty and are validated by the dedicated risk units. Individual limits are supplemented by limits in stress tests or in nominal to capture the impact of certain risk factors which are more difficult to measure.

These limits are subject to annual or ad hoc reviews as often as necessary according to needs and changes in market conditions.

Dedicated Risk Department teams monitor consumption limits (most often on a daily basis, or on the metrics computation frequency). In addition, a specific monitoring and approval process is implemented for the most sensitive counterparties or the most complex categories of financial instruments.

In addition to the CORISQ, the Counterparty Credit Risk committee (CCRC) closely monitors counterparty credit risk and identifies emerging risk areas by conducting specific analyses. The Committee consists of representatives from the Market Activities Department and from the departments in charge of monitoring counterparty credit risks on market operations within the Risk Department. The CCRC can approve certain changes in the risk frameworks within its delegation.

REPLACEMENT RISK

The limits for monitoring replacement risk are:

- defined at the counterparty level, using the Potential Future Exposure (PFE) measure.
- calibrated according to the credit quality and the nature of the counterparty, the nature and the maturity of the financial instruments contemplated, the rationale for the trading activity entered into, and the contractual legal framework agreed.

CREDIT VALUATION ADJUSTMENT RISK

In addition to the replacement risk, the Credit Valuation Adjustment (CVA) risk measures the adjustment to the value of the Group derivatives and repos portfolio that is required to take into account the credit quality of the counterparties facing the Group (see dedicated section).

The positions taken to hedge the volatility of the CVA (credit, interest rate or equity instruments) are monitored through sensitivity limits or stress tests. Scenarios representative of the market risks impacting the CVA (interest rates, exchange rates and credit spreads) are applied to carry out the stress test on the CVA.

RISK ON CENTRAL COUNTERPARTIES (CCP)

The counterparty credit risk stemming from the clearing of derivatives and repurchase agreement transactions by central couterparties is framed by specific limits on initial margins, both for house or for third parties' activities, and on our contributions to the CCPs default funds.

In addition, a stress test limit is also defined to capture the impact of a scenario where a major CCP member should default.

The EMIR (European Market Infrastructure Regulation) in Europe, and the DFA (Dodd-Frank Act) in the United States have resulted in increased exposure to central counterparties from financial institutions by requiring that the most standardised over-the-counter (OTC) transactions be cleared through CCP, approved by competent authorities and subject to prudential regulation. ▲

See table "Exposures and RWA to Central Counterparties (CCP)" in section 4.5.6 "Quantitative information").

4.5.4.2 Mitigation of counterparty credit risk on market operations

Audited I Various mitigation techniques are used to reduce this risk, namely:

- the signing, where possible according to standard policy, of global close-out netting agreements for OTC transactions.
- collateralisation of market operations, either through central counterparties for eligible products (listed products and certain OTC products) or through a bilateral margin call exchange mechanism which covers both current exposure (variation margins) and future exposure (initial margins).

CLOSE-OUT NETTING AGREEMENTS

Societe Generale's standard policy is to conclude master agreements including provisions for close-out netting.

These provisions allow on the one hand the immediate close-out of all transactions governed by these agreements when the default of one of the parties occurs, and on the other hand the settlement of a net amount corresponding to the total value of the portfolio, after netting mutual debts and claims.

Societe Generale's preference – for the purpose of reducing any legal risk related to documentation – is to document these agreements under the main international standards as published by industry associations or national professional associations, such as International Swaps and Derivatives Association (ISDA), International Capital Market Association (ICMA), International Securities Lending Association (ISLA) and the French Banking Federation (*Fédération Bancaire Française* - FBF).

These agreements establish a set of contractual terms that are generally recognised as standard and allow for the modification or addition of more specific provisions between the parties in the final contract. This standardisation reduces implementation delays and makes operations safer. The enforceability of the provisions detailing these credit risk mitigation techniques is analysed and the conclusions are maintained by the legal department of the Group.

COLLATERALISATION

Most of OTC transactions are collateralised. There are two different types of collateral exchanges:

- the initial margin (IM), which is the initial amount of collateral, aiming at covering potential future exposure, i.e. the adverse variation of the mark-to-market in the interval between the last collection of margins and the liquidation of positions following the default of a counterparty. This initial deposit is retained by a third party[1] to ensure its immediate availability, even in the event of the counterparty's default;
- the variation margin (VM), which is the collateral collected to mitigate the current exposure arising from mark-to-market variations, used as a proxy for the actual loss arising from the default of one of the parties.

Bilateral variation and initial margin requirements

Historically, initial margins were very rare, except with hedge funds. They are now generalised by the EMIR and DFA regulations. It is now mandatory for the Group to exchange initial margins and variation margins for non-cleared OTC derivatives transactions with a large number of its counterparties (its financial counterparties and some non-financial counterparties above certain thresholds[2]).

Central Counterparties (CCP)

The EMIR and DFA regulations also require that the most standardised OTC derivatives transactions be cleared via CCP. The Group clears its house trades, but also operates a client clearing activity (agency business) which is subject to systematic margin calls to mitigate counterparty credit risk (customers sending daily variation margins and initial margins to Societe Generale to cover current and future exposure). ▲

See table "Breakdown of collateral for counterparty risk" in section 4.5.6 "Quantitative information").

4.5.4.3 Counterparty credit risk measurement

Replacement risk

Audited I The replacement risk measurement is based on an internal model which determines the Group's exposure profiles. ▲

PRINCIPLES OF THE MODEL

The future fair value of market transactions with each counterparty is forecast from Monte Carlo models based on historical analysis of market risk factors.

The principle of the model is to design the possible future financial market conditions by simulating the changes in the main risk factors to which the Group's portfolio is sensitive. For these simulations, the model uses different diffusion models to account for the inherent characteristics of the risk factors considered and uses a 10-year history window for their calibration.

The portfolios of derivatives contracts and securities and lending transactions with the different counterparties are then revalued according to these different scenarios at the different future dates until the maturity of the transactions, taking into account the contracts' terms and conditions, notably in terms of netting and collateralisation.

The exposure distribution obtained makes it possible to calculate regulatory capital requirements for counterparty credit risk and to ensure the risk monitoring of positions.

REGULATORY INDICATOR

Audited I The ACPR (Prudential Supervisory and Resolution Authority) approved the use of the internal model described above in order to determine the EEPE indicator (Effective Expected Positive Exposure) used in the calculation of the CCR regulatory capital requirements.

For products not managed in the internal model as well as for the Group's entities that have not been authorised by the supervisor to use the internal model, the Group uses the marked-to-market valuation method for derivatives[3] and the financial collateral comprehensive method for securities financing transactions (SFT).

The effects of netting agreements and collateralisation are taken into account either by their simulation in the internal model, or by applying the netting rules as defined in the marked-to-market valuation method or the financial collateral method, and by subtracting the collateral value.

These exposures are then weighted by rates depending on the counterparty's credit quality to calculate the Risk-Weighted Assets (RWA). These rates can be determined by the Standard Approach or Advanced Approach (IRBA). ▲

The RWA breakdown for each approach is available in the table "Analysis of counterparty credit risk" in section 4.5.6 "Quantitative information").

ECONOMIC INDICATOR

To monitor the risk of positions, the Group relies mainly on a maximum exposure metric determined from the Monte Carlo simulations, called internally Credit Value-at-Risk (CVaR) or PFE (Potential Future Exposure). This is the largest loss that could occur after eliminating 1% of the most adverse occurrences. This metric is calculated at different future dates, which are then aggregated into buckets, each of them being framed by limits.

The Group has also developed a set of stress test scenarios that are used to calculate the exposure that would result from changes in the fair value of transactions concluded with all its counterparties in the event of an extreme shock affecting the market parameters.

Credit valuation adjustment for counterparty credit risk

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) to take into account counterparty credit risk. The Group includes in this adjustment all clients that are not subject to a daily margin call or for which the collateral only partially covers the exposure. This adjustment also reflects the netting agreements existing for each counterparty. CVA is determined on the basis of the Group entity's positive expected exposure to the counterparty, the counterparty's probability of default, and the loss in the event of default.

(1) Except for repos and clearing activities.
(2) Progressive implementation for the IM which will pursue until 2020 depending on the type of counterparties and the size of the positions held.
(3) In this method, the EAD (Exposure At Default) relative to the Bank's counterparty credit risk is determined by aggregating the positive market values of all the transactions (replacement cost), and increasing the sum with an add-on.

Furthermore, since 1 January 2014, financial institutions have had to determine capital requirements related to CVA, covering its variation over ten days. The scope of counterparties is limited to financial counterparties as defined in the EMIR or certain corporates that may use derivatives beyond certain thresholds and for purposes other than hedging.

Societe Generale has implemented an internal model to calculate these capital requirements, covering a significant part of the scope. The method is similar to the one used for the market VaR computation (see the "Market Risk" Chapter): it consists of carrying out a historical simulation of the change in CVA due to the variations observed in the credit spreads of the portfolio counterparties, with a 99% confidence interval. The calculation is made on the credit spreads variation observed, on the one hand, over a one-year rolling period (VaR on CVA), and, on the other hand, over a fixed one-year historical window corresponding to the period of greatest tension in terms of credit spreads (stressed VaR on CVA). The associated capital requirements are equal to the sum of these two computations multiplied by a factor set by the regulator, specific to each bank. For the remaining part determined according to the standard method, Societe Generale applies the rules defined by the Capital Requirements Regulation: weighting by a normative factor of the EAD multiplied by a recomputed maturity (for the breakdown of the RWA related to CVA between standard method and internal model approach, refer to the table "Credit Valuation Adjustment" in section 4.5.6 "Quantitative information").

The management of this exposure and of the regulatory capital charge led the Group to buy protection (such as Credit Default Swaps) from major financial institutions. In addition to reducing the credit risk, it decreases the variability of the CVA and of the regulatory capital charge deriving from changes in the credit spreads of counterparties.

Wrong Way Risk

Wrong-way risk is the risk of the Group's exposure to a counterparty increasing significantly, combined with a simultaneous increase in the probability of the counterparty defaulting.

Two types of wrong-way risk exist:

- general wrong-way risk, where there is a significant correlation between certain market conditions and the creditworthiness of the counterparty;
- specific wrong-way risk, where the amount of exposure is directly related to the credit quality of the counterparty.

The specific wrong-way risk is subject to dedicated regulatory capital requirements, through an add-on applied when calculating the capital requirements. The EEPE indicator for transactions identified as facing a specific wrong-way risk is reassessed based on the assumption of a default from the counterparty. This process leads to stricter capital requirements regarding counterparty credit risks on such transactions. The replacement risk calculated in these specific risk situations is also increased, thereby limiting the exposure on such transactions, as there is no change in the risk limit framework.

The general wrong-way risk is monitored through stress tests (stress tests based on mono- or multi-risk factors covering all transactions with a given counterparty, relying on the same scenarios as used in the market risk stress tests) based on:

- a quarterly analysis of the stress tests regarding all counterparties, making it possible to identify the most adverse scenarios linked to a joint deterioration in the quality of the counterparties and the associated positions;
- regarding Systemically Important Financial Institutions (SIFI), monthly monitoring of dedicated multi-risk factor stress test, subject to limits per counterparties;
- regarding hedge funds and proprietary trading groups, weekly monitoring of dedicated mono-risk factor stress test, subject to limits. This framework is supplemented by an adverse stress test which quantify the potential loss on house transactions and agency business in case of change in market conditions, significant enough to trigger defaults on a such type of counterparties.

4.5.5 RISK MEASUREMENT AND INTERNAL RATINGS

Since 2007, Societe Generale has been authorised by its supervisory authorities to apply the internal ratings-based (IRB) approach to most of its exposures in order to calculate the capital requirements in respect of credit risk.

The system for monitoring rating models is operational, in accordance with applicable regulations and detailed in this section 4.5.5 "Risk measurement and internal ratings".

In accordance with the texts published by the EBA within the framework of the "IRB Repair" program and in view of the finalization of the Basel 3 agreements, the Group plans to develop its system of internal credit risk models so as to strictly comply with these new requirements.

This relates in particular to the roll-out plan towards the IRB approach and maintaining the Standard approach (Permanent Partial Use), in consultation with the supervisors and on the basis of materiality criteria (risk profile of the portfolios in question, commercial strategy, heterogeneity of customers…).

The exposures dealt with on Standard approach mainly concern the portfolios of retail customers and SME (Small and Medium Enterprises) of the international retail banking activity. For its exposures covered by the standard approach, Societe Generale mainly uses the external ratings assigned by Standard & Poor's, Moody's and Fitch Ratings and by Banque de France. If several ratings are available for a third party, the second-best rating is used.

General framework of the internal approach

Audited I To calculate its capital requirements under the IRB method, Societe Generale estimates the Risk-Weighted Assets (RWA) and the Expected Loss (EL) that may be incurred in light of the nature of the transaction, the quality of the counterparty (*via* internal rating) and all measures taken to mitigate risk.

The calculation of RWA is based on the parameters Basel parameters, which are estimated using its internal risk measurement system:

- the Exposure at Default (EAD) value is defined as the Group's exposure in the event that the counterparty should default. The EAD includes exposures recorded on the balance sheet (loans, receivables, accrued income, market transactions, etc.), and a proportion of off-balance sheet exposures calculated using internal or regulatory Credit Conversion Factors (CCF);
- the Probability of Default (PD): the probability that a counterparty of the Bank will default within one year;
- the Loss Given Default (LGD): the ratio between the loss incurred on an exposure in the event a counterparty defaults and the amount of the exposure at the time of the default.

The estimation of these parameters is based on a quantitative evaluation system which is sometimes supplemented by expert or business judgment.

In addition, a set of procedures sets out the rules relating to ratings (scope, frequency of review, grade approval procedure, etc.) as well as those for supervision, back-testing and the validation of models. These procedures allow, among other things, to facilitate critical human judgment, an essential complement to the models for these portfolios.

The Group also takes into account:

- the impact of guarantees and credit derivatives, by substituting the PD, the LGD and the risk-weighting calculation of the guarantor for that of the obligor (the exposure is considered to be a direct exposure to the guarantor) in the event that the guarantor's risk weighting is more favourable than that of the obligor;
- collateral used as guarantees (physical or financial). This impact is factored in either at the level of the LGD models for the pools concerned or on a line-by-line basis. ▲

To a very limited extent, Societe Generale also applies an IRB Foundation approach (where only the probability of default is estimated by the Bank, while the LGD and CCF parameters are determined directly by the supervisory authority) to a portfolio of specialised lending exposures, including those granted to the subsidiaries Franfinance Entreprises, Sogelease and Star Lease.

Moreover, the Group has authorisation from the regulator to use the IAA (internal assessment approach) method to calculate the regulatory capital requirement for ABCP (Asset-Backed Commercial Paper) securitisation.

In addition to the capital requirement calculation objectives under the IRBA method, the Group's credit risk measurement models contribute to the management of the Group's operational activities. They also constitute tools to structure, price and approve transactions and participate in the setting of approval limits granted to business lines and the Risk function.

TABLE 12: BREAKDOWN OF EAD USING THE BASEL METHOD

	31.12.2019	31.12.2018
IRB	81%	79%
Standard	19%	21%
TOTAL	**100%**	**100%**

TABLE 13: SCOPE OF APPLICATION OF THE IRB AND STANDARD APPROACHES FOR THE GROUP

	IRB approach	Standard approach
French Retail Banking	Majority of portfolios	Some retail customer portfolios, including those of the Sogelease subsidiary
International Retail Banking and Financial Services	The subsidiaries KB (Czech Republic), CGI, Fiditalia, GEFA and SG Finans, SG Leasing SPA and Fraer Leasing SPA, SGEF Italy	The other subsidiaries
Global Banking and Investor Solutions	Majority of Corporate and Investment Banking portfolios Private Banking, Securities Services and Brokerage, mainly the retail portfolios of the following subsidiaries: SG Hambros, SGBT Luxembourg, SGBT Monaco, SG Private Banking Suisse	For Private Banking, Securities Services and Brokerage, exposures granted to banks and companies
Corporate Centre	Majority of portfolios	-

Credit risk measurement for wholesale clients

For Corporate, Banking and Sovereign portfolios, the Group has implemented the following system:

RATING SYSTEM AND ASSOCIATED PROBABILITY OF DEFAULT

The rating system consists in assigning a rating to each counterparty according to an internal scale, for which each grade corresponds to a probability of default determined using historical series observed by Standard & Poor's for over more than 20 years.

The following table presents the indicative corresponding scales of the main external credit assessment institutions, as well as the corresponding mean probability of default and the Group's internal rating scale.

The rating assigned to a counterparty is generally proposed by a model, and possibly adjusted by a credit analyst, who then submits it for validation by the Risk Management.

The counterparty rating models are structured in particular according to the type of counterparty (companies, financial institutions, public entities, etc.), geographic region and size of the Company (usually assessed through its annual revenue).

The company rating models are underpinned by statistical models (regression methods) of client default. They combine quantitative parameters derived from financial data that evaluate the sustainability and solvency of companies and qualitative parameters that evaluate economic and strategic dimensions.

TABLE 14: SOCIETE GENERALE'S INTERNAL RATING SCALE AND INDICATIVE CORRESPONDING SCALES OF RATING AGENCIES

Counterparty internal rating	Indicative equivalent FitchRatings	Indicative equivalent Moody's	Indicative equivalent S&P	Probability of Default (one year)
1	AAA	AAA	AAA	0.01%
2	AA+ à AA-	AA1 à AA3	AA+ à AA-	[0.01% -0.03%]
3	A+ à A-	A1 à A3	A+ à A-	[0.03% -0.06%]
4	BBB+ à BBB-	BAA1 à BAA3	BBB+ à BBB-	[0.13% -0.50%]
5	BB+ à BB-	BA1 à BA3	BB+ à BB-	[1.10% -3.26%]
6	B+ à B-	B1 à B3	B+ à B-	[4.61% -11.42%]
7	CCC+ à CCC-	CAA1 à CAA3	CCC+ à CCC-	[14.33% -27.25%]
8,9 and 10	CC and below	CA and below	CC and below	100.00%

LGD MODELS

The Loss Given Default (LGD) is an economic loss that is measured by taking into account all parameters pertaining to the transaction, as well as the fees incurred for recovering the receivable in the event of a counterparty default.

The models used to estimate the Loss Given Default (LGD) excluding retail clients are applied by regulatory sub-portfolios, type of asset, size and location of the transaction or of the counterparty, depending on whether or not collateral has been posted, and the nature thereof if applicable. This makes it possible to define homogeneous risk pools, particularly in terms of recovery, procedures and the legal environment.

These estimates are founded on statistics when the number of loans in default is sufficient. In such circumstances, they are based on recovery data observed over a long period. When the number of defaults is insufficient, the estimate is revised or determined by an expert.

CREDIT CONVERSION FACTOR (CCF) MODELS

For its off-balance sheet exposures, the Group is authorised to use the internal approach for "Term loan with drawing period" products and revolving credit lines.

TABLE 15: MAIN CHARACTERISTICS OF MODELS AND METHODS – WHOLESALE CLIENTS

Parameter modelled	Portfolio/Category of Basel assets	Number of methods, models	Methodology Number of years default/loss
WHOLESALE CLIENTS			
Probability of Default (PD)	Sovereigns	1 method.	Econometric method, low default portfolio.
	Public sector entities	4 models according to geographic region.	Statistical (regression)/expert methods for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Low default portfolio.
	Financial institutions	11 models according to type of counterparty: banks, insurance, funds, financial intermediaries, funds of funds.	Expert models based on a qualitative questionnaire. Low default portfolio.
	Specialised financing	3 models according to type of transaction.	Expert models based on a qualitative questionnaire. Low default portfolio.
	Large corporates	9 models according to geographic region.	Mainly statistical models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Defaults observed over a period of 8 to 10 years.
	Small- and medium-sized companies	18 models according to the size of the Company and the geographic region.	Mainly statistical models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire, behavioural score. Defaults observed over a period of 8 to 10 years.
Loss Given Default (LGD)	Public sector entities – Sovereigns	6 models according to type of counterparty.	Calibration based on historical data and expert judgements. Losses observed over a period of more than 10 years.
	Large corporates – Flat-rate Approach	>20 models Flat-rate approach according to type of collateral.	Calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Large corporates – Discount Approach	16 models Discount approach according to type of recoverable collateral.	Statistical calibration based on historical market data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Small- and medium-sized companies	15 models Flat-rate approach according to type of collateral or unsecured.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Project financing	8 models Flat-rate approach according to project type.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Financial institutions	5 models Flat-rate approach according to type of counterparty: banks, insurance, funds, etc. and the nature of the collateral.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Other specific portfolios	6 models: factoring, leasing with option to purchase and other specific cases.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
Credit Conversion Factor (CCF)	Large corporates	5 models: term loans with drawing period, revolving credits, Czech Corporates.	Models calibrated by segment. Defaults observed over a period of more than 10 years.
Expected Loss (EL)	Real estate transactions	2 models by slotting.	Statistical model based on expert judgements and a qualitative questionnaire. Low default portfolio.

MONITORING THE PERFORMANCE OF INTERNAL MODELS

The performance level of the entire wholesale client credit system is measured by regular backtests that compare PD, LGD and CCF estimates with actual results by portfolio, thus making it possible to measure the prudence of the risk parameters used by the IRB approach.

The results of backtests and remedial plans are presented to the Expert Committee for discussion and approval (see Governance of the modelling of risks, p. 198). These results justify the implementation of remedial plans if the system is deemed to be insufficiently prudent.

The results presented above cover the entire Group portfolios including Private Banking since this year. Backtests compare the estimated probability of default (arithmetic mean weighted by debtors) with the observed results (the historical annual default rate). The historical default rate was calculated on the basis of performing exposure over the period from 2007 to 2018.

The level of prudence is generally considered to be fairly satisfactory and remained broadly stable compared with the previous year. The historical default rate continued to fall even further from previous year in 2019. Probability of default estimates are higher than the historical default rates for all Basel portfolios and for most ratings (which is considered to be conservative). Levels of prudence seen in the Large and Small and Medium Enterprises Basel portfolios were (relatively) high. It should also be noted that new internal models are being developed for some sizeable portfolios in order to comply with new regulatory requirements and to address the weaknesses identified in existing models.

TABLE 16: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL PD VALUES – WHOLESALE CLIENTS

	31.12.2019						
			Number of obligors				
Basel Portfolio	Weighted average PD	Arithmetic average PD	End of previous year	End of the year	Defaulted obligors over the year	o.w. new defaulted obligors over the year	Average historical annual default rate
Sovereigns	0.1%	0.6%	645	729	1	-	0.2%
Institutions	0.2%	0.7%	4,230	5,582	6	-	0.3%
Specialised financing	1.3%	2.3%	2,234	2,289	14	2	2.2%
Large corporates	1.0%	3.1%	36,637	37,285	407	35	1.6%
Small- and medium-sized enterprises	3.1%	5.5%	99,378	97,833	2,609	404	3.2%

TABLE 17: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD VALUES – WHOLESALE CLIENTS

	31.12.2019	
Basel portfolio	A-IRB LGD [1]	Estimated losses excluding margin of prudence
Large corporates	34%	33%
Small- and medium-sized enterprises	39%	27%

(1) Senior unsecured LGD
The method for calculating the "Oberved EAD / A-IRB EAD" ratio is being revised.

	31.12.2018 [2]	
Basel portfolio	A-IRB LGD [1]	Estimated losses excluding margin of prudence
Large corporates	34%	32%
Small- and medium-sized enterprises	40%	29%

(1) Senior unsecured LGD.
(2) A new segmentation of the Corporates' LGD was used: pro forma performed on 2018 data.

Credit risk measurements of retail clients

The Group has implemented the following system for the retail portfolio made up of individual customers, SCIs (real estate investment companies - *Sociétés civiles immobilières*) and professional customers:

RATING SYSTEM AND ASSOCIATED PROBABILITY OF DEFAULT

The modelling of the probability of default of retail client counterparties is carried out specifically by each of the Group's business lines recording its assets using the IRBA method. The models incorporate data on the payment behaviour of counterparties. They are segmented by type of customer and distinguish between retail customers, professional customers, very small businesses and real estate investment companies *(Sociétés civiles immobilières)*.

The counterparties of each segment are classified automatically, using statistical models, into homogeneous risk pools, each of which is assigned a probability of default.

These estimates are adjusted by a safety margin to estimate as best as possible a complete default cycle, using a through-the-cycle (TTC) approach.

LGD MODELS

The models for estimating the Loss Given Default (LGD) of retail customers are specifically applied by business line portfolio and by product, according to the existence or not of collateral.

Consistent with operational recovery processes, estimate methods are generally based on a two-step modelling process that initially estimates the proportion of defaulted loans in loan termination, followed by the loss incurred in case of loan termination.

The expected losses are estimated using internal long-term historical recovery data for exposures that have defaulted. These estimates are adjusted by safety margins in order to reflect the possible impact of a downturn.

CCF MODELS

For its off-balance sheet exposures, Societe Generale applies its estimates for revolving loans and overdrafts on current accounts held by retail and professional customers.

TABLE 18: MAIN CHARACTERISTICS OF MODELS AND METHODS USED – RETAIL CLIENTS

Parameter modelled	Portfolio/Category of Basel assets	Number of models	Methodology Number of years of default/loss
RETAIL CLIENTS			
Probability of Default (PD)	Residential real estate	8 models according to entity, type of guarantee (security, mortgage), type of counterparty: individuals or professionals/VSB, real-estate investment company (SCI).	Statistical model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Other loans to individual customers	15 models according to entity and to the nature and object of the loan: personal loan, consumer loan, car loan, etc.	Statistical model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Renewable exposures	5 models according to entity and nature of the loan: overdraft on current account, revolving credit or consumer loan.	Statistical model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Professionals and very small businesses (VSB)	10 models according to entity, nature of the loan (medium- and long-term investment credits, short-term credit, car loans), and type of counterparty (individual or real-estate investment company (SCI)).	Statistical model (regression or segmentation), behavioural score. Defaults observed over a period of more than 5 years.
Loss Given Default (LGD)	Residential real estate	8 models according to entity, type of guarantee (security, mortgage), and type of counterparty: individuals or professionals/VSB, real-estate investment company (SCI).	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Other loans to individual customers	17 models according to entity and to the nature and object of the loan: personal loan, consumer loan, car loan, etc.	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Renewable exposures	7 models according to entity and nature of the loan: overdraft on current account, revolving credit or consumer loan.	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Professionals and very small businesses	12 models according to entity, nature of the loan (medium- and long-term investment credits, short-term credit, car loans), and type of counterparty (individual or real- estate investment company (SCI)).	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.

Parameter modelled	Portfolio/Category of Basel assets	Number of models	Methodology Number of years of default/loss
Credit Conversion Factor (CCF)	Renewable exposures	12 calibrations by entity for revolving products and personal overdrafts.	Models calibrated by segment over a period of observation of defaults of more than 5 years.

MONITORING THE PERFORMANCE OF INTERNAL MODELS

The performance level of the entire retail client credit system is measured by regular backtests, which check the performance of PD, LGD and CCF models and compare estimated figures with actual figures.

Each year, the average long-term default rate observed for each homogeneous risk pool is compared with the PD. If necessary, the calibrations of PD are adjusted to preserve a satisfactory safety margin. The discrimination level of the models and changes in the portfolio's composition are also measured.

Regarding the LGD, the backtest consists of comparing the last estimation of the LGD obtained by computing the average level of payments observed.

The difference should in this case reflect a sufficient safety margin to take into account a potential economic slowdown, uncertainties as to the estimation, and changes in the performance of recovery processes.

The adequacy of this safety margin is assessed at an Expert Committee Meeting.

The results presented above cover the entire Group portfolios including Private Banking since this year. Backtests compare the estimated probability of default (arithmetic mean weighted by debtors) with the observed results (the historical annual default rate). The historical default rate has been calculated on the basis of performing exposure over the period from 2010 to 2018. Credit customers are included in accordance with the revised instructions of the EBA publication of 14 December, 2016 (EBA/GL/2016/11).

The level of prudence is generally considered to be fairly satisfactory and remained broadly stable compared with the previous year. The historical default rate continued to fall even further from previous year in 2019. Probability of default estimates are higher than the historical default rates for all Basel portfolios and for most ratings (which is considered to be conservative). It should also be noted that new internal models are being developed for some sizeable portfolios in order to comply with new regulatory requirements and to address the weaknesses identified in existing models.

TABLE 19: COMPARISON OF ESTIMATED RISK PARAMETERS: ESTIMATED AND ACTUAL PD VALUES – RETAIL CLIENTS [1]

	31.12.2019					
			Number of obligors			
Basel Portfolio	**Weighted average PD**	**Arithmetic average PD**	**End of previous year**	**End of the year**	**Defaulted obligors in the year**	**Average historical annual default rate**
Other loans to individual customers	2.4%	3.6%	2, 244,707	2,251,637	47,721	3.4%
Real estate loans	1.2%	1.1%	850,310	879,422	7,461	1.1%
Revolving credits	5.0%	2.3%	7,552,793	7,886,771	154,816	2.1%
VSB and professionals	3.9%	4.0%	828,042	823,464	37,021	3.8%

(1) Data presented on the basis of the latest figures available at 30 September 2019.

TABLE 20: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD AND EAD VALUES – RETAIL CLIENTS

	31.12.2019		
Basel portfolio	**A-IRB LGD**	**Estimated losses excluding margin of prudence**	**Observed EAD / A-IRB EAD**
Real estate loans (excl. guaranteed exposures)	18%	12%	-
Revolving credits	46%	39%	73%
Other loans to individual customers	26%	21%	-
VSB and professionals	28%	22%	76%
TOTAL GROUP RETAIL CLIENTS	**25%**	**19%**	**74%**

The changes in the portfolio "Other loans to individual customers" and "VSB and professionals" are explained by a change in scope.

	31.12.2018		
Basel portfolio	**A-IRB LGD**	**Estimated losses excluding margin of prudence**	**Observed EAD / A-IRB EAD**
Real estate loans (excl. guaranteed exposures)	18%	12%	-
Revolving credits	45%	39%	73%
Other loans to individual customers	28%	22%	-
VSB and professionals	26%	21%	77%
TOTAL GROUP RETAIL CLIENTS	**25%**	**19%**	**74%**

Governance of the modelling of risks

Credit own funds estimation models are subject to the global model risk management framework (see Chapter 4.11 "Model risk").

The first line of defense is responsible for designing, putting into production, using and monitoring models, in compliance with model risk management governance rules throughout the model lifecycle, which include for credit risk internal models traceability of development and implementation stages and annual backtesting.

The Model Risk Division, reporting directly to the Chief Risk Officer, acts as a second line of defense for all credit risk models. Independent model review teams rely, for the conduct of their missions, on principles of control of the theoretical robustness (assessment of the quality of the design and development) of the models, the conformity of the implementation and the use, the continuous follow-up of model relevance over time. The independent review process concludes with (i) a report summarizing the scope of the review, the tests performed, the results of the review, the conclusions or recommendations and with (ii) Reviewing and Approval Committees (respectively "Comité Modèles" and "Comité Experts" in the case of credit risk models); and the model risk control framework results in recurring reports to the Senior Management. The Model Risk Division reviews, amongst others, new models, backtesting results and any change to the credit own funds estimation models. In accordance with the Delegated Regulation (EU) No. 529/2014 of 20 May 2014 relating to the follow-up of internal models used for own funds computation, any model change to the Group's credit risk measurement system is then subjected to two main types of notification to the competent supervisor, depending on the significant nature of the change laid down by this Regulation itself:

- significant changes which are subject to a request for approval prior to their implementation;
- other changes which should be notified to the competent authorities:
  - prior to their implementation: non-material changes, according to the criteria defined by the Regulation, are notified to the Supervisor (ex-ante notification). Barring a negative response, these may be implemented within a two months period,
  - after their implementation: these changes are notified to the competent authorities after their implementation at least once a year, through a specific report (ex-post notification).

The Internal Audit Division, as a third line of defense, is responsible for periodically assessing the overall effectiveness of the model risk management framework (relevance of the model risk governance and efficiency of second line of defense activities) and performing the independent model audit.

Climate risk - Measuring sensitivity to transition risk

Transition risk's impact on Societe Generale Corporate clients' credit risk has been identified as the main climate change-related risk for the Group.

In order to measure this impact, the Group is gradually implementing a Vulnerability Indicator which aims to reinforce the credit analysis on the most exposed counterparties.

This climate vulnerability indicator:

- corresponds to the marginal impact on the counterparty internal rating over a 20-year time horizon of a selected transition scenario (for 2019 the International Energy Agency (IEA) sustainable development scenario was chosen). The assumption here is that the counterparty does not take any adaptation measure. The vulnerability is evaluated in parallel of the internal rating (which is associated to a 1 year probability of default);
- is applicable to the sectors identified as sensitive to transition risks. Those sectors include in 2019: oil & gas, power generation, transport (automotive, air and shipping), metals and mining and commercial real estate;
- is represented through a 7-level scale, from high negative to high positive impacts.

This assessment, proposed by the first line of defense, is validated by the Risk Department as a second line of defense and relies on a methodology defined by the Risk Department. It enables the Group to engage a dialog with the most exposed clients. Indeed, for clients having a long-term exposure and for which the vulnerability indicator is moderate negative or high negative, a discussion has to be initiated to formalize an opinion on the adaptation strategy of the counterparty to the transition risk.

The climate risk management system is further detailed in section "Climate risk management" of the chapter 5.2.3 "Positive climate action: supporting a fair, environmental and inclusive transition" of this Universal Registration Document.

4.5.6 QUANTITATIVE INFORMATION

Audited I The measurement used for credit exposures in this section is EAD – Exposure At Default (on- and off-balance sheet). Under the Standard Approach, EAD is calculated net of collateral and provisions. ▲

EAD is broken down according to the guarantor's characteristics, after taking into account the substitution effect (unless otherwise indicated).

The presentation of the data, applied since last year, is in line with the guidelines on prudential disclosure requirements published by the European Banking Authority (EBA) in December 2016 (document EBA/GL/2016/11).

This presentation highlights the exposure categories as defined in the portfolios of the COREP regulatory financial statements, in relation to EBA requirements on Pillar 3.

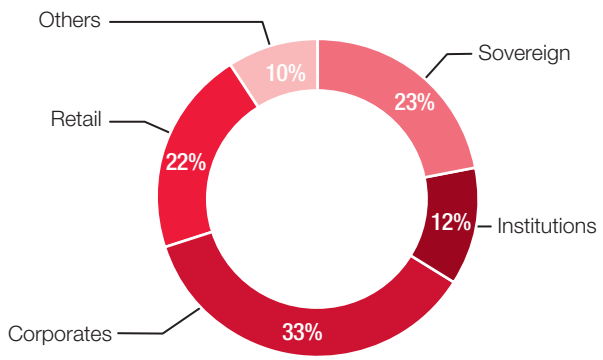
More information available in sections 6.8 *Additional quantitative information on global credit risk (credit and counterparty risk)*, 6.9 *Credit risk detail* and 6.10 *Counterparty risk detail* in the Risk Report Pillar 3 document.

Audited I Credit risk exposure

At 31 December 2019, the Group's Exposure at Default (EAD) amounted to EUR 918 billion.

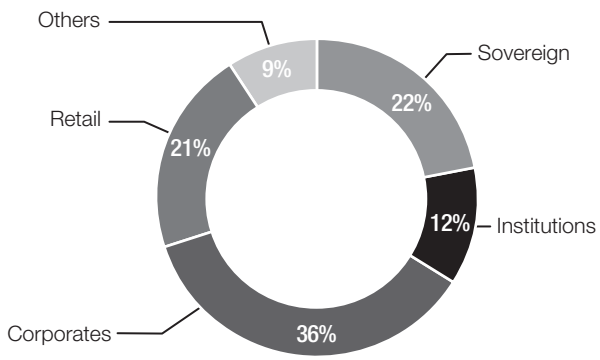
CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31 DECEMBER 2019

On- and off-balance sheet exposures (EUR 918 billion in EAD)



CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31 DECEMBER 2018

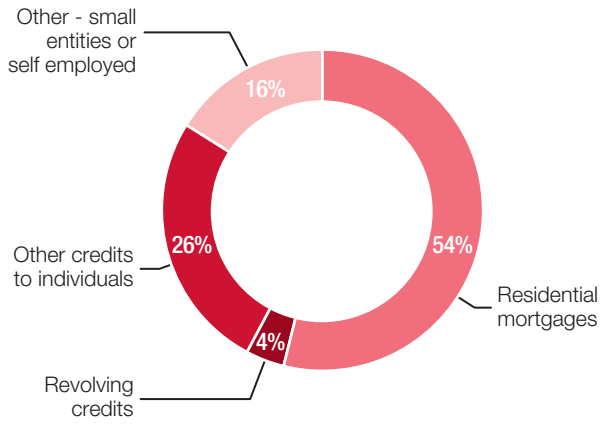
On- and off-balance sheet exposures (EUR 920 billion in EAD).



** Institutions: Basel classification bank and public sector portfolios.*

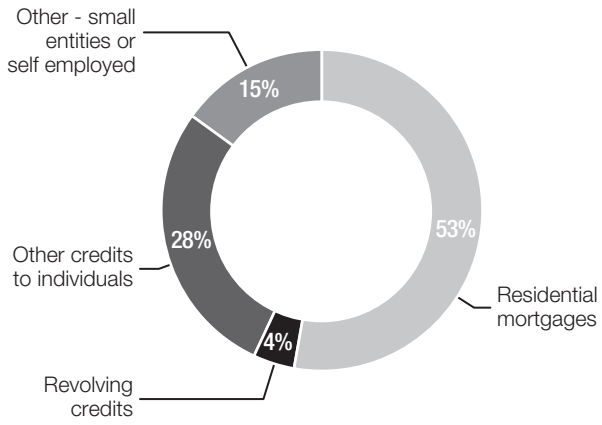
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE SUBCLASS (EAD) AT 31 DECEMBER 2019

On- and off-balance sheet exposures (EUR 203 billion in EAD)

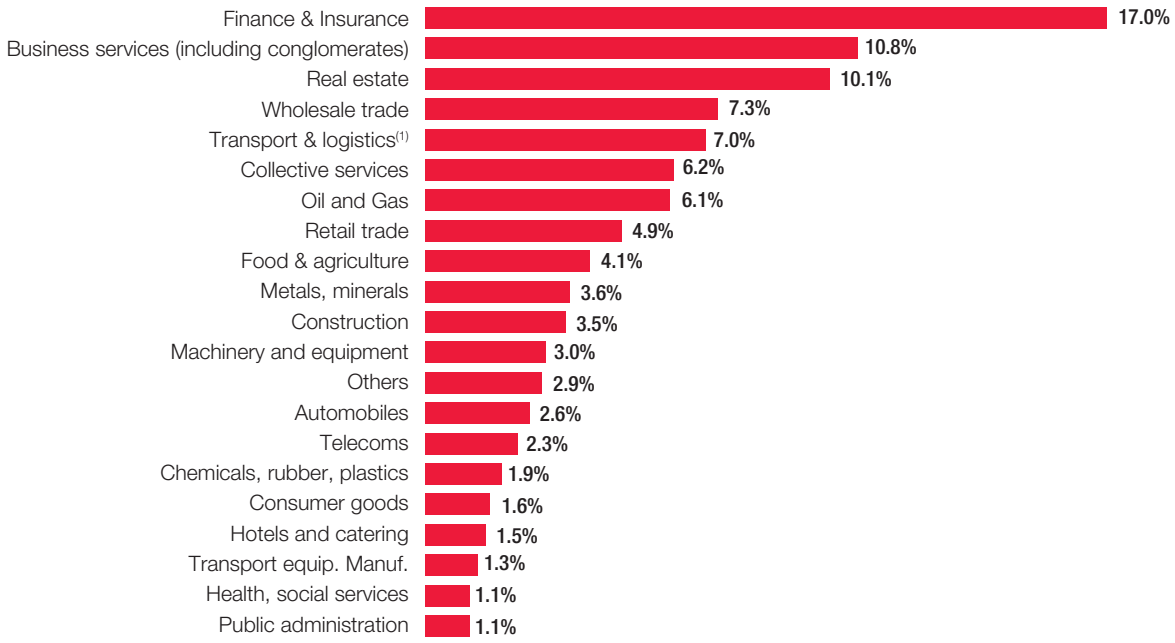


RETAIL CREDIT RISK EXPOSURE BY EXPOSURE SUBCLASS (EAD) AT 31 DECEMBER 2018

On- and off-balance sheet exposures (EUR 189 billion in EAD)



SECTOR BREAKDOWN OF GROUP CORPORATE EXPOSURE (BASEL PORTFOLIO)



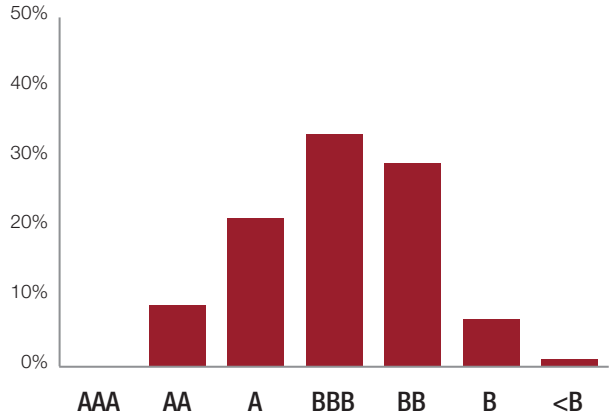
(1) Of which 1.0% of the Group's total maritime transport Corporate exposures.

EAD of the Corporate portfolio is presented in accordance with the Basel rules (large corporates, including insurance companies, funds and hedge funds, SMEs, specialized financing, factoring businesses), based on the obligor's characteristics, before taking into account the substitution effect (credit risk scope: debtor, issuer and replacement risk).

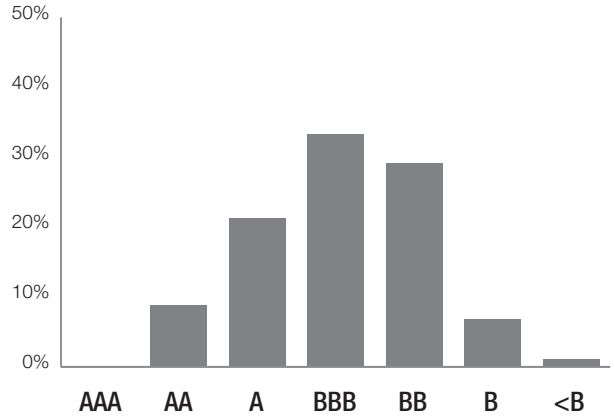
At 31 December 2019, the Corporate portfolio amounted to EUR 326 billion (on- and off-balance sheet exposures measured in EAD). Three sectors account for more than 10% of the portfolio each (Finance and Insurance, Business services, Real Estate). The Group's exposure to its ten largest Corporate counterparties accounts for 5% of this portfolio. ▲

Corporate and bank counterparty exposure

AUDITED I BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31 DECEMBER 2019 (AS % OF EAD)



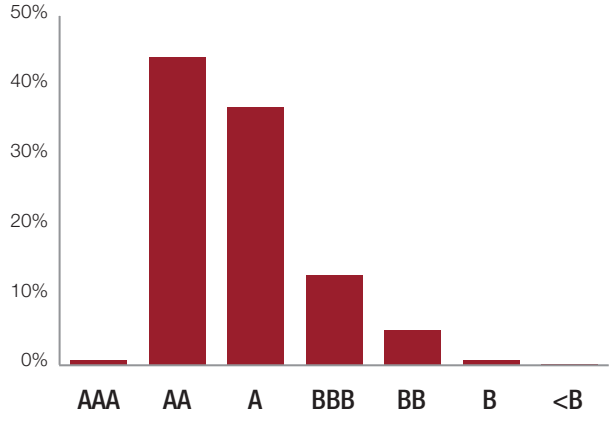
BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31 DECEMBER 2018 (AS % OF EAD)



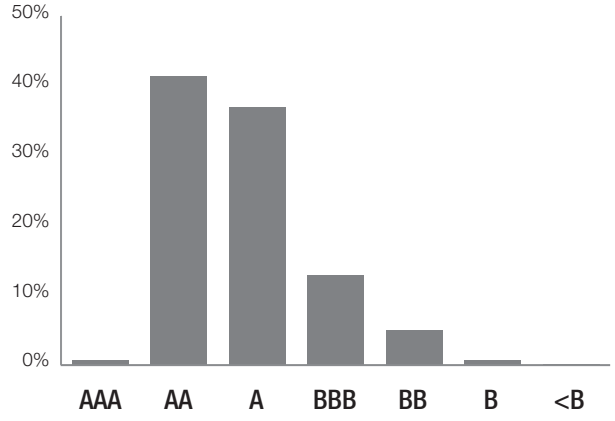
Audited I Regarding corporate clients, the scope consists of performing loans recorded under the IRB method (excluding prudential classification criteria, by weight, of specialized financing) over the entire corporate clients portfolio, all divisions combined, and represents a EUR 259 billion EAD (out of a EUR 296 billion total EAD for the Corporate Basel portfolio, Standardized method included). The rating breakdown of Societe Generale Group's corporate counterparty exposure reveals the sound quality of the portfolio. It is based on an internal counterparty rating system, displayed above as its Standard & Poor's equivalent.

As at 31 December 2019, the majority of the portfolio had an Investment Grade rating, i.e. counterparties with an S&P-equivalent internal rating higher than BBB- (63% of Corporate clients). Transactions with non-Investment Grade counterparties were very often backed by guarantees and collaterals in order to mitigate the risk incurred. ▲

AUDITED I BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31 DECEMBER 2019 (AS % OF EAD)



BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31 DECEMBER 2018 (AS % OF EAD)

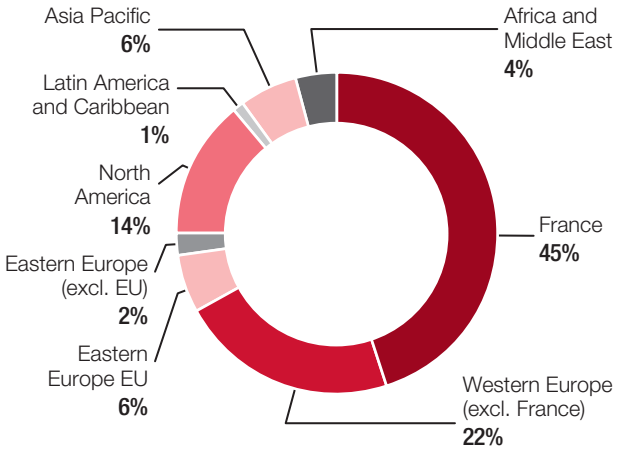


Audited I Regarding banking clients, the scope consists of performing loans recorded under the IRB method over the entire banking clients portfolio, all divisions combined, and represents a EUR 62 billion EAD (out of a EUR 107 billion total EAD for the Bank Basel portfolio, Standardized method included). The rating breakdown of Societe Generale Group's banking counterparty exposure reveals the sound quality of the portfolio. It is based on an internal counterparty rating system, displayed above as its Standard & Poor's equivalent.

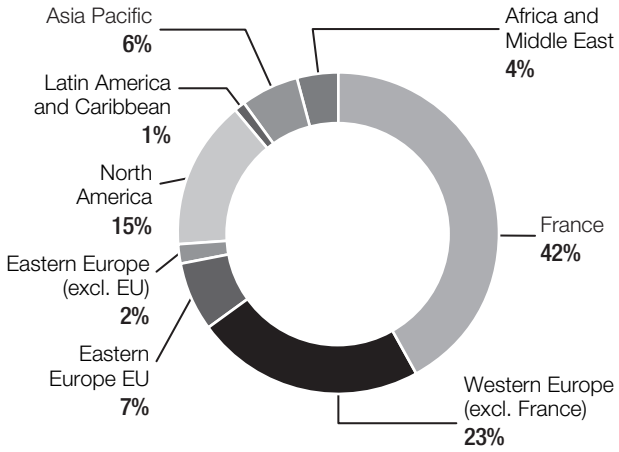
As at 31 Dcecember 2019, exposure on banking clients was concentrated on Investment Grade counterparties (94% of the exposure) and in developed countries (89%). ▲

Audited I Geographic breakdown of Group credit risk exposure

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31 DECEMBER 2019 (ALL CLIENT TYPES INCLUDED): EUR 918 BN

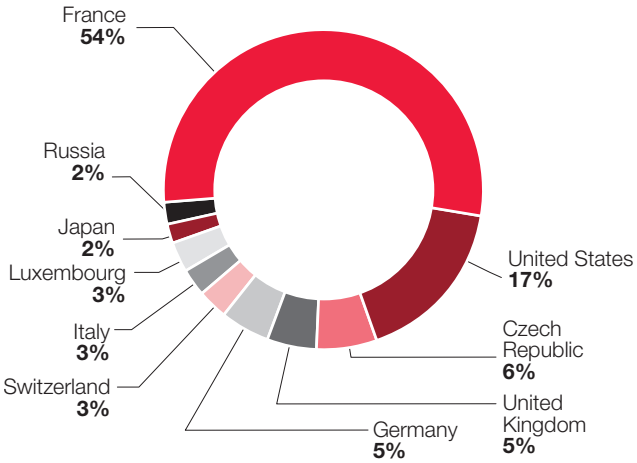


GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31 DECEMBER 2018 (ALL CLIENT TYPES INCLUDED): EUR 920 BN

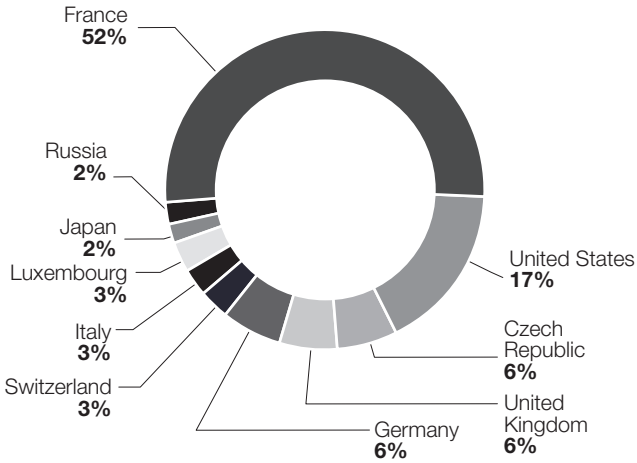


As at 31 December 2019, 89% of the Group's on- and off-balance sheet exposure was concentrated in the major industrialised countries[1]. Almost half of the overall amount of outstanding loans was towards French clients (28% exposure to the non-retail portfolio and 17% to the retail one). ▲

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP TEN COUNTRIES AT 31 DECEMBER 2019: EUR 761 BN



GEOGRAPHIC BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP TEN COUNTRIES AT 31 DECEMBER 2018: EUR 748 BN



The Group's exposure to its top ten countries represented 83% of total exposure (i.e. EUR 761 billion of EAD) at 31 December 2019 (versus 81% and EUR 748 billion of EAD at 31 December 2018).

(1) As defined by the IMF in its World Economic Outlook document of October 2019.

TABLE 21: GEOGRAPHIC BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP FIVE COUNTRIES BY EXPOSURE CLASS (IN %)

	France		United States		United Kingdom		Germany		Czech Republic	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sovereign	19%	18%	33%	33%	14%	10%	17%	15%	29%	30%
Institutions	9%	8%	16%	18%	27%	29%	18%	21%	4%	3%
Corporates	27%	31%	38%	38%	37%	45%	27%	31%	30%	32%
Retail	37%	36%	0%	0%	10%	6%	22%	21%	35%	33%
Other	8%	7%	13%	11%	12%	10%	16%	12%	2%	2%

Counterparty risk

TABLE 22: COUNTERPARTY RISK, EAD AND RWA BY METHOD AND EXPOSURE CLASS (IN EURM)

Counterparty risk is broken down as follows:

	31.12.2019								
	IRB			Standard			Total		
Exposure class	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**
Sovereign	22,843	22,954	302	3	3	-	22,845	22,956	302
Institutions	20,006	20,005	2,901	29,209	29,209	1,035	49,215	49,215	3,936
Corporates	44,030	43,919	10,639	1,042	1,042	826	45,072	44,961	11,465
Retail	189	189	9	1	1	1	190	190	11
Other	9	9	-	189	189	189	199	199	189
TOTAL	**87,077**	**87,077**	**13,852**	**30,444**	**30,444**	**2,052**	**117,521**	**117,521**	**15,904**

	31.12.2018								
	IRB			Standard			Total		
Exposure class	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**
Sovereign	17,455	17,532	662	1	1	1	17,456	17,533	662
Institutions	19,974	19,974	3,826	31,139	31,139	1,113	51,113	51,113	4,940
Corporates	47,873	47,796	12,526	2,283	2,283	2,189	50,156	50,079	14,715
Retail	388	388	61	287	1	1	675	389	62
Other	7	7	0	436	436	448	443	443	448
TOTAL	**85,696**	**85,696**	**17,074**	**34,146**	**33,861**	**3,752**	**119,843**	**119,557**	**20,827**

TABLE 23: ANALYSIS OF COUNTERPARTY CREDIT RISK (CCR) EXPOSURE BY APPROACH

Subject to supervisor approval, the Internal Model Method (IMM) enables the use of an internal model to calculate the Effective Expected Positive Exposure (EEPE), multiplied by a regulatory factor called "alpha" as defined in Article 284-4 of Regulation (EU) 575/2013. For Societe Generale Group, it is 1.5. The aim of the internal model is to determine exposure profiles.

	31.12.2019						
(In EURm)	Notional	Replacement cost / current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		5,831	19,340			23,618	3,479
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)				42,765	1.5	64,148	11,623
Of which securities financing transactions				19,356	1.5	29,033	1,440
Of which derivatives and long settlement transactions				23,410	1.5	35,114	10,184
Of which from contractual cross - product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						4,292	416
VaR for SFTs							
TOTAL							**15,519**

TABLE 24: EXPOSURES AND RWA TO CENTRAL COUNTERPARTIES (CCP)

	31.12.2019		31.12.2018	
(In EURm)	EAD	RWA	EAD	RWA
Exposures to QCCPs	32,252	1,454	40,233	1,702
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	16,225	326	20,325	413
■ OTC derivatives	1,108	23	2,493	50
■ Exchange-traded derivatives	13,551	271	16,362	334
■ Securities financing transactions	1,323	26	964	19
■ Netting sets where cross-product netting has been approved	243	6	505	10
Segregated initial margin	9,731	-	7,007	-
Non-segregated initial margin	2,525	51	9,273	185
Pre-funded default fund contributions	3,771	1,077	3,628	1,103
Alternative calculation of own funds requirements for exposures	-	-	-	13
Exposures to non-QCCPs	-	-	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which:	-	-	-	-
■ OTC derivatives	-	-	-	-
■ Exchange-traded derivatives	-	-	-	-
■ Securities financing transactions	-	-	-	-
■ Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-

TABLE 25: BREAKDOWN OF COLLATERAL FOR COUNTERPARTY RISK

	31.12.2019			
	Collateral used in derivative transactions		Collateral used in SFTs	
(In EURm)	Fair value of collateral received	Fair value of posted collateral	Fair value of collateral received	Fair value of posted collateral
Cash	24,186	22,125	14,418	22,569
Banks/Broker-dealers	27	576	58,188	64,052
Central Counterparties	-	8,238	8,262	5,620
Government-sponsored entities/ Government Agencies	-	-	-	-
Hedge funds	0	-	3	107
Insurance and Financial Guaranty Firms	4	10	864	2,647
Mutual funds	179	-	823	2,444
Nonfinancial corporations	464	1,437	25,488	60,671
Pension Plans	0	-	2	-
Sovereign national governments	4,391	2,393	230,186	241,977
SPVs, SPCs, and SPEs	-	-	-	186
Supranationals	-	-	1,561	1,557

TABLE 26: CREDIT VALUATION ADJUSTMENT (CVA)

	31.12.2019		31.12.2018	
(In EURm)	Exposure value	RWA	Exposure value	RWA
Total portfolios subject to the Advanced Method	33,457	2,276	35,461	4,074
(i) VaR component (including the 3×multiplier)	-	318	-	602
(ii) Stressed VaR component (including the 3×multiplier)	-	1,959	-	3,471
All portfolios subject to the Standardised Method	5,611	310	8,759	830
Based on Original Exposure Method	-	-	-	-
TOTAL SUBJECT TO THE CVA CAPITAL CHARGE	**39,068**	**2,586**	**44,220**	**4,904**

Change in risk-weighted assets (RWA) and capital requirements for credit and counterparty risks

TABLE 27: CHANGE IN RISK-WEIGHTED ASSETS (RWA) BY METHOD ON OVERALL CREDIT RISK (CREDIT AND COUNTERPARTY)

(In EURm)	RWA - IRB	RWA - Standard	RWA - Total	Capital requirements - IRB	Capital requirements - Standard	Capital requirements - total
RWA as at end of previous reporting period (31.12.2018)	**181,651**	**116,167**	**297,818**	**14,532**	**9,293**	**23,825**
Asset size	(3,375)	740	(2,636)	(270)	59	(211)
Asset quality	(242)	132	(110)	(19)	11	(9)
Model updates	22	-	22	2	-	2
Methodology and policy	(4,091)	(1,588)	(5,679)	(327)	(127)	(454)
Acquisitions and disposals	(432)	(12,197)	(12,628)	(35)	(976)	(1,010)
Foreign exchange movements	1,074	1,348	2,421	86	108	194
Other	752	(52)	700	60	(4)	56
RWA AS AT END OF REPORTING PERIOD (31.12.2019)	**175,359**	**104,549**	**279,908**	**14,029**	**8,364**	**22,393**

The table above presents the data without CVA (Credit Value Adjustment).

The main effects explaining the EUR 17.9 billion decrease in RWA (excluding CVA) in 2019 are as follows:

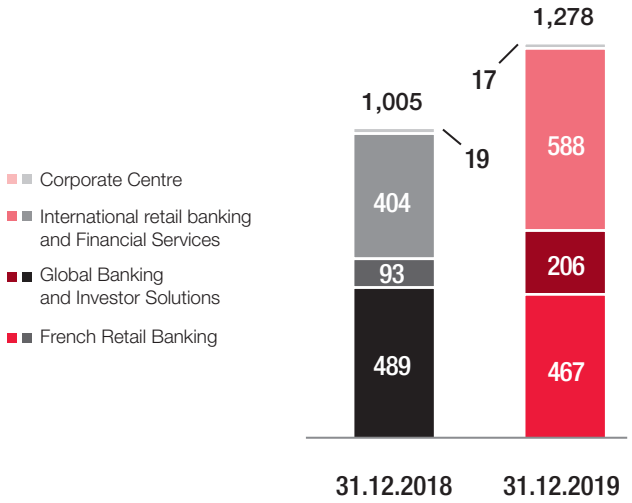
- a decrease of EUR -2.6 billion related to the activity: decreasing Global Banking activity (EUR -4.5 billion), partially offset by an increase of EUR +2.3 billion) in the French network;
- a change in the prudential scope of EUR -12.6 billion related to the several disposals of entities operated in 2019;
- a foreign exchange effect (EUR +2.4 billion), mainly related to the appreciation of the US dollar against the euro (EUR +0.9 billion) as well as that of the Russian rouble against the euro (EUR +0.7 billion).

The effects are defined as follows:

- Asset size: organic changes in book size and composition (including the creation of new business lines and maturing loans) but excluding changes due to acquisitions and disposals of entities;
- Asset quality: changes in the quality of the Bank's assets due to changes in borrower risk, such as rating grade migration or similar effects;
- Model updates: changes due to model implementation, changes in model scope or any changes intended to address model weaknesses;
- Methodology and policy: changes due to methodological changes in calculations driven by regulatory changes, including both revisions to existing regulations and new regulations;
- Acquisitions and disposals: changes in book size due to acquisitions and disposals of entities;
- Foreign exchange movements: changes arising from market fluctuations, such as foreign currency translation movements;
- Other: this category is used to capture changes that cannot be attributed to any other categories.

Net cost of risk

CHANGE IN GROUP NET COST OF RISK (IN EURM)



The **Group's net cost of risk** in 2019 amounted to EUR -1,278 million, up to + 27.1% compared to 2018. Normalization thus remains very gradual compared to the level in 2018.

Measured in basis points on average outstandings at the start of the period of the four quarters preceding the closing, including operating leases, the cost of risk remains low. It stood at 25 basis points in 2019 compared to 21 basis points in 2018.

- In **French Retail Banking**, the commercial cost of risk fell to 24 basis points in 2019 compared to 26 basis points in 2018, illustrating the quality of the credit policy.
- At 43 basis points in 2019 (versus 30 basis points in 2018), the cost of risk of the **Retail Banking and International Financial Services** division is increasing but remains low, demonstrateing the effectiveness of the policies implemented to improve loan portfolio quality.

  More specifically, the cost of risk in the Czech Republic and Romania is a net recovery (- 9 and - 56 basis points, respectively, in 2019).
- **Global Banking and Investor Solutions'** cost of risk stood at 13 basis points (versus 6 basis points in 2018).

Audited I ANALYSIS OF GROSS OUTSTANDINGS AND PROVISIONS FOR CREDIT RISK

The following tables detail the provisionable outstandings (balance sheet and off-balance sheet) subject to impairment and provisions in accordance with the new model for estimating expected credit losses introduced by IFRS 9 and the impairments and provisions by stage.

The scope of these tables includes :

- securities (excluding securities received under repurchased agreements) and loans to customers and credit institutions and similar measured at amortised cost or at fair value through equity;
- lease and finance lease;
- financing and guarantee commitments.

Provisionable outstanding represented EUR 840 billions at 31 December 2019. Outstandings of ex-Newedge brokerage outside France are excluded from the outstandings presented in tables 28, 29 and 30. There is no scope exclusion regarding provisions and impairments.

To be homogeneous, all of the British Overseas Territories are nowpresented separately from the United Kingdom. The 2018 tables havebeen adjusted with this new presentation.

Credit risk exposures increased by EUR 24 billion, rising from EUR 816 billion to EUR 840 billion, mainly due to the following situations:

- The increase in exposures to retail customers (EUR +19 billion) was largely driven by the increase in mortgage lending activity in France and reclassifications from the Corporate portofolio;
- The increase in exposure to sovereigns (EUR +19 billion) is linked to an increase in our deposits towards Central Banks in Asia, Western Europe and France;
- The decrease in exposure to corporates (EUR -17 billion) was chiefly due to the disposal of entities, the implementation of securitisation programs and reclassifications in the Retail portofolio.

Impairments and provisions decreased by EUR 0.7 billion, from EUR 12.3 billion to EUR 11.6 billion. The decrease concerns Stage 3 and is mostly distributed between corporate (accordingly to the decrease on exposure) and retail customers.

Despite an overall increase in provisioned outstandings over the financial year, the amount of impairments and provisions remains close to the level posted on 31 December, 2018. The stability can be chiefly explained by the nature, the geographic area and the quality of the counterparties ratings for the new exposures (mainly sovereigns and retail customers in France) and by the time effect (the credit losses from these new exposures being calculated on the basis of a 12-month period). ▲

AUDITED I TABLE 28 : BASEL PORTFOLIO BREAKDOWN OF PROVISIONED OUTSTANDINGS, PROVISIONS AND IMPAIRMENT FOR CREDIT RISK

	31.12.19							
	Provisioned outstandings				Impairment and Provisions			
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	165,237	183	109	165,529	5	6	67	78
Institutions	48,200	506	36	48,742	9	42	12	63
Corporates	342,066	12,536	8,683	363,285	542	626	4,717	5,885
Retail	204,232	16,673	8,558	229,463	465	549	4,560	5,574
Others	32,880	247	5	33,132	18	4	3	25
TOTAL	**792,615**	**30,145**	**17,391**	**840,151**	**1,039**	**1,227**	**9,359**	**11,625**

	31.12.18							
	Provisioned outstandings				Impairment and Provisions			
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	145,759	733	218	146,710	10	1	69	80
Institutions	55,034	361	82	55,477	9	6	16	31
Corporates	357,221	13,949	9,410	380,580	589	648	5,098	6,335
Retail	184,958	16,017	9,289	210,264	427	570	4,870	5,867
Others	23,111	67	54	23,232	-	-	9	9
TOTAL	**766,083**	**31,127**	**19,053**	**816,263**	**1,035**	**1,225**	**10,062**	**12,322**

AUDITED I TABLE 29 : GEOGRAPHICAL BREAKDOWN OF PROVISIONED OUTSTANDINGS, PROVISIONS AND IMPAIRMENT FOR CREDIT RISK

	31.12.2019							
	Provisioned outstandings				Impairment and Provisions			
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	358,931	19,606	9,927	388,464	421	703	4,834	5,958
Western European countries (excluding France)	153,418	3,680	1,911	159,009	186	119	821	1,126
Eastern European countries EU	48,747	3,358	1,012	53,117	93	184	639	916
Eastern Europe excluding EU	25,879	518	516	26,913	85	25	437	547
North America	108,578	411	348	109,337	37	28	49	114
Latin America and Caribbean	10,198	344	206	10,748	9	5	103	117
Asia-Pacific	43,174	391	230	43,795	16	5	191	212
Africa and Middle East	43,690	1,837	3,241	48,768	192	158	2,285	2,635
TOTAL	**792,615**	**30,145**	**17,391**	**840,151**	**1,039**	**1,227**	**9,359**	**11,625**

	31.12.2018							
	Provisioned outstandings				Impairment and Provisions			
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	339,663	19,298	10,806	369,767	427	735	5,292	6,454
Western European countries (excluding France)	156,177	3,602	1,996	161,775	178	119	906	1,203
Eastern European countries EU	49,423	3,612	1,279	54,314	118	170	842	1,130
Eastern Europe excluding EU	22,423	905	844	24,172	76	18	655	749
North America	107,433	361	606	108,400	32	27	52	111
Latin America and Caribbean	10,603	985	237	11,825	7	6	73	86
Asia-Pacific	39,343	165	225	39,733	14	2	153	169
Africa and Middle East	41,018	2,199	3,060	46,277	184	148	2,088	2,420
TOTAL	**766,083**	**31,127**	**19,053**	**816,263**	**1,035**	**1,225**	**10,062**	**12,322**

AUDITED I TABLE 30: PROVISIONED OUTSTANDINGS, PROVISIONS AND IMPAIRMENT FOR CREDIT RISK BY RATING OF COUNTERPARTY

	31.12.2019							
	Provisioned outstandings				Impairment and Provisions			
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	68,702	-	-	68,702	0	-	-	0
2	106,537	1	-	106,538	1	0	-	1
3	75,750	8	-	75,758	5	0	-	5
4	127,321	372	-	127,693	34	2	-	36
5	105,472	2,252	-	107,724	153	59	-	212
6	22,731	5,503	-	28,234	146	221	-	367
7	812	2,174	-	2,986	7	137	-	144
Default (8, 9, 10)	-	-	8,133	8,133	-	-	4,316	4,316
Other method	285,290	19,835	9,258	314,383	693	808	5,043	6,544
TOTAL	**792,615**	**30,145**	**17,391**	**840,151**	**1,039**	**1,227**	**9,359**	**11,625**

	31.12.2018							
	Provisioned outstandings				Impairment and Provisions			
(In EURm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	65,767	-	-	65,767	0	-	-	0
2	97,899	-	-	97,899	1	0	-	1
3	74,741	2	-	74,743	4	0	-	4
4	127,159	647	-	127,806	42	1	-	43
5	99,575	2,976	-	102,551	172	29	-	201
6	25,459	5,668	-	31,127	145	225	-	370
7	2,472	2,780	-	5,252	26	190	-	216
Default (8, 9, 10)	-	-	8,589	8,589	-	-	4,404	4,404
Other method	273,011	19,054	10,464	302,529	645	780	5,658	7,083
TOTAL	**766,083**	**31,127**	**19,053**	**816,263**	**1,035**	**1,225**	**10,062**	**12,322**

Provisioning of doubtful loans

TABLE 31: PROVISIONING OF DOUBTFUL LOANS

(In EURbn)	31.12.2019	31.12.2018
Gross book outstandings	507.1	501.2
Doubtful loans	16.2	18.0
GROSS DOUBTFUL LOANS RATIO	**3.2 %**	**3.6%**
Stage 1 provisions	0.9	0.9
Stage 2 provisions	1.0	1.0
Stage 3 provisions	9.0	9.7
GROUP GROSS DOUBTFUL LOANS COVERAGE RATIO (STAGE 3 PROVISIONS / DOUBTFUL LOANS)	**55 %**	**54%**

Scope: customer loans, amounts due from banks, operating leases, lease financing and similar agreements.

Detail regarding guarantees and collateral is available on p. 185.

Restructured debt

Audited I For the Societe Generale Group, "restructured" debt refers to loans whose amount, term or financial conditions have been contractually modified due to the borrower's insolvency (whether insolvency has already occurred or will definitely occur unless the debt is restructured). Societe Generale aligns its definition of restructured loans with the EBA definition.

Restructured debt does not include commercial renegotiations involving customers for which the Bank has agreed to renegotiate the debt in order to maintain or develop a business relationship, in accordance with credit approval rules in force and without relinquishing any of the principal or accrued interest.

Any situation leading to debt restructuring entails placing the customer in question in the Basel default category and classifying the loans themselves as impaired.

Customers whose loans have been restructured are kept in the default category until uncertainty is lifted over their ability to meet their future commitments and for at least one year.

Restructured debt totalled EUR 4.02 billion at 31 December 2019. ▲

TABLE 32: RESTRUCTURED DEBT

(In EURm)	31.12.2019	31.12.2018
Non-performing restructured debt	3,139	4,187
Performing restructured debt	882	919
TOTAL	**4,021**	**5,106**

The decrease in non-performing restructured loans mainly results from the return to performing status of significant restructured loans. Note also the exit from restructured status of performing loans reaching the end of the two-year probation period with no credit event.

4.6 MARKET RISK

Audited I Market risk is the risk of loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters, and the correlations between them. These parameters include, but are not limited to, exchange rates, interest rates, the price of securities (equities or bonds), commodities, derivatives and other assets.▲

4.6.1 ORGANISATION OF THE MARKET RISK MANAGEMENT

Audited I Although primary responsibility for managing risk exposure lies with the front office managers, the supervision system comes under the Market Risk Department of the Risk Division, which is independent from the businesses.

This department:

- checks the existence of an effective market risk monitoring framework based on suitable limits;
- assesses the limit requests submitted by the different businesses within the framework of the overall limits authorized by the Board of Directors and General Management, and based on the use of these limits;
- proposes appropriate market risk limits by Group activity to the Group Risk Committee;
- defines methods for assessing market risk;
- approves the valuation models used to calculate risk and results;
- defines methodologies for calculating provisions for market risk (reserves and adjustments to earnings) and additional valuation adjustments (AVA);
- calculates and certifies on a daily basis, market risk indicators and P&L resulting from market activities, based on formal and secure procedures, then reports and analyses these indicators;
- monitors on a daily basis the limits set for each activity;
- defines the methods for determining the parameters used for the calculation of risks and results, validates sources to be used for these parameters.

In order to perform its tasks, the department also defines the architecture and the functionalities of the information system used to produce the risk and P&L indicators for market transactions, and ensures it meets the needs of the different businesses and of the Market Risk Department. ▲

In addition, this department also contributes to the detection of possible rogue trading operations through a monitoring mechanism based on alert levels (on gross nominal value of positions for example) applied to all instruments and desks.

In terms of governance, within the Market Risk Department, the main functional and transversal subjects are dealt with during Committees organised by value chains (market risk, P&L and valuation, etc.). These Committees are decision-making bodies, composed of senior representatives from each relevant Department teams and regions. Beyond the Department, market risks oversight is provided by various Committees at different levels of the Group:

- the market risk related to the Global Markets Division are reviewed during the Market Risk Committee (MRC) led by the Market Risk Department and co-chaired by the Risk Division and by the Global Markets Division. This committee provides information on risk levels for the main risk indicators as well as for some specific activities pointed out depending on market or business driven events. It also provides an opinion on the market risk framework changes falling under the remit of the Risk Division and Global Markets Division;
- the Risk Committee (CORISQ), chaired by the Chief Executive Officer of the Group, is regularly informed of Group-level market risk. Moreover, upon a proposal from the Market Risk Division, it validates the main choices with regard to market risk measurement, as well as the key developments on the architecture and implementation of the market risk framework at Group level;
- the Risk Committee of the Board of Directors is informed of the Group's major market risks; in addition, it issues a recommendation on the most substantial proposed changes in terms of market risk measurement and framework (after prior approval by the CORISQ); this recommendation is then referred to the Board of Directors for a decision;
- accounting valuation matters are addressed in two valuation committees, both chaired by the Finance Division and both attended by representatives of the Global Markets Division and the Market Risk department: the Global Valuation Committee which discusses and approves financial instrument valuation methodologies (model refinements, reserve methodologies, etc.) and the Global Valuation Review Committee, which reviews changes in reserves, valuation adjustment figures, and related accounting impacts;
- the topics related to Prudent Valuation are dealt with during methodological committees and validation committees, organised quarterly, and both chaired by the Finance Division and both attended by representatives of the Global Markets Division and the Market Risk department.

In addition to these Committees, detailed and summary market risk reports, produced on a daily, weekly, monthly or quarterly basis, either related to various Group levels or geographic areas, are sent to the relevant business line and risk function managers.

4.6.2 MARKET RISK MONITORING PROCESS

Methods for measuring market risk and defining limits

Audited I The Group's market risk assessment is based on several types of indicators, which are monitored through limits:

- the 99% Value-at-Risks (VaR) and stressed Value-at-Risks (sVaR): in accordance with the regulatory internal model, these global indicator are used for the day-to-day monitoring of the market risks incurred by the Group within the scope of its trading activities;
- stress test measurements, based on decennial shock-type indicators, which make it possible to restrict the Group's exposure to systemic risk and exceptional market shocks. These measurements can be global, multi-risk factor (based on historic or hypothetical scenarios), by activity or risk factor in order to take into account extreme risks on a specific market, or event-driven, to temporarily monitor a particular situation;
- sensitivity and nominal indicators used to manage the size of positions:
  - sensitivities are used to monitor the risk incurred locally on a given type of position (e.g. sensitivity of an option to changes in the underlying asset);
  - while nominal indicators are used for significant positions in terms of risk;
- additional metrics such as concentration risk or holding period, maximum maturity, etc.

The following indicators are also calculated: IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure) on a weekly basis. The capital charges arising from these internal models complement those calculated due to the VaR / SVaR models by taking into account the rating migration risks and the default risks. ▲

Allocation of market risk appetite within the Group

Risk appetite is defined as the level of risk that the Group is prepared to assume to achieve its strategic goals.

The business development strategy of the Group for market activities is primarily focused on meeting client needs[1], with a full range of products and solutions. The risk resulting from these market activities is strictly managed through a set of limits for several indicators (stress tests, VaR/sVaR, sensitivity and nominal indicators, etc.).

The Market Risk Department is responsible for the assessment and validation of the limit requests submitted by the different business lines. These limits ensure that the Group complies with the market risk appetite approved by the Board of Directors, further to a proposal from General Management[2].

The choice and calibration of these limits ensure the operational transposition of the Group's market risk appetite through its organisation:

- these limits are allocated at various levels of the Group's structure and/or by risk factor;
- their calibration is determined using a detailed analysis of the risks related to the portfolio managed. This analysis may include various elements such as market conditions, specifically liquidity, position maneuverability, income generated in view of risks taken, etc.;
- regular reviews make it possible to manage risks according to the prevailing market conditions;
- specific limits, or even bans, may be put in place to manage risks for which the Group has little or no risk appetite.

The desk mandates and Group policies stipulate that traders must have a sound and prudent management of positions and must respect the defined frameworks. The limits set for each activity are monitored daily by the Market Risk Department. This continuous monitoring of the market risk profile is the object of regular discussions between the risk and business teams, further to which various risk hedging or mitigation initiatives may be taken by the Front Office in order to remain within the defined limits. In the event of a breach of limit, the Front Office must immediately state the reasons, and take the necessary measures to return within the defined framework, or otherwise request a temporary or permanent increase of limit if the clients requests and if market conditions justify such a course of action.

In addition to the governance structure in place between the various departments of the Risk function, Finance Division and business lines, the monitoring of limits usage, due to the products/solutions provided to clients and the market-making activities, also contributes to ensuring that market risk to which the Group is exposed are properly managed and understood.

4.6.3 VALUATION OF FINANCIAL INSTRUMENTS

In terms of valuation, market products are marked to market, when such market prices exist; otherwise, they are valued using parameter-based models.

On the one hand, each model designed by the front office is subject to independent validation by the Market Risks Department as second line of defence that especially checks the theoretical aspects of the model (relevance of the hypotheses, analytical calculations, numerical methods), its performance (for instance in case of stressed conditions) and its implementation in systems. Following this review, the validation status of the model, its scope of use and the recommendations which will have to be dealt with are formalized in a report.

On the other hand, the parameters used in the valuation models – whether or not they come from observable data – are subject to controls by the Market Risks Department and the Finance Division (Independent Pricing Verification). If necessary, the valuations are supplemented by reserves or adjustments (for example, bid-ask spreads or liquidity) using calculation methods approved by the Market Risk Department.

(1) Market transactions not related to client activities are confined in a dedicated subsidiary, Descartes Trading, and are subject to a specific and limited risk appetite. The Group decided that this type of activity would stop by the end of the first quarter of 2020.

(2) See "Risk Appetite" section for the detailed description of the governance and implementation of the risk appetite, as well as the role the Risk Division plays in defining it.

Accounting valuation governance is enforced through two valuation committees, both attended by representatives of the Global Markets Division, the Market Risk department and the Finance Division:

- the Global Valuation Committee is convened whenever necessary, and at least every quarter, to discuss and approve financial instrument valuation methodologies (model refinements, reserve methodologies, etc.). This committee, chaired by the Finance Division and organised by its valuation expert team (Valuation Group) has worldwide accountability with respect to the approval of the valuation policies concerning financial instruments on market activities;
- on a quarterly basis, the Global Valuation Review Committee, chaired by the Finance Division, reviews changes in reserves, valuation adjustment figures, and related accounting impacts. This analytical review is performed by the Valuation Group.

Lastly, a Valuation Policy guide describes the valuation framework and its governance, specifying the breakdown of responsibilities between the stakeholders.

Furthermore, regarding the prudential component, Additional Valuation Adjustments (AVAs) are computed on fair value assets, in compliance with the Regulatory Technical Standards (RTS) published by the European Banking Authority (EBA), which lay out the requirements related to Prudent Valuation, in addition to the principles already specified in the CRD3 (Capital Requirements Directive). These Regulatory Technical Standards define the various uncertainties which have to be taken into account in the Prudent Valuation and set a target level of confidence to reach.

Within this framework, in order to take into account the various factors which could generate additional exit costs compared to the expected valuation (model risk, concentration risk, liquidation cost, uncertainty on market prices, etc.), Prudent Valuation Adjustments (PVAs) are computed for each exposure. The Additional Valuation Adjustments (AVAs) are defined as the difference between the Prudent Valuation obtained and the accounting fair value of the positions, in order to comply with the target level of confidence to reach (the confidence interval is equal to 90%). These amounts of AVA are deducted from the Common Equity Tier 1 capital.

In terms of governance, the topics related to Prudent Valuation are dealt with during methodological committees and validation committees, chaired by the Finance Division and organised quarterly, and both attended by representatives of the Global Markets Division and the Market Risk department.

4.6.4 MARKET RISK MAIN MEASURES

99% Value-at-Risk (VaR)

Audited I The Internal VaR Model was introduced at the end of 1996 and has been approved by the French regulator within the scope of the regulatory capital requirements.

The Value-at-Risk (VaR) assesses the potential losses on positions over a defined time horizon and for a given confidence interval (99% for Societe Generale). The method used is the "historical simulation" method, which implicitly takes into account the correlation between the various markets, as well as general and specific risk. It is based on the following principles:

- storage in a database of the risk factors that are representative of Societe Generale's positions (i.e. interest rates, share prices, exchange rates, commodity prices, volatility, credit spreads, etc.). Controls are regularly performed in order to check that all major risk factors for the trading portfolio of the Group are taken into account by the internal VaR model;

Main risk factors	Description
Interest rates	Risk resulting from changes in interest rates and their volatility on the value of a financial instrument sensitive to interest rates, such as bonds, interest rate swaps, etc.
Share prices	Risk resulting from variations in prices and volatility of shares and equity indices, in the level of dividends, etc.
Exchange rates	Risk resulting from the variation of exchange rates between currencies and of their volatility.
Commodity prices	Risk resulting from changes in prices and volatility of commodities and commodity indices.
Credit Spreads	Risk resulting from an improvement or a deterioration in the credit quality of an issuer on the value of a financial instrument sensitive to this risk factor such as bonds, credit derivatives (credit default swaps for example).

- definition of 260 scenarios corresponding to one-day variations in these market parameters over a rolling one-year period; these scenarios are updated daily with the inclusion of a new scenario and the removal of the oldest scenario. There are three coexisting methods for modelling scenarios (relative shocks, absolute shocks and hybrid shocks), the choice between these methods for a given risk factor is determined by its nature and its historical trend;
- the application of these 260 scenarios to the market parameters of the day;
- revaluation of daily positions, on the basis of the 260 sets of adjusted market parameters: in most cases this calculation involves a full re-pricing. Nonetheless, for certain risk factors, a sensitivity-based approach may be used.

Within the framework described above, the one-day 99% VaR, calculated according to the 260 scenarios, corresponds to the mean of the second and third largest losses computed, without applying any weighting to the scenarios.

The day-to-day follow-up of market risk is performed via the one-day VaR, which is calculated on a daily basis at various granularity levels. Regulatory capital requirements, however, oblige us to take into account a ten-day horizon, thus we also calculate a ten-day VaR, which is obtained by multiplying the one-day VaR aggregated at Groupe level by the square root of 10. This methodology complies with regulatory requirements and has been reviewed and validated by the regulator.

The VaR assessment is based on a model and a certain number of conventional assumptions, the main limitations of which are as follows:

- by definition, the use of a 99% confidence interval does not take into account losses arising beyond this point; VaR is therefore an indicator of the risk of loss under normal market conditions and does not take into account exceptionally significant fluctuations;
- VaR is computed using closing prices, meaning that intra-day fluctuations are not taken into account;
- the use of a historical model is based on the assumption that past events are representative of future events and may not capture all potential events.

The Market Risk Department mitigates the limitations of the VaR model by performing stress tests and other additional measurements.

The same model is used for the VaR computation for almost all of Global Banking & Investor Solution's activities (including those related to the most complex products) and the main market activities of Retail Banking and Private Banking. The few activities not covered by the VaR method, either for technical reasons or because the stakes are too low, are monitored using stress tests, and capital charges are calculated using the standard method or through alternative in-house methods. The main market risk not covered by an internal model is the exchange risk of the banking book, which is not subject to a daily revaluation by construction and therefore cannot be taken into account in a VaR calculation.

The relevance of the model is checked through continuous backtesting in order to verify whether the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval. The results of the backtesting are audited by the Risk Department in charge of the validation of internal models, which, as second line of defense, also assesses the theoretical robustness (from a design and development standpoint), the correctness of the implementation and the adequacy of the model use. The independent review process ends with (i) review and approval committees and (ii) an audit report detailing the scope of the review, the tests performed and their outcomes, the recommendations and the conclusion of the review. The model control mechanism gives rise to reporting to the appropriate authorities.

In compliance with regulations, backtesting compares the VaR to the (i) actual and (ii) hypothetical change in the portfolio's value:

- in the first case (backtesting against "actual P&L"), the daily P&L[1] includes the change in book value, the impact of new transactions and of transactions modified during the day (including their sales margins), refinancing costs, the various related commissions (brokerage fees, custody fees, etc.), as well as provisions and parameter adjustments made for market risk;
- in the second case (backtesting against "hypothetical P&L"), the daily P&L[2] includes only the change in book value related to changes in market parameters and excludes all other factors. ▲

In 2019, daily losses on market activities were observed on 22 occasions[3], and one backtesting breach occurred, on 8 February, against hypothetical P&L, explained by losses on equity activities in Europe following a significant increase in the volatility of the Eurostoxx and on interest rate activities in Europe to a lesser extent.

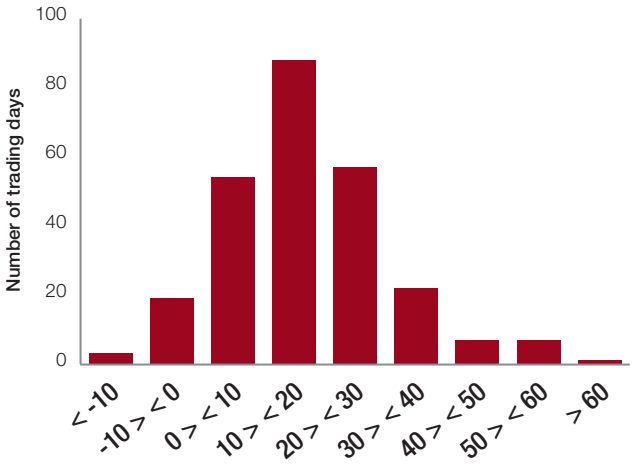
TABLE 33: REGULATORY TEN-DAY 99% VAR AND ONE-DAY 99% VAR

	31.12.2019		31.12.2018	
(In EURm)	VaR (10 days, 99%)[1]	VaR (1 day, 99%)[1]	VaR (10 days, 99%)[1]	VaR (1 day, 99%)[1]
Period start	49	16	54	17
Maximum value	113	36	86	27
Average value	71	23	56	18
Minimum value	40	13	33	10
Period end	85	27	59	19

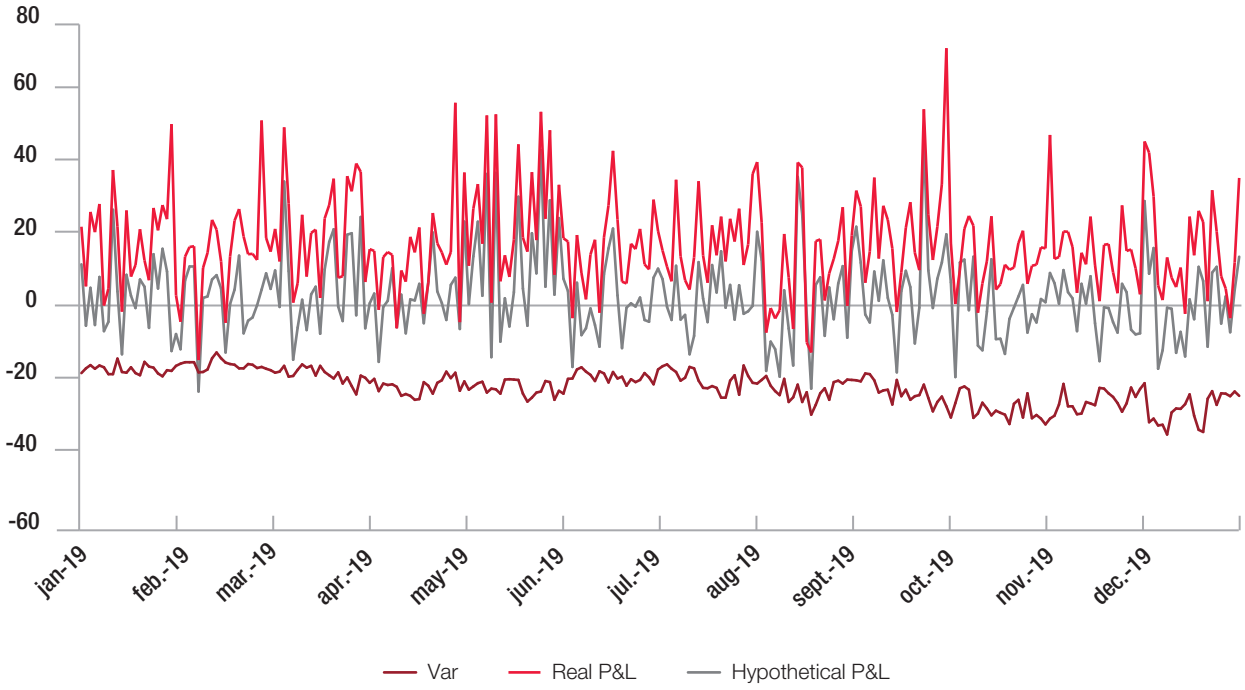
(1) Over the scope for which capital requirements are assessed by internal model.

(1) "Actual P&L" by agreement hereinafter.
(2) "Hypothetical P&L" by agreement hereinafter.
(3) Based on actual P&L.

BREAKDOWN OF THE DAILY P&L[1] OF MARKET ACTIVITIES (2019, IN EURM)

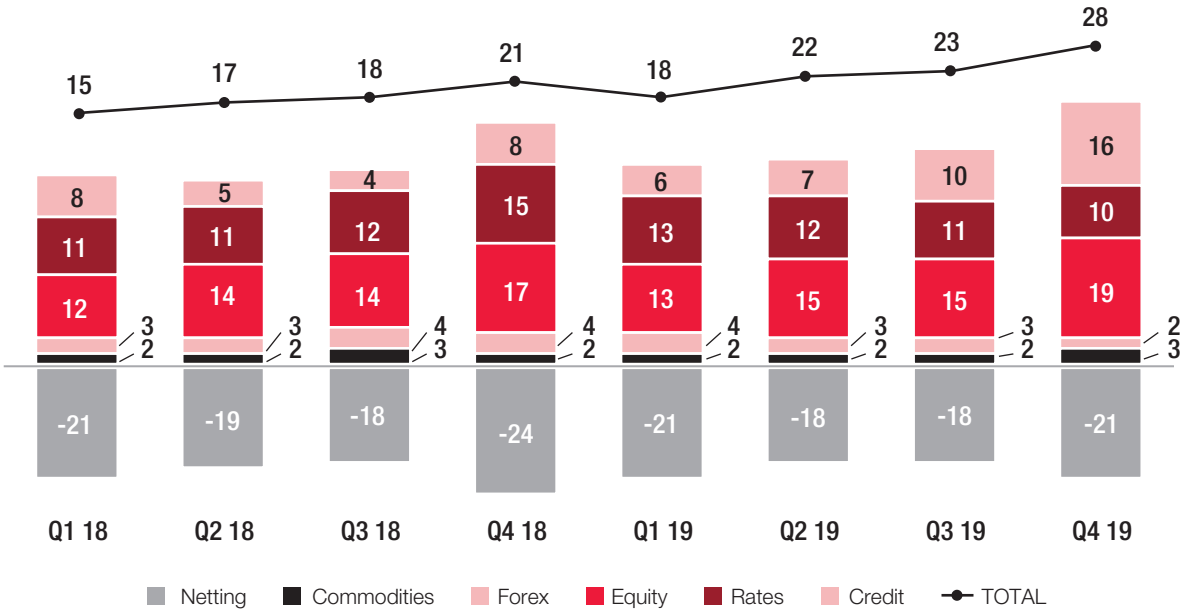


TRADING VAR (ONE-DAY, 99%), DAILY ACTUAL P&L[2] AND DAILY HYPOTHETICAL P&L[3] OF THE TRADING PORTFOLIO (2019, IN EURM)



(1) Actual P&L.
(2) Daily profit or loss used for the VaR backtesting against actual P&L, as defined in the "99% Value-at-Risk (VaR)"
(3) Daily profit or loss used for the VaR backtesting against hypothetical P&L, as defined in the "99% Value-at-Risk (VaR)"

AUDITED I BREAKDOWN BY RISK FACTOR OF TRADING VAR (ONE-DAY, 99%) – CHANGES IN QUARTERLY AVERAGE OVER THE 2018-2019 PERIOD (IN EURM)



Audited I VaR was riskier in 2019 (EUR 23 million vs. EUR 18 million in 2018) with an upward trend over the whole year. This gradual increase comes from the natural renewal of the scenarios used in the VaR computation window, in particular those added during the summer, applying market rebound shocks (i.e. price increases and fall in volatility) and sharp rates hikes on long term maturities. ▲

Stressed VaR (SVaR)

Audited I At end-2011, Societe Generale was authorised by the French Prudential and Resolution Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR) to supplement its internal models with the CRD3 requirements, in particular Stressed VaR, for the same scope as VaR.

The calculation method used for the 99% one-day SVaR is the same as as the one for the VaR. It consists in carrying out a historical simulation with one-day shocks and a 99% confidence interval. Contrary to VaR, which uses 260 scenarios for one-day fluctuations over a rolling one-year period, SVaR uses a fixed one-year historical window corresponding to a period of significant financial tension.

The method for determining the fixed historical stress window, which has been approved by the regulator[1], is based on a review of the historic shocks on the risk factors representative of the Societe Generale portfolio (related to equity, fixed income, foreign exchange, credit and commodity risks): historical shocks are aggregated to determine the period of highest stress for the entire portfolio. Each risk factor is assigned a weighting to account for the weight of each risk factor within its asset class and the weight of the asset class in the Group's VaR. The historical window used is reviewed annually. In 2019, this window was "September 2008-September 2009".

The ten-day SVaR used for the computation of the regulatory capital is obtained, as for VaR, by multiplying the one-day SVaR by the square root of ten.

The continuous backtesting performed on VaR model cannot be replicated to the SVaR model as, by definition, it is not sensitive to the current market conditions. However, as the VaR and the SVaR models rely on the same approach, they have the same advantages and limitations.

The relevance of the SVaR is regularly monitored and reviewed by the Risk Department in charge of the validation of internal models, as second line of defense. The independent review process ends with (i) review and approval committees and (ii) an audit report detailing the scope of the review, the tests performed and their outcomes, the recommendations and the conclusion of the review. The model control mechanism gives rise to recurrent reporting to the appropriate authorities.

The SVaR remained stable on average in 2019 (EUR 38 million vs. EUR 40 million in 2018). The main contributing factors remain the same as in 2018, namely, the Fixed Income activities, the volatility being due to equity derivatives. ▲

(1) *A complementary method has been submitted to the regulator for approval in Q2 2018: the purpose is to ensure the relevance of the period obtained following the method based on the weighting of historical shocks by computing an approached VaR on the same selection of risk factors representative of Societe Generale portfolio.*

TABLE 34: REGULATORY TEN-DAY 99% SVAR AND ONE-DAY 99% SVAR

	31.12.2019		31.12.2018	
(In EURm)	Stressed VaR (10 days, 99%)[1]	Stressed VaR (1 day, 99%)[1]	Stressed VaR (10 days, 99%)[1]	Stressed VaR (1 day, 99%)[1]
Period start	108	34	65	21
Maximum value	213	67	395	125
Average value	119	38	128	40
Minimum value	49	15	50	16
Period end	112	35	156	49

(1) Over the scope for which capital requirements are assessed by internal model.

Stress test assessment

Audited I Alongside the internal VaR model, Societe Generale monitors its exposure using stress test simulations to take into account exceptional market disruptions.

A stress test estimates the loss resulting from an extreme change in market parameters over a period corresponding to the time required to unwind or hedge the positions affected.

Two major metrics are defined and used:

- the Global Stress Test on market activities, which covers all the trading risks that could arise simultaneously in the event of a severe but plausible systemic crisis. This stress test is modelled on five scenarios;
- the Market Stress Test, which uses the same scenarios as the Global Stress Test and additional scenarios corresponding to different market conditions, focusing solely on market risk.

The various scenarios for those stress tests are reviewed by the Risk Division on a regular basis. These reviews are presented during dedicated biannual committee meetings, chaired by Market Risk Department and attended by economists and representatives of Societe Generale's trading activities. These committee meetings cover the following topics: changes in scenarios (introduction, removal, shock review), appropriate coverage of the risk factors by the scenarios, review of the approximations made in terms of calculation, correct documentation of the whole process. The delegation level needed to validate the changes in stress test scenarios depends on the impact of the change in question.

Theses stress test risk assessments are applied throughout all the Bank's market activities. Stress test limits are established for Societe Generale's activity as a whole (and then for the Group's various business lines for the Market Stress Test). Together with the VaR model, these stress test risk assessments are one of the main pillars of the risk management framework.

THE GLOBAL STRESS TEST ON MARKET ACTIVITIES

The Global Stress Test on market activities has been the main risk indicator used on this scope since 2018. It covers all the trading risks that would occur simultaneously in case of a severe, but plausible, market crisis. The impact is measured over a short period of time with an expected occurrence of once per decade. The Global Stress Test uses five market scenarios and has three parts, each of which are considered in each of the five scenarios in order to ensure consistency within the same scenario:

- market risk;
- dislocation and carry risk on exotic activities related to concentration effects and crowded trades;
- market/counterparty cross-risk arising in structured products and collateralised financing transactions as well as in transactions with weak counterparties (hedge funds and proprietary trading groups).

The Global Stress Test corresponds to the least favourable results arising from the five scenarios and their respective components.

The market risk component

It corresponds to:

- the results of the Market Stress Test[1] restricted to scenarios that could cause dislocation effects on market positions and default by weak counterparties. These scenarios all simulate a sharp fall in the equity markets and a widening in credit spreads which could trigger dislocation effects. At present, these scenarios include four hypothetical scenarios (terrorist attack, generalised scenario (financial crisis scenario), euro zone crisis, a generalised fall in the value of risky assets) and one historical scenario focused on early October 2008, and;
- the impact of the stress test scenario on CVA (Credit Value Adjustment) and FVA (Funding Value Adjustment) reserves, as their variations affect trading results.

The dislocation and carry risk component

Additional market risks to those assessed in the Market Stress Test can occur in market situation in which one or more participants – generally structured products sellers – have concentrated or crowded trades. Dynamic risk hedging strategies can cause larger market dislocations than those calibrated in the Market Stress Test, and these dislocations can extend beyond the shock timeline used due to an imbalance between supply and demand.

(1) Measurement of the impact in the Net Banking Product in case of shocks on all risk factors (refer to below description).

Equity, credit, fixed income, currency and commodity trading activities are regularly reviewed to identify these areas of risk and to define a scenario that takes into account the specific features of each activity and position. Each scenario associated with an identified area of risk is added to the market risk component if – and only if – it is compatible with the market scenario in question.

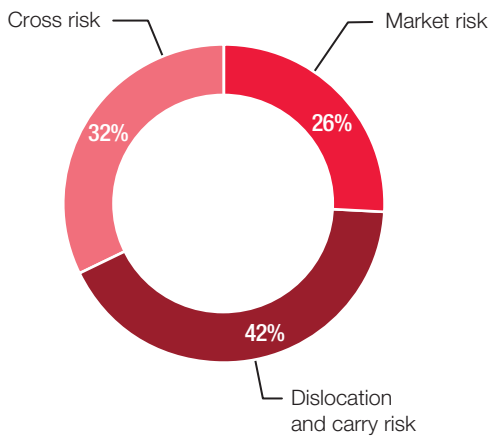
Market/counterparty cross-risk component on weak counterparties

Some counterparties may be significantly affected by a major crisis on the financial markets and their probability of default may increase. The third component of the Global Stress Test therefore aims to take into account this increased risk on certain types of weak counterparties (hedge funds and proprietary trading groups).

Three measurements are used:

- **the collateralised financing stress test:** this stress test focuses on collateralized financing activities and more specifically on weak counterparties. It applies a dislocation shock to several asset classes with the assumption of extremely tight liquidity conditions. Collateral and counterparty default rates are stressed concomitantly, taking into account any consanguinity with the collateral posted;
- **the hedge fund financing stress test:** this indicator measures the expected loss generated by products incurring gap risk (leveraged certificates, credit facilities, etc.) with hedge funds as underlying assets in extreme scenarios (expected occurrence of once per decade);
- **the adverse stress test on hedge funds and proprietary trading groups (PTG):** this stress test applies two stress scenarios to all market transactions qualifying for replacement risk with this type of counterparties. A stressed probability of default – based on the counterparty's ratings – is taken into account.▲

AVERAGE CONTRIBUTION OF THE COMPONENTS IN 2019 GLOBAL STRESS TEST ON MARKET ACTIVITIES



THE MARKET STRESS TEST

Audited I This metric focuses on market risk and estimates the loss resulting from shocks on the set of risk factors. This stress test is based on 18 scenarios[1] (3 historical and 15 hypothetical). Main principles are as follows:

- the scenario considered in the market stress test is the worst of these 18 scenarios;
- the shocks applied are calibrated on time horizons specific to each risk factor (the time horizon can range from five days for the most liquid risk factors to three months for the least liquid);
- risks are calculated every day for each of the Bank's market activities (all products together), using each of the historical and hypothetical scenarios.

Historical scenarios

This method consists of an analysis of the major economic crises that have affected the financial markets: changes in the prices of financial assets (equities, interest rates, exchange rates, credit spreads, etc.) during each of these crises have been analyzed in order to define scenarios for potential variations in these main risk factors which, when applied to the Bank's trading positions, could generate significant losses. Accordingly, Societe Generale define three significant historical scenarios related to the period from October to December 2008. This scenario selection is subject to regular review.

Hypothetical scenarios

The hypothetical scenarios are defined with the Group's economists and are designed to identify possible sequences of events that could lead to a major crisis in the financial markets (e.g. a major terrorist attack, political instability in the main oil-producing countries, etc.). The Group's aim is to select extreme but plausible events which would have major repercussions on all international markets.▲

Accordingly, Societe Generale has adopted the 15 hypothetical scenarios.

(1) including the ones used in the global stress tests on market activities.

4.6.5 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

Allocation of exposures in the trading book

The on- and off-balance sheet items must be allocated to one of the two portfolios defined by prudential regulations: the banking book or the trading book.

The banking book is defined by elimination: all on- and off-balance sheet items not included in the trading book are included by default in the banking book.

The trading book consists of all positions in financial instruments and commodities held by an institution either for trading purposes or in order to hedge other positions in the trading book. The trading interest is documented as part of the traders' mandates.

The prudential classification of instruments and positions is governed as follows:

- the Finance Division's prudential regulation experts are responsible for translating the regulations into procedures, together with the Risk Division for procedures related to holding period and liquidity. They also analyse specific cases and exceptions. They disseminate these procedures to the business lines;
- the business lines comply with these procedures. In particular, they document the trading interest of the positions taken by traders;
- the Finance and Risk Departments are in charge of the control framework.

The following controls are implemented in order to ensure that activities are managed in accordance with their prudential classification:

- new product process: any new product or activity is subject to an approval process that covers its prudential classification and regulatory capital treatment for transactions subject to validation;
- holding period: the Market Risk Department has designed a control framework for the holding period for certain instruments;
- liquidity: on a case-by-case basis or on demand, the Market Risk Department performs liquidity controls based on certain criteria (negotiability/transferability, bid/ask size, market volumes, etc.);
- strict process for any change in prudential classification, involving the business line and the Finance and Risk Divisions;
- Internal Audit: through its various periodic assignments, Internal Audit verifies or questions the consistency of the prudential classification with policies/procedures as well as the suitability of the prudential treatment in light of existing regulations.

Regulatory measures

At end-2011, Societe Generale received approval from the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) to expand its internal market risk modelling system, in particular to include stressed VaR (VaR over a one-year historical window corresponding to a period of significant financial tensions), IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure), for the same scope as for VaR.

VAR AND SVAR

These metrics are detailed in the previous section.

IRC AND CRM

They estimate the capital charge on debt instruments that is related to rating migration and issuer default risks. These capital charges are incremental, meaning they are added to the charges calculated based on VaR and SVaR.

In terms of scope, in compliance with regulatory requirements:

- IRC is applied to debt instruments, other than securitisations and the credit correlation portfolio. In particular, this includes bonds, CDS and related derivatives;
- CRM exclusively covers the correlation portfolio, i.e. CDO tranches and First-to-Default products (FtD), as well as their hedging using CDS and indices.

Societe Generale estimates these capital charges using internal models[(1)]. These models determine the loss that would be incurred following especially adverse scenarios in terms of rating changes or issuer defaults for the year that follows the calculation date, without ageing the positions. IRC and CRM are calculated with a confidence interval of 99.9%: they represent the highest risk of loss obtained after eliminating 0.1% of the most unfavorable scenarios simulated.

The internal IRC model simulates rating transitions (including default) for each issuer in the portfolio, over a one-year horizon[(2)]. Issuers are classified into five categories: US-based companies, European companies, companies from other regions, financial institutions and sovereigns. The behaviours of the issuers in each category are correlated with each other through a systemic factor specific to each category. In addition, a correlation between these five systemic factors is integrated to the model. These correlations, along with the rating transition probabilities, are calibrated from historical data observed over the course of a full economic cycle. In case of change in a issuer's rating, the decline or improvement in its financial health is modelled by a shock in its credit spread: negative if the rating improves and positive in the opposite case. The price variation associated with each IRC scenario is determined after revaluation of positions via a sensitivity approach, using the delta, the gamma as well as the level of loss in the event of default (Jump to Default), calculated with the market recovery rate for each position.

(1) The same internal model is used for all portfolios for which an IRC calculation is required. The same is true for the portfolios on which a CRM calculation is performed. Note that the scope covered with internal models (IRC and CRM) is included in the VaR scope : only entities authorised for a VaR calculation via an internal model can use an internal model for IRC and CRM calculation.

(2) The use of a constant one-year liquidity horizon means that shocks that are applied to the positions to calculate IRC and CRM, are instantaneous one-year shocks. This hypothesis appears to be the most prudent choice in terms of models and capital, rather than shorter liquidity horizons.

The CRM model simulates issuer's rating transitions in the same way as the internal IRC model. In addition, the dissemination of the following risk factors are taken into account by the model:

- credit spreads;
- basis correlations;
- recovery rate excluding default (uncertainty about the value of this rate if the issuer has not defaulted);
- recovery rate in the event of default (uncertainty about the value of this rate in case of issuer default);
- First-to-Default valuation correlation (correlation of the times of default used for the valuation of the First-to-Default basket).

These dissemination models are calibrated from historical data, over a maximum period of ten years. The price variation associated with each CRM scenario is determined thanks to a full repricing of the positions. In addition, the capital charge computed with the CRM model cannot be less than a minimum of 8% of the capital charge determined with the standard method for securitization positions.

The internal IRC and CRM models are subject to similar governance to that of other internal models meeting the Pillar 1 regulatory requirements. More specifically:

- an ongoing monitoring allows to follow the adequacy of IRC and CRM models and of their calibration. This monitoring is based at least on a yearly review of the modelling hypotheses. As these metrics are estimated via a 99.9% quantile over a one-year horizon, the low frequency of breaches means that a backtesting as the one performed on VaR model is not possible. In particular, this review includes:
  - a check of the adequacy of the structure of the rating transition matrices used for IRC and CRM models,
  - a backtesting of the probabilities of default used for these two models,
  - a check of the adequacy of the recovery rate dissemination model in the event of default used in the calculation of CRM.

Regarding the checks on the accuracy of these metrics:

  - the IRC calculation being based on the sensitivities of each instrument - delta, gamma - as well as on the level of loss in the event of default (Jump to Default) calculated with the market recovery rate, the accuracy of this approach is checked against a full repricing every six months,
  - such a check on CRM is not necessary as its computation is performed following a full repricing;
- these metrics are compared to normative stress tests defined by the regulator. In particular, the EBA stress test and the risk appetite exercise are performed regularly on the IRC metric. These stress tests consist of applying unfavorable rating migrations to issuers, shocking credit spreads and shocking rating transition matrices. Other stress tests are also carried out on an ad hoc basis to justify the correlation hypotheses between issuers and those made on the rating transition matrix;
- a weekly analysis of these metrics is carried out by the production and certification team for market risk metrics;
- the methodology and its implementation have been initially validated by the French Prudential and resolution Supervisory (Autorité de Contrôle Prudentiel et de Résolution - ACPR). Thereafter, a review of the IRC and the CRM is regularly carried out by the Risk Department in charge of the validation of internal models as second line of defense. This independent review process ends with (i) review and approval committees and (ii) an audit report detailing the scope of the review, the tests performed and their outcomes, the recommendations and the conclusion of the review. The model control mechanism gives rise to recurrent reporting to the appropriate authorities.

Moreover, regular operational checks are performed on the completeness of the scope's coverage as well as the quality of the data describing the positions.

TABLE 35: IRC (99.9%) AND CRM (99.9%)

(In EURm)	31.12.2019	31.12.2018
Incremental Risk Charge (99.9%)		
Period start	317	263
Maximum value	352	316
Average value	192	211
Minimum value	58	116
Period end	83	266
Comprehensive Risk Measure (99.9%)		
Period start	164	213
Maximum value	211	310
Average value	144	237
Minimum value	73	165
Period end	95	221

Quantitative information

TABLE 36: MARKET RISK CAPITAL REQUIREMENTS AND RWA BY RISK FACTOR

	Risk-weighted assets			Capital requirement		
(In EURm)	31.12.2019	31.12.2018	*Change*	31.12.2019	31.12.2018	*Change*
VaR	3,881	3,365	516	310	269	41
Stressed VaR	6,678	11,771	(5,093)	534	942	(408)
Incremental Risk Charge (IRC)	1,361	3,322	(1,961)	109	266	(157)
Correlation portfolio (CRM)	1,220	2,799	(1,579)	98	224	(126)
Total market risk assessed by internal model	**13,140**	**21,257**	**(8,117)**	**1,051**	**1,701**	**(650)**
Specific risk related to securitization positions in the trading portfolio	277	71	206	22	6	16
Risk assessed for currency positions	865	1,790	(925)	69	143	(74)
Risks assessed for interest rates (excl. securitization)	231	413	(182)	18	33	(15)
Risk assessed for ownership positions	-	136	(136)	-	11	(11)
Risk assessed for commodities	0	34	(34)	0	3	(3)
Total market risk assessed by standard approach	**1,373**	**2,444**	**(1,071)**	**110**	**196**	**(86)**
TOTAL	**14,513**	**23,701**	**(9,188)**	**1,161**	**1,897**	**(736)**

Ninety-one per cent of Societe Generale's capital requirements related to market risk are determined using an internal model approach. The standard approach is mainly used for the positions presenting a foreign exchange risk, which are not part of the trading book, as well as for the Group's subsidiaries that do not have access to the core IT tools developed internally, and for subsidiaries for which the Group is awaiting approval from the regulator to use the internal models. The main entities concerned are Societe Generale International Limited, and some International Retail Banking and Financial Services entities such as Rosbank, SG Maroc, Crédit du Nord, BRD, SG Brésil, etc. The decrease in capital requirements related to market risk is mainly due to:

- a fall in SVaR mainly due to a higher levels of compensation between equity and fixed income positions compared to end 2018;
- a drop un RWA for IRC resulting from less exposure on the scope covered by IRC;
- a reduction in RWA for CRM as a consequence of methodological improvements made in the last quarter.

TABLE 37: CAPITAL REQUIREMENTS AND RWA BY TYPE OF MARKET RISK

	Risk-weighted assets		Capital requirement	
(In EURm)	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Risk assessed for currency positions	1,173	2,820	94	226
Risk assessed for credit (excl. deductions)	4,768	8,373	381	670
Risk assessed for commodities	792	272	63	22
Risk assessed for ownership positions	3,904	5,454	312	436
Risk assessed for interest rates	3,876	6,782	310	543
TOTAL	**14,513**	**23,701**	**1,161**	**1,897**

4.7 OPERATIONAL RISK

Operational risk is the risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events.

Included in the eight risk categories outlined in Chapter 4.7.2, operational risk encompasses the following risks:

- IT and Information Systems Security risks (cybercrime, IT systems failures, etc.);
- Risks related to outsourcing of services and business continuity;
- non-compliance risk (including legal and tax risks): risk of court-ordered, administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Group's activities. The risk management framework for operational risk is described in section 4.10 "Compliance risk";
- reputational risk: risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Group's ability to maintain or engage in business relationships and to sustain access to sources of financing;
- misconduct risk: risk resulting from actions (or inactions) or behaviour of the Bank or its employees inconsistent with the Group's Code of Conduct, which may lead to adverse consequences for our stakeholders, or place the Bank's sustainability or reputation at risk;

The framework relating to the risks of non-compliance, reputation and inappropriate conduct is detailed in chapter 4.10 "Risk of non-compliance".

4.7.1 ORGANISATION OF OPERATIONAL RISK MANAGEMENT

The Group operational risk management framework, other than non-compliance risks detailed in chapter 4.10 "Risk of non-compliance", is structured around a two-level system with the following participants:

- a first line of defence in each core business/activity, responsible for applying the framework and putting in place controls that ensure risks are identified, analysed, measured, monitored, managed, reported and contained with the limits set by the Group-defined risk appetite;
- a second line of defence: the Operational Risk Department within the Group's Risk Division.

In particular, the Operational Risk Department:

- conducts a critical examination of the BU/SUs management of operational risks (including fraud risk, risks related to information systems and information security, and risks related to business continuity and crisis management);
- sets regulations and procedures for operational risk systems and production of cross Group analyses;
- produces risk and oversight indicators for operational risk frameworks.

To cover the whole Group, the Operational Risk Department has a central team supported by regional hubs. The regional hubs report back to central, providing all information necessary for a consolidated overview of the Bank's risk profile that is holistic, prospective and valid for both internal oversight purposes and regulatory reporting.

The regional hubs are responsible for implementing the Operational Risk Division's briefs in accordance with the demands of their local regulators.

The Operational Risk Department communicates with the first line of defence through a network of operational risk correspondents in each core business/activity of the BU/SUs.

Concerning risks specifically linked to business continuity, crisis management and information security, the Operational Risk Department carries out the critical review of the management of these risks in connection with the Group Security Division. Specifically, regarding IT risks, the Operational Risk Department carries out the critical review of the management of these risks in connection with the Resources and Digital Transformation Department.

Second-level control

The second line of defence against operational risk consist in the verification of the definition and efficient conduct of first-level controls, particularly examining the results of first-level controls in terms of quantitative and qualitative aspects, notably as regards the rates of realisation, level of anomaly, etc. This review also makes it possible to check the effectiveness and relevance of control implementation based on key controls and risk type, remedial action plans.

In accordance with the internal control framework, the level 2 risk permanent control teams exercise second-level control for operational risk, encompassing the risks specific to each business (including the operational risk associated with credit and market risks) as well as those related to sourcing, communications, property, human resources and IT systems.

Risk related to security of property and people

The Group Security Division (SEGL/DSG) is in charge of establishing a forward-looking overview of security, allowing to assess threats and identify weak signals, forewarning and protecting persons, Group's physical and intangible assets. Also coordinate the planning of actions to maintain the Bank's critical activities under all circumstances, and assist crisis management if necessary. SEGL/DSG acts as first line of defence (LoD1 expertise) on issues of security.

To this end, the Division's main roles are as follows:

- defining a Group-level overview of security issues;

- identifying existing and future security threats and risks for the Group as well as its weaknesses to confront them;
- developing and disseminating Group mechanisms and policies to better protect its activities and ensure it is capable of withstanding security crises;
- implementing the Group's security oversight mechanism;
- organising the Group's crisis management system;
- coordinating relations with national, European and international security agencies in respect of security issues;
- developing and coordinating economic intelligence;
- assisting in combating fraud;
- strengthening the security culture within the Group (training, communication campaigns, etc.).

The management of all these risks is based on operational risk systems and the second line of defence is provided by the Risk Department.

Risks related to information security

Information is a strategic asset for Societe Generale. Whether on paper, digital or exchanged orally, the use and access to information must be in compliance with regulations and laws.

To this end, the Group Security Department, housed at the level of the General Secretariat, published in April 2019 a new Group Information Security Policy (PGSIN). The PGSIN provides a holistic view of the subject by strengthening the consideration of human aspects (e.g. vigilance inside and outside our premises, and in social networks) and by capitalising on IT security policies (e.g. information encryption). The PGSIN also recalls the importance of spreading the security culture in the Group.

Following the publication of the PGSIN in the SG Code, the Group Security Department, in co-construction with the Teams of the Resources and Digital Transformation Division, has launched or supported initiatives to strengthen materialisation of this policy (e.g. the construction of information security awareness modules for Group employees and also external providers; information protection). These actions are linked to the IT security master plan described below.

With regard to IT systems, the Head of IT Security and IT Operational Risk is housed at the Corporate Resources and Digital Transformation Division. Under the functional authority of the Director of Group Security, he proposes the strategy to protect digital information and animates the community of IT security. The IT security framework is aligned with the market standards (NIST, ISO 27002), and implemented in each BU/SU.

At the operational level, the Group relies on a CERT (Computer Emergency Response Team) unit in charge of incident management, security watch and the fight against cybercrime. This team uses multiple sources of information and monitoring, both internal and external. Since 2018, this unit has also been strengthened by the establishment of an internal Red Team whose main tasks are to assess the effectiveness of the security systems deployed and to test the detection and reaction capabilities of the defence teams (Blue Teams) during an exercise simulating a real attack. The services of the Red Team enable the Group to gain a better understanding of the weaknesses in the security of the Societe Generale information system, to help in the implementation of global improvement strategies, and also to train cybersecurity defence teams.

Given the increasing number and sophistication of digital attacks, the risk of cybercrime is becoming increasingly significant for players in the banking industry. The Societe Generale focuses strongly on data and information systems to protect its customers. It is addressed in a cooperative way by the IT security and operational risks teams and is monitored by the General Management within the framework of an IT security master plan. A budget of EUR 650 million was allotted over three years to address cybercrime risk.

Consequently, to support the "Transform to Grow" Group strategic plan, the IT security master plan has been structured around five major pillars to steer actions out to 2020 that addresses:

- security for the Bank's customers: enhancing the secure digital experience and strengthening our customers' cyber security culture;
- protection of key assets: continue security actions closer to the data and securing the most sensitive applications;
- continued reinforcement of the Group's detection and reaction capabilities;
- developing the agility and trust zones of our IT systems and processes to facilitate internal and partner exchanges;
- developing the expertise of the IT security sector by creating a Cyber Institute, raising awareness and assisting employees.

A central team at the Resources and Digital Transformation Department is responsible for managing and monitoring IT operational risks. The main missions of the team are:

- identifying and evaluating the major IT risks for the Group, including extreme risk scenarios (eg. cyber-attack, failure of a provider), to enable the Bank to improve its knowledge of its risks, be better prepared for extreme risk scenarios and better align their investments with their IT risks;
- providing elements enabling the Bank's management to steer risks, in particular via Key Risk Indicators (KRIs). These are communicated to Societe Generale's Risk Committee and to the Risk Committee of the Board of Directors. They are reviewed regularly to stay aligned with the IT and security strategy and their objectives;
- more generally, ensuring the quality and reliability of all devices addressing IT operational risks. Particular attention is paid to the permanent control system for its IT risks, which is based on the definition of normative IT and security controls and the support of the Group in the deployment of managerial supervision on this subject. In 2019, as part of the "PCT" permanent control transformation program, a new version of the IT risk/IT security normative controls was developed and must be deployed across the Group by Q3 2020.

The management of all these risks is based on operational risk systems and the second line of defence is provided by the Risk Department.

4.7.2 OPERATIONAL RISK MONITORING PROCESS

The Group's main frameworks for controlling operational risks are as follows:

- collection of internal losses and significant incidents and analysis of external losses;
- self-assessment of risks and controls;
- oversight of risk indicators;
- development of scenario analyses;
- framing new products;
- management of outsourced services;
- crisis management and business continuity;
- information systems security management;

Societe Generale's classification of operational risks in eight event categories and 58 risk categories forms the cornerstone of its risk modelling, ensuring consistency throughout the system and enabling cross-business analyses throughout the Group.

The eight event categories are as follows:

- commercial litigation;
- disputes with authorities;
- errors in pricing or risk evaluation including model risk;
- execution errors;
- fraud and other criminal activities;
- rogue trading;
- loss of operating resources;
- IT system interruptions.

Collection of internal loss and significant incident data

Internal losses have been compiled throughout the Group since 2003, in addition to significant incident data since 2019. The process:

- defines and implements the appropriate corrective actions;
- achieves a deeper understanding of risk areas;
- enhances awareness and vigilance with respect to operational risks in the Group.

Losses (or gains or near-misses) are reported from a minimum threshold of EUR 10,000 throughout the Group, except for global market activities, where the threshold is EUR 20,000.

Incidents without financial impact are also reported when they are deemed significant according to their impact, in particular on contractual commitments, reputation, day-to-day operations, risk appetite or the level of regulatory compliance of the Group.

Analysis of external losses

External losses correspond to the data on operational losses suffered by the banking and financial sector, provided by databases managed by external providers, as well as the data shared by the banking industry as part of consortiums.

These data are used to enhance the identification and assessment of the Group's exposure to operational risks.

Risk and control self-assessment

Under the Risk and Control Self-Assessment (RCSA), each manager assesses the exposure to operational risks to which each entity within the relevant scope is exposed through the activities in order to improve their management.

The method defined by the Group consists of taking a homogeneous approach to identifying and evaluating operational risks and frameworks to control these risks, in order to guarantee consistency of results at Group level. It is based notably on a repository of activities.

The objectives are as follows:

- identifying and assessing the major operational risks (in average amount and frequency of potential loss) to which each activity is exposed (the intrinsic risks, i.e. those inherent in the nature of an activity, while disregarding prevention and control systems). Where necessary, risk mapping established by the functions (e.g. Compliance, Information Systems Security, etc.) contributes to this assessment of intrinsic risks;
- assessing the quality of major risk prevention and mitigation measures;
- assessing the risk exposure of each activity that remains once the risk prevention and mitigation measures are taken into account (the "residual risk"), while disregarding insurance coverage;
- remedying any shortcomings in the prevention and control systems, by implementing corrective action plans and defining key risk indicators; if necessary, in the absence of an action plan, risk acceptance will be formally validated by the appropriate hierarchical level;
- adapting the risk insurance strategy, if necessary.

Key risk indicators

Key risk indicators (KRIs) supplement the overall operational risk management system by providing a dynamic view (warning system) of changes in business risk profiles.

Their follow-up provides managers of entities with a regular measure of improvements or deteriorations in the risk and the environment of prevention and control.

A cross analysis of Group-level KRIs and losses is presented to the Group's Executive Committee on a quarterly basis via a specific dashboard.

Analyses of scenarios

The analyses of scenarios serve two purposes: informing the Group of potential significant areas of risk and contributing to the calculation of the capital required to cover operational risks.

These analyses make it possible to build an expert opinion on a distribution of losses for each risk category and thus to measure the exposure to potential losses in scenarios of very severe severity, which can be included in the calculation of the prudential capital requirements.

In practice, various scenarios are reviewed by experts who gauge the severity and frequency of the potential impacts for the Group by factoring in internal and external loss data as well as the internal framework (controls and prevention systems) and the external environment (regulatory, business, etc.).

Governance is established in particular, to:

- allow the approval of the annual scenarios update programme by the Risk Committee (CORISQ);
- allow the approval of the scenarios by the senior management of the Business and Corporate Divisions, through the Internal Control Coordination Committees of the departments involved or through ad hoc meetings;
- conduct an overall review of the Group's risk hierarchy and of the suitability of the scenarios through CORISQ.

New product committees

Each division submits their new product proposals to a New Product Committee (commercial products only).

The committee, jointly coordinated by the Risk Division and the relevant businesses, is a decision-making body which decides the production and marketing conditions of new products to customers.

The committee aims to ensure that, before any product launch, all types of induced risks (credit, market, liquidity and refinancing, country, operational, legal, accounting, tax, financial, information systems risks as well as the risks of compliance, reputation, protection of personal data and corporate social responsibility risks, etc.) have been identified, assessed and, if necessary, subjected to mitigation measures allowing the acceptance of residual risks.

The definition of "new product" extends from the creation of a new product or service to the development of an existing product or service as soon as this development is likely to generate different or higher risks. The development may be linked to matters such as a new regulatory environment, to marketing on a new scope or to a new type of clientele.

Outsourcing of services

Some banking services are outsourced outside the Group or within the Group (e.g. in our shared service centres). These two subcontracting channels are supervised in a manner adapted to the risks.

A framework with standards and a tool helps ensure that the operational risk linked to outsourcing is controlled, and that the conditions set by the Group's approval are respected.

It helps to map the Group's outsourcing with an identification of the activities and BU/SU concerned, and to put outsourcing under control with knowledge of risks and with suitable supervision.

During the study phase, the businesses decide on the outsourcing of services within the framework of standards set by the Group. Outsourcing projects are led by a project manager and validated by the sponsor who accepts the residual risk level after a risk analysis based on expert opinions. This ensures the consistency of the assessments and the consistency of decisions across the Group.

The analysis includes, at a minimum, operational risks (including fraud, execution risk, etc.), legal, tax, non-compliance, reputation, supplier, human resources, social and environmental responsibility, business continuity risks, risks related to data quality, and risks related to information security and data protection.

Legal experts use the same definition of essential outsourcing of services as that defined in the Decree of 3 November 2014.

All outsourced services are then monitored at a frequency defined by their level of risk.

Services at Group level are subject to reinforced monitoring through very regular contractual monitoring. These services are identified using criteria such as the concept of "core business activity", financial impact and reputation risk. These services are validated by a dedicated committee, chaired by the Operational Risk Department.

A closing phase is used to manage the outflow of services.

Crisis management and business continuity

The crisis management and business continuity systems aim to mitigate as far as possible the impacts of potential incidents on customers, staff, activities and infrastructure, thus protecting the Group's reputation, the image of its brands, and its financial resilience. These systems also satisfy regulatory requirements.

The approach used to implement and track the business continuity systems of each Group entity is based on a methodology that meets international standards.

2018-2020 IT security master plan

With investments amounting to EUR 650 million in the last three years, the IT security master plan places cybersecurity at the centre of the trusted digital relationship between Societe Generale and its customers.

The assessment of cyber risks and measures to strengthen our IT security are managed using a dashboard shared quarterly with the Group's management. Structured around a set of key risk indicators (KRI) covering the eight standard categories of IT security risks recommended by the regulatory authorities and standards bodies (ACPR, EBA, NIST, etc.), the dashboard is a means of verifying compliance with the Group's risk appetite and the effectiveness of action plans.

In terms of awareness, a multi-language e-learning module on information security is mandatory for all internal Group staff and for all service providers who use or access our information system. At the end of 2019, 97% of Societe Generale Group employees had validated the training.

A specific e-learning module for the executive assistants of the Group Executive Committee was introduced at the end of 2019. Owing to their close working relationship with members of the Group's Executive Committee, executive assistants can represent a target of choice for fraudsters and other cyber pirates. The purpose of the e-learning module is to develop their awareness of the risks of social engineering and attempts at fraud.

Societe Generale also offers traineeships to more than 2,500 trainees every year. A letter of confidentiality is now systematically sent to them to be signed before they take up their post. The Group organises dedicated onboarding sessions for them, in particular to remind them of the information protection rules in force in the Group; for example, they are required to have the content of their traineeship report validated by their manager before it is circulated externally.

In addition, specific awareness-raising actions, not only for employees but also for customers, are carried out throughout the year (conferences, demonstrations, workshops, etc.). For example, fake phishing emails are sent to all employees, at least twice a year, to teach them to detect a suspicious email and send them the right reflexes. Since the first campaigns in 2015, the number of link clicks or attachment openings has halved, and the rate of reporting suspicious messages to security teams has almost tripled.

4.7.3 OPERATIONAL RISK MEASUREMENT

Since 2004, Societe Generale has used the Advanced Measurement Approach (AMA) allowed by the Capital Requirements Directive to measure operational risk. This approach, implemented across the main Group entities, notably makes it possible to:

- identify the businesses that have the greatest risk exposures;
- identify the types of risk that have the greatest impact on the Group's risk profile and overall capital requirements;
- enhance the Group's management of operational risks.

Operational risk modelling

The statistical method used by the Group for operational risk modelling is based on the Loss Distribution Approach (LDA) for AMA internal model.

Under this approach, operational risks are modelled using segments, each segment representing a type of risk and a Group core business. The frequency and severity of operational risks, based on past internal losses, external losses, the internal and external environment, and scenario analyses, are estimated and the distribution of annual losses is calculated for each segment. This approach is supplemented by cross-business scenario analyses that measure cross-business risks for core businesses, such as cybercriminality and the flooding of the river Seine.

Aside from the individual risks associated with each segment or cross-business scenario analysis, the model takes into account the diversification between the various types of risk and the core businesses, as well as the effect of insurance policies taken out by the Group.

The Group's regulatory capital requirements for operational risks within the scope covered by the (AMA) internal model are then defined as the 99.9% quantile of the Group's annual loss distribution.

For some Group entities, notably in retail banking activities abroad, the standard method is applied: the calculation of capital requirements is defined as the average over the last three years of a financial aggregate based on the Product Net Banking multiplied by factors defined by the regulator and corresponding to each category of activity. To make the calculation, all of the Group's business lines are broken down into the eight regulatory activities.

Societe Generale's total capital requirements for operational risks were EUR 3.8 billion at the end of 2019, representing EUR 47.9 billion in risk-weighted assets. This assessment includes the capital requirement of AMA and Standard perimeters.

Insurance cover in risk modelling

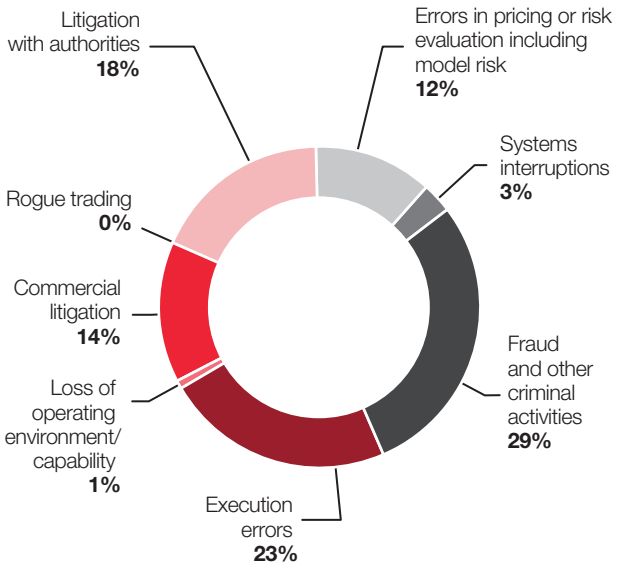
In accordance with regulations, Societe Generale incorporates risk cover provided by insurance policies when calculating regulatory capital requirements for operational risks, within the limit of 20% of said requirements. These insurance policies cover part of the Group's major risks, i.e. civil liability, fraud, fire and theft, as well as systems interruptions.

Risk reduction through insurance policies resulted in a 5.9% decrease in total capital requirements for operational risks.

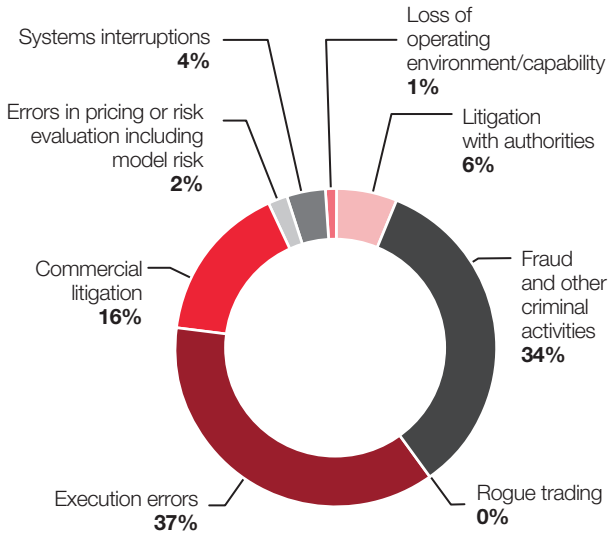
Quantitative data

The following charts break down operating losses by risk category for the 2015-2019 period.

OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE - AMOUNTS



OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE - NUMBER OF EVENTS



Over the past five years, Societe Generale's operational risks were concentrated on average on four types, accounting for 96% of the Group's total operating losses:

- fraud and other criminal activities represented 29% of the amount of operating losses over the period. They are mainly composed of external frauds on financing files (falsified financial statements by the client, theft or misappropriation of collateral/guarantees, etc.), fraud on manual means of payment (cash, transfer and cheque) and supplier fraud on financed equipment;
- execution errors represented 23% of total operational losses, thereby constituting the second leading cause of loss for the Group. The amount of losses on this category is stable over the period;
- disputes with authorities, the third largest category, represented 18% of the Group's operational losses over the period. The amount of losses in this category fell significantly in 2019 following the settlement of the Group's main disputes in 2018;
- commercial disputes represented 14% of total Group operating losses. The trend is down for this category over the period considered;
- pricing or risk assessment errors, including model risk, represent 12% of the total amount of losses. The main cases concern the pricing and ALM models.

The other categories of Group operational risk (activities not authorised on the markets, system interruptions, loss of operating environment/capability) were still relatively insignificant, representing barely 4% of the Group's losses on average over the 2015 to 2019 period.

4.7.4 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

Societe Generale's capital requirements for operational risk are mainly calculated using the Advanced Measurement Approach (AMA) via its internal model (95% in 2019 and 94% in 2018. The amount of risk-weighted assets on the AMA scope has decreased slightly (EUR -1,258 million, i.e. -2.7%) reflecting the change in the group's operational risk profile. The decrease on risk-weighted assets using the standard approach was chiefly driven by a slowdown in activity and the various disposals of Eastern European entities during 2019

The following table breaks down the Group's risk-weighted assets and the corresponding capital requirements at 31 December 2019.

TABLE 38: RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS FOR OPERATIONAL RISK

	31.12.2019				31.12.2018			
(In EURm)	RWA under Standardised approach	RWA under Advanced Measurement Approach (AMA)	Total RWA	Capital requirements	RWA under Standardised approach	RWA under Advanced Measurement Approach (AMA)	Total RWA	Capital requirements
Global Banking and Investor Solutions	189	32,007	32,196	2,576	289	32,804	33,093	2,647
Corporate Centre	364	3,141	3,505	280	275	3,138	3,413	273
International Retail Banking and Financial Services	1,884	5,029	6,913	553	2,284	5,376	7,659	613
French Retail Banking	33	5,313	5,346	428	23	5,432	5,455	436
TOTAL	**2,470**	**45,491**	**47,961**	**3,837**	**2,872**	**46,749**	**49,621**	**3,970**

4.7.5 OPERATIONAL RISK INSURANCE

Policies of the insurance subscription

GENERAL POLICY

Since 1993, Societe Generale has implemented a global policy of hedging Group operational risks through insurance.

This consists in searching the market for the most extensive cover available for the risks incurred and enabling all entities to benefit from such cover wherever possible. Policies are taken out with leading insurers. Where required by local legislation, local policies are taken out, which are then reinsured by insurers that are part of the global programme.

In addition, special insurance policies may be taken out by entities that perform specific activities.

A Group internal reinsurance company intervenes in several policies in order to pool high-frequency, low-level risks between entities. This approach contributes to the improvement of the Group's knowledge and management of its risks.

Description of main coverage

GENERAL RISKS

Buildings and their contents, including IT equipment, are insured at their replacement value. The guarantee covering acts of terrorism abroad has been renewed.

Liability other than professional liability (*i.e.* relating to operations, Chief Executive Officers and Directors, vehicles, etc.) is covered by insurance policies on a worldwide basis. The amounts insured vary from country to country, according to operating requirements.

RISKS ARISING FROM OPERATIONS

Insurance is only one of the measures used to offset the consequences of the risks inherent in the Group's activity. It complements the Group's risk management policy.

THEFT/FRAUD

These risks are included in the "Banker's Blanket Bond" policy that insures all the Group's financial activities around the world.

Internal fraud (committed by an employee or by a third party acting with the aid of an employee) and external fraud (committed by a third party acting alone), with the intent to obtain illicit personal gain or to harm the Group, are covered.

PROFESSIONAL LIABILITY

The consequences of any legal on staff or managers in the Group's professional activities are insured under a global policy.

CYBER ATTACKS

A cyber risk insurance policy has been taken out amid an environment not specific to the banking sector which is seeing a rapid development of new forms of crime mainly involving data theft or the compromise or destruction of computer systems.

4.8 STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

Audited | Structural exposure to interest rate and exchange rate risks results from commercial transactions, their associated hedging transactions and Corporate Centre transactions.

The interest rate and exchange rate risks linked to trading book activities are excluded from the structural risk measurement scope as they belong to the category of market risks. Structural and market exposures constitute the Group's total interest rate and exchange rate exposure.

The general principle is to reduce structural interest rate and exchange rate risks to the greatest possible extent within the consolidated entities. Within the entities, commercial and corporate center operations must therefore be matched in terms of interest rates and exchange rates as much as possible. At consolidated level, a structural foreign exchange position is maintained in order to minimise the sensitivity of the Group's Common Equity Tier 1 (CET1) ratio to exchange fluctuations.

4.8.1 ORGANISATION OF THE MANAGEMENT OF STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

The principles and standards for managing these risks are defined at the Group level. The entities are first and foremost responsible for managing these risks. The ALM (Asset and Liability Management) Department within the Group's Finance Division supplements the control framework.

The Group Finance Committee, a General Management Body

The purpose of the Group Finance Committee is to:

- validate and ensure the adequacy of the system for monitoring, managing and supervising structural risks;
- review changes in the Group's structural risks through consolidated reporting;
- review and validate the measures proposed by the Group's Finance Department.

The ALM Department, within the Group's Finance Department

The ALM (Asset and Liability Management) Department is responsible for:

- defining the structural risk policies for the Group and formalising risk appetite to structural risks;
- defining the steering indicators and overall stress test scenarios of the different types of structural risks and setting the main limits for the business divisions and the entities and Business Units (BU) et Service Units (SU);
- analysing the Group's structural risk exposure and defining hedging strategies;
- monitoring the regulatory environment concerning structural risk;
- defining the ALM principles for the Group;
- defining the normative environment of the structural risk metrics, modelling and framing methods;
- defining the models used by the Group's entities regarding structural risks;
- identifying, consolidating and reporting on Group structural risks;
- monitoring compliance with structural risk limits.

The ALM Risk Control Department within the Risk division

The second-level supervision of the ALM models used within the Group and of associated frameworks is provided by a dedicated service within the Risk Department. Accordingly, the department:

- validates the methodological principles, feeding parameters and back tests of ALM models;
- requests and analyses proposals from the Group Finance Division regarding the risk indicators definition, stress test scenarios and structural risk frameworks;
- ensures at the second level that the entities' frameworks and BU/SU and Group frameworks are respected, and conducts a regular review in coordination with the first-level control teams.

The Risk Department also organises and chairs the Group Model Validation Committee and the Group ALM Standards Validation Committee.

The entities and BU/SUs are responsible for ALM risk management

Each entity and each BU/SU carries out first-level controls on structural risks and is responsible for regularly assessing risks incurred. It drafts the risk report and develops and implements hedging options.

Each entity and each BU/SU is required to comply with the Group's standards and to adhere to the limits assigned to it.

As such, the entities and the BUs/SUs apply the standards defined at Group level and develop the models, with the support of the Finance Department's central modeling teams.

An ALM manager reporting to the Finance Department in each entity is responsible for monitoring these risks (level 1 control). He is responsible for reporting ALM risks to the Group Finance Department. All entities have an ALM Committee which is tasked with implementing validated models, managing exposure to interest rate and exchange rate risks and implementing hedging programmes in accordance with the principles set out by the Group and the limits validated by the Finance Committee and the BU/SU ALM Committees.

4.8.2 STRUCTURAL INTEREST RATE RISK

Structural interest rate risk is generated by commercial transactions and their hedging, as well as the management operations specific to each of the consolidated entities.

This interest rate risk arises mainly from residual fixed-rate positions with future maturities.

The Group's objective

The objective of managing structural interest rate risk is to reduce the degree of exposure of each Group entity as much as possible.

To this end, the Board of Directors, the Finance Committee and the ALM Committees set sensitivity limits (in terms of value and income) for the Group, the BU/SUs and the entities, respectively.

Measuring and monitoring structural interest rate risk

Société Générale uses several indicators to measure the Group's overall interest rate risk. The three most important indicators are:

- the sensitivity of the net present value (NPV) to the risk of interest rate mismatch. It is measured as the sensitivity of the net present value of the static balance sheet to a change in interest rates. This measure is calculated for all currencies to which the Group is exposed;
- the sensitivity of the interest margin to changes in interest rates in various interest rate scenarios. It takes into account the sensitivity generated by future commercial production over a three-year period and is calculated on a dynamic basis;
- the sensitivity of NPV to basis risk (risk associated with decorrelation between different variable rate indices).

Limits on these indicators apply to the Group, the BUs/SUs and the various entities.

Assets and liabilities are analysed without prior allocation of resources to uses. Maturities of outstandings are determined by taking into account the contractual characteristics of the transactions, adjusted for the results of customer behaviour modeling (in particular for demand deposits, savings and early loan repayments), as well as a certain number of disposal agreements, in particular on equity items.

Where possible, hedging transactions are documented from an accounting view point: this can be carried out either as micro-hedging (individual hedging of commercial transactions) or as macro-hedging under the IAS 39 carve-out arrangement (global backing of portfolios of similar commercial transactions within a treasury department; macro-hedging concerns essentially French retail network entities).

Macro-hedging derivatives are essentially Interest Rate Swaps in order to maintain networks net asset value and result sensitivity within limit frameworks considering hypothesis applied. For macro-hedging documentation, the hedged item is an identified portion of a portfolio of commercial client or interbank operations. Conditions to respect in order to document hedging relationships are reminded in note 3.2.

Macro-hedging derivatives are allocated to separate portfolios according to whether they are used to hedge fixed-rate assets or liabilities in the accounting books. The hedging instrument portfolios allocated to liability elements are net fixed-rate receiver/variable-rate payer whereas the hedging instrument portfolios allocated to asset elements are net fixed-rate payer/variable-rate receiver.

The non-over hedging tests and hedged items non-disappearing tests make the link between the balance sheet available assets or liabilities outstandings and the amount of assets and liabilities outstandings designated as hedged. The prospective non-over hedging test is satisfied when the net outstanding amount of the swaps is lower for each maturity band and on each measurement date than the determinated outstanding amount of items eligibles to fair value hedge. The estimated outstandings may be defined as the outstanding amount resulting from ALM projections. The non-over hedging a posteriori test is performed in two stages. The first stage is the same as the a priori test but on the outstanding amount eligible for a fair value hedge on closing date, new production excluded. The second stage is called the non-disappearance of the hedged item test and consists of verifying that the hedgeable position is always at least as significant as the maximum position that had initially been hedged.

The effectiveness of the hedge is then determined using the dollar off-set method. The sources of ineffectiveness result from the last fixing of the variable leg of the hedging swaps, the bi-curve valorisation of the collateralised hedging instruments, possible mismatches in the cash flows payment dates and counterparty risk on hedging instruments valorisation.

The Group's sensitivity to changes in interest rates at 31 December 2019 stood at EUR -54 million (for an instantaneous and parallel increase in interest rates of 0.1%). ▲

AUDITED I TABLE 39: SENSITIVITY OF THE GROUP'S VALUE TO A +10 BP INTEREST RATE VARIATION

(In EURm)	Total
Amount of sensitivity (31.12. 2019)	**(54)**
Amount of sensitivity (31.12.2018)	29

The Group analyses the sensitivity of the net interest margin to changes in market interest rates through stress tests on the Group's net interest margin under constant balance sheet and under forward balance sheet assumptions.

The measurement of the sensitivity of the net interest margin to a three-year horizon in different configurations of the yield curve is used by the Group to monitor the interest rate risk on a perimeter of significant entities.

The balance sheet in a dynamic approach evolves according to the amortisation of the stock and the renewals of operations on the basis of the outstanding amounts booked at the closing date .

The sensitivity of the Group's net interest margin over the next three following full years is low. In the event of a parallel rise in the yield curve of +10 bp, it is positive and represents less than 1% of net banking income.

The sensitivity of the net interest margin is mainly due to the impact on:

- Customer deposits: generally low or non-interest-bearing, with customer rates only partially impacted by interest rate changes, their margin is mainly the result of the replacement rate;
- new credit loan production

The sensitivity of the margin on the stock of customer transactions results from the renewal of matured tranches of deposit replacements and the residual sensitivity of the balance sheet to interest rate changes.

French Retail Banking's activities in France and abroad are favorably exposed by a rise in interest rates over the first three years enabling them to replace their deposits at higher rates, with the margin on loans in stock remaining stable. However, this increase in margin is partially offset by higher refinancing costs.

Retail Banking activities are unfavourably exposed to the decrease in rates as their deposits are then replaced at lower rates and the margin on loans in stock decreases due to early repayments. This decline in margin was partially offset by higher production margins on new loans (the decline in customer lending rates is not as rapid as the decrease in interest rate curves) and by lower refinancing costs.

Calculations are based on the aggregate estimates as at 31 December of consolidated entities of the Group.

TABLE 40: SENSITIVITY OF THE GROUP'S INTEREST MARGIN

(In EURm)	31.12.2019	31.03.2019
Parallel increase in interest rates of 10 bp		
Year 1	9	60
Year 2	48	60
Year 3	115	64
Parallel decrease in interest rates of 10 bp		
Year 1	(15)	(21)
Year 2	(56)	(104)
Year 3	(122)	(132)

4.8.3 STRUCTURAL EXCHANGE RATE RISK

Audited I This structural exchange rate risk results mainly from:

- exposures related to net investments abroad, i.e. in subsidiaries and branches;
- exposures related to other banking book transactions.

The Group's policy is to make the CET1 ratio insensitive to fluctuations in exchange rates against the euro.

As such, Group entities are only allowed to maintain residual positions against their local reference currency.

At central Finance Department level, Societe Generale maintains a target exposure in each RWA currency equivalent to the level of the target Group CET1 ratio.

For each currency, the difference between actual and target exposure is governed by limits validated by the Finance Committee and the Board of Directors. ▲

TABLE 41: SENSITIVITY OF THE GROUP'S COMMON EQUITY TIER 1 RATIO TO A 10% CHANGE IN THE CURRENCY (IN BASIS POINTS)

	Impact of a 10% currency depreciation on the Common Equity Tier 1 ratio		Impact of a 10% currency appreciation on the Common Equity Tier 1 ratio	
Currency	31.12.2019	31.12.2018	31.12.2019	31.12.2018
DZD	-	-	-	-
USD	-	(1)	-	1
JPY	-	-	-	-
CZK	-	-	-	-
GBP	-	-	-	-
CNY	-	-	-	-
DKK	-	-		-
MAD	-	-	-	-
XAF	-	-	-	-
Other	-	(2)	-	2

4.9 LIQUIDITY RISK

Audited I Liquidity risk is defined as the risk of not being able to meet cash flow or collateral requirements when they fall due and at a reasonable price.

4.9.1 GOVERNANCE AND ORGANISATION

The principles and standards that are applicable to the management of liquidity risk are defined by the Group's governing bodies, whose duties in the area of liquidity are listed below:

- the Board of Directors:
  - establishes the level of liquidity risk tolerance as part of the Group's Risk Appetite exercise, including the time period during which the Group can operate under conditions of stress ("survival horizon"),
  - meets regularly (at least quarterly) to examine the Group's liquidity risk situation;
- the Group Executive Committee:
  - sets budget targets in terms of liquidity based on proposals from the Group Finance Division,
  - allocates liquidity to the businesses and Group Treasury based on proposals from the Group Finance Division;
- the Finance Committee is responsible for monitoring structural risks and managing scarce resources. As such, it:
  - meets every six weeks, under the chairmanship of the Chief Executive Officer or of a Deputy Chief Executive Officer, with the representatives of the Risk Division, Finance Division and of the businesses,
  - oversees and validates the limits set for structural liquidity risk,
  - regularly monitors compliance with the budget and liquidity trajectory,
  - takes decisions, if necessary, on the implementation of corrective measures,
  - takes decisions, if necessary, on methodology issues regarding liquidity risk management,
  - examines regulatory changes and their impacts.

The businesses are responsible for managing liquidity risk within their scope and are directly supervised by the Group Finance Division. They must ensure compliance with the regulatory requirements applicable to the entities falling within their scope of supervision.

The Group Finance Division manages and monitors liquidity risk through three separate departments, in compliance with the principle of separation between risk steering, execution and control functions:

- the Strategic and Financial Steering Department, responsible for:
  - establishing the Group's financial trajectory, in line with its strategic targets, regulatory requirements and market expectations,
  - proposing and monitoring the businesses' budget trajectories,
  - monitoring the regulatory environment and developing liquidity steering standards for the businesses;
- the Balance Sheet and Global Treasury Management Department, responsible for:
  - implementing the Group's short-term and long-term funding plans (including the management of intraday liquidity risk),
  - supervising and coordinating the Group's Treasury functions,
  - monitoring the market and bringing its operational expertise when it comes to establishing Group liquidity steering objectives and allocating liquidity to businesses,
  - managing the collateral used in refinancing operations (central banks, covered bonds, securitisation, secured funding), and monitoring the liquidity reserve,
  - managing the Group's central funding department (management of liquidity and equity within the Group), including the internal liquidity charts,
  - developing and implementing the Contingency Funding Plan in the event of Group liquidity shortage;
- the ALM Department (Asset and Liability Management) is in particular charged with:
  - supervising and controlling structural risks (interest rate, exchange rate and liquidity) to which the Group is exposed,
  - controlling the structural risk models and their compliance with the Group's rules and methodologies, as well as monitoring compliance with risk limits and management practices within the Group's Business Units and entities.

Second-level supervision of the ALM models used within the Group and of the associated risk framework is conducted by a dedicated team within the Market Risk Department of the Risk Division. Accordingly, this team validates the methodological principles, parameters and backtests of liquidity models. It analyses proposals from the Finance Division and from the Business Units regarding risk indicators, stress test scenarios as well as liquidity and funding risk frameworks. It also conducts second-level controls of compliance with the risk limits defined under such a framework.

4.9.2 THE GROUP'S PRINCIPLES AND APPROACH TO LIQUIDITY RISK MANAGEMENT

The Group's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity steering system provides a balance sheet framework based on an assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors:

- the assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the targeted liabilities structure. This development must comply with the liquidity gaps defined at Group level (under static and stress scenarios) as well as regulatory requirements;
- the liabilities structure is based on the ability of the businesses to collect financial resources from customers and the ability of the Group to raise sustainably financial resources on the markets, in accordance with its risk appetite.

This steering system is based on measurement and supervision of the businesses' liquidity gaps under reference and stress scenarios, their Group funding needs, the funds raised by the Group on the market, the assets that are eligible to liquidity buffers and the businesses' contributions to regulatory ratios. Accordingly, the principles of liquidity management are as follows:

1. The businesses must maintain low to nil static liquidity gaps within the operating limits of their activities by using the Group's Central Treasury, which can, if necessary, run an (anti-)transformation position and manage it within the framework of the established risk limits.
2. Internal liquidity stress tests, established on the basis of a scenario combining a market and a specific stress, are steered and controlled at Group level. They are used to ensure compliance with the survival horizon established by the Board of Directors and to calibrate liquidity reserves. They are accompanied by a Contingency Funding Plan that sets out measures to be taken in the event of a liquidity crisis.
3. The set of businesses' funding needs (short-term and long-term) are determined on the basis of the development objectives for the franchises and in line with the Group's fund-raising targets and capabilities.
4. A plan for long-term funding, which complements the resources raised by the businesses, is designed to cover upcoming repayments and finance the growth of the businesses. It takes into account the Group's investment capabilities and aims to optimise the cost of fund-raising while complying with limits in terms of market concentration. Diversification in terms of issuers and investor pools is also sought and managed.
5. The Group's short-term resources are adapted to the financing of the businesses' short-term needs over periods that are appropriate to their management and in line with market concentration limits. As outlined above, they are adjusted in light of the liquidity reserve on the asset side, based on the established stress survival horizon as well as on the Group's LCR target (Liquidity Coverage Ratio).
6. The Group's liquidity steering ensures compliance with the target regulatory ratios (LCR, NSFR, leverages), the BU contributions to these ratios being subject to supervision.

Lastly, liquidity cost is passed on to businesses via the Group's internal transfer pricing scheme. Funding allocated to the businesses is charged to the latter on the basis of scales that must reflect the liquidity cost for the Group. This system is designed to optimise the use of external financing sources by businesses and is used to monitor the equilibrium of balance sheet funding. The management of intra-group liquidity relies on a principle of centralisation of liquidity flows. The corporate central treasury is responsible for raising funding externally and providing liquidity to businesses on short term and long term maturities. There are only marginal flows between subsidiaries. In parallel, local excess cash is upstreamed to the central treasury, unless it triggers a breach of local constraints. Excess liquidity that cannot be transferred to the Group is subject to Group investment guidelines.

Societe Generale has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities. ▲

4.9.3 LIQUIDITY RESERVE

The Group's liquidity reserve encompasses cash at central banks and assets that can be used to cover liquidity outflows under a stress scenario. The reserve assets are available, i.e. not used in guarantee or as collateral on any transaction. They are included in the reserve after applying a haircut to reflect their expected valuation under stress. The Group's liquidity reserve contains assets that can be freely transferred within the Group or used to cover subsidiaries' liquidity outflows in the event of a crisis: non-transferable excess cash (according to the regulatory ratio definition) in subsidiaries is therefore not included in the Group's liquidity reserve.

The liquidity reserve includes:

- central bank deposits, excluding mandatory reserves;
- High-Quality Liquid Assets (HQLAs), which are securities that can be quickly monetised on the market via sale or repurchase transactions; these include government bonds, corporate bonds and equities listed on major indices (after haircuts). These HQLAs meet the eligibility criteria for the LCR, according to the most recent standards known and published by regulators. The haircuts applied to HQLA securities are in line with those indicated in the most recent known texts on determining the numerator of the LCR;
- non-HQLA Group assets that are central bank-eligible, including receivables as well as covered bonds and securitisations of Group receivables held by the Group.

The composition of the liquidity reserve is reviewed regularly by a special committee comprising the Finance Division, the Risk Division and the Management of the MARK Business Unit, and is adjusted by authorisation of the Finance Committee.

TABLE 42: LIQUIDITY RESERVE

(In EURbn)	31.12.2019	31.12.2018
Central bank deposits (excluding mandatory reserves)	88	82
HQLA securities available and transferable on the market (after haircut)	81	73
Other available central bank-eligible assets (after haircut)	21	17
TOTAL	**190**	**172**

4.9.4 REGULATORY RATIOS

The Basel Committee recommends the international implementation of two standard ratios with harmonised parameters to regulate bank liquidity risk profiles:

- the Liquidity Coverage Ratio (LCR) aims to ensure that banks hold sufficient liquid assets or cash to survive a significant stress scenario combining a market crisis and a specific crisis and lasting for one month;
- the Net Stable Funding Ratio (NSFR) is a transformation ratio which compares funding needs with stable resources over a one-year period.

The transposition of Basel 3 into European Union law under CRD4 and CRR1 was published on 27 June 2013. The French transposition was published in the French Official Journal (*Journal officiel*) on 5 November 2014.

The LCR definition was finalised, on the basis of technical standards issued by the EBA, through a Delegated Act of the European Commission on 10 October 2014. The LCR entered into force at European level on 1 October 2015. The text has been updated by a Delegated Act which will enter into force on 30 April 2020. The corresponding minimum requirement was set at 100% from 1 January 2018.

The NSFR requierement is included in the CRR2 as publisehd in June 2019. It will enter into force in June 2021. The required level will stand at 100%.

Societe Generale is actively continuing its work on transposing the European prudential legislation (or the Basel text when the European transposition has not yet been finalised) and on translating it into management standards within the Group.

Since the implementation of the European regulatory LCR requirement in October 2015, Societe Generale's LCR has consistently stood at over 100%. The LCR was 119% at end-2019 (vs. 129% at end-2018).

4.9.5 BALANCE SHEET SCHEDULE

The main lines of the Group's financial liabilities and assets are presented in Note 3.13 to the consolidated financial statements.

TABLE 43: BALANCE SHEET SCHEDULE

FINANCIAL LIABILITIES

		31.12.2019				
(In EURm)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Due to central banks		4,097	-	-	-	4,097
Financial liabilities at fair value through profit or loss, excluding derivatives	Notes 3.1 and 3.4	155,032	17,815	23,584	29,578	226,009
Due to banks	Note 3.6	69,155	20,306	17,268	1,200	107,929
Customer deposits	Note 3.6	372,574	20,385	16,318	9,335	418,612
Securitised debt payables	Note 3.6	28,143	24,947	56,099	15,979	125,168
Subordinated debt	Note 3.9	5	2	2,746	11,712	14,465

NB: The scheduling assumptions for these liabilities are presented in Note 3.13 to the consolidated financial statements. In particular, the data are shown without provisional interest and excluding derivatives.

The table at 31 December 2018 has been modified as follows:

		31.12.2018				
(In EURm)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Due to central banks		5,721	-	-	-	5,721
Financial liabilities at fair value through profit or loss, excluding derivatives	Note 3.1 and 3.4	186,075	11,231	16,891	21,940	236,137
Due to banksknow	Note 3.6	60,020	7,788	25,283	1,615	94,706
Customer deposits	Note 3.6	366,934	18,246	20,691	10,947	416,818
Securitised debt payables	Note 3.6	29,579	23,703	48,660	14,397	116,339
Subordinated debt	Note 3.9	301	255	1,581	11,177	13,314

NB: The scheduling assumptions for these liabilities are presented in Note 3.13 to the consolidated financial statements. In particular, the data are shown without provisional interest and excluding derivatives.

FINANCIAL ASSETS

(In EURm)	Note to the consolidated financial statements	31.12.2019 0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Cash, due from central banks		98,967	735	1,609	1,000	102,311
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.4	242,879	7,011	-	-	249,890
Financial assets at fair value through other comprehensive income	Note 3.4	51,730	1,282	-	244	53,256
Securities at amortised cost	Note 3.5	11,012	200	973	304	12,489
Due from banks at amortised cost	Note 3.5	47,260	1,957	6,257	892	56,366
Customer loans at amortised cost	Note 3.5	87,877	58,318	162,795	111,234	420,224
Lease financing agreements (*)	Note 3.5	2,487	6,050	16,727	4,756	30,020

(*) *Amounts are featured net of impairments*

The table at 31 December 2018 has been modified as follows:

(In EURm)	Note to the consolidated financial statements	31.12.2018 0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Cash, due from central banks		93,309	733	1,597	946	96,585
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.4	240,543	2,024	-	-	242,567
Financial assets at fair value through other comprehensive income	Note 3.4	48,738	998	-	290	50,026
Securities at amortised cost	Note 3.5	6,360	1,717	3,566	383	12,026
Due from banks at amortised cost	Note 3.5	48,248	2,618	4,614	5,108	60,588
Customer loans at amortised cost	Note 3.5	98,379	63,874	178,414	74,983	415,650
Lease financing agreements (*)	Note 3.5	2,605	6,355	17,760	4,859	31,579

(*) *Amounts are featured net of impairments*

Due to the nature of its activities, Société Générale holds derivative products and securities whose residual contractual maturities are not representative of its activities or risks.

By convention, the following residual maturities were used for the classification of financial assets:

1. Assets measured at fair value through profit or loss, excluding derivatives (customer-related trading assets):
   - Positions measured using prices quoted on active markets (L1 accounting classification): maturity of less than 3 months,
   - Positions measured using observable data other than quoted prices (L2 accountBing classification): maturity of less than 3 months,
   - Positions measured mainly using unobservable market data (L3): maturity of 3 months to 1 year;
2. Financial assets at fair value through other comprehensive income:
   - Available-for-sale assets measured using prices quoted on active markets: maturity of less than 3 months,
   - Bonds measured using observable data other than quoted prices (L2): maturity of 3 months to 1 year,
   - Finally, other securities (shares held long-term in particular): maturity of more than 5 years.

As regards the other lines of the balance sheet, other assets and liabilities and their associated conventions can be broken down as follows:

OTHER LIABILITIES

		31.12.2019					
(In EURm)	Note to the consolidated financial statements	Not scheduled	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Tax liabilities	Note 6.3	-	-	939	-	470	1,409
Revaluation difference on portfolios hedged against interest rate risk		6,671	-	-	-	-	6,671
Other liabilities	Note 4.4	-	85,062	-	-	-	85,062
Non-current liabilities held for sale	Note 2.5	-	-	1,333	-	-	1,333
Insurance contracts related liabilities	Note 4.3	-	19,392	9,291	37,018	78,558	144,259
Provisions	Note 8.3	4,387	-	-	-	-	4,387
Shareholders' equity		68,570	-	-	-	-	68,570

		31.12.2018					
(In EURm)	Note to the consolidated financial statements	Not scheduled	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Tax liabilities	Note 6.3	-	-	771	-	386	1,157
Revaluation difference on portfolios hedged against interest rate risk		5,257	-	-	-	-	5,257
Other liabilities	Note 4.4	-	76,629	-	-	-	76,629
Non-current liabilities held for sale	Note 2.5	-	-	10,454	-	-	10,454
Insurance contracts related liabilities	Note 4.3	-	12,317	8,891	35,102	73,233	129,543
Provisions	Note 8.3	4,605	-	-	-	-	4,605
Shareholders' equity		65,809	-	-	-	-	65,809

OTHER ASSETS

		31.12.2019					
(In EURm)	**Note to the consolidated financial statements**	**Not scheduled**	**0-3 m**	**3 m-1 yr**	**1-5 yrs**	**> 5 yrs**	**Total**
Revaluation differences on portfolios hedged against interest rate risk		401	-	-	-	-	401
Other assets	Note 4.4	-	68,045	-	-	-	68,045
Tax assets	Note 6	5,779	-	-	-	-	5,779
Investments accounted for using the equity method		-	-	-	-	112	112
Tangible and intangible fixed assets	Note 8.4	-	-	-	-	30,652	30,652
Goodwill	Note 2.2	-	-	-	-	4,627	4,627
Non-current assets held for sale	Note 2.5	-	6	4,501	-	-	4,507
Investments of insurance companies	Note 4.3	-	39,514	8,289	33,193	83,942	164,938

		31.12.2018					
(In EURm)	**Note to the consolidated financial statements**	**Not scheduled**	**0-3 m**	**3 m-1 yr**	**1-5 yrs**	**> 5 yrs**	**Total**
Revaluation differences on portfolios hedged against interest rate risk		338	-	-	-	-	338
Other assets	Note 4.4	-	67,446	-	-	-	67,446
Tax assets	Note 6	5,819	-	-	-	-	5,819
Investments accounted for using the equity method		-	-	-	-	249	249
Tangible and intangible fixed assets	Note 8.4	-	-	-	-	26,751	26,751
Goodwill	Note 2.2	-	-	-	-	4,652	4,652
Non-current assets held for sale	Note 2.5	-	1	13,496	2	3	13,502
Investments of insurance companies	Note 4.3	-	29,743	6,569	31,189	79,267	146,768

1. Revaluation differences on portfolios hedged against interest rate risk are not scheduled, as they comprise transactions backed by the portfolios in question. Similarly, the schedule of tax assets whose schedule would result in the early disclosure of income flows is not made public.
2. Other assets and other liabilities (guarantee deposits and settlement accounts, miscellaneous receivables) are considered as current assets and liabilities.
3. The notional maturities of commitments in derivative instruments are presented in Note 3.13 to the consolidated financial statements.
4. Investments in subsidiaries and affiliates accounted for by the equity method and Tangible and intangible fixed assets have a maturity of more than 5 years.
5. Provisions and shareholders' equity are not scheduled.

4.10 COMPLIANCE RISK, LITIGATION

Acting in compliance means understanding and observing the external and internal rules that govern our activities. These rules aim to ensure a transparent and balanced relationship between the Bank and all of its stakeholders. Compliance is the cornerstone of trust between the Bank, its customers, its supervisors and its staff.

Compliance with rules is the responsibility of all Group employees, who must demonstrate compliance and integrity on a daily basis. The rules must be clearly expressed, and staff must be informed and/or trained to understand them properly.

The compliance risk prevention system is based on shared responsibility between the operational entities and the Group Compliance Division:

- the operational entities (BU/SUs) must incorporate into their daily activities compliance with laws and regulations, the rules of professional best practice and the Group's internal rules;
- the Compliance Division manages the Group's compliance risk prevention system. It ensures the system's consistency and efficiency, while also developing appropriate relationships with bank supervisors and regulators. This independent division reports directly to General Management.

To support the businesses and supervise the system, the Compliance Division is organised into:

- dedicated teams in each business line, liaising with the businesses on all their compliance issues and responsible for most of the deal flow, except for the most sensitive transactions;
- central teams dedicated to oversight, the definition of standards and controls, and key cross-business activities such as training and digital transformation.

The Compliance Division is organised into eight main compliance risks which are grouped into two major categories:

- financial security, which includes Know Your Customer (KYC) processes, the observance of international sanctions and embargo rules, and anti-money laundering and counter-terrorism financing rules;
- regulatory risks that cover customer protection, market integrity, anti-bribery and corruption, ethics and conduct, compliance with international tax regulations and personal data protection.

Financial security			Regulatory risks				
KYC	**AML**	**Sanctions & Embargoes**	**Customer protection**	**Market integrity**	**Tax transparency**	**Anti-corruption, Conduct and Ethics**	**Data**
Know Your Customer	Anti-money laundering and counter-terrorism financing		MiFID II/ MIFIR PRIIPs etc.	EMIR/DFA, Volcker, FBL, MAD/MAR, benchmarks, etc.	FATCA, CRS, QI, DAC6, etc.	ABC, Sapin II, etc.	GDPR, Archiving, etc.

4.10.1 COMPLIANCE

Financial security

KNOW YOUR CUSTOMER (KYC)

In 2018, the Group launched a programme to revamp its KYC functions in order to boost their operational efficiency (via the simplification of standards, greater pooling of resources, optimisation of tools and processes) and to improve the customer experience. This four-year programme, placed under the responsibility of the Compliance Division, is closely and regularly monitored at the highest Bank level.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CTF)

The Group has implemented new measures linked to the Fourth Directive on anti-money laundering and counter-terrorism financing as well as European Regulation 2015/847 on the quality of payment information. Several internal initiatives were also launched or continued to consistently strengthen its system. In particular, these initiatives cover alert detection tools used in the Bank's different businesses, with use of new technologies and the optimisation of scenarios used.

FINANCIAL EMBARGOES AND SANCTIONS

In 2019, the international environment was again impacted by the reinforcement of US sanctions on Russia and Iran, with greater complexity in terms of implementation that may generate substantial operational risks for financial institutions. In this context, Societe Generale Group has confirmed its position to abstain from any trading activity with Iran and to maintain transactions with Russia within a strict framework.

The Group continued to strengthen its Embargoes/Sanctions system under the established remedial programme following agreements with the French and US authorities (see p. 246): Progress has been made on the payment platform centralisation projects and Compliance function employees have received further skills development training, notably through certified training courses.

Regulatory risk

CUSTOMER PROTECTION

Customer protection is a major challenge for the Societe Generale Group, which is committed to respecting and protecting the interests of its customers by striving to meet the highest standards of security and quality of service. Customer satisfaction is covered in Chapter 5, on p. 270.

The European consumer protection regulation (MiFID II), which entered into force on 3 January 2018, and the Insurance Directive (DDA), which entered into force on 1 October 2018, have reinforced the existing system that Societe Generale revised and completed in 2019. In particular, the Group has made strong efforts to protect financially vulnerable customers, with fee capping systems in place since early 2019.

In this context, significant measures have been taken to improve the Group's system by:

- strengthening internal rules relating to customer claims, product governance requirements, prior information, the appropriateness of advisory, compensation structures and the prevention of conflicts of interest;
- specific training and increased staff awareness; the importance the Group places on this issue is largely addressed in the Group's Code of Conduct and its Culture and Conduct programme;
- adapting as a matter of necessity existing tools to new regulatory requirements.

CLAIMS AND MEDIATION

The processing of a claim is a commercial act that influences customer satisfaction. Accordingly, this point was largely addessed in the Code of Conduct.

The Group's Customer Claims Processing procedure was revised in 2019 to incorporate European Banking Authority (EBA) recommendations and new regulatory requirements, in particular DSP2.

Each Bank business possesses an ad hoc governance, organisation, human resources and applications, formalised procedures, and quantitative and qualitative monitoring indicators. Mediation services also form part of the internal procedure.

Customers are made aware of the availability of mediation services through various means; in particular, a statement to this effect appears permanently on the back of account statements. Every entity involved is obliged to comply with the independent mediator's decision.

CONFLICTS OF INTEREST

The Group has a clear normative framework in place to prevent and manage conflicts of interest which specifies the principles and mechanisms that have been implemented. The Group's procedure was updated in 2019 to include new regulatory requirements and changes. It covers two categories of potential conflicts of interest, i.e. those that may arise between the Group and its customers and those occurring between the Group and its employees, particularly in relation to activities involving an employee's personal interest and/or their professional obligations. It sets out the rules for identifying potential conflicts of interest that should be clearly defined and identified using a mapping tool and also listed in a conflicts of interest register.

PRODUCT GOVERNANCE

Product governance obligations have been broadened to include compliance with marketing and customer information regulations. As it is obliged to identify the target market from the product design stage and to verify that the criteria match customer profiles, the Societe Generale Group performs both systematic product reviews upstream of the marketing stage and communication between product originators and distributors to track the products during their life cycle.

Vulnerable customers

Societe Generale has established practices and usages to comply with legislation vis-à-vis vulnerable customers by providing them with a specific offer involving limited account management fees. To contribute to the national effort to boost the purchasing power of French citizens in challenging financial circumstances, the Group has added to its practices by introducing additional measures in February 2019, notably:

- freezing bank fees in 2019;
- capping bank intervention fees at EUR 25 for vulnerable clients;
- organising follow-up and support suited to the situation of customers experiencing difficulties in the wake of recent events.

MARKET INTEGRITY

Market integrity covers a number of regulatory topics, namely legislation on the separation of banking activities (Volcker Rule and French Banking Act), regulations on over-the-counter (OTC) derivatives (Dodd-Frank Act supervised by the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission Rules, the European Market Infrastructure Regulation (EMIR), market abuse and manipulation regulations, and laws governing market transparency and staff transactions, in particular, the MAD/MAR and MiFID II European Directives.

Measures are in place to ensure compliance with the rules on the separation of banking activities and on derivatives swaps in order to meet systemic risk reduction and risk mitigation objectives.

MARKET ABUSE

The Group's Market Abuse procedure was revised in 2019. The procedure related to the management of listed issuer privileged information was rounded out with a staff transaction procedure.

The procedures specfically set out the measures to be implemented to prevent or detect market abuse practices that may threaten the integrity of financial markets, i.e.:

- insider trading (transmission and use of privileged information);
- market manipulation (price manipulation and the spreading of false information).

Specific ongoing focus is placed on the modernisation of automated detection and analysis tools, in addition to the training of Compliance staff in charge of these controls.

In 2019, these systems were reinforced with procedures and controls on the administration, contribution and use of benchmarks.

TAX COMPLIANCE

Societe Generale implements control measures to ensure its transactions comply with local laws and regulations, and with its Tax Code of Conduct. These controls are performed by the Tax Division and the Compliance Division. Accordingly, all new products require approval with respect to these texts; this also applies to complex transactions either within the Group or with customers.

Societe Generale complies with tax transparency standards. It applies the Common Reporting Standard (CRS) to all its entities. This standard enables tax authorities to be systematically informed of income received abroad by their tax residents, including where the accounts are held in asset management structures. In 2019, this reporting concerned 58 countries in which Societe Generale operates.

Moreover, Societe Generale complies with the requirements of the United States FATCA (Foreign Account Tax Compliance Act), which aims to combat tax evasion schemes involving foreign accounts or entities held by US taxpayers. Non-US financial intermediaries are thus responsible for identifying US taxpayers in their customer base in order to declare the income received by said taxpayers, directly or indirectly, to the US tax administration, thereby enabling an automatic reconciliation with their individual tax returns. The tax transparency objectives have been achieved by generating a tax report filed at national level and sharing tax information between partner countries on the basis of existing bilateral tax treaties and inter-governmental agreements (IGAs).

Societe Generale Group's principles on combatting tax evasion are governed by the Tax Code of Conduct. The Code was updated in March 2017 and approved by the Board of Directors after review by the Executive Committee. It is a public document can be consulted on the Bank's institutional investor portal: *https://www.societegenerale.com-/sites/default/files/documents/Code%20de%20conduite/tax_code_of_-conduct_of_societe_generale_group_uk.pdf.*

The five main principles of the Code of Conduct are as follows:

- Societe Generale ensures that the tax rules applicable to its business in accordance with internationalconventions and national laws are respected in all countries where the Group operates.
- In its relations with its clients, Societe Generale ensures that they are informed of their tax obligations relating to transactions carried out with the Group and the Group complies with the reporting obligations, which are applicable as bookkeeper or in any other way.
- In its relations with Tax Authorities, Societe Generale is committed to strictly respecting tax procedures and ensures that it maintains open and transparent relations to maintain its reputation.
- Societe Generale does not encourage or promote tax evasion for itself or its subsidiaries or for its clients.
- Societe Generale has a tax policy in line with its strategy of sustainable profitability and refrains from any operation, whether for its own account or for its clients, whose main purpose or effect is tax motivated, unless this is consistent with the intention of the legislation.

The Board of Directors annually reviews the application of the Code and the procedures and systems in place within the Group to ensure that new products and new establishments comply with the Group's tax principles.

Relationships with legislators and tax law policy makers are governed by the Charter for Responsible Advocacy with respect to Public Authorities and Representative Institutions *(https://www.societe-generale.com/csr-report/files/Charter_responsible_advocacy_SG.PDF)-responsable%20SG.PDF).*

The Group is committed to a strict policy with regard to tax havens. No establishment of the Group is authorised in a state or territory on the official French list of ETNCs[1] ("États et Territoires Non Coopératifs" in French) and internal rules have been in place since 2003 to monitor a larger list of countries or territories.

The Group follows OECD transfer pricing standards. However, local constraints may require deviations from OECD methodologies, in which case the local constraints must be documented.

The Group publishes annual information on establishments and activities on a country-by-country basis (for more information see chapter 2.11 "Information about geographic locations and activities at 31st December 2019" p.65) and confirms that its presence in a certain number of countries is based exclusively on commercial reasons and not motivated by the transaction's tax set-up. The Group also complies with the tax transparency rules of the countries concerned. (CbCR - Declaration country by country).

It is currently implementing the new European directive on administrative cooperation in the field of taxation (referred to as DAC 6) which will impose reporting of cross-border tax arrangements as of mid-2020.

(1) including the European Union blacklist

Importantly, the account-keeping entities of the Private Banking Business Unit are established exclusively in countries with the strictest tax transparency rules imposed by G20 member countries and the OECD. These countries ratified the Convention on Mutual Administrative Assistance in Tax Matters, introduced the automatic exchange of information in financial accounts (CRS) and obtained the "largely compliant" and "compliant" rating as part of the peer review process conducted under the aegis of the OECD.

Assets deposited in Private Banking books are subject to enhanced scrutiny using comprehensive due diligence procedures to ensure they are tax compliant.

In accordance with regulatory requirements, Societe Generale also includes tax fraud in its anti-money laundering procedures.

ANTI-CORRUPTION MEASURES

Societe Generale is fully committed to fighting corruption and has given clear undertakings in this respect by participating in the Wolfsberg Group and the Global Compact.

The Group applies strict principles that are included in its Code of Conduct and its "Anti-Corruption and Influence Peddling Code".

Societe Generale's anti-corruption programme is built around the following themes:

- code of Conduct;
- annual risk mapping;
- appropriate training at all levels (senior management, exposed persons, all employees);
- control systems;
- accounting procedures;
- evaluation of third parties;
- disciplinary system;
- right to whistleblow.

The normative framework was first updated in 2018 ("Fight Against Corruption in Societe Generale Group", "Gifts, Hospitality and Entertainment" instructions) and new instructions supplemented the framework in 2019 ("Whistleblowing mechanism", "Know Your Supplier Obligations, Managing the Corruption and Influence Peddling Risk of Financial Service Suppliers", "Patronage and Sponsorship Principles", "Human Resources Principles (recruitment, appraisals and disciplinary sanctions)", "External Growth Procedures").

Societe Generale revised its whistleblowing mechanism by rolling out a secure Internet platform across the entire Group to enable all employees (whether internal, external or temporary) to exercise their right to whistleblow. In January 2019, a new instruction was published to present this new mechanism. It protects whistleblowers in particular by guaranteeing strict confidentiality and personal data protection.

In 2019, the Group also rolled out a tool to report, approve and monitor gifts, business meals and external events.

Anti-corruption accounting and operational controls have also been strengthened.

In addition, a comprehensive training programme has been rolled out across the Group to increase employee vigilance. Online training was rolled out in mid-2018 for all employees, with a 97% completion rate at the end of December 2019. In 2019, classroom training was also provided to 6,155 employees and senior managers (99.5% completion rate) in roles particularly exposed to the risk of corruption.

DATA PROTECTION

As a trusted partner of its customers, Societe Generale is especially sensitive to personal data protection.

The entry into force, in May 2018, of the new European General Data Protection Regulation (GDPR), which increases the Company's obligations and the level of sanctions in case of non-compliance with these obligations (up to 4% of revenue) has offered an opportunity for the Group and its subsidiaries to further reinforce their compliance system.

Across all Group entities, internal instructions and associated procedures in line with local and European regulations define the rules to apply and the measures to take to guarantee the protection and security of customer and staff data. Measures to inform data subjects

and process their demands are in place so that such persons can exercise their rights, notably *via* dedicated digital platforms. A personal data security policy has been defined, which fits in with the Group's overall security strategy, especially as regards cybersecurity. Moreover, as part of GDPR deployment, there has been a specific effort to increase staff awareness *via* dedicated training. An e-learning module has been introduced for the employees of every entity concerned. At end-2019, 97.3% of employees had undertaken the training.

Lastly, Societe Generale Group has appointed a Data Protection Officer (DPO). Reporting to the Head of Group Compliance, and the main contact for the Personal Data Protection Authority (the CNIL in France), he or she is responsible for ensuring sound Group compliance in terms of personal data protection. He or she has a network of local DPOs and Correspondents throughout the Group entities, and must support them on security issues and personal data usage. As part of his or her duties, the DPO regularly reviews a number of indicators, notably the number and nature of right exercise requests, the internal training completion rate, and the local DPO certification programme launched at the end of 2018.

RISK AND REMUNERATION POLICY

Since the end of 2010, in accordance with the regulatory framework defined by European Directive CRD3, Societe Generale has implemented a specific governance to determine variable remuneration. Beyond financial market professionals, the rules introduced by this directive apply to all persons whose activity is likely to have a substantial impact on the risk profile of the institutions which employ them, including those exercising control functions.

The regulatory framework defined by the European Directive CRD4 has applied since 1 January 2014. The framework does not modify the rules determining the variable remuneration of persons whose activity is likely to have an impact on the risk profile of the Group and on the employees who exercise control functions. The above-mentioned principles and governance remain in place within the Group.

According to the principles approved by the Board of Directors as proposed by the Compensation Committee, the remuneration mechanisms and processes for the identified population not only factor in the financial results of the transactions undertaken, but also how these results are generated: control and management of all risks and adherence to compliance rules. For their part, control function employees are remunerated independently of the results of the transactions that they control and according to criteria specific to their activity.

Variable remuneration includes a non-deferred portion and a deferred portion. The acquisition of the deferred portion of the variable remuneration is subject to three conditions, i.e. a minimum length of service, a minimum level of financial performance of the Company and/or the activity, and appropriate management of risks and compliance (malus and clawback clauses). All deferred variables of the regulated population are subject to a non-payment clause to sanction any excessive risk-taking or behaviour deemed unacceptable. A clawback clause enables Societe Generale, subject to applicable regulations, to request the return of deferred variables, in part or in full, after the holding period and for a five-year period after their allocation was included in the Group's plan for deferred variable remuneration allocated for 2019.

At least 50% of this remuneration is paid in shares or equivalent securities. The purpose of thesepayment methods is to align the remuneration with the Company's performance and risk horizon.

The Risk Division and Compliance Division help define and implement this policy. In particular, every year they independently assess the main activities of Wholesale Banking, and French and International Retail Banking, and the principal risk takers, together with the desk managers subject to the Separation and Regulation of Banking Activities Act and the Volcker Rule in relation to their risk management and compliance. These assessments are reviewed by General Management and taken into account when determining the amounts of variable remuneration.

The regulatory framework defined in European Directive CRD4 has applied since 1 January 2014 and does not amend the rules on determining the variable remuneration of persons whose activity is likely to have an impact on the Group's risk profile and control function employees. Accordingly, the principles and governance mentioned above continue to apply within the Group.

Societe Generale has also implemented a specific system and governance aimed at the holders of trading mandates to ensure that the remuneration policy genuinely factors in the requirements of the Separation and Regulation of Banking Activities Act of 26 July 2013 and the Volcker Rule.

In keeping with our historical approach and in accordance with the recommendations of the Committee of European Banking Supervisors, several regulatory principles - the portion of deferred remuneration, the acquisition of which is subject to conditions of presence, the minimum performance of the Group and the activity, and appropriate risk and compliance management - apply to a wider population than the regulated population depending on the level of variable remuneration, notably across the scope of Wholesale Banking.

In addition, the Group's annual employee appraisal tool has included a Conduct and Compliance section since 2018 enabling managers to factor in cases of employees' non-compliant behaviour when managing risks, providing quality of service and respecting customers' interests. Where an employee has failed to observe conduct and compliance rules, the manager must draft and implement a dedicated action plan to assist him or her. The results of this specific appraisal measure are crucial in determining the employee's career path and remuneration.

The consideration given to risks in the remuneration policy is presented every year to the Risks Committee and a Director sitting on the Risks Committee also sits on the Compensation Committee.

Management of reputational risk

The management of reputational risk is governed by an internal directive signed by the Societe Generale Group CEO. The control system is intended to prevent, identify, assess and control this risk. It is coordinated by the Compliance Division, which:

- supports Group employees, and more particularly the Compliance Control Officers of the businesses, in their strategy for preventing, identifying, assessing and controlling reputational risk;
- offers and updates training programmes to raise awareness of reputational risk;
- develops a reputational risk dashboard that is communicated quarterly to the Risk Committee of the Board of Directors, based on information from the businesses/Business Units and support functions/Service Units (in particular the Human Resources, Communications, Legal, Corporate Social Responsibility and Data Protection Departments).

Moreover, Chief Compliance Officers dedicated to Business Units take part in the various bodies (new product Committees, *ad hoc* Committees, etc.) organised to approve new types of transactions, products, projects or customers, and formulate a written opinion as to their assessment of the level of risk of the planned initiative, and notably the reputational risk.

The compliance function transformation programme

The Compliance function transformation programme aims to strengthen compliance risk management *via* the increased vigilance and awareness of all stakeholders, including businesses, support staff and other units, to increase the operational efficiency of the associated processes and to meet the demands of supervisory and regulatory authorities in the long term.

This programme includes updating the governance and allocating greater resources to the Compliance function, whether in terms of recruitment, training, or modernisation of dedicated information systems and digitalisation. It also relies on a stronger risk-assessment framework and a robust control system. The programme includes a specific component on remediation linked to the agreements signed in 2018 with the US and French authorities.

Its action plan was supplemented and updated in 2019, and it will continue to be implemented in 2020.

COMPLIANCE REMEDIATION PLAN IN THE WAKE OF AGREEMENTS ENTERED INTO WITH FRENCH AND US AUTHORITIES

In June 2018, Societe Generale entered into agreements with the US Department of Justice (DOJ) and the US Commodity Futures Trading Commission (CFTC) to resolve their investigations into IBOR submissions, and with the DOJ and the French Parquet National Financier (PNF) to resolve their investigations into certain transactions involving Libyan counterparties.

In November 2018, Societe Generale entered into agreements with the US authorities to resolve their investigations into certain US dollar transactions involving countries, persons or entities subject to US economic sanctions.

As part of these agreements, the Bank has committed to enhance its compliance system in order to prevent and detect any violation of anti-corruption and bribery, market manipulation and US economic sanction regulations, and any violation of New York state laws. The Bank has also committed to enhance corporate oversight of its economic sanctions compliance programme. The Bank will not be prosecuted if it abides by the terms of the agreements, to which Societe Generale is fully committed.

The Bank has also agreed with the US Federal Reserve to hire an independent consultant to assess the Bank's progress on the implementation of measures to strengthen its compliance programme.

To meet the commitments made by Societe Generale as part of these agreements, the Bank has developed a programme to implement these commitments and strengthen its compliance system in the relevant areas. This programme has been placed under the direct supervision of the Group Head of Compliance. In addition, the programme's Steering Committee is chaired by a member of the Bank's General Management, and a programme progress report is presented to the Board of Directors on a monthly basis.

In 2019, the Programme was rolled out according to the schedule presented to the internal Governance bodies and the various authorities receiving regular reports on the progress of remedial actions. Moreover, the external audits provided in the agreements have been conducted or are under way.

UNITED STATES COMPLIANCE REMEDIATION PLAN

On 19 November 2018, Societe Generale Group and its New York branch (SGNY) entered into an agreement (enforcement action) with the NY State Department of Financial Services regarding the SGNY anti-money laundering compliance programme. This agreement requires (i) submitting an enhanced anti-money laundering programme, (ii) an anti-money laundering governance plan, and (iii) the performance of an external audit in May 2020.

As a reminder, on 14 December 2017, Societe Generale and SGNY on the one hand, and the Board of Governors of the Federal Reserve on the other hand, agreed to a Cease and Desist order (the "Order") regarding the SGNY compliance programme to adhere to the Bank Secrecy Act ("BSA") and its anti-money laundering ("AML") obligations (the "Anti-Money Laundering Compliance Program"), and regarding some aspects of its Know Your Customer programme.

This Cease and Desist Order signed on 14 December 2017 with the FED supersedes the Written Agreement entered into in 2009 between Societe Generale Group and SGNY on the one hand, and the US Federal Reserve and the New York State Financial Services Department on the other hand.

4.10.2 LITIGATION

The information pertaining to risks ans litigation is included in Note 9 to the consolidated financial statements, page 466.

4.11 MODEL RISK

Many choices made within the Group are based on quantitative decision support tools (models). Model risk is defined as the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. It can take the form of model uncertainty or errors in the implementation of model management processes.

4.11.1 MODEL RISK MONITORING

The Group is fully committed to maintaining a solid governance system in terms of model risk management in order to ensure the efficiency and reliability of the identification, design, implementation, modification monitoring processes, independent review and approval of the models used. An MRM ("Model Risk Management") Department in charge of controlling model risk was created within the Risk Department in 2017. Since then, the model risk management framework has been consolidated and structured, and is based today on the following device:

Actors and responsibilities

The model risk management system is implemented by the three independent lines of defense, which correspond to the responsibility of the business lines in risk management, to the review and independent supervision and evaluation of the system and which are segregated and independent to avoid any conflict of interest.

The device is as follows:

- the first line of defense (LoD1), which brings together several teams with diverse skills within the Group, is responsible for the development, implementation, use and monitoring of the relevance over time of the models, in accordance with model risk management system; these teams are housed in the Business Departments or their Support Departments;
- the second line of defense (LoD2) is made up of governance teams and independent model review teams, and supervised by the "Model Risk" Department within the Risk Department;
- the third line of defense (LoD3) is responsible for assessing the overall effectiveness of the model risk management system (the relevance of governance for model risk and the efficiency of the activities of the second line of defense) and l 'independent audit of models: it is housed within the Internal Audit Department.

Governance, steering and monitoring

A MRM Committee chaired by the Risk Director meets at least every three months to ensure the implementation of the management system and monitor the risk of models at Group level. Within the second line of defense and the "Model risk" Department, a governance team is in charge of the design and management of the model risk management system at Group level.

As such:

- the normative framework applicable to all of the Group's models is defined, applied when necessary to the main families of models to provide details on the specifics, and maintained while ensuring the consistency and homogeneity of the system, its integrity and its compliance with regulatory provisions; this framework specifies in particular the definition of expectations with regard to LoD1, the principles for the model risk assessment methodology and the definition of guiding principles for the independent review and approval of the model;
- the identification, recording and updating of information of all models within the Group (including models under development or recently withdrawn) are carried out in the model inventory according to a defined process and piloted by LoD2;
- the monitoring and reporting system relating to model risks incurred by the Group in Senior Management has been put in place. The appetite for model risk, corresponding to the level of model risk that the Group is ready to assume in the context of achieving its strategic objectives, is also formalized through statements relating to risk tolerance, translated under form of specific indicators associated with warning limits and thresholds.

Model life cycle and review and approval process

For each model, risk management is based on compliance with the rules and standards defined for the entire Group by each LoD1 player, it is guaranteed by an effective challenge from LoD2 and a uniform approval process.

The need to examine a model is assessed according to the level of model risk, its model family and applicable regulatory requirements. The independent review by the second line of defense is triggered in particular for new models, periodic model reviews, proposals to change models and transversal reviews in response to a recommendation:

- it corresponds to all the processes and activities which aim to verify the conformity of the functioning and use of the models with respect to the objectives for which they were designed and to the applicable regulations, on the basis of the activities and controls implemented by LoD1;

- it is based on certain principles aimed at verifying the theoretical robustness (evaluation of the quality of the design and development of the model), the conformity of the implementation and use, and the relevance of the monitoring of the model;
- it gives rise to an independent review report, which describes the scope of the review, the tests carried out, the results of the review, the conclusions or the recommendations.

The approval process follows the same approval scheme for all models, the composition of governance bodies being able to vary according to the level of model risk, the family of models, the applicable regulatory requirements and the Business Units/Service Units in which model is applicable. Responsible for LOD2, the approval process consists of two consecutive instances:

- the Review Authority which aims to present the conclusions identified by the review team in the independent review report and to discuss, allowing for a contradictory debate between LoD1 and LoD2. Based on the discussions, LoD2 confirms or modifies the conclusions of the review report, including the findings and recommendations, without being limited thereto;
- the Approval Authority, a body which has the power to approve (with or without reservation) or reject the use of a model, changes made to the existing model or continuous monitoring of the relevance of the model during of the time proposed by the LOD1, from the independent review report and the minutes of the Review Authority.

4.12 RISK RELATED TO INSURANCE ACTIVITIES

Risk related to insurance activities: through its insurance subsidiaries, the Group is also exposed to a variety of risks linked to this business. In addition to balance sheet management risks (interest rate, valuation, counterparty and exchange rate risk), these risks include premium pricing risk, mortality risk and the risk of an increase in claims.

4.12.1 MANAGEMENT OF INSURANCE RISKS

There are two main types of insurance risks:

- underwriting risks, particularly risk through life insurance, individual personal protection and non-life insurance. This risk can be biometrical: disability, longevity, mortality, or related to policyholders' behaviour (risk of lapses). To a lesser extent, the Insurance business line is also exposed to non-life and health risks. Such risks can come from pricing, selection, claims management or catastrophic risk;
- risks related to financial markets and ALM: the Insurance business line, mainly through life insurance on the French market, is exposed to instabilities on the financial markets (changes in interest rates and stock market fluctuations) which can be made worse by policyholder behaviour.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks are monitored and regularly reported, they are guaranted by risk policies validated by the Board of Directors of each entity.

Risk management techniques are based on the following:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile and the guarantees provided;
- regular monitoring of indicators on product claims rates in order to adjust certain product parameters, such as pricing or the level of guarantee, if necessary;
- implementation of a reinsurance plan to protect the business line from major/serial claims;
- application of policies on risk, provisioning and reinsurance.

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy as long-term performance objectives. The optimization of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analyzed by the Finance and Risk Department of the insurance business line.

Risk management related to financial markets (interest rates, credit and shares) and to ALM is based on the following:

- monitoring short- and long-term cash flows (match between the term of a liability and the term of an asset, liquidity risk management);
- particular monitoring of policyholder behaviour (redemption);
- close monitoring of financial markets;
- hedging against exchange rate risks (both rising and falling);
- defining thresholds and limits per counterparty, per issuer rating and assets class;
- stress tests, the results of which are presented annually at entities' Board of Directors' meetings, as part of the ORSA report (Own Risk and Solvency Assessment), transferred to the ACPR after approval by the Board;
- application of policies related to ALM and investment risks.

4.12.2 INSURANCE RISK MODELLING

The models are reviewed by the Insurance Risks Department, which is the second line of defense in the context of model risk management. The review works relate to the theoretical robustness (evaluation of the quality of design and development) of the models, the conformity of the implementation and the continuous monitoring of the relevance of the model over time. The independent review process ends with (i) a report describing the scope of the review, the tests performed, the results of the review, conclusions or recommendations and by (ii) validation Committees. The model control system gives rise to recurring reporting to the appropriate bodies.

4.13 OTHER RISKS

4.13.1 EQUITY RISK

Investment strategies and purpose

The Societe Generale Group's exposure to its non-trading equity portfolio relates to several of the Bank's activities and strategies. It includes equities and equity instruments, mutual fund units invested in equities, and holdings in the Group's subsidiaries and affiliates which are not deducted from shareholders' equity for the purpose of calculating solvency ratios. Generally speaking, due to their unfavourable treatment under regulatory capital, the Group's future policy is to limit these investments.

- First, the Group has a portfolio of industrial holdings which mainly reflect its historical or strategic relations with these companies.
- It also has some minority holdings in certain banks for strategic purposes, with a view to developing its cooperation with these establishments.
- In addition, the equities that are not part of the trading book include Group shares in small subsidiaries which are not included in its consolidation scope and which operate in France and abroad. This includes various investments and holdings that are ancillary to the Group's main banking activities, particularly in French Retail Banking, Corporate and Investment Banking, and Securities Services (private equity activities in France, closely linked with banking networks, stock market bodies, brokerages, etc.).
- Lastly, Societe Generale and some of its subsidiaries may hold equity investments related to their asset management activities (particularly seed capital for mutual funds promoted by Societe Generale), in France and abroad.

Monitoring of banking book equity investments and holdings

The portfolio of industrial holdings was significantly reduced in recent years, further to the disposal of non-strategic lines. It now includes only a limited number of investments. It is monitored on a monthly basis by the Group's Finance Division and, where necessary, value adjustments are recognised quarterly in accordance with the Group's provisioning policy.

The holdings that are ancillary to the Group's banking activity are monitored on a quarterly basis by the Group's Finance Division and, where necessary, value adjustments are recognised quarterly in accordance with the Group's provisioning policy. Private equity activities in France are subject to dedicated governance and monitoring, within the budgets periodically reviewed by the Group's General Management. Investment or disposal decisions take the financial aspects and the contribution to the Group's activities into consideration (supporting customers in their development, cross-selling with flow activities, Corporate and Investment Banking, Private Banking, etc.).

Valuation of banking book equities

From an accounting perspective, Societe Generale's exposure to equity investments that are not part of its trading book is classified within financial assets measured at fair value through net income or, using the option, at fair value through other comprehensive income (Cf. Consolidated financial statement – Note 3 Financial Instruments).

The Societe Generale Group's exposure to equity investments that are not part of the trading book is equal to their book value representative of a fair value based on a measure at mark to market or at mark to model.

The following table presents these exposures at end-December 2019 and 2018, for both the accounting scope and the regulatory scope. Regulatory data cannot be reconciled with data from consolidated financial statements, specifically because the regulatory scope excludes equity investments held on behalf of clients by the Group's insurance subsidiaries.

TABLE 44: SHARES AND EQUITIES IN BANKING BOOK

(In EURm)	31.12.2019	31.12.2018
Banking book - shares and other equity securities at fair value through profit or loss	2,492	1,996
Banking book - shares and other equity securities at fair value through other comprehensive income	16,304	13,976
Banking book - shares and other equity securities on banking book - Prudential scope (Exposure at default)	7,156	5,780
o.w shares and other equity securities at fair value through profit or loss	*6,917*	*5,493*
o.w. shares and other equity securities at fair value through other comprehensive income	*239*	*287*

Unrealised gains and losses related to changes in fair value, since the end of the previous year are recognised in:

- net income statement "Net gains and losses on financial transactions" for equity investment classified into Financial assets at fair value through profit or loss; and
- other comprehensive income "Unrealised gains or losses without subsequent recycling in the income statement" for equity investment classified into Financial assets at fair value through other comprehensive income.

For investments in listed shares, the fair value is estimated based on the stock price at closing date. For investment in unlisted shares, fair value can be estimated based on one or more of the following methods:

- quantitative method such as Discounted Cash Flows (DCF), Discounted Dividend Model (DDM);
- pro rata share of the entity's net assets;
- recent transactions identified on the entity's share (stake acquired by third party, valuation assessed by experts);
- recent transactions identified on entities from the same sector (earnings or NAV multiples, etc.).

Dividends received from equity investment are recognised in the net income statement "Net gains and losses on financial transactions".

In the event of a disposal, gains and losses resulting from a change in fair value occurring since the end of the previous year are recognised in:

- net income statement "Net gains and losses on financial transactions" for equity investment classified into Financial assets at fair value through profit or loss; and
- other comprehensive income "Unrealised gains or losses without subsequent recycling in the income statement" for equity investment classified into Financial assets at fair value through other comprehensive income. Gains and losses on equity investment disposals are transferred to Reserves in the subsequent accounting period following the disposal.

TABLE 45: NET GAINS AND LOSSES ON BANKING BOOK EQUITIES AND HOLDINGS

(In EURm)	31.12.2019	31.12.2018
Gains and losses on the sale of shares and equity	388	651
Net gains/losses on banking book	33	80

Regulatory capital requirements

To calculate the risk-weighted assets under Basel 3, the Group applies the simple risk weighting method for the majority of its non-trading equity portfolio. Shares in private equity companies are assigned a risk-weighting coefficient of 190%, shares in listed companies a coefficient of 290%, and shares in unlisted companies, including the holdings in our insurance subsidiaries, a coefficient of 370%. Furthermore, if they are not deducted from equity capital, material investments in the capital of finance companies are assigned a weighting coefficient of 250%.

As at 31 December 2019, the Group's risk-weighted assets relating to its non-trading equity portfolio, and its corresponding capital requirements, were as follows:

TABLE 46: CAPITAL REQUIREMENTS RELATED TO BANKING BOOK EQUITIES AND HOLDINGS[1]

(In EURm)			31.12.2019			31.12.2018		
Equities & holdings	**Approach**	**Weighting**	**Exposure at default**	**Risk weighted assets**	**Capital requirements**	**Exposure at default**	**Risk weighted assets**	**Capital requirements**
Private equity	Standard	150%	-	-	-	11	16	1
Private equity	Simple approach	190%	185	352	28	197	375	30
Financial securities	Standard	250%	503	1,257	101	943	2,357	189
Listed shares	Simple approach	290%	38	111	9	18	52	4
Unlisted shares and insurance	Simple approach	370%	5,297	19,599	1,568	3,987	14,751	1,180
TOTAL			**6,023**	**21,318**	**1,705**	**5,155**	**17,551**	**1,404**

(1) Excluding cash investments.

4.13.2 RESIDUAL VALUE RISK

Through its Specialised Financial Services division, mainly in its long-term vehicle leasing subsidiary, the Group is exposed to residual value risk (where the net resale value of an asset at the end of the leasing contract is less than expected).

Risk identification

Société Générale Group holds, inside its ALDA Business Units (automobile leasing activity) cars on its balance sheet with a risk related to the residual value of these vehicles at the moment of their disposals.

The Group is exposed to potential losses in a given reporting period caused by (i) the resale of vehicles associated with leases terminated in the reporting period where the used car resale price is lower than its net book value and (ii) additional depreciation booked during the lease term if the expected residual values of its vehicles decline below the contractual residual value. The future sales results and estimated losses are affected by external factors like macroeconomic, government policies, environmental and tax regulations, consumer preferences, new vehicles pricing, etc.

ALD gross operating income derived from car sales totalled EUR 75 million, EUR 102.5 million and EUR 165.3 million for the years ended 31 December 2019, 2018, and 2017 respectively.

Risk management

The residual value setting procedure defines the processes, roles and responsibilities involved in the determination of residual values that will be used by ALD Automotive as a basis for producing vehicle lease quotations.

A Residual Value Review Committee is held at least twice a year within each operating entity of ALD. This Committee debates and decides residual values, taking into account local market specificities, documenting its approach, ensuring that there is a clear audit trail.

A dedicated central ALD team controls and validates the proposed residual values prior to their being notified to the operating entities and updated in the local quotation system. This team informs ALD's Group Finance Director and Risk Manager in case of disagreements.

Additionally, the fleet revaluation process determines an additional depreciation in countries where an overall loss on the portfolio is identified. This process is performed locally twice a year for operating entities owning more than 5,000 cars (once a year for smaller entities) under the supervision of the central team and using common tools and methodologies. This depreciation is booked in accordance with accounting standards.

4.13.3 STRATEGIC RISKS

Strategic risks are defined as the risks inherent in the choice of a given business strategy or resulting from the Group's inability to execute its strategy. They are monitored by the Board of Directors, which approves the Group's strategic direction and reviews them at least once every year. Moreover, the Board of Directors approves strategic investments and any transaction (particularly disposals and acquisitions) that could significantly affect the Group's results, the structure of its balance sheet or its risk profile.

Strategic steering is carried out under the authority of the General Management, by the General Management Committee (which meets weekly without exception), by the Group Strategy Committee (which meets every two months) and by the Strategic oversight Committees of the Business Units and Service Units (which meet at least once a year for each of the 25 Units). The make-up of these various bodies is set out in the Corporate Governance chapter of this Universal Registration Document, chapter 3 (pages 69 and following). The Internal Rules of the Board of Directors (provided in Chapter 7 of this Universal Registration Document, page 541) lay down the procedures for convening meetings.

4.13.4 ENVIRONMENTAL AND SOCIAL RISKS

The Group's approach in terms of environmental and social issues is set out in Chapter 5 of this Universal Registration Document (pages 255 and following).

4.13.5 CONDUCT RISK

The Group is also exposed to conduct risk through all of its core businesses. The Group defines conduct risk as resulting from actions (or inactions) or behaviours of the Bank or its employees, inconsistent with the Group's Code of Conduct, which may lead to adverse consequences for its stakeholders, or place the Bank's sustainability or reputation at risk.

Stakeholders include in particular our clients, employees, investors, shareholders, suppliers, the environment, markets and countries in which we operate.

See also "Culture and Conduct programme" (see pages 260 and 261).

5

CORPORATE SOCIAL RESPONSIBILITY

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SOCIETE GENERALE - CSR AT A GLANCE

Societe Generale is committed to a fair, environmental

Highlights 2019

CLIMATE CHANGE

Group's commitments to support energy transition:

- **Reaching of the objective of EUR 100 billion** to support energy transition one year ahead of schedule
- New commitment to **raising EUR 120 billion** to the energy transition between 2019 and 2023
- Commitment to **progressively reducing to zero its exposure to the thermal coal sector**, (by 2030 for EU or OECD countries; by 2040 elsewhere)
- First **TCFD report** publication (Task Force on Climate related Financial Disclosures)

Group's participation in international initiatives:

- Signature of the **Collective Commitment to Climate Action** of UNEP-FI - 34 banks
- One of the founding signatories to the **Poseidon Principles**, with *Global Maritime Forum*, promoting shipping industry decarbonisation
- Signature of the **Green Investment Principles** (GIP - China)

Find out more:
Chapter 5.2.3, page 282
Chapter 5.2.2, page 277

SOCIAL TRENDS AND INNOVATIONS

Mobility:

- **ALD Automotive and E.ON sign a strategic partnership** to develop energy mobility solutions
- **EIB** grants financing of EUR 250 million to **ALD** to accelerate the **growth of its hybrid and electric vehicle fleet**

Sustainable cities:

- Deployment of **"LaVilleE+®"** start-up to co-create the city of tomorrow: human-centred, inclusive and sustainable
- **Renewal of the commitment** with **Netexplo Smart Cities Accelerator**

Find out more:
Chapter 5.2.4, page 285

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT OF AFRICA

- Societe Generale named **Best Bank in Africa for its Corporate Social Responsibility policy**

Infrastructure financing:

- In Côte d'Ivoire, **TFX award for best sustainable ECA-backed** deal of the year

Support for SMEs:

- Opening of 5 ***new Maisons de la PME*** (SME Centres) in Africa to support entrepreneurship

Financing the agricultural sector/access to electricity:

- Signature of a **partnership between the Agence Côte d'Ivoire PME (CI PME) and Societe Generale's Inno Lab in Dakar** to join forces on the RUFIN (Rural Finance) project

Financial inclusion:

- YUP: **1.4 million of customers**, spanning **six different countries**
- Alternative banking model, new offers: **Ombona** and **SoPay**

Find out more:
Chapter 5.2.5, page 288

Societe Generale CSR ambition

Steps 2019 of the strategic plan Transform to Grow 2017-2020

Climate commitments:

	2019 result	Target
EUR 100 billion between 2016 and 2020 to support the energy transition	109%	100%
EUR 100 billion between 2019 and 2023 to support the energy transition	34%	100%
Limit the proportion of coal in the energy mix to 19% by 2020	16%*	19%
-25% carbon emissions per occupant between 2014 and 2020	25%	25%

Grow with Africa 2018 – 2023:

Volume of outstanding loans to SMEs:
+60% between 2018 and 2023

	2019 result	Target
Volume of outstanding loans to SMEs	25%	60%

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT OF AFRICA

19 MFI active clients of the Group's African subsidiaries: with a credit commitment totalling EUR 75.2 million (vs. EUR 60 million in 2018); with the goal of **doubling outstandings by 2022)**

	2019 result	Target
19 MFI active clients	75.2	120

Sustainable cities:

EUR 2.1 billion invested in ***Grand Paris*** project, **setting** high CSR standards, with a target of **EUR 2.5 billion** by the end of 2020

	2019 result	Target
Sustainable cities	85%	100%

CLIMATE CHANGE

SOCIAL TRENDS & INNOVATIONS

CLIENT SATISFACTION

ETHICS, GOVERNANCE (INCL. ESG RISK MANAGEMENT)

RESPONSIBLE EMPLOYER

2019 result
Target

- Investments of **EUR 650 million** devoted to the Group's **IT system security** over a three-year period

- **Successful implementation of the Culture and Conduct program**
- **97% of employees** validated their knowledge on the Societe Generale Code of Conduct *via* a compulsory training module
- The support of the Business Units/Service Units will continue in 2020 with a dedicated team reporting to General Management

- **Employee commitment score: 64%** vs. 67% expected at the end of 2020
- **Nearly 21,500 employees** involved in solidarity initiatives offered by the Group

** Mid-2019 result*

and inclusive transition

Highlights 2019

CLIENT SATISFACTION

Client satisfaction:

- The Societe Generale network received **the *2020 Customer Service of the Year*** award from Viséo Customer Insights **for the seventh time**

Client protection:

- Launch by Societe Generale in partnership with consulting firm Wavestone of the **Banking Innovation Awards** to reward innovative solutions around data, artificial intelligence (AI) and **cybersecurity**
- **97% of employees** have completed the compulsory training on information security

Find out more:
Chapter 5.1.3, page 270

ETHICS, GOVERNANCE (Incl. ESG risk management)

Reinforcement of the Group's governance on environmental and social matters:

- Creation of the **Responsible Commitments Committee**, at General management level
- Definition of the roles of the **first line of defence and the second line of defence**

New transversal environmental and social commitments:

- Founding signatory of the **Principles for Responsible Banking** of UNEP-FI
- Signature of a **Sustainable IT Charter** drawn up by the *Institut du Numérique Responsable* (i.e. Sustainable IT Institute)

Sustainable and responsible finance:

- **SPIF**-compliant financing commitments: **EUR 10.6 billion**
- **SPI**-compliant investment products: **EUR 19.1 billion**

Find out more:
Chapter 5.1.6, page 272
Chapter 5.2.2, page 277
Chapter 5.2.4, page 285

RESPONSIBLE EMPLOYER

Diversity and inclusion:

- For the second year in a row, Societe Generale ranked among the **three best French banks** and came **15th in the international financial sector** according to the 2019 gender equality ranking of the NGO **Equileap** (3,000 companies around the world analysed)

Corporate Culture and Ethics:

- Strengthening of the agreement with **UNI Global Union** on human rights and the freedom of association
- **Policy combating misconduct in the workplace** effective in **2019**

Professions and Skills:

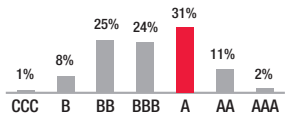
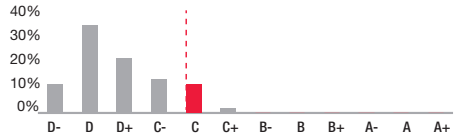
- **89% of employees** of the Group followed at least one training

Health and Safety:

- **9 out of 10 employees of the Group** benefit from an additional company health or personal protection plan
- Societe Generale SA in France signed the ***Cancer et Emploi* (i.e. Cancer and Employment) Charter**

Find out more:
Chapter 5.1.2, page 261

recognised by extra-financial agencies

Agencies	2018 Ranking	2019 Ranking	Index	Position vs peers
ROBECOSAM We are Sustainability Investing.	79/100	79/100 90th percentile	*DJSI World* *DJSI Europe*	**#1 Bank worldwide** in environment **#6 European Bank** across all ESG criteria (175 banks analyzed)
* MSCI ESG RATINGS A	"A"	"A"	*MSCI Low Carbon Leaders Index*	
** SUSTAINALYTICS	75/100	***ESG Rating Report : 71/100*** ***Risk Rating Report : 31.5/100 (0= lowest risk)***	*STOXX Global ESG Leaders* *STOXX Global ESG Environmental Leaders* *STOXX Global ESG Social Leaders* *EURO STOXX ESG Leaders 50* *STOXX Europe ESG Leaders 50*	**ESG Rating Report:** **#57** out of 340 in relative position, 83rd percentile **ESG Risk Rating Report:** Diversified Banks (subindustry): **#179** out of 390, 46th percentile
vigeoeiris	64/100	66/100	*Euronext Vigeo Europe 120* *Euronext Vigeo Eurozone 120* *Euronext Vigeo France 20*	SG in leading category ***Advanced*** (of 31 European banks, 6 have achieved Advanced status)
FTSE4Good	4.1/5	4.4/5	*FTSE4Good Index Series* *FTSE4Good Europe Index Series*	
Corporate ESG Performance Prime RATED BY ISS ESG	C "Prime"	-	*STOXX Europe Low Carbon Footprint* *STOXX Europe Reported Low Carbon*	

**MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers. Learn more about MSCI ESG ratings: https://www.msci.com/documents/1296102/15233886/MSCI-ESG-Ratings-Brochure-cbr-en.pdf/7fb1ae78-6825-63cd-5b84-f4a411171d34*
***Report at June 2019. In September 2018, Sustainalytics launched a new ratings framework called the ESG Risk Ratings.*

INTRODUCTION

The definition of a corporate purpose was an opportunity for the Group to see how to meet the growing expectations of its internal and external stakeholders, in a world of increased responsibility where economic development has become inseparable from environmental and social progress.

Substantive, collective efforts were made during the last months of 2019 with 85,000 contributions from employees covering more than 50 nationalities, team focus groups in direct contact with customers, young employees, and managers from all backgrounds, together with the Management Committee. The result was debated in the Board of Directors and the final formulation of the corporate purpose was approved on 17th January 2020:

"Building together, with our clients, a better and sustainable future through responsible and innovative solutions."

In the coming period, the Group will roll out its actions with a focus on this corporate purpose, which will inform and fuel discussions surrounding the next 2021-2025 strategic plan. Committed to support its customers with positive transformations in the world, Societe Generale has made Corporate Social Responsibility (CSR) a part of its strategy. It concerns all its businesses, for which it represents both an opportunity for innovation and a factor of sustainability. This CSR ambition was integrated into the Group's strategic 2020 Transform to Grow programme, presented to the markets in November 2017 (see: Chapter 1.3, *A strategy of stronger, profitable and sustainable growth, based on a diversified and integrated banking model*, page 12). Achieving this ambition forms part of the targets set by the members of the Group Management Committee and linked to their remuneration (see: Chapter 3.1.6 *Remuneration of Group senior management*, page 102).

Preamble, a Societe Generale CSR materiality matrix was formalised at the end of 2017, after extensive consultations with internal and external stakeholders. The 2020 strategic plan focuses on three cross-business components that form the foundation of a responsible bank: customer satisfaction and protection (see: *Satisfying customers while ensuring their protection*, page 270 and Chapter 4.10 *Compliance risk*, paragraph *Customer protection*, page 242); ethics and governance (see: *Societe Generale, a responsible company*, page 260) and the challenges of a responsible employer (see: *Being a responsible employer*, page 261). Three other components drive the positive transformation of our actions as a responsible bank: the fight against climate change (see: *Positive climate action: supporting a fair, environmental and inclusive transition*, page 282), social trends and innovations (see : *A Bank committed to sustainable and responsible finance*, page 285) and the contribution to the sustainable development of the African continent (see: *Continued commitment to sustainable development in Africa*, page 288). Through its geographic presence, the diversity of its businesses and its responsible commitment, Societe Generale helps achieve the UN Sustainable Development Goals (SDGs) (see: *Contributing to the Sustainable Development Goals*, page 275).

The Group's goal is to establish a culture of responsibility and apply the strictest control and compliance framework in the banking sector. It strives to act with integrity and in accordance with applicable law in all its activities. With this in mind, the Group has defined a Code of Conduct describing the standards to be complied with and constituting a commitment towards each stakeholder. This Code applies to all its employees worldwide. In addition to its Code of Conduct, Societe Generale also has a charter for Responsible Advocacy, a Tax Code of Conduct and a Code governing the Fight Against Corruption and Influence Peddling (see: Chapter 4.10 *Compliance Risk*, paragraph *Anti-corruption measures* and *A Code of Conduct underpinned by shared values*, pages 245 and 260).

In accordance with regulations, the Group hereby presents the relationship between:

- its business model;
- its CSR ambition;
- the politics and processes it implements and continues to enhance to manage the Environmental and Social (E&S) risk factors inherent in its activities.

Six actors play a specific role in terms of CSR:

- the Board of Directors, which approves the Group strategy, during which CSR achievements and themes are regularly placed on the agenda (see: Chapter 3.1.2 *Board of Directors*, paragraph: *The Board of Directors' work*, page 87). In 2019, two Board of Directors meetings addressed these issues;
- General Management, which examines CSR issues during specific committees:
  - the Group Risk Committee (CORISQ), chaired by the Chief Executive Officer, which reviews environmental challenges (see: *Climate Strategy and Governance*, page 283),
  - the Responsible Commitments Committee (CORESP), chaired by a Deputy Chief Exe cutive Officer, which reviews any E&S issue with an impact on the Group's responsibility or reputation (see: *E&S risk management in the businesses to promote fair and responsible growth*, paragraph: *Strenghened governance and organisation*, page 280),
  - the Group Strategy Committee and the Business and Service Units' Strategic Management Committees (see: 3.1.4 *Governance bodies*, page 99), the Compensation Committee (see: 3.1.2 *Board of Directors*, page 71), and the Group Compliance Committee also regularly discuss CSR issues as part of their respective mandates. In addition, a Deputy Chief Executive Officer, more particularly responsible for supervising the control functions (Risks, Finance and Compliance) also supervises CSR issues.
- the Head of the Global Banking and Advisory Business Unit is the main sponsor of the sustainable and positive impact finance offer for Societe Generale's wholesale* activities. A dedicated team of experts manages this offer; it integrates Environmental and Social (E&S) expertise into a wide range of innovative financial solutions;
- the Corporate Secretary, who is responsible for protecting the Bank to foster its development, supervises in particular the development and consideration of CSR within Societe Generale;
- the Head of CSR, reporting to the Corporate Secretary, is responsible, together with her team, for proposing a dedicated policy within the Group, which reflects discussions with stakeholders, and for monitoring actions undertaken in this area. Her appointment by the Chief Executive Officer in the Group Management Committee on 1st January 2017 attests to Societe Generale's determination to strengthen and further integrate CSR challenges into its strategy;
- the Group entities are responsible for implementing and aligning their initiatives with the Bank's CSR policy.

In order to identify the non-financial risk factors inherent in Societe Generale's activities, the Bank conducted a non-financial risk mapping in 2018. As part of this exercise, the main priority themes of the CSR ambition were cross-analysed with the Group's types of risk (see: Chapter 4 *Risks and capital adequacy*, paragraph: *Types of risk*, page 147), based on the premise that environmental, social and human rights risk factors are triggers or aggravating factors of some Group risk factors, especially credit, compliance and reputational risks, and separate from the business model.

The CSR Department worked on the risk mapping methodology in collaboration with the Risk Division, the Human Resources Department and the departments responsible for integrating the CSR ambition priority themes. The CSR Department then coordinated the identification and ranking of the various non-financial risk factors that could aggravate some existing risks for the Group. The methodology and results of this mapping exercise were presented to the Independent Verifier.

The risk factors identified through this exercise were assessed on the basis of two criteria: their potential severity and their probability of occurrence. Time considerations were also added in for certain risk factors that are not particularly significant at present, but that may become more important in the future.

The non-financial risk factors identified as being the most significant were:

- IT systems failure (cybercrime – see: Chapter 4.7 *Operational risk*, paragraphs: *Risks related to information security*, page 225 and *2018-2020 IT security master plan*, page 227);
- corruption (see: Chapter 4.10 *Compliance risk*, paragraph: *Anti-corruption measures*, page 245);
- data protection (see: Chapter 4.10 *Compliance risk*, paragraph *Data protection,* page 245);
- the Environmental and Social (E&S) challenges that could have an impact on the Group's reputation, as a result of other operational risks or arising from negative stakeholder perception (especially among external stakeholders) (see: *E&S risk management in the businesses to promote fair and responsible growth*, page 277);
- non-compliance with the Group's E&S laws or commitments (*e.g.* non-compliance with labour regulations or health & safety standards) (see: *Being a responsible employer*, page 261).

Certain moderate risk factors were also identified:

- E&S issues that could affect the Group's credit risk, especially climate change issues: transition risks and physical risks. These risks may become more significant over time (see: *Positive climate action: supporting a fair, environmental and inclusive transition*, page 282);
- employee misconduct – non-compliance with the Group's Code of Conduct and Guidelines, for example (see: *Being a responsible employer*, page 261);
- a risk factor relating more specifically to human resource management: lack of qualified staff (see: *Being a responsible employer*, page 261).

This list of risks remained unchanged in 2019 and the 2020 Universal Registration Document reports on updates to policies to mitigate these risks. A DNFP (Declaration of non-financial performance) cross-reference table is published at the end of this document (see: page 306) and a summary of non-financial risk factors as well as emerging risks can be found on the Societe Generale website (*www.societegenerale.com/sites/default/files/documents/Document%-20RSE/non-financial-risk-factors-and-emerging-risks.pdf*).

Chapter 5 is divided into two parts:

- the first part presents the actions conducted by Societe Generale as a responsible company to bring the entire Group in line with the most stringent standards to better serve its customers, to include, develop and commit its employees with regard to respect for human rights, and to limit its own internal carbon footprint;
- the second part documents the Group's achievements as a banker supporting the positive transformation of economies and societies, and committed to a fair, ecological and inclusive transition.

Words followed by an asterisk have a specific definition presented in the *Glossary*, page 304. Please refer *to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx* for all indicators.

5.1 SOCIETE GENERALE, A RESPONSIBLE COMPANY

5.1.1 A CODE OF CONDUCT UNDERPINNED BY SHARED VALUES

Societe Generale has built a strong culture based on its values, its Code of Conduct and its Leadership Model.

Shared values

Societe Generale is guided by four key values shared by all employees (Team Spirit, Innovation, Responsibility and Commitment) and defined with a common objective in mind: the customer, for whom the Group strives to achieve the highest possible standards of service quality.

The Code of Conduct, a vehicle for the Group's values

The Code of Conduct applies to all of the Group's activities worldwide and sets out the commitments towards the various stakeholders (customers, employees, investors, suppliers, regulators/supervisory authorities, the general public/wider community), as well as the individual and collective behaviour expected within the Group. This document is updated on a regular basis. The most recent change, integrating the new whistleblowing mechanism, was made in 2019.

Available in the main languages spoken in the Group, the Code of Conduct is the cornerstone of professional ethics at Societe Generale. It promotes respect for human rights and the environment, the prevention of conflicts of interest and corruption, measures against money laundering and the financing of terrorism, respect for market integrity, data protection, proper conduct with regard to gifts and invitations, and responsible sourcing.

The Code of Conduct goes beyond minimum statutory and regulatory requirements, especially in countries whose laws and regulations do not match the Group's high ethical standards.

It also details the procedure for whistleblowing in situations where such action is justified and reiterates that Societe Generale protects whistleblowers, guarantees that it will keep their identity strictly confidential throughout the entire Group, and guarantees anonymity where possible under local law.

Stakeholders can view the Code of Conduct on the Societe Generale website (*https://www.societegenerale.com/sites/default/files/documents/Code% 20de%20conduite/code_of_conduct_eng.pdf*). Further information is provided in the Tax Code of Conduct and the Code governing the Fight Against Corruption and Influence Peddling (see: *https://www.societegenerale.com/en/about-us/responsibility/compliance*).

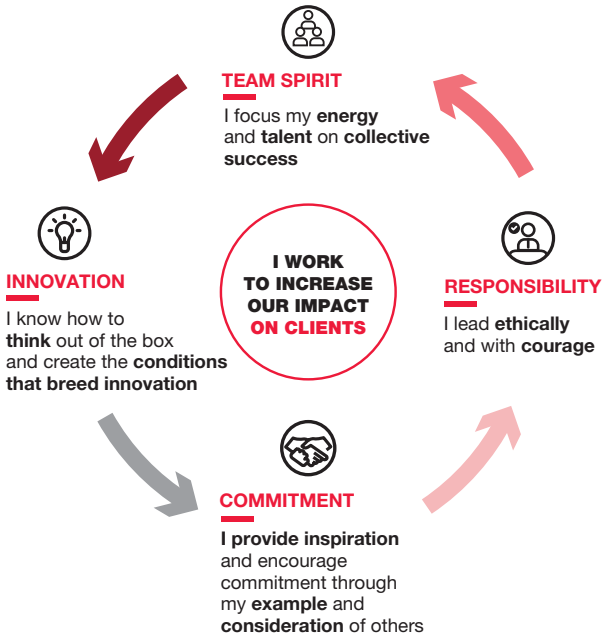
In addition to these codes, the Group's business is also governed by a number of charters and guidelines.

The Leadership Model

Societe Generale's values feed into its Leadership Model, which defines the behaviour and skills expected within the Group, emphasising that the way in which results are achieved is every bit as important as the results themselves.

The behavioural skills reflected in the Leadership Model are divided into three categories corresponding to the main levels of responsibility within the Company (senior executives, managers and employees) and are applicable throughout the Group.

The four key values thus translate into key skills (see diagram below), which are in turn reflected in certain observable and measurable behaviours.



The Leadership Model's internal skills guide describes the expected behaviour corresponding to each of these skills. In conjunction with this guide, a self-assessment tool available on the intranet asks 20 questions through which respondents can see how they rate in relation to the appropriate conduct. They can then use the development tools provided to improve in the various areas highlighted.

The Culture and Conduct programme

ENSURING THE HIGHEST STANDARDS OF SERVICE QUALITY, INTEGRITY AND BEHAVIOUR

In 2016, the Board of Directors debated and approved the launch of a Culture and Conduct programme, which was effectively implemented as from January 2017 for a three-year period. This programme aims to build confidence in the Group among its stakeholders, especially its customers, and to accelerate Societe Generale's cultural transformation by placing values, leadership quality and behavioural integrity at the very heart of its business conduct so as to ensure the highest standards of service quality and integrity.

Fostering a culture of responsibility is one of the priorities of the Transform to Grow strategic plan, which is why the Culture and Conduct programme is directly overseen by General Management and supervised by the Board of Directors. Since its implementation, the programme has made it possible to complete all projects related to the supervision of conduct risks and to implement the groundwork necessary for the businesses to continue their cultural transformation in the long term.

After this programme's successful implementation, the support of the Business Units/Service Units (BU/SUs) will continue in 2020 with a dedicated team reporting to General Management.

KEY FIGURES

- A single Code of Conduct for all Group employees, available in 18 languages.
- 94% of employees participated in awareness-raising workshops (16,000 face-to-face sessions) regarding conduct and grey areas*.
- 97% of employees validated their knowledge of the Code of Conduct *via* a compulsory training module.
- 22,000 Group managers and employees in the HR Department were targeted by compulsory training on the Group's disciplinary framework.

MAIN ACHIEVEMENTS

The main achievements of the Culture and Conduct Programme in 2019 were:

- employee familiarisation with the Group's Code of Conduct – which constitutes the cornerstone of professional ethics at Societe Generale – through:
  - the implementation of action plans defined by each Group entity, aimed at promoting the expected behaviour with respect to the main grey areas* identified by their employees when deploying face-to-face awareness workshops,
  - the renewal of a compulsory remote learning module on the Code of Conduct initiated in 2018, focusing on four subject areas: the Group's culture and conduct ambitions, expectations of stakeholders, content of the Code of Conduct and additional codes regarding tax and anti-corruption measures, together with ethical reasoning. The 2019 edition of the knowledge validation quiz included several innovations, in particular the targeting of questions according to the business profile of employees, and a greater proportion of practical scenarios,
  - the inclusion, for the first time, of conduct risk in the annual Risk and Control Self-Assessment carried out by each Business Unit/Service Unit;
- the production of the first conduct and culture dashboard, intended for General Management and presented to the Board of Directors. This dashboard provides better visibility over the main conduct risks for the businesses, and helps identify the action plans necessary to improve the management of such risks;
- the continued alignment of the main Human Resources management processes with the Group's ambitions in terms of culture and conduct: the fight against inappropriate behaviour, appropriation of the Group's policy on disciplinary sanctions, changes in the system for integrating new hires and identifying high-potential employees (see: the *Corporate Culture and Ethics Principles* report available on *societegenerale.com*);
- the launch of various initiatives throughout the Group to strengthen the culture of responsibility within the Business Units/Service Units, in particular through the dissemination of best practices for dealing with grey areas*, raising employee awareness of ethical reasoning, and promoting a speak-up* culture.

5.1.2 BEING A RESPONSIBLE EMPLOYER

Societe Generale employed 138,240 people at the end of 2019, down 7.2%. This headcount corresponds to 129,586 full-time equivalents (FTEs) in 62 different countries[1].

The major changes are due to the sale of certain entities (in the Balkans, Germany and Poland) and to the transformation of our activities (see: page 264, *Focus on the Group transformation projects*).

	2019	2018	2017
Group headcount (at end of period, excluding temporary staff)	138,240	149,022	147,125

Our new corporate purpose, revealed in early 2020, gives us a clear direction to align all our HR goals.

Societe Generale has been working for 5 years to strengthen its culture, based on its values, its Code of Conduct and its Leadership Model. In a competitive and changing banking environment, the Group has set ethical principles and ensures that every employee respects them within the company (see: *A Code of Conduct underpinned by shared values*, page 260). As a responsible employer, Societe Generale is committed to ensuring respect for human rights, including that of employees, and implements appropriate measures in the event of non-compliance with these principles (see: *Group's Duty of Care Plan*, page 297 and the *Corporate Culture and Ethics Principles* report, available on *societegenerale.com*).

In order to carry out the Bank's structural transformations, the Group pays special attention to the quality of dialogue with its social partners, especially in order to meet the challenges related to changing businesses and employment. It carries out the organisational transformation projects necessary for the Group's strategic positioning. In line with its current and future business needs, it implements an approach of anticipation and support for its employees.

(1) Workforce by geographical area, by gender available in the key figures.

Indeed, offering career paths and training to employees, offering alternative working methods, such as telecommuting (see: *Focus on the prevention of psychosocial risks*, page 267), conducting an appropriate compensation policy (see: the *Performance and Compensation* report, available on *societegenerale.com*), promoting talents and ensuring managerial succession are all indispensable to attract, hire and retain employees and develop their employability for the benefit of all (see: the *Professions and Skills* report, available on *societegenerale.com*).

The Group is determined to be a company where employees feel comfortable as they are, reflecting the diversity of the customers it serves and the society in which it operates. Societe Generale is therefore implementing a proactive diversity and inclusion policy (see: the *Diversity and Inclusion* report, available on *societegenerale.com*).

Beyond its corporate responsibility, the Group must protect people and enable every employee to work in the best conditions of health, safety and well-being. Societe Generale is committed to developing a respectful and secure working environment and seeks to continuously improve the work-life balance of its employees (see: the *Occupational Health and Safety* report, available on *societegenerale.com*).

Presentation of the main HR risks

GOVERNANCE AROUND KEY HR RISKS

In its responsibility as an employer and with a view to respecting human rights, the Group takes care to prevent and control social and operational risks related to its Human Resources management. This ensures that its operations comply with regulations (labour law, standards regarding the health and safety of persons, social legislation, etc.) and with the internal rules it has established, on the one hand, while also ensuring business continuity in satisfactory conditions for employees, on the other hand. In this respect, the Group's Human Resources (HR) Department and its HR teams use risk management systems including, in particular:

- a set of procedures and controls applicable to key HR processes and procedures in each Group entity (administrative management of Human Resources and payroll, career management, compensation and benefits management, workforce and skills management, and social affairs management);
- business continuity rules and exercises, as well as documentation on working processes and methods, in order to ensure satisfactory knowledge management in the Group;
- adapting its processes and human resources information systems (HRIS) to regulatory developments, agility and analysis requirements (at Group level and locally, as necessary);
- applying changes in the Group's permanent control system within its remit, carried out as part of a programme overseen by General Management;
- a whistleblowing mechanism, set up for the entire Group, allowing an employee or external and occasional co-worker to report a situation of which he or she is aware and which does not comply with the rules governing the conduct of the Group's business or with expected ethical standards, or which could violate applicable laws and regulations. This may include situations of inappropriate behaviour or alleged threats to the health and safety of individuals (see: *Group's Duty of Care Plan*, page 297 and *A Code of Conduct underpinned by shared values*, page 260);
- a global disciplinary policy published in 2019, formalising the rules applicable to the entire Group, in particular principles and best practices in terms of sanctions (right to make a mistake, non-tolerance of misconduct, sanction decisions taken collectively and proportionate to the seriousness of the misconduct, ultimate responsibility of the manager in applying the principles and sanction decisions, follow-up on sanctions). An inventory of disciplinary actions has been set up throughout the Group and is reported to General Management.

Overall, the risks related to human resources management are included in the Group's general risk management system, organised into three lines of defence and shared by all entities (see: Chapter 4.1, *Risk factors*, page 148).

METHODOLOGY FOR IDENTIFYING KEY HR RISKS

In line with the Group's risk mapping presented in Chapter 4 (see: *Risk factors*, page 148), the Group's Human Resources Department has carried out a specific mapping to identify the key risk factors related to the human resources of Societe Generale and its subsidiaries.

The methodology for identifying HR risks consisted firstly of identifying a panel of HR risks, drawn up based on the list of risks taken into account by the Group's Risk Division to prepare the Group mapping. Risks that do not constitute an HR risk and whose means of action fall outside of the scope of the Human Resources Department were excluded. The remaining subject areas were listed according to their potential impact in the event that the risk materialises in five areas: financial, compliance/legal, reputation, health and security of employees, and loss of competence/business disruption. The subject areas having an impact on at least one of these areas were then cross-referenced with external risk analyses (Maplecroft[1] quantitative databases specific to banks and risk panel identified by the Danish Institute for Human Rights[2], used to identify five key HR risks for Societe Generale.

(1) *https://www.maplecroft.com/*
(2) *https://www.humanrights.dk/*

DESCRIPTION OF KEY HR RISKS AND THE IMPACT FOR SOCIETE GENERALE

The analysis presented above has made it possible to identify five key risks for Societe Generale and its subsidiaries, presented below:

Name of risk	Description of risk	Presentation of policies, actions and key performance indicators
Risks related to poor career, skills and talent management, affecting the attractiveness, performance and attrition of the Company Linked to the *Lack of qualified staff* risk factor of the Group's taxonomy	Societe Generale's human resources are one of the key assets of the Group, its business model and its value creation. Inadequate career and skills management (integration, mobility and career path, skills management, etc.) and the loss of key talents and resources could impact the Group's business continuity and performance, and the Group's ability to attract and retain its employees.	See: *Methodology for identifying key HR risks*, page 262
Risks related to non-compliance with internal regulations and rules on labour law and human rights Linked to the *Non-compliance with the Group's E&S laws or commitments* risk factor in the Group taxonomy	The Societe Generale Group must meet various regulations regarding labour law and, more particularly, human rights (compensation and social rights, diversity and non-discrimination, social dialogue and freedom of association, etc.), around the world. Societe Generale has also adopted internal rules for human resources management. Failure to comply with one or more of these regulations and rules could be detrimental to the employees of Societe Generale and its subsidiaries. It could also impact Societe Generale's ability to continue its activities and present legal and reputational risks for the Group.	See: *Risks related to non-compliance with internal social regulations and rules and poor working conditions*, page 265 See: *Group's Duty of Care Plan*, in the Appendices, page 297
Risks related to poor working conditions and risks of harming the health and safety of employees Linked to the *Non-compliance with the Group's E&S laws or commitments* risk factor in the Group taxonomy	The Societe Generale Group strives to provide all its employees with working conditions and a work environment that are healthy and safe. Poor working conditions and damage to the physical and/or mental health of employees, for example in connection with high levels of stress, would affect employee commitment and the Group's individual and collective performance, thus impacting its ability to implement its strategy.	See: *Risks related to non-compliance with internal social regulations and rules and poor working conditions*, page 265
Risks related to unethical employee conduct and practices Linked to the *Employee misconduct and corruption* risk factor in the Group's taxonomy	Societe Generale is committed to promoting a strong culture based on its values and employee ethics. Unethical behaviour by an employee, such as a breach of the Group's Code of Conduct, in particular fraud, corruption, conflict of interest or misuse of information, could affect the Group's reputation and activities. Legal action could also be taken.	See: *A Code of Conduct underpinned by shared values*, page 260
Risks of employee data breaches Linked to the *Non-compliance with the data protection act* risk factor in the Group taxonomy	Societe Generale is committed to complying with personal data protection regulations, including for its employees. Employee personal data breaches (loss, dissemination, use for unauthorised purposes, etc.) would affect the Societe Generale employees concerned, which could lead to legal proceedings and financial penalties. The Group's reputation could also be damaged.	See: Chapter 4.10 *Compliance risk*, paragraph: *Data protection*, page 245

PRESENTATION OF THE POLICIES AND ACTIONS ESTABLISHED TO PREVENT AND MITIGATE RISKS

Risks related to poor career, skills and talent management, affecting the attractiveness, performance and attrition of the Company

In order to prevent these risks, the Group has implemented a set of policies, actions and other procedures, including in particular:

- **strategic workforce planning** rolled out across all of the Group's core businesses. It covers 95% of Societe Generale SA's employees in the core businesses in France, and is gradually being rolled out in the Group's other locations (Asia, the United States, etc.). This approach consists of three stages:

1. defining a qualitative and quantitative target concerning the skills that the Group must acquire in the medium to long term to implement its strategy,
2. establishing a diagnosis and mapping of the skills available to the Group,
3. identifying the gap between the current situation and the target in order to implement levers (training, internal mobility, recruitment, etc.) and action plans to bridge this gap.

In order to map the skills available in its workforce, the Group has adopted voluntary approaches to identifying skills, making employees the main players in their development and employability, through two skills self-reporting tools: "Mondiag" for the French Retail Banking businesses, and "ACE" (Appétences, Compétences, Expériences – or Aspirations, Skills & Experience) for the entire Group. Today, nearly 56,000 employees worldwide have access to one of these tools.

- **principles on the filling of vacancies:**
  - **12 principles on mobility** and the filling of positions are shared by all Group entities, including:
    - transparency as regards vacant positions, through systematic posting on the internal job exchange (Job@SG), in 72 entities that use this tool,
    - prioritisation of internal mobility to fill positions,
    - agreement on mobility between employees and their managers,
    - and strict adherence to the recruitment process defined by the Human Resources Department, so as to avoid any potential risk of corruption or conflict of interests, or any discrimination or favouritism.
  - overall, 58% of Group positions are filled through internal mobility (56% in 2018) and approximately 18% of employees on permanent contracts change functions every year,
  - Societe Generale adapts its **recruitment policy** to the specificities of each business, activity and regional environment, but nonetheless promotes uniformity in the overall recruitment process, which systematically includes an HR interview to assess the candidate's affinity with the Group's values (see: *A Code of Conduct underpinned by shared values*, page 260). The Bank is diversifying its recruitment methods, with the inclusion of new technological and digital features, in addition to traditional factors attracting new hires, such as:
    - partnerships with target higher education institutions in nearly 60% of the Group's entities, representing 94% of its employees,
    - funding of teaching programmes and research,
    - internal development programmes (for interns, VIEs and work-study participants or for young graduates in Global Banking and Investor Solutions);
- **skills acquisition and development programmes** (compulsory training, development and learning) throughout the Group. Training sessions in a variety of formats (e-learning, face-to-face training, academies specific to the Business or Service Units, MOOC, videos, etc.) concern:
  - business skills,
  - the risk, responsibility and compliance culture of employees. Compulsory training sessions for all Group employees cover the following subjects: information security, anti-corruption measures, Code of Conduct, the General Data Protection Regulation, international sanctions, anti-money laundering and counter-terrorism financing, fundamentals of internal control, conflicts of interest and harassment,
  - behavioural skills (agile working, collaborative working, change management, etc.),
  - managerial culture.

Individual employee development is discussed during the employee's annual performance review and during regular meetings between employees and the manager or HR manager. In France, it is also discussed during the the employee interview with the manager or HR manager every two years.

Overall, Group employees received 3.9 million hours of training in 2019 (*vs.* 4.2 million hours in 2018), *i.e.* an average of 27 hours per person (*vs.* 28 in 2018). 89% of Group employees completed at least one training course during the year (*vs.* 83% in 2018).

FOCUS ON THE GROUP'S TRANSFORMATION PROJECTS

All of the aforementioned measures also make it possible to support employees affected by the Group's transformation projects. In 2019, various projects were carried out in Global Markets, Financing and Advisory Services, Asset and Wealth Management, and Securities Services. In line with these adjustments and recent disposals within International Retail Banking and Financial Services, the Group has also simplified the organisation of these businesses' support activities into Group Service Units. These changes resulted in a maximum of 1,600 job cuts worldwide, including 750 in France. Internationally, these job cuts were made in accordance with local regulations and market practices. In France, within the framework of the employment agreement renewed in March 2019 with all social partners, all of the job cuts made were implemented through internal mobility, natural departures and, for certain scopes, within the framework of a voluntary departure plan, without economic redundancies or forced departures. This system also applies to the implementation of the Societe Generale network transformation plan in France, resulting in approximately 530 job cuts over five years (see: *the Professions and skills* report on *societegenerale.com*). Overall, the transformation projects announced in 2019 will result in a maximum of 2,150 job cuts.

- **a performance monitoring system** implemented Group-wide. Employee performance is monitored throughout their career, notably through annual appraisals, development plans and 360° assessments that evaluate how operational results are achieved. In 2019, more than 113,000 employees will have an annual appraisal interview, *i.e.* 93% of the workforce on permanent contracts;
- **a balanced compensation policy** that meets regulatory requirements. Adapted to the economic, social, legal and competitive environment of the markets in which the Group operates, this policy is nevertheless based on principles shared by all entities:
  - rewarding individual and collective performance,
  - promoting healthy and effective risk management and ensuring employees are not prompted to take inappropriate risks,
  - attracting, retaining and motivating strategic talents and key resources,
  - aligning the interests of employees with those of the Group and shareholders,
  - checking that employees comply with the applicable internal rules and regulations while ensuring the equal treatment of customers.

Monetary remuneration includes a base salary, which rewards the ability to satisfactorily hold a position using the requisite skills and is determined in a manner consistent with market practices. It also includes variable remuneration which aims to recognise collective and individual performance. For the 2019 financial year, personnel expenses for the Group totalled EUR 9.955 billion (see: *Personnel expenses and related-party transactions*, page 406).

The principles governing Societe Generale's remuneration policy, in particular for the categories of staff whose professional activities are liable to have a significant impact on the Group's risk profile, as per the European Capital Requirements Directive No. 2013/36/EU (CRD 4), are detailed in the Remuneration Policies and Practices Report. It will be published, as it is every year, prior to the General Meeting and provided to the French Prudential Supervisory d Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) in accordance with the provisions of EU Regulation No. 575/2013[1] (see the: *Performance and Compensation* report available on *societegenerale.com*). In addition, the Group's entities offer employee benefits specific to their environment and employee savings schemes in the French locations (42% of the workforce).

- **a talent management policy applied to all** Group entities, including the identification, development and projection of a pool of talents and future leaders, as well as the management and steering of the **succession of key positions in the Group.**

  Since 2018, Societe Generale has developed its policy to best meet the needs and expectations of its Business and Service Units and its talents while gaining agility. Talent detection criteria have been revised to better reflect the needs and challenges of the Group, and the link with succession plans has been further strengthened. These changes were supported by an adaptation of the development programmes offered to high-potential employees and senior executives by the Corporate University. The new programmes are more personalised and modular, while focusing on developing the skills of the Leadership Model.

Worldwide, the Group's voluntary staff turnover was 8.2% in 2019 (*vs.* 8.3% in 2018), due in particular to high turnover in certain establishments, especially in Russia, India and Romania, partly because of the local employment dynamics in these markets. In response, the targeted HR policies of Group subsidiaries in these countries are particularly focused on benefit packages, working conditions and career progression. If the Russian, Indian and Romanian subsidiaries are taken out of the equation, the Group's voluntary turnover was 5.7%.

- **additional levers to retain its employees,** for example:
  - a range of possible career paths that take into account employees' plans for the future and include new types of assignment (*e.g. via* intrapreneurship),
  - an ergonomic work environment that promotes well-being, innovation and collaborative working,
  - along with the opportunity to take part in a range of civic initiatives (see: *Employee involvemen*t, page 269).

KEY INDICATORS ASSOCIATED WITH THE RISKS RELATED TO POOR CAREER, SKILLS AND TALENT MANAGEMENT, AFFECTING THE ATTRACTIVENESS, PERFORMANCE AND ATTRITION OF THE COMPANY

	2017	2018	2019
Number of training hours per employee	25.6	28.3	26.6
% of employees having completed at least one training course during the year	80%	83%	89%
% of positions filled through internal mobility	57%	56%	58%
Rate of voluntary staff turnover[2]	7.7%	8.3%	8.2%

Risks related to non-compliance with internal social regulations and rules and poor working conditions

In order to prevent these risks, the Group has several objectives:

- ensure regulatory compliance of employment relationships;
- ensure the Company's compliance with any regulations that affect human resources management processes (health and safety standards, duty of care, General Data Protection Regulations, MiFID II Directive, etc.);
- maintain a social climate that is favourable to interactions with the Group's stakeholders (in particular employee representative bodies and employees) by guaranteeing freedom of association and fundamental rights for its employees;
- fight against all forms of discrimination at work and promote professional equality and diversity in the Company;
- guarantee the health and safety of persons in the workplace and in the exercise of their work.

(1) The 2018 Remuneration Policies and Practices Report was provided to the ACPR in April 2019 and published on Societe Generale's website.
(2) For resignation.

To this end, the Group has implemented a set of policies, actions and other procedures, including in particular:

- **processes on the employer's five key missions:** (i) administrative management of human resources and payroll, (ii) managing employees' careers, (iii) defining and managing compensation and benefits, (iv) managing jobs and skills, and (v) defining and managing social policies.

  Operational risk management and compliance systems consisting of a set of procedures and controls have been established for each of these five key processes;

- **collective agreements signed with social partners** on working conditions (working hours, employment conditions, remuneration and benefits, etc.) and the Company's strategic projects. In 2019, 205 agreements were signed within the Bank, in entities covering 66% of the workforce. These agreements cover remuneration and employee benefits (in 73% of the entities having signed agreements), working conditions, social dialogue practices, and gender equality at the workplace. 15 agreements focused specifically on health and safety.

  Moreover, in February 2019, the Group renewed its global agreement on fundamental human rights signed with UNI Global Union (see: *Group's Duty of Care Plan*, page 297). In line with the 2015 agreement on fundamental freedoms and the right to organise, this new agreement includes additional commitments on:

  - the fight against discrimination and the development of diversity in all Human Resources management processes (a subject already introduced in the initial agreement),
  - maintaining a working environment conducive to health, safety and satisfying working conditions for all employees.

  The agreement gives rise to punctual discussions with UNI Global Union on the application of these commitments and a yearly follow-up meeting gathering UNI Global Union representatives and the Bank's Human Resources Department.

- **a Diversity & Inclusion policy** to address a strategic challenge for today and tomorrow. This policy reflects the Group's determination to recognise and promote all talents, regardless of their beliefs, age, disability, parental status, ethnic origin, nationality, sexual or gender identity, sexual orientation, membership of a political, religious, trade union or minority organisation, or any other characteristic that could be subject to discrimination.

  It aims to create the conditions for an inclusive organisation offering equal treatment, through various fields of action:

  - fight against all forms of discrimination,
  - communicate, raise awareness, train,
  - create a work environment and management that is conducive to inclusion,
  - bring the ambition of diversity and inclusion to the Group's governance.

  To achieve these ambitions, Societe Generale has made an international commitment by:

  - signing the Women's Empowerment Principles in 2016,
  - signing the ILO's "Global Business & Disability" charter in 2016,
  - supporting the UN's guiding principles on the fight against LGBTI* discrimination in 2018,
  - renewing the global agreement on fundamental rights with UNI Global Union in 2019.

  The work carried out as part of the Duty of Care Plan also includes the risk of discrimination at work (see: *Group's Duty of Care Plan*, page 297).

FOCUS ON DIVERSITY IN THE COMPANY

Diversity is a matter of both ethical responsibility and performance, and the Group has thus maintained its objective of promoting women and international candidates to positions of responsibility and seats on the Bank's management bodies. At the end of 2019, the Group employed 136 different nationalities and 56% of its employees were not French.

Societe Generale relies on certain key measures to achieve its aims, including:

- sponsorship of Diversity & Inclusion issues by a member of the Group's General Management;
- monitoring of indicators in respect of women and international employees, *i.e.* their representation within high-potential pools and succession plans, promotions, pay rises, grades and classes, etc;
- more collegiality in the appointment of senior executives (see: Chapter 3.1.5 *Diversity policy within Societe Generale*, page 101);
- a review of the inclusiveness of certain social policies (to ensure, for example, that social policies take into account different family models);
- and a number of awareness-raising initiatives on diversity.

In terms of diversity and inclusion, 99 entities covering 91% of the Group's workforce are implementing local actions in favour of gender equality, 68 entities covering 74% of the Group's workforce are carrying out local actions in favour of employees with disabilities, 49 entities covering 55% of the Group's workforce are carrying out local actions for employees aged 50 and over, and 43 entities covering 65% of the Group's workforce are carrying out local actions in favour of inclusion and professional integration. For more information, see: the *Diversity & inclusion* report available on *societegenerale.com*.

- **a satisfactory health, safety and prevention policy common to the entire Group since the end of 2019,** which aims to provide each employee with a safe working environment, in terms of work premises and practices, ensuring their safety and protecting their physical and psychological health.
  - This policy is applied through appropriate expertise and resources, by:
    - monitoring the office layout plans and the ergonomics of the workstations,
    - offering employees the possibility of exercising their right to whistleblow (see: the *Corporate culture and ethics principles* report, available on *societegenerale.com*),
    - carrying out awareness-raising and preventative actions to ensure physical and mental health at work,
    - recommending that each employee benefit from regular medical check-ups in accordance with local regulatory requirements,
    - integrating a set of commitments on health, safety and working conditions into a global agreement on fundamental rights signed with UNI Global Union.

  Since 2019, the Group has been working to ensure a minimum level of social, health and welfare protection for all its employees worldwide. To date, nine out of ten employees benefit from an additional company health or personal protection plan, and one of the objectives set by the Group is that each employee should have a 2-year salary guarantee in the event of death.

Moreover, in France, a workplace safety and security blueprint produced by the Group Security Department supplements these principles. This blueprint is circulated to the international entities and subsidiaries as *best practices* in addition to the mandatory safety rules imposed locally.

The Group continually monitors the risks liable to affect health and personal safety, and any social risks throughout its entities (see: *Focus on the prevention of psychosocial risks*, see *opposite*), and conducts targeted preventative and informational actions to strengthen the Group's safety culture.

Overall, in 2019, the Group recorded 747 workplace accidents (*vs.* 824 in 2018).

The management of risks related to health, security and personal safety is included in the Group's Duty of Care Plan on human rights and the environment (see: *Group's Duty of Care Plan*, page 297).

FOCUS ON THE PREVENTION OF PSYCHOSOCIAL RISKS

The actions conducted by Group entities include programmes to prevent psychosocial risks and harassment, supplemented by listening, mediation, investigative and disciplinary procedures.

In addition to these actions, a policy combating misconduct at the workplace was established in 2019. It encourages awareness-raising actions on misconduct, in particular through training actions for managers and human resources teams, and reminds employees that the perpetrators of such acts will be subject to disciplinary measures that may entail the termination of their employment contract. Since 2018, nearly 9,300 people in the Group have been trained to manage misconduct. The Company's whistleblowing mechanism (see: *Corporate culture and ethics principles* report, available on *societegenerale.com*) forms part of this system.

Stress prevention initiatives are conducted in 105 Group subsidiaries and branches, covering 93% of Societe Generale's workforce. They seek to inform, train and support employees likely to encounter situations that pose psychosocial risks, through free assistance programmes in partnership with healthcare or insurance sector specialists, training and/or awareness-raising on psychosocial risks, stress surveys and evaluations, and leisure and relaxation activities. For example, the network of branches in France has established mandatory training and a psychological support programme for employees who have been victims of armed assault or aggression.

The issues of well-being and quality of working conditions, previously measured through a specific questionnaire, have been included since 2019 in the Employee Satisfaction Survey rolled out across the Group in order to better manage psychosocial risk factors. This survey makes it possible to identify and roll out plans to improve working conditions, where applicable.

- **The Group conducts also a Life at Work programme and actions on quality of life at work and working conditions.** The Life at Work programme launched in 2015 is based on six subject areas: individual and collective efficiency; health and prevention; telecommuting and new organisation models; work environment; support during key life events; and change in managerial culture, in particular through training and awareness initiatives in connection with the Leadership Model and the Culture & Conduct programme. A range of measures were put in place around quality of life and working conditions, through or in addition to this programme, including:
  - the introduction of teleworking in 91 Group entities. Overall, there were more than 32,000 teleworkers in the world at end-2019 (+39% compared with 2018),
  - the deployment of a charter of 15 commitments and measures to foster a better work-life balance include, depending on the entities:
    - a flexible working hours policy – in nearly one-third of Group entities, employing 35% of the workforce,
    - the inclusion of a formal discussion between employees and their managers about their workload during the annual appraisal,
  - heightened awareness among employees of meeting schedules and the use of email outside working hours,
  - and employee participation in forums for dialogue about the content and conditions of work.

  Overall, more than 60% of the entities, covering 84% of the workforce, have measures in place to promote work-life balance.
  - the rethinking of workspaces to encourage interaction and innovation, using modular premises and digital tools. This has taken place, for example, in Luxembourg, Hong Kong, London, New York and in France, at the Boursorama head office and at the eastern Paris real-estate complex Les Dunes,
  - information events on well-being at work (conferences, workshops, features),
  - experimentation with new working methods, based in particular on agile methods (design thinking*, the lean start-up method*, pizza teams*, the Test & Learn method*, user experience, etc.), in line with the open innovation approach started by the Group since 2015. Within this framework, Societe Generale launched an intrapreneurship programme (Internal Start-up Call) from 2017 to 2019, which has resulted in the launch of 60 start-ups, sponsored by members of the Group's Management Committee and incubated in nine countries with local partners,
  - Life at Work labels awarded to Group entities having developed projects promoting well-being at work,
  - measures to encourage the practice of sports (in 72% of entities, covering more than 95% of the Group's workforce),
  - initiatives around nutrition (in 44% of entities, employing 74% of the workforce).

FOCUS ON THE EMPLOYEE SATISFACTION SURVEY

Societe Generale measures the commitment of its employees through the Employee Satisfaction Survey, an annual and anonymous internal survey conducted throughout the Group. Shared with employees, the results serve as the basis for action plans and working groups, where necessary, in the spirit of continuous improvement.

In 2019, the Employee Satisfaction Survey measured:

- commitment[1], according to an indicator monitored since 2009;
- working conditions and the relationship with management against a backdrop of strong transformation;
- ethics, within the framework of the requirements of the various regulators and the G30;
- and lastly, well-being at work.

Among this year's key results, 76% (+8 points *vs.* 2018) of employees feel that their manager encourages them to be innovative and to try new things. 71% (+3 points *vs.* 2018) of employees believe they are sufficiently trained to cope with the changes in their profession. 87% (*vs.* 84% in 2018) of employees believe that their manager encourages ethical and responsible behaviour.

These positive results are nuanced by an employee commitment score of 64%, down 2 points compared to 2018 given the difficult transformation currently under way within the Group.

Since 2018, the members of the Group Management Committee have been pursuing shared collective targets including in particular the employee commitment rate, measured by the Group's Employee Satisfaction Survey. (see: the *Performance and compensation* report, available on *societegenerale.com*).

(1) The commitment score is a composite indicator of 10 questions on employee confidence and commitment to the strategy, direction and decisions applied by the Group (by General Management or their direct management) as well as their pride of belonging, motivation, achievement, optimism and propensity to recommend Societe Generale as an employer.

KEY INDICATORS LINKED TO RISKS RELATED TO NON-COMPLIANCE WITH INTERNAL SOCIAL REGULATIONS AND RULES AND POOR WORKING CONDITIONS

	2017	2018	2019
% of women in the Group's Strategy Committee (Top 30)	-	-	20%
Absenteeism rate	3.6%	3.6%	3.5%
Commitment rate	68%	66%	64%
% covered by prevention and health information campaigns	97%	98%	98%
% covered by safety prevention and information campaigns	95%	95%	98%

Employee involvement in civic activities

Societe Generale offers its employees the opportunity to support the Group's partner organisations in France and worldwide through skills sponsorship programmes.

These programmes, in which employees can participate during their working hours, drive social action and extend the Bank's efforts. They are also powerful drivers of engagement with the Bank's core values and its social responsibility, enhancing its employer brand and consolidating internal cohesion by fostering relations between employees.

Financial education, mentoring, Pro Bono* Days, the half-time programme for seniors, and volunteering are some of the solidarity initiatives through which employees can put their experience and expertise to good use in a community environment beyond that in which they work.

21,476 Group employees got involved in one of these initiatives in 2019. This is the equivalent of 20,430 days devoted to solidarity initiatives by the employees.

A highlight of the Group's citizenship programme is the Citizen Commitment Time event, organised each year to encourage and promote the benefits of employee volunteering worldwide. In 2019, more than 11,000 employees from more than 33 countries in which Societe Generale operates took part in over a hundred solidarity events (sports challenges, fund-raising, etc.) to support the Group's partner organisations. Thanks to their efforts, donations to community projects in the field of education and workforce integration totalled more than EUR 500,000.

SOCIETE GENERALE CORPORATE FOUNDATION FOR SOLIDARITY

Societe Generale's commitment to society is especially evident in the actions of the Societe Generale Corporate Foundation for Solidarity and the Societe Generale solidarity structures (such as foundations) established locally in other countries where the Group operates, such as in Morocco, Brazil and the United Kingdom. In 2019, Societe Generale donated EUR 21 million to solidarity actions. The Group is particularly proactive in the areas of workforce integration and social inclusion through education, especially sports and cultural activities.

The Foundation supports around a hundred projects each year in France and other countries where the Group operates, and received an annual endowment of EUR 4 million in 2019. In line with the Group's international development strategy and in close collaboration with its local teams, the Foundation allocated over EUR 650,000 to non-profit projects focused on education and workforce integration in nine African countries in 2019, supporting the Bank's local commitments and its undertaking to contribute to the continent's development.

Since its creation in 2006, the Corporate Foundation has supported 1,105 non-profit projects in 33 countries, to the tune of EUR 31 million.

5.1.3 SATISFYING CUSTOMERS WHILE ENSURING THEIR PROTECTION

Customer satisfaction

All Societe Generale players are committed to a series of structured initiatives designed to measure and monitor customer satisfaction and implement practical improvement actions. This strategy places customer relations at the heart of Societe Generale's sales policy and banking offer and has resulted in the implementation of various assessments (surveys, mystery visits, questionnaires) to monitor all quality aspects: quality provided, quality observed and quality perceived by customers. To measure recommendation intentions, the Group relies on the NPS: the Net Promoter Score©, considered an indicator of customer satisfaction and loyalty based on his or her propensity or probability of recommending the product or service used. Customers are asked the question, "How likely are you to recommend Societe Generale to a friend of colleague?" and respond by allocating a score from 0 (not at all likely) to 10 (extremely likely). According to the score given, the customer is classified in one of the three categories: promoters (9 or 10), passive (7 or 8) and detractors (0 to 6). Implemented by way of individual interviews or electronic surveys, this mechanism is valuable mainly for producing a wealth of information and allowing the careful monitoring of the improvement initiatives it generates year after year.

In 2019, various corporates measures and the results observed concerned the following three scopes:

FRENCH RETAIL BANKING

The Societe Generale network received the *2020 Customer Service of the Year* award from Viséo Customer Insights for the seventh time.

In France: 150,000 individual customers (*i.e.* 2% of the Bank's customers from this segment), 15,000 professional customers and 3,500 SMEs were polled on their overall satisfaction, their recommendation intention (NPS) and certain key aspects of the customer experience, such as how quickly their enquiries are handled and the extent to which the services offered are suited to their needs and projects.

In the corporate market (SME), the overall satisfaction score further increased this year, and has been doing so regularly in the last three years, thanks in particular to the relationship model comprising the Customer Advisor assisted by the Assistant Customer Relations Advisor.

Every year, Societe Generale and Crédit du Nord Group jointly commission a competitive satisfaction survey by the Kantar TNS* research institute, including an NPS. These surveys poll 7,230 individual, 5,198 professional and 3,498 corporate customers from the top ten or 11 banks (depending on the market). The annual survey's "overall satisfaction" score positions Crédit du Nord Group in a tie for first place on the corporate market and second on the individual customer market. On the professional market, satisfaction is stable in a landscape of positive developments. At the same time, Crédit du Nord Group is conducting a survey involving more than 55,000 interviews with individual, professional and corporate customers, enabling it to deliver a satisfaction rating for each of its branches. Lastly, continuous and on-the-spot customer listening tests are currently being rolled out across Banque Rhône Alpes with a view to implementation across the entire Crédit du Nord Group in 2020. 70 branches, 700 employees and 15,0000 customers have been involved in this new approach.

INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

A customer satisfaction survey (which includes an NPS and competitive surveys) is conducted every year by Ipsos* on individual and corporate customers. An *on-the-spot* NPS that quickly follows the Bank's interaction with a customer to measure the satisfaction of individual customers supplements this survey at KB* in the Czech Republic, BRD* in Romania and Rosbank* in Russia.

In Central Europe and Russia, the Group's Banks in 2019 recorded a stable or increasing NPS for individual and professional customers, and was ranked among the top two banks in terms of recommendation intentions in the corporate segment.

In Africa, against a backdrop of generally negative NPSs reflecting a certain mistrust of the banking sector, the Group's Banks performed above average for corporate customers and saw their NPSs increase for individual customers.

Societe Generale Insurance has set up a customer satisfaction measurement tool based on an "on-the-spot" NPS for its Life Insurance Investment, Personal Protection, and Property and Casualty Insurance products. These surveys target all Societe Generale and Crédit du Nord customers in France having been in telephone contact with one of these platforms. Thanks to this consistent attention paid to its insured customers, Societe Generale Insurance is following a continuous improvement approach to enhance its offers and customer journeys. The "on-the-spot" NPS indicator saw strong growth in 2019, confirming a favourable trend since 2016.

ALD* has a global NPS measurement set-up to determine the satisfaction of fleet managers and drivers (41 countries covered). ALD's NPS has also improved since 2016 and is now at a high level.

Societe Generale Equipment Finance* focuses on a qualitative survey of its main Vendors' satisfaction. The NPS declined in 2019 while staying relatively high.

GLOBAL BANKING AND INVESTOR SOLUTIONS

For its Global Banking segment (large corporates and financial institutions), Societe Generale carries out worldwide satisfaction surveys based on the NPS (Net Promoter Score©) method every two years: French, British, German, Italian, Portuguese and Spanish customers are polled in odd years, and customers from other countries in even years. Overall, the customers polled represent approximately 75% of the Group's NBI from this segment.

The results indicate a consistently high level of potential recommendations. In 2019, customers once again cited relationship management as being the Bank's strongest point, stressing in particular its ability to understand their requirements and find appropriate solutions for corporate accounts, and client coverage models for financial institutions. They also identify Societe Generale as a leading bank in terms of ESG products.

Verbal feedback collected shows that a great majority of customers acknowledge that Societe Generale has listened to them and that they have noted progress in the areas of improvement indicated during previous surveys (for example, they highlight the improved operational experience).

The value of these surveys lies specifically in the fact that they make it possible to implement practical action plans designed by customer, business or region, or by structural initiative (product offering, operational process, etc.), which are reviewed at quarterly Strategic Management Committees.

Customer protection

The Group pays special attention to this challenge by implementing strong employee training and awareness-raising initiatives, developing their tools and strengthening internal rules related to customer claim processing, including on social networks.

CLAIMS AND MEDIATION

The processing of a claim is a commercial act that impacts customer satisfaction. Accordingly, it has received much coverage in the Code of Conduct.

The *Customer claim processing* Group instruction was also revised in 2019 to incorporate the recommendations of EBA (the European Banking Authority) and new regulatory requirements (in particular "DSP2*").

When conflicts arise despite the Bank's best prevention efforts, customers have free and direct access to the Customer Relations Department. This has been the case since 1996 (*i.e.* before it became mandatory further to the French Act of 2001). The Customer Relations Department responds within two months, and refers any unresolved claims to the ombudsman, who then responds within 90 days. The mediation team is placed under the ombudsman's hierarchical and functional authority, and works for nearly all Group entities with two dedicated websites – one dedicated to Societe Generale Group and the other to Crédit du Nord and its subsidiaries.

The Bank's businesses have an *ad hoc* governance, an organisation, human resources and applications, formalised procedures, and quantitative and qualitative monitoring indicators. Mediation supplements this internal system.

Mediation, a measure aimed at amicable settlement, is brought to customers' awareness on multiple information media, in particular through a permanent notice on the back of bank account statements. The decisions taken by the independent ombudsman are binding on the entities concerned, which have undertaken in advance to comply with them.

In 2019, the ombudsman received 4,944 letters relating to Societe Generale. Of these, 3,148 were requests for mediation, 379 of which were deemed admissible. He handed down approximately 250 decisions. Regarding Crédit du Nord Group, the ombudsman received 1,361 letters. Of these, 832 were requests for mediation, 279 of which were deemed admissible. He handed down approximately 200 decisions.

For Crédit du Nord, the number of claims handled decreased by 4% compared to 2018. The average processing time is 20 days (within the regulatory 60-day period) (Statistics excluding mediation).

For more information on customer protection measures, see: Chapter 4.10 *Compliance Risk*, paragraph: *Customer protection* on page 243.

DATA PROTECTION

This information is provided in Chapter 4.10 *Compliance risk*, paragraph: *Data protection*, page 245.

CYBERSECURITY

A Group-wide system is in place to manage information security risks. It is coordinated by the Group Security Department. Jointly with the teams of the Corporate Resources and Digital Transformation Division, the Security Department supports initiatives to strengthen the practical implementation of the Group Information Security Policy.

With regard to IT systems, the strategy of using resources to protect digital information is proposed by the Head of IT Security and Operational Risk within the Corporate Resources and Digital Transformation Division. The systems are aligned with market standards and implemented in each Business Unit and Service Unit.

For more information on cybersecurity measures, see: Chapter 4.7 *Operational risk*, paragraphs: *Risks related to information security*, page 225 and *2018-2020 IT security master plan*, page 227.

5.1.4 THE FIGHT AGAINST CORRUPTION, TAX EVASION AND MONEY LAUNDERING

This information is provided in Chapter 4.10 *Compliance Risk*, paragraphs: *Anti-corruption measures* on page 245, *Tax compliance* on page 244 and *Anti-money laundering and counter-terrorism financing (AML/CTF)* on page 243.

5.1.5 RESPECTING HUMAN RIGHTS

Societe Generale is committed to the respect for and promotion of human rights, which constitute one of the fundamental values of its CSR policy. For more information on these commitments, see: *E&S risk management in operations for fair and responsible growth*, page 277.

The Bank reaffirms its commitment in its *Human Rights Statement (https://backend.societegenerale.com/sites/default/files/sg-human-rights-statement-.pdf)*. The respect for and protection of human rights is enshrined in its Code of Conduct and its Environmental and Social General Guidelines.

The Group develops Environmental and Social (E&S) policies, processes and operational procedures to implement these human rights commitments. This risk management framework is implemented in three main areas:

- respect for the human rights of its employees and social partners;
- respect for human rights in its supply chain and with respect to its suppliers;
- respect for human rights in its products and services.

All the policies applied in these three areas are described in the *Group's Duty of Care Plan*, presented on page 297 of this document and in the following paragraphs:

- *Being a responsible employer*, page 261 for human resources management;

- *Taking the direct impact of the Group's business into account*, section *Responsible Sourcing Policy*, page 273 for the supply chain;
- *E&S risk management in the businesses to promote fair and responsible growth*, section: *Environmental and Social (E&S) risk factors inherent in its activities*: page 278 for products and services.

Societe Generale has also set up a whistleblowing mechanism, in accordance with the law on transparency, the fight against corruption and modernisation of the economy (known as Sapin II – see: *A Code of Conduct underpinned by shared values*, page 260). This mechanism is available in France and internationally, in both French and English, at *www.societegenerale.com*. Whistleblowers can use the system to report any potential or actual violations in respect of human rights, fundamental freedoms, health and safety or the environment. It is accessible to all employees, as well as to external or temporary staff and service providers working with the Group on an established basis (as subcontractors or suppliers).

In 2019, the Group signed the Principles for Responsible Banking (see: *Enhanced commitments*, page 277).

5.1.6 TAKING THE DIRECT IMPACT OF THE GROUP'S BUSINESS INTO ACCOUNT

Information concerning employees can be found in the *Responsible Employer* chapter, page 261.

Direct environmental impact

With a view to setting an example, taking the Group's direct impact on its environment into account meets its employees' expectations while providing a source of innovative solutions.

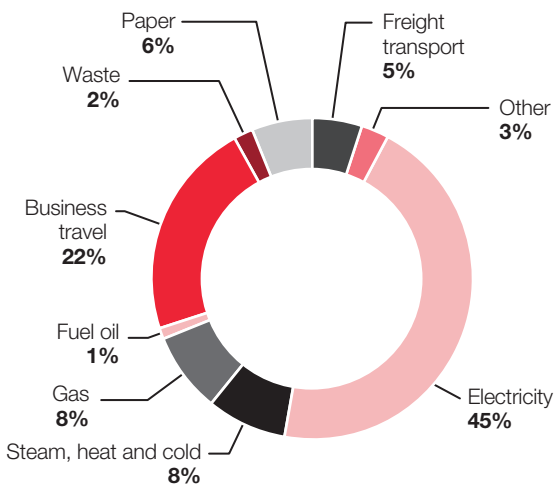
It was the subject of a presentation to the Responsible Commitments Committee (see *Positive climate action: supporting a fair, ecological and inclusive transition*, page 282) in 2019 in order to define its outlines and explore ways to improve performance.

As part of its 2014-2020 carbon reduction programme, Societe Generale has undertaken to cut its greenhouse gas emissions by 25% per occupant and to improve the energy performance per occupant of the Group's buildings by 20% by 2020 as compared to 2014 levels.

At the end of 2019, these two targets were achieved: GHG emissions per occupant were down 25% and energy performance per occupant had improved by 25%.

In 2019, the carbon footprint per employee was 1.91teCO_2 per occupant, broken down as follows:

BREAKDOWN OF THE GROUP'S DIRECT CO_2 EMISSIONS - 2019



INTERNAL CARBON TAX AND THE PRICE OF ENVIRONMENTAL EFFICIENCY

Each year, a carbon tax is levied on each of the Group's entities, based on their greenhouse gas emissions (EUR 10/tonne CO_2 equivalent) and the sums collected are then redistributed in the form of rewards for the best initiatives limiting the Group's direct environmental impact as part of the *Environmental Efficiency Awards* (see: *societegenerale.com*).

In seven years:

- 81,000 tonnes of CO_2[(1)] avoided, *i.e.* 81,000 round trips between Paris and New York;
- 382 GWh of energy saved, *i.e.* the annual consumption of more than 80,000 French households;
- EUR 160 million in savings achieved by the Group through its initiatives;
- 37 participating countries spanning four continents;
- 391 award-winning initiatives;
- An average budget of EUR 3 million allocated each year to the award-winning initiatives.

REAL ESTATE

Societe Generale has developed an environmental strategy for its real estate portfolio (of more than 4 million square metres in 2019) aimed at improving the energy performance of its buildings.

An energy audit of the central buildings took place in 2019 for this purpose. This audit is part of the Group's policy to reduce energy consumption, which has led to a 25% reduction in consumption per occupant between 2014 and 2019. Of the 40 central buildings in France, 22 are ISO 50001 certified.

Societe Generale is the first French bank and one of the first companies in France across all sectors to sign a long-term Power Purchase Agreement (PPA) with EDF in 2019. This PPA concerns the purchase of 27 GWh annually over three years from the Eurowatt wind farm in France. This innovative solution aims to promote the development of renewable energies by enabling producers to guarantee their income over several years and customers to know the origin of their supply.

IT INFRASTRUCTURE

Societe Generale has been committed to the development of responsible, environmental and social digital technology for several years, first within the Green IT Club and now within the framework of the *Institut Numérique Responsable* (Responsible Digital Institute), of which the Group is a founding member.

(1) Cumulative recurring savings.

By signing, in 2019, the Responsible Digital Charter drawn up by the Institut du Numérique Responsable in partnership with WWF*, ADEME* and Fing*, the Group has committed to further structuring its approach, notably by defining a governance and organisation on the subject (for more information, see: *https://institutnr.org/wp-content/uploads/2019/06/Charte-num%C3%A9rique-responsable-INR-Vierge.pdf*).

In France, a CSR training programme was launched for IT department employees. 135 employees have been trained in Responsible Digital practices (3-day training delivered by the Institut Numérique Responsable), 133 of whom will be certified in 2019.

CSR topics were integrated into the 2019 edition of TECHWEEK, which was held over three days in Paris in November 2019.

At the beginning of 2019, a new service provider from the protected and adapted work sector was entrusted with the processing of IT equipment to optimise its reuse: 73 tonnes of IT equipment will be recovered in 2019 in France, 52 tonnes of which will be given a second life.

PAPER

The progress achieved with respect to paper consumption, the main consumable used by the service activities, is the result of various measures introduced throughout the Group, such as good printing practices, moves towards digital rather than paper resources, and the use of recycled paper. In 2019, paper consumption amounted to 8,978 tonnes (a decrease of 1,277 tonnes of paper compared to 2018).

A Societe Generale representative sits on the Board of Directors of CITEO, an eco-organisation that promotes the circular economy, formed further to the merger between Eco-emballages and Ecofolio.

MOBILITY

For the work commute, targeted measures have been deployed to promote alternatives to individual vehicle use. The Head Office at La Défense has set up a carpooling platform and a car-sharing service for the Group's employees. Some entities (for example: ALD Automotive* subsidiaries) have also made bicycles and ebikes available to their employees.

A growing number of Group entities are trialling telecommuting, with more than 32,000 individuals telecommuting worldwide.

WASTE MANAGEMENT AND REDUCING FOOD WASTE

Through recycling, the Group strives to minimise the direct impact of its waste on the environment. It is estimated that 14,653 tonnes of waste were produced in 2019 (vs. 15,580 tonnes in 2018). Selective sorting in five streams (paper and cardboard, metal, plastic, glass and wood) is widespread in all Societe Generale branches and central buildings.

As part of its strategy to reduce food waste, the partnership signed between the Group's company restaurants at La Défense in the Paris region and the association *Le Chaînon Manquant** has made it possible to collect more than 3,800 kilograms of food and thus distribute 7,600 meals to its network of partner associations. In the majority of cafeterias, the remaining waste is sorted and methanised.

Please refer to:
https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx
for all indicators.

Responsible Sourcing Policy

The Group's total annual sourcing budget amounted to EUR 6.1 billion in 2019 (*vs.* EUR 6.8 billion in 2018). In pursuing a responsible sourcing policy since 2006, with a view to ensuring compliance with Societe Generale's E&S commitments, the Sourcing Function has shown itself to be key to the Group's CSR ambition.

Its Sourcing practices are part of a continuous improvement process and in line with the implementation of the rules of conduct and ethics applicable to purchasing annexed to the Global Agreement on Fundamental Rights with the UNI Global Union (see: *Being a responsible employer*, page 261).

Since 2012, the French National Ombudsman (Médiation des Entreprises) and National Procurement Council (CNA) awarded the Group *Responsible Sourcing and Supplier Relations* certification. This certification, of which the new version is underpinned by ISO 20400 – 2017 Sustainable Procurement, attests to the commitment of companies to establish sustainable and balanced relationships with their suppliers.

The 2020 Positive Sourcing Program, the fifth action plan for responsible sourcing, is based on two ambitions: controlling CSR risks in sourcing actions and positive impact sourcing (see: Positive Sourcing Program *https://www.societegenerale.com/sites/default/files/documents/Document%20de%20r%C3%A9f%C3%A9rence/2019/ddr-2019_societe-generale_eng_version.pdf#page=284*).

IMPROVING CSR RISK MANAGEMENT DURING THE SOURCING PROCESS

Identification of CSR risks related to products and services

In 2006, the Group conducted its first mapping of environmental and social risks in the Sourcing process, enabling each buyer to assess the CSR risks inherent in his or her sourcing categories. The current mapping (dated 2018) covers around 100 product and service categories. Four risk levels have been defined, from low to high. The categories identified as representing the greatest risk were those related to building work (renovations, interior outfitting and construction of new buildings) and waste management.

Supplier CSR Risk Analysis: Know Your Supplier (KYS)

Since 2016, the Sourcing Division has implemented supplier assessments of supplies, whose relationships it monitors, at the beginning of the business relationship based on Societe Generale and international standards of operational, compliance and reputational risk management. Deployment work is currently being carried out throughout the Group.

Inclusion of CSR criteria in calls for tender

Based on the risks identified through the mapping of CSR risks in the sourcing process, the Sourcing Division includes CSR criteria specific to each eligible sourcing category in its calls for tender, which it then takes into account when considering the tenders submitted. These criteria are weighted in the final choice of supplier according to the level of risk identified. In 2019, 94% of calls for tender in high-risk sourcing categories included CSR criteria, and their average weighting in calls for tender was 14%.

Sustainable Sourcing Charter and CSR clauses

In all calls for tenders launched since April 2017 *via* the Group's Sourcing tool, the Sourcing Function's suppliers have received a copy of the Sustainable Sourcing Charter (*https://www.societegenerale.com/sites/default/files/2017/ 03042 017-Sustainable-Sourcing-Charter.pdf*). The Sustainable Sourcing Charter is a joint initiative of certain French banking and insurance operators designed to involve their suppliers in the due diligence process. It sets out the Group's CSR commitments, obligations and expectations with respect to its suppliers. The charter has been translated into six languages.

A CSR clause is included in all standard contracts used by the Sourcing Division in France and is gradually being implemented abroad. It refers to the Group's Code of Conduct and the Sustainable Sourcing Charter, as well as the requirement of non-financial evaluation for certain suppliers (see below). This clause aims to involve suppliers in the due diligence process as regards human rights, working conditions (health and safety), the environment and the fight against corruption (see: Chapter 4.10 *Compliance Risk*, paragraph: *Anti-corruption measures*, page 245).

Non-financial evaluation of suppliers

To monitor the CSR performance of suppliers under contract, within a targeted scope, suppliers representing a large purchase volume at the Group level or brand carrier, the CSR clause requires a non-financial evaluation of their environmental and social performance, business ethics and subcontracting practices by an independent third party. As of 31st December 2018, 77% of a targeted scope of suppliers under contract[(1)] had a non-financial evaluation conducted by an independent third party.

Management of payment terms for supplier invoices

As of 2014, the Group has launched a project to reduce delays to pay its supplier invoices within 30 days. At the end of 2018, the Group rolled out a digital invoice receipt portal to simplify invoice processing. Accordingly, the weighted (by amount) average invoice payment time is improving and was 33 days in 2019 compared to 40 days in 2018.

DEVELOPING POSITIVE-IMPACT SOURCING

Three priorities have been defined as part of the 2020 Positive Sourcing Program and in line with the Group's CSR ambition:

- Supplier relations;

  The Sourcing Division aims to set the example in its relations with all its suppliers, in particular SMEs. Societe Generale, the first bank to sign the SME Pact in December 2007, continues its commitment to SMEs, and is attentive to their concerns by regularly conducting a satisfaction survey. In 2019, they were consulted in 89% of the Group's tenders (on eligible categories), compared to 82% in 2018.

- The Social and Solidarity Economy (SSE);

  Over the period 2018-2020, Societe Generale has set itself the target of maintaining the amount of expenditure on SSE structures at EUR 10 million per year. The Group continued these efforts in 2019 in favour of SSE structures, in particular by better integrating the use of protected and adapted work in IT and intellectual services. Accordingly, the amount of purchases made in the SSE in the first ten months of 2019 was EUR 12.9 million, compared to EUR 10 million over 12 months in 2018.

- The climate (see: *IT Infrastructure*, page 272).

  In line with the Group's target of reducing its CO_2 emissions by 25% per occupant by 2020, the businesses work on developing innovative products and services with high environmental added value based on an environmental impact analysis (CO_2 emissions and environmental efficiency). This is reflected in the development of Green IT, improvements in the energy performance of buildings, and improvements in the environmental performance of all products and services purchased by the Group.

Within the Sourcing Division, the contribution to CSR performance through the implementation of the Positive Sourcing Program is integrated into the job descriptions of buyers and their managers. For categories involving high CSR risks, individual operational objectives have been set. When they take up their positions, buyers follow a *Sustainable Sourcing* training course, which is integrated into the internal training curriculum for new arrivals. At 1st December 2019, 100% of the Group's buyers had received training in sustainable sourcing.

For more information, see *www. societegenerale.com*, *Suppliers* section.

Please refer to:
https://www.societegenerale.com/sites/default/files/documents/ Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

(1) Having a "non-financial evaluation" requirement in the CSR clause.

5.2 SOCIETE GENERALE, A BANKER COMMITTED TO SUSTAINABLE AND RESPONSIBLE FINANCE

5.2.1 CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS

Through its geographic presence, the diversity of its businesses and its responsible commitment, Societe Generale helps achieve the Sustainable Development Goals (SDGs) defined by the UN (for more information see: *https://sustainabledevelopment.un.org/?menu=1300*), and in particular through the six areas of its CSR Ambition: three general themes (customer satisfaction and protection, responsible employer, ethics and governance including E&S risk management); two themes more specifically related to CSR (climate change, social trends and innovations); and one cross-cutting theme (sustainable development in Africa).

As from 2015, at the COP 21, Societe Generale made a commitment to develop methodologies to align its activities with the objectives of the Paris Agreement. This commitment, which has prompted several climate actions undertaken by the Group (for more information, see: *Positive climate action: supporting a fair, environmental and inclusive transition*, page 282), was reinforced in 2019 when the Group signed the United Nations Principles for Responsible Banking (PRB), which aim to define the role of the banking sector in building a sustainable future (see: *Approach to aligning the Group's activities with the objectives of the Paris Agreement*, page 282).

Customer satisfaction and protection

As a trusted partner, Societe Generale strives daily to protect and satisfy its customers by aiming for the highest standards of security and service quality.

- Viséo Customer Insights *2020 Customer Service of the Year* Award (seventh year in a row).
- The risk of cybercrime has a budget of EUR 650 million over three years (for more information, see: Chapter 4.7 *Operational risk*, paragraphs: *Risks related to information security*, page 225 and *2018-2020 IT security master plan*, page 227).
- Regularly updated customer protection measures (for more information, see: Chapter 4.10 *Compliance Risk*, paragraph: *Client protection* page 243).

Customer satisfaction monitoring (for more information, see: *Satisfying customers while ensuring their protection*, page 270).

Responsible employer

This focus area is broken down into three priorities: supporting the development of the Bank's businesses by developing the skills needed to adapt to change; developing a responsible banking culture based on shared values; and fostering employee commitment, a guarantee of performance and cohesion.

- Ranked 15th in the international financial sector (among the three best French banks) according to the 2019 ranking of the Equileap NGO on gender equality (3,000 companies analysed).
- 93% of the Group's employees had an appraisal in 2019.
- Renewal of the agreement with UNI Global Union, confirming the Bank's commitments to respect human rights under its Code of Conduct and its recognition of fundamental rights at work, including freedom of association.

For more information, see: *Being a Responsible Employer*, page 261.

Ethics and governance

The Group asks its employees to uphold the highest standards of integrity in all their words and actions. This is an essential condition for the proper conduct of the Bank's activities. This system, which includes environmental, social and governance risks, underpins all decisions taken at all levels of the Company.

- A Culture and Conduct programme under the authority of General Management, supervised by the Board of Directors.
- A Group Code of Conduct translated into 18 languages, as well as two additional codes: a Tax Code of Conduct and a Code governing the Fight Against Corruption and Influence Peddling.
- 12 sectoral policies covering sensitive sectors.

For more information, see: *A Code of Conduct underpinned by shared values*, page 260 and *E&S risk management in the businesses to promote fair and responsible growth*, page 277.

Climate change

In 2015, at COP 21, Societe Generale pledged to align the Group's activities by 2020 with the International Energy Agency's trajectory to limit global warming to 2°C from pre-industrial levels. Work is under way within the Group to develop and deploy analytical methodologies and determine quantitative objectives. In 2016, the Group developed a first methodology and set targets for alignment with the coal sector (see below).

- Commitment of EUR 100 billion to support the energy transition by end-2019, achieved one year ahead of schedule.
- New commitment of EUR 120 billion by 2023 to support the energy transition.
- Commitment to reduce exposure to the thermal coal sector to zero by 2030 for EU and OECD countries and by 2040 for the rest of the world.
- Target of 25% reduction in carbon emissions per employee over the 2014-2020 period reached in 2019.
- Target to limit the share of coal in the electricity mix to 19% (16.3 by mid-2019)
- No. 1 bank worldwide in Environment from an environmental perspective and No. 6 at the European level for its entire CSR policy (RobecoSAM ranking in 2019).

For more information, see: *Positive climate action: supporting a fair, environmental and inclusive transition*, page 282.

Social trends and innovations

As the Bank's customers – whether investors, companies or individuals – seek solutions to new environmental and societal challenges, Societe Generale is especially attentive to emerging societal trends to properly address these issues. Support for the social and solidarity economy, support for entrepreneurship, the development of towns and cities and sustainable mobility, and inclusion: the Bank is helping to shape a sustainable and solidarity-based future.

- Societe Generale, a founding partner of the Netexplo Smart Cities Accelerator international training and certification programme, aims to provide relevant analyses of the challenges posed by the development of inclusive, connected cities that are mindful of their environmental footprint.
- LaVilleE+®, a wholly-owned subsidiary of Societe Generale, assists major public and private customers worldwide in the creation of neighbourhoods and city blocks aligned with the sustainable development goals, the circular economy and resilience. By 2022, the ambition is to exceed 30 supported projects and 3 million square metres to improve the mobility of 30 million people.

For more information, see: *A Bank committed to sustainable and responsible finance*, page 285.

Contribution to sustainable development of Africa

Present in Africa for more than 100 years, the Group has made the continent's sustainable, low-carbon and inclusive development a key priority, fully embedded in its strategy through the *Grow with Africa initiative*. Societe Generale capitalises on its diversified and integrated model to address major challenges: multi-dimensional support for African SMEs, infrastructure financing, the development of innovative financing solutions, in particular in the agricultural and energy sectors, and financial inclusion.

- A 12% increase in outstanding loans to SMEs in 2019 vs. 2018 (for a target of more than 60% in 2023).
- The Group's commitment to Africa was rewarded with the Africa's Best Bank for Corporate Social Responsibility 2019 award presented by Euromoney in July 2019.
- In collaboration with CARE International Madagascar, Societe Generale Madagasikara has launched the OMBONA service to promote the financial inclusion of the most vulnerable people through Village Savings and Lending Associations (AVEC). This product should help reduce poverty in the areas where the service is used (see: *Fostering the development of populations through financial inclusion*, page 290).

For more information, see: *Continued commitment to sustainable development in Africa*, page 288.

For more information, see : Societe Generale's *Communication on Progress Advanced 2019* report on the United Nations website : (*https://www.unglobalcompact.org/participation/report/cop/create-and-submit/advanced/434797*).

5.2.2 E&S RISK MANAGEMENT IN THE BUSINESSES TO PROMOTE FAIR AND RESPONSIBLE GROWTH

Strengthened commitments

THE MAIN PRINCIPLES

Societe Generale conducts its development with respect for the values and principles set out in:

- the Universal Declaration of Human Rights and its additional commitments;
- the fundamental conventions of the International Labour Organisation (ILO);
- the UNESCO World Heritage Convention;
- the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises;
- the United Nations Guiding Principles on Business and Human Rights (see: *Group's Duty of Care Plan*, page 297).

View all the public or private initiatives to which the Group is committed here:
https://www.societegenerale.com/en/measuring-our-performance/csr.

VOLUNTARY COMMITMENTS

Principles for Responsible Banking

Societe Generale is the founding signatory of the Principles for Responsible Banking, signed by 130 banks worldwide, and has joined the Collective Commitment to Climate Action, signed by 34 banks.

Officially presented at the UN General Assembly in September 2019, these principles aim to define the role of the banking sector in building a sustainable future, in line with the United Nations Sustainable Development Goals (SDGs) and the 2015 Paris Agreement on climate change.

The six principles define a common framework that allows each signatory bank to make commitments aimed at increasing its positive impact or reducing its negative impact on society and the environment. These principles include: aligning activities with the Paris Agreement and the SDGs; setting targets in terms of positive impacts and reducing negative impacts; providing responsible support to customers; consulting and cooperating with stakeholders; developing a responsible banking culture and governance; and making targeted and public commitments while being transparent about their achievement.

Societe Generale deploys an integrated CSR ambition, consistent with the Principles for Responsible Banking and aimed at contributing to positive transformations in favour of a sustainable future, as reflected in the Group's second integrated report (*https://www.societegenerale.com/sites/default/files/documents/Rapport-integre/2019/ri_sg_2019_eng.pdf*).

Equator Principles

Adopted by the Group in 2007 and revised in 2019, the Equator Principles (EP) are one of the underlying initiatives of the Group's E&S General Guidelines. The Group has special internal procedures and tools to ensure they are implemented. The EP serve as a common framework for the financial sector to identify, assess and manage the E&S risks of projects for which the 101 international financial institutions that have joined the initiative (as of 1st January 2020) provide financing and advice.

Every year, Societe Generale publishes a report describing how the principles are implemented and providing a list of the projects that fall within the scope of the EP and in which the Group has been involved. This report is published on the Group's website (*https://wholesale.banking.societegenerale.com/en/about/equator-principles-report//*).

Societe Generale contributed to the work that led to a revision of the Principles, which will be applicable as of 1st July 2020. The main changes were in the following areas:

- strengthening the consideration of human rights and obligations related to Free, Prior and Informed Consent of Indigenous Peoples, where relevant, for all geographies;
- strengthening the consideration of climate risk with a reference to the Paris Agreement in the preamble and the introduction of a systematic climate risk assessment (physical or transition) for some projects;
- for projects located in high-income OECD countries, the financial institution's assessment of the relevance of applying the IFC's* international standards in addition to local regulations;
- broadening the scope of application, notably by reviewing loan thresholds and adding new financial products.

Soft Commodities Compact

The Soft Commodities Compact (for more information see: *https://www.cisl.cam.ac.uk/business-action/sustainable-finance/banking-environment-initiative/programme/sustainable-agri-supply-chains/soft-commodities*), which was devised by the Banking Environment Initiative (in conjunction with the Consumer Goods Forum) aims to mobilise the banking industry around the transformation of supply chains for the following agricultural commodities: palm oil, soybean, timber and beef. The signatory banks, including Societe Generale since 2015, undertake to help their main customers in the sector to achieve the target of zero net deforestation by 2020.

The implementation of the Soft Commodities Compact is primarily based on the deployment of the Group's sector policies on Palm oil, Forestry and forest products and Agriculture, fisheries and food.

Efforts have been made, in particular, in terms of monitoring our customers' performance and transparency, to present the initiative and our commitments and expectations in this area. Nevertheless, as the Cambridge Institute for Sustainability Leadership acknowledges, the issues are complex due in particular to the many and varied players in the value chain of these commodities. Work has been initiated within the initiative to reflect on restructuring for greater efficiency.

Poseidon principles

Societe Generale is one of the founding signatories of the Poseidon Principles, launched in 2019 in collaboration with the Global Maritime Forum, and in association with other banks financing the shipping industry. In addition, the Group has joined the Getting to Zero coalition (see: *Shipping*, page 283).

Green Investment Principles

Societe Generale also signed the Green Investment Principles in November 2019. These principles were defined by the China Green Finance Committee and the City of London's Green Finance Initiative. They are intended to guide financial institutions in adopting responsible practices in Environmental and Social (E&S) risk management and positive impact financial products within the Belt and Road region*.

The implementation of these principles will mainly take place in Asia and will rely in particular on the deployment of the Group's E&S risk management framework in this region.

Environmental and Social (E&S) risk factors inherent in its activities

Environmental, social or human rights risk factors may trigger or aggravate compliance, reputational and credit risks.

The risk of non-compliance with E&S laws or the Group's E&S commitments may result from an inadequate system that does not sufficiently cover the inherent E&S risks, or from a system that is not properly implemented.

Reputational risk may result from operational risks, such as the risk of non-compliance with E&S laws or commitments, or may arise from a negative perception of E&S issues by stakeholders, particularly external stakeholders.

Lastly, E&S issues may affect the Group's credit risk, especially with respect to the climate: transition risks and physical risks.

The policies and procedures established to mitigate the risk of non-compliance with E&S laws or E&S reputational risk are based on the E&S risk management framework set out in the *transactional* and *customer* processes described below.

A restructured E&S risk management system

The Group is aware of the social, environmental and economic convergence challenges at play within its sphere of influence and is determined to take them into consideration in its business practices. That is why it has had an E&S risk management system in place for many years, based on a risk management framework and associated governance.

The E&S risk management framework and governance are regularly reviewed to reflect changes in E&S issues and regulatory obligations, as well as the Group's new commitments. In particular, they were significantly strengthened in 2019.

AN UPDATED NORMATIVE FRAMEWORK

The Group's E&S risk management framework reflects both the regulatory requirements to which it is subject and the various voluntary commitments relating to these subjects. It is based on the E&S general guidelines and the cross-sector and sector-specific E&S policies annexed to them, as well as on the internal procedures enabling their operational implementation.

In the context of the Duty of Care Act, the signing of the Principles for Responsible Banking and the Group's relatively recent reorganisation (decentralisation of three divisions into 25 Business and Service Units), this E&S risk management framework was structurally reviewed in 2019.

Sector-specific and cross-sector E&S general guidelines

Signed by the Chief Executive Officer, the E&S general guidelines apply to all financial transactions and services provided by Societe Generale Group entities. They are available on the Group's website *(https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-finance)*.

The sector-specific and cross-sector E&S policies, referred to as the *E&S policies*, which are annexed to the E&S general guidelines, define the standards that Societe Generale intends to apply to sectors considered potentially sensitive from an E&S or ethics perspective (such as oil and gas, the mining sector, etc.) and to some cross-business issues (such as biodiversity). They are drawn up by cross-sector working groups and approved by General Management in conjunction with the Responsible Commitments Committee (CORESP). They are public and available on the Group's website *(https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-finance)*.

There are twelve such E&S policies based on a common framework that identifies E&S risk factors, lists sector-specific or thematic standards that serve as a reference, explains the scope of the activities concerned (sub-sectors, financial products and services) and defines, for each sector or theme, the criteria relating to:

- the Group's corporate customers (excluding financial institutions and sovereigns);
- transactions and services where the underlying is unknown.

And, where appropriate, relating to:

- financing or investment portfolios (such as limiting the share of coal in the energy mix financed);
- banking and financial products (such as agricultural commodity derivatives);
- issuers of securities held for the Bank's own account or on behalf of third parties.

Societe Generale's E&S policies cover sensitive sectors in which the Bank plays an active role. Energy and mining are covered by a number of sector-specific policies due to their importance for the economy and for the Group, their potentially significant impact in terms of atmospheric emissions (including greenhouse gas emissions), as well as their impact on the natural environment and local communities (dams and hydroelectric energy, power plants, coal-fired power plants, mines, civil nuclear power, and oil and gas) – see: *Positive climate action: supporting a fair, environmental and inclusive transition*, page 282. Several policies are also in place for the farming and forestry sectors (Agriculture, fisheries and food, Forestry and forest products, and Palm oil). The defence and shipping sectors are also covered.

Societe Generale has also implemented a special cross-sector policy on biodiversity conservation, which applies to all Group banking and financial operations and involves procedures for reviewing dedicated transactions (the underlying of which is known) and customers. Since 2018, the Group has joined the Act4Naure initiative launched by *Entreprises pour l'Environnement* (EpE), which aims to attach greater importance to biodiversity challenges in companies and organisations, considering the rapid deterioration of the environment.

In 2019, the Group published a Statement of Human Rights reflecting its commitment to respect human rights within the scope of its business. This declaration complements the commitments made in the context of the various sector-specific policies, particularly through sector-specific initiatives integrating these issues (*https://backend.societegenerale.com/sites/default/files/sg-human-rights-statement-.pdf*).

In 2019, a project to revise sector-specific policies was initiated to clarify the criteria and facilitate their operational implementation. These policies will also be revised in light of the results from the risk mapping performed as part of the duty of care plan.

Internal operational implementation guides accompany certain policies to facilitate their implementation within the Group's businesses.

Operational implementation procedures

For several years now, the Group has had procedures in place to implement its commitments. The year 2019 was marked by the updating and integration of E&S risk management principles into the Group's new normative documentation (Societe Generale Code). The concepts of E&S risks have been more formally defined.

These principles are that E&S risk management is achieved through the integration of E&S aspects into existing processes, such as transactional processes, on-boarding processes and periodic customer review processes. Aspects relating to E&S risks are thus gradually being integrated into the credit and reputational risk management policies and processes of all Business Units.

E&S risk management is based on three main steps:

- **E&S risk identification:** This step consists in identifying whether the customer's activities or the transaction present a potential E&S risk. In particular, it is based on an analysis aimed at verifying whether the counterparties or underlying activities are on the E&S exclusion list or the E&S identification list (see below, page 280), whether they are subject to a sector-specific policy or whether they are the subject of E&S controversies. This process makes it possible to review compliance with the exclusion criteria of the various sector-specific policies;
- **E&S assessment (of counterparties or transactions identified as presenting an E&S risk):** when an E&S risk has been identified, an E&S risk assessment (focusing on E&S credit risk, E&S reputational risk and the risk of non-alignment with E&S policy criteria) is performed by the business lines. The following are analysed: compliance with the criteria of the applicable E&S policy(ies), the severity of E&S controversies and, where applicable, the CSR maturity of the counterparties;
- **E&S actions:** the E&S assessment can result in a positive, conditional (contractual conditions, action plans, restrictions) or negative E&S opinion. Mitigation actions are proposed in proportion to the residual risk identified. Opinions that are not positive and proposed action plans are reviewed by the second line of defence, *i.e.* the Risk or Compliance Departments, and may be mediated by the heads of the business lines if necessary.

Monitoring and controls are also gradually being implemented in E&S risk management processes within the business lines.

In addition to facilitating the identification, assessment and appropriate management of potentially negative E&S impacts, these procedures also enable the identification of transactions and customers having a positive impact in terms of sustainable development. Sustainable finance with a positive impact is underpinned by this dual approach (see: *A Bank committed to sustainable and responsible finance*, page 285).

This clarification and updating of procedures, and the gradual roll-out of procedures within the various Business Units, will make it possible to continue to standardise E&S risk assessment and management practices within the Group.

E&S TOOLS TO FACILITATE OPERATIONAL IMPLEMENTATION

E&S identification list

In order to facilitate the implementation of E&S risk management procedures, an E&S identification list (formerly the E&S watch list) is regularly updated by internal experts and sent to all the businesses concerned. It lists any projects, companies or sectors/countries, irrespective of whether they are financed by Societe Generale, that are subject to controversy or public campaigns on the part of civil society for E&S reasons. The purpose of this internal list is to alert the operational teams at an early stage in the customer and transaction reviewing process (from the identification stage) in order to establish a more in-depth E&S assessment of the transactions and customers concerned.

E&S exclusion list

In addition to the E&S identification list, an exclusion list is updated and communicated on a quarterly basis. It contains companies that have been excluded under the Defence sector policy due to their involvement in the production, storage or sale of controversial weapons, especially anti-personnel mines or cluster bombs. Societe Generale has undertaken not to knowingly supply banking or financial services to such companies, their parent companies or their subsidiaries.

Moreover, it may decide to exclude companies on a case-by-case basis, for example further to analyses prior to establishing a new relationship or concerning specific types of activities (coal, oil sands, oil in the Arctic, etc.).

STRENGTHENED GOVERNANCE AND ORGANISATION

The integration of E&S risk management principles into the Group's new normative documentation in 2019 has also made it possible to strengthen the associated governance. The roles of the first line of defence (business lines) and the second line of defence (Risk and Compliance Departments) as well as those of the Group CSR team have been clearly explained.

In particular, it is specified that the business lines are responsible for implementing E&S risk management within the scope that they have defined in line with the Group's recommendations on customer and transactional aspects. They are in charge of appointing a centre of E&S expertise to support the business lines on transactional, customer or product review aspects. In particular, they define their own governance bodies to review complex cases and arbitrate where necessary, and contribute to the updating of Societe Generale's E&S standards.

The Risk and Compliance Departments are in charge of the second line of defence on E&S aspects. In this capacity, they are responsible for approving the first line of defence on E&S risks and reviewing situations of non-alignment in transactional or customer review processes.

In this context, the Group Responsible Commitments Committee (CORESP) was created in 2019. Chaired by the Deputy Chief Executive Officer supervising the control functions, CORESP is mainly made up of the heads of the Compliance Department, the Risk Division, the Communications Department, the CSR Department and the heads of the Business Units and Services Units concerned, depending on the subjects dealt with. The CORESP meets at least three times a year. *Ad hoc* meetings can also be scheduled at the request of the Business Units and Services Units. This Committee deals with subjects related to the Group's CSR commitments and normative framework (including E&S sector policies), culture and conduct, or any other subject that has an impact on the Group's responsibility or reputation and that is not already covered by an existing committee.

The Committee aims to:

- arbitrate complex transaction/customer cases with a high risk in terms of the Group's reputation or non-alignment with its standards in terms of CSR, culture and conduct, ethics or reputation;
- examine very high-risk topics related to CSR, culture and conduct, ethics or reputation;
- take on new Group commitments or develop the normative framework (including E&S sector policies).

The CORESP has met six times since its creation, and has dealt in particular with: initiatives joined by the Group, such as the Principles for Responsible Banking and the Green Investment Principles, the review of E&S policies and the internal E&S risk management framework (thermal coal, mining, defence, etc.), subjects related to the Group's climate commitments, and those related to the environment for its own account.

Lastly, resources have been strengthened with the recruitment or appointment of E&S experts in several Business Units, including the strengthening of local teams in Africa, Eastern Europe and Russia, as well as in other Business Units, such as Equipment Finance, Trade Finance, Global Transaction & Payment Services, and Global Markets.

In 2019, the Group continued to roll out the E&S training programme. Face-to-face training, which includes E&S assessment procedures for transactions and customers, was provided to nearly 400 employees. In addition, a micro-learning* platform is now available.

In 2019, dedicated training courses were set up for target populations within the business lines and the Compliance and Risk Departments, and specific training on the climate vulnerability index was provided to 700 people.

E&S RISK MANAGEMENT PROCESSES THAT CONTINUE TO BE DEPLOYED

Customer E&S assessment process in the Business Units

Societe Generale is continuing to deploy the E&S analysis measures applied to its corporate customers in the Business Units in accordance with the common principles set out in the Group's procedures and their gradual deployment within certain Business Units. Customer E&S analyses are supervised by the entities responsible for the customer relationship. As a minimum, these assessments must be performed (or updated) during the customer on-boarding stage, during a material transaction or financial service, or further to a material E&S controversy.

WITHIN THE CORPORATE AND INVESTMENT BANK

A dedicated team of experts supporting the front officers has been analysing the E&S risk posed by its customers for several years. The E&S analysis is underpinned by a risk-based approach with an in-depth E&S assessment of the priority customers. Within the scope of Corporate and Investment Banking, about 130 corporate customer groups have been subject to an in-depth environmental and social analysis during 2019 (*vs.* 143 in 2018).

IN FRENCH RETAIL BANKING

In 2019, the E&S customer analysis concerned 112 groups (*vs.* 133 in 2018) reviewed by the entity in charge of key corporate customers within the French network, as well as the 207 groups monitored in the business branches in Paris and La Défense (*vs.* 223 in 2018). For some of these customer groups, the assessment led to discussions with the Company in question. Deployment efforts also concerned the Crédit du Nord network, with some 70 E&S assessments (customer on-boarding and transactions), following the identification of E&S risks in the Defence, Coal, Agriculture and Waste Management sectors.

CONCERNING INTERNATIONAL RETAIL BANKING

The deployment of the E&S analysis system for corporate customers accelerated in 2019 with the recruitment and appointment of E&S experts in the regional divisions in Africa, as well as in the main subsidiaries in Eastern Europe, Russia and Asia.

These centres of expertise support local sales departments and work closely with experts from the central Business Units, under the functional supervision of the Head of CSR. Trained on various subjects related to their functions (customer E&S risk management, transactions, vulnerability index, positive impact products, monitoring, facilitation and training, etc.), they are currently working on the formalisation of a local operational framework based on the Group's framework in collaboration with the risk and compliance teams. In 2019, 167 assessments of customers identified as E&S risk carriers were thus performed by dedicated local teams and then reviewed centrally in the majority of cases. In some cases, these assessments led to restricting or even refusing new relationships. In addition to these customer analyses, E&S assessments were conducted when significant transactions occurred.

In total, nearly 700 customers or customer groups were subject to an in-depth E&S review.

Transactions E&S assessment process in the Business Units

WITHIN THE CORPORATE AND INVESTMENT BANK

A dedicated team of experts within Corporate and Investment Banking supports the Front Offices in assessing and understanding the E&S impacts of transactions, as part of the implementation of the Group's voluntary commitments (E&S policies and the Equator Principles in particular).

Beyond the scope of the Equator Principles, which will be extended in 2020 and which have already been largely integrated into Societe Generale's E&S risk management processes for several years, Corporate and Investment Banking has voluntarily implemented procedures to manage the E&S risks associated with dedicated projects or assets for equity capital market transactions, debt capital market transactions, mergers and acquisitions, and acquisition financing. Moreover, any financial transaction entered into by Corporate and Investment Banking involves the identification of any E&S risks relating to the customer, other than financial institutions.

In the course of 2019, 112 dedicated transactions (*vs.* 113 in 2018) subject to an E&S review were signed off by the Group. Of these transactions, 37 project loans (*vs.* 42 in 2018), two project-related corporate loans (*vs.* four in 2018) and 9 advisory mandates relating to project financing fell within the scope of the Equator Principles (*vs.* nine in 2018). Overall in 2019, total new funding for the dedicated transactions that underwent an E&S review amounted to EUR 3.6 billion within the scope of the Equator Principles (EP) (*vs.* EUR 3.4 billion in 2018) and EUR 4.2 billion outside the scope of the EP (*vs.* EUR 3.7 billion in 2018), Societe Generale's voluntary scope of application.

In 2019, the post-signature monitoring of the E&S clauses of dedicated transactions was also strengthened by the intervention of a dedicated team of experts.

OTHER E&S ASSESSMENT PROCESSES IN THE BUSINESS UNITS

Within Lyxor*, on the liability side of the funds, transaction verifications are carried out by the transfer agent*. For fund assets, these checks are integrated into the front office tools in pre-trade*, and post-trade* checks are carried out within the risk analysis teams, completely independently from management.

Dialogue with stakeholders

Societe Generale engages in dialogue with its stakeholders in a way that it wishes to be constructive. The approach is described on the Group's website *(https://www.societegenerale.com/en/measuring-our-performance/csr/dialogue-with-stakeholders*).

Societe Generale makes sure to listen to its stakeholders and adapt its device in order to best meet their expectations, whenever possible, in accordance with the regulations and laws in force. Specifically, the Group has an active listening policy with:

- Customers (see: *Satisfying customers while ensuring their protection*, page 270)
- Employees (see: *Being a Responsible Employer*, page 261)
- Investors and shareholders (see: *https://www.societegenerale.com/en/measuring-our-performance/csr/dialogue-with-stakeholders*)
- Regulators (see: *https://www.societegenerale.com/en/measuring-our-performance/csr/dialogue-with-stakeholders*)
- Suppliers (see: *Responsible Sourcing Policy*, page 273)
- Media
- Extra-financial rating agencies (see: *https://www.societegenerale.com/en/measuring-our-performance/csr/extra-financial-analysts-area*)
- Civil society (see: *https://www.societegenerale.com/en/measuring-our-performance/csr/dialogue-with-stakeholders*)

On civil society, in particular, the Group listens to and converses with NGOs that alert it to E&S issues. Wherever possible, an internal enquiry is conducted and a documented response is given, either in writing or at meetings, as appropriate.

The Bank uses the CSR Department to centralise any request or contact by NGOs or other stakeholders informing it about the E&S impact of its financing services or other services.

In the course of 2019, Societe Generale participated in various working groups and discussion meetings with some 10 NGOs (including Friends of the Earth, BankTrack, Oxfam, *Rainforest Action Network*, *Share Action*, *Urgewald WWF*, etc.), either in the form of bilateral meetings or broader consultation meetings organised by the associations themselves or, among others, by the OECD, the Equator Principles Association, and *Entreprises pour les Droits de l'Homme* (Companies for Human Rights).

Societe Generale was asked by the Student Manifesto for an Environmental Awakening to answer a questionnaire on how the Company is taking the climate emergency into account. This response has been posted online here: *https://pour-un-reveil-ecologique.org/en/les-entreprises-nous-r%C3%A9pondent/#-reponses*.

The Group has a *Dialogue and Transparency* section on its website (*https://www.societegenerale.com/en/news-and-media/dialogue-and-transparency*).

5.2.3 POSITIVE CLIMATE ACTION: SUPPORTING A FAIR, ENVIRONMENTAL AND INCLUSIVE TRANSITION

Commitments and goals

The last report from the Intergovernmental Panel on Climate Change (IPCC), published in October 2018 (see IPCC – 2018: *https://www.ipcc-.ch/site/assets/uploads/sites/2/2018/07/SR15_SPM_version_stand_alone-_LR.pdf*), warns that there is less than a decade for global warming to be kept to a maximum of 1.5°C, beyond which the risks of extreme weather events and the damage they cause will significantly worsen. Unprecedented – yet realistic – changes are therefore urgently required.

Societe Generale is committed to being a part of this change, by awarding more financing to projects designed to create a sustainable and inclusive economy. The Bank's specific TCFD (Task Force on Climate-related Financial Disclosures) report details Societe Generale's commitments and achievements in this field. Financial research firm Autonomous have named Societe Generale's report *best in class*. Societe Generale's ongoing efforts and decisive action on climate-related issues earned it first place for environmental performance among banks worldwide in the 2019 Dow Jones Sustainability Indices (DJSIs) published by RobecoSAM *(https://-www.societegenerale.com/sites/default/files/documents/Document%20-RSE/climate-disclosure-societe-generale-tcfd-report-june.pdf)*.

APPROACH TO ALIGNING THE GROUP'S ACTIVITIES WITH THE PARIS AGREEMENT TARGETS

In 2015, to mark the occasion of the COP 21, Societe Generale announced its commitment to developing new methodologies to align its activities with the targets set in the Paris Agreement, *i.e.* holding global warming to no more than 2°C (and ideally 1.5°C) above pre-industrial levels. The Group's first Paris-alignment methodology, developed in 2016, focused on the coal sector (see below).

Following on from this first step, in 2018 the Group signed the Katowice Commitment *(see https://www.societegenerale.com/sites-/default/files/documents/Document%20RSE/the_katowice_commitment-.pdf)* alongside four other international banks (BBVA, BNP Paribas, ING and Standard Chartered). The Katowice Commitment is about developing open-source methods and tools to assess the climate alignment of lending portfolios. It also served as a precursor to the Collective Commitment to Climate Action, announced as part of the UN Principles for Responsible Banking. More than 130 banks worldwide have signed up to the UN Principles for Responsible Banking, of which 34 (representing total loan assets of USD 13,000 billion) have also signed the Collective Commitment to Climate Action. Societe Generale's Chief Executive Officer has signed the Bank up to both of these initiatives, which were presented at the UN Secretary-General's Climate Action Summit held in New York in September 2019 (see: *Strengthened commitments*, page 277).

The Collective Commitment to Climate Action defines concrete and time-bound actions that signatory banks agree to take to align their lending with the Paris Agreement targets. These include: setting sector-specific targets for portfolio alignment within three years, working with customers on their energy transition and publicly reporting on progress at least once a year. For Societe Generale, this commitment builds on the Katowice Commitment and the Bank's existing alignment endeavours in respect of its coal portfolio. The Group is piloting an analysis methodology developed together with the other Katowice banks and the 2°C Investing Initiative (2DII) think tank to identify alignment indicators and targets. One year on from signature of the Katowice Commitment, the Group is working on refining this methodology and improving its application.

Societe Generale has also been a key mover in the UNEP-FI's Positive Impact Initiative, which brings together 26 financial institutions from around the world with a view to closing the financing gap for the UN Sustainable Development Goals (SDGs). The Positive Impact Manifesto was published at the end of 2015, and the Positive Impact Principles in early 2017. The manifesto and principles define Positive Impact Finance as that which serves to deliver a verifiable positive contribution to one or more of the three pillars of sustainable development (economic, environmental and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated, across all sectors.

COMMITMENT TO REDUCING ACTIVITIES RELATED TO FOSSIL FUELS

In recent years, Societe Generale has regularly set itself climate alignment goals for the coal and shipping sectors, and has also implemented exclusion policies.

Coal

In 2016, Societe Generale set an example as one of the first banks to reduce its exposure to the coal sector by deciding not to grant any further financing for coal mining or coal-fired power plant projects. The Group has also developed an alignment methodology designed to track all of its financing related to coal use and has undertaken to slim down its global coal financing portfolio in line with the International Energy Agency's 2°C scenario. By the end of 2019, the Bank had:

- met its target of reducing its loan outstandings (exposure) related to coal mining by at least 14% by 2020;
- met its target of limiting the proportion of coal (installed capacity) in the electricity generation it finances to 19% by 2020. It had in fact reduced the proportion of coal to just 16.3% by mid-2019.

In 2019, Societe Generale stepped its commitments up a level, announcing a goal of zero exposure to coal-fuelled power by 2030 in the EU and OECD countries, and by 2040 for the rest of the world. The Bank has decided not to provide any new services or products to customers whose business is primarily related to coal-fuelled power or who intend to transition away from this sector but have not implemented any explicit diversification strategy. More specifically, the Group has announced that it will no longer provide new services or products to corporate customers:

- when coal-fuelled power represents more than 50% of their turnover;
- when coal-fuelled power represents between 30% and 50% of their turnover and they either have no strategy to reduce this proportion to 30% by 2025 or else intend to expand.

For more information, see:

https://www.societegenerale.com/sites/default/files/2018/coal-fuelled--power-sector-policy-oct2016.pdf

Oil and gas

In 2018, Societe Generale decided to end financing for the production of oil from oil sands around the world as well as for all types of oil production in the Arctic. The oil and gas sector falls within the scope of the methodological alignment work underway at the Bank.

Shipping

In 2019, Societe Generale contributed to the development of and signed the Poseidon Principles (see: *https://www.poseidonprinciples-.org/*). These principles provide a framework for integrating climate considerations into lending decisions in the sector to promote the decarbonisation of international shipping. The Poseidon Principles are consistent with the goal of the International Maritime Organization (IMO) to reduce greenhouse gas emissions from the shipping sector by at least 50% by 2050.

Societe Generale also announced that it had joined the Getting to Zero coalition, which aims to develop and deploy commercially-*via*ble deep-sea zero-emission vessels by 2030.

COMMITMENT TO PROMOTING ENERGY TRANSITION

In December 2017, Societe Generale committed to raising EUR 100 billion in financing earmarked for the energy transition between 2016 and 2020. By the end of 2019, the Group had already surpassed this target (having raised EUR 26.6 billion for the renewable energies sector and EUR 82.4 billion for green bonds – a 109% achievement rate), see: *Key figures: Climate and energy transition*, page 284.

Building on this initial commitment, it therefore set itself a new goal, committing to raise EUR 120 billion for the energy transition between 2019 and 2023. This total sum breaks down as follows:

- EUR 100 billion in sustainable bond issues led or co-led by Societe Generale. Sustainable bonds include both green bonds and sustainability bonds (as defined by the ICMA guidelines and the EU's Green Bond Standard), as well as all bonds indexed to climate targets;
- EUR 20 billion for renewable energies, in the form of consulting and financing.

The Bank is also placed second in IJ Global's league table of financial advisers for renewable energy project finance, with a total value equivalent to USD 6,000 billion. About 60 of the banks were studied by IJ Global as part of this ranking.

In the 2019 Dealogic rankings for the EMEA region, Societe Generale is No. 7 in renewable energy project financing, having acted as MLA* on 17 transactions representing a total value of USD 1.1 billion. Dealogic based its rankings on an analysis of 91 international banks.

Climate strategy and governance

Societe Generale's climate strategy, as validated by General Management in 2017 and approved by the Board of Directors, is integral to the Group's overall strategy. It is structured around three core themes:

- financing the transition towards a low-carbon economy and working with our customers on transforming their business models;
- managing the Group's climate impact (whether the direct impact of its proprietary activities or the indirect impact of the projects financed);
- managing the risks associated with climate change (physical and transition risks) by including them within the Group's financial risk management tools.

The Board of Directors approves the Group's strategic policy, oversees its implementation and reviews it at least once every year. In 2017, it was decided that General Management would regularly review the Bank's climate strategy and submit it to the Board of Directors, as part of the 2017-2020 CSR ambition.

General Management's strategic and operational supervision committees oversee proper implementation of the Group's climate strategy.

Appropriate CSR targets are then included in the road maps for the Business/Service Units, which are responsible for implementing the Group's CSR policy and aligning their respective activities. The CSR Department provides assistance and monitors policy implementation.

STRENGTHENED GOVERNANCE OF CLIMATE ISSUES IN 2019

The Group Risk Committee (CORISQ) first performed a specific review of climate risks in 2017. It now reviews the benchmark scenario used to assess the Group's credit risk together with all of its credit portfolios that are sensitive to climate-related risks at least once a year. In 2019, the CORISQ agreed to expand the scope of its vulnerability assessment to encompass climate transition risks, as detailed further below.

Climate issues were also discussed (whether in terms of the Group's direct or indirect environmental impact) at all meetings of the Responsible Commitments Committee (CORESP) in 2019 (see: *E&S risk management in the businesses to promote fair and responsible growth*, paragraph: *Strengthened governance and organisation,* page 280).

It should be noted, however, that responsibility for implementation of the climate strategy does not lie solely with the CORISQ and CORESP. The Group Strategy Committee, the Strategic Oversight Committees for each of the businesses, the Compensation Committee and the Compliance Committee, among others, also consider a range of CSR issues – including climate-related matters – within their respective remits.

FINANCIAL INCENTIVES FOR TOP MANAGEMENT TO MEET THEIR CSR TARGETS

Part of the variable remuneration awarded to Chief Executive Officers and the Management Committee's sixty or so members is linked to the Group's CSR performance. It is calculated on the basis of Societe Generale's positioning within the top quartile across a panel of extra-financial ratings (RobecoSam, Sustainalytics and MSCI), as well as achievement of Group targets in terms of energy transition financing. In its 2019 questionnaire, RobecoSAM applied a 15% weighting to climate-related matters.

Lastly, Societe Generale SA's employees in France benefit from profit-sharing schemes, encouraging them to take an active interest in the Group's long-term development. Of the total profit-sharing awarded under all schemes in 2019 in respect of financial year 2017, about 4% was linked to CSR targets, some of which were climate-related (for more information, see: *Performance and Compensation* thematic report available on *societegenerale.com*).

Managing climate risks

In terms of transition risks, physical risks and litigation and legal risks, Societe Generale has adopted the definitions given by the Task Force on Climate-related Financial Disclosures (TCFD). The Group does not view the risks associated with climate change as a new risk category but rather an aggravating factor for the categories already covered by the Bank's risk management system (credit risks, operational risks, market risks, etc.). Accordingly, the existing risk management governance framework and processes have simply been updated to include climate risk factors; work in such respect continues to ensure that the increasing relevance of such factors is properly taken into account.

Two of the three core themes of the Group's climate strategy directly relate to risk management: the implementation of policies to manage the social and environmental impact of the Group's activities (see: *E&S risk management in the businesses to promote fair and responsible growth*, page 277) and greater consideration of climate-change risks within Societe Generale's credit policy.

The climate vulnerability indicator and the impact of transition risks on customers' credit risk are detailed in Chapter 4.5.5 *Risk measurement and internal ratings*, paragraph: *Climate risk - Measuring sensitivity to transition risk*, page 199.

IDENTIFICATION OF PHYSICAL RISKS FOR THE INSURANCE BUSINESS

The Insurance activity's sensitivity to climate risks varies depending on the type of product. Life-insurance assets are mainly invested in bond securities, predominantly issued by States and sectors that are relatively sheltered from climate risks (*i.e.* European countries and the financial services sector). Similarly, the assets held *via* property investment solutions are mainly office properties and are located in France.

The climate risk in respect of non-life insurance (cover for storms, hail, snow and natural disasters under home insurance, professional property insurance and auto insurance) is monitored and managed through underwriting and reserving and reinsurance policies, which are reviewed annually and approved by the Board of Directors. Lastly, the Company's equity levels take into account the potential occurrence of a certain number of climate-related events. Climate risks are in particular taken into account as part of the annual Own Risk and Solvency Assessment (ORSA) conducted in accordance with the Solvency 2 Directive.

Key figures: Climate and energy transition

Energy transition financing**	Reference	Target	Actual
Renewable energies financing or advisory (2016-2020)	EUR 6.6bn (Dec. 2016)	EUR 15bn (2020)	EUR 26.6bn (Q4-19)
Green bond issues led or co-led (2016-2020)	EUR 6.1bn (Dec. 2016)	EUR 85bn (2020)	EUR 82.4bn (Q4-19)
Total commitments (2016-2020)		EUR 100bn (2020)	EUR 119.0bn 109 % (Q4-19)
Renewable energies financing or advisory (2019-2023)		EUR 20bn (2023)	EUR 5.2bn (Q4-19)
Sustainable bond** issues led or co-led (2019-2023)		EUR 100bn (2023)	EUR 36.1bn (Q4-19)
Total commitments (2019-2023)		EUR 120bn (2023)	EUR 41.3bn 34 % (Q4-19)

** EUR 100 billion between 2016 and 2020, of which EUR 85 billion for green bonds and EUR 15 billion for renewable energies. EUR 120 billion between 2019 and 2023, of which EUR 100 billion for sustainable bonds** and EUR 20 billion for renewable energie.*
*** Sustainable bonds include both green bonds and sustainability bonds (as defined by the ICMA guidelines and the EU's Green Bond Standard), as well as all bonds indexed to climate targets.*
NB: In that the Group met its initial target over a year in advance, it set itself a new target in the third quarter of 2019. The 2019 data are therefore included in the figures in respect of both the 2016-2020 target and the 2019-2023 target.

Reduction in exposure to coal	Reference	Target	Actual
Limiting the proportion of coal in the energy mix financed (2016-2020)	23% (2016)	19% (2020)	16.3% (mid-2019)
Reducing exposure to coal mining (2016-2020)	Loan outstandings (2016)	-14% (2020)	-31% (mid-2019)

5.2.4 A BANK COMMITTED TO SUSTAINABLE AND RESPONSIBLE FINANCE

The Bank's strategic plan, Transform to Grow, sets out a CSR ambition. In commercial terms, this ambition is reflected in the Group's drive to develop sustainable and positive impact finance and investments (Sustainable and Positive Impact Finance – SPIF* and Sustainable and Positive Investment–SPI*; see: *Glossary*, page 304 and *Methodology note*, page 291).

This commercial ambition focuses in particular on the following three CSR areas: Climate Change, Social Trends and Innovations and Contribution to Sustainable Development of Africa. The aim is to gradually guide all commercial action with customers (financing, consulting, structuring and third-party management) towards activities that generate a positive impact in terms of sustainable development for the economy and society. This approach is based on the same principles as the UN Sustainable Development Goals (SDGs).

For more information, see*: https://www.un.org/sustainabledevelopment/sustainable-development-goals/*.

Sustainable and responsible finance: some examples from 2019

SUSTAINABLE AND POSITIVE IMPACT FINANCING (SPIF)

- Total production in SPIF-compliant financing commitments signed in 2019: EUR 11 billion, of which EUR 6.5 billion in green financing and EUR 4.5 billion in social/societal financing (*vs.* EUR 11.9 billion in 2018). Production remains high after an exceptionally active year in 2018, which included two major transactions. (Note: in this set the amount of production of Positive Impact Financing according to the UNEP-FI methodology, see: 2.3 *Acting in favour of climate*, the paragraph: *Approach to aligning the Group's activities with objectives of the Paris Agreement*, 282, amounts to 4.7 billion euros at the end of 2019).
- Sustainable bond issues led by Societe Generale: EUR 36 billion (twice the figure for 2018).
- New credit lines indexed to environmental and social performance: EUR 3.6 billion (*vs.* EUR 1.4 billion in 2018).
- Nominal rate and/or exchange hedges processed on transactions certified Positive Impact Finance: 6.1 billion euros in 57 transactions.
- Nominal ESG indicator hedging transactions (Environment, Social, Governance): 1.5 billion euros.

The following key examples illustrate the diversity of the Bank's SPIF commitments (some are recorded directly as SPIF-compliant credit commitments whilst others involve SPIF-compliant structuring or arrangement):

- the Bank has frequently signed (arranged and/or syndicated) positive impact credit lines with variable margins based on environmental and social performance. Such terms allow the Bank to support its customers' positive initiatives in various fields across different regions worldwide: the Bank has, for example, granted credit lines to the Ghana Cocoa Board in Africa (USD 300 million), Polymetal (USD 76 million) and Rusal (USD 750 million) for metallurgy projects in Russia, as well as leading European office developer Gecina (EUR 200 million);
- Societe Generale was the first bank to issue a covered bond on the French market (EUR 1 billion 10-year bond issued in July 2019) guaranteed by home loans granted for low-carbon buildings;
- first green-linked foreign exchange and interest rate hedging transaction, negotiated with Italian electricity company ENEL: the price will vary according to whether or not ENEL is able to deliver on its target of taking its installed renewable electricity generation capacity to at least 55% of its total installed capacity (on a consolidated basis) by 31st December 2021;
- in the Czech Republic, Societe Generale and KB* joined forces to issue a EUR 750 million green bond for CPI Property, to fund its sustainable real-estate activities, in particular construction and energy efficiency projects.

SUSTAINABLE AND POSITIVE INVESTMENT (SPI)

- Total sales of SPI-compliant investment products in 2019: EUR 19.1 billion (*vs.* EUR 11.8 billion in 2018 – not including Insurance).
- Total SPI-compliant assets under management: EUR 29.5 billion (see: *Methodology note* for more information on the governance framework, which includes selection on the basis of ESG criteria, page 291).

Sustainable and Positive Investment is booming across all investor-focused activities. The following examples illustrate the Bank's commitments in terms of the products and services offered by the Global Markets, Lyxor Fund Management, Private Banking, Insurance, Custodian and individual savings activities:

Global Banking and Investor Solutions

GLOBAL MARKETS

- Positive impact notes*: EUR 200 million invested in 2019, bringing the total distributed to date to more than EUR 900 million. Societe Generale undertakes to provide financing for positive impact projects in an amount equal to the total assets under management represented by the notes subscribed.
- The Bank's activities in 2019 earned it *Best House ESG* in the Structured Retail Products Europe Awards 2020, based on its innovation and commitment to ESG criteria *(https://wholesale-.banking.societegenerale.com/en/about/news-press-room/news-details/news/structured-retail-products-europe-awards-2020/)*.

ASSET AND WEALTH MANAGEMENT

- Alongside the ESG criteria taken into account in Lyxor's* investment strategy, climate-related issues also form a key part of its sustainable investment policy, which covers more than 400 investment vehicles. Lyxor sets out its position on these issues in its climate policy, published in 2019.
- As a responsible investor, Lyxor stepped up its shareholder commitment in 2019 and remains an active member of the Climate Action 100+ initiative, pursuing dialogue with companies on the watchlist for high greenhouse gas emissions. The aim is to encourage these companies to take action on climate change (see: the Methodology Report: *https://www.lyxor.com/2018-annual--voting-report-liam*; the 2019 report will be published at the end of March).

- At the end of 2019, Lyxor was awarded the French government's SRI* label for two of ETFs* (representing approx. EUR 680 million in assets under management) and launched its Impact Investing* fund.
- As part of its climate policy, Lyxor has decided to place coal-fuelled power on an exclusion list, entailing divestments of almost EUR 350 million in 2019. It has also expanded the scope of the management constraints applicable to its Lyxor Green Bond (DR) UCITS ETF*, with a view to meeting the requirements of the Greenfin* label for energy and ecological transition. Lastly, Lyxor has decided to include ESG criteria in its management approach for high-quality liquid European sovereign debt assets, representing over EUR 10 billion in assets under management.
- At the end of 2019, SG29 Haussmann (the management company for Societe Generale's Private Banking customers) was awarded the French government's SRI* label for its flagship fund and leading European equity UCITS, SG29H Sélection Europe (approx. EUR 450 million in assets under management).

Societe Generale Insurance

- Societe Generale Insurance's investment policy includes a number of environmental, social and governance (ESG) criteria. These ESG criteria are officially taken into account alongside credit ratings and rankings when selecting securities and deciding whether or not to keep them in the portfolio. At the end of 2019, Societe Generale Insurance had assessed around EUR 87.7 billion of assets under management according to ESG and carbon criteria. In addition, by the end of the year, it had invested a total of EUR 1.5 billion (up almost 120% on end-2018) in environmental or energy transition projects, particularly *via* green bonds.
- Through its life-insurance savings solutions, Societe Generale Insurance offers its customers a range of sustainable financial products enabling them to invest in projects and companies that meet environmental and social needs. At the end of 2019, in accordance with the *PACTE* law, all of Societe Generale Insurance's French contracts offered at least one vehicle backed by a solidarity fund or an SRI* (Socially Responsible Investment) or Greenfin* (energy and ecological transition financing) certified fund. This equated to a range of 153 sustainable vehicles (*i.e.* certified vehicles or those offering similar characteristics), totalling EUR 864 million in assets under management (*vs.* EUR 353 million at end-2018, *i.e.* an increase of close to 145% over the year).

ADVISORY

As a complement to this progress in its credit and investment activities, the Bank is also developing its consulting work, with a view to encouraging its customers to consider positive impact operations:

- Societe Generale's equity research systematically includes an ESG analysis as well as the financial analysis (for more details: *https://www.societegenerale.com/en/newsroom/en-societe-generale--CIB-places-esg-at-heart-equityresearch*);
- the Group has assisted on many inaugural Sustainable Bond* issuances: Banca del Mezziogiorno Medio Credito Centrale S.p.a. (Social Bond – EUR 350 million 5-year bond); CPI Property (Green Bond – EUR 750 million 8-year bond); Generali (Tier 2 Green Bond – EUR 750 million 11-year bond); E-on (Green Bond – EUR 1.5 billion 5-year and 10-year bonds);
- Lumo, the Group's crowdfunding subsidiary, offers private individuals (around a third of whom are Private Banking customers) and companies the chance to use their savings for good, by crowdfunding renewable energy infrastructure projects throughout France.

Climate and energy transition

The Group's commitments towards energy transition are set out in the section entitled *Positive climate action: supporting a fair, environmental and inclusive transition*, page 282.

Sustainable cities

Our cities of the future will have to tackle a number of challenges: optimisation of development and infrastructure projects, including smart city digital innovation, and adoption of an inclusive and coherent approach towards environmental and social issues. Following on from its actions in 2018, the Group has continued to support the development of cities offering the best possible services for the common good.

The Group's actions in 2019 included:

- A major 50/50 joint-venture development project between Sogeprom and Brownfields in Poissy (near Paris), involving an industrial site of approx. 29,000 square metres within a 10-hectare eco-district. Sogeprom brings its expertise in property development whilst Brownfields is in charge of site decontamination for a fixed cost.
- Societe Generale is a founding partner of the Netexplo Smart Cities Accelerator international training programme, developed with the support of UNESCO and the French Ministry of Ecological and Inclusive Transition. Eight Business Units are involved in the programme, which aims to offer valuable analysis of the challenges faced in developing inclusive, connected and environmentally-friendly cities.
- The Greater Paris project and the public economy: Societe Generale has earmarked EUR 2.5 billion for the period to the end of 2020 to support the Greater Paris project. For example, the Group has granted a 20-year loan of EUR 22 million for a deep geothermal energy project near Paris, which will provide local, clean and sustainable energy.
- LaVilleE+® embodies Societe Generale's CSR ambition of using its businesses and expertise, in partnership with its stakeholders, to help plan for and build smart, sustainable and inclusive cities. This wholly-owned subsidiary strives to work with major public and private contracting authorities worldwide on designing urban areas aligned with the concepts of sustainable development, the circular economy and sustainability. By 2022, it hopes to have over 30 projects under its belt, representing 3 million square metres developed and mobility improvements for 30 million people (for more information, see: *https://www.societegenerale.com/fr-/newsroom/societe-generale-lance-la-villeeplus*, available only in French).
- When making property investments, Societe Generale Insurance looks for highly energy-efficient buildings and the most respected certifications (for construction, renovation and operating efficiency). The Group's environmentally-certified property assets were valued at a total of EUR 2.8 billion at the end of 2019.
- Societe Generale led the first euro-denominated State-backed green bond issue (amounting to EUR 861 million, maturing in 2031), designed to fund investment in transport infrastructure and public facilities in Santiago du Chili with a view to relieving city-centre traffic congestion and improving quality-of-life for the city's residents.

Mobility

ALD Automotive – the Group's vehicle leasing and fleet management subsidiary – aims to foster the conditions for sustainable mobility. It does so by adding ever more hybrid and electric vehicles to its fleets (over 150,000 at end-2019 *vs.* 102,000 at end-2018).

ALD Automotive's innovative practices also extend to open-source and digital developments, as part of the Mobility as a Service* (MaaS) movement. Examples include: a corporate carsharing solution available in several European countries (representing more than 2,400 contracts), partnerships with various carpooling operators (Blablacar in France, GoMore in Denmark and Spain, Drivy/Getaround in France and Spain), or the launch in the Netherlands of ALD's Move application (a multimodal mobility assistant designed together with Microsoft).

Lastly, ALD Automotive confirmed two major new partnerships in 2019. The first is with E.ON and focuses on joint development and sales of mobility, financing and energy services to businesses, individuals and local authorities throughout Europe. The second, involving a EUR 250 million credit line to accelerate the transition to eco-friendly vehicles, is with the European Investment Bank.

Supporting business and entrepreneurs

As a local bank present in the regions, a trusted provider for payment services, investment and financing, an intermediary that helps create and protect jobs, and a partner in design and innovation, the Group is committed to working alongside artisans, entrepreneurs and businesses of all sizes in the regions, throughout their professional lives and business cycles.

Societe Generale is a key player in the French business and entrepreneurial world (for independent professionals, start-ups, SMEs and VSBs), focused on developing local relationships. It therefore continues to strengthen its networks throughout the country, in particular with its new Regional Business Centres for corporate customers.

In Russia, Rosbank* offers training for entrepreneurs within the social sector, to help them in developing services for or recruiting people with disabilities. Twelve entrepreneurs from across Russia benefited from this pioneering programme in 2019.

Societe Generale confirms its commitment to Africa and its policy of working alongside companies on the continent (see: *Continued commitment to sustainable development in Africa*, page 288).

The Group continued to support company creation in 2019, with a particular focus on start-ups:

- Societe Generale established relations with 35,300 companies in France, of which 22,500 had been created within the past year. In total, the Group now works with some 57,000 companies created within the past three years and also assists entrepreneurs in setting up and developing their business activities;
- the Group is a partner to 94 local branches of the nationwide non-profit organisation Initiative France. These 94 branches have been behind the creation or takeover of a total of 8,783 companies, thus creating or saving 23,213 direct jobs. In addition to Initiative France's own interest-free loans, the Group granted 453 loans to entrepreneurs supported by the association in 2018 (27.6% more than in 2017), amounting to a total of EUR 54 million (figures published by Initiative France in its Annual Report in 2019);
- in partnership with France Active Garantie, the leading solidarity finance provider, the Group has been working to help VSBs and solidarity-based companies secure bank loans. As part of this partnership, Societe Generale funded projects to the tune of EUR 2.6 million in 2018 (*vs.* EUR 2.4 million in 2017)[1].

Inclusive banking (and the Social and Solidarity Economy)

The Group supports innovative solutions designed to promote sustainable economic development incorporating environmental and social performance, using a variety of set-ups (companies, cooperatives, non-profit associations, private individuals) and targets in terms of social cohesion, solidarity and financial inclusion.

INCLUSION

In accordance with Article L. 312-1 of the French Monetary and Financial Code (on the right to hold a bank account), the Bank provides a free package of basic banking services. Students benefit from favourable terms for loans to pay for tuition, housing and transport. In 2019, Societe Generale renewed its partnership with Bpifrance, offering loans to students that do not have anyone to stand surety.

The Group also renewed its commitment to the AERAS Agreement in July 2019. This agreement aims to help people presenting or having presented a serious health risk to secure insurance and loans, and introduces the right not to disclose a pre-existing illnesse under certain conditions.

In accordance with Article R. 312-4-3 of the French Monetary and Financial Code, introduced pursuant to Article L. 312-1-3, para. 2, of the same code, the French Retail Banking business has developed a system enabling it to identify financially fragile customers. Such customers can sign up to Généris, a banking services package designed to help them manage their finances, for just EUR 3 a month. 59,075 Societe Generale customers had signed up for the Généris package at the end of 2019 (up 5% on end-2018).

FINANCING THE NON-PROFIT SECTOR IN FRANCE

Societe Generale has developed close relationships with this sector, thanks to its network of non-profit specialists across the country. The Bank offers its expertise to some 110,000 non-profit customers (representing an 8% market share overall, and as much as 20% in the major non-profit segment) to help them achieve their day-to-day management goals. Societe Generale also made donations totalling close to EUR 1.8 million in 2019 (+5.8% *vs.* 2018) to 49 partner non-profits thanks to its customers' uptake of the Finansol* solidarity savings services and charity bank cards (*i.e.* the *Collection*, *Affaires environnement* and *Business Entrepreneurs* cards).

MICROFINANCE IN FRANCE

The Group has worked in partnership with ADIE (a non-profit promoting the right to economic initiative) since 2006 to support microfinance throughout both metropolitan and overseas France. In 2019, this partnership resulted in the provision of EUR 14 million in credit lines and EUR 167,000 in sponsorship aid. Overseas loan outstandings with ADIE stood at EUR 3.4 million.

PHYSICAL ACCESSIBILITY (PEOPLE WITH DISABILITIES, SENIORS)

The Group strives to ensure that its services are accessible to customers with disabilities, adapting premises where necessary and making its applications more user-friendly:

- access to Societe Generale and Crédit du Nord automated teller machines (ATMs);
- digital access to the Societe Generale mobile application;

(1) *Figures published in July each year.*

- bank statements in Braille (sent out to 858 people in 2019);
- outfitting: 94% of Crédit du Nord branches and 90% of Societe Generale branches were wheelchair accessible by the end of 2019.

In the Czech Republic, 233 KB* branches and virtually all ATMs are now wheelchair accessible, customers with visual impairments can use Google TalkBack or iOS Voiceover with the mobile application, and 207 branches now offer a transcription service so that customers with hearing impairments can communicate more easily with their account managers.

CLARITY OF INFORMATION

To improve the readability of contracts, efforts are being made to use plain, clear language in respect of all banking offers. For example, the contractual documentation regarding the cash management services offered to companies in France and abroad have been harmonised to make the legal commitment simpler and clearer.

EDUCATIONAL ACTIONS, SUPPORTING FINANCIAL EDUCATION

In the interests of transparency and information, the Group has developed a range of financial education programmes, offering advice and discussion points designed to optimise the learning process (more specifically within the French Networks, Private Banking and the Citizen Commitment programme – see: the Group's corporate website).

5.2.5 CONTINUED COMMITMENT TO SUSTAINABLE DEVELOPMENT IN AFRICA

The Group's long-standing commitment to Africa, which it has stepped up through its Grow With Africa initiative, earned it the title of *Africa's best bank for corporate social responsibility 2019* at the Euromoney awards in July 2019.

Commitments and goals

Operating in 19 countries across North and Sub-Saharan Africa, Societe Generale's positioning on the continent is unique: it offers its customers the expertise and know-how of an international bank, coupled with a local network. The Group has been present in certain African nations for over 100 years; it supports local economies and serves 4.1 million customers (vs. 3.8 million customers in 2018, an increase of 8%).

The Bank sees development as one of the biggest collective challenges facing Africa, and actively contributes towards this goal, using its expertise and culture of innovation, experimentation and federation to boost positive transformation on the continent.

In November 2018, Societe Generale confirmed that it would continue to expand its business on the African continent, in line with its strategic plan, Transform to Grow, and launched its new Grow With Africa initiative. This initiative aims to make the Bank a driving force for sustainable, low-carbon and inclusive development in Africa, working alongside international and local players from both the private and public sectors. It identifies four main areas of development: multi-dimensional support for African SMEs, infrastructure financing, innovative financing solutions (in particular for the agricultural and energy sectors) and financial inclusion.

Through these four areas of development, the Bank aims to make a positive impact on the continent, as well as progress towards the UN Sustainable Development Goals (see: *Contributing to the Sustainable Development Goals*, page 275).

MULTI-DIMENSIONAL SUPPORT FOR AFRICAN SMES

SMEs are at the heart of the economy's development and are key to creating the 400 million jobs Africa needs[1] to absorb its growing workforce over the next 20 years. The Grow With Africa initiative sets a target of 60% growth in the Group's loan outstandings to African SMEs by 2022, accompanied by the roll-out of *SME Centres (Maisons de la PME)* across its retail banking network on the continent.

Bringing together Societe Generale and a number of local and international partners, the very first SME Centre opened in Dakar in November 2018, offering African SMEs and entrepreneurs advice, expertise, skills and assistance on matters of governance, development and financing, regardless of whether or not they were customers of the Bank. It also hosts networking events, training sessions and Coaching Days for project leaders.

In the wake of the Dakar centre, 2019 saw the opening of five more SME Centres in Sub-Saharan Africa (Ouagadougou in January, followed by Accra in March, then Abidjan and Douala in July and Conakry in December).

Examples of the Bank's support for African SMEs:

Societe Generale Burkina Faso took out a EUR 25 million loan with AFD-Proparco to strengthen its equity and increase its capacity to finance the national economy, especially SMEs.

In addition to the SME Centres, Societe Generale's partnership with AFD-Proparco has also resulted in it signing up to the Ariz guarantee mechanism, which allows it to more readily grant loans to SMEs.

Societe Generale Maroc participates actively in a number of multi-dimensional support programmes for local SMEs, in particular the *Business Open Days* (*Journées Rencontres Entreprises*) held in Fez, Meknes and Marrakesh in June 2019 and Casablanca in July.

In Tunisia, UIB organised its second *SME Days by UIB* roadshow, bringing entrepreneurs a wealth of information. This initiative is sponsored by Proparco, which provides the Bank's partners with technical assistance and financing.

The European Bank for Reconstruction and Development (EBRD) has granted Societe Generale Maroc a EUR 20 million loan to allow it to provide finance to SMEs investing in renewable energy and resource efficiency projects. Societe Generale Maroc was the first partner bank for the EBRD's new credit facility.

Loan outstandings to SMEs/VSBs at the end of 2019 were 12% up on end-2018, in line with the Group's growth target.

(1) *Source: IMF study entitled "Sub-Saharan Africa: capital flows and the future of work" presented to the press on 8th November 2018. A number of articles in the French press picked on this study, including: https://www.lemonde.fr/afrique/article/2018/11/09/selon-le-fmi-l-afrique-doit-creer-deux-fois-plus-d-emplois-pour-absorber-la-hausse-demographique_5381073_3212.html and https://www.jeuneafrique.com/emploi-formation/661351/lafrique-doit-creer-20-millions-demplois-par-an-pendant-20-ans-selon-le-fmi/.*

INFRASTRUCTURE FINANCING

Infrastructure financing is a key factor in Africa's development, in particular in the areas of energy, transport, telecommunications, water and waste management, healthcare, education and sustainable cities. Societe Generale has a long-standing and deeply rooted commitment to infrastructure financing in Africa.

As part of its Grow With Africa initiative, the Bank aims to increase its contribution towards financing for development projects, targeting 20% growth in its structured financing outstandings between 2018 and 2021. The Group's structured financing teams based in Africa increased their financing for infrastructure projects by 15% over 2019. These excellent results reflect recruitments to the Structured Financing platform in Abidjan as well as the continent's significant needs and opportunities in terms of infrastructure. Staff numbers at the Sub-Saharan Africa platform rose from eight at the end of 2018 to 14 by the end of 2019 (12 employees based in Abidjan, one in Douala and one in Accra). This recruitment campaign will continue throughout 2020: the budget allocation is for 18 FTEs* by the end of the year.

Examples of projects financed in 2019

In Côte d'Ivoire, Societe Generale arranged the financing for construction of one of West Africa's largest drinking water treatment plants. The financing amounted to EUR 253 million in total, split between PFO Africa (a local public works company partnering with Veolia Africa) and the Republic of Côte d'Ivoire. This project forms part of Côte d'Ivoire's *Water for All* (*Eau pour tous*) programme; once operational, the plant will supply 240 million litres of drinking water a day. In June 2019, Societe Generale's contribution to this project earned it the TFX prize for Best Sustainable ECA-backed Deal of the Year (see: *https://www.txfnews.com/News/Article/6775/Perfect--10-winners-2018-Export-finance).*

In Burkina Faso, Societe Generale arranged financing of EUR 275 million for the construction and surfacing of a ring road for Ouagadougou.

In Ghana, the Bank granted financing of USD 75 million for a 194 MW combined cycle gas turbine power plant, along with the associated transmission infrastructure and storage facilities and connection to the grid.

INNOVATIVE FINANCING SOLUTIONS TO DEVELOP THE AGRICULTURAL SECTOR AND ACCESS TO ELECTRICITY

Agriculture accounts for a large proportion of Africa's wealth and also represents the main source of employment on the continent. Many African and international agricultural businesses have chosen Societe Generale as their banking partner, and the Group is now looking to extend its commitment to all of the sector's stakeholders (farmers, cooperatives, agribusiness SMEs, industrial agricultural operators and exporters). To this end, it works with partners offering in-depth knowledge of the specificities of the local markets, with a view to improving its understanding and promotion of the sector, its value chains and production, and better meeting its financing needs.

The Bank also wishes to further its contribution as regards financing for access to electricity, by promoting renewable energy sources in areas without widespread connections to existing electrical grids. The Group has decided to trial potential solutions for off-grid areas (*i.e.* those lacking the support of remote infrastructure). It is focusing on five potential lines of action: financing electricity producers, financing equipment distributors either directly or *via* a fund, facilitating the acquisition of equipment through microfinance schemes and offering pay-as-you-go solutions through YUP. The Group's work in this field primarily involves pilot projects conducted in partnership with industrial operators.

Supporting the agricultural sector

The US agri-food giant Cargill used the YUP platform to simplify the organisation of its 2019 cocoa campaign and sourcing of the key ingredient (i.e. cocoa beans) from around ten different agricultural cooperatives in Côte d'Ivoire, representing several thousand planters and farmers. The way in which Cargill optimised its processes using YUP can easily be transferred to other agribusinesses or agricultural sectors, such as cotton in Burkina Faso, cocoa in Ghana or peanuts in Senegal.

In March 2019, the Agence Côte d'Ivoire PME (CI PME) and Societe Generale's Inno Lab in Dakar officially joined forces on the RUFIN (Rural Finance) project. The main goal of this project is to work with start-ups specialising in fintech to help them develop innovative technological solutions addressing the challenges of financial flows and financial inclusion in rural areas, considering issues such as accessibility, security and financial education.

Innovative energy financing

At the end of December 2019, Societe Generale finalised and signed an EUR 18 million credit facility, fully financed by Societe Generale Côte d'Ivoire, for NEoT (Meridium, EDF and Mitsubishi) as part of the ZECI project. ZECI is a 50/50 joint-venture between EDF International and Off-Grid Electric that sells ZOLA solar home systems to off-grid households in Côte d'Ivoire, enabling them to generate their own electricity. Societe Generale acted as co-arranger and agent. NEoT also signed up to YUP Côte d'Ivoire, so that its customers can pay for the kits using the YUP mobile payment solutions.

This project addresses two of the goals of the Grow With Africa initiative: developing innovative solutions to offer access to solar power and, through YUP, promoting financial inclusion for rural populations.

FOSTERING THE DEVELOPMENT OF LOCAL POPULATIONS THROUGH FINANCIAL INCLUSION

Many people in Africa still don't have a bank account: in the Sub-Saharan African countries in which Societe Generale operates, bank account penetration rates are below 25%[1]. Societe Generale intends to use its YUP platform to build on its previous work in the fields of financial inclusion and alternative banking models.

Working with Microfinance Institutions

The Group has actively supported microfinance initiatives in Africa for many years through debt and equity services. Under its Grow With Africa programme, it has undertaken to strengthen its efforts in this area, doubling its outstandings for Microfinance Institutions (MFIs) by 2022.

Alongside the refinancing deals most frequently agreed with MFIs, the Group has also acquired equity holdings in a number of MFIs in Madagascar, Cameroon, Ghana, Côte d'Ivoire and Burkina Faso.

At the end of 2019, the Group's African subsidiaries had 19 MFI customers and traditional credit commitments were up by 25%, totalling EUR 75.2 million (*vs.* EUR 60 million in 2018).

(1) Source: World Bank report and data – Global Findex database: https://globalfindex.worldbank.org/ and https://globalfindex.worldbank.org/#data_sec_focus.

Developing alternative banking models

The Group continued to pursue its strategy of innovation in 2019, with the expansion of YUP, its electronic wallet solution launched in Africa in August 2017. Through this mobile application, Societe Generale offers its customers a range of financial and non-financial services, which it adapts in response to changing needs.

By the end of 2019, YUP had attracted over 1.4 million corporate and individual customers, spanning six different countries (Senegal, Côte d'Ivoire, Burkina Faso, Cameroon, Ghana and Guinea-Conakry). A network of over 14,000 agents offers local distribution of YUP products and services. YUP's results for end-2019 have already exceeded the targets that were set for 2020 (namely 1 million customers and 8,000 agents).

OMBONA AND SOCIETE GENERALE MADAGASIKARA

The Ombona service, officially launched on 10th May 2019 in Ilaka Est – Vatomandry (Madagascar), offers an innovative model for financial inclusion devised by CARE France and Societe Generale. Discussions between the two partners began back in 2017 and the service is now being trialled with a number of traditional village savings and loan associations (known as VOAMAMIs), with the direct involvement of CARE International Madagascar, Societe Generale Madagasikara and TELMA. The aim is for the village associations to be able to transfer the funds collected through their micro-saving schemes to a secure bank account. The programme also involves financial education campaigns, lobbying with local authorities for a legal status for VOAMAMIs, and assisting VOAMAMIs in developing income streams.

SOPAY AT SOCIETE GENERALE MAROC

Societe Generale Maroc has launched SoPay, an electronic wallet designed primarily for cash-reliant mass-market customers with limited or no access to banking services, offering them a digital solution for their everyday payments.

5.3 METHODOLOGY NOTE

This note presents the corporate social responsibility (CSR) reporting methodology used by Societe Generale. This methodology is also explained in detail in the Group's reporting protocols, available on request.

Reporting protocols

All information included in the Universal Registration Document (URD), the CSR section of the Group's website *(www.societegenerale.com)*, other Societe Generale communications and the Group's Integrated Report in respect of financial year 2019 and previous years has been prepared on the basis of contributions from the Group's internal network of CSR officers and in accordance with the CSR reporting protocols and CSR initiatives programme. The data were provided by the Planethic Reporting tool, used to standardise collection of information on management and monitoring indicators. All reporting is coordinated by the Group CSR Department, which reports to the Group Corporate Secretary.

We regularly organise programmes to bring contributors and managers on board and familiarise them with the reporting process and the tool, with a view to improving data reliability. The reporting protocols are updated on a regular basis. A new protocol was drawn up in 2019 and includes indicators designed to offer a more precise assessment of the non-financial risk factors identified as being the most material to Societe Generale. The Group's business indicators were updated in 2019 and now include SPIF (Sustainable and Positive Impact Finance) and SPI (Sustainable and Positive Investment) indicators, to ensure the Group's commitments are reflected in all activities and to communicate on initiatives as transparently as possible.

Data collection

We used the following data collection methods for the scope of this reporting:

- for social, environmental, procurement, business and corporate sponsorship data, the bulk of the quantitative indicators are collected by each Group entity using the Planethic Reporting tool. Data collectors enter their subsidiary's data, which are approved by validators who perform post-input checks, then by administrators who check and validate the data at core business level and lastly by central administrators (CSR Department) at Group level, who carry out the final checks prior to consolidation;
- the Group CSR Department collects other data directly from the CSR officers for each core business or from the relevant division (Sourcing Division, Risk Division, Human Resources Department).

Reporting periods

SOCIAL, PROCUREMENT, SPONSORSHIP AND BUSINESS DATA

Quantitative indicators are calculated for the period running from 1st January 2019 to 31st December 2019 (12 months), with data taken as at 31st December 2019.

ENVIRONMENTAL DATA

Quantitative indicators are calculated for the period running from 1st October 2018 to 30th September 2019 (12 months), with data taken as at 30th September 2019.

CSR consolidation scope

The entities included in the reporting scope satisfy at least one of the following criteria:

1. entity in which the parent company, Societe Generale SA (SGSA), directly or indirectly holds a controlling interest of over 50%. By definition, all branches are wholly-owned, since there are no shareholders;
2. entities in which SGSA holds a controlling interest of at least 20% and less than 50%, and over which SGPM has significant influence as regards management and financial policy; in particular, entities whose management has been appointed by Societe Generale and that are regularly monitored by the Group's core businesses.

The CSR consolidation scope includes 153 companies within the Group's financial consolidation scope as at 31st December 2019.

Indicators

An information campaign aimed at all contributors is rolled out at the start of the data collection period, providing the data collection schedule, a Group guideline and a protocol for each category of indicators. The protocols serve as a reminder of indicator definitions and application criteria.

The 2019 indicators were selected with a view to satisfying the legal and regulatory requirement for the Group to present a consolidated declaration of non-financial performance (Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code), as well as in light of the Group's CSR strategy and the decision to align as closely as possible with the GRI G4 *core* option.

For the most part, these indicators cover a global scope. When not global, the scope is specified in parentheses or in this methodology note.

Scope and rules for calculating employment-related indicators

The workforce taken into account for all employment-related indicators (unless explicitly stated otherwise) corresponds to the total number of employees on either permanent or fixed-term contracts (including work-study contracts), regardless of whether they are present or on leave.

The frequency rate of occupational accidents is the ratio of the number of workplace accidents (as defined by local regulations) to the total number of hours worked (workforce present on either permanent or fixed-term contracts multiplied by the number of annual working hours in the entity) multiplied by 1,000,000.

The absenteeism rate is the ratio of the number of paid days' leave to the total number of days paid, expressed as a percentage. It is counted in calendar days and on the basis of the total headcount (workforce present as at 31st December multiplied by 365).

Scope and main management rules for proprietary environmental indicators

The scope corresponds to the CSR consolidation scope as defined above. Coverage of the total data collection scope corresponds to the ratio of the headcount of all entities that participated in the data collection campaign to the total Societe Generale headcount. Data were collected on 138,240 employees. Societe Generale therefore estimates the coverage – *i.e.* where at least the data on occupants and surface area were provided – to be approximately 99% of the workforce.

Restatement of historical data

In the interests of transparency and comparability of data, the emissions for the reference years and for 2015-2019 are given in the table of quantitative data published on the Group's corporate website.

The data published for previous years do not correspond to the retired data of perimeter effects.

Environmental data: general rules

Environmental data are calculated on the basis of invoices, direct readings, information received from suppliers and estimates. We manage the reported data by means of the following checks and ratios:

- any variations in environmental indicators compared to the previous year are flagged and contributors receive alerts asking them to check the data recorded if the variation exceeds 30%;
- data collected on energy, office paper and transport are expressed in relation to the number of occupants declared by the entity;
- energy consumption (electricity, steam, chilled water, oil, gas) is also expressed in relation to the surface area (per m^2);
- with a view to continually improving data reliability, qualitative questions (requiring answers in the form of written comments) are used to identify the various scopes of data and best practices, and to understand variations from year to year;
- with the exception of the Societe Generale France network, most subsidiaries consolidate their data in the Group's reporting tool. The CSR Department centralises the reporting of transport and paper consumption data for France based on data from the Sourcing Division.

The number of occupants covered corresponds to the average number of Societe Generale employees or subcontractors working on-site during the reporting period, as at 30th September 2019.

Coverage of the data collection scope for each indicator corresponds to the ratio of the headcount of all entities that provided data for the indicator in question to the total Societe Generale headcount.

Calculation of greenhouse gas emissions

Calculation of the Group's greenhouse gas (GHG) emissions breaks down into three categories:

- Scope 1 covers direct emissions related to energy consumption and fugitive emissions of fluorinated gases;
- Scope 2 covers indirect emissions related to energy consumption (external electricity, steam and chilled water);
- Scope 3 covers GHG emissions from all office paper consumption, business travel, transport of goods, energy consumption of data centres hosted in France and waste since 2017.

CO_2 emissions are calculated according to the GHG Protocol.

Main management rules for SPIF & SPI indicators

The Group's strategic plan, Transform to Grow, includes a CSR ambition, which, in commercial terms, is reflected in the aim to develop:

- Sustainable and Positive Impact Finance (SPIF) to monitor credit and/or leasing activities and/or to help customers develop their positive impact activities;
- Sustainable and Positive Investment (SPI) for wealth and asset management activities, including the structuring of products aimed at both institutional and individual investors.

SCOPE

Reporting of the SPIF and SPI indicators began in 2018 and expanded in 2019 with the aim of gradually including as many trades and geographies as possible in the Group. The following methodology choices ensure consistency and reliability when filtering results:

- annual production in loan volumes recorded in the Group's balance sheet or off-balance sheet, i.e. the SPIF indicator is based on the proportion borne by Societe Generale upon closing;
- annual production in investment products sold to customers (NB: figures for the assets that Lyxor and Sogécap manage mostly in accordance with SPI criteria are also given for information);
- advisory activities, client services and/or hedging rates or exchange rates on SPIF and/or structured transactions with ESG indicators, designed to promote a sustainable and inclusive transition within the Societe Generale ecosystem, are detailed separately from SPIF/SPI volumes (e.g. bond issuance mandates, custodian services, nominal hedging operations, etc.).

SUSTAINABLE AND POSITIVE IMPACT FINANCE (SPIF)

Analysis framework

The SPIF framework is based on the UN's Sustainable Development Goals *(https://www.un.org/sustainabledevelopment/ sustainable-development-goals/)*, but is not limited by measures of specific impacts for each SDG.

We filter by three types of criteria to ensure stringent selection of SPIF-type activities:

1. compliance with the three pillars of sustainable development (economic, environmental and social):
   - financing of a dedicated project, established in all Social and/or Green guidelines, or Financing of counterparties whose main activity (more than 50%) falls within the framework of the *green transition and/or management of the common good* approaches. Contributions to the challenges of the 17 sustainable development goals (SDGs) are reviewed specifying the underlying goal, to inform and provide the framework for initiatives that have the potential to create a positive impact for the good of all. In 2019, SPIF covered all but two of the sustainable development goals (see: *https://www.societegenerale.com/en/measuring-our-performance/information-and-publications/corporate-social-responsibility*),
   - an E&S risk approach, based on the Group's commitment in its *Duty of Care Plan* (see: page 297), which complies with the mapping of the environmental, social and human rights risks. We conduct this internal review to avoid listing finance with major negative externalities in SPIF-labelled commitments and to adhere to the basic *do no significantly harm* philosophy: under SPIF/SPI policy, the Bank cannot promote a green activity that is in material breach of what constitutes a socially responsible approach, and vice versa. Also, performance relative to one major pillar should not lead to a clearly negative or deliberately passive approach to the other pillars,
   - a financial analysis that takes into account the sustainability of the counterparty's operations by monitoring the internal rules of engagement;
2. external guidelines: work on the green taxonomy by the European Commission's technical expert group (HLEG) will gradually expand the field of our analyses, as well as the frameworks defined by the European Investment Bank (EIB) and UNEP-FI. Note: as a co-founding partner of the Positive Impact Finance Initiative coordinated by the UNEP-FI, Societe Generale developed an analysis of this methodology, which is used for dedicated transactions in the global banking segment (Global Banking and Investor Solutions).

What is excluded

The guidelines on social commitments and contributions to the common good are not exhaustive. On health, for example, the guidelines we use are limited to financing of hospitals/care facilities, retirement homes and medical equipment (mainly radiology and imaging). Similarly, the Bank's commitment to job creation is only with reference to programmes co-financed with multilateral partners or those coordinated with a very specific monitoring framework in terms of their positive impact (see: the *Grow With Africa* plan, for example).

Given the lack of precise indicators, the circular economy was not included in 2019. As a concept, SPIF is far more restrictive than that of financing the real economy.

SUSTAINABLE AND POSITIVE INVESTMENT (SPI):

Analysis framework

Products that meet the criteria of the following six typologies are considered to be SPI-compliant:

1. inclusion of a precise ESG (Environmental, Social and Governance) analysis with selection clearly tilting the investment towards green transition or a contribution to the common good as a key priority (SDG framework);
2. structured products put together with an ESG selection (positive impact and/or exclusion) that filters out at least 20% of the eligible investment universe;
3. impact investments: impact targets are detailed in the operation prospectus in the spirit of SDGs;
4. investment solutions for which Societe Generale commits to hold on its balance sheet an equivalent amount of Positive Impact Finance assets or loans to highly rated counterparties according to ESG research criteria (see structured notes or treasury investment products for corporates);
5. products with a *solidarity* or *sharing* component, which entail a criterion of minimum donation or return sharing or risk taking on the amount invested > 20%;
6. volumes invested based on advice on selection of external funds considered to be *Sustainable* (at Lyxor).

NB.: These guidelines were developed by the Asset Management (Lyxor), Private Banking and Markets teams and, for the first time this year, with Societe Generale Insurance. They have been prepared with reference to existing market guidelines.

Commitments made in categories 1, 2, 3, and 4 are considered to be *Sustainable Investments*.

The consulting and ESG reporting services put together by the Societe Generale Securities Services teams, or the volumes concerned by Lyxor's shareholder commitment are mentioned but not included in SPI production.

5.4 INDEPENDENT VERIFIER'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PRESENTED IN THE MANAGEMENT REPORT

For the year ended 31st December 2019

INDEPENDENT THIRD PARTY'S REPORT ON CONSOLIDATED NON-FINANCIAL STATEMENT

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our quality as an independent verifier, accredited by the COFRAC under number n° 3-1050 (scope of accreditation available on the website *www.cofrac.fr*), and as a member of the network of one of the statutory auditors of your company (hereafter "entity"), we present our report on the consolidated non-financial statement established for the year ended 31st December 2019 (hereafter referred to as the "Statement"), presented in the management report pursuant to the provisions of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

It is the responsibility of the Board of Directors to prepare the Statement in compliance with the legal and regulatory provisions including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied regarding these risks as well as the results of these policies, including key performance indicators.

The Statement has been prepared in accordance with the procedures of the entity (hereafter referred to as the "Criteria"), the significant elements of which are presented in the Statement.

Independence and quality control

Our independence is defined by the provisions of the article L. 822-11-3 of the French Commercial code (Code de commerce) and by the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work, to express a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to paragraph 3 of I and II of article R. 225 105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and the actions related to the main risks (hereinafter the "Information").

Nonetheless, it is not our responsibility to express any form of conclusion on the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax avoidance legislation, nor on the compliance of products and services with applicable regulations.

Nature and scope of the work

Our work described below has been carried out in accordance with the provisions of articles A. 225 1 et seq. of the French Commercial Code as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000[(1)]:

- we obtained an understanding of all the consolidated entities' activities and the description of the main risks;
- we assessed the suitability of the Criteria with respect to their relevance, comprehensiveness, reliability, neutrality and understandability by taking into consideration, if relevant, the best practices of the industry;
- we verified that the Statement includes each category of information provided in article L. 225-102-1 III regarding social and environmental matters, as well as respect of human rights and the fight against corruption and tax evasion;
- we verified that the Statement provides the information required under article R. 225-105 II where relevant to the main risks and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2;
- we verified that the Statement presents the business model and a description of the main risks related to the activity of all the entities included in the scope of consolidation; including, if relevant and proportionate, the risks created through its business relationships, products or services, policies, actions and results, of which the key performance indicators associated with the main risks are part;
- we referred to documentary sources and conducted interviews to:
  - assess the process undertaken to identify and validate the main risks as well as the consistency of the outcomes, including the key performance indicators selected, in accordance with the main risks and the policies presented, and

(1) *ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information*

- corroborate the qualitative information (actions and results) that we considered to be the most important (presented in the annex). For certain risks (the fight against corruption, tax evasion, and cybercrime as wall as the protection of personal data), our work was carried out on the consolidation entity. For the other risks, our work was carried out on the consolidating entity and on a selection of entities: Crédit du Nord and entity in charge of key corporate clients within the French network for French Retail Banking, Komerčni Banka and SG Marocaine de Banques for International Retail Banking, ALD Automotive for Financial Services and the activities based in Central Europe, Eastern Europe, Middle-East and Africa for Global Banking and Investor Solutions;

- we verified that the Statement covers the consolidated scope, i.e. all the entities included in the scope of consolidation in accordance with article L. 233-16, within the limitations set out in the Statement;
- we obtained an understanding of the internal control and risk management procedures implemented by the entity and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important (presented in the annex), we implemented:
  - analytical procedures to verify the correct consolidation of the collected data as well as the consistency of their evolutions,
  - detailed tests based on samples, consisting of checking the correct application of the definitions and procedures and reconciling the data with supporting documents. This work was carried out with a selection of contributing entities and cover between 11% and 100% of consolidated data selected for these tests,
- we assessed the overall consistency of the Statement based on our knowledge of the entities included in consolidated scope.

We believe that the work we have carried out by exercising our professional judgment allows us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work.

Means and resources

Our verification work mobilised the skills of nine people and took place between November 2019 and February 2020 on a total duration of intervention of sixteen weeks.

We conducted about fifty interviews with the persons responsible for the preparation of the Statement, in charge of either the risk analysis, the definition and the implementation of the policies, the collection and the control of the information, or the writing of the texts published.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us not to believe that the non-financial statement complies with the applicable regulatory provisions and that the Information, taken together, are fairly presented, in compliance with the Criteria.

Comments

Without qualifying our conclusion above and in compliance with the provisions of Article A. 225-3 of the French Commercial Code (Code de commerce), we draw your attention to the following points:

In order to meet all of its environmental and social commitments, the governance and normative framework set up by the Group to steer its strategy, and in particular to manage its risks, have been revised in 2019. New procedures are currently elaborated or deployed in all business lines to systematise and homogenise the current practices.

Paris-La Défense, 12 March 2020

Independent third party
EY & Associés

Hassan Baaj
Partner

Caroline Delérable
Partner, Sustainable Development

APPENDIX: INFORMATION CONSIDERED AS THE MOST IMPORTANT

Societal and business information	
Qualitative Information (Actions or results)	**Quantitative information** (Key performance indicators and coverage)
▪ Definition and deployment of voluntary commitments, including those related to the financing of coal and of the energy transition ▪ Security of information systems ▪ Identification and management of E&S risks posed by transactions and clients ▪ Implementation of both approaches, Sustainable and Positive Impact Finance (SPIF) and Sustainable and Positive Investment (SPI)	▪ Number and new funding of transactions subject to an E&S review (11% of the new funding for the transactions reported in Corporate and Investment Banking, including 18% for the transactions under the Equator Principles scope) ▪ Number of Corporate and Investment Banking clients that have undergone an E&S reputational risk assessment (18% of the clients assessed during the year) ▪ New funding of positive impact finance transactions: Sustainable and positive impact finance (17% of new funding) and Sustainable and positive investments (100% of new funding)

Social information	
Qualitative Information (Actions or results)	**Quantitative information** (Key performance indicators and coverage)
▪ Health and safety of persons ▪ Compliance with labour regulations	▪ Share of positions filled through internal mobility (20% of the workforce) ▪ Average number of hours of training per employee (20% of the workforce) ▪ Share of women in the Group's Top 1000 (100% of the workforce) ▪ Percentage of employees trained on GDPR (100% of the people solicited)

Environmental information	
Qualitative Information (Actions or results)	**Quantitative information** (Key performance indicators and coverage)
▪ General environmental policy ▪ Tools for analysing and managing climate risks	▪ Compliance with the commitments concerning coal made in 2015 for 2020 (100% of the amounts drawn for extraction and 16% of the amounts drawn for electricity production) ▪ Reduction of the carbon footprint per occupant since 2014 (18% of the Group's GHG emissions)

5.5 GROUP'S DUTY OF CARE PLAN

5.5.1 INTRODUCTION

Societe Generale is subject to the French Act of 27th March 2017 on the duty of care for parent and subcontracting companies (the *Duty of Care Act*). This law requires the Group to prepare and implement a duty of care plan to identify risks and prevent serious breaches of human rights, fundamental freedoms, or damage to the health, safety and security of persons, and the environment as a result of its activities. The plan must include risk mapping, measures to assess and mitigate the risk of serious breaches and a whistleblowing system. This document sets out a summary of the main aspects of the Duty of Care Plan and includes the report on effective implementation.

Over the years, the Societe Generale Group has voluntarily adopted procedures and tools to identify, assess and manage human rights and environmental risks as part of how it manages its human resources, supply chain and businesses. It saw this regulatory obligation as an opportunity to clarify and strengthen its existing framework.

Scope of application

The Group's approach to its duty of care is based on the common foundation of human rights and fundamental freedoms as well as environmental issues. The human rights and fundamental freedoms issues identified based on reference texts such as the Universal Declaration of Human Rights (1948) and the International Labour Organization's fundamental conventions are: forced labour and slavery; child labour; respect for the rights of indigenous peoples; rights of ownership; discrimination; freedom of association; health and safety; decent workings conditions; decent pay; decent social protection and the right to privacy. Environmental issues identified based on The Rio Declaration on Environment and Development (1992) are: climate change and air quality; preservation of water resources and their quality; responsible land use; preservation of natural resources; preservation of biodiversity and minimisation and treatment of waste.

This Plan is being rolled out across all consolidated companies over which Societe Generale exercises exclusive control. It is structured around three pillars:

- **the Human Resources, Safety and Security pillar,** which aims to prevent the risk of serious violations in respect of human rights, fundamental freedoms or the health of Societe Generale Group employees;
- **the Sourcing pillar,** which aims to manage the risk of serious violations in respect of human rights, fundamental freedoms, health, safety and security and the environment associated with the activities of the Group's suppliers and direct (*i.e.* level 1) subcontractors;
- **the Activities pillar,** which aims to prevent the risk of serious violations in respect of human rights, fundamental freedoms, health, safety and security and the environment that are directly associated with the Group's products and services.

Governance

The Duty of Care Plan was drawn up by the Corporate Social Responsibility Department, the Human Resources Department and the Sourcing Division, in association with the Legal Department and the Group Security Division.

The plan and a progress report on implementing the duty of care measures were presented to the Group's Responsible Commitments Committee. Chaired by the Deputy Chief Executive Officer supervising the control functions, the committee was established in 2019 and the members are primarily drawn from the Management Committee and General Management. Its remit is to scrutinise Environmental and Social (E&S) matters, make decisions on complex cases and approve the Group's new E&S commitments (for more information see: 5.2.2 *E&S risk management in the businesses to promote fairand responsible growth*, paragraph: *Strengthened governance and organisation*, page 280).

The Duty of Care Plan is also included in the Management Report prepared by the Board of Directors and published in the Universal Registration Document.

Roll-out is coordinated by the Corporate Social Responsibility Department, the Human Resources Department and the Sourcing Division. The business units and service units are responsible for implementing the plan within their scope.

The Duty of Care Plan was devised in accordance with the principle of continuous improvement. How it evolves over time reflects the results of the risk mapping, regular assessments, developments in the Group's activities, new E&S commitments, and updates to the E&S risk management policies and tools.

5.5.2 IDENTIFICATION AND PRIORITISATION OF RISKS: MAPPING INHERENT ENVIRONMENTAL AND SOCIAL RISK

Societe Generale first began identifying the risks of breaches of human rights, fundamental freedoms, health, safety and security and the environment – referred to as environmental and social (E&S) risks – associated with its activities a number of years ago. This risk identification served as the basis for the Group's existing E&S management tools and procedures. As part of its duty of care, the Group added to its identification of the risks of serious breaches by mapping the inherent risks for each of the Plan's three pillars.

It first identified the risks inherent in the banking sector, as well as the sectors of its suppliers and subcontractors, and in activities to which it provides products and services.

These risks were assessed and then ranked in one of four categories (low, moderate, medium-high, high), based on both sector and geographic data. The assessments took into account information from recognised external databases[1] as well as expert opinions.

(1) *For the HR, Safety & Security and Activities pillars: Verisk Mapplecroft notably; for the Sourcing pillar: Transparency International, the World Bank Group, the ILO and UNICEF.*

The criteria used to assess the various sectors were as follows:

- the potential severity of the breach;
- the potential scale of the breach (number of persons potentially affected, geographic range of the environmental impact);
- the likelihood of the breach (recurring impact during normal conduct of sector-specific activities *vs.* extreme situations/ accidents).

Geographic factors (country of establishment) were also considered in the HR and Activities pillars, since they can potentially aggravate the risks identified. The geographic criteria include a country's ratification of the ILO fundamental conventions, its employment and environment regulations, whether or not there is a supervisory authority, and its track record (especially as regards any human rights violations).

Human resources, safety and security pillar

Inherent risk mapping on the HR Safety and Security pillar measures the risks of infringement of human rights, fundamental freedoms or the health and safety of employees. Mapping is done according to the risks inherent to the financial sector in each country the Group operates in and the number of employees in each of the 60 host countries.

Inherent risk mapping was reviewed and updated in 2019 using external databases that detail the risk levels specific to the country and to the financial sector (commercial banking, retail banking, asset management, financial markets and more).

Results: Taken as a whole and covering all human rights analysed, no Group employee is in a country considered to be high risk according to the external databases consulted; 23% are in countries representing a moderate risk for the financial sector: Russia, Mexico, Ghana, Brazil, Côte d'Ivoire, Madagascar, United Arab Emirates, Congo, Benin, India, Tchad, Cameroon, Turkey, Guinea, China and Equatorial Guinea.

Analysing freedom of association and collective bargaining risks, 17% of the workforce are in moderate-risk countries for the banking industry: Equatorial Guinea, United Arab Emirates, China, Turkey, Cameroon, Mexico, Algeria, Russia and the United States.

In terms of discrimination, 1% of staff are in a country representing a medium-high risk for the banking sector (Guinea, Tchad and Cameroon) and 35% are in countries representing a moderate risk (Equatorial Guinea, Congo, Turkey, United Arab Emirates, India, Senegal, Benin, Côte d'Ivoire, Madagascar, Brazil, Morocco, Ghana, China, Mexico, Burkina Faso, Algeria, Russia, Romania and Ukraine).

Sourcing pillar

The inherent E&S risk mapping for the Sourcing pillar was based on the main purchasing categories for the banking sector (from a classification including around 150 categories in total). The assessment for each purchasing category took in three main areas: business practices and ethics, the environment, human rights and employment conditions. Contextual factors were also built into the risk assessment for the purchasing category: supply chain characteristics (complexity, including the number of actors and distance from the intermediaries to the end purchaser) and labour intensity.

Societe Generale combined forces with three other French banks in this mapping exercise to identify the E&S risks specific to each purchasing category.

The inherent E&S risk levels of each purchasing category were then cross-referenced with the corresponding expenditure amounts per category to identify the share of purchases in medium-high or high-risk categories.

Results: Amongst the high-risk purchasing categories, building work was found to bear the greatest risk (renovations and outfitting but also construction of new buildings), together with waste management and telephone and IT equipment.

Within the scope analysed by the Sourcing Division, some 5% of the spend was on purchasing categories representing a high E&S risk and around 13% on categories representing a medium-high E&S risk.

Activities pillar

Societe Generale provides financial services to a variety of sectors, some of which may pose E&S risks. For these specific sectors, the Group identified and prioritised E&S risks based on external sources and expert opinions. This geographic information was coupled with information on country risk (relating to the effectiveness of the local E&S regulatory framework) and then cross-referenced with the Group's activity data for each sector to give an initial estimate. Work started in 2019 to better shape the results of the risk mapping and increase their accuracy, with the aim of including the risks specific to certain activities within the sectors under review.

Deeper diligence will be required for products and services directly associated with the most exposed activities and regions.

Results: Amongst the sectors analysed, around ten sectors had a significant proportion of activities particularly exposed to E&S risk. These were: energy (especially fossil fuels and electricity generation), transport and logistics (especially the automotive and aerospace sectors), agriculture (especially upstream), industry, construction, chemicals, mining, forestry, textiles and defence.

Approximately one quarter[1] of the Group's exposure relates to sectors that were found to present high risks in terms of human rights and the environment. Once the geographic factor is taken into account (*i.e.* mainly the quality of local E&S regulations), less than 10% of the Group's business, as measured in terms of sector exposure, is conducted in sectors or countries found to present E&S risks.

(1) Corporate exposures.

5.5.3 EVALUATION PROCEDURES, RISK PREVENTION AND MITIGATING MEASURES

The aim of the Duty of Care Plan is to provide an appropriate framework for managing E&S risks. In other words it should cover the main risks pinpointed by the risk mapping exercise and be correctly deployed in the Group. Further to the inherent risk mapping, the Group launched a review of the existing E&S risk management framework to identify risks of serious violations that would be insufficiently covered by the existing framework. At the same time the Group pursued its deployment efforts.

Human resources, safety and security pillar

Societe Generale adjusts its human resources (HR) management policies over time in line with the Group's strategic priorities, key issues for the businesses and changes in its activities or environment. Built on a series of processes and operational systems, these policies aim to safeguard the human rights and fundamental freedoms of the Group's employees as well as safety and security within its premises and for employees on business trips.

The elements of the risk management system that more particularly concern social, human resources or safety and security risks are described in the Group's Declaration of Non-Financial Performance (see: page 255 of Chapter 5 of the Universal Registration Document). The system's deployment within the Group's entities is based on:

- Group-level HR governance, along with labour relations bodies to monitor working conditions and trade union freedom. Societe Generale renewed its agreement on fundamental rights with the UNI Global Union in February 2019;
- local support teams in Group entities (HR, logistics and safety & security officers, data protection officers, occupational health care practitioners, well-being at work advisers, staff representatives, employment law teams, groups and networks focused on diversity, etc.);
- a Group Security Division that defines the global safety and security policies designed to protect people, property, infrastructure and data;
- teams and systems for monitoring, training and intervention to protect security, especially for expatriate employees and business travellers.

The deployment and results of existing policies are assessed on a regular basis, in particular by means of:

- the Group's systems for assessing operational and compliance risks;
- a whistleblowing system for ethics and human rights issues;
- internal and external audits of management of human resources policy and health, safety and security standards;
- the Group's employee satisfaction survey and other local surveys conducted to get direct feedback on their satisfaction levels and working conditions.

Based on these assessment and monitoring measures (detailed on page 300, 5.5.5 *Monitoring of measures*), appropriate action plans are implemented to gradually harmonise HR and safety and security practices throughout the Group. Best practices and procedures are centralised by the Human Resources Department.

Sourcing pillar

The Group has updated and added to the normative documentation on sourcing. It clarifies roles and responsibilities for managing E&S risks in sourcing and should ensure that practices are standardised.

Operational implementation of the normative documentation and management of E&S risks at all stages of the sourcing process are based on a set of tools to identify, assess and manage E&S risks at a granular level: product or service and supplier or service provider. These tools are currently used for all purchases made by the Sourcing Division.

To identify and assess risks, the Sourcing Division draws primarily on:

- E&S risk mapping for the various purchasing categories to identify the E&S risk category for the category in question;
- inclusion of E&S criteria in call for tender consultations involving purchasing categories representing a medium-high or high E&S risk;
- performance of an E&S KYS (Know Your Supplier) assessment for shortlisted suppliers;
- non-financial assessment of certain targeted suppliers by independent third parties.

The management and mitigation of risks involves:

- inclusion of E&S criteria in call for tender consultations covering the main risks for the category of purchases identified in the risk mapping;
- weighting of the E&S criteria in light of the level of E&S risk represented by the purchasing category in question, according to the rating criteria for service or product bids;
- inclusion of a CSR clause in contracts, imposing a binding commitment to abide by the Group's Sustainable Sourcing Charter;
- for purchasing categories representing a risk, in the event of shortcomings in E&S performance:
  - pushing of remedial action plans,
  - the possibility to conduct on-site E&S audits,
  - regular reviews of E&S controversy or changes in non-financial ratings.

The E&S risk management operational tools for procurement not overseen by the Sourcing Division has been simplified and made available for high E&S risk categories.

Further information on Sourcing is provided on page 273, *Responsible Sourcing Policy*.

At the end of 2019, and for procurement overseen by the Sourcing Division, the E&S risk management system covers all calls for tender in purchasing categories representing a medium-high or high E&S risk.

For example, when the Sourcing Division found a waste management risk in a supplier's practices, a CSR audit was performed by an independent third party resulting in defining remedial actions.

Activities pillar

Societe Generale is subject to a set of regulations (anti-money laundering regulations, compliance with embargoes, legislation on personal data protection and on transparency, the fight against corruption and modernisation of the economy, etc.) that constitute the foundation of its risk management.

Beyond its regulatory obligations, the Group has also been developing processes to manage the E&S risks associated with its activities for over ten years. This risk management framework is applied based on E&S standards and commitments, a set of Group normative documents and their transposition into operating procedures, as well as the tools for practical implementation.

The E&S General Guidelines govern all its E&S commitments. They include the cross-sector and sector-specific E&S policies for those sectors deemed potentially sensitive from an environmental, social or ethical point of view. These policies notably describe the main risks of environmental damage or violations of the rights of local populations and set out assessment criteria for customers or transactions carried out with counterparts acting in these sectors. They are reviewed on a gradual basis for clarification and to incorporate risks identified in the risk mapping exercise, where relevant.

In 2019, the definitions of the risks of violations of human rights, fundamental freedoms and the environment, as well as a formal link between violation risks and the associated E&S risks for the Group were added to the normative documentation. Information relative to risk management processes and measures introduced to prevent these risks were also added, especially who does what in each of these areas. This documentation applies across the Group and is intended to be transposed into operating procedures in the relevant Business Units and Service Units.

Lastly, the tools to identify and assess E&S risks, used internally in the Bank, are also updated quarterly, including:

- the E&S watch list, which includes projects, companies or sectors/countries that represent a high E&S risk; it triggers a more in-depth due diligence on such sectors, projects or companies and is updated quarterly;
- the E&S exclusion list.

The E&S risk assessment procedures and management procedures are detailed in this chapter (see: page 277, *E&S risk management in the businesses to promote fair and responsible growth*).

Most of the sectors identified as representing a potential risk were either already covered by an E&S policy or already included on the E&S watch list. Certain sectors or activities were nonetheless flagged for inclusion on the list of activities requiring more in-depth E&S due diligence.

The inherent risk mapping also highlighted the need to add other risks into the assessment tools for certain sectors – certain human rights issues, for example. The Group also strengthened its commitments by issuing a Human Rights Declaration in March 2019. E&S policies and tools are being reviewed to incorporate these elements.

5.5.4 WHISTLEBLOWING MECHANISM

Under the Duty of Care Act (as well as the French Act on Transparency, the Fight against Corruption and Modernisation of the Economy, known as the Sapin II Act), implementation of a whistleblowing mechanism is mandatory. The Group therefore decided to add a Group-wide whistleblowing system to its existing measure that meets the requirements of both these laws. The French representative trade unions were consulted and the system proposed was presented to and discussed with French and European bodies before being introduced early in 2019. The policy is now available at *www.societegenerale.com* and has been rolled out in France and internationally and is issued in seven languages.

Whistleblowers can use the system to report any potential or actual violations in respect of human rights, fundamental freedoms, health and safety or the environment. It is available to all employees, as well as to external or temporary staff and service providers working with the Group on an established basis (as subcontractors or suppliers). It is hosted on a secure external platform offering the guarantees required by the French Act on Transparency, the Fight against Corruption and Modernisation of the Economy, *i.e.* protection of personal data and strict confidentiality of any information provided.

The Group's Code of Conduct has been updated to reflect this new whistleblowing process (see: page 260, *The Code of Conduct underpinned by shared values*).

5.5.5 MONITORING OF MEASURES

Societe Generale has developed a management and reporting tools in order to comply with its non-financial reporting obligations and monitor the implementation of its E&S risk management processes. These tools provide the Human Resources Department, Security Division, Sourcing Division and Corporate Social Responsibility Department with key performance indicators. A common non-financial reporting system is in place throughout the Group and supplies the data needed for non-financial reporting (Chapter 5 of the Universal Registration Document, *Methodology Note*, page 291) and, as of this year, is also used in the context of the Duty of Care Plan.

Duty of care measures are also monitored by means of internal self-assessment exercises. The first Compliance Risk Assessment was conducted in 2018 in 180 entities and focused on E&S risk throughout the Group. The second exercise started in January 2020. In 2019, the Group conducted another self-assessment to:

- monitor implementation of E&S risk management processes in the Business Units and further down the chain (*i.e.* at individual legal entity level);
- identify areas for improvement and monitor the ensuing action plans; and
- leverage additional indicators for monitoring the measures taken by the Group.

Societe Generale also performed an internal audit on the Duty of Care project at the start of 2019, zeroing in on the Sourcing pillar. The audit found two improvement priorities: formally set out the controls and the scope of measures implemented. Action plans were introduced in response.

Human resources, safety and security pillar

For the past two years, Societe Generale has performed self-assessment exercises to evaluate the quality of its systems to protect its employees against human rights risks. The questions pertain to the implementation of Group policies as well as formal local policies and processes and the checks performed on a range of issues:

- employment terms (employment contracts and collective agreements on working conditions);
- employment of minors under the age of 15;
- measures to counter workplace discrimination;
- employment conditions (employee protection, disciplinary measures, management of harassment and violence in the workplace, minimum wage, working hours, leave);
- freedom of association and collective bargaining rights;
- health, including issues of social welfare (healthcare, invalidity/life-insurance benefits, pensions), and safety and security.

To give an example, every year Societe Generale asks all entities with more than 50 employees to:

- report criminal, administrative and/or financial sanctions imposed by regulators and/or local courts for HR and safety and security reasons (compliance of employment contracts, discrimination, working conditions, harassment, health and safety at work, safety and security issues, etc.);
- report on their local procedures, practices and controls in place to make sure that HR management processes do not discriminate;
- specify whether or not they have local procedures, formal processes and controls in place to counter physical or verbal violence, sexual harassment, bullying, abuse or threats in the workplace, and where necessary, the disciplinary measures and sanctions in the event such breaches or offences are found.

This year's self-assessment exercise covered entities representing 99% of the Group's workforce, up from 89% in 2018.

Overall, the assessment of the risk management systems in the Group's entities shows that:

- entities with insufficiently effective policies or processes and located in high or medium-high risk countries in terms of human rights employ less than 2% of the workforce;
- entities with insufficiently effective controls and located in at-risk countries employ 8% of the Group's headcount.

Sourcing pillar

in 2019, the Sourcing Division brought to a successful conclusion a project on automating management of CSR within its scope. Besides improving data reliability, the project also delivered more granular monitoring. E&S risk indicators in calls for tender are monitored quarterly to provide information, such as the breakdown of number of calls for tender by E&S risk level, the percentage with CSR criteria by category risk level or the average weighting of CSR criteria in calls for tender. As a result:

- CSR toolsheets cover 100% of the purchasing categories representing a high or medium-high E&S risk (more than 50 toolsheets in total). These toolsheets are designed to help the Sourcing Division's buyers ask CSR questions or impose CSR requirements in respect of identified risks in the context of calls for tender;
- 99% of calls for tender in E&S risk categories included CSR criteria;
- as of 1st December 2019, 100% of the Sourcing Division's active buyers had received Responsible Sourcing training.

Activities pillar

The Group continued to steer implementation of procedures and controls aimed at managing E&S risks in the local entities. Steering this year drew on an internal reporting tool to assess:

- the level of familiarity with the normative framework for managing E&S risks in the Group (E&S policies, E&S watch list, E&S exclusion list) and their transposition into the Business Units' own procedures;
- the inclusion of E&S due diligence in the KYC (Know Your Customer) process for new customers and periodic reviews;
- the implementation of Group procedures and associated checks;
- the human resources and skills devoted to E&S risk management;
- a governance framework to address complex E&S issues at local level, before escalation to Group level;
- the number of people trained in managing E&S and climate risks;
- the number of customers and transactions that pose an E&S risk that were the subject of an in-depth E&S due diligence, as well as the main findings of these reviews.

The Business Units with the highest exposure – 88% of those surveyed – have built in checks of compliance with the E&S exclusion list, for example, while 73% of them systematically call on E&S experts if they identify this type of risk.

All Business Units have appointed CSR officers and more than half have dedicated FTE staff working on areas related to managing E&S risks (identification, evaluation, action and monitoring).

A detailed E&S review was performed on nearly 700 customers.

Of the entities assessed, 76% stated that they performed E&S KYC checks or applied E&S watch lists.

5.5.6 REPORT ON EFFECTIVE IMPLEMENTATION OF THE MEASURES

SUMMARY

Since the publication of the Duty of Care Act, Societe Generale has continued to focus on implementing its E&S management framework and measures for the HR, Safety and Security, Sourcing and Activities pillars. The Group also identified areas for improvement.

The main measures implemented in 2019, detailed above in the Duty of Care Plan, were:

Human resources, safety and security pillar

- updated mapping of inherent HR and safety and security risks (see: page 297, 5.5.2 *Identification and prioritisation of risks*);
- strengthened HR policies across all locations with a view to harmonising the framework for managing human resources in the Group, especially with respect to the disciplinary policy, misconduct at work, diversity, inclusion, and health and safety at work;
- continued roll-out of controls and reinforcing existing controls of HR and safety and security risks to ensure they are applied throughout the Group, and introduction of additional controls based on the residual risks observed in Group entities. For example, Societe Generale reviewed its controls of all documents related to working relations with its employees (from recruitment through to when the employee leaves the Company) to verify the absence of forced labour in all the Group's locations. The Group expanded deployment of its controls on the recruitment process to minimise risk of discrimination at the hiring stage;
- specific training either targeted at exposed employees or provided to all employees for some topics, such as the Code of Conduct, whistleblowing or misconduct in the workplace;
- renewal in 2019 of the agreement with UNI Global Union including commitments on non-discrimination, health and working conditions and a requirement to present the Duty of Care Plan to the UNI Global Union's members.
- a further assessment of Group entities' exposure to risks falling under the Human Resources, Safety and Security pillar and of the local risk management organisation (see: page 299, 5.5.3 *Evaluation procedures, risk prevention and mitigating measures*).

Results:

- taken as a whole and covering all human rights analysed, no Group employee is in a country considered to be high or medium-high risk for the financial sector, according to the external databases consulted; 23% are in countries that represent moderate risk for the financial sector (Russia, China, Ghana, Madagascar, India and Côte d'Ivoire, for example);
- less than 2% of staff are employed by entities in high or medium-high risk countries for human rights (excluding discrimination) with insufficiently effective policies or processes to control risk. The figure for discrimination risk is approximately 8% of the workforce;
- 94% of employees attended workshops to raise awareness about what to do and which practices to follow if in doubt;
- 97% of employees completed a mandatory training module on the Code of Conduct;
- mandatory training on the Group's disciplinary framework was targeted specifically at 22,000 HR managers and staff;
- some 9,300 employees have been trained in preventing and managing misconduct at work since 2018.

Sourcing pillar

- practices across the Group should be harmonised with the expansion of the normative documentation setting out the roles and responsibilities for managing E&S risks attaching to sourcing;
- the E&S risk management system has been strengthened within the scope of procurement managed by the Sourcing Division. (see: page 300, 5.5.5 *Monitoring of measures*);
- the E&S risk management system for procurement not overseen by the Sourcing Division has been simplified and made available for high E&S risk categories.

Results:

- around 5% of the spending analysed was found to be on purchasing categories with high E&S risk and 13% on categories with medium-high E&S risk. The category that emerges as representing the greatest risk was building work, which accounts for 1% of the Group's spending;
- CSR toolsheets cover 100% of the purchasing categories representing a high or medium-high E&S risk (more than 50 toolsheets in total). To meet specific challenges, 50 or so additional CSR toolsheets cover other purchasing categories;
- 99% of calls for tender in high E&S risk categories included CSR criteria;
- as of 1st December 2019, 100% of the Sourcing Division's active buyers had received Responsible Sourcing training;
- the tools for managing E&S risks are currently being deployed in our international locations. The CSR clause – in English and in French – is in use in eight countries in the Sourcing function.

Activities pillar

- the Group formalised the normative documentation setting out how E&S risks are defined, the processes and procedures for managing these risks, as well as the roles and responsibilities within the first and second lines of defence;
- controls on management of E&S risks were included in the permanent supervision system;
- progress with implementing E&S risk management procedures was assessed in the Business Units and Service Units. (see: page 300, 5.5.5 *Monitoring of measures*).

Results:

- less than 10% of the Group's exposure is linked to activities that pose an E&S risk (*i.e.* energy, transport and logistics, upstream agriculture, industry, construction, etc.) and conducted in countries that also entail risk;
- of the entities assessed, 76% stated that they performed E&S KYC checks or applied E&S watch lists.

5.5.7 OUTLOOK AND PLANNED DEVELOPMENTS

A review of the corpus of E&S risk assessment and management procedures was launched further to completing the risk mapping exercise. The main aims of the review were to gradually include the risks that are either not covered or insufficiently covered by the existing tools and procedures. The risk management framework will be further enhanced (policies, formal processes and/or additional checks) in 2020, alongside continued efforts in respect of implementation. The main actions planned are as follows:

Human resources, safety and security pillar

Focus on the risk of discrimination at work, by:

- analysing and assessing HR management processes after the recruitment stage to identify possible bias and potential discriminatory factors;
- training managers and the human resources teams and raising awareness of unconscious bias;
- publicly stated targets for increasing the number of women in key positions and in our pool of high-potential talent.

In addition, Societe Generale intends to persist in efforts to:

- add to the normative documentation with a view to harmonising human resources management within the Group (as regards disciplinary policy or workplace misconduct, for example);
- roll out newly introduced controls across the Group to ensure that each and every entity has the means to implement effective management; develop additional controls according to the residual risks observed;
- provide further training on these subjects; and
- continue dialogue with the UNI Global Union, presenting the Duty of Care Plan during the yearly follow-up meeting included in the agreement signed with the organisation in 2019.

Sourcing pillar

- following the upgrade to the Group's normative documentation, continued development of tools for the management of E&S risks in the Sourcing Function and implementation of the associated controls;
- improvements to the tools used to identify and assess risks, including creating new toolsheets for buyers for a number of medium-risk categories;
- continued deployment of these tools (toolsheets, CSR clause and Sustainable Sourcing Charter) in the Sourcing Function internationally prioritising categories representing a high level of E&S risk;
- ongoing buyer training, including for international buyers; and
- performing CSR audits and setting up remedial action plans with suppliers under contract presenting E&S risk factors.

Activities pillar

- continued improvements to E&S policies and risk management tools to clarify them and gradually include more business sectors, sector/country combinations and human rights issues;
- updates to operational procedures in Business Units to reflect changes in the Group's normative framework;
- training for target groups to ensure implementation; and
- developments to reinforce the E&S risk management governance and controls, at Group level as well as in the relevant Business Units and Service Units.

In addition, in 2020 Societe Generale will repeat the combined self-assessment exercise on E&S risk management for all three pillars, through the Group's global Compliance Risk Assessment exercise. Last year, this provided the Group with more detailed results on the implementation of its E&S risk management frameworks over a wider scope and enabled it to define the necessary improvement actions.

5.6 CSR - GLOSSARY

ADEME: the Environment and Energy Management Agency (ADEME or Ademe) is a Public industrial and commercial institution (EPIC) created in 1991. It is under the tutelage of the ministries responsible for research and innovation, ecological and solidarity transition, higher education. ADEME stimulates, animates, coordinates, facilitates or carries out environmental protection and energy control operations.

Transfer agent: A transfer agent handles the record keeping for companies' shares. In other words, it keeps updated records and provides information on a company's stock: for example the transfer agent is responsible for recording transfers of share ownership from one person to another. One of its functions is to verify that the number of shares outstanding is equal to the number of shares credited to shareholders.

ALD Automotive: A subsidiary of Societe Generale, ALD Automotive is the European leader in enterprise automotive mobility solutions. With operations in 43 countries, ALD Automotive provides long-term leasing and fleet management solutions to companies.

Belt and Road: the new silk road is a belt of rail links and a road of shipping lanes linking China and Europe through Kazakhstan, Russia, Belorus, Poland, Germany, France and the United Kingdom.

BRD: Societe Generale's subsidiary in Romania, the Romanian Development Bank is a universal bank offering a comprehensive range of services to all types of customers.

Speak-up culture: In the field of human resources, it refers to a working environment where people feel welcome, included and free to express their views and opinions, confident in the knowledge that they will be listened to and acknowledged.

Design thinking: it is an integrated design process or method that seeks to understand the user (or person) to produce innovative services or products.

DSP2: The Payment Services Directive (DSP2) aims to promote innovation, competition and efficiency. In particular, it introduces stricter security standards for online payments to strengthen consumer confidence in online shopping. The DSP2 has been in effect since 13 January 2018, except for the safety measures described in the technical and applicable standards from September 2019.

ETF: Exchange Traded Funds (ETFs) are financial instruments that faithfully track the upward or downward movements in an underlying index.

FTE: refers to an activity on a full-time equivalent basis, according to the legal working hours.

Finansol: first introduced in 1997, the Finansol label marks out solidarity-based savings products from other savings vehicles for the general public.

Fing: The Internet New Generation Foundation (Fing) is a 1901 law association created in 2000. Its mission revolves around four main categories of objectives: mobilising around future technologies; take part in new ethical and societal debates; foster the emergence of innovative ideas and projects and encourage ownership of innovation and partnerships.

Greenfin: an initiative of the Ministry for the Ecological and Inclusive Transition, Greenfin certification is a guarantee of an investment's green credentials. The label can be awarded to funds that invest in the common good whose practices are transparent and sustainable. Greenfin excludes funds that invest in companies in the nuclear and fossil fuel industries.

Impact Investing: Social impact investing is an investment strategy that seeks to generate synergies between social, environmental and societal impact on the one hand, and neutral or positive financial return on the other.

Ipsos: French polling company and international opinion marketing company, founded in 1975.

SRI: the SRI (Socially Responsible Investment) label is a tool for choosing sustainable and responsible investments. Created and supported by the French Ministry of Finance, the aim of the label is to raise the profile of SRI products for savers in France and Europe.

Kantar TNS: French polling company, founded in 1963 and is now one of the leading marketing and opinion research companies in France.

KB: Societe Generale's subsidiary in the Czech Republic, Komerční banka is a universal bank offering a comprehensive range of services to all types of customers.

Lean start-up: a model for starting up a business and launching a product in several steps: determining whether or not the concepts are valid, scientific experiment and iterative design (a methodology based on a cyclical process: prototype, test, analysis and refine). The aim is to get the product or service to customers faster and to quantify improvements and feedback from users. Start-ups use this approach to design products and services that people want, while keeping the initial investment to a minimum.

Le Chaînon Manquant: French association that fights against food waste by revaluation of unsold food of good quality of professionals for the benefit of the most needy.

Les Dunes: the 126,000 square metres technology hub, located in Fontenay-sous-Bois, just east of Paris, is home to the 5,000 people in Societe Generale's IT teams.

LGBTI: the acronym stands for people who are lesbian, gay, bisexual, transgender or intersex. It encompasses everyone who does not have only heterosexual relationships.

LYXOR: Lyxor Asset Management Group is a Societe Generale subsidiary. With its offer of investment solutions, the Lyxor Group is a European asset management specialist and one of the leaders in ETF.

Mobility as a Service (MaaS): a multimodal urban mobility concept that allows users to use many different modes of public and private transport – be it public transport, bike, ride-sharing, or taxi – for a flat rate. The goal is to make the experience so much simpler, more pleasant and convenient that people choose public transport as their go-to solution to get around.

Test & Learn method: to test an idea or process on a small scale, learn from the experience, make improvements and then move on to testing on a bigger scale

Microlearning: a remote learning strategy based around bite-sized modules (lasting from 20 seconds to five minutes) that focus on a specific concept and are available at any time. Users can go to the modules when they need to close a gap in their knowledge.

MLA: an acronym for Mandated Lead Arranger. When a company is placing a syndicated loan, it receives requests from institutions to finance (or refinance) the loan. Based on these offers, the Company selects one or more banks to act as the MLA and structure the transaction.

Positive Impact notes: Societe Generale has put together a range of positive impact notes (P.I. Notes) that offer investors the opportunity to invest in a structured note with the additional benefit of promoting Positive Impact Finance. When a customer invests in P.I. Notes, Societe Generale commits to holding in its books an amount of Positive Impact Finance assets equivalent to 100% of the outstanding nominal amount of the note. The note gives the key features of the transaction, a price range and indicative schedule, as well as the conditions under which these initial parameters can be adjusted.

Pizza team: the term was coined by the founder of Amazon: according to Jeff Bezos, the perfect IT project team size should be small enough that it can be fed with two pizzas – eight people in other words. Apparently, the ideal size for a successful project team is five to 12: there must be enough people for the team to be creative, but few enough not to hinder cohesion or communication.

Post-trade: phase that follows the completion of the transaction and includes a set of post-execution controls.

Pre-trade: a pre-negotiation analysis phase that involves taking the known parameters of a planned transaction and determining an execution strategy that will minimize the cost of transactions for a given acceptable level of risk.

Pro bono: a generic term that is short for the Latin *"pro bono publico"* meaning "for the public good". When something is done *pro bono,* professionals undertake to work without payment, offering their skills for initiatives in the public interest.

Rosbank: Societe Generale's subsidiary in Russia, Rosbank is a universal bank offering a comprehensive range of services to all types of customers.

IFC: the International Finance Corporation is a member of the World Bank Group focused on the private sector. Its role is to facilitate the development of enterprise in developing countries, especially in emerging markets, helping to create jobs, bring in tax revenue and improve governance.

Societe Generale Equipement Finance (SGEF): a subsidiary of Societe Generale Group, it specialises in financing sales and professional capital goods. Present in 40 countries, SGEF puts at the service of its customers its solid knowledge of the sectors of Transport, Industrial Equipment and High Technology.

SPI: Sustainable and Positive Investment (SPI) for wealth and asset management activities, including the structuring of products aimed at institutional and individual investors.

SPIF: Sustainable and Positive Impact Finance (SPIF) to monitor banks' credit, leasing and/or customer support to grow their positive impact activities.

Sustainable Bonds: with all the characteristics of debt securities, they are issued to finance one or more existing, progressing or new projects that are identified and classified as "sustainable". The bonds are intended for all investor classes, both SRI and non-SRI*. A project's "sustainability" is defined by its positive contribution to a sustainable development goal (social or environmental).

Trade finance: the term refers to the financial instruments and products used by companies to facilitate international trade. It is a generic term that covers many financial products that banks and companies use to make trade transactions feasible.

TXF: an online news and information site. TXF also provides training, organises events and awards prizes to companies, traders, financiers and decision-makers in areas such as trade, basic products, exports, projects and supply chain financing communities.

UIB: Societe Generale's subsidiary in Tunisia, the Union Internationale des Banques is a universal bank offering a comprehensive range of services to all types of customers.

Wholesale: banking activities for so-called "institutional" companies such as banks, insurance, pension funds, property developers; or to public administrations.

WWF: World Wildlife Fund is an international non-governmental organisation (ONGI) established in 1961 dedicated to environmental protection and sustainable development. It is one of the world's largest environmental ONGiOs with more than six million support worldwide, working in more than 100 countries, and supporting about 1,300 environmental projects.

Grey area: a situation or case that complies with laws, regulations or Societe Generale's rules, but leaves room for interpretation from an ethical point of view and/or is not covered by laws, regulations or Societe Generale's rules.

5.7 DECLARATION OF NON-FINANCIAL PERFORMANCE (DNFP) – CROSS-REFERENCE TABLE

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(1) See page 259 for the methodology used to identify these risk factors.

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As a supplier of financial products and services, Societe Generale deems that the following areas do not represent major CSR risks and will therefore not consider them further in this Management Report: the circular economy, food waste, the fight against food poverty, animal welfare and the development of a responsible, fair and sustainable food industry.

6

FINANCIAL INFORMATION

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The information on the types of risks, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, are disclosed in Chapter 4 of the present Universal Registration Document (Risks and capital adequacy).

The main characteristics of Societe Generale stock-option plans and free share plans are disclosed in Chapter 3 of the present Universal Registration Document (Corporate governance).

This information belongs to the notes to the consolidated financial statements and has been audited by Statutory Auditors; it is identified as such in Chapters 3 and 4 of the present Universal Registration Document.

6.1 CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 CONSOLIDATED BALANCE SHEET - ASSETS

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

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

6.1.2 CONSOLIDATED BALANCE SHEET - LIABILITIES

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

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

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

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

6.1.3 CONSOLIDATED INCOME STATEMENT

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

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

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

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

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

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

6.1.5 CHANGES IN SHAREHOLDERS' EQUITY

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

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

6.1.6 CASH FLOW STATEMENT

(In EURm)	2019	2018**
Consolidated net income (I)*	**3,946**	**4,813**
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	5,181	4,589
Depreciation and net allocation to provisions	(3,284)	2,343
Net income/loss from investments accounted for using the equity method	129	(53)
Change in deferred taxes	295	357
Net income from the sale of long-term assets and subsidiaries	(84)	(101)
Other changes*	1,295	(358)
Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)	**3,532**	**6,777**
Income on financial instruments at fair value through profit or loss	5,267	4,901
Interbank transactions	14,554	(1,921)
Customers transactions	5,429	(11,732)
Transactions related to other financial assets and liabilities	(36,748)	(1,598)
Transactions related to other non-financial assets and liabilities	14,424	(4,643)
Net increase/decrease in cash related to operating assets and liabilities (III)	**2,926**	**(14,993)**
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	**10,404**	**(3,403)**
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments	234	(5,758)
Net cash inflow (outflow) related to tangible and intangible fixed assets	(7,210)	(7,621)
Net cash inflow (outflow) related to investment activities (B)	**(6,976)**	**(13,379)**
Cash flow from/to shareholders	(1,219)	(2,543)
Other net cash flow arising from financing activities	3,229	(471)
Net cash inflow (outflow) related to financing activities (C)	**2,010**	**(3,014)**
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	1,386	2,179
Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C) + (D)	**6,824**	**(17,617)**
Cash, due from central banks (assets)	96,585	114,404
Due to central banks (liabilities)	(5,721)	(5,604)
Current accounts with banks (see Notes 3.5 and 4.3)	24,667	22,159
Demand deposits and current accounts with banks (see Note 3.6)	(13,875)	(11,686)
Cash and cash equivalents at the start of the year	**101,656**	**119,273**
Cash, due from central banks (assets)	102,311	96,585
Due to central banks (liabilities)	(4,097)	(5,721)
Current accounts with banks (see Notes 3.5 and 4.3)	21,843	24,667
Demand deposits and current accounts with banks (see Note 3.6)	(11,577)	(13,875)
Cash and cash equivalents at the end of the year	**108,480**	**101,656**
Net inflow (outflow) in cash and cash equivalents	**6,824**	**(17,617)**

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

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

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6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

NOTE 1.1 Introduction

ACCOUNTING STANDARDS

In accordance with European Regulation 1606/2002 of 19 July 2002 on the application of International Accounting Standards, the Societe Generale Group ("the Group") prepared its consolidated financial statements for the year ended 31 December 2019 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date.

These standards are available on the European Commission website at:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_en

The most significant change made to the applied accounting principles is the application of IFRS 16 "Leases" as from 1 January 2019.

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

FINANCIAL STATEMENTS PRESENTATION

As the IFRS accounting framework does not specify a standard model, the format of the primary financial statements used to present the data for financial year 2019 is consistent with the format of financial statements proposed by the French Accounting Standard Setter, the *Autorité des Normes Comptables* (ANC), under Recommendation No. 2017-02 of 2 June 2017.

The disclosures provided in these notes focus on information that is both relevant and material to the financial statements of the Societe Generale group, its activities and the circumstances in which it conducted its operations over the period.

PRESENTATION CURRENCY

The presentation currency of the consolidated financial statements is the euro.

The figures presented in the financial statements and in the notes are expressed in millions of euros, unless otherwise specified. The effect of rounding can generate discrepancies between the figures presented in the financial statements and those presented in the notes.

NOTE 1.2 New accounting standards applied by the Group as of 1st January 2019

IFRS 16 "Leases"

IFRIC 23 "Uncertainty over Income Tax Treatments"

Annual improvements (2015-2017 cycle)

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

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

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

IFRS 16 "LEASES"

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

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

Accounting treatments provided by IFRS 16 standard

LEASES RECOGNITION

For all lease agreements, except the exemptions provided by the standard, the lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

In its income statement, the lessee separately recognises the depreciation of the right-of-use assets and the interest expense on lease liabilities.

The accounting treatments are detailed in the Note 8.4.

SCOPE

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

Transition requirements

For the first-time application of IFRS 16, the Group chose to implement the amended retrospective approach proposed by the standard.

At 1 January 2019, the amount of the lease liability on outstanding leases is calculated by discounting residual rental payments with the incremental borrowing rates in effect on that date of the lessees' entities (rates determined according to the requirements described on the Note 8.4), taking into account the residual maturity of the contracts. The corresponding rights-of-use are recorded on the balance sheet for an amount equal to the lease liability.

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

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

Impacts of the first-time application of IFRS 16

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

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

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

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

IMPACTS ON THE BALANCE SHEET AT 1 JANUARY 2019

(In EURm)		01.01.2019
Assets		
Other assets		(3)
Non-current assets held for sale	(c)	42
Tangible and intangible fixed assets	(a)	2,011
TOTAL IFRS 16 IMPACTS		**2,050**
Liabilities		
Other liabilities	(b)	2,008
Non-current liabilities held for sale	(c)	42
TOTAL IFRS 16 IMPACTS		**2,050**

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

(a) An increase of 2,011 million euros of the *Tangible and intangible fixed assets* heading which breaks down into:

- An increase of 2,118 million euros of tangible fixed assets due to:
  - the rights-of-use booking of 2,110 million euros linked to the accounting in the balance sheet of leases concerning the following underlying assets:
    - 2,012 million euros linked to building leases contracted for the lease of French and international commercial (branches in the retail banking networks) and office space;
    - 93 million euros relative to computer equipment leases (of which 83 million euros for the Data Centers);
    - 5 million euros concerning vehicle leases;
    - the reclassification for 107 million euros of the leaseholds linked to leases, previously booked under the intangible fixed assets and stated as a separate component of the right-of-use;
  - the reclassification for -102 million euros, mainly composed of 99 million euros of deferred revenues related to rent-free periods, previously recognised under *Other liabilities*;
  - the reclassification from *Other assets* of prepaid expenses for 3 million euros concerning the prepaid rents.
  - a decrease of 107 million euros of intangible fixed assets relative to the reclassification of leaseholds.

(b) An increase of 2,008 million euros of *Other liabilities* linked to the following movements:

- the recognition of a lease liability for 2,110 million euros;
- the reclassification of the rent-free periods for 102 million euros, including 99 million euros of the deferred revenues related to rent-free periods.

(c) The accounting of rights-of-use and lease liability for 42 million euros by entities whose assets and liabilities are classified as *Non-current assets held for sale* and *Non-current liabilities related to non-current assets held for sale*.

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

The table below aims to reconcile:

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

(In EURm)

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

(1) Short-term contracts or contracts on low-value items.
(2) The discount rate in the table corresponds to the weighted average lessee's incremental borrowing rate.
(3) Lease liability booked at 1 January 2019 relative to leases whose minimum operating lease payments had been excluded because of materiality issue from the amount stated in the Notes as of 31 December 2018.
(4) This amount excludes the lease liability stated under "Other liabilities" (2,110 million euros) and under "Non-current liabilities held for sale" (42 million euros).

IFRS INTERPRETATIONS COMMITEE (IFRS IC) DECISIONS ON 26 NOVEMBER 2019

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

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

IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS"

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

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

ANNUAL IMPROVEMENTS (2015-2017)

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

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

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

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

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

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

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

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

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

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

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

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

These amendments were adopted by the European Union on 15 January 2020 and can be early-applied from 2019. The Group decided to early-apply the amendments in its 31 December 2019 financial statements and to use the reliefs provided for hedging relationships affected by the uncertainties at that date, including those linked to the EONIA, EURIBOR and LIBOR (USD, GBP, CHF, JPY) benchmarks. The hedging derivatives instruments to which these amendments have been applied are subject to specific disclosures in Note 3.2.

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

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

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

The amendments clarify that IFRS 9 "Financial Instruments" shall be applied to financial instruments that form part of the net investment in an associate or a joint venture but to which the equity method is not applied.

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

These amendments clarify how pension expenses are determined in the event of amendment, curtailment or settlement of defined benefit pension plans. In these cases, IAS 19 currently calls for the net cost of the defined benefit asset or liability to be remeasured.

The amendments require the entity to use the updated actuarial assumptions from this remeasurement to determine past service cost and net interest.

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

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

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

2020

- Amendments to IAS 1 and IAS 8 "Definition of material" [Adopted by EU]
- Amendments to IFRS 3 "Business Combinations"

2021

- IFRS 17 "Insurance Contracts"

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

Adopted by the European Union on 29 November 2019

These amendments are intended to clarify the definition of "material" in order to facilitate the exercise of judgement during the preparation financial statements, particularly when selecting the information to be presented in the Notes.

AMENDMENTS TO IFRS 3 "BUSINESS COMBINATIONS"

Issued by IASB on 22 October 2018

The amendments are intended to provide clearer application guidance to make it easier to differentiate between the acquisition of a business and the acquisition of a group of assets, whose accounting treatment is different.

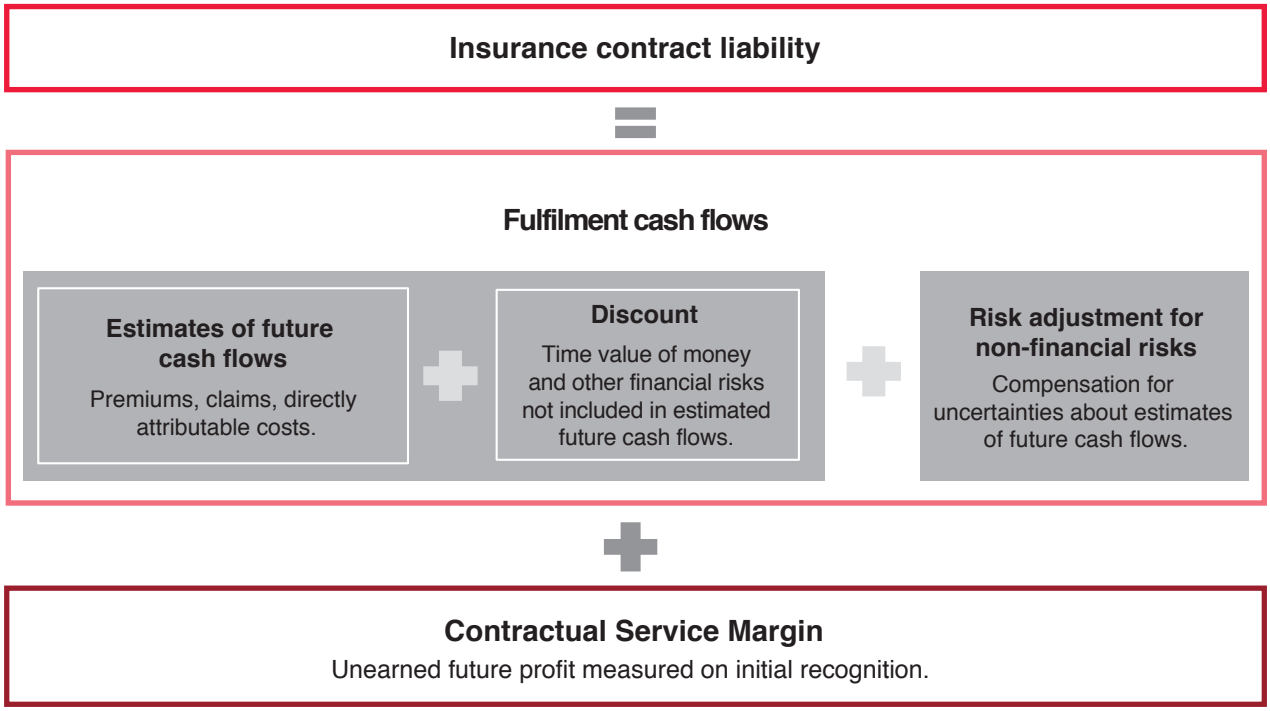
IFRS 17 "INSURANCE CONTRACTS"

Issued by IASB on 18 May 2017

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

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts that belong to its application scope (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the balance sheet will be replaced by a current value measurement of insurance contracts.

The general model provided for the measurement of insurance contracts in the balance sheet will be based on a building-blocks approach: a current estimate of future cash flows, a risk adjustment, and a contractual service margin.



Positive contractual service margins will be recognised as income over the duration of the insurance service, whereas negative margins will be immediately recognised as expense, as soon as the insurance contract is identified as onerous.

The general model will be the default measurement model for all insurance contracts.

However, IFRS 17 also provides a mandatory alternative model for insurance contracts with direct participation features. Under this model, called "variable fee approach", the measurement of the insurance contract liability shall take into account the obligation to pay to policyholders a substantial share of the fair value returns on the underlying items, less a fee for future services provided by the insurance contract (changes in the fair value of underlying items due to policyholders are then recognised as an adjustment of the contractual service margin).

A simplified measurement (premium allocation approach) is also allowed by the standard under conditions for short-term contracts (12 months or less) and contracts for which the result of premium allocation approach is closed to the general approach.

These measurement models will have to be applied to homogeneous portfolios of insurance contracts. The level of aggregation of these portfolios will be assessed considering:

- contracts that are subject to similar risks and managed together;
- the year during which contracts are issued; and
- at initial recognition, contracts that are onerous, contracts that have no significant possibility of becoming onerous subsequently, and the remaining contracts.

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

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

NOTE 1.4 Use of estimates and judgment

When applying the accounting principles disclosed in the following notes for the purpose of preparing the Group's consolidated financial statements, the Management makes assumptions and estimates that may have an impact on the figures recorded in the income statement or among other comprehensive income, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the consolidated financial statements.

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

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

- the fair value in the balance sheet of financial instruments not quoted in an active market which are classified as *Financial assets and liabilities at fair value through profit or loss, Hedging derivatives*, *Financial assets at fair value through other comprehensive income* or even *Investments of insurance companies* (described in Notes 3.1, 3.2, 3.3, 3.4 and 4.3) and fair value of instruments measured at amortised cost for which this information must be disclosed in the notes to the financial statements (see Note 3.9);
- the amount of impairment and provisions for credit risk related to financial assets measured at amortised cost, or at fair value through other comprehensive income, loan commitments granted and guarantee commitments granted measured with models or internal assumptions based on historical, current and prospective data (see Note 3.8). The uses of estimates and judgment relates in particular to the assessment of the deterioration in credit risk observed since the initial recognition of financial assets and the measurement of the amount of expected credit losses on these same financial assets;
- for the purpose of documenting the related macro fair value hedge accounting, assumptions and amortisation conventions used to determine the maturities of financial assets and liabilities, measuring and monitoring the structural interest rate risks (see Note 3.2);
- the amount of impairment on goodwill (see Note 2.2);
- the provisions recognised under liabilities, underwriting reserves of insurance companies and deferred profit-sharing (see Notes 4.3, 5.2 and 8.3);
- the amount of tax assets and liabilities recognised in the balance sheet (see Note 6);
- the analysis of the contractual cash flow characteristics of financial assets (see Note 3);
- the assessment of control for determining the scope of consolidated entities, especially for structured entities (see Note 2).

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

BREXIT

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

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

The Group has taken all the necessary steps to guarantee service continuity to its customers starting 31 January 2020, and will be following the developments in the negotiations that will be held during the transition period. The Group has taken into account Brexit's short-, medium- and long-term consequences in the hypotheses and estimates retained in the preparation of the annual consolidated financial statements.

NOTE 2 CONSOLIDATION

MAKE IT SIMPLE

The various activities of the Societe Generale group in France and abroad are carried out by Societe Generale – Parent company (which includes the Societe Generale foreign branches) and by all of the entities that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates). All of these entities make up the scope of the Group consolidation.

Consolidation uses a standardised accounting process to give an aggregated presentation of the accounts of Societe Generale – Parent company and its subsidiaries, joint arrangements and associates, presented as if they were a single entity.

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

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

ACCOUNTING PRINCIPLES

The consolidated financial statements of Societe Generale include the financial statements of the parent company and of the main French and foreign companies as well as foreign branches over which the Group exercises control, joint control or significant influence.

Consolidated entities

SUBSIDIARIES

Subsidiaries are the entities over which the Group has exclusive control. The Group controls an entity if and only if the following conditions are met:

- the Group has power over the entity (ability to direct its relevant activities, *i.e.* the activities that significantly affect the entity's returns), through the holding of voting rights or other rights; and
- the Group has exposure or rights to variable returns from its involvement with the entity; and
- the Group has the ability to use its power over the entity to affect the amount of the Group's returns.

Power

When determining voting rights for the purpose of establishing the Group's degree of control over an entity and the appropriate consolidation method, potential voting rights are taken into account where they can be freely exercised at the time the assessment is made or at the latest when decisions about the direction of the relevant activities need to be made. Potential voting rights are instruments such as call options on ordinary shares outstanding on the market or rights to convert bonds into new ordinary shares.

When voting rights are not relevant to determine whether or not the Group controls an entity, the assessment of this control shall consider all the facts and circumstances, including the existence of one or more contractual arrangements. Power over an investee exists only if the investor has substantive rights that give it the current ability to direct relevant activities without barriers.

Some rights are designed to protect the interests of their holder (protective rights) without giving that party power over the investee to which those rights relate.

If several investors each have substantive rights that give them the unilateral ability to direct different relevant activities, the investor that has the current ability to direct the activities that most significantly affect the variable returns of the investee is presumed to have power over the investee.

Exposure to variable returns

Control exists only if the Group is significantly exposed to the variability of variable returns generated by its investment or its involvement in the entity. These returns, which could be dividends, interest, fees, etc., can be only positive, only negative or both positive and negative.

Link between power and returns

Power over the relevant activities does not give control to the Group if this power does not allow it to affect its returns from its involvement with the entity. If the Group has been delegated decision-making rights that it exercises on behalf and for the benefit of third parties (the principals), it is presumed to act as an agent for these principals, and therefore it does not control the entity when it exercises its decision-making power. In asset management activities, an analysis shall be performed in order to determine whether the asset manager is acting as agent or principal when managing the net assets of a fund; the fund is presumed to be controlled by the asset manager if the latter is considered as a principal.

Special case of structured entities

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

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

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

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

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

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

JOINT ARRANGEMENTS

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

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

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

ASSOCIATES

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

Consolidation rules and methods

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

The results of newly acquired subsidiaries are included in the consolidated financial statements from the date the acquisition became effective and results of subsidiaries disposed of during the fiscal year are included up to the date where the Group relinquished control.

CONSOLIDATION METHODS

The subsidiaries, which may include structured entities over which the Group has exclusive control, are fully consolidated.

In the consolidated balance sheet, full consolidation consists in replacing the value of the subsidiary's equity securities held by the Group with each of the subsidiary's assets and liabilities, in addition to the goodwill recognised when the Group assumed control over the entity (see Note 2.2).

In the income statement and the statement of net income and unrealised or deferred gains and losses, the subsidiary's expense and income items are aggregated with those of the Group.

The share of non-controlling interests in the subsidiary is presented separately in the consolidated balance sheet and income statement. However, in consolidated structured entities that are controlled by the Group, the shares of said entities not held by the Group are recognised as *Debt* in the balance sheet.

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

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

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

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

TRANSLATION OF FOREIGN ENTITY FINANCIAL STATEMENTS

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

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

CHANGES IN GROUP'S OWNERSHIP INTEREST IN A CONSOLIDATED ENTITY

In the event of an increase in Group's ownership interest in a subsidiary over which it already exercises control, the differences between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired at this date is recorded under *Consolidation reserves, Group share*.

The costs related to these transactions are recognised directly in equity.

When the Group losses control of a consolidated subsidiary, any investment retained in the former subsidiary is remeasured at fair value through profit or loss, at the same time the capital gain or loss is recorded under *Net income/expense from assets* in the consolidated income statement. The gains or losses on disposals include a share of goodwill previously allocated to the cash-generating units to which the subsidiary belongs. This share's determination is based on a normative capital allocated to the subsidiary that is sold and to the portion of cash-generating unit that is retained.

Commitments to buy out minority shareholders in fully consolidated subsidiaries

In some fully consolidated Group subsidiaries, the Group has awarded minority shareholders commitments to buy out their stakes. For the Group, these buyout commitments are put option sales (put options without transfer of the risks and advantages associated with the ownership interest before the option's exercise). The exercise price for these options can be established using a formula agreed upon at the time of the acquisition of the shares in the subsidiary that takes into account its future performance. It can also be set as the fair value of these shares at the exercise date of the options.

The commitments are recorded as follows:

- in accordance with IAS 32, the Group records a financial liability for the put options granted to minority shareholders of the subsidiaries over which it exercises control. This liability is initially recognised at the present value of the estimated exercise price of the put options under *Other Liabilities*;
- the obligation to recognise a liability even though the put options have not been exercised means that, in order to be consistent, the Group must use the same accounting treatment as the one applied to transactions in *Non-controlling interests*. As a result, the counterpart of this liability is a write-down in value of non-controlling interests underlying the options, with any balance deducted from *Retained earnings, Group share*;
- subsequent variations in this liability (linked to changes in the estimated exercise price of the options and the carrying value of *Non-controlling interests*) are recorded in full in *Retained earnings, Group share*;
- if the buy-out takes place, the liability is settled by the cash payment linked to the acquisition of non-controlling interests in the subsidiary. However if, when the commitment reaches its term, the buy-out has not occurred, the liability is written off against *Non-controlling interests* and *Retained earnings, Group share* for their respective portions;
- as long as the options have not been exercised, the results linked to *Non-controlling interests* with a put option are recorded under *Non-controlling interests* on the Group's consolidated income statement.

NOTE 2.1 Consolidation scope

The consolidation scope includes subsidiaries and structured entities under the Group's exclusive control, joint arrangements (joint ventures and joint operations) and associates whose financial statements are significant relative to the Group's consolidated financial statements, notably regarding Group consolidated total assets and gross operating income.

The main changes to the consolidation scope at 31 December 2019, compared with the scope applicable at the closing date of 31 December 2018, are as follows:

SG EXPRESS BANK

On 15 January 2019, the Group sold all its participation in SG Express Bank, its Bulgarian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 3.4 billion, mainly through a decrease of EUR 2.4 billion in customer loans and a decrease of EUR 2.7 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

SOCIETE GENERALE PRIVATE BANKING NV/SA

On 28 February 2019, the Group sold all its participation in Societe Generale Private Banking NV/SA, its Belgian private banking subsidiary, to ABN AMRO. The sale reduced the Group's balance sheet by EUR 1.1 billion, due to a decrease of EUR 1.1 billion in Non-current assets held for sale (o/w EUR 0.4 billion in cash, due from central banks and EUR 0.5 billion in customer loans) and a decrease of EUR 1.0 billion in Non-current liabilities held for sale (o/w EUR 1.0 billion in customer deposits).

LA BANQUE POSTALE FINANCEMENT

On 28 March 2019, the Group sold to La Banque Postale its investment in La Banque Postale Financement (35%) accounted for using the equity method.

BANKA SOCIETE GENERALE ALBANIA SH.A.

On 29 March 2019, the Group sold all its participation in Banka Societe Generale Albania SH.A., its Albanian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.7 billion, mainly through a decrease of EUR 0.4 billion in customer loans and a decrease of EUR 0.6 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

EURO BANK S.A.

On 31 May 2019, the Group sold all its participation in Eurobank, its Polish subsidiary, to Bank Millennium. The sale reduced the Group's balance sheet by EUR 3.4 billion, mainly through a decrease of EUR 2.9 billion in customer loans and of EUR 1.8 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

SOCIETE GENERALE BANKA MONTENEGRO A.D.

On 16 July 2019, the Group sold all its participation in SG Banka Montenegro A.D., its Montenegrin subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.5 billion, mainly through a decrease of EUR 0.4 billion in customers loans and a decrease of EUR 0.4 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

MOBIASBANCA GROUPE SOCIETE GENERALE

On 25 July 2019, the Group sold all its participation in Mobiasbanca, its Moldavian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.5 billion, mainly through a decrease of EUR 0.3 billion in customers loans and a decrease of EUR 0.5 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD

On 24 September 2019, the Group sold all its participation in SG Banka Srbija A.D Beograd, its Serbian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 2.7 billion, mainly through a decrease of EUR 2 billion in customer loans and a decrease of EUR 1.6 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

OHRIDSKA BANKA A.D. SKOPJE

On 4 November 2019, the Group sold all its participation in SG Banka Ohridska Banka A.D. Skopje, its Macedonian subsidiary, to Steiermärkische Sparkasse. The sale reduced the Group's balance sheet by EUR 0.6 billion, mainly through a decrease of EUR 0.5 billion in customer loans and a decrease of EUR 0.5 billion of customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

PEMA GMBH

On 2 December 2019, the Group sold all its participation in PEMA GmbH, a rental company with truck and trailer service, to TIP Trailer Services. This transfer resulted in the reduction in *Tangible and intangible fixed assets* for EUR 0.6 billion and a decrease in *Customer deposits* for EUR 0.5 billion compared to 31 December 2018.

SKB GROUP

On 13 December 2019, the Group sold the entity SKB Banka D.D. Ljubljana (Slovenia) and its subsidiaries Leasing D.O.O and SKB Leasing Select D.O.O. to OTP Bank. The sale reduced the Group's balance sheet by EUR 3 billion, mainly through a decrease of EUR 2.4 billion in customer loans and a decrease of EUR 2.5 billion of customer deposits, compared to 31 December 2018.

The result of these disposals recorded in *Net income/expense from other assets* amounts to EUR -277 million for the 2019 financial year.

NOTE 2.2 Goodwill

MAKE IT SIMPLE

When the Group acquires a company, it integrates in its consolidated balance sheet all of the new subsidiary's assets and liabilities at fair value, as if they had been individually acquired.

But the acquisition price of a company is generally higher than the net revalued amount of its assets and liabilities. The excess value, called goodwill, can represent part of the Company's intangible capital (reputation, quality of its personnel, market shares, etc.) which contributes to its overall value, or the value of the future synergies that the Group hopes to develop by integrating the new subsidiary in its existing activities.

In the consolidated balance sheet, the goodwill is recognised as an intangible asset, the useful life of which is presumed to be unlimited; it is not amortised and therefore does not generate any recurring expense in the Group's future results.

However, every year, the Group assesses whether the value of its goodwill has not depreciated. If it has, an irreversible expense is immediately recognised in the Group results, which indicates that the profitability of the intangible capital of the acquired entity is inferior to initial expectations, or that the anticipated synergies have not been fulfilled.

ACCOUNTING PRINCIPLES

The Group uses the acquisition method to recognise its business combinations.

At the acquisition date, all assets, liabilities, off-balance sheet items and contingent liabilities of the acquired entities that are identifiable under the provisions of IFRS 3 "Business Combinations" are measured individually at their fair value regardless of their purpose. The analyses and professional appraisals required for this initial valuation must be carried out within 12 months as from the acquisition date, as must any corrections to the value based on new information related to facts and circumstances existing at the acquisition date. At the same time, non-controlling interests are valued according to their share of the fair value of the identifiable assets and liabilities of the acquired entity. However, for each business combination, the Group may also choose to measure *Non-controlling* interests initially at their fair value, in which case a fraction of goodwill is allocated.

The acquisition cost is calculated as the total fair value, at the date of acquisition, of all assets given, liabilities incurred or assumed and equity instruments issued in exchange for the control of the acquired entity. The costs directly linked to business combinations are recognised in the income statement for the period except those related to the issuance of equity instruments.

Any contingent consideration is included in the acquisition cost at its fair value on the acquisition date, even if its occurrence is only potential. It is recognised under equity or debt in the balance sheet depending on the settlement alternatives.

If recognised as debt, any subsequent adjustment is recorded under income for financial liabilities in accordance with IFRS 9 and within the scope of the appropriate standards for other debts. For equity instruments, these subsequent adjustments are not recognised. Any excess of the price paid over the assessed fair value of the proportion of net assets acquired is recorded on the asset side of the consolidated balance sheet under Goodwill. Any deficit is immediately recognised in the income statement. On the date of acquisition of an entity, any stake in this entity already held by the Group is remeasured at fair value through profit or loss. In the case of a step acquisition, goodwill is therefore determined by referring to the fair value on the acquisition date.

At the acquisition date, each item of goodwill is allocated to one or more cash-generating units expected to derive benefits from the acquisition. When the Group reorganises its reporting structure in a way that changes the composition of one or more Cash-Generating Units, goodwill previously allocated to modified units is reallocated to the units affected (new or existing). This reallocation is generally performed using a relative approach based on the normative capital requirements of each Cash-Generating Unit affected.

Goodwill is reviewed regularly by the Group and tested for impairment whenever there is any indication that its value may have diminished, and at least once a year. Any impairment of goodwill is calculated based on the recoverable value of the relevant cash-generating unit(s).

If the recoverable amount of the cash-generating unit(s) is less than its (their) carrying amount, an irreversible impairment is recorded in the consolidated income statement for the period under *Value adjustments on goodwill*.

At 31 December 2019, goodwill is split into the following 11 Cash-Generating Units (CGUs):

Pillars	Activities
French Retail Banking	
Societe Generale network	Societe Generale's retail banking network, Boursorama online banking activities, consumer and equipment financing in France
Crédit du Nord	Retail banking network of Crédit du Nord and its 7 regional banks
International Retail Banking and Financial Services	
Europe	Retail banking and consumer finance services in Europe, notably in Germany (Hanseatic Bank, BDK), Italy (Fiditalia), France (CGL), Czech Republic (KB, Essox), Romania (BRD)
Russia	Integrated banking group including Rosbank and its subsidiary Rusfinance
Africa, Mediterranean Basin and Overseas	Retail banking and consumer finance in Africa, the Mediterranean Basin and Overseas, including in Morocco (SGMA), Algeria (SGA), Tunisia (UIB), Cameroon (SGBC), Côte d'Ivoire (SGBCI) and Senegal (SGBS)
Insurance	Life and non-life insurance activities in France and abroad (including Sogécap, Sogessur, Oradéa Vie and Antarius)
Equipment and Vendor Finance	Financing of sales and professional equipment by Societe Generale Equipment Finance
Auto Leasing Financial Services	Operational vehicle leasing and fleet management services (ALD Automotive)
Global Banking and Investor Solutions	
Global Markets and Investor Services	Market solutions for businesses, financial institutions, the public sector, family offices and a full range of securities services, clearing services, execution, prime brokerage and custody
Financing and Advisory	Advisory and financing services for businesses, financial institutions, the public sector and transaction and payment management services
Asset and Wealth Management	Asset and Wealth Management Solutions in France and abroad

The table below shows the changes in the net values of goodwill:

(In EURm)	Net book value at 31.12.2018	Acquisitions and other increases	Disposals and other decreases[1]	Net book value at 31.12.2019
French Retail Banking	**797**			**797**
Societe Generale network	286			286
Crédit du Nord	511			511
International Retail Banking & Financial Services	**2,885**	**43**	**(199)**	**2,729**
Europe	1,450		(89)	1,361
Russia	-			
Africa, Mediterranean Basin and Overseas	231		(3)	228
Insurance	335			335
Equipment and Vendor Finance	335		(107)	228
Auto Leasing Financial Services	534	43		577
Global Banking and Investor Solutions	**970**	**132**	**(1)**	**1,101**
Global Markets and Investor Services	501	83		584
Financing and Advisory	57			57
Asset and Wealth Management	412	49	(1)	460
TOTAL	**4,652**	**175**	**(200)**	**4,627**

(1) The other decreases include the reclassification of the entities held for sale's goodwill to Non-current assets held for sale (see Note 2.5).

ACQUISITION OF COMMERZBANK "EQUITY MARKETS AND COMMODITIES" BUSINESS

Following the agreement signed on 8 November 2018, the Group is committed to acquiring the Commerzbank "Equity Markets and Commodities" (EMC) business. The EMC business purchased comprises manufacturing and market-making of flow ("Flow" business) and structured products ("Exotic, Vanilla and Funds" business) as well as part of asset management activities ("Asset Management" business).

The integration process of staff, trading books and infrastructure started in the first half of 2019 and is expected to continue until the beginning of the first half of 2020.

Based on the progress of the staff integration and the transfers of trading books at 31 December, the Group already took control of the "Exotic, Vanilla and Funds" (EVF) business and the asset management activities leading to the recognition of a EUR 83 million goodwill for the EVF business (included in the "Global Markets and Investor Services" CGU) and a EUR 49 million goodwill for the asset management business (included in the "Asset and Wealth Management" CGU).

The transfers of trading books related the EVF business are recorded under *Financial assets at fair value through profit or loss* and *Financial liabilities at fair value through profit or loss* in the consolidated balance sheet (see Note 3.1).

ANNUAL IMPAIRMENT TEST

The Group performed an annual impairment test at 31 December 2019 for each CGU to which goodwill had been allocated. A CGU is defined as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from the Group's other assets or groups of assets. Impairment tests consist into assessing the recoverable value of each CGU and comparing it with its carrying value. An irreversible impairment loss is recorded in the income statement if the carrying value of a CGU, including goodwill, exceeds its recoverable value. This loss is booked to the impairment of goodwill.

The recoverable amount of a Cash-Generating Unit is calculated using the most appropriate method, generally the discounted cash flow (DCF) method applied to the entire cash-generating unit. The cash flows used in this calculation are income available for distribution generated by all the entities included in the cash-generating unit, taking into account the Group targeted equity allocated to each CGU.

The cash flows were determined this year on a five-year period, with the prospective four-year budgets (from 2020 to 2023) extrapolated over the year 2024, this one corresponding to a "normative" year used to calculate the terminal value:

- allocated equity at 31 December 2019 amounted to 11% of risk-weighted assets, excepted for Crédit du Nord, whose allocated equity amounted to 10.5%, in accordance with the entity's management guidelines;
- the discount rate is calculated using a risk-free rate grossed up by a risk premium based on the CGU's underlying activities. This risk premium, specific to each activity, is calculated from a series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta). Where appropriate, the risk-free rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free rate available in the area of monetary assignment (mainly US dollar area or Euro area) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or Euro area), in proportion with risk-weighted assets for CGUs covering several countries;
- the growth rates used to calculate the terminal value is determined using forecasts on long-term economic growth and sustainable inflation. These rates are estimated using two main sources, namely the International Monetary Fund and the economic analyses produced by SG Cross Asset Research which provide 2024 forecasts.

No goodwill impairment was recognised as at 31 December 2019 as a result of the annual CGU impairment test.

The table below presents discount rates and long-term growth rates specific for the CGUs of the Group's three core businesses:

Assumptions at 31 December 2019	Discount rate	Long-term growth rate
French Retail Banking		
Societe Generale network and Crédit du Nord	7.7%	2%
International Retail Banking and Financial Services		
Retail Banking and Consumer Finance	10.1% to 14.5%	2% to 3%
Insurance	9.0%	2.5%
Equipment and Vendor Finance and Auto Leasing Financial Services	9.2%	2%
Global Banking and Investor Solutions		
Global Markets and Investor Services	12.3%	2%
Financing and Advisory	10.0%	2%
Asset and Wealth Management	9.7%	2%

Budget projections are based on the following main business line and macroeconomic assumptions:

French Retail Banking	
Societe Generale network and Crédit du Nord	■ In a challenging environment (regulatory constraints, low inflation, historically low rates), ongoing efforts to shift operations and relationship banking at Societe Generale and Crédit du Nord towards a digital model ■ Confirmation of Boursorama's customer acquisition plan
International Retail Banking & Financial Services	
Europe	■ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations ■ Strict discipline applied to operating expenses and normalisation of cost of risk
Russia	■ Continued recovery of activities in Russia in stabilising economic conditions ■ Strict discipline applied to operating expenses and cost of risk
Africa, Mediterranean Basin and Overseas	■ Continued development of Societe Generale's sales network and expansion of services through the mobile banking offer ■ Continued focus on operating efficiency
Insurance	■ Reinforcement of integrated bank insurance model and continued dynamic growth in France and abroad in synergy with the retail banking network, Private Banking and financial services to businesses
Equipment and Vendor Finance	■ Consolidation of leadership in these corporate financing businesses ■ Consolidation of profitability by continuing to focus on activities with the best risk/reward ■ Strict discipline applied to operating expenses
Auto Leasing Financial Services	■ Reinforcement of leadership of ALD relative to solutions of mobility and continued growth for strategic partners and for long-time leasing to retail customers ■ Continued focus on operating efficiency
Global Banking and Investor Solutions	
Global Markets and Investor Services	■ Adaptation of market activities to a competitive environment, coupled with further business and regulatory investments. ■ Consolidation of market-leading franchises (equities) particularly through the integration of Commerzbank Equity Markets and Commodities activities ■ Continued of optimisation measures and investments in information systems
Financing and Advisory	■ Continuation of origination momentum of financing activities ■ Consolidation of market-leading franchises (commodity and structured financing) ■ Management of cost of risk despite challenging economic conditions
Asset and Wealth Management	■ Consolidation of commercial and operational efficiency in Wealth Management in a constrained environment and continued development of synergies with retail bank network ■ Integration of Commerzbank Asset Management activities

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value of the variation in certain assumptions.

At 31 December 2019, in light of the risks associated with business activity in the current environment (market volatility, regulatory uncertainties), sensitivities to variations in the discount rate, long-term growth were measured.

According to the results of these tests:

- an increase of 50 basis points applied to all discount rates for the CGUs disclosed in the table above would lead to a decrease of 25.3% in recoverable value and would not generate any additional impairment;
- similarly, a decrease of 50 basis points in long-term growth rates would lead to a decrease of 8.1% in recoverable value and would not generate any additional impairment.

NOTE 2.3 Additional disclosures for consolidated entities and investments accounted for using the equity method

This Note provides additional disclosures for entities included in the consolidation scope.

These disclosures concern entities over which Societe Generale exercises exclusive control, joint control or significant influence, provided that these entities have significant impact on the Group's consolidated financial statements. The significance of the impact is considered in particular regarding Group consolidated total assets and gross operating income.

NOTE 2.3.1 CONSOLIDATED STRUCTURED ENTITIES

Consolidated structured entities include:

- collective investment vehicles such as SICAVs (open-ended investment funds) and mutual funds managed by the Group's asset management subsidiaries;
- securitisation funds and conduits issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches;
- asset financing vehicles (aircraft, rail, shipping or real estate finance facilities).

The Group has entered into contractual agreements with certain consolidated structured entities that may lead to financial support for these entities due to their exposure to credit, market or liquidity risks.

In 2019, the Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2019, does not intend to provide such support.

Securities issued by structured debt vehicles carry an irrevocable and unconditional guarantee from Societe Generale for payment of amounts due by the issuer. These issuers also enter into hedging transactions with Societe Generale to enable them to meet their payment obligations. As of 31 December 2019, the amount of outstanding loans thus guaranteed is EUR 58 billion.

As part of its securitisation activities on behalf of its clients or investors, Societe Generale grants two liquidity lines to ABCP (Asset Back Commercial Paper) conduits for a total amount of EUR 20.2 billion as of 31 December 2019.

NOTE 2.3.2 NON-CONTROLLING INTERESTS

Non-controlling interests refer to equity holdings in fully consolidated subsidiaries that are neither directly nor indirectly attributable to the Group. They include equity instruments issued by these subsidiaries and not held by the Group, as well as the share of income and accumulated reserves, and of unrecognised or deferred gains and losses attributable to the holders of these instruments.

Non-controlling interests amount to EUR 5,043 million at 31 December 2019 (vs. EUR 4,783 million at 31 December 2018) and account for 7% of total shareholders' equity at 31 December 2019 (vs. 7% at 31 December 2018).

INFORMATION ON SHAREHOLDER'S EQUITY OF NON-CONTROLLING INTERESTS

(In EURm)	31.12.2019	31.12.2018
Capital and reserves	4,291	4,060
Other equity instruments issued by subsidiaries (see Note 7.1)	800	800
Unrealised or deferred gains and losses	(48)	(77)
TOTAL	**5,043**	**4,783**

The *Non-controlling interests*, of significant amount in terms of contribution to the total shareholders' equity in the Group's consolidated balance sheet, relate to:

- listed subsidiaries Komercni Banka A.S, BRD - Groupe Societe Generale SA and SG Marocaine de Banques;
- ALD SA, whose data presented here correspond to those of the ALD group;
- Sogécap, fully owned, with the subordinated notes issued in December 2014.

	31.12.2019				
(In EURm)	Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	221	1,540	(134)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	125	654	(93)
GROUPE ALD	79.82%	79.82%	122	840	(52)
SG MAROCAINE DE BANQUES	57.58%	57.58%	41	447	(11)
SOGÉCAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	156	733	(89)
TOTAL	**-**	**-**	**698**	**5,043**	**(412)**

	31.12.2018				
(In EURm)	Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	220	1,437	(122)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	128	623	(94)
GROUPE ALD *	79.82%	79.82%	120	766	(50)
SG MAROCAINE DE BANQUES	57.57%	57.57%	39	413	(8)
SOGÉCAP	100.00%	100.00%	33	829	(33)
Other entities *	-	-	152	715	(94)
TOTAL	**-**	**-**	**692**	**4,783**	**(401)**

* *Amounts restated compared with the published consolidated statements for the year-ended 31 December 2018.*

SUMMARISED FINANCIAL INFORMATION FOR MAIN NON-CONTROLLING INTERESTS

The information below are the data of the entities or subgroups (excluding Sogécap) taken at 100% and before the elimination of intra-group operations.

	31.12.2019			
(In EURm)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,240	595	1,024	41,605
BRD - GROUPE SOCIETE GENERALE SA	658	322	50	11,684
GROUPE ALD	1,349	567	446	47,214
SG MAROCAINE DE BANQUES	432	105	148	9,424

	31.12.2018			
(In EURm)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,227	595	969	40,501
BRD - GROUPE SOCIETE GENERALE SA	636	327	62	11,618
GROUPE ALD	1,321	561	408	43,681
SG MAROCAINE DE BANQUES	399	100	128	8,583

NOTE 2.3.3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES AND JOINT VENTURES)

SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES AND ASSOCIATES

	Joint ventures		Associates		Total investments accounted for using the equity method	
(In EURm)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Group share:						
Net income[1]	5	5	(134)	51	(129)	56
Unrealised or deferred gains and losses (net of tax)	-	-	3	(3)	3	(3)
NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES	**5**	**5**	**(131)**	**48**	**(126)**	**53**

(1) 2019 net income includes an impairment of EUR 158 million of the Group's investment in SG de Banque au Liban.

COMMITMENTS TO RELATED PARTIES

(In EURm)	**31.12.2019**	**31.12.2018**
Loan commitments granted	-	-
Guarantee commitments granted	45	54
Forward financial instrument commitments	-	142

NOTE 2.3.4. RESTRICTIONS

SIGNIFICANT RESTRICTIONS ON THE ABILITY TO ACCESS OR USE THE ASSETS OF THE GROUP

Legal, regulatory, statutory or contractual constraints or requirements may restrict the ability of the Group to transfer assets freely to or from entities within the Group.

The ability of consolidated entities to distribute dividends or to grant or repay loans and advances to entities within the Group depends on, among other things, local regulatory requirements, statutory reserves and financial and operating performance. Local regulatory requirements may concern regulatory capital, exchange controls or non-convertibility of the local currency (as it is the case in countries belonging to the West African Economic and Monetary Union or to the Economic and Monetary Community of Central Africa), liquidity ratios (as in the United States) or large exposures ratios that aim to cap the entity's exposure in relation to the Group (regulatory requirement to be fulfilled in most countries in Eastern and Central Europe, Maghreb and sub-Saharan Africa).

The ability of the Group to use assets may also be restricted in the following cases:

- assets pledged as security for liabilities, notably guarantees provided to the central banks, or assets pledged as security for transactions in financial instruments, mainly through guarantee deposits with clearing houses;
- securities that are sold under repurchase agreements or that are lent;
- assets held by insurance subsidiaries in representation of unit-linked liabilities with life-insurance policy holders;
- assets held by consolidated structured entities for the benefit of the third-party investors that have bought the notes or securities issued by the entity;
- mandatory deposits placed with central banks.

NOTE 2.4 Unconsolidated structured entities

The information provided hereafter concerns entities structured but not controlled by the Group. This information is grouped by main type of similar entities, such as Financing activities, Asset management and Others (including Securitisation and Issuing vehicules).

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

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

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

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

NOTE 2.4.1 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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

Such interests can be evidenced by:

- the holding of equity or debt instruments (regardless of their rank of subordination);
- other funding (loans, cash facilities, loan commitments, liquidity facilities…);
- credit enhancement (guarantees, subordinated instruments, credit derivatives…);
- issuance of guarantees (guarantee commitments);
- derivatives that absorb all or part of the risk of variability of the structured entity's returns, except Credit Default Swap (CDS) and options purchased by the Group;
- contracts remunerated by fees indexed to the structured entity's performance;
- tax consolidation agreements.

	Asset financing		Asset management		Others	
(In EURm)	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Total balance sheet of the entity[1]	**7,436**	**7,900**	**135,564**	**121,154**	**31,038**	**27,464**
Net carrying amount of Group interests in unconsolidated structured entities						
Assets	**2,011**	**3,232**	**13,139**	**5,596**	**8,950**	**10,645**
Financial assets at fair value through profit or loss	446	384	12,652	4,964	3,801	5,509
Financial assets at fair value through other comprehenive income	-	-	-	-	55	56
Financial assets at amortised cost	1,553	2,843	361	462	5,094	5,080
Others	12	5	126	170		-
Liabilities	**1,851**	**1,533**	**12,241**	**4,701**	**4,261**	**5,680**
Financial liabilities at fair value through profit or loss	218	198	8,927	3,122	3,438	4,845
Due to banks and customer deposits	1,621	1,313	1,625	1,487	823	830
Others	12	22	1,689	92		5

(1) For Asset management, NAV (Net Asset Value) of funds.

In 2019, the Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2019, does not intend to provide such support.

The maximum exposure to loss related to interests in unconsolidated structured entities is measured as:

	Asset financing		Asset management		Others	
(In EURm)	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Amortised cost or fair value[1] (according to the measurement of the financial instrument) of non-derivative financial assets entered into with the structured entity	3,029	2,910	5,097	5,227	2,333	2,450
Fair value[1] of derivative financial assets recognised in the balance sheet	327	248	9,885	1,268	2,885	4,309
Notional amount of CDS sold (maximum amount to be paid)	-	-	-	-	-	-
Notional amount of loan or guarantee commitments granted	534	387	978	1,355	1,848	1,198
Maximum exposure to loss	**3,890**	**3,545**	**15,960**	**7,850**	**7,066**	**7,957**

The amount of maximum exposure to loss can be mitigated by:

- the notional amount of guarantee commitments received;
- the fair value[1] of collateral received;
- the carrying amount of surety deposits received.

These mitigating amounts must be capped in case of legal or contractual limitation of their realisable or recoverable amounts. They amounted to EUR 2,009 million and mainly concern Asset financing.

(1) Fair value at closing date. This fair value can change during subsequent financial years.

NOTE 2.4.2. INFORMATION ON UNCONSOLIDATED STRUCTURED ENTITIES SPONSORED BY THE GROUP

The Group may have no ownership interest in a structured entity, but still be considered as a sponsor of this structured entity if it acts or has acted as:

- a structurer;
- an originator for potential investors;
- an asset manager;
- an implicit or explicit guarantor of the entity's performance (in particular *via* capital or return guarantees granted to mutual fund unit holders).

A structured entity is also considered to be sponsored by the Group if its name includes the name of the Group or the name of one of its subsidiaries.

Conversely, entities that are structured by the Group according to specific needs expressed by one or more customers or investors are considered to be sponsored by said customers or investors.

At 31 December 2019, the total amount of the balance sheet of these unconsolidated structured entities, sponsored by the Group, and in which the Group does not have any interest, was EUR 2,570 million (including EUR 252 million for Other structures).

In 2019, no significant revenue has been recognised for these structured entities.

NOTE 2.5 Non-current assets held for sale and related debt

ACCOUNTING PRINCIPLES

A non-current asset or group of assets and liabilities is deemed to be "held for sale" if its carrying value will primarily be recovered through a sale and not through its continuing use. For this classification to apply, the asset or group of assets and liabilities must then be immediately available-for-sale in its present condition and it must be highly probable that the sale will occur within twelve months.

For this to be the case, the Group must be committed to a plan to sell the asset (or disposal group if assets and liabilities) and have begun actively searching for a buyer. Furthermore, the asset or group of assets and liabilities must be measured at a price that is reasonable in relation to its current fair value.

Assets and liabilities into this category are classified as *Non-current assets held for sale* and *Non-current liabilities held for sale*, with no netting.

If the fair value less selling costs of non-current assets and groups of assets and liabilities held for sale is less that their net carrying value, an impairment is then recognised in profit or loss. Moreover, *Non-current assets held for sale* are no longer amortised or depreciated.

(In EURm)	31.12.2019	31.12.2018
Assets	**4,507**	**13,502**
Fixed assets and Goodwill	5	262
Financial assets	4,464	11,245
Financial assets at fair value through profit or loss	*26*	*111*
Hedging derivatives	*10*	*-*
Financial assets at fair value through other comprehensive income	*-*	*1,429*
Securities at amortised cost	*-*	*59*
Due from banks at amortised cost	*68*	*324*
Customer loans at amortised cost	*4,360*	*9,322*
Other assets	38	1,995
Liabilities	**1,333**	**10,454**
Provisions	14	22
Financial liabilities	1,211	10,309
Financial liabilities at fair value through profit or loss	*-*	*2*
Hedging derivatives	*9*	*-*
Debt securities issued	*-*	*116*
Due to banks	*786*	*596*
Customer deposits	*416*	*9,595*
Subordinated debts	*-*	*-*
Other liabilities	108	123

As at 31 December 2019, the *Non-current assets held for sale* and *Non-current liabilities held for sale* items mainly encompass the assets and liabilities of the retail banking SG de Banque aux Antilles, the assets and liabilities of the equipment finance and factoring company SG Finans AS, and the assets and liabilities related to the South African securities services activity (SG Johannesburg).

The changes of the *Non-current assets held for sale* and *Non-current liabilities held for sale* items compared to 31 December 2018 mainly come from:

- the sale of entities detailed in the Note 2.1;
- the reclassification of assets and liabilities of the entities SG de Banque aux Antilles and SG Finans AS.

Some *Non-current assets held for sale* (mostly goodwill and fixed assets) are measured at the lowest between accounting value and fair value less disposal costs. It means that all or part of any expected capital loss from the sale of a group of assets can be allocated as soon as the assets are reclassified under *Non-current assets held for sale.* In this context, the impairment cost recognised by the Group at 31 December 2019 amounts to EUR -109 million under *Net income/expense from other assets*.

NOTE 3 FINANCIAL INSTRUMENTS

MAKE IT SIMPLE

The financial instruments represent the contractual rights or obligations to receive or to pay cash or other financial assets. The Group's banking activities generally take the form of financial instruments covering a broad spectrum of assets and liabilities, such as loans, investment portfolios (equity, bonds, etc.), deposits, regulated savings accounts, debt securities issued and derivative instruments (swaps, options, forward contracts, credit derivatives, etc.).

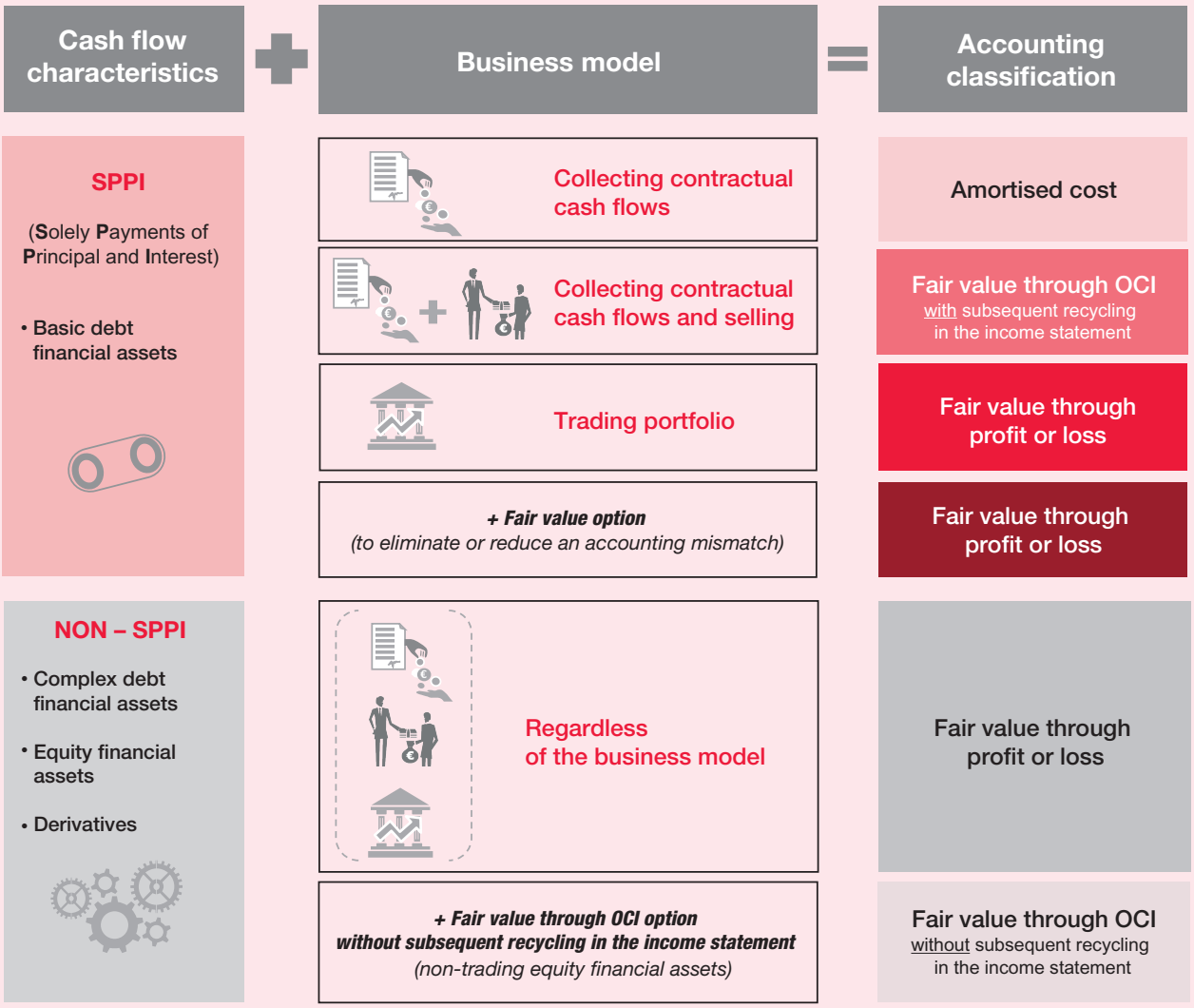
In the financial statements, the classification and valuation of financial assets and liabilities depend on their contractual characteristics and the way the entity manages those financial instruments.

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

ACCOUNTING PRINCIPLES

Classification of financial assets

At initial recognition, financial instruments are classified in the Group balance sheet in one of three categories (amortised cost, fair value through profit or loss, and fair value through other comprehensive income) that determine their accounting treatment and subsequent measurement method. Classification is based on their contractual cash flow characteristics and the entity's business model for managing the assets.



The accounting principles for classifying financial assets require the entity to analyse the contractual cash flows generated by the financial instruments and to analyse the business model for managing the financial instruments.

ANALYSIS OF CONTRACTUAL CASH FLOW CHARACTERISTICS

The aim of the analysis of contractual cash flow characteristics is to limit the option of recognising revenues from financial assets using the effective interest method exclusively to instruments whose characteristics are similar to those of a basic lending arrangement, meaning their associated cash flows are highly predictable. All other financial instruments that do not share these characteristics are measured at fair value through profit or loss, regardless of the business model used to manage them.

Contractual inflows that represent Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding are consistent with a basic lending arrangement.

In a basic lending arrangement, interest predominantly consists of a consideration for the time value of money and for credit risk. Interest may also include a consideration for liquidity risk, administrative costs, and a commercial profit margin. Negative interest is not inconsistent with this definition.

All financial assets that are not basic will be mandatorily measured at fair value through profit or loss, regardless of the business model for managing them.

Derivatives qualifying as hedging instruments for accounting purposes are recorded on a separate line in the balance sheet (see Note 3.2).

The Group can make the irrevocable decision, on a security-by-security basis, to classify and measure an investment in an equity instrument (shares and other equity securities) that is not held for trading purposes at fair value through other comprehensive income. Subsequently, the profit or loss accumulated in other comprehensive income will never be reclassified to profit or loss (only dividends from those investments will be recognised as income).

ANALYSIS OF THE BUSINESS MODEL

The business model represents how the financial instruments are managed in order to generate cash flows and income.

The Group uses several business models in the course of exercising its different business lines. Business models are assessed on how groups of financial instruments are managed together to achieve a particular business objective. The business model is not assessed on an instrument-by-instrument basis, but at a portfolio level, considering relevant evidence such as:

- how the performance of the portfolio is evaluated and reported to the Group's management;
- how risks related to financial instruments within that business model are managed;
- how managers of the business are compensated;
- sales of assets realised or expected (value, frequency, purpose).

To determine the classification and measurement of financial assets, three different business models shall be distinguished:

- a business model whose objective is to collect contractual cash flows ("Collect" business model);
- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("Collect and Sell" business model);
- a separate business model for other financial assets, especially those that are held for trading purposes, where collecting contractual cash flows is only incidental.

FAIR VALUE OPTION

SPPI financial assets that are not held for trading purposes can be designated, at initial recognition, at fair value through profit or loss if such designation eliminates or significantly reduces discrepancies in the accounting treatment of related financial assets and liabilities (accounting mismatch).

Classification of financial liabilities

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

- *Financial liabilities at fair value through profit or loss*: these are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Group upon initial recognition to be measured at fair value through profit or loss using the fair value option;
- *Debts:* these include the other non-derivative financial liabilities and are measured at amortised cost.

Derivative financial assets and liabilities qualifying as hedging instruments are presented on separate lines of the balance sheet (see Note 3.2).

Reclassification of financial assets

Reclassification of financial assets are only required in the exceptional event that the Group changes the business model used to manage these assets.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation methods used by the Group to establish the fair value of financial instruments are detailed in Note 3.4.

Initial recognition

Financial assets are recognised on the balance sheet:

- at the settlement/delivery date for securities;
- at the trade date for derivatives;
- at the disbursement date for loans.

For instruments measured at fair value, changes in fair value between the trade date and the settlement-delivery date are recorded in net income statement or in other comprehensive income, depending on the accounting classification of the financial assets in question. The trade date is the date on which the contractual commitment becomes binding and irrevocable for the Group.

When initially recognised, financial assets and liabilities are measured at fair value including transaction costs directly attributable to their acquisition or issuance, except for financial instruments recognised at fair value through profit or loss, for which these costs are booked directly to the income statement.

If the initial fair value is based on observable market data, any difference between the fair value and the transaction price, *i.e.* the sales margin, is immediately recognised in the income statement. However, if valuation inputs are not observable or if the valuation models are not recognised by the market, the recognition of the sales margin is then generally deferred in the income statement. For some instruments, due to their complexity, this margin is recognised at their maturity or upon disposal in the event of early sale. When valuation inputs become observable, any portion of the sales margin that has not yet been recorded is recognised in the income statement at that time (see Note 3.4.7).

Derecognition of financial assets and liabilities

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to ownership of the asset.

The Group also derecognises financial assets over which it has retained the contractual rights to the associated cash flows but is contractually obligated to pass these same cash flows through to a third party ("pass-through agreement") and for which it has transferred substantially all the risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and, where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the income statement for an amount equal to the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealised profit or loss previously recognised directly in equity and for the value of any servicing asset or servicing liability. Indemnities billed to borrowers following the prepayment of their loan are recorded in the income statement on the prepayment date among *Interest and similar income*.

The Group derecognises all or part of a financial liability when it is extinguished, *i.e.* when the obligation specified in the contract is discharged, cancelled or expired.

A financial liability may also be derecognised in the event of a substantial amendment to its contractual conditions or where an exchange is made with the lender for an instrument whose contractual conditions are substantially different.

ANALYSIS OF CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS

The Group has established procedures for determining if financial assets pass the SPPI test at initial recognition (loans granting, acquisition of securities, etc.).

All contractual terms shall be analysed, particularly those that could change the timing or amount of contractual cash flows. A contractual term that permits the borrower or the lender to prepay or to return the debt instrument to the issuer before maturity remains consistent with SPPI cash flows, provided the prepayment amount primarily represents the principal remaining due and accrued but unpaid contractual interest, which may include a reasonable compensation. The fact that such compensation can be either positive or negative is not inconsistent with the SPPI nature of cash flows.

The prepayment compensation is considered as reasonable especially when:

- the amount is calculated as a percentage of the outstanding amount of the loan and is capped by regulations (in France, for example, compensation for the prepayment of mortgage loans by individuals is legally capped at an amount equal to six months of interest or 3% of the principal outstanding), or is limited by competitive market practices;
- the amount is equal to the difference between contractual interest that should have been received until the maturity of the loan and the interest that would be obtained by the reinvestment of the prepaid amount at a rate that reflects the relevant benchmark interest rate.

Some loans are prepayable at their current fair value, while others can be prepayable at an amount that includes the fair value cost to terminate an associated hedging swap. It is possible to consider such prepayment amounts as SPPI provided that they reflect the effect of changes in the relevant benchmark interest rate.

Basic financial assets (SPPI) are debt instruments which mainly include:

- fixed-rate loans;
- variable-rate loans that can include caps or floors;
- fixed or variable-rate debt securities (government or corporate bonds, other negotiable debt securities);
- securities purchased under resale agreements (reverse repos);
- guarantee deposits paid;
- trade receivables.

Contractual terms that would introduce exposure to risks or volatility in the contractual cash flows, unrelated to a basic lending arrangement (such as exposure to changes in equity prices or stock indexes for instance, or leverage features), could not be considered as being SPPI, except if their effect on the contractual cash flows remains minimum.

Non-basic financial assets (non-SPPI) mainly include:

- derivative instruments;
- shares and other equity instruments held by the entity;
- equity instruments issued by mutual funds;
- debt financial assets that can be converted or redeemed into a fixed number of shares (convertible bonds, equity-linked securities, etc.).

When the time value component of interest can be modified according to the contractual term of the instrument, it may be necessary to compare the contractual cash flow with the cash flow that would arise from a benchmark instrument. For instance, that is the case when an interest rate is periodically reset, but the frequency of that reset does not match the tenor of the interest rate (such as an interest rate reset every month to a one-year rate), or when the interest rate is periodically reset to an average of short- and long-term interest rates.

If the difference between the undiscounted contractual cash flows and the undiscounted benchmark cash flows is or may become significant, then the instrument is not considered basic.

Depending on the contractual terms, the comparison with benchmark cash flow may be performed through a qualitative assessment; but in other cases, a quantitative test is required. The difference between contractual and benchmark cash flows has to be considered in each reporting period and cumulatively over the life of the instrument. When performing this benchmark test, the entity considers factors that could affect future undiscounted contractual cash flows: using the yield curve at the date of the initial assessment is not enough, and the entity also has to consider whether the curve could change over the life of the instrument according to reasonably possible scenarios.

Within the Group, the financial instruments concerned by a benchmark test include, for instance, variable-rate housing loans for which interest rates are reset every year based on the twelve-month Euribor average observed over the two months previous to the reset. Another example is loans granted to real estate professionals for which interest is revised quarterly based on the one-month Euribor average observed over the three months previous to the reset. Following the benchmark analysis performed by the Group, it has been concluded that these loans are basic.

Furthermore, a specific analysis of contractual cash flow is required when financial assets are instruments issued by a securitisation vehicle or a similar entity that prioritises payments to holders using multiple contractually-linked instruments that create concentrations of credit risk (tranches). When assessing whether contractual cash flows are SPPI or not, the entity must analyse the contractual terms, as well as the credit risk of each tranche and the exposure to credit risk in the underlying pool of financial instruments. To that end, the entity must apply a "look-through approach" to identify the underlying instruments that are creating the cash flows.

The data presented in Note 3 exclude the financial instruments of insurance subsidiaries; the data for insurance subsidiaries are presented in Note 4.3.

The information on the types of risks, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, are disclosed in Chapter 4 of the present Universal Registration Document (Risks and capital adequacy).

NOTE 3.1 Financial assets and liabilities at fair value through profit or loss

OVERVIEW OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2019		31.12.2018	
(In EURm)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading portfolio[1]	358,033	281,246	338,312	285,478
Financial assets measured mandatorily at fair value through profit or loss	24,977		24,057	
Financial instruments measured using fair value option through profit or loss	2,729	82,883	3,181	77,605
TOTAL	**385,739**	**364,129**	**365,550**	**363,083**
o/w securities purchased/sold under resale/repurchase agreements	*111,818*	*97,895*	*129,628*	*98,874*

(1) At 31 December 2019, the trading portfolio includes trading books related to the activities of manufacturing and market making of structured products ("Exotic, Vanilla and Funds") acquired from Commerzbank during the first half of 2019 (see Note 2.2).

NOTE 3.1.1 TRADING PORTFOLIO

ACCOUNTING PRINCIPLES

The trading book contains financial assets and liabilities held or accrued for the purpose of capital markets activities.

This portfolio also includes, among other trading assets, physical commodities that are held by the Group as part of its market-maker activity on commodity derivative instruments.

By default, derivative financial instruments are classified into the trading portfolio, unless they qualify as hedging instruments (see Note 3.2).

The financial instruments recorded in the trading portfolio are measured at fair value at the closing date and recognised in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in their fair value and revenues associated to those instruments are recorded in the income statement as *Net gains and losses on financial instruments at fair value through profit or loss.*

TRADING ACTIVITIES

Financial assets held for trading are:

- acquired with the intention of selling them in the short term; or
- held for market-making purposes; or
- acquired for the purposes of the specialised management of a trading portfolio, including derivative financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Global market activities

The trading business model is applied by Global Banking and Investor Solutions to manage its global market activities.

It is also applied for managing syndicated loan commitments and loans that are not intended to be kept by the Group and that have been identified since their origination as to be sold in the short term (within 6 to 12 months) on the secondary market, as well as for loans originated by the Group through originate-to-distribute activities and that are expected to be sold shortly.

Financial assets held in run-off portfolios are also monitored based on their fair value. Although those portfolios are not related to market activities, those assets are presented amongst trading portfolio and are measured at fair value through profit or loss.

Trading portfolio includes all the financial assets held for trading purpose regardless of the characteristics of their contractual cash flows. Only non-SPPI financial assets that are not held for trading are classified amongst Financial assets measured mandatorily at fair value through profit or loss (see section 2 below).

ASSETS

(In EURm)	31.12.2019	31.12.2018
Bonds and other debt securities	26,080	29,732
Shares and other equity securities	77,966	49,297
Loans, receivables and securities purchased under resale agreements	117,956	135,861
Trading derivatives[1]	135,849	122,983
Other trading assets	182	439
TOTAL	**358,033**	**338,312**
o/w securities lent	*13,681*	*12,411*

(1) See Note 3.2 Financial derivatives.

LIABILITIES

(In EURm)	31.12.2019	31.12.2018
Amounts payable on borrowed securities	38,950	51,264
Bonds and other debt instruments sold short	3,518	6,231
Shares and other equity instruments sold short	1,466	1,248
Borrowings and securities sold under repurchase agreements	97,820	98,299
Trading derivatives[1]	138,120	126,946
Other trading liabilities	1,372	1,490
TOTAL	**281,246**	**285,478**

(1) See Note 3.2 Financial derivatives.

NOTE 3.1.2. FINANCIAL INSTRUMENTS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING PRINCIPLES

Financial assets measured mandatorily at fair value through profit or loss include:

- loans, bonds and bond equivalents that are not held for trading purposes and do not pass the SPPI test (non-basic or non-SPPI instruments).
- shares and share equivalents that are not classified in any other sub-category: trading book at fair value through profit or loss, instruments designated by the Group at fair value through other comprehensive income without subsequent reclassification to profit or loss.

These assets are recorded at fair value in the balance sheet under *Financial assets at fair value through profit or loss* and changes in the fair value of these instruments (excluding interest income) are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*.

BREAKDOWN OF FINANCIAL ASSETS MEASURED MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

(In EURm)	31.12.2019	31.12.2018
Bonds and other debt securities	177	158
Shares and other equity securities	2,492	1,996
Loans, receivables and securities purchased under resale agreements	22,308	21,903
TOTAL	**24,977**	**24,057**

BREAKDOWN OF LOANS AND RECEIVABLES AND SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(In EURm)	31.12.2019	31.12.2018
Short-term loans	2,029	2,354
Equipment loans	18,152	15,796
Other loans	2,127	3,753
TOTAL	**22,308**	**21,903**

The loans and receivables and securities purchased under resale agreements recorded in the balance sheet under Financial assets mandatorily at fair value through profit or loss are mainly:

- loans that include prepayment features with compensation that do not reflect the effect of changes in the benchmark interest rate;
- loans that include indexation clauses that do not permit to recognise them as basic loans (SPPI).

NOTE 3.1.3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS USING FAIR VALUE OPTION

ACCOUNTING PRINCIPLES

In addition to financial assets and liabilities held for trading, and financial assets measured mandatorily at fair value through profit or loss, the same headings in the financial statements include non-derivative financial assets and liabilities that the Group has designated at fair value through profit or loss. Changes in the fair value of these instruments (including interest) are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*, except the share related to the Group's own credit risk on financial liabilities which is booked under *Unrealised or deferred gains and losses*.

Furthermore, in case of derecognition of a financial liability at fair value through profit or loss using the fair value option before its contractual maturity, gains and losses, if any, related to the Group's own credit risk are booked under *Unrealised or deferred gains and losses* and then reclassified under *Retained earnings* at the beginning of the subsequent financial year.

For financial assets, this option may only be used to eliminate or significantly reduce accounting mismatches that would otherwise arise from applying different accounting treatments to certain related financial assets and liabilities.

For financial liabilities, this option may only be used in the following cases:

- to eliminate or reduce discrepancies in the accounting treatment of certain related financial assets and liabilities;
- when it applies to a hybrid financial instrument with one or more embedded derivatives, which should be recognised separately;
- when a group of financial assets and/or liabilities is managed together and its performance is measured at fair value.

The Group thus recognises structured bonds issued by Societe Generale Corporate and Investment Banking at fair value through profit or loss. These issuances are purely commercial and the associated risks are hedged on the market using financial instruments managed in trading portfolios. By using the fair value option, the Group can ensure consistency between the accounting treatment of these bonds and that of the derivatives hedging the associated market risks, which have to be carried at fair value.

ASSETS

(In EURm)	31.12.2019	31.12.2018
Bonds and other debt securities	1,458	1,310
Loans, receivables and securities purchased under resale agreements	145	819
Separate assets for employee benefits plans	1,126	1,052
TOTAL	**2,729**	**3,181**

LIABILITIES

Financial liabilities measured at fair value through profit or loss in accordance with the fair value option predominantly consist of structured bonds issued by the Societe Generale group.

The revaluation differences attributable to the Group's issuer credit risk are determined using valuation models taking into account the Societe Generale group's most recent financing terms and conditions on the markets and the residual maturity of the related liabilities.

Changes in fair value attributable to own credit risk generated a loss of EUR -121 million at 31 December 2019. Up to this date, the total gains and losses attributable to own credit risk amounted to EUR -317 million booked in equity (see Note 7.3).

At 31 December 2019, the difference between the fair value of financial liabilities measured using the fair value option through profit or loss (EUR 82,883 million versus EUR 77,605 million at 31 December 2018) and their amount redeemable at maturity (EUR 83,249 million versus EUR 78,080 million at 31 December 2018) stood at EUR -366 million (EUR -475 million at 31 December 2018).

NOTE 3.1.4. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(In EURm)	2019	2018
Net gain/loss on trading portfolio (excluding derivatives)	5,754	(6,091)
Net gain/loss on financial instruments at fair value through profit or loss[1]	3,661	941
Net gain/loss on financial instruments measured using fair value option	(15,028)	4,277
Net gain/loss on derivative instruments	9,712	6,263
Net gain/loss on hedging instruments[2]	100	35
Net gain/loss on fair value hedging derivatives	*1,155*	*(947)*
Revaluation of hedged items attributable to hedged risks[3]	*(1,055)*	*982*
Net gain/loss on foreign exchange transactions	144	(306)
TOTAL	**4,343**	**5,119**
o/w gains on financial instruments at fair value through other comprehensive income	*84*	*103*

(1) This item includes realised and unrealised gains and losses on debt and equity instruments, with the exception of the income component of debt instruments representative of an interest rate, which is recorded under net interest margin (see Note 3.7).

(2) This item includes only the net gain/loss on hedging transactions related to financial instruments. For the hedging transactions related to non-financial assets and liabilities, the net gain/loss on hedging transactions is included under the profit and loss account of the hedged item.

(3) This item includes the revaluation of fair value hedged items, including the change in revaluation differences in portfolios hedged against interest rate risk.

Insofar as income and expenses recorded in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole. It should be noted that the income shown here does not include the refinancing cost of these financial instruments, which is shown under interest expense and interest income.

NOTE 3.2 Financial derivatives

MAKE IT SIMPLE

Derivative instruments are financial instruments for which the value changes according to that of an underlying item and can be accompanied by a leverage effect. The items underlying these instruments are various (interest rates, exchange rates, equity, indexes, commodities, credit rating…), as are their forms (forward contracts, swaps, calls and puts…).

The Group may use these derivative instruments for their market activities to provide to its customers solutions to meet their risk management or revenue optimisation needs. In that case, they are accounted for as trading derivatives.

The Group may also use derivative instruments to manage and hedge its own risks. In which case, they are qualified as hedging derivatives. Hedging transactions can concern individual items or transactions (micro-hedging relationships) or portfolios of financial assets and liabilities that can generate a structural interest-rate risk (macro-hedging relationships).

Contrary to other financial instruments, derivative instruments are always measured at fair value in the balance sheet, regardless their purpose (market activities or hedging transactions). The fair value adjustments of trading derivatives are directly recognised in the income statement. However, the accounting method used on hedging transactions aims to neutralise in the income statement the effects of the revaluation of hedging derivatives, as long as the hedge is effective.

ACCOUNTING PRINCIPLES

Derivatives are financial instruments meeting the following three criteria:

- their value changes in response to the change in a specified interest rate, foreign exchange rate, share price, index of prices, commodity price, credit rating, etc.;
- they require little to no initial investment;
- they are settled at a future date.

All financial derivatives are recognised at fair value in the balance sheet as financial assets or financial liabilities. They are considered to be trading derivatives by default, unless they are designated as hedging instruments for accounting purposes.

Special case - financial derivatives having Societe Generale shares as their underlying instrument

Financial derivatives having Societe Generale shares as their underlying instrument or shares in Group subsidiaries and whose liquidation entails the payment of a fixed amount in cash (or another financial asset) against a fixed number of Societe Generale shares (other than derivatives) are equity instruments. These instruments, and any related premiums paid or received, are recognised directly in equity, and any changes in the fair value of these derivatives are not recorded. For sales of put options on Societe Generale shares and forward on Societe Generale shares, a debt is recognised for the value of the notional with a contra entry in equity.

Other financial derivatives having Societe Generale shares as their underlying instrument are recorded in the balance sheet at fair value in the same manner as derivatives with other underlying instruments.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host instrument.

Where the host contract is a financial asset, the entire hybrid contract is measured at fair value through profit or loss because its contractual cash flows do not pass the SPPI test.

Where the host contract is a financial liability and is not measured at fair value through profit or loss, the embedded derivative is separated from the host contract if:

- at acquisition, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; and
- it would meet the definition of a derivative.

Once separated, the derivative is recognised at fair value in the balance sheet under *Financial assets or Financial liabilities at fair value through profit or loss* under the aforementioned conditions. The host contract is classified as a financial liability and measured in accordance with its accounting category.

NOTE 3.2.1. TRADING DERIVATIVES

ACCOUNTING PRINCIPLES

Trading derivatives are recorded in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*.

Changes in the fair value of financial derivatives involving counterparties which subsequently went into default are recorded under *Net gains and losses on financial instruments at fair value through profit or loss* until the termination date of these instruments. At this termination date, receivables and debts on these counterparties are recognised at fair value in the balance sheet. Any further impairment of these receivables is recognised under *Cost of risk* in the income statement.

BREAKDOWN OF FAIR VALUE OF TRADING DERIVATIVES

	31.12.2019		31.12.2018	
(In EURm)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate instruments	91,146	88,501	74,253	73,835
Foreign exchange instruments	18,036	18,354	19,246	19,466
Equities & index Instruments	22,318	26,141	21,450	23,675
Commodities Instruments	1,860	2,201	5,708	6,081
Credit derivatives	2,415	2,037	2,224	2,704
Other forward financial instruments	74	886	102	1,185
TOTAL	**135,849**	**138,120**	**122,983**	**126,946**

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentration and to implement a proactive risk and capital management approach. All credit derivatives, regardless of their purpose, are measured at fair value through profit or loss and cannot be qualified as hedging instruments for accounting purposes. Accordingly, they are recognised at fair value among trading derivatives.

BREAKDOWN OF TRADING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

(In EURm)	31.12.2019	31.12.2018
Interest rate instruments	**11,988,127**	**11,489,020**
Firm instruments	9,959,001	9,476,579
Swaps	*8,324,621*	*7,868,534*
FRAs	*1,634,380*	*1,608,045*
Options	2,029,126	2,012,441
Foreign exchange instruments	**3,192,776**	**3,823,369**
Firm instruments	2,475,393	2,661,823
Options	717,383	1,161,546
Equity and index instruments	**1,124,549**	**1,086,822**
Firm instruments	186,691	154,988
Options	937,858	931,834
Commodities instruments	**96,900**	**190,706**
Firm instruments	83,509	139,558
Options	13,391	51,148
Credit derivatives	**246,006**	**293,463**
Other forward financial instruments	**38,428**	**38,423**
TOTAL	**16,686,786**	**16,921,803**

NOTE 3.2.2 HEDGING DERIVATIVES

According to the transitional provisions of IFRS 9, the Group made the choice to maintain the IAS 39 provisions related to hedge accounting. Consequently, equity instruments do not qualify for hedge accounting regardless of their accounting category.

ACCOUNTING PRINCIPLES

In order to be hedged against certain market risks, the Group sets up hedging derivatives. From an accounting standpoint, the Group designates the hedging transaction as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation, depending on the risk and on the instruments that are hedged.

To designate an instrument as a hedging derivative, the Group must document the hedging relationship in detail, from the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged and the associated risk management strategy, the type of financial derivative used and the valuation method that will be used to measure its effectiveness.

A derivative designated as a hedging instrument must be highly effective in offsetting the change in fair value or cash flows arising from the hedged risk. This effectiveness is verified when changes in the fair value or cash flows of the hedged instrument are almost entirely offset by changes in the fair value or cash flows of the hedging instrument, with the expected ratio between the two changes ranging from 80% to 125%. Effectiveness shall be assessed both when the hedge is first set up and throughout its life. Effectiveness is measured each quarter prospectively (expected effectiveness over the future periods) and retrospectively (effectiveness measured on past periods). Where the effectiveness falls outside the range specified above, hedge accounting is discontinued.

Hedging derivatives are recognised in the balance sheet under *Hedging derivatives.*

Fair value hedges

The purpose of these hedges is to protect the Group against an adverse fluctuation in the fair value of an instrument which could affect profit or loss if the instrument were derecognised from the balance sheet.

Changes in the fair value of the hedging derivative are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*; for interest rate derivatives, however, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

In the balance sheet, the carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. To the extent that the hedge is highly effective, changes in the fair value of the hedged item and changes in the fair value of the hedging derivative are accurately offset through profit or loss, the difference corresponding to an ineffectiveness gain or loss.

Prospective effectiveness is assessed *via* a sensitivity analysis based on probable market trends or *via* a regression analysis of the statistical relationship (correlation) between certain components of the hedged item and the hedging instrument. Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is terminated or sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value attributable to the hedged risk and the cumulative adjustments previously recognised under hedge accounting are amortised over its remaining life. Hedge accounting is also discontinued if the hedged item is sold prior to maturity or early-redeemed, the valuation adjustments are then immediately recognised in the income statement.

Cash flow hedges

The purpose of interest rate cash flow hedges is to protect against changes in future cash flows associated with a financial instrument on the balance sheet (loans, securities or floating-rate notes) or with a highly probable future transaction (future fixed rates, future prices, etc.). The purpose of these hedges is to protect the Group against adverse fluctuations in the future cash-flows of an instrument or transaction that could affect profit or loss.

The effective portion of changes in the fair value of hedging derivatives is booked to *Unrealised or deferred gains and losses*, while the ineffective portion is recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. For interest rate derivatives, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

The effectiveness of the hedge is assessed using the hypothetical derivative method, which consists in i) creating a hypothetical derivative bearing exactly the same characteristics as the instrument being hedged (in notional terms, in terms of the date on which the rates are reset, in terms of the rates themselves, etc.), but which moves in the opposite direction and whose fair value is nil when the hedge is set up, then ii) comparing the expected changes in the fair value of the hypothetical derivative with those of the hedging instrument (sensitivity analysis) or performing a regression analysis on the prospective effectiveness of the hedge.

Amounts directly recognised in equity in respect of the revaluation of cash flow hedging derivatives are subsequently reclassified to *Interest income and expense* in the income statement at the same time as the cash flows being hedged.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. Amounts previously recognised directly in equity are reclassified under *Interest income and expense* in the income statement over the periods during which interest income is affected by cash flows arising from the hedged item. If the hedged item is sold or redeemed earlier than expected or if the hedged forecast transaction ceases to be highly probable, unrealised gains and losses recognised in equity are immediately reclassified in the income statement.

Hedging of a net investment in a foreign operation

The purpose of a hedge of a net investment in a foreign company is to protect against exchange rate risk.

The hedged item is an investment in a country whose currency differs from the Group's functional currency. The hedge therefore serves to protect the net position of a foreign subsidiary or branch against an exchange rate risk linked to the entity's functional currency.

The effective portion of the changes in the fair value of a hedging derivative designated for accounting purposes as a hedge of a net investment is recognised in equity under *Unrealised or deferred gains and losses*, while the ineffective portion is recognised in the income statement.

Portfolio hedges (macro-hedge)

In this type of hedge, interest rate derivatives are used to globally hedge the structural interest rate risk resulting mainly from Retail Banking activities.

When accounting for these transactions, Group entities apply either the fair value hedge or the cash flow hedge principles.

Group entities, documenting a macro fair value hedge of assets and liabilities portfolios at fix rate, apply the IAS 39 "carve-out" standard as adopted by the European Union, which facilitates:

- the application of fair value hedge accounting to macro-hedges used for asset-liability management, including customer demand deposits in the fixed-rate positions being hedged;
- the performance of effectiveness tests required by IAS 39 as adopted by the European Union.

The accounting treatment of financial derivatives designated as macro fair value hedges is similar to that of other fair value hedging instruments. Changes in the fair value of the portfolio of macro-hedged instruments are reported on a separate line in the balance sheet under *Revaluation differences on portfolios hedged against interest rate risk* through profit or loss.

Group entities, documenting a macro cash flow hedge apply the same accounting principles as those presented above for cash flow hedge. Thus, macro-hedged assets or liabilities portfolios are not measured at fair value for the hedged risk.

In the case of macro cash flow hedge, hedged portfolios include assets or liabilities at variable rate.

BREAKDOWN OF FAIR VALUE OF HEDGING DERIVATIVES

	31.12.2019		31.12.2018	
(In EURm)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fair value hedge	**16,617**	**9,981**	**11,666**	**5,767**
Interest rate instruments	16,616	9,981	11,650	5,765
Foreign exchange instruments	1	-	16	2
Equity and index instruments	-	-	-	-
Cash flow hedge	**181**	**124**	**105**	**204**
Interest rate instruments	169	65	27	140
Foreign exchange instruments	10	46	78	38
Equity and index Instruments	2	13	-	26
Net investment hedge	**39**	**107**	**128**	**22**
Foreign exchange instruments	39	107	128	22
TOTAL	**16,837**	**10,212**	**11,899**	**5,993**

The Group sets up hedging relationships recognised for accounting purposes as fair value hedges in order to protect its fixed-rate financial assets and liabilities (primarily loans/borrowings, securities issued and fixed-rate securities) against changes in long-term interest rates. The hedging instruments used mainly consist of interest rate swaps.

Through some of its Corporate and Investment Banking operations, the Group is exposed to future cash flow changes in its short and medium-term funding requirements, and sets up hedging relationships recognised for accounting purposes as cash flow hedges. Highly probable funding requirements are determined using historic data established for each activity and representative of balance sheet outstandings. These data may be increased or decreased with changes in management methods.

BREAKDOWN OF HEDGING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

Commitments presented in the table below show the cumulated notional amounts of hedging derivatives instruments. No netting of notional amounts has been applied to reflect the economic exposure generated by those instruments (for example, when a fix rate payer / Euribor 3 months receiver swap is netted by a Euribor 3 months payer / fix rate receiver). Consequently, the amount of commitments may be in some cases superior to the carrying amount of the hedged items presented in the following tables.

(In EURm)	31.12.2019	31.12.2018
Interest rate instruments	**757,099**	**488,398**
Firm instruments	755,847	487,149
Swaps	*755,775*	*486,994*
FRAs	*72*	*155*
Options	1,252	1,249
Foreign exchange instruments	**11,314**	**14,747**
Firm instruments	11,314	14,747
Equity and index instruments	**90**	**74**
Options	90	74
TOTAL	**768,503**	**503,219**

MATURITIES OF HEDGING FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

These items are presented according to the contractual maturity of the financial instruments.

(In EURm)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2019
Interest rate instruments	108,682	15,877	460,280	172,260	757,099
Foreign exchange instruments	10,542	337	435	-	11,314
Equity and index instruments	15	22	53	-	90
Other forward financial instruments	-	-	-	-	-
TOTAL	**119,239**	**16,236**	**460,768**	**172,260**	**768,503**

BREAKDOWN OF FAIR VALUE HEDGED ITEMS

	31.12.2019		
(In EURm)	Carrying amount	Cumulative change in the fair value[2]	Change in the fair value booked during the period[2]
Hedge of interest rate risk	**309,183**	**10,879**	**(1,067)**
Hedged assets	71,252	2,365	974
Due from banks, at amortised cost	*1,331*	*30*	*12*
Customer loans, at amortised cost	*4,680*	*384*	*44*
Securities at amortised cost	*748*	*19*	*(0)*
Financial assets at fair value through other comprehensive income	*39,135*	*1,531*	*1,016*
Customer loans (macro hedged)[1]	*25,358*	*401*	*(98)*
Hedged liabilities	237,931	8,514	(2,041)
Debt securities issued	*33,424*	*948*	*(234)*
Due to banks	*14,389*	*308*	*(183)*
Customer deposits	*2,506*	*196*	*24*
Subordinated debts	*11,985*	*391*	*(395)*
Customer deposits (macro hedged)[1] [3]	*175,627*	*6,671*	*(1,253)*
Hedge of currency risk	**605**	**3**	**12**
Hedged assets	-	-	-
Customer loans, at amortised cost	-	-	-
Hedged liabilities	605	3	12
Due to banks	*605*	*3*	*12*
Hedge of equity risk	**1**	**(0)**	**(0)**
Hedged liabilities	1	(0)	(0)
Other liabilities	*1*	*(0)*	*(0)*
TOTAL	**309,789**	**10,882**	**(1,055)**

	31.12.2018		
(In EURm)	**Carrying amount***	**Cumulative change in the fair value[2]**	**Change in the fair value booked during the period[2]**
Hedge of interest rate risk	**175,974**	**8,018**	**943**
Hedged assets	60,186	1,521	(230)
Due from banks, at amortised cost	*1,170*	*19*	*(6)*
Customer loans, at amortised cost	*3,762*	*336*	*(10)*
Securities at amortised cost	*594*	*25*	*11*
Financial assets at fair value through other comprehensive income	*33,190*	*642*	*124*
Customer loans (macro hedged)[1]	*21,470*	*499*	*(349)*
Hedged liabilities	115,788	6,497	1,173
Debt securities issued	*26,433*	*745*	*232*
Due to banks	*13,241*	*114*	*(20)*
Customer deposits	*1,422*	*219*	*48*
Subordinated debts	*12,599*	*1*	*120*
Customer deposits (macro hedged)[1] [3]	*62,093*	*5,418*	*793*
Hedge of currency risk	**783**	**16**	**39**
Hedged assets	31	1	1
Customer loans, at amortised cost	*31*	*1*	*1*
Hedged liabilities	752	15	38
Due to banks	*752*	*15*	*38*
Hedge of equity risk	**-**	**-**	**-**
Hedged liabilities	-	-	-
Other liabilities	-	-	-
TOTAL	**176,757**	**8,034**	**982**

(1) The carrying amount of the macro-hedged items represents the sum of the hedged outstanding and the revaluation differences on portfolios hedged against interest rate risk.

(2) Changes in fair value attributable to the hedged risk only and used to determine the ineffective portion of the fair value of the hedging instrument. This change is excluding accrued interests for the items hedged against interest rate risk.

(3) During 2019 financial year, the increase in the carrying amount of customer deposits (macro-hedged) as well as commitments (notional) of the associated hedging swaps, presented in the tables hereafter, are explained by:

- *A change of the interest rate risk management of the banking book which now includes partial hedging of the sensitivity of the Net Interest Margin on the French domestic market ;*
- *The drop in the level of rates, which has led to increase the duration of fixed-rate modeled liabilities (negative convexity of the portfolio) and therefore to increase the notional amounts of associated hedges. At the same time, the change in fair value of the macro-hedged liability portfolios can be explained by the drop in rates over the period.*

* *Amounts restated compared with the published consolidated statements for the year-ended 31 December 2018.*

At 31 December 2019, EUR 267 million of cumulative change in fair value are still to be amortised because of the disappearance of the hedged item.

BREAKDOWN OF FAIR VALUE HEDGING INSTRUMENTS

	31.12.2019				
		Fair value[2]			
(In EURm)	Commitments [3] (notional amounts)	Asset	Liabilities	Change in fair value booked during the period	Ineffectiveness recognised during the period
Hedge of interest rate risk	**290,820**	**16,619**	**9,979**	**1,167**	**100**
Firm instruments – Swaps	289,568	16,615	9,979	1,165	100
For hedged assets	*43,831*	*155*	*2,415*	*(1,086)*	*(14)*
For hedged portfolios of assets (macro hedge)[1]	*25,377*	*1,715*	*1,738*	*97*	*1*
For hedged liabilities	*61,370*	*2,279*	*226*	*866*	*78*
For hedged portfolios of liabilities (macro hedge)[1]	*158,990*	*12,466*	*5,600*	*1,288*	*35*
Options	1,252	4	-	2	0
For hedged portfolios of assets (macro hedge)[1]	*1,252*	*4*	-	*2*	*0*
Hedge of currency risk	**828**	**11**	**7**	**(12)**	**0**
Firm instruments	828	11	7	(12)	0
For hedged liabilities	*828*	*11*	*7*	*(12)*	*0*
Non-derivative financial instruments		-	-	-	-
For hedged assets		-	-	-	-
Hedge of equity risk	**2**	**-**	**0**	**0**	**(0)**
Options	2	-	0	0	(0)
For hedged liabilities	*2*	-	*0*	*0*	*(0)*
TOTAL	**291,650**	**16,630**	**9,986**	**1,155**	**100**

	31.12.2018				
		Fair value[2]			
(In EURm)	Commitments (notional amounts)	Asset	Liabilities	Change in fair value booked during the period	Ineffectiveness recognised during the period
Hedge of interest rate risk	**169,944**	**11,650**	**5,765**	**(909)**	**34**
Firm instruments – Swaps	168,695	11,645	5,765	(909)	34
For hedged assets	*37,271*	*314*	*1,380*	*(138)*	*(18)*
For hedged portfolios of assets (macro hedge)[1]	*20,986*	*955*	*1,436*	*323*	*(33)*
For hedged liabilities	*52,178*	*2,111*	*612*	*(358)*	*3*
For hedged portfolios of liabilities (macro hedge)[1]	*58,260*	*8,265*	*2,337*	*(736)*	*82*
Options	1,249	5	-	-	-
For hedged portfolios of assets (macro hedge)[1]	*1,249*	*5*	-	-	-
Hedge of currency risk	**2,055**	**16**	**30**	**(38)**	**1**
Firm instruments	2,055	16	2	(38)	-
For hedged liabilities	*2,055*	*16*	*2*	*(38)*	-
Non-derivative financial instruments		-	28	-	1
For hedged assets		-	*28*	-	*1*
Hedge of equity risk	**-**	**-**	**-**	**-**	**-**
Options	-	-	-	-	-
For hedged liabilities	-	-	-	-	-
TOTAL	**171,999**	**11,666**	**5,795**	**(947)**	**35**

(1) For macro fair value transactions, the commitment described above equals the net hedging derivatives position in order to represent the economic exposure from these instruments. This position should be linked with the carrying amount of the hedged items which represents the hedged exposure.

(2) The fair value of interest rate hedging derivatives includes accrued interests.

(3) The notional amounts of hedging instruments for which IAS 39 amendments is applied, permitting to use exceptions to hedge accounting requirement in the frame of benchmark interest rates reform, are EUR 27,843 million for instrument identifying EONIA, EUR 203,459 million for instruments identifying EURIBOR, EUR 14,248 million for instrument identifying LIBOR USD.

BREAKDOWN OF CASH FLOW HEDGED ITEMS

The following table describes the change of fair value of hedged items used to book the ineffective portion of the hedge during the current period. Regarding the cash flow hedges, the change in fair value of hedged items is assessed using the hypothetical derivative method described in the accounting principles above.

	31.12.2019	31.12.2018
(In EURm)	Change in the fair value	Change in the fair value
Hedge of interest rate risk	**(181)**	**54**
Hedged assets	1	16
Customer loans, at amortised cost	-	*2*
Financial assets at fair value through other comprehensive income	*(1)*	*8*
Customer loans (macro hedged)	*2*	*6*
Hedged liabilities	(182)	38
Debt securities issued	*(1)*	*2*
Due to banks	*(25)*	*(0)*
Customer deposits (macro hedged)	*(156)*	*36*
Hedge of currency risk	**(0)**	**33**
Hedged liabilities	(0)	33
Due to banks	-	*33*
Hedge of equity risk	**(26)**	**46**
Forecast transactions	(26)	46
TOTAL	**(207)**	**133**

BREAKDOWN OF CASH FLOW HEDGING INSTRUMENTS

	31.12.2019					
		Fair value		Changes in fair value recorded during the period		
(In EURm)	Commitments[2] (notional amounts)	Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	Cumulative change in fair value recorded in unrealised or deferred gains and losses
Hedge of interest rate risk	**13,538**	**169**	**64**	**180**	**0**	**34**
Firm instruments – Swaps	13,466	169	64	179	0	35
For hedged assets	*2,222*	*3*	*10*	*1*	-	*(9)*
For hedged portfolios of assets (macro hedge)[1]	*3,129*	*2*	*39*	*(2)*	*0*	*(26)*
For hedged liabilities	*3,874*	*63*	*6*	*25*	*0*	*(19)*
For hedged portfolios of liabilities (macro hedge)[1]	*4,241*	*101*	*9*	*155*	-	*89*
Firm instruments – FRAs	72	-	-	1	0	(1)
For hedged liabilities	*72*	-	-	*1*	*0*	*(1)*
Hedge of currency risk	**3,489**	**15**	**47**	**0**	**-**	**(0)**
Firm instruments	3,489	10	46	-	-	-
For hedged assets	*707*	*9*	*36*	*(0)*	*(0)*	*(0)*
For hedged liabilities	*2,782*	*1*	*10*	*0*	*(0)*	*0*
Non-derivative financial instruments		5	1	0	-	(0)
For hedged future transactions		*5*	*1*	*0*	-	*(0)*
Hedge of equity risk	**88**	**2**	**13**	**25**	**4**	**(2)**
Options	88	2	13	25	4	(2)
For hedged future transactions	*88*	*2*	*13*	*25*	4	*(2)*
TOTAL	**17,115**	**186**	**124**	**205**	**4**	**32**

	31.12.2018					
		Fair value		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains and losses
(In EURm)	Commitments (notional amounts)	Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
Hedge of interest rate risk	**15,965**	**27**	**140**	**(54)**	**-**	**(100)**
Firm instruments – Swaps	15,810	27	139	(45)	-	(96)
For hedged assets	*2,257*	*1*	*10*	*(10)*	-	*(9)*
For hedged portfolios of assets (macro hedge)[1]	*4,775*	*5*	*43*	*(6)*	-	*(27)*
For hedged liabilities	*3,047*	-	*2*	*7*	-	*5*
For hedged portfolios of liabilities (macro hedge)[1]	*5,731*	*21*	*84*	*(36)*	-	*(65)*
Firm instruments – FRAs	155	-	1	(9)	-	(4)
For hedged liabilities	*155*	-	*1*	*(9)*	-	*(4)*
Hedge of currency risk	**5,599**	**89**	**39**	**(33)**	**-**	**(13)**
Firm instruments	5,599	78	38	(33)	-	(13)
For hedged assets	*674*	*8*	*31*	-	-	-
For hedged liabilities	*4,925*	*70*	*7*	*(33)*	-	*(13)*
Non-derivative financial instruments		11	1	-	-	-
For hedged future transactions		*11*	*1*	-	-	-
Hedge of equity risk	**74**	**-**	**26**	**(46)**	**(7)**	**(15)**
Options	74	-	26	(46)	(7)	(15)
For hedged future transactions	*74*	-	*26*	*(46)*	*(7)*	*(15)*
TOTAL	**21,638**	**116**	**205**	**(133)**	**(7)**	**(128)**

(1) For the macro hedge transactions, the commitment described above equals the net hedging derivatives position in order to represent the economic exposure from these instruments. This position should be linked with the carrying amount of the hedged items which represents the hedged exposure.

(2) The national amounts of hedging instrument for which IAS 39 amendment is applied, permitting to use exceptions to hedge accounting requirement in the frame of benchmark interest rates reform, are EUR 2,820 million for instrument identifying EONIA, EUR 327 million for instrument identifying EURIBOR, EUR 89 million for instrument identifying LIBOR USD.

In 2019, EUR 42 million of unrealised or deferred gains and losses were transferred into net income, following the accounting of the cash flows hedge effects in the profit or loss.

BREAKDOWN OF NET INVESTMENT HEDGED ITEMS

	31.12.2019		31.12.2018
(In EURm)	Change in the fair value of the hedged item during the period[1]	Cumulative translations differences related to the hedged items	
Hedge of currency risk	**(355)**	**839**	**1,212**
Hedged net investment in GBP	(166)	145	297
Hedged net investment in CZK	(27)	(200)	(173)
Hedged net investment in RUB	(161)	797	959
Hedged net investment in RON	18	38	20
Hedged net investment in USD	1	(39)	(15)
Hedged net investment (other currencies)	(20)	98	124

(1) Changes in fair value attributable to the hedged risk only and used to determine the ineffective portion of the fair value of the hedged instruments.

BREAKDOWN OF NET INVESTMENT HEDGE INSTRUMENTS

	31.12.2019					
		Carrying amount[1]		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains or losses
(In EURm)	Commitments (notional amounts)	Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
Hedge of currency risk	**6,934**	**39**	**2,349**	**355**	**(50)**	**(839)**
Firm instruments	6,934	39	107	171	(50)	103
Hedged net investment in GBP	*1,218*	*14*	*60*	*67*	*(12)*	*155*
Hedged net investment in CZK	*1,231*	*(6)*	*6*	*16*	*(10)*	*23*
Hedged net investment in RUB	*857*	*1*	*36*	*113*	*(22)*	*14*
Hedged net investment in RON	*805*	*0*	*(6)*	*(16)*	*(2)*	*(24)*
Hedged net investment in USD	*552*	*10*	*2*	*(5)*	*(3)*	*4*
Hedged net investment (other currencies)	*2,271*	*20*	*9*	*(4)*	*(1)*	*(69)*
Non derivatives instruments		-	2,242	184	-	(942)
Hedged net investment in GBP		-	*478*	*98*	-	*(300)*
Hedged net investment in CZK		-	*850*	*10*	-	*177*
Hedged net investment in RUB		-	*396*	*48*	-	*(811)*
Hedged net investment in RON		-	*43*	*(1)*	-	*(14)*
Hedged net investment in USD		-	*203*	*4*	-	*35*
Hedged net investment (other currencies)		-	*272*	*25*	-	*(29)*

	31.12.2018					
		Carrying amount[1]		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains or losses
(In EURm)	Commitments (notional amounts)	Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
Hedge of currency risk	**6,992**	**128**	**2,515**	**(191)**	**18**	**(1,212)**
Firm instruments	6,992	128	22	(107)	18	(93)
Hedged net investment in GBP	*1,491*	*21*	*3*	*(10)*	*1*	*64*
Hedged net investment in CZK	*1,065*	*3*	-	*(1)*	*(4)*	*6*
Hedged net investment in RUB	*752*	*83*	-	*(136)*	*26*	*(99)*
Hedged net investment in RON	*689*	*1*	-	*16*	*(2)*	*(7)*
Hedged net investment in USD	*461*	-	*4*	*34*	*(3)*	*9*
Hedged net investment (other currencies)	*2,534*	*20*	*15*	*(10)*	-	*(66)*
Non derivatives instruments		-	2,493	(84)	-	(1,119)
Hedged net investment in GBP		-	*346*	*(15)*	-	*(362)*
Hedged net investment in CZK		-	*839*	*(6)*	-	*166*
Hedged net investment in RUB		-	*348*	*(52)*	-	*(860)*
Hedged net investment in RON		-	*45*	-	-	*(13)*
Hedged net investment in USD		-	*199*	*9*	-	*6*
Hedged net investment (other currencies)		-	*716*	*(20)*	-	*(56)*

(1) The carrying value equals fair value in the case of derivative instruments and equals amortised cost, translated at the closing date, in the case of loans and borrowings in foreign currencies.

NOTE 3.3 Financial assets at fair value through other comprehensive income

OVERVIEW OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In EURm)	31.12.2019	31.12.2018
Debt instruments	53,012	49,736
Bonds and other debt securities	*52,991*	*49,696*
Loans and receivables and securities purchased under resale agreements	*21*	*40*
Shares and other equity securities	244	290
TOTAL	**53,256**	**50,026**
o/w securities lent	*146*	*483*

NOTE 3.3.1 DEBT INSTRUMENTS

ACCOUNTING PRINCIPLES

Debt instruments (loans and receivables, bonds and bond equivalents) are classified as *Financial assets at fair value through other comprehensive income* where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a Collect and Sell business model.

Accrued or earned income on debt instruments is recorded in profit or loss based on the effective interest rate, under *Interest and similar income*.

At the reporting date, these instruments are measured at fair value and changes in fair value excluding income, are recorded within equity under *Unrealised or deferred gains and losses*, except for foreign exchange differences on money market instruments denominated in local currencies, which are recorded in profit or loss. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under *Cost of risk* with a corresponding entry to *Unrealised or deferred gains and losses*. The applicable impairment rules are described in Note 3.8.

BUSINESS MODEL "HOLD TO COLLECT AND SELL"

The objective of this business model is to realise cash flows by both collecting contractual payments and selling financial assets. In this type of business model, the sales of financial assets are not incidental or exceptional, but they are integral to achieving the business' objectives.

Cash management

Within the Group, except for the insurance activities, the "hold to collect and sell" business model is mainly applied by cash management activities for managing HQLA securities (High Quality Liquid Assets) included in the liquidity reserve. Only a few subsidiaries apply a "hold to collect" business model for managing their HQLA securities.

CHANGES IN THE CARRYING AMOUNT OF THE DEBT INSTUMENTS AT FAIR VALUE THROUGH OTHER COMPRENSIVE INCOME

(In EURm)	2019
Balance on 1 January	**49,736**
Acquisitions/disbursements	49,764
Disposals/redemptions	(47,324)
Change in scope and others	(782)
Changes in fair value during the period	906
Change in related receivables	(4)
Translation differences	716
Balance on 31 December	**53,012**

BREAKDOWN OF CUMULATED UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY AND THAT WILL BE RECLASSIFIED SUBSEQUENTLY INTO INCOME

(In EURm)	31.12.2019	31.12.2018
Unrealised gains	391	416
Unrealised losses	(186)	(183)
TOTAL	**205**	**233**

NOTE 3.3.2 EQUITY INSTRUMENTS

ACCOUNTING PRINCIPLES

Equity instruments (shares and share equivalents), that are not held for trading purpose, can be initially designated by the Group to be measured at fair value through other comprehensive income. This option, made instrument by instrument, is irrevocable.

These equity instruments are then measured at fair value and changes in fair value, are recognised under *Unrealised or deferred gains and losses* with no subsequent reclassification to profit or loss. If the instruments are sold, the realised gains and losses are reclassified to *Retained earnings* at the opening of the next financial year. Only dividend income, if it is considered as a return on investment, are recorded in the income statement under Net gains or losses on financial assets at fair value through other comprehensive income.

The Group choose only in few cases to designate equity instruments to be measured at fair value through other comprehensive income.

NOTE 3.3.3 NET GAINS AND LOSSES RECOGNISED IN NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In EURm)	2019	2018
Realised gains and losses on sale of debt instruments	78	39
Dividends incomes on financial assets at fair value through other comprehensive income	41	44
TOTAL	**119**	**83**

NOTE 3.4 Fair value of financial instruments measured at fair value

MAKE IT SIMPLE

The financial assets and liabilities recognised in the Group balance sheet are measured either at fair value or at amortised cost. In the latter case, the fair value of the instruments is disclosed in the notes (see Note 3.9).

If an instrument is quoted on an active market, its fair value is equal to its market price.

But many financial instruments are not listed (for example, most customer loans and deposits, interbank debts and claims, etc.), or are only negotiable on illiquid markets or over-the-counter markets (which is the case for many derivative instruments).

In such situations, the fair value of the instruments is calculated using measurement techniques or valuation models. Market parameters are included in these models and must be observable; otherwise they are determined based on internal estimates. The models and parameters used are subject to independent validations and internal controls.

ACCOUNTING PRINCIPLES

Definition of fair value

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

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

Fair value hierarchy

For information purposes, in the notes to the consolidated financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the observability level of the inputs used. The fair value hierarchy is composed of the following levels:

LEVEL 1 (L1): INSTRUMENTS VALUED ON THE BASIS OF QUOTED PRICES (UNADJUSTED) IN ACTIVE MARKETS FOR IDENTICAL ASSETS OR LIABILITIES.

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

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

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

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

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

LEVEL 2 (L2): INSTRUMENTS VALUED USING INPUTS OTHER THAN THE QUOTED PRICES INCLUDED IN LEVEL 1 THAT ARE OBSERVABLE FOR THE ASSET OR LIABILITY, EITHER DIRECTLY (I.E. AS PRICES) OR INDIRECTLY (I.E. DERIVED FROM PRICES).

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

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

This category also includes the fair value of loans and receivables at amortised cost granted to counterparties whose credit risk is quoted *via* Credit Default Swap (see Note 3.9).

LEVEL 3 (L3): INSTRUMENTS VALUED USING INPUTS THAT ARE NOT BASED ON OBSERVABLE MARKET DATA (REFERRED TO AS UNOBSERVABLE INPUTS).

Level 3 instruments carried at fair value on the balance sheet are valued based on financial models with unobservable market inputs or observable inputs that are not quoted on active markets. For the Group, those instruments match with the instruments for which the sales margin is not immediately recognised in profit or loss (see Note 3.4.7).

Accordingly, Level 3 financial instruments include derivatives and repo transactions with longer maturities than those usually traded and/or with specifically-tailored return profiles, structured debts including embedded derivatives valued based on a method using unobservable inputs or long-term equity investments valued based on a corporate valuation method, which is the case for unlisted companies or companies listed on an insufficiently liquid market.

The main L3 complex derivatives are:

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

NOTE 3.4.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE

	31.12.2019				31.12.2018			
(In EURm)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading portfolio	**89,037**	**129,130**	**4,017**	**222,184**	**69,429**	**144,430**	**1,470**	**215,329**
Bonds and other debt securities	22,645	2,976	459	26,080	26,059	3,403	270	29,732
Shares and other equity securities	66,392	11,465	109	77,966	43,370	5,926	1	49,297
Loans, receivables and securities purchased under resale agreements	-	114,507	3,449	117,956	-	134,662	1,199	135,861
Other trading assets	-	182	-	182	-	439	-	439
Trading derivatives	**191**	**132,572**	**3,086**	**135,849**	**23**	**119,460**	**3,500**	**122,983**
Interest rate instruments	6	88,868	2,272	91,146	8	71,628	2,617	74,253
Foreign exchange instruments	182	17,717	137	18,036	8	19,038	200	19,246
Equity and index instruments	-	21,938	380	22,318	-	21,211	239	21,450
Commodity instruments	-	1,784	76	1,860	-	5,666	42	5,708
Credit derivatives	-	2,195	220	2,415	-	1,826	398	2,224
Other forward financial instruments	3	70	1	74	7	91	4	102
Financial assets measured mandatorily at fair value through profit or loss	**350**	**21,746**	**2,881**	**24,977**	**117**	**21,091**	**2,849**	**24,057**
Bonds and other debt securities	11	44	122	177	12	36	110	158
Shares and other equity securities	339	185	1,968	2,492	105	194	1,697	1,996
Loans, receivables and securities purchased under resale agreements	-	21,517	791	22,308	-	20,861	1,042	21,903
Financial assets measured using fair value option through profit or loss	**1,296**	**1,320**	**113**	**2,729**	**1,126**	**1,702**	**353**	**3,181**
Bonds and other debt securities	1,296	162	-	1,458	1,126	184	-	1,310
Loans, receivables and securities purchased under resale agreements	-	32	113	145	-	466	353	819
Other financial assets	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	1,126	-	1,126	-	1,052	-	1,052
Hedging derivatives	**-**	**16,837**	**-**	**16,837**	**-**	**11,899**	**-**	**11,899**
Interest rate instruments	-	16,785	-	16,785	-	11,677	-	11,677
Foreign exchange instruments	-	50	-	50	-	222	-	222
Equity and index instruments	-	2	-	2	-	-	-	-
Financial assets measured at fair value through other comprehensive income	**51,730**	**1,282**	**244**	**53,256**	**48,738**	**998**	**290**	**50,026**
Bonds and other debt securities	51,730	1,261	-	52,991	48,738	958	-	49,696
Shares and other equity securities	-	-	244	244	-	-	290	290
Loans and receivables	-	21	-	21	-	40	-	40
TOTAL	**142,604**	**302,887**	**10,341**	**455,832**	**119,433**	**299,580**	**8,462**	**427,475**

NOTE 3.4.2 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	31.12.2019				31.12.2018			
(In EURm)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading portfolio	**5,001**	**136,800**	**1,325**	**143,126**	**7,787**	**149,776**	**969**	**158,532**
Amounts payable on borrowed securities	71	38,743	136	38,950	308	50,956	-	51,264
Bonds and other debt instruments sold short	3,464	54	-	3,518	6,231	-	-	6,231
Shares and other equity instruments sold short	1,466	-	-	1,466	1,248	-	-	1,248
Borrowings and securities sold under repurchase agreements	-	96,631	1,189	97,820	-	97,330	969	98,299
Other trading liabilities	-	1,372	-	1,372	-	1,490	-	1,490
Trading derivatives	**216**	**132,371**	**5,533**	**138,120**	**81**	**123,075**	**3,790**	**126,946**
Interest rate instruments	31	85,177	3,293	88,501	6	70,986	2,843	73,835
Foreign exchange instruments	175	18,064	115	18,354	5	19,346	115	19,466
Equity and index instruments	-	24,529	1,612	26,141	-	23,103	572	23,675
Commodity instruments	-	2,131	70	2,201	-	6,041	40	6,081
Credit derivatives	-	1,594	443	2,037	-	2,484	220	2,704
Other forward financial instruments	10	876	-	886	70	1,115	-	1,185
Financial liabilities measured using fair value option through profit or loss	**-**	**38,160**	**44,723**	**82,883**	**265**	**39,408**	**37,932**	**77,605**
Hedging derivatives	**-**	**10,212**	**-**	**10,212**	**-**	**5,993**	**-**	**5,993**
Interest rate instruments	-	10,045	-	10,045	-	5,905	-	5,905
Foreign exchange instruments	-	154	-	154	-	62	-	62
Equity and index instruments	-	13	-	13	-	26	-	26
TOTAL	**5,217**	**317,543**	**51,581**	**374,341**	**8,133**	**318,252**	**42,691**	**369,076**

NOTE 3.4.3 VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AT FAIR VALUE

(In EURm)	Balance at 31.12.2018	Acqui-sitions	Disposal/ redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2019
Trading portfolio	**1,470**	**4,355**	**(1,147)**	**(1,328)**	**165**	**483**	**19**	**-**	**4,017**
Bonds and other debt securities	270	1,156	(976)	(42)	-	40	11	-	459
Shares and other equity securities	1	54	(1)	-	55	-	-	-	109
Loans, receivables and securities purchased under resale agreements	1,199	3,145	(170)	(1,286)	110	443	8	-	3,449
Other trading assets	-	-	-	-	-	-	-	-	-
Trading derivatives	**3,500**	**209**	**(101)**	**(370)**	**303**	**(475)**	**20**	**-**	**3,086**
Interest rate instruments	2,617	35	(22)	(343)	294	(317)	8	-	2,272
Foreign exchange instruments	200	7	(1)	(3)	1	(67)	-	-	137
Equity and index instruments	239	161	(78)	(22)	5	64	11	-	380
Commodity instruments	42	6	-	-	-	28	-	-	76
Credit derivatives	398	-	-	(2)	3	(180)	1	-	220
Other forward financial instruments	4	-	-	-	-	(3)	-	-	1
Financial assets measured mandatorily at fair value through profit or loss	**2,849**	**297**	**(106)**	**(705)**	**8**	**530**	**19**	**(11)**	**2,881**
Bonds and other debt securities	110	17	(12)	-	-	7	-	-	122
Shares and other equity securities	1,697	258	(94)	(22)	8	124	8	(11)	1,968
Loans, receivables and securities purchased under resale agreements	1,042	22	-	(683)	-	399	11	-	791
Financial assets measured using fair value option through profit or loss	**353**	**-**	**(50)**	**-**	**-**	**(191)**	**1**	**-**	**113**
Bonds and other debt securities	-	-	-	-	-	-	-	-	-
Loans, receivables and securities purchased under resale agreements*	353	-	(50)	-	-	(191)	1	-	113
Other financial assets	-	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	-	-	-	-	-	-	-	-
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets measured at fair value option through other comprehensive income	**290**	**3**	**-**	**-**	**-**	**(49)**	**-**	**-**	**244**
Debt instruments	-	-	-	-	-	-	-	-	-
Equity instruments	290	3	-	-	-	(49)	-	-	244
Loans and receivables	-	-	-	-	-	-	-	-	-
TOTAL	**8,462**	**4,864**	**(1,404)**	**(2,403)**	**476**	**298**	**59**	**(11)**	**10,341**

FINANCIAL LIABILITIES AT FAIR VALUE

(In EURm)	Balance at 31.12.2018	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2019
Trading portfolio	**969**	**1,119**	**(6)**	**(10)**	**105**	**(854)**	**2**	**-**	**1,325**
Debt securities issued	-	-	-	-	-	-	-	-	-
Amounts payable on borrowed securities	-	31	-	-	105	(2)	2	-	136
Bonds and other debt instruments sold short	-	-	-	-	-	-	-	-	-
Shares and other equity instruments sold short	-	-	-	-	-	-	-	-	-
Borrowings and securities sold under repurchase agreements	969	1,088	(6)	(10)	-	(852)	-	-	1,189
Other trading liabilities	-	-	-	-	-	-	-	-	-
Trading derivatives	**3,790**	**896**	**(74)**	**(549)**	**47**	**1,168**	**156**	**99**	**5,533**
Interest rate instruments	2,843	31	-	(474)	1	648	145	99	3,293
Foreign exchange instruments	115	6	-	-	-	(5)	(1)	-	115
Equity and index instruments	572	856	(74)	(75)	4	318	11	-	1,612
Commodity instruments	40	3	-	-	-	27	-	-	70
Credit derivatives	220	-	-	-	42	180	1	-	443
Other forward financial instruments	-	-	-	-	-	-	-	-	-
Financial liabilities measured using fair value option through profit or loss	**37,932**	**18,855**	**(15,510)**	**(1,659)**	**218**	**4,414**	**552**	**(79)**	**44,723**
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**42,691**	**20,870**	**(15,590)**	**(2,218)**	**370**	**4,728**	**710**	**20**	**51,581**

NOTE 3.4.4 VALUATION METHODS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE ON THE BALANCE SHEET

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

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

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

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

If necessary, these valuations are supplemented by additional reserves (such as bid-ask spreads and liquidity) determined reasonably and appropriately after an analysis of available information.

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA). The Group includes all clients and clearing houses in this adjustment, which also reflects the netting agreements existing for each counterparty.

The CVA is determined on the basis of the Group entity's expected positive exposure to the counterparty, the counterparty's probability of default and the amount of the loss given default. The DVA is determined symmetrically based on the negative expected exposure. These calculations are carried out over the life of the potential exposure, with a focus on the use of relevant and observable market data.

Similarly, an adjustment to take into account the costs or profits linked to the financing of these transactions (FVA, Funding Value Adjustment) is also performed.

Observable data must be: independent, available, publicly distributed, based on a narrow consensus and/or backed up by transaction prices.

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

In the event of unusual tensions on the markets, leading to a lack of the usual reference data used to measure a financial instrument, the Risk Division may implement a new model in accordance with pertinent available data, similar to methods used by other market players.

SHARES AND OTHER EQUITY SECURITIES

For listed shares, fair value is taken to be the quoted price on the balance sheet date. For unlisted shares, fair value is determined depending on the type of financial instrument and according to one of the following methods:

- valuation based on a recent transaction involving the issuing company (third party buying into the issuing company's capital, appraisal by a professional valuation agent, etc.);
- valuation based on a recent transaction in the same sector as the issuing company (income multiple, asset multiple, etc.);
- proportion of net asset value held.

For unlisted securities in which the Group has significant holdings, valuations based on the above methods are supplemented by a discounted future cash flow valuation based on business plans or on valuation multiples of similar companies.

DEBT INSTRUMENTS HELD IN PORTFOLIO, ISSUES OF STRUCTURED SECURITIES MEASURED AT FAIR VALUE AND FINANCIAL DERIVATIVES

The fair value of these financial instruments is determined based on the quoted price on the balance sheet date or prices provided by brokers on the same date, when available. For unlisted financial instruments, fair value is determined using valuation techniques. Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in the Group's issuer credit risk.

OTHER DEBTS

For listed financial instruments, fair value is taken as their closing quoted price on the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates (including counterparty risks, non-performance and liquidity risks).

CUSTOMER LOANS

The fair value of loans and receivables is calculated, in the absence of an actively traded market for these loans, by discounting the expected cash flows to present value at a discount rate based on interest rates prevailing on the market at the reporting date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

NOTE 3.4.5 ESTIMATES OF MAIN UNOBSERVABLE INPUTS

The following table provides the valuation of Level 3 instruments on the balance sheet and the range of values of the most significant unobservable inputs by main product type.

(In EURm)	Value in balance sheet					
Cash instruments and derivatives[1]	**Assets**	**Liabilities**	**Main products**	**Valuation techniques used**	**Significant unobservable inputs**	**Range of inputs min & max**
Equities/funds	844	32,586	Simple and complex instruments or derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets of stocks	Equity volatilities	3.8%; 90.5%
					Equity dividends	0%; 21.3%
					Correlations	-80.0%; 97.8%
					Hedge fund volatilities	8.5%; 20%
					Mutual fund volatilities	1.7%; 42.2%
Rates and Forex	7,344	18,483	Hybrid forex/interest rate or credit/interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-47.3%; 90%
			Forex derivatives	Forex option pricing models	Forex volatilities	1%; 32.8%
			Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools	Prepayment modelling	Constant prepayment rates	0%; 20%
			Inflation instruments and derivatives	Inflation pricing models	Correlations	50.5%; 88.9%
Credit	220	442	Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0%; 100%
					Recovery rate variance for single name underlyings	0%; 100%
			Other credit derivatives	Credit default models	Time to default correlations	0%; 100%
					Quanto correlations	-50%; 40%
					Credit spreads	0 bps; 1,000 bps
Commodities	76	70	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	9.88%; 96.4%
Long term equity investments	1,857	-	Securities held for strategic purposes	Net Book Value/Recent transactions	Non applicable	-
TOTAL	**10,341**	**51,581**				

(1) Hybrid instruments are broken down by main unobservable inputs.

NOTE 3.4.6 SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Unobservable inputs are assessed carefully, particularly in this persistently uncertain economic environment and market. However, by their very nature, unobservable inputs inject a degree of uncertainty into the valuation of Level 3 instruments.

To quantify this, fair value sensitivity was estimated at 31 December 2019 on instruments whose valuation requires certain unobservable inputs. This estimate was based either on a "standardised" variation in unobservable inputs, calculated for each input on a net position, or on assumptions in line with the additional valuation adjustment policies for the financial instruments in question.

The "standardised" variation is:

- either the standard deviation of consensus prices (TOTEM, etc.) used to measure an input nevertheless considered as unobservable; or
- the standard deviation of historic data used to measure the input.

SENSIVITY OF LEVEL 3 FAIR VALUE TO A REASONABLE VARIATION IN UNOBSERVABLE INPUTS

	31.12.2019		31.12.2018	
(In EURm)	**Negative impact**	**Positive impact**	**Negative impact**	**Positive impact**
Shares and other equity instruments and derivatives	**(9)**	**79**	**(13)**	**96**
Equity volatilities	0	19	0	19
Dividends	(1)	13	(3)	9
Correlations	(8)	43	(9)	62
Hedge Fund volatility	0	0	0	0
Mutual Fund volatility	0	4	(1)	6
Rates or Forex instruments and derivatives	**(6)**	**43**	**(6)**	**58**
Correlations between exchange rates and/or interest rates	(4)	41	(4)	55
Forex volatilities	(1)	2	(1)	2
Constant prepayment rates	0	0	0	0
Inflation/inflation correlations	(1)	0	(1)	1
Credit instruments and derivatives	**(3)**	**13**	**(4)**	**14**
Time to default correlations	(3)	7	(2)	4
Recovery rate variance for single name underlyings	0	0	0	0
Quanto correlations	0	5	(2)	10
Credit spreads	0	1	0	0
Commodity derivatives	**0**	**1**	**0**	**1**
Commodities correlations	0	1	0	1
Long term securities	**NA**	**NA**	**NA**	**NA**

It should be noted that, given the already conservative valuation levels, this sensitivity is higher for a favourable impact on results than for an unfavourable impact. Moreover, the amounts shown above illustrate the uncertainty of the valuation as of the computation date on the basis of a reasonable variation in inputs. Future variations in fair value or consequences of extreme market conditions cannot be deduced or forecast from these estimates.

NOTE 3.4.7 DEFERRED MARGIN RELATED TO MAIN UNOBSERVABLE INPUTS

The remaining amount to be recorded in the income statement, resulting from the difference between the transaction price and the amount determined at this date using valuation techniques, minus the amounts recorded in the income statement after initial recognition, is shown in the table below. This amount is recorded in the income statement over time, or when the inputs become observable.

(In EURm)	2019	2018
Deferred margin at 1 January	**1,237**	**1,281**
Deferred margin on new transactions during the period	693	744
Margin recorded in the income statement during the period	(779)	(788)
o/w amortisation	*(473)*	*(479)*
o/w switch to observable inputs	*(16)*	*(45)*
o/w disposed, expired or terminated	*(290)*	*(264)*
Deferred margin at 31 December	**1,151**	**1,237**

NOTE 3.5 Loans, receivables and securities at amortised cost

OVERVIEW OF FINANCIAL ASSETS AT AMORTISED COST

	31.12.2019		31.12.2018	
(In EURm)	**Carrying amount**	***o/w impairment***	**Carrying amount**	***o/w impairment***
Due from banks	56,366	*(24)*	60,588	*(32)*
Customer loans	450,244	*(10,727)*	447,229	*(11,435)*
Securities	12,489	*(10)*	12,026	*(10)*
TOTAL	**519,099**	***(10,761)***	**519,843**	***(11,477)***

ACCOUNTING PRINCIPLES

Loans, receivables and debt securities are measured at amortised cost where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a "Hold to Collect" business model.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, and their accrued or earned income are recorded in the income statement under *Interest and similar income*. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under *Cost of risk* with a corresponding impairment of the amortised cost on the asset side of the balance sheet. The applicable impairment rules are described in Note 3.8. When a loan or a receivable is classified in Stage 3 for impairment (doubtful outstanding), subsequent accrued interest incremented to the carrying amount of the financial asset before impairment is limited to interest recognised in profit or loss. The amount of such interest is then calculated by applying the effective interest rate to the net carrying amount of the financial asset (cf. Note 3.7).

Loans granted by the Group may be subject to renegotiations for commercial reasons, where the borrowing customer is not experiencing financial difficulties or insolvency. Such efforts are undertaken for customers for which the Group agrees to renegotiate their debt in the interest of preserving or developing a business relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest. Except in specific cases where the modification due to the renegotiation would not be considered significant, renegotiated loans are derecognised at the renegotiation date, and the new loans contractualised under the renegotiated terms and conditions replace the previous loans in the balance sheet at this same date. The new loans are subject to the SPPI test to determine how they are classified in the balance sheet. If a loan qualifies as basic instrument (SPPI), renegotiation fees received are included in the effective interest rate of the new instrument.

Customer loans at amortised cost include lease receivables where they are classified as finance leases. Leases granted by the Group are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise, they are classified as operating leases (see Note 4.2).

These finance lease receivables represent the Group's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee, plus any unguaranteed residual value, discounted at the interest rate implicit in the lease. In the event of a subsequent reduction in the estimated unguaranteed residual value used to calculate the lessor's investment in the finance lease, the present value of this reduction is recognised as a loss under *Expenses from other activities* in the income statement and as a reduction of finance lease receivables on the asset side of the balance sheet.

BUSINESS MODEL "HOLD TO COLLECT"

Under this model, financial assets are managed to obtain cash flows by collecting contractual payments over the life of the instrument.

To achieve the objective of this business model, it is not necessary for the entity to hold all the instruments until maturity. Selling assets remains consistent with a business model whose objective is to collect contractual cash flows in the following cases:

- the financial asset is sold following an increase in the asset's credit risk; or
- the sale of the financial asset occurs close to its maturity and the proceeds from the sale are similar to the amount to be collected from the remaining contractual cash flows.

Other sales can be consistent with the objective of collecting contractual cash flows, as well, provided they are infrequent (even if significant in value) or insignificant in value, both individually and in aggregate terms (even if frequent). Such other sales include sales made to manage credit concentration risk (without an increase in the asset's credit risk). The Group has set up procedures for reporting and analysing all significant projected sales of financial assets held for collecting contractual cash flows, as well as a periodic review of sales that have occurred.

Financing activities

Within the Group, the "hold to collect" business model is mainly applied by financing activities managed by French Retail Banking, International Retail Banking and Financial Services and by Global Banking and Investor Solutions, except for the part of syndicated loans that is expected to be sold.

NOTE 3.5.1 DUE FROM BANKS

(In EURm)	31.12.2019	31.12.2018
Current accounts	20,717	23,958
Deposits and loans	17,269	18,453
Securities purchased under resale agreements	18,168	18,000
Subordinated and participating loans	88	91
Related receivables	118	99
Due from banks before impairments[1]	**56,360**	**60,601**
Credit loss impairment	(24)	(32)
Revaluation of hedged items	30	19
TOTAL	**56,366**	**60,588**

(1) At 31 December 2019, the amount due from banks classified as Level 3 impairment (credit impaired) was EUR 38 million compared to EUR 51 million at 31 December 2018. The accrued interests included in this amount are limited to interests recognised in net income by applying the effective interest rate to the net carrying amount of the financial asset (see Note 3.7).

NOTE 3.5.2 CUSTOMER LOANS

(In EURm)	31.12.2019	31.12.2018
Overdrafts	19,181	21,230
Other customer loans	388,167	375,982
Lease financing agreements	30,761	32,345
Securities purchased under resale agreements	19,541	26,078
Related receivables	2,937	2,692
Customer loans before impairments[1]	**460,587**	**458,327**
Credit loss impairment	(10,727)	(11,435)
Revaluation of hedged items	384	337
TOTAL	**450,244**	**447,229**

(1) At 31 December 2019, the amount due from customers classified as Level 3 impairment (credit impaired) was EUR 15,976 million compared to EUR 17,818 million at 31 December 2018. The accrued interests included in this amount are limited to interests recognised in net income by applying the effective interest rate to the carrying amount to the net carrying amount of the financial asset (see Note 3.7).

BREAKDOWN OF OTHER CUSTOMER LOANS

(In EURm)	31.12.2019	31.12.2018
Trade notes	9,700	10,056
Short-term loans	123,452	118,978
Export loans	11,582	11,485
Equipment loans	58,683	57,253
Housing loans	136,333	126,160
Loans secured by notes and securities	98	92
Other loans	48,319	51,958
TOTAL	**388,167**	**375,982**

ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

(In EURm)	31.12.2019	31.12.2018
Gross investments	**33,517**	**34,562**
less than one year	*8,490*	*8,243*
1-5 years	*19,105*	*20,847*
more than five years	*5,922*	*5,472*
Present value of minimum payments receivable	**29,110**	**30,233**
less than one year	*7,889*	*7,576*
1-5 years	*17,096*	*18,291*
more than five years	*4,125*	*4,366*
Unearned financial income	**2,754**	**2,217**
Unguaranteed residual values receivable by the lessor	**1,652**	**2,112**

NOTE 3.5.3 SECURITIES

(In EURm)	31.12.2019	31.12.2018
Government securities	6,005	5,826
Negotiable certificates, bonds and other debt securities	6,390	6,106
Related receivables	85	79
Securities before impairments	**12,480**	**12,011**
Impairment	(10)	(10)
Revaluation of hedged items	19	25
TOTAL	**12,489**	**12,026**

NOTE 3.6 Debts

ACCOUNTING PRINCIPLES

Debts include non-derivative financial liabilities that are not measured at fair value through profit or loss.

They are recognised in the balance sheet according to the type of instrument and counterparty, under *Due to banks, Customer deposits, Debt securities issued* or *Subordinated debt*.

Subordinated debts are all dated or undated borrowings, whether or not in the form of debt securities, which in the event of the liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Debts are initially recognised at cost, this valuation being the fair value of the amount borrowed net of transaction fees. These liabilities are measured at reporting date at amortised cost using the effective interest rate method. As a result, issue or redemption premiums on bonds are amortised over the lifetime of the instruments concerned. Accrued or paid expenses are recorded in profit or loss under *Interest and similar expense*.

The Group's obligations arising from mortgage savings accounts and plans are recorded under *Customer deposits – Regulated savings accounts.* A provision may be recorded in respect of such mortgage savings instruments (see Note 8.3).

NOTE 3.6.1 DUE TO BANKS

(In EURm)	31.12.2019	31.12.2018
Demand deposits and current accounts	11,577	13,875
Overnight deposits and borrowings and others	3,680	2,248
Term deposits[1]	82,893	72,965
Related payables	186	130
Revaluation of hedged items	308	129
Securities sold under repurchase agreements	9,285	5,359
TOTAL	**107,929**	**94,706**

(1) Including deposits linked to governments and central administrations.

NOTE 3.6.2 CUSTOMER DEPOSITS

(In EURm)	31.12.2019	31.12.2018
Regulated savings accounts	96,642	93,230
Demand	*70,610*	*68,082*
Term	*26,032*	*25,148*
Other demand deposits[1]	229,756	222,642
Other term deposits[1]	82,817	82,932
Related payables	441	387
Revaluation of hedged items	196	219
TOTAL CUSTOMER DEPOSITS	**409,852**	**399,410**
Securities sold to customers under repurchase agreements	8,760	17,408
TOTAL	**418,612**	**416,818**

(1) Including deposits linked to governments and central administrations.

BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE

(In EURm)	31.12.2019	31.12.2018
Professionals and corporates	111,079	98,459
Individual customers	76,135	72,372
Financial customers	29,093	38,413
Others[1]	13,449	13,398
TOTAL	**229,756**	**222,642**

(1) Including deposits linked to governments and central administrations.

NOTE 3.6.3 DEBT SECURITIES ISSUED

(In EURm)	31.12.2019	31.12.2018
Term savings certificates	510	474
Bond borrowings	23,847	24,381
Interbank certificates and negotiable debt instruments	99,107	89,913
Related payables	776	804
Revaluation of hedged items	928	767
TOTAL	**125,168**	**116,339**
o/w floating-rate securities	*49,343*	*39,121*

NOTE 3.7 Interest income and expense

MAKE IT SIMPLE

Interest is compensation for a financial service, consisting in a lender making a certain amount of cash available to a borrower for an agreed period of time. Such compensated financing arrangements can be loans, deposits or securities (bonds, negotiable debt securities…).

This compensation is a consideration for the time value of money, and additionally for credit risk, liquidity risk and administrative costs, all borne by the lender for the duration of the financing agreement. The interest can also include a margin used by the lending bank to remunerate equity instruments (such as ordinary shares) that are required by prudential regulation to be issued in relation to the amount of financing granted, so as to guarantee its own solvency.

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

ACCOUNTING PRINCIPLES

Interest income and expense are recorded in the income statement under *Interest and similar income* and *Interest and similar expense* for all financial instruments measured using the effective interest method (instruments at amortised cost and debt instruments at fair value through other comprehensive income) and for all financial instruments mandatorily measured at fair value through profit and loss and interest rate risk hedging derivatives for the portion of income or expenses representative of the effective interest rate. Negative interest incomes on financial assets are recorded under *Interest and similar expense*; negative interest expenses on financial liabilities are recorded under *Interest and similar income*.

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

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is recognised in profit or loss by applying the effective interest rate to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same risk-free interest rate as that used to discount the expected outflow of resources.

	2019			2018		
(In EURm)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Financial instruments at amortised cost	14,907	(7,850)	7,057	14,030	(7,021)	7,009
Central banks	*427*	*(181)*	*246*	*575*	*(151)*	*424*
Bonds and other debt securities	*318*	*(2,096)*	*(1,778)*	*257*	*(1,931)*	*(1,674)*
Due from/to banks	*1,010*	*(1,632)*	*(622)*	*1,077*	*(1,354)*	*(277)*
Customer loans and deposits	*12,053*	*(3,123)*	*8,930*	*11,435*	*(2,889)*	*8,546*
Subordinated debt	*-*	*(516)*	*(516)*	*-*	*(542)*	*(542)*
Securities lending/borrowing	*10*	*(6)*	*4*	*7*	*(5)*	*2*
Repo transactions	*1,089*	*(296)*	*793*	*679*	*(149)*	*530*
Hedging derivatives	6,433	(4,632)	1,801	6,358	(4,638)	1,720
Financial instruments at fair value through other comprehensive income	752	(1)	751	622	-	622
Lease agreements[(1)]	1,178	(44)	1,134	1,126	-	1,126
Real estate lease agreements	*189*	*(43)*	*146*	*194*	*-*	*194*
Non-real estate lease agreements	*989*	*(1)*	*988*	*932*	*-*	*932*
Subtotal interest income/expense on financial instruments using the effective interest method	**23,270**	**(12,527)**	**10,743**	**22,136**	**(11,659)**	**10,477**
Financial instruments mandatorily at fair value through profit or loss	442	-	442	542	-	542
TOTAL INTEREST INCOME AND EXPENSE	**23,712**	**(12,527)**	**11,185**	**22,678**	**(11,659)**	**11,019**
o/w interest income from impaired financial assets	*280*	*-*	*280*	*357*	*-*	*357*

(1) Lease agreements include, in income, interests from finance lease receivables. As a result of the application of IFRS 16 "Leases" as from 1st January 2019, lease agreements also include interests on lease liabilities as expense.

These interest expenses include the refinancing cost of financial instruments at fair value through profit or loss, the results of which are classified in net gains or losses on these instruments (see Note 3.1). Given that income and expenses booked in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole.

BREAKDOWN OF INCOME OF CUSTOMER LOANS AT AMORTISED COST

(In EURm)	2019	2018
Trade notes	511	479
Other customer loans	10,361	9,773
Short-term loans	*4,572*	*4,153*
Export loans	*375*	*321*
Equipment loans	*1,529*	*1,396*
Housing loans	*2,985*	*3,182*
Other customer loans	*900*	*721*
Overdrafts	909	835
Doubtful outstandings (Stage 3)	272	348
TOTAL	**12,053**	**11,435**

NOTE 3.8 Impairment and provisions

MAKE IT SIMPLE

Some financial assets (loans, debt securities) involve credit risk which exposes the Group to a potential loss if the counterparty or the securities issuer were to be unable to respect their financial commitments. To bear this risk, a portion of the contractual interest received by the Bank on those assets, called credit margin, compensates it.

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

For loans, receivables and debt securities measured at amortised cost or fair value through other comprehensive income, the expected credit loss, as assessed by the Group, is recognised in profit or loss together with interest income. On balance sheet, this potential loss is recognised as an impairment that reduces the carrying amount of assets measured at amortised cost. Impairment are written-back in case of a subsequent decrease of credit risk.

Potential losses recognised in profit or loss represent initially the credit losses expected by the Group over the year to come. Subsequently, the amount is increased by the expected loss at maturity of the instrument in case of significant increase of risk. The losses are then reassessed if the counterparty or issuer of the security is in default.

For financial assets measured at fair value through profit or loss (including instruments hold by global markets activities), their fair value includes already the expected credit loss, as assessed by the market participant, on the residual lifetime of the instrument.

ACCOUNTING PRINCIPLES

Recognition of expected credit losses

Debt instruments classified as financial assets at amortised cost or as financial assets at fair value through other comprehensive income, operating lease receivables, customer receivables and income to be received included amongst *Other assets*, as well as loan commitments granted and guarantee commitments issued, are systematically subject to impairment or provisions for expected credit losses. These impairments and provisions are recognised as the loans are granted, the commitments undertaken, or the debt securities purchased, without waiting for the occurrence of an objective evidence of impairment.

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

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

Credit risk category	Stage 1 Performing assets	Stage 2 Under-performing or downgraded assets	Stage 3 Credit-impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1 ▸ *Maintained if the credit risk has not increased significantly*	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument is become credit-impaired / 90 days past due
Measurement of credit risk	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

Exposures classified in Stage 1

At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are purchased or originated credit-impaired instruments.

Exposures classified in Stage 2

To identify Stage 2 exposures, the significant increase in credit risk is assessed by the Group using all available past and forward-looking data (behavioural scores, loan to value indicators, macroeconomic forecast scenarios, etc.). This assessment of changes in credit risk takes into account the three following criteria:

THE COUNTERPARTY'S CREDIT RATING

The Group analyses changes in the counterparty's credit rating, as well as any changes in its operating sector, in macroeconomic conditions and in the behaviours of the counterparty that may, above and beyond the review of the credit rating, be a sign of deteriorating credit risk.

If, after a review, a counterparty is deemed "sensitive" (notion of watch list), all existing contracts between the Group and this counterparty are transferred into Stage 2 (to the extent that this approach does not lead to a distortion compared with an analysis of the change in credit risk since initial recognition on each financial instrument) and the related impairment and provisions are increased up to the lifetime expected credit losses. Once a counterparty has been placed on a watch list, all new transactions originated with that counterparty are recorded in Stage 1.

THE MAGNITUDE OF THE CHANGE IN A COUNTERPARTY'S CREDIT RATING

This magnitude is assessed from contract to contract, from the date of their initial recognition to the balance sheet date.

To determine whether a deterioration or improvement in the credit rating between the date of initial recognition and the balance sheet date is significant enough to prompt a change in the impairment Stage, thresholds are set once a year by the Risk Division. These transfer thresholds between Stage 1 and Stage 2 are determined for each homogeneous portfolio of contracts (notion of risk segment based on the customer typology and the credit quality) and are calculated based on their specific probability-of-default curves (thus, the threshold is different depending on whether it is a Sovereign portfolio or a Large Corporates portfolio, for instance). These thresholds may be expressed as an absolute or relative increase in the probability of default.

From 2019 the thresholds are differentiated based on the lifetime probability-of-default curves for the Group's main portfolios. The transition from one-year probability-of-default curves to lifetime probability-of-default curves is ongoing for the remaining portfolios, assuming that there is no distortion with respect to any comparison made with the lifetime probability-of-default curves.

THE EXISTENCE OF PAYMENTS MORE THAN THIRTY DAYS PAST DUE

There is a (rebuttable) presumption of a significant deterioration in credit risk when a payment on an asset is more than thirty days past due.

Once any one of these three criteria is met, the instrument is transferred from Stage 1 to Stage 2, and the related impairments or provisions are adjusted accordingly.

The first two criteria are symmetrical: a sufficient improvement in the credit rating, or removal from the watch list of sensitive counterparties, results in a return to Stage 1, without any probation period in Stage 2.

For exposures to counterparties for which a credit rating is not available (retail customers and a limited portion of the "small- and medium-sized companies" segment), the transfer into Stage 2 is based on:

- the Basel behavioural score or the existence of payments more than thirty days past due for retail customers;
- the classification into watch list and the existence of payments more than thirty days past due for small- and medium-sized companies.

Exposures classified in Stage 3

To identify Stage 3 exposures (doubtful exposures), the Group determines whether there is an objective evidence of impairment (default events):

- payments more than ninety days past due (with the exception of restructured loans during the two-year probation period which are retransferred into Stage 3 as of payments more than thirty days past due), whether or not a collection procedure is instigated. To assess this criteria, the Group does not apply any threshold, except if such threshold is requested by local authority. In addition, only missed payments related to business litigations, specific contractual features or IT failures cannot lead to a transfer into Stage 3;
- identification of other criteria that evidence, even in the absence of missed payments, that this is unlikely that the counterparty could meet all its financial obligations:
  - a significant deterioration in the counterparty's financial situation creates a strong probability that it will not be able to meet all of its commitments and thus represents a risk of loss for the Group,
  - concessions are granted to the clauses of the loan agreement, in light of the borrower's financial difficulties, that would not have been granted in other circumstances (restructured loans),
  - the existence of probable credit risk or litigious proceedings (ad hoc mandate, bankruptcy, court-ordered settlement or compulsory liquidation or other similar proceedings in local jurisdictions).

The Group applies the impairment contagion principle to all of the defaulting counterparty's exposures. When a debtor belongs to a group, the impairment contagion principle may also be applied to all of the Group's exposures.

In the case of a return in Stage 2, the exposures are kept in Stage 2 during a probation period before assessing whether they could be transferred in Stage 1. This probation period in Stage 2 is from six months to two years according to the nature of the risk portfolio to which the exposures belong.

Measurement of depreciation and provision

Stage 1 exposures are impaired for the amount of credit losses that the Group expects to incur within twelve months (12-month expected credit losses), based on past data and the current situation. Accordingly, the amount of impairment is the difference between the gross carrying amount of the asset and the present value of future cash flows deemed to be recoverable, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring within the next twelve months.

Stage 2 and 3 exposures are impaired for the amount of credit losses that the Group expects to incur over the life of the exposures (lifetime expected credit losses), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity. Accordingly, the amount of impairment is the difference between the gross carrying amount of the asset and the present value of future cash flows deemed to be recoverable, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring through to the instrument's maturity.

Financial guarantees are taken into account in the estimation of the recoverable cash flows when they are integral part of the contractual characteristics of the related loans and they are not recognised separately.

If the financial guarantees don't meet these criteria and as a consequence their effects cannot be taken into account in the calculation of impairment (example: financial guarantee aimed at compensating the first losses suffered on a given portfolio of loans), a separate asset is recorded in the balance sheet under *Other Assets*. The book value of this asset is representative of the expected credit losses, recorded in the balance sheet within the impairment of assets, for which the Group is almost certain to receive a compensation. Changes in the carrying amount of this asset are recorded in the income statement under *Cost of risk*.

Calculation methods used to a measure credit losses are disclosed in Chapter 4 of the present Universal Registration Document (Risk factors and capital adequacy).

Irrespective of the Stage in which the exposures are classified, cash flows are discounted using the initial effective interest rate of the financial asset. The amount of impairment is included in the net carrying amount of the credit impaired financial asset. Impairment allocations/reversals are recorded in profit or loss under *Cost of risk*.

For operating leases and trade receivables, the Group uses the "simplified" approach, under which impairments are calculated as lifetime expected credit losses since their initial recognition, regardless of any subsequent changes in the counterparty's credit risk. The assessment of depreciation is mainly based on historical data on default rates and incurred losses in the event of default. Adjustments to take into account forward-looking information on economic conditions and macro-economic factors are determined by an expert. The impairment is calculated using historical data related to default rates and losses on default. Adjustments made to take into account prospective data related to macro-economic forecasts are determined by an expert.

Restructured loans

Loans issued or acquired by the Group may be restructured due to financial difficulties. This takes the shape of a contractual modification of the initial terms of the loan (*e.g.* lower interest rates, rescheduled loan payments, partial debt forgiveness, or additional collateral). This adjustment of the contractual terms is strictly linked to the borrower's financial difficulties and/or insolvency (whether they have already become insolvent or are certain to do so if the loan is not restructured).

Where they still pass the SPPI test, restructured loans are still recognised in the balance sheet and their amortised cost before credit risk allowance is adjusted for a discount representing the restructuration loss. This discount is equal to the difference between the present value of the new contractual cash flows resulting from the restructuring of the loan and the amortised cost before credit risk allowance less any partial debt forgiveness; it is booked to *Cost of risk* in the income statement. As a result, the amount of interest income subsequently recognised into income is still computed using the initial effective interest rate of the loan and based on the net carrying amount of the asset after impairment during at least the first year following the restructuration.

Post-restructuring, these financial assets are systematically classified in Stage 3 for impairment (credit-impaired exposures), as the borrowers are deemed to be in default. Stage 3 classification is maintained for at least one year, or longer if the Group is uncertain that the borrowers will be able to meet their commitments. Once the loan is no longer classified in Stage 3, the assessment of the significant increase of credit risk will be performed by comparing the characteristics of the instrument at the closing date and the characteristics at the initial recognition date of the loan before restructuring, applying the transfer rules to Stage 1 and 2 previously mentioned in this note with specific conditions during the probation period (during the first two-years following the restructuration loans are retransferred into Stage 3 as of payments more than thirty days past due).

The criteria to return to Stage 1 for the restructured loans are similar to those of all the other exposures, after a probation period in Stage 3 of a minimum of one year.

Where they no longer pass the SPPI test, restructured loans are derecognised and replaced by new loans recognised according to the restructured terms and conditions. These new loans are then classified as Financial assets measured mandatorily at fair value through profit or loss.

Restructured loans do not include loans and receivables subject to commercial renegotiations that are loans to customers for which the Group has agreed to renegotiate the debt with the aim of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest.

OVERVIEW OF IMPAIRMENT AND PROVISIONS

(In EURm)	31.12.2019	31.12.2018
Impairment of financial assets at fair value through other comprehensive income	9	11
Impairment of financial assets at amortised cost	10,976	11,673
Loans and receivables at amortised cost	*10,761*	*11,477*
Other assets at amortised cost[(1)]	*215*	*196*
TOTAL IMPAIRMENT OF FINANCIAL ASSETS	**10,985**	**11,684**
Provisions on financing commitments	244	252
Provisions on guarantee commitments	396	386
TOTAL CREDIT RISK PROVISIONS	**640**	**638**

(1) o/w EUR 145 million of impairment on operating lease receivables as at 31st December 2019 (vs. EUR 131 million as at 31st December 2018); this impairment is calculated as lifetime expected credit losses since their initial recognition in compliance with the "simplified" approach permitted by the standard. Those receivables are presented under Miscellaneous receivables (see Note 4.4).

NOTE 3.8.1 IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN OF FINANCIAL ASSETS IMPAIRMENT

(In EURm)	Amount at 31.12.2018	Allocations	Write-backs available	Net impairment losses	Write-backs used	Currency and scope effects	Amount at 31.12.2019
Financial assets at fair value through other comprehensive income							
Impairment on performing outstandings (Stage 1)	3	1	(3)	(2)		-	1
Impairment on underperforming outstandings (Stage 2)	-	-	-	-		-	-
Impairment on doubtful outstandings (Stage 3)	8	-	-	-	-	-	8
TOTAL	**11**	**1**	**(3)**	**(2)**	**-**	**-**	**9**
Financial assets measured at amortised cost							
Impairment on performing outstandings (Stage 1)	887	581	(552)	29		(14)	902
Impairment on underperforming outstandings (Stage 2)	1,038	885	(873)	12		(8)	1,042
Impairment on doubtful outstandings (Stage 3)	9,748	4,286	(3,123)	1,163	(1,858)	(21)	9,032
TOTAL	**11,673**	**5,752**	**(4,548)**	**1,204**	**(1,858)**	**(43)**	**10,976**
o/w lease financing and similar agreements	**767**	**266**	**(181)**	**85**	**(64)**	**(46)**	**742**
Impairment on performing outstandings (Stage 1)	*83*	*38*	*(23)*	*15*		*(8)*	*90*
Impairment on underperforming outstandings (Stage 2)	*98*	*48*	*(49)*	*(1)*		*(6)*	*91*
Impairment on doubtfuloutstandings (Stage 3)	*586*	*180*	*(109)*	*71*	*(64)*	*(32)*	*561*

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

(In EURm)	Amount at 31.12.2018	Production & Acquisition	Derecognition[1]	Transfer between stages of impairment	Other variations	Amount at 31.12.2019
Financial assets at fair value through other comprehensive income						
Impairment on performing outstandings (Stage 1)	3	-	-	-	(2)	1
Impairment on underperforming outstandings (Stage 2)	-	-	-	-	-	-
Impairment on doubtful outstandings (Stage 3)	8	-	-	-	-	8
TOTAL	**11**	**-**	**-**	**-**	**(2)**	**9**
Financial assets at amortised cost						
Impairment on performing outstandings (Stage 1)	887	288	(228)	(156)	111	902
Impairment on underperforming outstandings (Stage 2)	1,038	204	(213)	164	(151)	1,042
Impairment on doubtful outstandings (Stage 3)	9,748	128	(1,976)	682	450	9,032
TOTAL[2]	**11,673**	**620**	**(2,417)**	**690**	**410**	**10,976**
o/w lease financing and similar agreements	**767**	**44**	**(8)**	**24**	**(85)**	**742**
Impairment on performing outstandings (Stage 1)	*83*	*25*	*(13)*	*(9)*	*4*	*90*
Impairment on underperforming outstandings (Stage 2)	*98*	*10*	*(17)*	*14*	*(14)*	*91*
Impairment on doubtful outstandings (Stage 3)	*586*	*9*	*22*	*19*	*(75)*	*561*

(1) Including repayments, disposals and debt waivers.
(2) The impairment decrease of EUR 697 million during the year is linked to :
- the reduce of the exposition amount in default (Stage 3). This is in line with the Group strategy to reduce his portfolio of expositions in default which is strongly impaired ;
- a slight increase of the impairment stock in Stage 1 and 2 due to an increase of the expositions and to a challenging economic environment.

NOTE 3.8.2 CREDIT RISK PROVISIONS

BREAKDOWN OF PROVISIONS ON FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

(In EURm)	Amount at 31.12.2018	Allocations	Write-backs available	Net impairment losses	Currency and scope effects	Amount at 31.12.2019
Financing commitments						
Provisions on performing outstandings (Stage 1)	98	78	(74)	4	-	102
Provisions on underperforming outstandings (Stage 2)	119	81	(95)	(14)	-	105
Provisions on doubtful outstandings (Stage 3)	35	96	(133)	(37)	39	37
TOTAL	**252**	**255**	**(302)**	**(47)**	**39**	**244**
Guarantee commitments						
Provisions on performing outstandings (Stage 1)	47	24	(37)	(13)	-	34
Provisions on underperforming outstandings (Stage 2)	68	53	(61)	(8)	20	80
Provisions on doubtful outstandings (Stage 3)	271	181	(125)	56	(45)	282
TOTAL	**386**	**258**	**(223)**	**35**	**(25)**	**396**

VARIATIONS OF PROVISIONS ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

(In EURm)	Amount at 31.12.2018	Production & Acquisition	Dereco-gnition[1]	Transfer between stages of impairment	Other variations	Amount at 31.12.2019
Financing commitments						
Provisions on performing outstandings (Stage1)	98	40	(43)	(9)	16	102
Provisions on underperforming outstandings (Stage 2)	119	18	(32)	35	(35)	105
Provisions on doubtful outstandings (Stage 3)	35	13	(42)	10	21	37
TOTAL	**252**	**71**	**(117)**	**36**	**2**	**244**
Guarantee commitments						
Provisions on performing outstandings (Stage1)	47	13	(12)	(4)	(10)	34
Provisions on underperforming outstandings (Stage 2)	68	4	(16)	(2)	26	80
Provisions on doubtful outstandings (Stage 3)	271	21	(54)	64	(20)	282
TOTAL	**386**	**38**	**(82)**	**58**	**(4)**	**396**

(1) Including repayments, disposals and debt waivers.

NOTE 3.8.3 COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk only includes net reversals of impairments and loss allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

The Group proceed to a write off by recognising a loss on the bad loan and a reversal of impairment in *Cost of risk* when a debt is forgiven or when there are no longer any hopes of future recovery. The lack of future hopes of recovery is documented when a certificate issued as proof that the debt is uncollectable is delivered by the relevant authority or when strong circumstantial evidences are identified (years in default, provisions at 100%, lack of recent recoveries, specificities of the case).

However, a write-off in accounting terms does not imply debt forgiveness in the legal sense as recovery actions on cash due by the counterparty are pursued particularly in case of return to better fortune. In case of recoveries on an exposure previously written-off, such recoveries are recognised as *Amounts recovered on irrecouvrable loans* on the year of collection.

(In EURm)	2019	2018
Net allocation to impairment losses	(1,202)	(970)
on financial assets at fair value through other comprehensive income	*2*	-
on financial assets at amortised cost	*(1,204)*	*(970)*
Net allocations to provisions	12	59
on financing commitments	*47*	*82*
on guarantee commitments	*(35)*	*(23)*
Losses not covered on irrecoverable loans	(292)	(263)
Amounts recovered on irrecoverable loans	184	169
Income from guarantee not taken into account for the calculation of impairment[1]	20	
TOTAL	**(1,278)**	**(1,005)**

(1) The income from the guarantees not taken into account for the calculation of impairment corresponds for the year 2019 to the financial guarantees received by the Group in the context of credit risk transfer operations to entities external to the Group. These operations concerned two diversified portfolios of structured loans of EUR 4 billion and USD 3.4 billion granted by Wholesale Banking and two portfolios of capital loans of EUR 2.1 billion and EUR 1.4 billion granted by Retail Banking in France.

NOTE 3.9 Fair value of financial instruments measured at amortised cost

ACCOUNTING PRINCIPLES

Definition of fair value

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

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

For financial instruments that are not recognised at fair value on the balance sheet, the figures disclosed in this note and broken down according to the fair value hierarchy as described in Note 3.4, should not be taken as an estimate of the amount that would be realised if all such financial instruments were to be settled immediately.

The fair value of financial instruments includes accrued interest if applicable.

NOTE 3.9.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	31.12.2019				
(In EURm)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from banks	56,366	56,370	-	41,233	15,137
Customer loans	450,244	451,398	-	179,364	272,034
Debt securities	12,489	12,705	4,156	7,095	1,454
TOTAL	**519,099**	**520,473**	**4,156**	**227,692**	**288,625**

	31.12.2018				
(In EURm)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from banks	60,588	60,674	-	43,844	16,830
Customer loans	447,229	451,366	-	187,421	263,945
Debt securities	12,026	12,113	4,007	7,312	794
TOTAL	**519,843**	**524,153**	**4,007**	**238,577**	**281,569**

NOTE 3.9.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	31.12.2019				
(In EURm)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due to banks	107,929	107,976	356	104,028	3,592
Customer deposits	418,612	418,705	-	408,597	10,108
Debt securities issued	125,168	125,686	20,856	104,462	368
Subordinated debt	14,465	14,467	-	14,467	-
TOTAL	**666,174**	**666,834**	**21,212**	**631,554**	**14,068**

	31.12.2018				
(In EURm)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due to banks	94,706	94,564	244	90,037	4,283
Customer deposits	416,818	417,019	-	406,699	10,320
Debt securities issued	116,339	116,336	22,028	93,564	744
Subordinated debt	13,314	13,316	-	13,316	-
TOTAL	**641,177**	**641,235**	**22,272**	**603,616**	**15,347**

NOTE 3.9.3 VALUATION METHODS OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

LOANS, RECEIVABLES AND LEASE FINANCING AGREEMENTS

The fair value of loans, receivables and lease financing transactions for large corporates and banks is calculated, in the absence of an actively traded market for these loans, by discounting expected cash flows to present value based on the market rates (the benchmark maturity yield published by the Banque de France and the zero-coupon yield) prevailing on the balance sheet date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

The fair value of loans, receivables and lease financing transactions for retail banking customers, essentially comprised of individuals and small or medium-sized companies, is determined, in the absence of an actively traded market for these loans, by discounting the associated expected cash flows to present value at the market rates prevailing on the balance sheet date for similar types of loans and similar maturities.

For all floating-rate loans, receivables and lease financing transactions and fixed-rate loans with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value net of impairment, assuming there has been no significant change in credit spreads on the counterparties in question since they were recognised in the balance sheet.

DEBTS

The fair value of debts, in the absence of an actively traded market for these liabilities, is taken to be the same as the value of future cash flows discounted to present value at the market rates prevailing on the balance sheet date.

When the debt is a listed instrument, its fair value is its market value.

For floating-rate deposits, demand deposits and borrowings with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value. Similarly, the individual fair value of demand deposit accounts is equal to their book value.

SECURITIES

Provided that the security is an instrument traded on an active market, its fair value is equal to the market price.

If no active market exists, the fair value of the securities is calculated by discounting estimated future net cash flows from the asset at the market rate on the balance sheet date. For variable-rate securities and fixed-rate securities with an agreed duration of up to one year, the fair value is assumed to be the carrying amount minus impairments provided there have been no significant fluctuations in credit spreads involving the counterparties concerned since they were recorded on the balance sheet.

NOTE 3.10 Commitments and assets pledged and received as securities

ACCOUNTING PRINCIPLES

Loan commitments

Loan commitments that are not considered as financial derivatives or that are not measured at fair value through profit or loss for trading purpose are initially recognised at fair value. Thereafter, they are provisioned as necessary in accordance with the accounting principles for impairment and provisions (see Note 3.8).

Guarantee commitments

When considered as non-derivative financial instruments, financial guarantees issued by the Group are initially recognised in the balance sheet at fair value. Thereafter, they are measured at either the amount of the obligation or the amount initially recognised (whichever is higher) less, when appropriate, the cumulative amortisation of a guarantee commission. Where there is objective evidence of impairment, a provision for financial guarantees given is recognised on the liabilities side of the balance sheet (see Note 3.8).

Securities commitments

Securities bought and sold, which are booked to Financial assets at fair value through profit or loss, *Financial assets at fair value through other comprehensive income* and *Financial assets at amortised cost* are recognised on the balance sheet at the settlement-delivery date. Between the trade date and the settlement-delivery date, securities receivable or deliverable are not recognised on the balance sheet. Changes in the fair value of securities measured at fair value through profit or loss and securities measured at fair value through other comprehensive income between the trade date and the settlement-delivery date are booked to profit or loss or equity, depending on the accounting classification of the securities in question.

NOTE 3.10.1 COMMITMENTS

COMMITMENTS GRANTED

(In EURm)	31.12.2019	31.12.2018
Loan commitments		
To banks	50,589	19,174
To customers	184,305	199,663
Issuance facilities	*83*	-
Confirmed credit lines	*166,168*	*181,015*
Others	*18,054*	*18,648*
Guarantee commitments		
On behalf of banks	10,572	5,020
On behalf of customers[1]	42,248	57,251
Securities commitments		
Securities to be delivered	31,121	38,066

(1) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.

COMMITMENTS RECEIVED

(In EURm)	31.12.2019	31.12.2018
Loan commitments		
From banks	84,990	62,447
Guarantee commitments		
From banks	110,395	104,845
Other commitments[1]	125,771	136,702
Securities commitments		
Securities to be received	30,874	41,857

(1) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 73,133 million at 31st December 2019 versus EUR 72,768 million at 31st December 2018.

NOTE 3.10.2 FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSETS PLEDGED

(In EURm)	31.12.2019	31.12.2018
Book value of assets pledged as security for liabilities[1]	391,820	348,262
Book value of assets pledged as security for transactions in financial instruments[2]	56,891	55,957
Book value of assets pledged as security for off-balance sheet commitments	2,195	2,117
TOTAL	**450,906**	**406,336**

(1) Assets pledged as security for liabilities mainly include loans given as guarantees for liabilities (guarantees notably provided to the central banks).
(2) Assets pledged as security for transactions in financial instruments mainly include security deposits.

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EURm)	31.12.2019	31.12.2018
Fair value of securities purchased under resale agreements	**111,818**	**129,628**

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term.

Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

NOTE 3.11 Transferred financial assets

ACCOUNTING PRINCIPLES

Transferred financial assets that are not derecognised include securities lending transactions and repurchase agreements as well as certain loans transferred to consolidated securitization vehicles.

The tables below show securities lending and repurchase agreements that only concern securities recognised on the asset side of the balance sheet.

Securities involved in a repurchase agreement or securities lending transaction are held in their original position on the asset side of the Group's balance sheet. For repurchase agreements, the obligation to return the amounts deposited is recorded under *Liabilities* on the liabilities side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under *Financial liabilities at fair value through profit or loss.*

Securities involved in a reverse repurchase agreement or securities borrowing transaction are not recorded in the Group's balance sheet. For securities received under a reverse repurchase agreement, the right to recover the amounts delivered by the Group is recorded under *Customer Loans and receivables* or *Due from banks* on the asset side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under Financial assets at fair value through profit or loss. In the event the borrowed securities are subsequently sold, a debt representing the return of these securities to their lender is recorded on the liabilities side of the Group's balance sheet, under *Financial liabilities at fair value through profit or loss*.

Securities lending and securities borrowing transactions that are fully matched by cash are assimilated to repurchase and reverse repurchase agreements and are recorded and recognised as such in the balance sheet.

With securities lending and repurchase agreements, the Group remains exposed to issuer default (credit risk) and to increases or decreases of securities value (market risk). The underlying securities cannot simultaneously be used as collateral in other transactions.

NOTE 3.11.1 TRANSFERRED FINANCIAL ASSETS NOT DERECOGNISED

REPURCHASE AGREEMENTS

	31.12.2019		31.12.2018	
(In EURm)	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities at fair value through profit or loss	23,691	20,486	19,515	15,371
Securities at fair value through other comprehensive income	13,057	10,476	11,903	9,743
TOTAL	**36,748**	**30,962**	**31,418**	**25,114**

SECURITIES LENDING

	31.12.2019		31.12.2018	
(In EURm)	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities at fair value through profit or loss	13,297	54	11,347	51
Securities at fair value through other comprehensive income	132	-	368	-
TOTAL	**13,429**	**54**	**11,715**	**51**

SECURITISATION ASSETS FOR WHICH THE COUNTERPARTIES TO THE ASSOCIATED LIABILITIES HAVE RECOURSE ONLY TO THE TRANSFERRED ASSETS

(In EURm)	31.12.2019	31.12.2018
Customers loans		
Carrying amount of transferred assets	1,629	1,249
Carrying amount of associated liabilities	1,545	1,086
Fair value of transferred assets (A)	1,639	1,253
Fair value of associated liabilities (B)	1,555	1,090
NET POSITION (A)-(B)	**84**	**163**

The Group remains exposed to the majority of the risks and rewards associated with these receivables; furthermore, these receivables may not be used as collateral or sold outright as part of another transaction.

NOTE 3.11.2 TRANSFERRED FINANCIAL ASSETS PARTIALLY OR FULLY DERECOGNISED

At 31st December 2019, the Group carried out no material transactions resulting in the partial or full derecognition of financial assets leaving the Group with a continuing involvement in said assets.

NOTE 3.12 Offsetting of financial assets and financial liabilities

ACCOUNTING PRINCIPLES

A financial asset and a financial liability are offset and the net amount presented on the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in all circumstances, in both the normal course of business and in the event of default of one of the counterparties. In this respect, the Group recognises in its balance sheet the net amount of derivative financial instruments traded with certain clearing houses where they achieve net settlement through a daily cash margining process, or where their gross settlement system has features that eliminate or result in insignificant credit and liquidity risk, and that process receivables and payables in a single settlement process or cycle.

The following tables present the amounts of financial assets and financial liabilities set off on the Group's consolidated balance sheet. The gross outstanding amounts of these financial assets and financial liabilities are matched with the consolidated outstanding amounts presented in the balance sheet (net balance sheet amounts), after indicating the amounts set off on the balance sheet for these various instruments (amounts offset) and aggregating them with the outstanding amounts of other financial assets and financial liabilities not subject to a Master Netting Agreement or similar agreement (amounts of assets and liabilities not eligible for offsetting).

These tables also indicate the amounts which may be offset, as they are subject to a Master Netting Agreement or similar agreement, but whose characteristics make them ineligible for offsetting in the consolidated financial statements under IFRS. This information is provided in comparison with the accounting treatment applied under US GAAP. This affects in particular financial instruments that may only be offset in the event of the default, insolvency or bankruptcy of one of the counterparties, as well as instruments pledged by cash or securities collateral. These mainly include over-the-counter interest rate options, interest rate swaps and securities purchased/sold under resale/repurchase agreements.

Net positions resulting from these various offsetting are not intended to represent the Group's actual exposure to counterparty risk through these financial instruments, insofar as counterparty risk management uses other risk mitigation strategies in addition to netting and collateral agreements.

NOTE 3.12.1 AT 31ST DECEMBER 2019

ASSETS

		Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements[1]			
(In EURm)	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	28,345	210,193	(85,852)	152,686	(100,225)	(16,360)	-	36,101
Securities lent (see Notes 3.1 and 3.3)	8,275	5,552	-	13,827	(2,171)	(5)	(487)	11,164
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	44,054	196,583	(91,110)	149,527	(14,459)	(112)	(40,544)	94,412
Guarantee deposits pledged (see Note 4.4)	32,118	16,512	-	48,630	-	(16,512)	-	32,118
Other assets not subject to offsetting	991,633	-	-	991,633	-	-	-	991,633
TOTAL	**1,104,425**	**428,840**	**(176,962)**	**1,356,303**	**(116,855)**	**(32,989)**	**(41,031)**	**1,165,428**

LIABILITIES

(In EURm)	Amount of liabilities not subject to offsetting	Impact of offsetting on the balance sheet: Gross amount	Impact of offsetting on the balance sheet: Amount offset	Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[1]: Financial instruments recognised in the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[1]: Cash collateral pledged	Impact of Master Netting Agreements (MNA) and similar agreements[1]: Financial instruments pledged as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	27,848	206,337	(85,852)	148,333	(100,225)	(16,512)	-	31,596
Amount payable on borrowed securities (see Note 3.1)	28,000	10,950	-	38,950	(2,171)	-	-	36,779
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	55,793	151,257	(91,110)	115,940	(14,459)	-	(35,880)	65,601
Guarantee deposits received (see Note 4.4)	32,844	16,477	-	49,321	-	(16,477)	-	32,844
Other liabilities not subject to offsetting	935,189	-	-	935,189	-	-	-	935,189
TOTAL	**1,079,674**	**385,021**	**(176,962)**	**1,287,733**	**(116,855)**	**(32,989)**	**(35,880)**	**1,102,009**

(1) *Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any overcollateralisation effect.*

NOTE 3.12.2 AT 31ST DECEMBER 2018

ASSETS

(In EURm)	Amount of assets not subject to offsetting	Impact of offsetting on the balance sheet: Gross amount	Impact of offsetting on the balance sheet: Amount offset	Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[1]: Financial instruments recognised in the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[1]: Cash collateral received	Impact of Master Netting Agreements (MNA) and similar agreements[1]: Financial instruments received as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	25,601	166,618	(57,337)	134,882	(81,559)	(13,720)	(31)	39,572
Securities lent (see Notes 3.1 and 3.3)	9,367	3,527	-	12,894	(1,745)	(2)	(732)	10,415
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	46,526	224,992	(97,812)	173,706	(21,581)	(304)	(51,925)	99,896
Guarantee deposits pledged (see Note 4.4)	33,099	13,595	-	46,694	-	(13,595)	-	33,099
Other assets not subject to offsetting	941,252	-	-	941,252	-	-	-	941,252
TOTAL	**1,055,845**	**408,732**	**(155,149)**	**1,309,428**	**(104,885)**	**(27,621)**	**(52,688)**	**1,124,234**

LIABILITIES

(In EURm)	Amount of liabilities not subject to offsetting	Impact of offsetting on the balance sheet: Gross amount	Impact of offsetting on the balance sheet: Amount offset	Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[1]: Financial instruments recognised in the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[1]: Cash collateral pledged	Impact of Master Netting Agreements (MNA) and similar agreements[1]: Financial instruments pledged as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	27,918	162,357	(57,337)	132,938	(81,559)	(13,595)	-	37,784
Amount payable on borrowed securities (see Note 3.1)	33,731	17,533	-	51,264	(1,745)	-	-	49,519
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	45,391	174,062	(97,812)	121,641	(21,581)	-	(22,956)	77,104
Guarantee deposits received (See Note 4.4)	29,417	14,026	-	43,443	-	(14,026)	-	29,417
Other liabilities not subject to offsetting	894,333	-	-	894,333	-	-	-	894,333
TOTAL	**1,030,790**	**367,978**	**(155,149)**	**1,243,619**	**(104,885)**	**(27,621)**	**(22,956)**	**1,088,157**

(1) *Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any overcollateralisation effect.*

NOTE 3.13 Contractual maturities of financial liabilities

(In EURm)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2019
Due to central banks	4,097	-	-	-	4,097
Financial liabilities at fair value through profit or loss	249,776	28,702	37,998	47,653	364,129
Due to banks	69,156	20,306	17,267	1,200	107,929
Customer deposits	372,573	20,385	16,319	9,335	418,612
Debt securities issued	28,142	24,948	56,099	15,979	125,168
Subordinated debt	5	2	2,746	11,712	14,465
Other liabilities	74,712	2,479	5,264	2,607	85,062
TOTAL LIABILITIES	**798,461**	**96,822**	**135,693**	**88,486**	**1,119,462**
Loan commitment granted	104,243	24,848	88,188	17,615	234,894
Guarantee commitments granted	25,906	8,772	10,101	8,041	52,820
TOTAL COMMITMENTS GRANTED	**130,149**	**33,620**	**98,289**	**25,656**	**287,714**

The flows presented in this note are based on contractual maturities. However, for certain elements of the balance sheet, assumptions could be applied.

When there is no contractual terms, as well as for trading financial instruments (e.g.: derivatives), maturities are presented in the first column (up to 3 months).

The guarantee commitments given are scheduled on the basis of the best possible estimate of disposal; if not available, they are presented in the first column (up to 3 months).

NOTE 4 OTHER ACTIVITIES

NOTE 4.1 Fee income and expense

ACCOUNTING PRINCIPLES

Fee income and *Fee expense* combine fees on services rendered and received, as well as fees on commitments, that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under *Interest and similar income* and *Interest and similar expense* (see Note 3.7).

Transactions with customers include the fees from retail customers from the Group retail banking activities (in particular credit card fees, account management fees or application fees outside the effective interest rate).

Sundry services provided include the fees from customers from the other Group activities (in particular, interchange fees, funds management fees or fees on insurance products sold within the network).

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

- fees for ongoing services, such as some payment services, custody fees, or digital service subscriptions are recognised as income over the life of the service;
- fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties on payment incidents are recognised as income when the service is provided.

The amount equivalent to the remuneration for the service provided is composed of fixed and variable contractual compensation whether they are paid in kind or in cash, less any payments due to customers (for example, in case of promotional offers). The variable compensation (for example, discounts based on the provided services volume over a period of time or fees payable subject to the achievement of a performance target, etc.) are included in the amount equivalent to the remuneration for the service provided if and only if this compensation is highly probable not to be subsequently reduced significantly.

The possible mismatch between the payment date of the service provided and the date of execution of the service gives assets and liabilities depending on the type of contract and mismatch which are recognised under *Other Assets* and *Other Liabilities* (see Note 4.4):

- customer contracts generate trade receivables, accrued income or prepaid income;
- supplier contracts generate trade payables, accrued expenses or prepaid expenses.

In syndication deals, the effective interest rate for the share of the issuance retained on the Group's balance sheet is comparable to that applied to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees for services rendered is then recorded under *Fee income* at the end of the syndication period. Arrangement fees are recorded as income when the placement is legally complete.

	2019			2018		
(In EURm)	Income	Expense	Net	Income	Expense	Net
Transactions with banks	**157**	**(149)**	**8**	**148**	**(182)**	**(34)**
Transactions with customers	**3,072**	**-**	**3,072**	**3,187**	**-**	**3,187**
Financial instruments operations	**2,261**	**(2,351)**	**(90)**	**2,308**	**(2,334)**	**(26)**
Securities transactions	523	(1,019)	(496)	539	(1,030)	(491)
Primary market transactions	126	-	126	136	-	136
Foreign exchange transactions and financial derivatives	1,612	(1,332)	280	1,633	(1,304)	329
Loan and guarantee commitments	**772**	**(213)**	**559**	**711**	**(78)**	**633**
Various services	**2,806**	**(1,098)**	**1,708**	**2,770**	**(1,006)**	**1,764**
Asset management fees	610	-	610	634	-	634
Means of payment fees	914	-	914	847	-	847
Insurance product fees	241	-	241	228	-	228
Underwriting fees of UCITS	80	-	80	85	-	85
Other fees	961	(1,098)	(137)	976	(1,006)	(30)
TOTAL	**9,068**	**(3,811)**	**5,257**	**9,124**	**(3,600)**	**5,524**

NOTE 4.2 Income and expense from other activities

ACCOUNTING PRINCIPLES

Leasing activities

Leases granted by the Group which do not transfer to the lessee virtually all the risks and benefits associated with ownership of the leased asset are classified as operating leases.

Assets held under operating leases, including investment property, are recorded on the balance sheet under *Tangible and intangible fixed assets* at their acquisition cost, less depreciation and impairment (see Note 8.4).

Leased assets are depreciated, excluding residual value, over the life of the lease. Lease payments are recognised as income according to the straight-line method over the term of the lease. Meanwhile, the purpose of the accounting treatment of income invoiced in respect of maintenance services related to operating lease activities is to reflect a constant margin between this income and the expenses incurred in providing the service over the term of the service agreement.

Income and expenses, and capital gains or losses on investment properties and leased assets, are recorded under *Income and expenses from other activities* on the *Real estate leasing* and *Equipment leasing* lines, as well as income and expense on maintenance services related to operating lease activities.

These lines also include losses incurred in the event of a decline in the unguaranteed residual value of finance-lease transactions, and capital gains or losses on disposal related to unleased assets once the lease finance agreements are terminated.

Leases granted by the Group entities may include maintenance service for the leased equipment. In this case, the portion of rentals corresponding to this maintenance service is spread over the duration of the service (generally the lease contract duration) and, when necessary, considers the progress of the service provided when it is not linear.

Real estate development activities

As the sale of real estate off plan (housing, office property, retail areas, etc.) is an ongoing service, the margin of this activity is progressively recognised over the construction programme's duration until the delivery date to the customer. It is recognised under income when this margin is positive and under expenses when this margin is negative.

The margin recognised at each closing period reflects the programme's estimated margin forecast and its stage of completion at the end of the period which depends on the progress in terms of marketing and the project.

	2019			2018		
(In EURm)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Real estate development	96	-	96	76	(2)	74
Real estate leasing	48	(34)	14	34	(40)	(6)
Equipment leasing[1]	10,889	(7,758)	3,131	10,102	(7,156)	2,946
Other activities	596	(1,993)	(1,397)	549	(1,814)	(1,265)
TOTAL	**11,629**	**(9,785)**	**1,844**	**10,761**	**(9,012)**	**1,749**

(1) The amount recorded under this heading is mainly due to income and expenses related to long-term leasing and car fleet management businesses.

NOTE 4.3 Insurance activities

MAKE IT SIMPLE

Insurance activities (life insurance, personal protection and non-life insurance) add to the range of products included in the banking services offered to Group customers.

These activities are carried out by dedicated subsidiaries, subject to regulations specific to the insurance sector.

The rules for measuring and accounting for risks associated with insurance contracts are specific to the Insurance sector as well as the presentation of income and expenses on the Group's insurance activities that are disclosed in this note and which are classified on the basis of their function.

DEFERRED APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES

The amendments to IFRS 4 (Applying IFRS 9, "Financial Instruments", with IFRS 4, "Insurance Contracts") allow entities having insurance as their primary activity to delay the application of IFRS 9 until 1st January 2021, meaning they may continue applying the current standard, IAS 39. The European Regulation 2017/1988 also extended the deferral option to allow financial conglomerates falling within the scope of Directive 2002/87/EC to elect that all their entities operating in the insurance sector within the meaning of that Directive will defer the effective date of IFRS 9 until 1st January 2021.

The Group has elected that all its insurance subsidiaries will defer the effective date of IFRS 9 and will continue to apply IAS 39 as adopted by the European Union. The Group has made the necessary arrangements to forbid all transfers of financial instruments between its insurance sector and any other sector in the Group that would lead to a derecognition of the instrument by the seller, except for transfers of financial instruments measured at fair value through profit or loss by both sectors involved in such transfers.

Insurance activities are presented on separate lines in the consolidated financial statements for clarification purposes: *Investments of insurance activities* under balance sheet assets, *Insurance contracts related liabilities* under balance sheet liabilities and *Net income from insurance activities* under *Net banking income* in the income statement.

The main subsidiaries concerned are Sogecap, Antarius, Sogelife, Oradea Vie, Komercni Pojistovna A.S. and Sogessur.

NOTE 4.3.1 INSURANCE CONTRACTS RELATED LIABILITIES

ACCOUNTING PRINCIPLES

Underwriting reserves of insurance companies

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

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

Risks covered by non-life insurance policies are principally linked to home, car and accident protection guarantees. Underwriting reserves comprise reserves for unearned premiums (share of premium income relating to subsequent financial years) and for outstanding claims.

Risks covered by life insurance policies are principally death, invalidity and incapacity for work. Life insurance underwriting reserves mainly comprise actuarial reserves, which correspond to the difference between the present value of commitments falling to the insurer and those falling to the policyholder, and the reserve for claims incurred but not settled.

In saving-life insurance products:

- underwriting reserves of saving-life insurance contracts invested in EUR-denominated policies with profit sharing clauses consist primarily of mathematical provisions and provisions for profit-sharing;
- underwriting reserves of saving-life insurance contracts invested in unit-linked policies or with a significant insurance clause (mortality, invalidity, etc.) are measured at the inventory date according to the realisation value of the assets underlying these contracts.

Under the principles defined in IFRS 4, and in compliance with local regulations applicable with respect thereto, life insurance policies with discretionary profit-sharing features are subject to "mirror accounting", whereby any changes in the value of financial assets liable to affect policyholders are recorded in *Deferred profit-sharing*. This reserve is calculated to reflect the potential rights of policyholders to unrealised gains on financial instruments measured at fair value or their potential share of unrealised losses.

To demonstrate the recoverability of the deferred profit-sharing asset in the event of an unrealised net loss, two approaches are verified by the Group in order to show that the liquidity requirements caused by an unfavourable economic environment would not require assets to be sold in the event of unrealised losses:

- the first approach consists in simulating deterministic ("standardised" or extreme) stress scenarios. This is used to show that in these scenarios no significant losses would be realised on the assets existing at the balance sheet date for the scenarios tested;
- the aim of the second approach is to ensure that in the long or medium term, the sale of assets to meet liquidity needs would not generate any significant losses. The approach is verified considering projections based on extreme scenarios.

Moreover, a Liability Adequacy Test (LAT) is also carried out quarterly at the level of each consolidated entities operating in the insurance. This test involves comparing the carrying amount of insurance liabilities with the average economic value using a stochastic model of future cash flows. This test takes into account all of the future cash flows from policies, including benefits, management charges, fees, policy options and guarantees related to the contracts; It does not include future premiums. If the test concludes that the book value is insufficient, the value of insurance liabilities will be adjusted with a corresponding entry in the income statement.

Classification of financial liabilities

At initial recognition, financial liabilities resulting from the Group's insurance activities are classified in the following accounting categories:

- financial liabilities measured at fair value through profit or loss: these are derivative financial liabilities;
- financial liabilities measured at fair value option through profit or loss: these are non-derivative financial liabilities that were initially designated by the Group to be measured at fair value through profit or loss (using the option). These include investment contracts without both discretionary profit-sharing clauses and insurance component, that do not meet the definition of an insurance contract under IFRS 4 (unit-linked insurance contracts only) and are thus governed by IAS 39.

BREAKDOWN OF INSURANCE CONTRACTS RELATED LIABILITIES

(In EURm)	31.12.2019	31.12.2018 *
Underwriting reserves of insurance companies	140,155	127,386
Financial liabilities of insurance companies	4,104	2,157
Financial liabilities at fair value through profit or loss	*834*	*774*
Financial liabilities at fair value through profit or loss (fair value option)	*3,270*	*1,383*
TOTAL	**144,259**	**129,543**

* *The amounts have been restated following the reclassification of investment contracts to Financial liabilities of insurance companies.*

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In EURm)	31.12.2019	31.12.2018*
Life insurance underwriting reserves for unit-linked policies	32,611	27,467
Other life insurance underwriting reserves	94,714	90,992
Non-life insurance underwriting reserves	1,556	1,418
Deferred profit-sharing booked in liabilities	11,274	7,509
Total	**140,155**	**127,386**
Attributable to reinsurers	(750)	(703)
UNDERWRITING RESERVES OF INSURANCE NET OF THE SHARE ATTRIBUTABLE TO REINSURERS	**139,405**	**126,683**

* *The amounts have been restated following the reclassification of investment contracts to Financial liabilities of insurance companies.*

STATEMENT OF CHANGES IN UNDERWRITING RESERVES

(In EURm)	Life insurance underwriting reserves for unit-linked policies	Other life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at 1st January 2019	**27,467**	**90,992**	**1,418**
Allocation to insurance reserves	1,770	2,067	161
Revaluation of unit-linked policies	4,268	-	-
Charges deducted from unit-linked policies	(193)	-	-
Transfers and allocation adjustments	(637)	630	-
New customers	26	(1)	9
Profit-sharing	(95)	957	-
Others	5	69	(32)
Reserves at 31st December 2019	**32,611**	**94,714**	**1,556**

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed at 31st December 2019. This test assesses whether recognised insurance liabilities are adequate, using current estimates of future cash flows under insurance policies. The result of the test at 31st December 2019 does not show any insufficiency of technical liabilities.

UNDERWRITING RESERVES OF INSURANCE COMPANIES BY REMAINING MATURITY

(In EURm)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2019
Underwriting reserves of insurance companies	**15,288**	**9,291**	**37,018**	**78,558**	**140,155**

NOTE 4.3.2 INVESTMENTS OF INSURANCE ACTIVITIES

ACCOUNTING PRINCIPLES

Classification of financial instruments

When initially recognised, financial assets from Group insurance activities are classified into one of the following categories:

- *Financial assets at fair value through profit or loss:* these are financial assets held for trading purposes (see definition in Note 3.1), which by default include derivative financial assets not qualifying as hedging instruments and non-derivative financial assets designated by the insurance entity upon initial recognition to be carried at fair value through profit or loss (using the option). In particular, insurance entities measure at fair value using the option the financial assets representing unit-linked contracts in order to eliminate the accounting mismatch with the related insurance liabilities, as well as interests in UCITS over which a significant influence exists;
- available-for-sale financial assets: these are non-derivative financial assets held for an indeterminate period, which the insurance entity may sell at any time. By default, they are assets that do not fall into one of the other categories. These instruments are measured at fair value against *Unrealised or deferred gains and losses*. Interests accrued or paid on debt securities are recognised in the income statement using the effective interest rate method while dividend income earned on equity securities is recorded in the income statement under *Net gains and losses on available-for-sale financial assets.* If there is an objective evidence on an individual basis, the total accumulated unrealised loss previously recorded in shareholders' equity is reclassified in the income statement under *Net income from insurance activities;*
- loans and receivables: these include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired, and not designated upon initial recognition to be carried at fair value through profit or loss (in accordance with the fair value option). They are measured at amortised cost, and impairment, determined on an individual or a collective basis, may be recorded if appropriate;
- held-to-maturity financial assets: these are non-derivative financial assets with fixed or determinable payments and a fixed maturity, that are quoted in an active market and which the Group has the intention and ability to hold to maturity. They are measured at their amortised cost and may be subject to impairment as appropriate whether objective evidence of impairment exists individually.

All these categories are presented on the insurance entity's balance sheet under *the Investments of insurance companies*, which also includes investment properties held by insurance entities and hedge derivatives assessed in accordance with the accounting principles presented in Note 3.2.

Reclassification of financial assets

After their initial recognition, financial assets may not be later reclassified as *Financial assets at fair value through profit or loss.*

A non-derivative financial asset initially recognised under *Financial assets at fair value through profit or loss* as an asset held for trading purposes may only be reclassified out of this category under specific conditions framed by IAS 39 standard.

IMPAIRMENT

Impairment of financial assets measured at amortised cost

For debt instruments not measured at fair value through net income, the criteria used by the insurance entities to assess individually objective evidence of impairment include the following conditions:

- a significant decline in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfil its overall commitments, implying then a risk of loss for the insurance entity (the appreciation of this deterioration can be based on the evolution of the rating of the issuers or the variations of the credit spreads changes observed on these markets);
- the occurrence of late payment of coupons and more generally of arrears of more than 90 days;
- or, regardless of whether or not any past-due payments are recorded. there is objective evidence of impairment or legal proceedings have been initiated (bankruptcy, legal settlement, compulsory liquidation).

If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity financial assets, are impaired, an impairment is recognised for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees. This discount is calculated using the financial assets' original effective interest rate. The amount of this impairment is deducted from the carrying value of the impaired financial asset.

The allocations and reversals of impairments are recorded in the income statement under net income from investments in the *Net income from insurance activities.* The impaired loans or receivables are remunerated for accounting purposes by the reversal over time of the discounting to present value, which is recorded under interest income in the *Net income from insurance activities.*

Where there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, be it significant or not, insurance entity includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment. In a homogeneous portfolio, as soon as a credit risk is incurred on a group of financial instruments, impairment is recognised without waiting for the risk to individually affect one or more receivables.

Impairment of available-for-sale financial assets

An available-for-sale financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of this asset.

For listed equity instruments, a significant or prolonged decline in their price below their acquisition cost constitutes objective evidence of impairment. For this purpose, insurance entities consider as impaired listed shares showing an unrealised loss greater than 50% of their acquisition price on the balance sheet date, as well as listed shares for which the quoted prices have been below their acquisition price on every trading day for at least the last 24 months before the balance sheet date. Further factors, such as the financial situation of the issuer or its development outlook, can lead the insurance entities to consider that the cost of its investment may not be recovered even if the abovementioned criteria are not met. An impairment loss is then recorded through net income equal to the difference between the last quoted price of the security on the balance sheet date and its acquisition price.

For unlisted equity instruments, the criteria used to assess the evidence of impairment are identical to those mentioned above. The value of these instruments at the balance sheet date is determined using the valuation methods described in Note 3.4.

The criteria for the impairment of debt instruments are similar to those for the impairment of financial assets measured at amortised cost.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in shareholders' equity under *Unrealised or deferred gains and losses* and subsequent objective evidence of impairment emerges, insurance entities recognise the total accumulated unrealised loss previously recorded in shareholders' equity in the income statement among under net income from investments in the *Net income from insurance activities* as far as debt instruments and equity instruments are concerned.

This cumulative loss is measured as the difference between the acquisition cost (net of any repayments of principal and amortisation) and the present fair value, less any impairment of the financial asset that has already been recorded through profit or loss.

Impairment losses recognised through profit or loss on an equity instrument classified as available-for-sale are only reversed through profit or loss when the instrument is sold. Once an equity instrument has been recognised as impaired, any further loss of value is recorded as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit or loss if they subsequently recover in value following an improvement in the issuer's credit risk.

OTHER ACCOUNTING PRINCIPLES

Accounting principles relative to fair value, initial recognition of financial instruments, derecognition of financial instruments, derivative financial instruments, interest income and expense, transferred financial assets and offsetting of financial instruments are similar to those described in Note 3 (Financial instruments).

OVERVIEW OF INVESTMENTS OF INSURANCE ACTIVITIES

(In EURm)	31.12.2019	31.12.2018 *
Financial assets at fair value through profit or loss (trading portfolio)	268	462
Shares and other equity instruments	*37*	*29*
Trading derivatives	*231*	*433*
Financial assets at fair value through profit or loss (fair value option)	65,718	54,715
Bonds and other debt instruments	*31,719*	*26,356*
Shares and other equity instruments	*33,694*	*28,085*
Loans, receivables and repo transactions	*305*	*274*
Hedging derivatives	438	401
Available for sale financial assets	91,899	84,668
Debt instruments	*75,839*	*70,982*
Equity instruments	*16,060*	*13,686*
Due from banks[(2)]	5,867	5,794
Customer loans	92	119
Held to maturity financial assets	80	-
Real estate investments	576	609
TOTAL INVESTMENTS OF INSURANCE ACTIVITIES[(1)(2)]	**164,938**	**146,768**

* *Amounts restated in order to present the amounts of investments of insurance activities after elimination of intercompany transactions.*

(1) *Investments in other Group companies that are made in representation of unit-linked liabilities are kept in the Group's consolidated balance sheet without any significant impact thereon.*

(2) *o/w EUR 1,126 million of current accounts at 31st December 2019 vs. EUR 710 million at 31st December 2018.*

ANALYSIS OF FINANCIAL ASSETS DEPENDING ON THEIR CONTRACTUAL CHARACTERISTICS

The following table shows the carrying value of the financial assets included in *Net investments from insurance activities*, whereby those assets whose contractual conditions give rise to cash-flows on set dates which are solely payments of principal and interest (basic instruments).

	31.12.2019					
	Carrying amount			Fair value		
(In EURm)	Basic instruments	Other instruments	Total	Basic instruments	Other instruments	Total
Financial assets at fair value through profit or loss	-	65,986	65,986	-	65,986	65,986
Hedging derivatives	-	438	438	-	438	438
Available-for-sale financial assets	72,349	19,550	91,899	72,349	19,550	91,899
Due from banks	2,805	3,062	5,867	3,012	3,178	6,190
Customer loans	92	-	92	90	-	90
Held-to-maturity financial assets	-	80	80	-	80	80
TOTAL FINANCIAL INVESTMENTS	**75,246**	**89,116**	**164,362**	**75,451**	**89,232**	**164,683**

	31.12.2018					
	Carrying amount			Fair value		
(In EURm)	Basic instruments	Other instruments	Total	Basic instruments	Other instruments	Total
Financial assets at fair value through profit or loss	-	55,177	55,177	-	55,177	55,177
Hedging derivatives	-	401	401	-	401	401
Available-for-sale financial assets	68,261	16,407	84,668	68,261	16,407	84,668
Due from banks	2,122	3,672	5,794	2,259	3,880	6,139
Customer loans	119	-	119	117	-	117
Held-to-maturity financial assets	-	-	-	-	-	-
TOTAL FINANCIAL INVESTMENTS	**70,502**	**75,657**	**146,159**	**70,637**	**75,865**	**146,502**

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	31.12.2019			
(In EURm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (trading portfolio)	37	190	41	268
Financial assets at fair value through profit or loss using the fair value option	58,874	6,483	361	65,718
Hedging derivatives	-	438	-	438
Available-for-sale financial assets	84,435	7,252	212	91,899
TOTAL	**143,346**	**14,363**	**614**	**158,323**

	31.12.2018			
(In EURm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (trading portfolio)	29	384	49	462
Financial assets at fair value through profit or loss using the fair value option	48,821	5,516	378	54,715
Hedging derivatives	-	401	-	401
Available-for-sale financial assets	79,104	5,466	98	84,668
TOTAL	**127,954**	**11,767**	**525**	**140,246**

CHANGES IN AVAILABLE FOR SALE FINANCIAL ASSETS

(In EURm)	2019
Balance as of 1st January	**84,668**
Acquisitions	15,602
Disposals/redemptions	(11,393)
Transfers to held-to-maturity financial assets	(80)
Change in scope and others	154
Gains and losses on changes in fair value recognised directly in equity during the period	2,984
Impairment losses on equity instruments recognised in profit or loss	(91)
Translation differences	55
Balance as of 31st December	**91,899**

UNREALISED GAINS AND LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	31.12.2019		
(In EURm)	**Capital gains**	**Capital losses**	**Net revaluation**
Unrealised gains and losses of insurance companies	**556**	**(30)**	**526**
On equity instruments available-for-sale	*2,047*	*(75)*	*1,972*
On debt instruments available-for-sale and assets reclassified as loans and receivables	*7,921*	*(240)*	*7,681*
Deferred profit-sharing	*(9,412)*	*285*	*(9,127)*

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

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EURm)	31.12.2019	31.12.2018
Fair value of securities purchased under resale agreements	**7**	**8**

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term.

Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

NOTE 4.3.3 NET INCOME FROM INSURANCE ACTIVITIES

ACCOUNTING PRINCIPLES

Income and expense related to insurance contracts

Income and expense related to insurance contracts issued by Group insurance companies, associated fee income and expense, and income and expense related to investments of insurance companies are recorded under *Net income from insurance activities* in the income statement.

Other income and expense are recorded under the appropriate headings.

Changes in the provision for deferred profit-sharing are recorded under *Net income from insurance activities* in the income statement or under *Unrealised or deferred gains and losses* under the appropriate headings for the underlying assets in question.

The following table shows the breakdown of income and expense from insurance activities and associated investments on a separate line under *Net banking income: Net income from insurance activities* (after eliminating intercompany transactions).

(In EURm)	2019	2018*
Net premiums	14,188	12,562
Net income from investments	3,655	1,928
Cost of benefits (including changes in reserves)[1]	(15,736)	(12,429)
Other net technical income (expense)	(182)	(337)
Net income from insurance activities	**1,925**	**1,724**
Funding costs	(5)	(7)
Net banking income of insurance companies	**1,920**	**1,717**

* *The amounts have been restated following the reclassification of investment contracts to Financial liabilities of insurance companies.*
(1) *o/w: EUR -3,557 million in respect of deferred profit-sharing at 31st December 2019.*

NET INCOME FROM INVESTMENTS

(In EURm)	2019	2018
Dividend income on equity instruments	719	617
Interest income	1,912	2,011
On available-for-sale financial assets	*1,675*	*1,706*
On loans and receivables	*194*	*293*
Other net interest income	*43*	*12*
Net gains or losses on financial instruments at fair value through profit or loss	764	(776)
Net gains or losses on available-for-sale financial instruments	237	62
Capital gain or loss on sale of debt instruments	*141*	*(5)*
Capital gain or loss on sale of equity instruments	*187*	*174*
Impairment values on equity instruments	*(91)*	*(107)*
Net gains or losses on real estate investments	23	14
TOTAL	**3,655**	**1,928**

NOTE 4.3.4 MANAGEMENT OF INSURANCE RISKS

The Group carries out its insurance activities through the distribution and reinsurance acceptance of a wide range of life insurance, protection and health insurance, and non-life insurance policies. Since the life insurance business is predominant on the French market in the Group's insurance activities, the market risks of financial assets in terms of technical liabilities constitute the most significant exposure. Within market risks, the insurance business line is sensitive to shocks in interest rates, equity markets and credit spreads. In connection with the life insurance savings activity, the risk of withdrawals is also significant.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks undergo regular monitoring and are reported to the General Management of both the entities concerned and the business lines.

Risk management techniques are based on the following:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile and the guarantees provided;
- regular monitoring of indicators on product claims rates in order to adjust certain product parameters, such as pricing or the level of guarantee, if necessary;
- implementation of a reinsurance plan to protect the business line from major/serial claims;
- application of policies on risk, provisioning and reinsurance.

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy just like objectives on long-term performance. The optimisation of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analysed by the Finance and Risk Department of the insurance business line.

Risk management related to financial markets (interest rates, credit and shares) and to ALM is based on the following:

- monitoring short and long-term cash flows (match between the term of a liability and the term of an asset, liquidity risk management);

- particular monitoring of policyholder behaviour (redemption);
- close monitoring of financial markets;
- hedging of exchange rate risks (both rising and falling);
- defining thresholds and limits per counterparty, per rating issuer and per category of assets;
- stress tests, the results of which are presented annually at entities' Board of Directors' meetings, as part of the ORSA report (Own Risk and Solvency Assessment), transferred to the ACPR after approval by the Board;
- application of policies related to ALM and investment risks.

BREAKDOWN OF NET INVESTMENTS BY RATING OF BASIC INSTRUMENTS

The following table shows the gross carrying amounts after eliminating intercompany transactions.

	31.12.2019			
(In EURm)	**Available-for-sale financial assets**	**Due from banks**	**Customer loans**	**Total**
AAA	4,064	1,033	-	5,097
AA+/AA/AA-	38,016	370	-	38,386
A+/A/A-	14,863	1,051	-	15,914
BBB+/BBB/BBB-	14,789	265	-	15,054
BB+/BB/BB-	289	-	-	289
B+/B/B-	5	-	-	5
CCC+/CCC/CCC-	-	-	-	-
CC+/CC/CC-	-	-	-	-
Lower than CC-	-	-	-	-
Without rating	323	86	92	501
TOTAL BEFORE IMPAIRMENT	**72,349**	**2,805**	**92**	**75,246**
Impairment	-	-	-	-
CARRYING AMOUNT	**72,349**	**2,805**	**92**	**75,246**

The rating scale is the scale used for Solvency 2 purposes, which calls for the second highest rating determined by the rating agencies (Standard & Poor's, Moody's Investors Service and Fitch Ratings) to be used. The ratings in question apply to issues or, where these are not available, to issuers.

NOTE 4.4 Other assets and liabilities

NOTE 4.4.1 OTHER ASSETS

(In EURm)	31.12.2019	31.12.2018
Guarantee deposits paid[1]	48,630	46,694
Settlement accounts on securities transactions	6,915	6,645
Prepaid expenses	1,084	1,057
Miscellaneous receivables[2]	10,065	11,817
Miscellaneous receivables - insurance	1,653	1,511
GROSS AMOUNT	**68,347**	**67,724**
Impairments[3]	(302)	(278)
NET AMOUNT	**68,045**	**67,446**

(1) Mainly relates to guarantee deposits paid on financial instruments, the fair value of which is taken to be the same as their book value net of impairment for credit risk.

(2) Miscellaneous receivables primarily include trade receivables, fee income and income from other activities to be received. The operating leases receivables equal to EUR 918 million as of 31st December 2019.

(3) Impairments on other assets are related to:
- credit risk on operating lease receivables for a° amount of EUR 145 million as of 31st December 2019 and EUR 131 million as of 31st December 2018;
- credit risk on assets acquired by adjudication and sundry debtors for an amount of EUR 123 million as of 31st December 2019 and EUR 110 million as of 31st December 2018;
- other risks for an amount of EUR 34 million as of 31st December 2019 and EUR 37 million as of 31st December 2018.

NOTE 4.4.2 OTHER LIABILITIES

(In EURm)	31.12.2019	31.12.2018
Guarantee deposits received[1]	49,321	43,443
Settlement accounts on securities transactions	7,356	6,904
Expenses payable on employee benefits	2,364	2,396
Lease liability[2]	2,251	
Deferred income	1,596	1,620
Miscellaneous payables[3]	13,194	15,609
Miscellaneous payables - insurance	8,980	6,657
TOTAL	**85,062**	**76,629**

(1) Mainly relates to guarantee deposits received on financial instruments, their fair value is taken to be the same as their book value.

(2) Lease liability recorded as a result of the application of IFRS 16 "Leases" as from 1st January 2019 (see Note 1).

(3) Miscellaneous payables primarily include trade payables, fee expense and expense from other activities to be paid.

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

MAKE IT SIMPLE

Employee benefits correspond to the compensation granted by the Group to its employees in exchange for work carried out during the annual reporting period.

All forms of compensation for work rendered are recorded in the expenses:

- whether it is paid to employees or to outside social security agencies;
- whether it is paid during the annual reporting period or to be paid by the Group in the future as entitlements to employees (pension plans, retirement benefits…);
- whether it is paid in cash or in Societe Generale shares (free share plans, stock options).

ACCOUNTING PRINCIPLES

Employee benefits are divided into four categories:

- short-term employee benefits which are employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, such as fixed and variable compensation, annual leave, taxes and social security contributions, mandatory employer contributions and profit-sharing;
- post-employment benefits, including defined contributions plans and defined benefit plans such as pension plans and retirement benefits;
- long-term employee benefits which are employee benefits not expected to be settled wholly before twelve months, such as defined variable compensation paid in cash and not indexed to the Societe Generale share, long service awards and time saving accounts;
- termination benefits.

Information related to the Group headcount is presented in the Chapter 5 of the Universal Registration Document (Corporate Social Responsibility).

NOTE 5.1 Personnel expenses and related party transactions

ACCOUNTING PRINCIPLES

Personnel expenses include all expenses related to personnel, including employee benefits and expenses related to payments based on Societe Generale shares.

Short-term employee benefits are recorded under *Personnel expenses* during the period according to the services provided by the employee.

The accounting principles relating to post-employment benefits and other long-term benefits are described in Note 5.2. Those related to share-based payments are described in Note 5.3.

Personnel expenses include related party transactions, within the meaning of IAS 24.

The Group's related parties include the members of the Board of Directors, corporate officers (the Chairman, the Chief Executive Officer and the four Deputy Chief Executive Officers), their respective spouses and any children residing in the family home, subsidiaries which are either controlled exclusively or jointly by the Group, and companies over which Societe Generale exercises significant influence.

NOTE 5.1.1 PERSONNEL EXPENSES

(In EURm)	2019	2018
Employee compensation	(7,240)	(6,925)
Social security charges and payroll taxes	(1,660)	(1,648)
Net pension expenses - defined contribution plans	(759)	(724)
Net pension expenses - defined benefit plans	(10)	78
Employee profit-sharing and incentives	(286)	(342)
TOTAL	**(9,955)**	**(9,561)**
Including net expenses from share-based payments	*(171)*	*(171)*

NOTE 5.1.2 RELATED PARTY TRANSACTIONS

REMUNERATION OF THE GROUP'S MANAGERS

This includes amounts effectively paid by the Group to Directors and corporate officers as remuneration (including employer contributions) and other benefits as indicated below.

(In EURm)	2019	2018
Short-term benefits	13.6	17.9
Post-employment benefits	0.7	0.7
Long-term benefits	-	-
Termination benefits	-	1.6
Share-based payments	3.0	2.8
TOTAL	**17.4**	**23.0**

RELATED PARTY TRANSACTIONS

The transactions with members of the Board of Directors, Chief Executive Officers and members of their families included in this note only comprise loans and guarantees outstanding at 31st December 2019 for a total amount of EUR 3.9 million. All other transactions with these individuals are insignificant.

TOTAL AMOUNTS PROVISIONED OR BOOKED BY THE SOCIETE GENERALE GROUP FOR THE PAYMENT OF PENSIONS AND OTHER BENEFITS

The total amount provisioned or booked by the Societe Generale Group at 31st December 2019 under IAS 19 for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Ms Lebot and Mr. Aymerich, Mr. Cabannes, and Mr. Heim and the two staff-elected Directors) is EUR 11.5 million.

NOTE 5.2 Employee benefits

Group entities in France and abroad, may award their employees:

- post-employment benefits, such as pension plans or retirement benefits;
- other long-term benefits: these benefits include deferred compensation programs settled in cash and not indexed to the Societe Generale share, such as long-term deferred variable remuneration, CET (*Comptes Épargne Temps*) flexible working provisions, or long service awards;
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In EURm)	Provisions at 31.12.2018	Allocations	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions at 31.12.2019
Post-employment benefits[1]	1,574	92	(89)	3	(76)	34	85	1,620
Other long-term benefits	435	93	(57)	36	(39)	-	8	440
Termination benefits	332	331	(62)	269	(260)	-	15	356
TOTAL	**2,341**	**516**	**(208)**	**308**	**(375)**	**34**	**108**	**2,416**

(1) *The write-backs available of post-employment benefits include the freezing of rights under the additional plan for the supplementary retirement allowance for executives, implemented in France in 1991.*

On 9th April 2019, Societe Generale announced two transformation projects including a strategic adjustment of its Global Banking and Investor Solutions activities and a more operational project aimed at adapting the organisation of the Retail Banking and International Financial Services headquarters.

These projects led to an adjustment of the restructuring provisions with an allocation of EUR 243 million, of which EUR 236 million were recorded under *Personnel expenses* and EUR 7 million were recorded under *Other operating expenses*. Most of these provisions were used during the second half of 2019.

Provisions also include a restructuring provision related to planned changes that could concern part of French Retail Banking's head office, the platforms for processing customer transactions (back offices) and certain network support functions. This project resulted in an allocation of EUR 55 million, of which EUR 44 million were recorded under *Personnel expenses* and EUR 11 million were recorded under *Other operating expenses.*

ACCOUNTING PRINCIPLES

Post-employment benefits

Post-employment benefits can be broken down into two categories: defined contribution pension plans or defined benefit pension plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans limit the Group's liability to the subscriptions paid into the plan but do not commit the Group to a specific level of future benefits. Contributions paid are recorded as an expense for the current year.

DEFINED BENEFIT PLANS

Defined benefit plans commit the Group, either formally or constructively, to pay a certain amount or level of future benefits and therefore bare the associated medium or long-term risk.

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

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

Funding assets, made by funds or insurance policies, are classified as plan assets if assets are held by an entity (fund) that is legally separate from the reporting entity and are available to be used only to pay employee benefits.

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

When these plans are financed from funds not classified as plan assets, these funds, classified as separate assets, are displayed separately in the assets of the balance sheet under *Financial assets at fair value through profit or loss.*

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) and differences between actuarial assumptions and real performance are recognised as actuarial gains and losses. Actuarial gains and losses, as well as the return on plan assets excluding amounts expensed as net interest on the net defined benefit liability (or asset) and any change in the effect of the asset ceiling are components used to remeasure the net defined benefit liability (or asset). These components are immediately and fully recognised in shareholder's equity among *Unrealised or deferred gains and losses* and they cannot be subsequently reclassified as income.

In the Group consolidated financial statements, these items that cannot be subsequently reclassified as income are displayed separately in the Statement of net income and unrealised or deferred gain and losses, but are transferred immediately to retained earnings in the Statement of changes in shareholder's equity so that they are presented directly under *Retained earnings* on the liabilities side of the balance sheet.

When a new or amended plan comes into force, past service cost is immediately recognised in profit or loss.

An annual charge is recorded under *Personnel expenses* for defined benefit plans consisting of:

- the additional entitlements vested by each employee (current service cost);
- past service cost resulting from a plan amendment or a curtailment;
- the financial expense resulting from the discount rate and the interest income on plan assets (net interest on the net defined benefit liability or asset);
- plan settlements.

OTHER LONG-TERM BENEFITS

Other long-term employee benefits are benefits other than post-employment and termination benefits, that are paid to employees more than twelve months after the end of the annual period in which they provided the related services.

Other long-term benefits are measured and recognised in the same way as post-employment benefits, with the exception of actuarial gains and losses, which are immediately recognised as profit or loss.

DEFINED CONTRIBUTION PLANS

The main defined contribution plans provided to employees of the Group are located in France, in the United Kingdom and in the United States.

In France, they include state pension plans and other national pension plans such as AGIRC-ARRCO, as well as pension schemes put in place by certain Group entities whose only commitment is to pay annual contributions (PERCO).

In the United Kingdom, the employer pays contributions according to the age of the employees (from 2.5 to 10% of the salary) and can make extra contributions up to 4.5% for the voluntary additional employee contributions.

In the United States, employers fully match the first 8% of employee contributions, within the limit of USD 10,000.

POST-EMPLOYMENT DEFINED BENEFIT PLANS

Post-employment pension plans include schemes offering annuities, plans offering retirement bonuses and mixed plans (cash balance). Benefits paid out in annuities supplement the pensions paid by the mandatory basic plans.

The main defined benefit plans are located in France, Switzerland, the United Kingdom and the United States.

In France, the supplementary pension plan for executive managers, set up in 1991, allocates an annual allowance to beneficiaries covered by Societe Generale as described in the Chapter 3 (Corporate Governance) of the present Universal Registration Document. This allowance depends in particular on the beneficiary's seniority within Societe Generale.

This allowance depends in particular on the beneficiary's seniority within Societe Generale. Since 4th July 2019, date of publication of the ordinance ending the so-called "random rights" defined benefit pension plans in application of the Loi Pacte, this plan is closed to new employees and the rights of beneficiaries were frozen on 31st December 2019.

In Switzerland, the plan is managed by a personal protection insurance institution (the Foundation), comprised of employer and employee representatives. The employer and its employees pay contributions to the Foundation. Pension benefits are revalued at a guaranteed rate of return and converted to annuities (or lump-sum payment) also at a guaranteed conversion rate (cash balance scheme). Because of this minimum guaranteed return, the plan is considered similar to a defined benefit plan.

In recent years, the Societe Generale Group has actively implemented a policy of converting defined benefit plans to defined contribution plans.

In the United Kingdom, the defined benefit plan has been closed to new employees for nearly twenty years, and the benefits of the last beneficiaries were frozen in 2015. The plan is managed by an independent institution (Trustee).

Similarly, in the United States, defined benefit plans were closed to new employees in 2015 and the vesting of new benefits was frozen.

RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

	31.12.2019				
(In EURm)	France	United Kingdom	United States	Others	Total
A - Present value of defined benefit obligations	1,226	891	300	805	3,221
B - Fair value of plan assets	188	976	280	279	1,723
C - Fair value of separate assets	963	-	-	-	963
D - Change in asset ceiling	-	-	-	-	-
A - B - C + D = Net balance	**75**	**(85)**	**20**	**526**	**535**
ON THE LIABILITIES SIDE OF THE BALANCE SHEET	**1,070**	**-**	**20**	**529**	**1,619**
ON THE ASSETS SIDE[1] OF THE BALANCE SHEET	**995**	**85**	**-**	**3**	**1,084**

(1) o/w EUR 963 million of separate assets recorded under Financial assets at fair value through profit or loss and EUR 121 million linked to surplus assets under Other assets.

	31.12.2018				
(In EURm)	France	United Kingdom	United States	Others	Total
A - Present value of defined benefit obligations	1,244	792	251	742	3,029
B - Fair value of plan assets	196	843	223	272	1,534
C - Fair value of separate assets	902	-	-	-	902
D - Change in asset ceiling	-	-	-	-	-
A - B - C + D = Net balance	**146**	**(51)**	**28**	**470**	**593**
ON THE LIABILITIES SIDE OF THE BALANCE SHEET	**1,076**	**-**	**28**	**473**	**1,577**
ON THE ASSETS SIDE[1] OF THE BALANCE SHEET	**930**	**51**	**-**	**3**	**984**

(1) o/w EUR 902 million of separate assets recorded under Financial assets at fair value through profit or loss and EUR 82 million linked to surplus assets under Other assets.

COMPONENTS OF THE COST OF DEFINED BENEFITS

(In EURm)	2019	2018
Current service cost including social security contributions	79	106
Employee contributions	(5)	(5)
Past service cost/curtailments[1]	(80)	(212)
Transfer via the expense	-	(3)
Net interest	8	11
A - Components recognised in income statement	**2**	**(103)**
Actuarial gains and losses on assets	(257)	119
Actuarial gains and losses due to changes in demographic assumptions	(2)	1
Actuarial gains and losses due to changes in economic and financial assumptions	295	(148)
Actuarial gains and losses due to experience	(32)	(3)
Change in asset ceiling	-	0
B - Components recognised in unrealised or deferred gains and losses	**4**	**(31)**
C = A + B TOTAL COMPONENTS OF THE COST OF DEFINED BENEFITS	**6**	**(134)**

(1) Mainly due to the publication of the ordinance ending the "random rights" defined benefit pension plans under the Loi Pacte.

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

(In EURm)	2019	2018
Balance at 1st January	**3,029**	**3,381**
Current service cost including social security contributions	79	106
Past service cost/curtailments	(80)	(212)
Settlements	-	(3)
Net interest	57	60
Actuarial gains and losses due to changes in demographic assumptions	(2)	1
Actuarial gains and losses due to changes in economic and financial assumptions	295	(148)
Actuarial gains and losses due to experience	(32)	(3)
Foreign exchange adjustment	58	12
Benefit payments	(149)	(165)
Change in consolidation scope	(29)	-
Transfers and others	(6)	-
Balance at 31st December	**3,221**	**3,029**

CHANGES IN THE FAIR VALUE OF FUNDING ASSETS

	Plan assets		Separate assets	
(In EURm)	2019	2018	2019	2018
Balance at 1st January	**1,534**	**2,212**	**902**	**398**
Interest expenses on assets	37	44	12	6
Actuarial gains and losses on assets[1]	164	(86)	93	(33)
Foreign exchange adjustment	58	11	-	-
Employee contributions	5	5	-	-
Employer contributions to plan assets	23	22	-	-
Benefit payments	(76)	(112)	(45)	(23)
Change in consolidation scope	(21)	-	-	-
Transfers and others	-	(562)	-	554
Change in asset ceiling	-	-	-	-
Balance at 31st December	**1,723**	**1,534**	**963**	**902**

GENERAL INFORMATION REGARDING FUNDING ASSETS (FOR ALL BENEFITS AND FUTURE CONTRIBUTIONS)

Funding assets include plan assets and separate assets.

Funding assets represent around 83% of Group obligations, with different rates depending on the country.

Accordingly defined benefit plan obligations in the United Kingdom are fully hedged, those in the United States and in France hedged 94%, while they are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 77% bonds, 11% equities and 12% other investments. Directly held Societe Generale shares are not significant.

Funding assets excess is EUR 200 million.

Employer contributions to be paid to post-employment defined benefit plans for 2020 are estimated at EUR 15 million.

Plan hedging strategies are defined locally in connection with the Finance and Human Resources Departments of the entities, by ad hoc structures (Trustees, Foundations, Joint structures etc.) if necessary. Besides, liability investment or financing strategies are monitored at Group level through a global governance system. Committee meetings, with the participation of representatives of the Human Resources Department, the Finance Department and the Risk Division, are organised in order to define Group guidelines for employee benefits investment and management, to validate decisions and to follow up the associated risks for the Group.

Depending on the duration of each plan and local regulations, funding assets are invested in equities and/or in fixed income products, whether guaranteed or not.

The actual returns on plan and separate assets can be broken down as follows:

(In EURm)	2019	2018
Plan assets	201	(42)
Separate assets	106	(27)

MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2019	31.12.2018
Discount rate		
France	0.82%	1.50%
United Kingdom	2.00%	2.70%
United States	3.19%	4.29%
Others	0.73%	1.39%
Long-term inflation		
France	1.28%	1.44%
United Kingdom	2.92%	3.14%
United States	N/A	N/A
Others	1.22%	1.38%
Future salary increase		
France	0.82%	0.78%
United Kingdom	N/A	N/A
United States	N/A	N/A
Others	1.20%	1.12%
Average remaining working lifetime of employees (in years)		
France	9.24	9.11
United Kingdom	5.17	6.00
United States	7.87	7.85
Others	9.97	10.24
Duration (in years)		
France	13.79	14.01
United Kingdom	16.28	16.28
United States	15.28	15.59
Others	14.69	13.99

Assumptions by geographical area are weighted average by the defined benefit obligations (DBO).

The discount yield curves used are AA corporate bonds yield curves (source: Merrill Lynch) observed at the end of October for USD, GBP and EUR, and corrected at the end of December if the change in discount rates had a significant impact.

Inflation rates used for EUR and GBP monetary areas are market rates observed at the end of October, and corrected at the end of December if the change had a significant impact. Inflation rates used for the other monetary areas are the long-term targets of the central banks.

The average remaining working lifetime of employees is calculated taking into account turnover assumptions.

The assumptions described above have been applied to post-employment benefit plans.

SENSITIVITIES OF DEFINED BENEFIT OBLIGATIONS TO MAIN ASSUMPTION RANGES

(Percentage of item measured)	31.12.2019	31.12.2018
Variation in discount rate	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31st December N	-7%	-7%
Variation in long-term inflation	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31st December N	5%	5%
Variation in future salary increase	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31st December N	2%	2%

Disclosed sensitivities are averages of the variations weighted by the present value of the defined benefit obligations.

BREAKDOWN OF FUTURE PAYMENTS OF BENEFITS

(In EURm)	2019	2018
N+1	160	160
N+2	148	143
N+3	154	154
N+4	163	164
N+	169	168
N+6 à N+10	851	871

NOTE 5.3 Share-based payment plans

ACCOUNTING PRINCIPLES

Societe Generale, and its subsidiaries, share-based payments include:

- payments in equity instruments;
- cash payments whose amount depends on the performance of equity instruments.

Share-based payments systematically give rise to an operating expense recognised as *Personnel expenses* in the amount of the fair value of the share-based payments granted to employees and according to their terms of settlement.

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these instruments, measured at the vesting date, is spread over the vesting period and recorded in shareholders' equity under *Issued common stocks* and *capital reserves*. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under *Personnel expenses* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (stock-options granted by unlisted companies or compensation indexed on Societe Generale, or one of its subsidiary, shares), the fair value of the amounts payable is recorded under *Personnel expenses* as an expense over the vesting period against a corresponding liabilities entry recognised in the balance sheet under *Other liabilities – Expenses payable on employee benefits*. This payables item is then remeasured to take into account performance and presence conditions, as well as changes in the value of the underlying shares. When the expense is hedged by an equity derivative instrument, the effective portion of the change in the fair value of the hedging derivative is recorded in profit or loss under *Personnel expenses*, as well.

The Group may award some of its employees stock purchase or subscription options, free shares or rights to a future cash payment indexed to the Societe Generale, or one of its subsidiary, share price.

The options are measured at their fair value when the employees are first notified, without waiting for the conditions that trigger the award to be met, or for the beneficiaries to exercise their options.

Group stock-option plans are measured using a binomial formula when the Group has adequate statistics to take into account the behaviour of the option beneficiaries. When such data are not available, the Black & Scholes model or *Monte Carlo* model is used. Valuations are performed by independent actuaries.

EXPENSES RECORDED IN THE INCOME STATEMENT

	2019			2018		
(In EURm)	Cash settled plans	Equity settled plans	Total plans	Cash settled plans	Equity settled plans	Total plans
Net expenses from purchase plans, stock-option and free share plans	111	60	171	112	59	171

The description of Societe Generale stock-options plans and free share plans, which supplements this note, is presented in Chapter 3 of the present Universal Registration Document.

NOTE 6 INCOME TAX

MAKE IT SIMPLE

Income tax expenses are presented separately from other taxes which are classified among *Other operating expenses*. They are calculated according to the rates and tax regulations applicable in the countries where each consolidated entity is located.

Income tax presented in the income statement includes current taxes and deferred taxes:

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

ACCOUNTING PRINCIPLES

Current taxes

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

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

Deferred taxes

Deferred taxes are recognised whenever the Group identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments.

Deferred tax assets and liabilities are measured in each consolidated taxable entity and in accordance with the rules established by the local taxation authorities, upon which their income taxes are payable. This amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realised or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value.

Deferred tax assets can result from deductible temporary differences or from tax loss carry-forwards. These deferred tax assets are recorded only if the entity concerned is likely to recover these assets within a set time. These temporary differences or tax loss carry-forwards can also be used against future taxable profit.

Tax loss carry-forwards are subject to an annual review taking into account the tax system applicable to each relevant tax entity and a realistic projection of their tax income or expense: any previously unrecognised deferred tax assets are recorded in the balance sheet to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered; however, the carrying value of deferred tax assets already recognised in the balance sheet is reduced where a risk of total or partial non-recovery occurs.

Current and deferred taxes are recognised in the consolidated income statement under *Income tax*. However, deferred taxes related to gains and losses recorded under *Unrealised or deferred gains and losses* are also recognised under the same heading in shareholders' equity.

Provisions for tax adjustments

Provisions represent liabilities whose timing or amount cannot be precisely determined.

Provisions may be recorded:

- where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange; and
- when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions for tax adjustments are booked to *Current taxes* in the income statement under *Income tax.*

Information on the nature and the amount of the associated risks is not disclosed when the Group considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

NOTE 6.1 Income tax

(In EURm)	2019	2018
Current taxes*	(968)	(947)
Deferred taxes	(296)	(357)
TOTAL*	**(1,264)**	**(1,304)**

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

RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARDTAX RATE AND ITS EFFECTIVE TAX RATE

(In EURm)	2019	2018
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill	**5,339**	**6,061**
Normal tax rate applicable to French companies (including 3.3% national contribution)	34.43%	34.43%
Permanent differences*	(4.34)%	(2.66)%
Differential on securities with tax exemption or taxed at reduced rate	2.74%	(0.10)%
Tax rate differential on profits taxed outside France	(9.13)%	(10.11)%
Impact of non-deductible losses and use of tax losses carried forward	(0.03)%	(0.04)%
GROUP EFFECTIVE TAX RATE*	**23.67%**	**21.52%**

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

In France, the standard corporate income tax rate is 33.33%. A national contribution payment based on pre-tax earnings (contribution sociale) was introduced in 2000 equal to 3.3% (after a deduction of EUR 0.76 million from basic taxable income).

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. In accordance with the 2013 French Finance Act, this portion of fees and expenses is 12% of gross capital gains.

Furthermore, under the parent-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate.

The 2018 French Finance Act, adopted on 21st December 2017, includes a gradual reduction in French tax rate (amended by the Law 2019-759 of 24th July 2019 regarding 2019 tax rate, and by the 2020 French Finance Act concerning 2020 and 2021 tax rates).

Between now and 2022, the standard Corporate Income Tax of 33.33% will be brought down to 25%, plus the existing national contribution of 3.3%.

Deferred taxes on French companies are determined by applying the tax rate in effect at the reversal of the temporary difference. Regarding the gradual reduction in French tax rate until 2022:

- for income taxed at the ordinary tax rate, the rate is between 34.43% or 32.02% in 2019 and 25.83% from 2022;
- for income taxed at reduced rate, the rate is between 4.13% or 3.84% in 2019 and 3.10% from 2022.

NOTE 6.2 Tax assets and liabilities

TAX ASSETS

(In EURm)	31.12.2019	31.12.2018
Current tax assets	1,038	1,066
Deferred tax assets	4,741	4,753
o/w deferred tax assets on tax loss carry-forwards	*2,659*	*2,895*
o/w deferred tax assets on temporary differences	*2,082*	*1,858*
TOTAL	**5,779**	**5,819**

TAX LIABILITIES

(In EURm)	31.12.2019	31.12.2018
Current tax liabilities	602	552
Provisions for tax adjustments[(1)]	101	
Deferred tax liabilities	706	605
TOTAL	**1,409**	**1,157**

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

Each year, the Group performs a review of tax loss carry-forwards, according to the tax system applicable for each relevant tax entity and a realistic forecast of its tax results. For this purpose, tax results are determined based on the forecast of the performance of each business line entering in the Group budgetary path and/or on the strategic review of countries, after being approved by authorising management bodies. In addition, they include accounting and tax adjustments (of which the reversal of deferred tax assets and liabilities bases on temporary differences) applicable to concerned entities and jurisdictions. These adjustments are determined based on historical tax results and on the Group's tax expertise. Beyond the Group budgetary path and/or the strategic review, extrapolations are performed particularly from macro-economic assumptions (for example, the evolution of interest rates).

By nature, the appreciation of the selected macro-economic factors and the internal estimations used to determine the tax results contain risks and uncertainties on their realisation over the estimated horizon of the absorption of losses. These risks and uncertainties concern the possible changes in applicable tax rules (tax result computation, as well as rules of imputation of tax losses carried forward) or the achievement of the strategic assumptions.

To ensure the robustness of the tax result projections, the Group realises sensitivity analyses on the achievement of budgetary and strategic assumptions.

At 31st December 2019, these analyses confirm the probability for the Group of using tax loss carry-forwards subject to deferred tax assets against future taxable profit.

NOTE 6.3 Deferred tax assets recognised on tax loss carry-forwards

At 31st December 2019, based on the tax system of each entity and a realistic projection of their tax income, the projected period for deferred tax asset recovery is indicated in the table below:

(In EURm)	31.12.2019	Statutory time limit on carry-forwards	Expected recovery period
Total deferred tax assets relating to tax loss carry-forwards	**2,659**	-	-
o/w French tax group	*2,168*	*Unlimited*[1]	*8 years*
o/w US tax group	*418*	*20 years*[2]	*7 years*
others	*73*	-	-

(1) In accordance with the 2013 French Finance Act, the deduction of previous losses is limited to EUR 1 million plus 50% of the fraction of the taxable income for the fiscal year exceeding this limit. The non-deductible portion of losses may be carried forward to the following fiscal years with no time limit and under the same conditions.

(2) Tax losses generated before 31st December 2011.

At 31 December 2019, the main unrecognised deferred tax assets represent a total of EUR 467 million (compared to EUR 558 million at 31 December 2018). They are mostly related to the US tax group, with EUR 413 million (compared to EUR 500 million at 31 December 2018), and SG Singapore with EUR 35 million (compared to EUR 29 million at 31 December 2018).

With regard to the tax treatment of the loss caused by the actions of Jérôme Kerviel, Societe Generale considers that the judgment of the Versailles Court of Appeal of 23rd September 2016 is not likely to call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (Conseil d'État) and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers there is no need to provision the corresponding deferred tax assets.

However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and recently confirmed that they intended to call into question the deductibility of the loss caused by the actions of Jérôme Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by a tax adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carry-forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In the event that the authorities decide, in due course, to confirm their current position, the Societe Generale group will not fail to assert its rights before the competent courts.

NOTE 7 SHAREHOLDERS' EQUITY

MAKE IT SIMPLE

Equity are the resources contributed to the Group by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings). It also includes resources received when financial instruments are issued and for which the issuer has no contractual obligation to deliver cash to the holders of these instruments.

Equity has no contractual maturity, and when compensation is awarded to shareholders or holders of other equity instruments, it does not affect the income statement but directly reduces the retained earnings in the equity.

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

NOTE 7.1 Treasury shares and shareholders' equity issued by the Group

ACCOUNTING PRINCIPLES

Treasury shares

Societe Generale shares held by the Group are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is eliminated from the consolidated income statement.

Recognition of shares issued by Group subsidiaries, which are bought and sold by the Group, is described in Note 2.

Shareholders' equity issued by the Group

Financial instruments issued by the Group are booked in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to deliver cash to the holders of the securities.

When they are classified as equity, securities issued by Societe Generale are recorded under *Other equity instruments*. If they are issued by Group subsidiaries, these securities are recognised under *Non-controlling interests*. External costs associated with issuing equity instruments are deducted directly from equity at their after-tax amount.

When they are classified as debt instruments, securities issued by the Group are recorded under *Debt securities issued* or *Subordinated debt* depending on their characteristics. They are accounted for in the same way as other financial liabilities measured at amortised cost (see Note 3.6).

NOTE 7.1.1 ORDINARY SHARES AND CAPITAL RESERVES

(In EURm)	31.12.2019	31.12.2018
Issued capital	1,067	1,010
Issuing premiums and capital reserves	21,417	20,403
Elimination of treasury stock	(515)	(667)
TOTAL	**21,969**	**20,746**

ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	31.12.2019	31.12.2018
Ordinary shares	853,371,494	807,917,739
Including treasury stock with voting rights[1]	*3,706,880*	*5,975,497*
Including shares held by employees	*57,369,330*	*51,668,863*

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

During the first half of 2019, Societe Generale S.A. carried out a capital increase relating to the exercise by the shareholders of the option to pay dividends in Societe Generale shares, amounting to EUR 50 million with additional paid-in capital of EUR 839 million.

During the third quarter of 2019, Societe Generale S.A. carried out a capital increase reserved to the employees, amounting to EUR 7 million with additional paid-in capital of EUR 115 million.

At 31st December 2019, Societe Generale S.A.'s fully paid up capital amounted to EUR 1,066,714,367.50 and was made up of 853,371,494 shares with a nominal value of EUR 1.25.

TREASURY STOCK

At 31st December 2019, the Group held 8,231,355 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 0.96% of the capital of Societe Generale S.A.

The amount deducted by the Group from its equity for treasury shares (and related derivatives) came to EUR 515 million, including EUR 375 million in shares held for trading purposes. The change in treasury stock over 2019 breaks down as follows:

(In EURm)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	4	49	99	152
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	18	(95)	(77)

NOTE 7.1.2 EQUITY INSTRUMENTS ISSUED

PERPETUAL SUBORDINATED NOTES

Perpetual subordinated notes issued by the Group, with some discretionary features governing the payment of interest, are classified as equity.

At 31st December 2019, perpetual subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 244 million, valued at historical rate.

Issuance Date	Amount in local currency at 31st December 2018	Repurchases and redemptions in 2019	Amount in local currency at 31st December 2019	Amount in millions of euros at historical rate	Remuneration
1st July 1985	EUR 62m	-	EUR 62m	62	BAR (Bond Average Rate) -0.25% for the period from 1st June to 31st May before each due date
24th November 1986	USD 248m	-	USD 248m	182	Average 6-month Euro/Dollar deposit rates communicated by reference banks +0.075%

PERPETUAL DEEPLY SUBORDINATED NOTES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual deeply subordinated notes have been classified as equity and recognised under *Other equity instruments.*

At 31st December 2019, perpetual deeply subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 8,889 million, valued at historical rate.

The change in the amount of perpetual deeply subordinated notes issued by the Group is explained by two issuances and one redemption at pair made over the year.

Issuance Date	Amount in local currency at 31st December 2018	Repurchases and redemptions in 2019	Amount in local currency at 31st December 2019	Amount in millions of euros at historical rate	Remuneration
4th September 2009	EUR 905m	EUR 905 M	-	-	9.375%, from 2019 3-month Euribor +8.901% annually
18th December 2013	USD 1,750m		USD 1,750m	1,273	7.875%, from 18th December 2023 USD 5-year Mid Swap Rate +4.979%
25th June 2014	USD 1,500m		USD 1,500m	1,102	6%, from 27th January 2020 USD 5-year Mid Swap Rate +4.067%
7th April 2014	EUR 1,000m		EUR 1,000m	1,000	6.75%, from 7th April 2021 EUR 5-year Mid Swap Rate +5.538%
29th September 2015	USD 1,250m		USD 1,250m	1,111	8%, from 29th September 2025 5-year Mid Swap rate +5.873%
13th September 2016	USD 1,500m		USD 1,500m	1,335	7.375%, from 13th September 2021 USD 5-year Mid Swap rate +6.238%
6th April 2018	USD 1,250m		USD 1,250m	1,035	6.750%, from 6th April 2028 5-year Mid Swap rate +3.929%
4th October 2018	USD 1,250m		USD 1,250m	1,105	7.375%, from 4th October 2023 5-year Mid Swap rate +4.302%
16th April 2019			SGD 750m	490	6.125%, from 16th April 2024 5-year Mid Swap rate +4.207%
12th September 2019			AUD 700m	439	4.875%, from 12th September 2024 5-year Mid Swap rate +4.036%

OTHER EQUITY INSTRUMENTS ISSUED BY SUBSIDIARIES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual subordinated notes issued by the Group's subsidiaries are classified as equity.

At 31st December 2019, other equity instruments issued by the Group's subsidiaries and recognised under *Non-controlling interests* totalled EUR 800 million.

Issuance Date	Amount	Remuneration
18th December 2014 (step-up clause after 12 years)	EUR 800m	4.125%, from 2026 5-year Mid-Swap rate +4.150% annually

SUMMARY OF CHANGES IN EQUITY INSTRUMENTS ISSUED

Changes related to the perpetual subordinated notes and deeply subordinated notes included in *Shareholder's equity, Group share* are detailed below:

	2019			2018		
(In EURm)	Deeply subordinated notes	Perpetual subordinated notes	Total	Deeply subordinated notes	Perpetual subordinated notes	Total
Remuneration paid booked under reserves	(717)	(7)	(724)	(700)	(5)	(705)
Changes in nominal values	23	-	23	544	-	544
Tax savings on remuneration payable to shareholders and recorded under profit or loss[1]	257	2	259	255	2	257
Issuance fees relating to subordinated notes	(4)	-	(4)	(10)	-	(10)

(1) Since 1st January 2019, tax savings on remuneration payable to shareholders has been restated and is recorded under profit or loss following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

NOTE 7.2 Earnings per share and dividends

ACCOUNTING PRINCIPLES

Earnings per share are measured by dividing net income attributable to ordinary shareholders by the weighted average number of shares outstanding over the period, excluding treasury shares. Net income attributable to ordinary shareholders takes account of remuneration rights of preferred shareholders, such as holders of preferred shares, subordinated securities or deeply subordinated notes classified in equity. Diluted earnings per share take into account the potential dilution of shareholders' interests in the event dilutive instruments (stock options or free share plans) are converted into ordinary shares. This dilutive effect is determined using the share buyback method.

NOTE 7.2.1 EARNINGS PER SHARE

(In EURm)	2019	2018
Net income, Group share *	3,248	4,121
Attributable remuneration to subordinated and deeply subordinated notes *	(708)	(709)
Issuance fees related to subordinated and deeply subordinated notes	(4)	(10)
Net income attributable to ordinary shareholders	**2,536**	**3,402**
Weighted average number of ordinary shares outstanding[1]	829,901,725	801,909,473
Earnings per ordinary share *(in euros)*	**3.05**	**4.24**
Average number of ordinary shares used in the dilution calculation	-	-
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	829,901,725	801,909,473
Diluted earnings per ordinary share *(in euros)*	**3.05**	**4.24**

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

NOTE 7.2.2 DIVIDENDS PAID

Dividends paid by the Group in 2019 amounted to EUR 2,149 million and are detailed in the following table:

	2019			2018		
(In EURm)	Group Share	Non-controlling interests	Total	Group Share	Non-controlling interests	Total
Paid in shares	(889)	-	(889)	-	-	-
Paid in cash	(881)	(379)	(1,260)	(1,764)	(368)	(2,132)

The dividend per share paid in 2019 out of the 2018 net income amounted to EUR 2.20, compared with EUR 2.20 paid in 2018 out of the 2017 net income.

NOTE 7.3 Unrealised or deferred gains and losses

BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES

	31.12.2019				
				o/w	
(In EURm)	Gross value	Tax	Net value	Net Group share	Non-controlling interests
Translation differences	(811)	(3)	(814)	(753)	(61)
Revaluation of debt instruments at fair value through other comprehensive income	205	(44)	161	136	25
Revaluation of available-for-sale financial assets[1]	525	(144)	381	383	(2)
Revaluation of hedging derivatives	30	22	52	56	(4)
Unrealised gains and losses of entities accounted for using the equity method	-	-	-	-	-
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	***(51)***	***(169)***	***(220)***	***(178)***	***(42)***
Actuarial gains and losses on defined benefit plans[2]	(2)	(2)	(4)	2	(6)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss[3]	(317)	81	(236)	(241)	5
Revaluation of equity instruments at fair value through other comprehensive income	33	(2)	31	36	(5)
Unrealised gains and losses of entities accounted for using the equity method	-	-	-	-	-
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	***(286)***	***77***	***(209)***	***(203)***	***(6)***
TOTAL	**(337)**	**(92)**	**(429)**	**(381)**	**(48)**

	Changes 2018 - 2019				
				o/w	
(In EURm)	Gross value	Tax	Net value	Net Group share	Non-controlling interests
Translation differences	563	(2)	561	545	16
Revaluation of debt instruments at fair value through other comprehensive income	(28)	13	(15)	(33)	18
Revaluation of available-for-sale financial assets[1]	188	(48)	140	140	-
Revaluation of hedging derivatives	153	4	157	156	1
Unrealised gains and losses of entities accounted for using the equity method	1	-	1	-	1
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	***877***	***(33)***	***844***	***808***	***36***
Actuarial gains and losses on defined benefit plans[2]	(32)	2	(30)	(22)	(8)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss[3]	(121)	32	(89)	(85)	(4)
Revaluation of equity instruments at fair value through other comprehensive income	(48)	4	(44)	(49)	5
Unrealised gains and losses of entities accounted for using the equity method	3	-	3	3	-
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	***(198)***	***38***	***(160)***	***(153)***	***(7)***
TOTAL	**679**	**5**	**684**	**655**	**29**

	31.12.2018				
				o/w	
(In EURm)	**Gross value**	**Tax**	**Net value**	**Net Group share**	**Non-controlling interests**
Translation differences	(1,374)	(1)	(1,375)	(1,298)	(77)
Revaluation of debt instruments at fair value through other comprehensive income	233	(57)	176	169	7
Revaluation of available-for-sale financial assets[1]	337	(96)	241	243	(2)
Revaluation of hedging derivatives	(123)	18	(105)	(100)	(5)
Unrealised gains and losses of entities accounted for using the equity method	(1)	-	(1)	-	(1)
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	***(928)***	***(136)***	***(1,064)***	***(986)***	***(78)***
Actuarial gains and losses on defined benefit plans[2]	30	(4)	26	24	2
Revaluation of own credit risk of financial liabilities at fair value through profit or loss[3]	(196)	49	(147)	(156)	9
Revaluation of equity instruments at fair value through other comprehensive income	81	(6)	75	85	(10)
Unrealised gains and losses of entities accounted for using the equity method	(3)	-	(3)	(3)	-
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	***(88)***	***39***	***(49)***	***(50)***	***1***
TOTAL	**(1,016)**	**(97)**	**(1,113)**	**(1,036)**	**(77)**

(1) Unrealised gains and losses on available-for-sale financial assets are related exclusively to insurance activities from the 2018 financial year.

(2) Gains and losses presented in these items are transferred into Retained earnings for the next financial year opening.

(3) During the derecognition of a financial liability, potential realised gains and losses attributable to Group own credit risk are subject to transfer into Retained earnings, Group share for the next financial year opening (see Note 3.1).

NOTE 8 ADDITIONAL DISCLOSURES

NOTE 8.1 Segment reporting

NOTE 8.1.1 DEFINITION OF SEGMENT REPORTING

The Group is managed on a matrix basis that takes into account its different business lines and the geographical breakdown of its activities. Segment reporting information is therefore presented under both criteria.

The Group includes in the results of each sub-division all operating income and expenses directly related to its activity. Income for each sub-division, except for the Corporate Centre, also includes the return on equity allocated to it, based on the estimated rate of return on Group equity. The return on the sub-division's book equity is then reallocated to the Corporate Centre. Transactions between sub-divisions are carried out under the same terms and conditions as those applying to non-Group customers.

The Group's core businesses are managed through three strategic pillars:

- French Retail Banking, which includes the domestic networks Socete Generale, Crédit du Nordand Boursorama;
- International Retail Banking & Financial Services, which consists of:
  - International Retail Banking, including consumer finance activities;
  - Financial Services to Corporates (operational vehicle leasing and fleet management, equipment and vendor finance);
  - Insurance activities;
- Global Banking and Investor Solutions which comprises:
  - Global Markets and Investors Services;
  - Financing and Advisory;
  - Asset and Wealth Management.

In addition to the strategic pillars, the Corporate Centre acts as the Group's Central Funding Department. As such, it recognises the carrying cost of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's Asset and Liability Management (ALM) and income from the Group's management of its assets (management of its industrial and bank equity portfolio and of its real estate assets). Income or expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Centre.

Segment income take intra-group transactions into account, while these transactions are eliminated from segment assets and liabilities. The tax rate levied on each business line is based on the standard tax rate applicable in each country where the division makes profits. Any difference with respect to the Group's tax rate is allocated to the Corporate Centre.

For the purpose of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the booking entities.

The amounts presented under Income tax, *Net income* and *Net income, Group share* have been restated compared with the 2018 published consolidated financial statements following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

NOTE 8.1.2 SEGMENT REPORTING BY DIVISION AND SUB-DIVISION

	Societe Generale Group		French Retail Banking		Corporate Centre[1]	
(In EURm)	2019	2018	2019	2018	2019	2018
Net banking income	24,671	25,205	7,746	7,860	(152)	182
Operating expenses[2]	(17,727)	(17,931)	(5,700)	(5,629)	(94)	(535)
Gross operating income	**6,944**	**7,274**	**2,046**	**2,231**	**(246)**	**(353)**
Cost of risk	(1,278)	(1,005)	(467)	(489)	(17)	(19)
Operating income	**5,666**	**6,269**	**1,579**	**1,742**	**(263)**	**(372)**
Net income from investments accounted for using the equity method	(129)	56	8	28	(152)	7
Net income/expense from other assets	(327)	(208)	58	74	(394)	(274)
Earnings before tax	**5,210**	**6,117**	**1,645**	**1,844**	**(809)**	**(639)**
Income tax	(1,264)	(1,304)	(514)	(607)	184	425
Consolidated net income	**3,946**	**4,813**	**1,131**	**1,237**	**(625)**	**(214)**
Non-controlling interests	698	692	-	-	171	164
Net income, Group share	**3,248**	**4,121**	**1,131**	**1,237**	**(796)**	**(378)**

	International Retail Banking & Financial Services							
	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In EURm)	2019[3]	2018	2019	2018	2019	2018	2019[3]	2018
Net banking income	5,592	5,608	1,872	1,822	909	887	8,373	8,317
Operating expenses[2]	(3,252)	(3,238)	(980)	(955)	(349)	(333)	(4,581)	(4,526)
Gross operating income	**2,340**	**2,370**	**892**	**867**	**560**	**554**	**3,792**	**3,791**
Cost of risk	(504)	(335)	(84)	(69)	-	-	(588)	(404)
Operating income	**1,836**	**2,035**	**808**	**798**	**560**	**554**	**3,204**	**3,387**
Net income from investments accounted for using the equity method	11	14	1	1	-	-	12	15
Net income/expense from other assets	3	7	-	1	-	-	3	8
Earnings before tax	**1,850**	**2,056**	**809**	**800**	**560**	**554**	**3,219**	**3,410**
Income tax	(410)	(474)	(176)	(184)	(174)	(183)	(760)	(841)
Consolidated net income	**1,440**	**1,582**	**633**	**616**	**386**	**371**	**2,459**	**2,569**
Non-controlling interests	394	395	107	106	3	3	504	504
Net income, Group share	**1,046**	**1,187**	**526**	**510**	**383**	**368**	**1,955**	**2,065**

	Global Banking and Investor Solutions							
	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total	
(In EURm)	2019	2018	2019	2018	2019	2018	2019	2018
Net banking income	5,210	5,414	2,547	2,466	947	966	8,704	8,846
Operating expenses[2]	(4,788)	(4,706)	(1,676)	(1,630)	(888)	(905)	(7,352)	(7,241)
Gross operating income	**422**	**708**	**871**	**836**	**59**	**61**	**1,352**	**1,605**
Cost of risk	(13)	(25)	(195)	(49)	2	(19)	(206)	(93)
Operating income	**409**	**683**	**676**	**787**	**61**	**42**	**1,146**	**1,512**
Net income from investments accounted for using the equity method	4	9	(1)	(2)	-	(1)	3	6
Net income/expense from other assets	4	(1)	-	(1)	2	(14)	6	(16)
Earnings before tax	**417**	**691**	**675**	**784**	**63**	**27**	**1,155**	**1,502**
Income tax	(89)	(180)	(70)	(93)	(15)	(8)	(174)	(281)
Consolidated net income	**328**	**511**	**605**	**691**	**48**	**19**	**981**	**1,221**
Non-controlling interests	20	20	-	1	3	3	23	24
Net income, Group share	**308**	**491**	**605**	**690**	**45**	**16**	**958**	**1,197**

(1) Income and expense not directly related to business line activities are recorded in the Corporate Centre income. The operating expenses include an income related to an operating tax adjustment of EUR 241 million for the second quarter 2019.

(2) These amounts include Personnel expenses, Other operating expenses and Amortisation, depreciation and impairment of tangible and intangible fixed assets.

(3) The International Retail Banking & Financial Services division includes also EUR -34 million of restructuring costs in operating expenses (and EUR +11 million of related income tax) not allocated to the business lines. These costs are added to the results of the International Retail Banking sub-division whose Net income, Groupe share 2019 is, without these costs, EUR 1,069 million.

	Societe Generale Group		French Retail Banking		Corporate Centre[2]	
(In EURm)	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Segment assets	1,356,303	1,309,428	232,648	222,086	115,555	106,392
Segment liabilities[1]	1,287,733	1,243,619	225,848	216,934	107,558	91,819

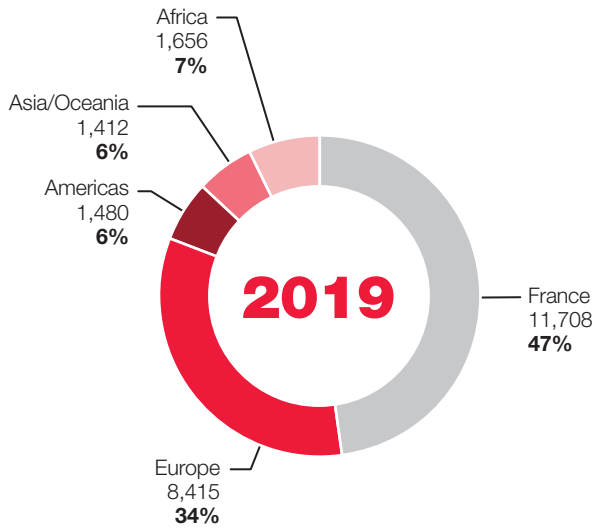
	International Retail Banking & Financial Services							
	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In EURm)	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Segment assets	122,695	128,303	43,730	42,868	167,249	148,999	333,674	320,170
Segment liabilities[1]	89,754	94,454	13,980	13,641	156,212	138,959	259,946	247,054

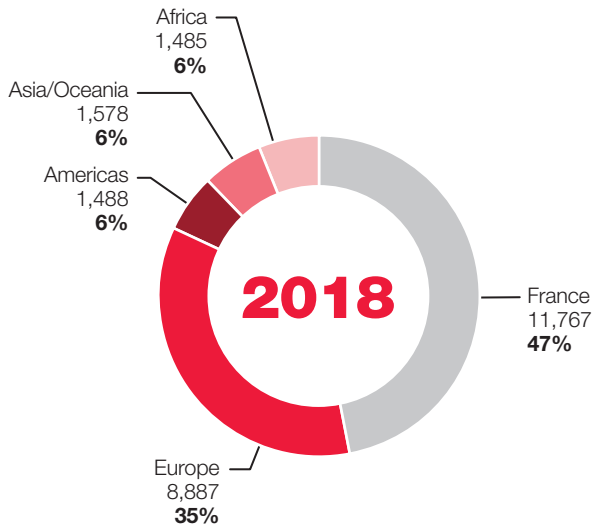
	Global Banking and Investor Solutions							
	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total	
(In EURm)	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Segment assets	505,413	489,757	133,132	137,064	35,881	33,959	674,426	660,780
Segment liabilities[1]	623,512	616,282	46,133	47,502	24,736	24,028	694,381	687,812

(1) Segment liabilities correspond to debts (i.e. total liabilities excluding equity).
(2) Assets and liabilities not directly related to the business line activities are recorded on the Corporate Centre's balance sheet.

NOTE 8.1.3 SEGMENT REPORTING BY GEOGRAPHICAL REGION

GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME (IN EURM)

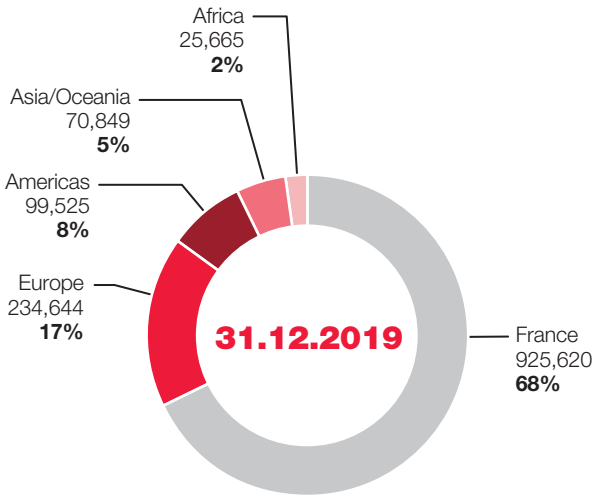


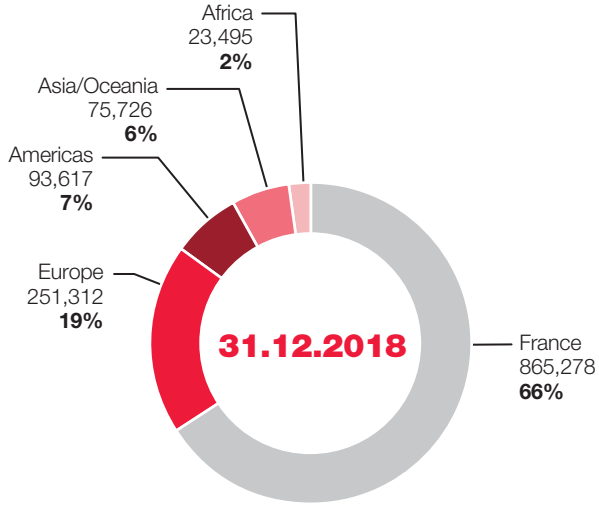


At 31st December 2019, the amount of Net banking income was EUR 24,671 million compared to EUR 25,205 million at 31st December 2018.

GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN EURM)

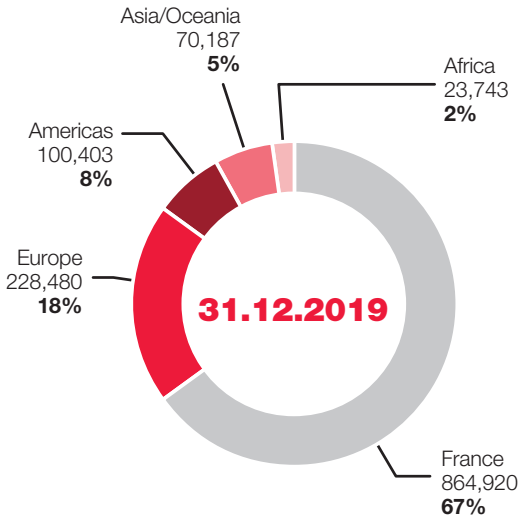
ASSETS

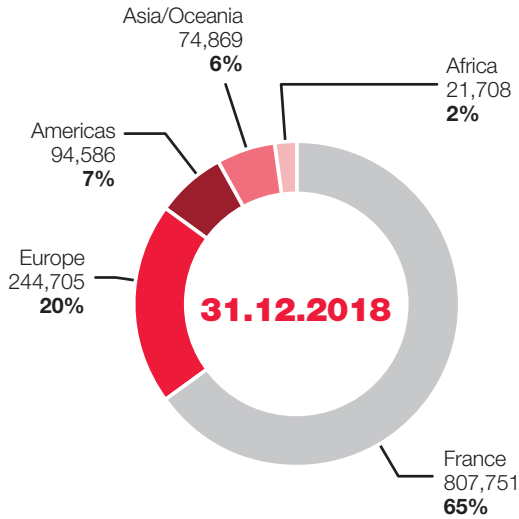




At 31st December 2019, the amount of Assets was EUR 1,356,303 million compared to EUR 1,309,428 million at 31st December 2018.

LIABILITIES





At 31st December 2019, the amount of Liabilities (except shareholder equity) was EUR 1,287,733 million compared to EUR 1,243,619 million at 31st December 2018.

Segment liabilities correspond to debts (*i.e.* total liabilities excluding equity).

NOTE 8.2 Other operating expenses

ACCOUNTING PRINCIPLES

The Group records operating expenses under expenses, according to the type of services to which they refer and the rate of use of said services.

Rentals include real estate and equipment leasing expenses, which do not result in a recognition of a lease liability and right-of-use asset (see Note 8.4)

Taxes and levies are only booked when the triggering event provided for by law occurs. If the obligation to pay the tax arises from the gradual operation of an activity, the expense must be spread out over the same period. Finally, if the obligation to pay is generated when a threshold is reached, the expense is only recorded once the threshold is reached.

Taxes and levies cover all contributions levied by a public authority and include the contributions paid to the Single Resolution Fund and the Deposit Insurance and Resolution Fund, the systemic risk tax, and contributions for ACPR control costs, which are recognised on the income statement at the start of the financial year. The company social solidarity contribution (C3S), based on income generated in previous financial year, is fully recognised on the income statement at 1st January of the current financial year.

Other mainly includes building maintenance and other costs, travel and business expenses, and advertising expenses.

(In EURm)	2019	2018
Rentals[1]	(353)	(752)
Taxes and levies	(887)	(901)
Data & telecom (excluding rentals)	(2,328)	(2,400)
Consulting fees	(1,370)	(1,338)
Other	(1,347)	(1,975)
TOTAL	**(6,285)**	**(7,366)**

(1) Decrease related to the first-time application of IFRS 16 "Leases" (see Note 1).

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European regulatory framework designed to enhance financial stability was updated by the Directive 2014/49/UE of 16th April 2014 on deposit guarantee schemes and the Directive 2014/59/UE of 15th May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive).

The European Regulation UE n° 806/2014 of 15th July 2014 then determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF). In addition to this instrument, the National Resolution Fund (NRF) exists for institutions subject to this resolution mechanisms, but that have no SRF.

The Single Resolution Fund, established in January 2016, shall receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments.

For the year 2019, the Group's contributions to the SRF and the NRF were as follows:

- cash contributions (85%) for a total of EUR 340 million non-tax-deductible in France recorded in the income statement in *Other administrative expenses*, among Taxes and levies;
- irrevocable payment commitments (15%) backed by a cash collateral for EUR 60 million related to the SRF, recorded as an asset in the balance sheet, among *Other assets*.

NOTE 8.3 Provisions

ACCOUNTING PRINCIPLES

Under balance sheet liabilities, *Provisions* are comprised of provisions for financial instruments, disputes and employee benefits.

BREAKDOWN OF PROVISIONS

(In EURm)	Provisions at 31.12.2018	Allocations	Write-backs available	Net allocation	Write-backs used	Currency and others	Provisions at 31.12.2019
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	638	513	(525)	(12)	-	14	640
Provisions for employee benefits (see Note 5.2)	2,341	516	(208)	308	(375)	142	2,416
Provisions for tax adjustments (see Note 6)[1]	135					(135)	
Provisions for mortgage savings plans and accounts commitments	171	122	(3)	119	(1)	-	289
Other provisions	1,320	261	(440)	(179)	(80)	(19)	1,042
TOTAL	**4,605**	**1,412**	**(1,176)**	**236**	**(456)**	**2**	**4,387**

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

NOTE 8.3.1 COMMITMENTS UNDER MORTGAGE SAVINGS AGREEMENTS

ACCOUNTING PRINCIPLES

In France, *Comptes d'épargne-logement* (CEL or mortgage savings accounts) and *Plans d'épargne-logement* (PEL or mortgage savings plans) are special savings schemes for individual customers which are governed by Law 65-554 of 10th July 1965. These products combine an initial deposit phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. The lending phase is subject to the prior existence of the savings phase and is therefore inseparable from it. The savings deposits collected and loans granted are measured at amortised cost.

These instruments create two types of commitments for the Group: the obligation to pay interest on customer savings for an indeterminate future period at an interest rate established at the inception of the mortgage savings agreement, and the obligation to subsequently lend to the customer at an interest rate also established at the inception of the savings agreement.

If it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Group, a provision is recorded on the liabilities side of the balance sheet. Any changes in these provisions are recognised as *Net banking income* under net interest income. These provisions only relate to commitments arising from PEL/CEL that are outstanding at the date of calculation.

Provisions are calculated for each generation of mortgage savings plans (PEL), with no netting between different PEL generations, and for all mortgage saving accounts (CEL) making up a single generation.

During the deposit phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observations of past customer behaviour.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable on the basis of deposits that are currently recognised in the balance sheet at the date of calculation and on the basis of historical observations of past customer behaviour.

A provision is recognised if the discounted value of expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated on the basis of interest rates available to individual customers for equivalent savings and loan products, with a similar estimated life and date of inception.

OUTSTANDING DEPOSITS IN PEL/CEL ACCOUNTS

(In EURm)	31.12.2019	31.12.2018
PEL accounts	19,195	19,186
Less than 4 years old	*1,596*	*3,466*
Between 4 and 10 years old	*11,581*	*10,555*
More than 10 years old	*6,018*	*5,165*
CEL accounts	1,333	1,346
TOTAL	**20,528**	**20,532**

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

(In EURm)	31.12.2019	31.12.2018
Less than 4 years old	1	1
Between 4 and 10 years old	13	26
More than 10 years old	12	11
TOTAL	**26**	**38**

PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In EURm)	31.12.2018	Allocations	Write-backs	31.12.2019
PEL accounts	158	122	(1)	279
Less than 4 years old	*3*	*0*	*(1)*	*2*
Between 4 and 10 years old	*20*	*11*	*-*	*31*
More than 10 years old	*135*	*111*	*-*	*246*
CEL accounts	13	0	(3)	10
TOTAL	**171**	**122**	**(4)**	**289**

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2019, the provisions for PEL and CEL mortgage savings accounts were mainly linked to the risks attached to the commitment to pay interest on the deposits. Provisioning for PEL/CEL savings amounted to 1.41% of total outstandings at 31st December 2019.

METHODS USED TO ESTABLISH PROVISION VALUATION INPUTS

The inputs used to estimate future customer behaviour are derived from historical observations of customer behaviour patterns over a long period (more than ten years). The values of these inputs can be adjusted whenever changes are made to regulations that may undermine the effectiveness of past data as an indicator of future customer behaviour.

The values of the different market inputs used, notably interest rates and margins, are calculated on the basis of observable data and constitute a best estimate, at the date of valuation, of the future value of these items for the period in question, in line with the Retail Banking division's policy of interest rate risk management.

The discount rates used are derived from the zero coupon swaps vs. Euribor yield curve at the valuation date, averaged over a twelve month period.

NOTE 8.3.2 OTHER PROVISIONS

Other provisions include provisions for restructuring (except staff costs), provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

The Group is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, the Group and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of the Group's current business. In recent years, litigation with investors and the number of disputes involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Group entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

In preparing its financial statements, the Group assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgment and taking into account all information available when financial statements are prepared. In particular, the Group takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court decisions already taken, as well as its experience and the experiences of other companies dealing with similar cases (assuming that the Group has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter the Group carries out a detailed examination of outstanding disputes that present a significant risk. The description of those disputes is presented in Note 9, Information on risks and litigation.

NOTE 8.4 Tangible and intangible fixed assets

As a result of the first application of IFRS 16 "Leases" as from 1st January 2019, the Group recognises right-of-use assets that represent its right to use the underlying leased assets under *Tangible and intangible fixed assets*.

ACCOUNTING PRINCIPLES

Tangible and intangible fixed assets

Tangible and intangible fixed assets include operating and investment fixed assets. Equipment assets held for operating leases purpose are included in operating tangible assets, while buildings held for leasing purposes are included in investment property.

Tangible and intangible fixed assets are carried at their purchase price on the asset side of the balance sheet, less depreciation, amortisation and impairment.

The purchase price of fixed assets includes borrowing costs incurred to fund a lengthy construction period for the fixed assets, along with all other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets. Software developed internally is recorded on the asset side of the balance sheet in the amount of the direct cost of development.

As soon as they are fit for use, fixed assets are depreciated or amortised using the component-based approach. Each component is depreciated or amortised over its own useful life. The Group has applied this approach to its operating properties, breaking down its assets into components with depreciation periods of 10 to 50 years. Depreciation periods for fixed assets other than buildings depend on their useful life, which is usually estimated at 3 to 20 years.

Any residual value of the asset is deducted from its depreciable amount. If there is a subsequent decrease or increase in this initial residual value, the depreciable amount of the asset is adjusted, leading to a prospective modification of the depreciation schedule.

Depreciation and amortisation are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets.*

Fixed assets grouped into Cash Generating Units are tested for impairment whenever there is any indication that their value may have diminished. Allocations and reversals of provisions for impairment are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Realised capital gains and losses on operating fixed assets are recognised under *Net income from other assets*.

Investment properties are depreciated using the component based-method. Each component is depreciated over its own useful life, ranging from 10 to 50 years.

Profits or losses on operating lease assets and on investment property, including amortisation and depreciation, are recognised under *Income from other activities* and *Expense from other activities* (see Note 4.2).

Rights-of-use for assets leased by the Group

LEASE

Definition of the lease

A contract is, or contains, a lease if it conveys to the lessor the right to control the use of an identified asset for a period of time in exchange for consideration:

- control is conveyed when the customer has both the right to direct the identified asset's use, and to obtain substantially all the economic benefits from that use throughout the lease period;
- the existence of an identified asset will depend on the absence, for the lessor, of substantive substitution rights for the leased asset; this condition is measured with regard to the facts and circumstances existing at the commencement of the contract. If the lessor has the option of freely substituting the leased asset, the contract can not be qualified as a lease, since its purpose is the provision of a capacity and not an asset;
- a capacity portion of an asset is still an identified asset if it is physically distinct (*e.g.* a floor of a building). Conversely, a portion of the capacity or of an asset that is not physically distinct does not constitute an identified asset (*e.g.* the lease of co-working area within a unit with no predefined location inside that unit).

Separation of lease and non-lease components

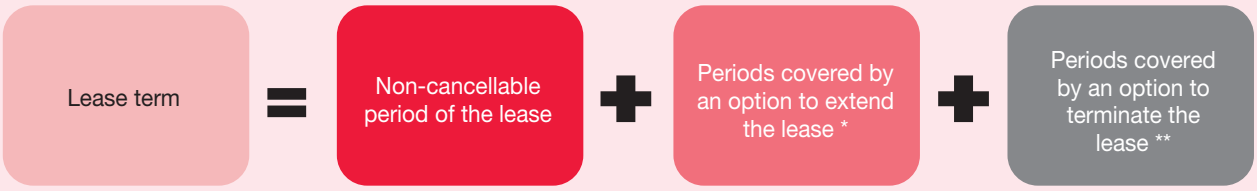
A contract may cover the lease of an asset by the lessor as well as the supply of additional services by that lessor. In this scenario, the lessee can separate the lease components from the non-lease components of the contract and treat them separately. The rental payments stipulated in the contract must be separated between the lease components and the non-lease components based on their individual prices (as directly indicated in the contract or estimated on the basis on all of the observable information). If the lessee cannot separate the lease components from the non-lease components (or services), the entire contract is treated as a lease.

LEASE TERM

Definition of the lease term

The lease period to be applied in determining the rental payments to be discounted matches the non-cancellable period of the lease adjusted for:

- options to extend the contract that the lessee is reasonably certain to exercise;
- and early termination options that the lessee is reasonably certain not to exercise.



** if the lessee is reasonably certain to exercise that option*
*** if the lessee is reasonably certain not to exercise that option*

The measurement of the reasonable certainty of exercising or not exercising the extension or early termination options shall take into account all the facts and circumstances that may create an economic incentive to exercise or not these options, specifically:

- the conditions for exercising these options (including measurement of the amount of the rental payments in case of an extension, or of the amount of penalties that may be imposed for early termination);
- substantial changes made to the leased premises (specific layouts, such as a bank vault);
- the costs associated with terminating the contract (negotiation costs, moving costs, research costs for a new asset that meets the lessee's requirements, etc.);
- the importance of the leased asset for the lessee, in view of its specific nature, its location, or the availability of substitute assets (specifically for branches located in commercially strategic sites, given their accessibility, expected traffic, or the prestige of the location);
- the history of renewals of similar contracts, as well as the strategy for the future use of the assets (based on the prospect of redeployment or rearrangement of a commercial branch network, for example).

When the lessee and the lessor each have the right to terminate the lease without the prior agreement of the other party and with no penalty other than a negligible one, the contract is no longer binding, and thus it no longer creates a lease liability.

In France, the majority of property leases contracted are nine-year commercial leases with early termination options at three and six years (so-called "3/6/9" leases). If a new contract is not signed by the end of that nine-year period, the initial lease is automatically extended. These "3/6/9" commercial leases are generally enforceable for a term of nine years, with an initial three-year non-cancellation period.

Changing the lease term

The term must be modified in case of a change of circumstances which lead the lessee to revise the exercise of the options included in the lease contract or in case of events which contractually oblige the lessee to exercise (or not) an option that had not been included (or is included) in the lease contract.

Following a change in the lease term, the lease obligation must be reassessed to reflect those changes by using a revised discount rate for the remaining estimated term of the contract.

ACCOUNTING TREATMENT BY THE GROUP AS A LESSEE

On the commencement date (on which the leased asset is made available for use), the lessee must recorda lease liability on the liabilities side of the balance sheet and a right-of-use asset on the assets side of the balance sheet except for the exemptions described below.

In the income statement, the lessee must recognise an interest expense calculated on the lease liability under net banking income and a depreciation of the right-of-use under *Amortisation, depreciation and impairment of tangible and intangible fixed assets.*

The rental payments will partly reduce the lease liability and partly remunerate this liability in the form of interest expense.

Exemptions and exclusions

The Group does not apply the new lease treatment to contracts with a term of less than one year (including renewal options), nor to contracts on low-value items by applying the exemption threshold of USD 5,000 as indicated in the standard's Basis for Conclusions (the threshold should be measured against the replacement cost per unit of the leased asset).

Rental payment amounts

The payments to be considered for the measurement of the lease liability include fixed and variable rental payments based on an index (*e.g.* consumer price index or construction cost index), plus, where applicable, the funds that the lessee expects to pay the lessor for residual value guarantees, purchase options, or early termination penalties.

However, variable lease payments that are indexed on the use of the leased asset (indexed on revenue or mileage, for example) are excluded from the measurement of lease liability. This variable portion of the rental payments is recorded in the net income over time according to fluctuations in contractual indexes fluctuations.

Rental payments have to be considered based on their amount net of value-added tax. In addition, for building leases, occupancy taxes and property taxes passed on by lessors will be excluded from lease liabilities because their amount, as set by the competent public authorities, is variable.

Recognition of the lease liability

The liability initial amount is equal to the discounted value of the rental payments that will be payable over the lease period.

This lease liability is then measured at the amortised cost using the effective interest rate method: part of each rental payment will then be booked as interest expenses in the income statement, and part will be gradually deducted from the lease liability on the balance sheet.

After the commencement date, the amount of the lease liability may be adjusted if the lease is amended, the lease period is re-estimated, or to account for contractual changes in the rental payments related to the application of indices or rates.

As applicable, the lessee must also recognise a provision in its liabilities to cover the costs of restoring the leased asset that would be assumed when the lease ends.

Recognition of the right-of-use

On the availability date of the leased asset, the lessee must enter a right-of-use asset, on the assets side of the balance sheet, for an amount equal to the initial value of the lease liability, plus, as applicable, initial direct costs (*e.g.* issuance of an authenticated lease, registration fees, negotiation fees, front-end fee, leasehold right, lease premium, etc.), advance payments, and restoration costs.

This asset is then depreciated on a straight-line basis over the lease period that is applied for measuring the lease liability.

After the commencement date, the asset's value may be adjusted if the lease is amended, as it is the case for the lease liability.

Rights-of-use are presented on the lessee's balance sheet under the items of fixed assets where properties of the same type that are held in full ownership are entered. If the lease stipulates the initial payment of a leasehold right to the former tenant of the premises, the amount of that right is stated as a separate component of the right of use and presented under the same heading as the latter.

Lease discount rates

The Group uses the lessees' incremental borrowing rate to discount the rental payments as well as the amount of lease liabilities. For the entities which can directly refinance themselves on their local markets, the incremental borrowing rate is set at the lessee entity level, not at the Group level, in consideration of the borrowing terms and that entity's credit risk. For the entities which refinance themselves through the Group, the incremental borrowing rate is set by the Group.

The discount rates are set according to the currency, the country of the lessee entities and the maturity estimated of the contracts.

CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In EURm)	31.12.2018	Impacts of the first application of IFRS 16	Increases/ allowances	Disposals/ reversals	Other movements	31.12.2019
Intangible Assets						
Gross value	6,763	(107)	922	(91)	(247)	7,240
Amortisation and impairment	(4,565)	-	(496)	34	150	(4,877)
SUB-TOTAL	**2,198**	**(107)**	**426**	**(57)**	**(97)**	**2,363**
Tangible Assets (excluding assets under operating leases)						
Gross value	11,051	(11)	791	(403)	13	11,441
Depreciation and impairment	(6,113)	4	(563)	234	87	(6,351)
SUB-TOTAL	**4,938**	**(7)**	**228**	**(169)**	**100**	**5,090**
Assets under operating leases						
Gross value	26,781	-	10,224	(7,967)	(462)	28,576
Depreciation and impairment	(7,183)	-	(3,819)	3,113	362	(7,527)
SUB-TOTAL	**19,598**	**-**	**6,405**	**(4,854)**	**(100)**	**21,049**
Investment Property						
Gross value	40	-	1	(1)	(7)	33
Depreciation and impairment	(23)	-	(1)	1	3	(20)
SUB-TOTAL	**17**	**-**	**-**	**-**	**(4)**	**13**
Rights-of-use						
Gross value		2,129	513	(40)	(65)	2,537
Depreciation and impairment		(4)	(404)	10	(2)	(400)
SUB-TOTAL		**2,125**	**109**	**(30)**	**(67)**	**2,137**
TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS	**26,751**	**2,011**	**7,168**	**(5,110)**	**(168)**	**30,652**

BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In EURm)	31.12.2019	31.12.2018
Payments due in less than one year	3,976	3,625
Payments due in 1-5 years	16,230	17,077
Payments due in more than five years	120	787
TOTAL	**20,326**	**21,489**

INFORMATION RELATIVE TO LEASES ON TANGIBLE ASSETS USED BY THE GROUP

Property Leases

Most of the leases (>90%) involve building leases contracted for the lease of commercial and office space:

- the commercial spaces are branches in the Group's French and international retail banking networks;
- the office buildings are leased for certain departments reporting to the Group's French headquarters or the local head offices of the main foreign subsidiaries, and for certain locations in the main international financial centres: London, New York, Hong Kong…

Outside France, residual lease periods are generally below 10 years. In some countries, such as Russia, leases can be annual, with optional automatic renewal. In other locations, specifically London and New York, lease periods can be as long as 25 years.

Equipment Leases

Other leases (<10%) are mainly computer equipment leases and a very small percentage of vehicle leases.

OVERVIEW TABLE OF LEASE TRANSACTION COSTS AND SUBLEASE INCOME

	31.12.2019			
(In EURm)	**Real estate**	**IT**	**Others**	**Total**
Lease	(522)	(33)	(11)	(566)
Interest expenses on lease liabilities	*(43)*	-	-	*(43)*
Allocation to depreciation for rights-of-use	*(369)*	*(29)*	*(6)*	*(404)*
Expense relating to short-term leases	*(106)*	-	*(4)*	*(110)*
Expense relating to leases of low-value assets	*(3)*	*(4)*	*(1)*	*(8)*
Expense relating to variable lease payments	*(1)*	-	-	*(1)*
Sublease income	16	-	-	16

NOTE 8.5 Foreign exchange transactions

ACCOUNTING PRINCIPLES

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the entity's functional currency at the prevailing spot exchange rate. Realised or unrealised foreign exchange losses or gains are recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1).

Forward foreign exchange transactions are recognised at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are valued using the official spot rates prevailing at the end of the period. Unrealised gains and losses are recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1), except when hedge accounting is applied to a cash-flow hedge transaction or to a hedge of a net investment in a foreign currency operation (see Note 3.2).

At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies measured at fair value (in particular, shares and other equity instruments) are translated into the entity's functional currency at the prevailing spot exchange rate. Foreign exchanges losses or gains are recognised either in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss,* or under other comprehensive income *(Unrealised and deferred gains and losses*), depending on the accounting of the gains or losses relative to these assets/liabilities.

At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies measured at historical cost are translated into the entity's functional currency at the historical exchange rate on initial recognition.

	31.12.2019				31.12.2018*			
(In EURm)	**Assets**	**Liabilities**	**Currencies to be received**	**Currencies to be delivered**	**Assets**	**Liabilities**	**Currencies to be received**	**Currencies to be delivered**
EUR	830,196	840,597	24,494	29,622	764,581	793,962	28,393	32,198
USD	261,475	261,060	32,327	30,016	267,706	267,972	40,478	41,614
GBP	48,726	49,993	27,307	13,249	41,622	38,302	28,709	10,159
JPY	56,708	55,511	19,896	25,732	63,491	57,288	24,519	33,531
AUD	3,968	5,418	6,564	5,676	5,228	6,763	7,797	6,707
CZK	36,283	35,829	340	485	35,517	35,069	208	783
RUB	13,726	10,771	186	340	11,604	7,446	113	90
RON	5,984	8,070	122	87	8,156	7,859	56	49
Other currencies	99,237	89,054	18,000	18,938	111,523	94,767	24,179	18,479
TOTAL	**1,356,303**	**1,356,303**	**129,236**	**124,145**	**1,309,428**	**1,309,428**	**154,452**	**143,610**

* *Amounts restated compared with the published consolidated statements for the year-ended 31st December 2018.*

NOTE 8.6 Companies included in the consolidation scope

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
South Africa								
	(1)	SG JOHANNESBURG	Bank	FULL	100	100	100	100
Albania								
	(4)	BANKA SOCIETE GENERALE ALBANIA SH.A.	Bank	FULL	0	88.89	0	88.89
Algeria								
		ALD AUTOMOTIVE ALGÉRIE SPA	Specialist Financing	FULL	79.81	79.81	99.99	99.99
		SOCIÉTÉ GÉNÉRALE ALGÉRIE	Bank	FULL	100	100	100	100
Germany								
	(2)	AKRUN EINS GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH & CO. OBJEKT SEREN 1 KG	Real Estate and Real Estate Financing	FULL	0	100	0	100
		ALD AUTOLEASING D GMBH	Specialist Financing	FULL	79.82	79.82	100	100
		ALD INTERNATIONAL GMBH	Specialist Financing	FULL	79.82	79.82	100	100
		ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	FULL	79.82	79.82	100	100
		ALD LEASE FINANZ GMBH	Specialist Financing	FULL	100	100	100	100
		BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Specialist Financing	FULL	99.94	99.93	51	51
		BDK LEASING UND SERVICE GMBH	Specialist Financing	FULL	100	100	100	100
		CAR PROFESSIONAL FUHRPARKMANAGEMENT UND BERATUNGSGESELLSCHAFT MBH & CO. KG	Specialist Financing	FULL	79.82	79.82	100	100
		CARPOOL GMBH	Broker	FULL	79.82	79.82	100	100
	(2)	EUROPARC DREILINDEN GMBH	Group Real Estate Management Company	FULL	0	100	0	100
	(2)	EUROPARC GMBH	Real Estate and Real Estate Financing	FULL	0	100	0	100
	(2)	EUROPARC KERPEN GMBH	Group Real Estate Management Company	FULL	0	100	0	100
		GEFA BANK GMBH	Specialist Financing	FULL	100	100	100	100
		GEFA VERSICHERUNGSDIENST GMBH	Specialist Financing	EFS	100	100	100	100
		HANSEATIC BANK GMBH & CO KG	Specialist Financing	FULL	75	75	75	75
		HANSEATIC GESELLSCHAFT FUR BANKBETEILIGUNGEN MBH	Portfolio Management	FULL	75	75	100	100
		HSCE HANSEATIC SERVICE CENTER GMBH	Services	FULL	75	75	100	100
		INTERLEASING DELLO HAMBURG GMBH	Specialist Financing	FULL	79.82	79.82	100	100
	(1)(6)	LYXOR INTERNATIONAL ASSET MANAGEMENT GERMANY	Financial Company	FULL	100	0	100	0
	(4)	PEMA GMBH	Specialist Financing	FULL	0	100	0	100
	(2)	PODES DREI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 4 KG	Real Estate and Real Estate Financing	FULL	0	100	0	100
	(2)	PODES GRUNDSTUCKS - VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	0	100	0	100
	(2)	PODES ZWEI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	0	100	0	100
	(2)	RED & BLACK AUTO GERMANY 3 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	0	99.93	0	100
		RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	100	100	100
		RED & BLACK AUTO GERMANY 5 UG (HAFTUNGSBESCHRANKT)	Specialist Financing	FULL	100	100	100	100
	(6)	RED & BLACK AUTO GERMANY 6 UG	Financial Company	FULL	100	0	100	0

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
		SG EQUIPMENT FINANCE GMBH	Specialist Financing	FULL	100	100	100	100
	(5)	SG EQUIPMENT FINANCE INTERNATIONAL GMBH	Specialist Financing	FULL	0	100	0	100
	(1)	SG FRANCFORT	Bank	FULL	100	100	100	100
		SOCIETE GENERALE EFFEKTEN GMBH	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	FULL	100	100	100	100
	(1)	SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
	(1)	SOGESSUR DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
Australia								
		SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	FULL	100	100	100	100
	(1)(6)	SOCIETE GENERALE SYDNEY BRANCH	Bank	FULL	100	0	100	0
Austria								
		ALD AUTOMOTIVE FUHRPARKMANAGEMENT UND LEASING GMBH	Specialist Financing	FULL	79.82	79.82	100	100
	(1)	SG VIENNE	Bank	FULL	100	100	100	100
Belgium								
		AXUS FINANCE SPRL	Specialist Financing	FULL	79.82	79.82	100	100
		AXUS SA/NV	Specialist Financing	FULL	79.82	79.82	100	100
		BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	FULL	60.74	60.74	100	100
		PARCOURS BELGIUM	Specialist Financing	FULL	79.82	79.82	100	100
	(4)	PEMA TRUCK TRAILER VERHUUR	Specialist Financing	FULL	0	100	0	100
	(1)	SG BRUXELLES	Bank	FULL	100	100	100	100
	(1)	SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	FULL	100	100	100	100
	(2)	SOCIÉTÉ GÉNÉRALE DE FINANCEMENT	Financial Company	FULL	0	100	0	100
		SOCIÉTÉ GÉNÉRALE IMMOBEL	Financial Company	FULL	100	100	100	100
	(4)	SOCIÉTÉ GÉNÉRALE PRIVATE BANKING NV/SA	Bank	FULL	0	100	0	100
Benin								
		SOCIETE GENERALE BENIN	Bank	FULL	93.43	90.98	94.1	91.65
Bermuda								
		CATALYST RE INTERNATIONAL LTD.	Insurance	FULL	100	100	100	100
Brazil								
		ALD AUTOMOTIVE S.A.	Specialist Financing	FULL	79.82	79.82	100	100
		BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100	100
	(2)	MORDENO SOCIEDADES ANONIMAS	Financial Company	FULL	0	100	0	100
		SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100	100
Bulgaria								
	(4)	REGIONAL URBAN DEVELOPMENT FUND	Specialist Financing	FULL	0	51.86	0	52
	(4)	SG EXPRESS BANK	Bank	FULL	0	99.74	0	99.74
	(4)	SOCIETE GENERALE FACTORING EOOD	Specialist Financing	FULL	0	99.74	0	100
	(4)	SOGELEASE BULGARIA	Specialist Financing	FULL	0	99.74	0	100
Burkina Faso								
		SOCIETE GENERALE BURKINA FASO	Bank	FULL	51.27	51.27	52.61	52.61
Cayman Islands								
		AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	100	100	100	100
Cameroon								
		SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
Canada								
		KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	FULL	100	100	100	100
		SG CONSTELLATION CANADA LTD.	Specialist Financing	FULL	100	100	100	100
	(1)	SOCIETE GENERALE (CANADA BRANCH)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE (CANADA)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL CANADA INC	Broker	FULL	100	100	100	100
China								
		ALD FORTUNE AUTO LEASING & RENTING SHANGHAI CO. LTD	Specialist Financing	ESI	39.91	39.91	50	50
		SOCIETE GENERALE (CHINA) LIMITED	Bank	FULL	100	100	100	100
		SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	FULL	100	100	100	100
Congo								
	(6)	SOCIETE GENERALE CONGO	Bank	FULL	93.47	0	93.47	0
South Korea								
		SG SECURITIES KOREA CO. LTD	Broker	FULL	100	100	100	100
	(1)	SG SEOUL	Bank	FULL	100	100	100	100
Ivory Coast								
		SOCIETE GENERALE CAPITAL SECURITIES WEST AFRICA	Portfolio Management	FULL	71.25	71.25	99.98	99.98
		SOCIETE GENERALE COTE D'IVOIRE	Bank	FULL	73.25	73.25	73.25	73.25
Croatia								
		ALD AUTOMOTIVE D.O.O. ZA. OPERATIVNI I FINANCIJSKI LEASING	Specialist Financing	FULL	79.82	79.82	100	100
		ALD FLEET SERVICES D.O.O ZA TRGOVINU I USLUGE	Specialist Financing	FULL	79.82	79.82	100	100
Curaçao								
		SGA SOCIETE GENERALE ACCEPTANCE N.V	Financial Company	FULL	100	100	100	100
Denmark								
		ALD AUTOMOTIVE A/S	Specialist Financing	FULL	79.82	79.82	100	100
		NF FLEET A/S	Specialist Financing	FULL	63.85	63.85	80	80
	(4)	PEMA LAST OG- TRAILERUDLEJNING A/S	Specialist Financing	FULL	0	100	0	100
	(1)	SG FINANS AS DANISH BRANCH	Specialist Financing	FULL	100	100	100	100
United Arab Emirates								
	(1)	SOCIETE GENERALE DUBAI	Bank	FULL	100	100	100	100
Spain								
		ALD AUTOMOTIVE S.A.U	Specialist Financing	FULL	79.82	79.82	100	100
		ALTURA MARKETS. SOCIEDAD DE VALORES. SA	Broker	EJV	50	50	50	50
	(1)	GENEFIM SUCURSAL EN ESPANA	Real Estate and Real Estate Financing	FULL	100	100	100	100
		REFLEX ALQUILER FLEXIBLE DE VEHICULOS	Specialist Financing	FULL	79.82	79.82	100	100
	(4)	SELF TRADE BANK SA	Broker	FULL	0	100	0	100
		SG EQUIPMENT FINANCE IBERIA. E.F.C. S.A.	Specialist Financing	FULL	100	100	100	100
	(6)	SOCGEN FINANCIACIONES IBERIA. S.L.	Bank	FULL	100	0	100	0
		SOCGEN INVERSIONES FINANCIERAS SA	Financial Company	FULL	100	100	100	100
	(1)	SOCIETE GENERALE SUCCURSAL EN ESPANA	Bank	FULL	100	100	100	100
		SODEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
Estonia								
		ALD AUTOMOTIVE EESTI AS	Specialist Financing	FULL	59.87	59.87	75.01	75.01

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
United States of America								
		AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
	(2)	CGI FINANCE INC	Financial Company	FULL	0	99.89	0	100
	(8)	CGI NORTH AMERICA INC.	Specialist Financing	FULL	99.78	99.89	100	100
	(2)	CLASSIC YACHT DOCUMENTATION. INC.	Services	FULL	0	99.89	0	100
		LYXOR ASSET MANAGEMENT HOLDING CORP.	Portfolio Management	FULL	100	100	100	100
		LYXOR ASSET MANAGEMENT INC.	Financial Company	FULL	100	100	100	100
		SG AMERICAS EQUITIES CORP.	Financial Company	FULL	100	100	100	100
		SG AMERICAS OPERATIONAL SERVICES. INC.	Services	FULL	100	100	100	100
		SG AMERICAS SECURITIES HOLDINGS. LLC	Bank	FULL	100	100	100	100
		SG AMERICAS SECURITIES. LLC	Broker	FULL	100	100	100	100
		SG AMERICAS. INC.	Financial Company	FULL	100	100	100	100
		SG CONSTELLATION. INC.	Financial Company	FULL	100	100	100	100
		SG EQUIPMENT FINANCE USA CORP.	Specialist Financing	FULL	100	100	100	100
		SG MORTGAGE FINANCE CORP.	Financial Company	FULL	100	100	100	100
		SG MORTGAGE SECURITIES. LLC	Portfolio Management	FULL	100	100	100	100
	(2)	SG REINSURANCE INTERMEDIARY BROKERAGE. LLC	Insurance	FULL	0	100	0	100
		SG STRUCTURED PRODUCTS. INC.	Specialist Financing	FULL	100	100	100	100
	(5)	SGAIF. LLC	Financial Company	FULL	0	100	0	100
		SGAIH. INC.	Financial Company	FULL	100	100	100	100
	(8)	SGB FINANCE NORTH AMERICA INC.	Specialist Financing	FULL	50.94	50.94	100	100
	(1)	SOCIETE GENERALE (NEW YORK)	Bank	FULL	100	100	100	100
	(5)	SOCIETE GENERALE ENERGY LLC	Financial Company	FULL	0	100	0	100
		SOCIETE GENERALE FINANCIAL CORPORATION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE INVESTMENT CORPORATION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE LIQUIDITY FUNDING. LLC	Financial Company	FULL	100	100	100	100
	(2)	TENDER OPTION BOND PROGRAM (TAXABLE AND TAX-EXEMPT)	Financial Company	FULL	0	100	0	100
Finland								
		AXUS FINLAND OY	Specialist Financing	FULL	79.82	79.82	100	100
		NF FLEET OY	Specialist Financing	FULL	63.85	63.85	80	80
France								
		29 HAUSSMANN ÉQUILIBRE	Portfolio Management	FULL	87.1	87.1	87.1	87.1
		29 HAUSSMANN EURO RDT	Portfolio Management	FULL	58.1	58.1	58.1	58.1
		29 HAUSSMANN SÉLECTION MONDE	Portfolio Management	FULL	68.7	68.7	68.7	68.7
	(2)	9 RUE DES BIENVENUS	Real Estate and Real Estate Financing	FULL	0	95.5	0	100
		AIR BAIL	Specialist Financing	FULL	100	100	100	100
		AIX - BORD DU LAC - 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
		AIX - BORD DU LAC - 4	Real Estate and Real Estate Financing	EJV	50	50	50	50
		ALD	Specialist Financing	FULL	79.82	79.82	79.82	79.82
		ALD AUTOMOTIVE RUSSIE SAS	Specialist Financing	FULL	79.82	79.82	100	100
	(6)	ALFORTVILLE BAIGNADE	Real Estate and Real Estate Financing	ESI	40	0	40	0

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
	(5)	ALPRIM	Real Estate and Real Estate Financing	FULL	0	100	0	100
		AMPERIM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6)	ANNEMASSE-ILOT BERNARD	Real Estate and Real Estate Financing	ESI	40	0	40	0
		ANTALIS SA	Financial Company	FULL	100	100	100	100
		ANTARES	Real Estate and Real Estate Financing	ESI	45	45	45	45
		ANTARIUS	Insurance	FULL	100	100	100	100
		ARTISTIK	Real Estate and Real Estate Financing	ESI	30	30	30	30
		AVIVA INVESTORS RÉSERVE EUROPE	Financial Company	FULL	69.35	69.35	69.35	69.35
		BANQUE COURTOIS	Bank	FULL	100	100	100	100
		BANQUE FRANÇAISE COMMERCIALE OCÉANE INDIEN	Bank	FULL	50	50	50	50
		BANQUE KOLB	Bank	FULL	99.97	99.97	99.97	99.97
		BANQUE LAYDERNIER	Bank	FULL	100	100	100	100
		BANQUE NUGER	Bank	FULL	100	100	100	100
		BANQUE POUYANNE	Bank	ESI	35	35	35	35
		BANQUE RHÔNE ALPES	Bank	FULL	99.99	99.99	99.99	99.99
		BANQUE TARNEAUD	Bank	FULL	100	100	100	100
	(6)	BAUME LOUBIÈRE	Real Estate and Real Estate Financing	ESI	40	0	40	0
	(6)	BERLIOZ	Insurance	FULL	84.05	0	84.05	0
		BOURSORAMA INVESTISSEMENT	Services	FULL	100	100	100	100
		BOURSORAMA SA	Broker	FULL	100	100	100	100
		BREMANY LEASE SAS	Specialist Financing	FULL	79.82	79.82	100	100
		CARBURAUTO	Group Real Estate Management Company	EJV	50	50	50	50
		CARRERA	Group Real Estate Management Company	EJV	50	50	50	50
		CENTRE IMMO PROMOTION	Real Estate and Real Estate Financing	FULL	60	60	60	60
		CHARTREUX LOT A1	Real Estate and Real Estate Financing	FULL	100	100	100	100
		CHEMIN DES COMBES	Real Estate and Real Estate Financing	FULL	100	95.5	100	100
		COMPAGNIE FINANCIÈRE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100	100
		COMPAGNIE FONCIÈRE DE LA MÉDITERRANÉE (CFM)	Group Real Estate Management Company	FULL	100	100	100	100
		COMPAGNIE GÉNÉRALE DE LOCATION D'ÉQUIPEMENTS	Specialist Financing	FULL	99.89	99.89	99.89	99.89
		CONTE	Group Real Estate Management Company	EJV	50	50	50	50
		CRÉDIT DU NORD	Bank	FULL	100	100	100	100
		DARWIN DIVERSIFIÉ 0-20	Portfolio Management	FULL	89.94	89.94	89.94	89.94
		DARWIN DIVERSIFIÉ 40-60	Portfolio Management	FULL	79.78	79.78	79.78	79.78
		DARWIN DIVERSIFIÉ 80-100	Portfolio Management	FULL	78.34	78.34	78.34	78.34
		DESCARTES TRADING	Financial Company	FULL	100	100	100	100
	(2)	DESSUARD	Real Estate and Real Estate Financing	ESI	0	40	0	40

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
		DISPONIS	Specialist Financing	FULL	99.99	99.99	100	100
		ESNI - COMPARTIMENT SG-CREDIT CLAIMS -1	Financial Company	FULL	100	100	100	100
		ÉTOILE CLIQUET 90	Financial Company	FULL	73.52	73.52	73.52	73.52
		ÉTOILE ID	Financial Company	FULL	100	100	100	100
		ÉTOILE MULTI GESTION EUROPE-C	Insurance	FULL	51.59	51.59	51.59	51.59
		ÉTOILE VALEURS MOYENNES-C	Insurance	FULL	61.09	61.09	61.09	61.09
		F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	FULL	80	80	100	100
		FCC ALBATROS	Portfolio Management	FULL	100	100	51	51
		FEEDER LYX E ST50 D5	Portfolio Management	FULL	100	100	100	100
		FEEDER LYX E ST50 D6	Portfolio Management	FULL	100	100	100	100
	(6)	FEEDER LYX E ST50 D9	Financial Company	FULL	99.98	0	99.98	0
		FEEDER LYXOR CAC 40	Financial Company	FULL	99.77	99.77	99.77	99.77
		FEEDER LYXOR CAC40 D2-EUR	Portfolio Management	FULL	100	100	100	100
		FEEDER LYXOR STOXX 50	Financial Company	FULL	100	100	100	100
		FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100
		FINANCIÈRE PARCOURS	Specialist Financing	FULL	79.82	79.82	100	100
		FINANCIÈRE UC	Real Estate and Real Estate Financing	FULL	100	100	100	100
		FINASSURANCE SNC	Insurance	FULL	98.89	98.89	99	99
		FRANFINANCE	Specialist Financing	FULL	99.99	99.99	99.99	99.99
		FRANFINANCE LOCATION	Specialist Financing	FULL	99.99	99.99	100	100
		GALYBET	Real Estate and Real Estate Financing	FULL	100	100	100	100
		GENEBANQUE	Bank	FULL	100	100	100	100
		GENECAL FRANCE	Specialist Financing	FULL	100	100	100	100
		GENECAR - SOCIETE GENERALE DE COURTAGE D'ASSURANCE ET DE REASSURANCE	Insurance	FULL	100	100	100	100
		GENECOMI FRANCE	Specialist Financing	FULL	99.64	99.64	99.64	99.64
		GENEFIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
		GENEFINANCE	Portfolio Management	FULL	100	100	100	100
		GENEGIS I	Group Real Estate Management Company	FULL	100	100	100	100
		GENEGIS II	Group Real Estate Management Company	FULL	100	100	100	100
		GENEPIERRE	Real Estate and Real Estate Financing	FULL	49.49	45.08	49.49	45.08
		GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
	(6)	ÎLOT AB	Real Estate and Real Estate Financing	ESI	40	0	40	0
		IMAPRIM AMÉNAGEMENT	Real Estate and Real Estate Financing	FULL	70	70	70	70
		IMMOBILIÈRE PROMEX	Real Estate and Real Estate Financing	ESI	35	35	35	35

Country			Activity	Method*	Group ownership interested		Group voting interested	
					At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	(1)(4)	INORA LIFE FRANCE	Insurance	FULL	0	100	0	100
	(5)	INTER EUROPE CONSEIL	Financial Company	FULL	0	100	0	100
		INVESTIR IMMOBILIER NORMANDIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		INVESTISSEMENT 81	Financial Company	FULL	100	100	100	100
	(6)	JSJ PROMOTION	Real Estate and Real Estate Financing	ESI	45	0	45	0
		KOLB INVESTISSEMENT	Financial Company	FULL	100	100	100	100
	(4)	LA BANQUE POSTALE FINANCEMENT	Specialist Financing	ESI	0	35	0	35
		LA CORBEILLERIE	Real Estate and Real Estate Financing	ESI	24	24	40	40
	(5)	LA CROIX BOISÉE	Real Estate and Real Estate Financing	FULL	0	100	0	100
		LA FONCIÈRE DE LA DÉFENSE	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
		LES ALLÉES DE L'EUROPE	Real Estate and Real Estate Financing	ESI	34	34	34	34
		LES CÈDRES BLEUS	Real Estate and Real Estate Financing	ESI	40	40	40	40
		LES JARDINS D'ALHAMBRA	Real Estate and Real Estate Financing	ESI	35	35	35	35
		LES JARDINS DE L'ALCAZAR	Real Estate and Real Estate Financing	ESI	30	30	30	30
		LES MÉSANGES	Real Estate and Real Estate Financing	FULL	55	55	55	55
	(6)	LES TROIS LUCS 13012	Real Estate and Real Estate Financing	FULL	90.89	0	100	0
		LES VILLAS VINCENTI	Real Estate and Real Estate Financing	ESI	30	30	30	30
		L'HESPEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
		LOTISSEMENT DES FLEURS	Real Estate and Real Estate Financing	ESI	30	30	30	30
		LYON LA FABRIC	Real Estate and Real Estate Financing	EJV	50	48.87	50	50
		LYXOR ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
		LYXOR GL OVERLAY F	Portfolio Management	FULL	87.27	87.27	87.27	87.27
		LYXOR INTERMÉDIATION	Broker	FULL	100	100	100	100
		LYXOR INTERNATIONAL ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
	(6)	LYXOR SKYFALL FUND	Insurance	FULL	88.98	0	88.98	0
		MÉDITERRANÉE GRAND ARC	Real Estate and Real Estate Financing	EJV	43	43	50	50
		NORBAIL IMMOBILIER	Real Estate and Real Estate Financing	FULL	100	100	100	100
		NORBAIL SOFERGIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		NORMANDIE RÉALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interested At 31.12.2019	Group ownership interested At 31.12.2018	Group voting interested At 31.12.2019	Group voting interested At 31.12.2018
	ONYX	Group Real Estate Management Company	EJV	50	50	50	50
	OPCI SOGECAPIMMO	Real Estate and Real Estate Financing	FULL	100	100	100	100
	OPERA 72	Group Real Estate Management Company	FULL	99.99	99.99	100	100
	ORADEA VIE	Insurance	FULL	100	100	100	100
	ORPAVIMOB	Specialist Financing	FULL	100	100	100	100
	PACTIMO	Real Estate and Real Estate Financing	FULL	86	86	86	86
	PARCOURS	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS ANNECY	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS BORDEAUX	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS IMMOBILIER	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS NANTES	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS STRASBOURG	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS TOURS	Specialist Financing	FULL	79.82	79.82	100	100
	PAREL	Services	FULL	100	100	100	100
	PHILIPS MÉDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
	PRAGMA	Real Estate and Real Estate Financing	FULL	86	86	100	100
	PRIORIS	Specialist Financing	FULL	94.89	94.89	95	95
	PROGEREAL SA	Real Estate and Real Estate Financing	ESI	25.01	25.01	25.01	25.01
	PROJECTIM	Real Estate and Real Estate Financing	FULL	60	60	60	60
	RED & BLACK CONSUMER FRANCE 2013	Financial Company	FULL	100	100	100	100
	RED & BLACK HOME LOANS FRANCE 1	Financial Company	FULL	100	100	100	100
	RIVAPRIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	RIVAPRIM RÉALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI DU DOMAINE DE STONEHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SAGEMCOM LEASE	Specialist Financing	FULL	99.99	99.99	100	100
	SAINT CLAIR	Real Estate and Real Estate Financing	EJV	50	50	50	50
(6)	SAINTE-MARTHE ÎLOT C	Real Estate and Real Estate Financing	ESI	40	0	40	0
(6)	SAINTE-MARTHE ÎLOT D	Real Estate and Real Estate Financing	ESI	40	0	40	0
	SAINT-MARTIN 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
(8)	SARL CS 72 - KERIADENN	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5

Country			Activity	Method*	Group ownership interested At 31.12.2019	Group ownership interested At 31.12.2018	Group voting interested At 31.12.2019	Group voting interested At 31.12.2018
		SARL D'AMÉNAGEMENT DU MARTINET	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SARL DE LA COTE D'OPALE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SARL DE LA VECQUERIE	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
		SARL EKO BOUAYE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SARL SEINE CLICHY	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS AMIENS - AVENUE DU GENERAL FOY	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SAS COPRIM RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	75	71.62	75	75
		SAS FOCH SULLY	Real Estate and Real Estate Financing	FULL	90	87.97	90	90
	(8)	SAS LOIRE ATLANTIQUE TERTIAIRE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SAS MÉRIGNAC OASIS URBAINE	Real Estate and Real Estate Financing	FULL	90	90	90	90
		SAS MS FRANCE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SAS NOAHO AMÉNAGEMENT	Real Estate and Real Estate Financing	FULL	100	95.5	100	100
		SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS NORMANDIE RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS NOYALIS	Real Estate and Real Estate Financing	ESI	28	28	28	28
	(6)	SAS ODESSA DÉVELOPPEMENT	Real Estate and Real Estate Financing	ESI	49	0	49	0
		SAS PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS PROJECTIM IMMOBILIER	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SAS RESIDENCIAL	Real Estate and Real Estate Financing	FULL	68.4	68.4	68.4	68.4
		SAS ROANNE LA TRILOGIE	Real Estate and Real Estate Financing	ESI	41	40.08	41	41
		SAS SOGEBROWN POISSY	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SAS SOGEMYSJ	Real Estate and Real Estate Financing	FULL	51	51	51	51
		SAS SOGEPROM TERTIAIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interested At 31.12.2019	Group ownership interested At 31.12.2018	Group voting interested At 31.12.2019	Group voting interested At 31.12.2018
		SAS SOJEPRIM	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SAS TIR A L'ARC AMÉNAGEMENT	Real Estate and Real Estate Financing	EJV	40	40	50	50
		SAS TOUR D2	Real Estate and Real Estate Financing	JO	50	50	50	50
		SAS ZAC DU TRIANGLE	Real Estate and Real Estate Financing	FULL	51	48.7	51	51
		SC ALICANTE 2000	Group Real Estate Management Company	FULL	100	100	100	100
		SC CHASSAGNE 2000	Group Real Estate Management Company	FULL	100	100	100	100
		SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	FULL	51.6	51.6	60	60
	(5)	SCCV 29 ET 31 AVENUE CHARLES DE GAULLE A LA TESTE DE BUCH	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SCCV 3 CHÂTEAUX	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	ESI	49	49	49	49
		SCCV BAHIA	Real Estate and Real Estate Financing	FULL	51	48.7	51	51
	(5)	SCCV BLAINVILLE LEMARCHAND	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(4)	SCCV BOURGOIN 140 ROUTE DE LYON	Real Estate and Real Estate Financing	FULL	0	78.2	0	80
		SCCV BRON CARAVELLE	Real Estate and Real Estate Financing	EJV	50	47.75	50	50
		SCCV CAEN CASERNE MARTIN	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV CAEN PANORAMIK	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV CHARTREUX LOT E	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV CITY SQUARE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV CLICHY BRC	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV COURS CLÉMENCEAU	Real Estate and Real Estate Financing	ESI	28	28	28	28
		SCCV CUGNAUX-LÉO LAGRANGE	Real Estate and Real Estate Financing	EJV	43	43	50	50

Country			Activity	Method*	Group ownership interested		Group voting interested	
					At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
		SCCV EKO GREEN CITY	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV EKO PARK OCÉANE	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
	(6)	SCCV ÉPRON - ZAC L'ORÉE DU GOLF	Real Estate and Real Estate Financing	FULL	70	0	70	0
		SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6)	SCCV ÉTERVILLE ROUTE D'AUNAY	Real Estate and Real Estate Financing	EJV	50	0	50	0
		SCCV EURONANTES 1E	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6)	SCCV FAVERGES	Real Estate and Real Estate Financing	FULL	80	0	80	0
		SCCV GAO	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
		SCCV GIGNAC MOUSSELINE	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
		SCCV GIVORS ROBICHON	Real Estate and Real Estate Financing	EJV	50	47.75	50	50
	(2)	SCCV HALLUARD	Real Estate and Real Estate Financing	ESI	0	35	0	35
		SCCV HÉROUVILLE ÎLOT A2	Real Estate and Real Estate Financing	ESI	33.33	33.33	33.33	33.33
		SCCV HOUSE PARK	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV JA LE HAVRE 22 COTY	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV KYMA MÉRIGNAC	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCCV LA MADELEINE SAINT-CHARLES	Real Estate and Real Estate Financing	EJV	40	40	50	50
		SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	ESI	49	49	49	49
		SCCV LE BOUSCAT CARRE SOLARIS	Real Estate and Real Estate Financing	ESI	25	25	25	25
		SCCV LE COURTIL	Real Estate and Real Estate Financing	ESI	35	35	35	35
	(2)	SCCV LE SIX	Real Estate and Real Estate Financing	ESI	0	24.5	0	24.5
		SCCV LE TEICH CŒUR DE VILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30

Country			Activity	Method*	Group ownership interested		Group voting interested	
					At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
		SCCV LES ÉCRIVAINS	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCCV LES PATIOS D'OR DE FLEURY LES AUBRAIS	Real Estate and Real Estate Financing	FULL	64	64	80	80
		SCCV LES SUCRES	Real Estate and Real Estate Financing	EJV	50	47.75	50	50
		SCCV LESQUIN PARC	Real Estate and Real Estate Financing	EJV	40	40	50	50
		SCCV LILLE - JEAN MACÉ	Real Estate and Real Estate Financing	ESI	26.72	26.72	33.4	33.4
	(6)	SCCV LOOS GAMBETTA	Real Estate and Real Estate Financing	ESI	35	0	35	0
		SCCV MARCQ PROJECTIM	Real Estate and Real Estate Financing	FULL	64	64	80	80
		SCCV MEHUL	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
		SCCV MÉRIGNAC 53-55 AVENUE LEON BLUM	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCCV MONROC - LOT 3	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCCV MONTREUIL ACACIA	Real Estate and Real Estate Financing	FULL	80	80	80	80
		SCCV NATUREO	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCCV NICE ARENAS	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV NOISY BOISSIÈRE	Real Estate and Real Estate Financing	FULL	51	51	51	51
		SCCV PARIS ALBERT	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV PARK OCÉANE II	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV PRADES BLEU HORIZON	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	FULL	51	51	51	51
		SCCV ROMAINVILLE DUMAS	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCCV ROUEN 27 ANGLAIS	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV ROUSSET - LOT 03	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
		SCCV SAY	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV SENGHOR	Real Estate and Real Estate Financing	ESI	35	35	35	35

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
	(6)	SCCV SENSORIUM BUREAUX	Real Estate and Real Estate Financing	EJV	40	0	50	0
	(6)	SCCV SENSORIUM LOGEMENT	Real Estate and Real Estate Financing	EJV	40	0	50	0
	(6)	SCCV SOGAB ÎLE DE FRANCE	Real Estate and Real Estate Financing	FULL	80	0	80	0
		SCCV SOGAB ROMAINVILLE	Real Estate and Real Estate Financing	FULL	80	80	80	80
		SCCV SOGEPROM LYON HABITAT	Real Estate and Real Estate Financing	FULL	100	97.75	100	100
		SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCCV TALENCE PUR	Real Estate and Real Estate Financing	FULL	95	95	95	95
		SCCV TASSIN - 190 CDG	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV VERNAISON - RAZAT	Real Estate and Real Estate Financing	EJV	50	47.75	50	50
		SCCV VILLA CHANZY	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCCV VILLENAVE D'ORNON GARDEN VO	Real Estate and Real Estate Financing	ESI	25	25	25	25
		SCCV VILLEURBANNE TEMPO	Real Estate and Real Estate Financing	FULL	100	92.8	100	100
		SCI 1134, AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCI 637 ROUTE DE FRANS	Real Estate and Real Estate Financing	ESI	30	30	30	30
	(2)	SCI ABARITZ	Real Estate and Real Estate Financing	ESI	0	40	0	40
	(2)	SCI AGIAN	Real Estate and Real Estate Financing	ESI	0	40	0	40
	(2)	SCI ANGLET PROMOTION	Real Estate and Real Estate Financing	ESI	0	38.5	0	38.5
		SCI AQPRIM PROMOTION	Real Estate and Real Estate Financing	FULL	79.8	79.8	50	50
		SCI ASC LA BERGEONNERIE	Real Estate and Real Estate Financing	EJV	42	42	50	50
		SCI AVARICUM	Real Estate and Real Estate Financing	FULL	99	99	99	99
		SCI BOBIGNY HOTEL DE VILLE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI BORDEAUX-20-26 RUE DU COMMERCE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI CENTRE IMMO PROMOTION RÉSIDENCES	Real Estate and Real Estate Financing	FULL	80	80	100	100
	(2)	SCI CHARITÉ - GIRANDIÈRE	Real Estate and Real Estate Financing	EJV	0	50	0	50

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
		SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(2)	SCI DIAGONALE	Real Estate and Real Estate Financing	FULL	0	68	0	75
		SCI DREUX LA ROTULE NORD	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI DU 84 RUE DU BAC	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI DU PARC SAINT ÉTIENNE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI ÉTAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(2)	SCI ÉTRECHY SAINT NICOLAS	Real Estate and Real Estate Financing	EJV	0	50	0	50
	(2)	SCI EUROPARC HAUTE BORNE 1	Real Estate and Real Estate Financing	FULL	0	51	0	51
		SCI EUROPARC ST MARTIN DU TOUCH 2002	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI HEGEL PROJECTIM	Real Estate and Real Estate Financing	FULL	68	68	85	85
		SCI LA MANTILLA COMMERCES	Real Estate and Real Estate Financing	FULL	93	93	100	100
		SCI LA MARQUEILLE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI L'ACTUEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI LAVOISIER	Real Estate and Real Estate Financing	FULL	80	80	80	80
	(2)	SCI LE CERCLE DES ARTS	Real Estate and Real Estate Financing	ESI	0	37.5	0	37.5
		SCI LE DOMAINE DU PLESSIS	Real Estate and Real Estate Financing	ESI	20	20	20	20
		SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	EJV	40	40	40	40
		SCI LE MANOIR DE JÉRÉMY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(8)	SCI LE PARC DE BORDEROUGE	Real Estate and Real Estate Financing	FULL	60	60	60	60
		SCI LES BAIGNOTS	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES CASTELLINES	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI LES JARDINS DE LA BOURBRE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES JARDINS D'IRIS	Real Estate and Real Estate Financing	FULL	60	60	60	60

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
		SCI LES JARDINS DU BLAVET	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES PORTES DU LEMAN	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCI LES RÉSIDENCES GENEVOISES	Real Estate and Real Estate Financing	FULL	90	90	90	90
		SCI LIEUSAINT RUE DE PARIS	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI LINAS CŒUR DE VILLE 1	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCI LOCMINE- LAMENNAIS	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI L'ORÉE DES LACS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	(2)	SCI LYON BON LAIT	Real Estate and Real Estate Financing	ESI	0	35	0	35
	(2)	SCI LYON JOANNES	Real Estate and Real Estate Financing	EJV	0	47.8	0	50
	(2)	SCI MARSEILLE LE ZÉPHYR	Real Estate and Real Estate Financing	FULL	0	55.9	0	65
		SCI MONTPELLIER JACQUES CŒUR	Real Estate and Real Estate Financing	EJV	43	43	50	50
	(2)	SCI PATRIS	Real Estate and Real Estate Financing	EJV	0	25.8	0	30
	(2)	SCI PORTU ONDOAN	Real Estate and Real Estate Financing	ESI	0	40	0	40
		SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI PROJECTIM MARCQ CŒUR DE VILLE	Real Estate and Real Estate Financing	FULL	48	48	60	60
		SCI PRONY	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI QUINTEFEUILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI QUINTESSENCE-VALESCURE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(2)	SCI REIMS GARE	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SCI RÉSIDENCE DU DONJON	Real Estate and Real Estate Financing	EJV	40	40	40	40
		SCI RHIN ET MOSELLE 1	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI RHIN ET MOSELLE 2	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
		SCI RIVAPRIM RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI RSS INVESTIMMO CÔTE BASQUE	Real Estate and Real Estate Financing	ESI	20	20	20	20
	(8)	SCI SAINT JEAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI SAINT OUEN L'AUMÔNE - L'OISE	Real Estate and Real Estate Financing	EJV	38	38	38	38
		SCI SAINT-DENIS WILSON	Real Estate and Real Estate Financing	FULL	60	60	60	60
		SCI SCS IMMOBILIER D'ENTREPRISES	Real Estate and Real Estate Financing	FULL	52.8	52.8	66	66
		SCI SOGECIP	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI SOGECTIM	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI SOGEPROM LYON RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	95.5	100	100
	(8)	SCI STRASBOURG ÉTOILE THUMENAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
	(8)	SCI STRASBOURG ROUTE DE WASSELONNE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	FULL	80	80	80	80
		SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(2)	SCI VAILLANT COUTURIER	Real Estate and Real Estate Financing	ESI	0	25	0	25
	(2)	SCI VALENCE-CHAMPS DE MARS	Real Estate and Real Estate Financing	EJV	0	50	0	50
		SCI VELRI	Group Real Estate Management Company	EJV	50	50	50	50
		SCI VILLA ÉMILIE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI VITAL BOUHOT 16-22 NEUILLY SUR SEINE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SEFIA	Specialist Financing	FULL	99.89	99.89	100	100
		SERVIPAR	Specialist Financing	FULL	79.82	79.82	100	100
		SG 29 HAUSSMANN	Financial Company	FULL	100	100	100	100
	(6)	SG ACTIONS EURO	Insurance	FULL	47.75	0	47.75	0
		SG ACTIONS EURO SÉLECTION	Financial Company	FULL	40.05	40.05	40.05	40.05
		SG ACTIONS EURO VALUE-C	Insurance	FULL	64.94	64.94	64.94	64.94
		SG ACTIONS FRANCE	Portfolio Management	FULL	38.14	38.14	38.14	38.14
		SG ACTIONS LUXE-C	Insurance	FULL	84.25	84.25	84.25	84.25
		SG ACTIONS MONDE EMERGENT	Insurance	FULL	60.05	60.05	60.05	60.05
		SG ACTIONS US	Portfolio Management	FULL	65.06	65.06	65.06	65.06
	(6)	SG ACTIONS US TECHNO	Insurance	FULL	85.08	0	85.08	0
		SG CAPITAL DÉVELOPPEMENT	Portfolio Management	FULL	100	100	100	100

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
	(5)	SG EUROPEAN MORTGAGE INVESTMENTS	Financial Company	FULL	0	100	0	100
		SG FINANCIAL SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
		SG FLEXIBLE	Portfolio Management	FULL	92.48	92.48	92.48	92.48
		SG LYXOR GOVERNMENT BOND FUND	Portfolio Management	FULL	100	100	100	100
		SG LYXOR LCR FUND	Portfolio Management	FULL	100	100	100	100
		SG MONE TRESO-E	Insurance	FULL	98.62	98.62	98.62	98.62
		SG MONÉTAIRE PLUS E	Financial Company	FULL	58.93	58.93	58.93	58.93
		SG OBLIG ÉTAT EURO-R	Insurance	FULL	79.94	79.94	79.94	79.94
	(6)	SG OBLIGATIONS	Insurance	FULL	82.92	0	82.92	0
		SG OPCIMMO	Real Estate and Real Estate Financing	FULL	97.95	97.95	97.95	97.95
		SG OPTION EUROPE	Broker	FULL	100	100	100	100
		SG VALOR ALPHA ACTIONS FRANCE	Financial Company	FULL	72.77	72.77	72.77	72.77
		SGB FINANCE S.A.	Specialist Financing	FULL	50.94	50.94	51	51
		SGEF SA	Specialist Financing	FULL	100	100	100	100
		SGI 10-16 VILLE L'ÉVÊQUE	Insurance	FULL	100	100	100	100
		SGI 1-5 ASTORG	Insurance	FULL	100	100	100	100
		SGI HOLDING SIS	Group Real Estate Management Company	FULL	100	100	100	100
		SGI PACIFIC	Insurance	FULL	86.17	86.17	89.53	89.53
		SNC CŒUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	ESI	30	25.5	30	30
		SNC COPRIM RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SNC D'AMÉNAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	(2)	SNC ISSY FORUM 10	Real Estate and Real Estate Financing	EJV	0	33.33	0	33.33
		SNC ISSY FORUM 11	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
		SNC NEUILLY ÎLE DE LA JATTE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SNC PROMOSEINE	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
		SOCIETE ANONYME DE CRÉDIT A L'INDUSTRIE FRANÇAISE (CALIF)	Bank	FULL	100	100	100	100
		SOCIÉTÉ CIVILE IMMOBILIÈRE CAP THALASSA	Real Estate and Real Estate Financing	ESI	45	45	45	45
		SOCIÉTÉ CIVILE IMMOBILIÈRE CAP VEYRE	Real Estate and Real Estate Financing	ESI	50	50	50	50
		SOCIÉTÉ CIVILE IMMOBILIÈRE DE DIANE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SOCIÉTÉ CIVILE IMMOBILIÈRE DE PIERLAS	Real Estate and Real Estate Financing	ESI	28	28	28	28
		SOCIÉTÉ CIVILE IMMOBILIÈRE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
		SOCIÉTÉ CIVILE IMMOBILIÈRE DOMAINE DURANDY	Real Estate and Real Estate Financing	ESI	25	25	25	25

Country		Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
	SOCIÉTÉ CIVILE IMMOBILIÈRE ERICA	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE ESTÉREL TANNERON	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE FONTENAY - ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIÉTÉ CIVILE IMMOBILIÈRE GAMBETTA DÉFENSE V	Real Estate and Real Estate Financing	ESI	20	20	20	20
	SOCIÉTÉ CIVILE IMMOBILIÈRE LE BOTERO	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE LES HAUTS DE L'ESTAQUE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SOCIÉTÉ CIVILE IMMOBILIÈRE LES HAUTS DE SEPTEMES	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SOCIÉTÉ CIVILE IMMOBILIÈRE MIRECRAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SOCIÉTÉ CIVILE IMMOBILIÈRE NAXOU	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIÉTÉ CIVILE IMMOBILIÈRE TOULDI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIÉTÉ CIVILE IMMOBILIÈRE VERT COTEAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SOCIÉTÉ DE BOURSE GILBERT DUPONT	Financial Company	FULL	100	100	100	100
	SOCIÉTÉ DE LA RUE ÉDOUARD VII	Portfolio Management	FULL	99.91	99.91	99.91	99.91
	SOCIÉTÉ DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	99.98	99.98	100	100
	SOCIÉTÉ DU PARC D'ACTIVITÉ DE LA VALENTINE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIÉTÉ EN NOM COLLECTIF PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIÉTÉ FINANCIÈRE D'ANALYSE ET DE GESTION	Financial Company	FULL	100	100	100	100
	SOCIÉTÉ GÉNÉRALE	Bank	FULL	100	100	100	100
	SOCIÉTÉ GÉNÉRALE CAPITAL FINANCE	Portfolio Management	FULL	100	100	100	100
	SOCIÉTÉ GÉNÉRALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE DE BANQUE AUX ANTILLES	Bank	FULL	100	100	100	100
	SOCIETE GENERALE FACTORING	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE PARTICIPATIONS INDUSTRIELLES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER SOGEBAIL	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE REAL ESTATE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE SCF	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE SFH	Specialist Financing	FULL	100	100	100	100
	SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100	100

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
		SOCIETE IMMOBILIERE URBI ET ORBI	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOCIETE LES PINSONS	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SOCIETE MARSEILLAISE DE CREDIT	Bank	FULL	100	100	100	100
		SOGE BEAUJOIRE	Group Real Estate Management Company	FULL	99.99	99.99	100	100
		SOGE PERIVAL I	Group Real Estate Management Company	FULL	100	100	100	100
		SOGE PERIVAL II	Group Real Estate Management Company	FULL	100	100	100	100
		SOGE PERIVAL III	Group Real Estate Management Company	FULL	100	100	100	100
		SOGE PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100	100
		SOGEACT.SELEC.MON.	Portfolio Management	FULL	99.78	99.78	99.78	99.78
		SOGECAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
		SOGECAP	Insurance	FULL	100	100	100	100
		SOGECAP - DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
		SOGECAP DIVERSIFIE 1	Portfolio Management	FULL	100	100	100	100
	(6)	SOGECAP EQUITY OVERLAY (FEEDER)	Insurance	FULL	100	0	100	0
		SOGECAP LONG TERME N°1	Financial Company	FULL	100	100	100	100
		SOGECAPIMMO 2	Insurance	FULL	89.39	89.39	90.84	90.84
		SOGEFIM HOLDING	Portfolio Management	FULL	100	100	100	100
		SOGEFIMUR	Specialist Financing	FULL	100	100	100	100
		SOGEFINANCEMENT	Specialist Financing	FULL	100	100	100	100
		SOGEFINERG SG POUR LE FINANCEMENT DES INVESTISSEMENTS ECONOMISANT L'ENERGIE	Specialist Financing	FULL	100	100	100	100
		SOGEFONTENAY	Group Real Estate Management Company	FULL	100	100	100	100
		SOGELEASE FRANCE	Specialist Financing	FULL	100	100	100	100
		SOGEMARCHE	Group Real Estate Management Company	FULL	100	100	100	100
		SOGEPARTICIPATIONS	Portfolio Management	FULL	100	100	100	100
		SOGEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ALPES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ENTREPRISES	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
	(5)	SOGEPROM ENTREPRISES REGIONS	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SOGEPROM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM LYON	Real Estate and Real Estate Financing	FULL	100	85	100	85
		SOGEPROM PARTENAIRES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM SUD REALISATIONS	Real Estate and Real Estate Financing	FULL	90.9	90.9	100	100
		SOGESSUR	Insurance	FULL	100	100	100	100
		SOGEVIMMO	Group Real Estate Management Company	FULL	85.55	85.55	85.55	85.55
		ST BARNABE 13004	Real Estate and Real Estate Financing	EJV	43	43	50	50
		STAR LEASE	Specialist Financing	FULL	100	100	100	100
	(8)	STRACE	Real Estate and Real Estate Financing	ESI	20	20	20	20
		TEMSYS	Specialist Financing	FULL	79.82	79.82	100	100
	(2)	URBANISME ET COMMERCE	Real Estate and Real Estate Financing	FULL	0	99.88	0	99.88
		URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100	100
		VALMINVEST	Group Real Estate Management Company	FULL	100	100	100	100
	(6)	VG PROMOTION	Real Estate and Real Estate Financing	ESI	35	0	35	0
		VILLA D'ARMONT	Real Estate and Real Estate Financing	ESI	40	40	40	40
Ghana								
		SOCIETE GENERALE GHANA LIMITED	Bank	FULL	60.22	60.22	60.22	60.22
Gibraltar								
		HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	FULL	100	100	100	100
		SG KLEINWORT HAMBROS BANK (GIBRALTAR) LIMITED	Bank	FULL	100	100	100	100
Greece								
		ALD AUTOMOTIVE S.A. LEASE OF CARS	Specialist Financing	FULL	79.82	79.82	100	100
Guinea								
		SG DE BANQUES EN GUINEE	Bank	FULL	57.94	57.94	57.94	57.94
Equatorial Guinea								
		SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE	Bank	FULL	52.44	52.44	57.23	57.23

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
Hong Kong								
	(1)(2)	DESCARTES TRADING HONG KONG BRANCH	Financial Company	FULL	0	100	0	100
		SG ASSET FINANCE (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
	(6)	SG CORPORATE FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	0	100	0
		SG CORPORATE FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
		SG FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
		SG FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
	(1)	SG HONG KONG	Bank	FULL	100	100	100	100
		SG SECURITIES (HK) LIMITED	Broker	FULL	100	100	100	100
		SG SECURITIES (HK) NOMINEES LTD	Broker	FULL	100	100	100	100
		SG SECURITIES ASIA INTERNATIONAL HOLDINGS LIMITED	Broker	FULL	100	100	100	100
		SOCIETE GENERALE ASIA LTD	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 5 LIMITED	Financial Company	FULL	100	100	100	100
Hungary								
		ALD AUTOMOTIVE MAGYARORSZAG AUTOPARK-KEZELO ES FINANSZIROZO KORLATOLT FELELOSSEGU TARSASAG	Specialist Financing	FULL	79.82	79.82	100	100
Jersey Island								
		ELMFORD LIMITED	Services	FULL	100	100	100	100
		HANOM I LIMITED	Financial Company	FULL	100	100	100	100
		HANOM II LIMITED	Financial Company	FULL	100	100	100	100
		HANOM III LIMITED	Financial Company	FULL	100	100	100	100
		JD CORPORATE SERVICES LIMITED	Services	FULL	100	100	100	100
		KLEINWORT BENSON CUSTODIAN SERVICES LIMITED	Bank	FULL	100	100	100	100
	(7)	LYXOR MASTER FUND	Financial Company	FULL	100	100	100	100
		NEWMEAD TRUSTEES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS (FOUNDATIONS) LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS NOMINEES (JERSEY) LTD	Financial Company	FULL	100	100	100	100
		SG KLEINWORT HAMBROS BANK (CI) LIMITED	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS CORPORATE SERVICES (CI) LIMITED	Portfolio Management	FULL	100	100	100	100
		SG KLEINWORT HAMBROS TRUST COMPANY (CI) LIMITED	Financial Company	FULL	100	100	100	100
		SGKH TRUSTEES (CI) LIMITED	Services	FULL	100	100	100	100
		SOLENTIS INVESTMENT SOLUTIONS PCC	Financial Company	FULL	100	100	100	100
Isle of Man								
		KBBIOM LIMITED	Bank	FULL	50	50	50	50
		KBTIOM LIMITED	Bank	FULL	100	100	100	100
Guernsey Island								
		ARAMIS II SECURITIES CO. LTD	Financial Company	FULL	100	100	100	100
		CDS INTERNATIONAL LIMITED	Services	FULL	100	100	100	100
		GRANGE NOMINEES LIMITED	Bank	FULL	100	100	100	100
		GUERNSEY FINANCIAL ADVISORY SERVICES LIMITED	Bank	FULL	100	100	100	100
		GUERNSEY NOMINEES LIMITED	Bank	FULL	100	100	100	100
		HAMBROS (GUERNSEY NOMINEES) LTD	Services	FULL	100	100	100	100
		HTG LIMITED	Services	FULL	100	100	100	100
		K.B. (C.I.) NOMINEES LIMITED	Bank	FULL	100	100	100	100
		MISON NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(1)	SG HAMBROS BANK (CHANNEL ISLANDS) LTD GUERNSEY BRANCH	Bank	FULL	100	100	100	100

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
British Virgin Islands								
		TSG HOLDINGS LTD	Services	FULL	100	100	100	100
		TSG MANAGEMENT LTD	Services	FULL	100	100	100	100
		TSG SERVICES LTD	Services	FULL	100	100	100	100
India								
		ALD AUTOMOTIVE PRIVATE LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	(1)	SG MUMBAI	Bank	FULL	100	100	100	100
		SOCIETE GENERALE GLOBAL SOLUTION CENTRE PRIVATE	Services	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	Broker	FULL	100	100	100	100
Ireland								
		ALD RE DESIGNATED ACTIVITY COMPANY	Insurance	FULL	79.82	79.82	100	100
	(4)	INORA LIFE LTD	Insurance	FULL	0	100	0	100
		IRIS II SPV DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
		MERRION FLEET FINANCE LIMITED	Financial Company	FULL	79.82	79.82	100	100
		MERRION FLEET MANAGEMENT LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	(1)	SG DUBLIN	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS PRIVATE INVESTMENT OFFICE SERVICES LIMITED	Bank	FULL	100	100	100	100
		SGBT FINANCE IRELAND DESIGNATED ACTIVITY COMPANY	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE HEDGING DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES (IRELAND) LTD	Financial Company	FULL	100	100	100	100
Italy								
		ALD AUTOMOTIVE ITALIA S.R.L	Specialist Financing	FULL	79.82	79.82	100	100
		FIDITALIA S.P.A	Specialist Financing	FULL	100	100	100	100
		FRAER LEASING SPA	Specialist Financing	FULL	73.85	73.85	73.85	73.85
		SG EQUIPMENT FINANCE ITALY S.P.A.	Specialist Financing	FULL	100	100	100	100
		SG FACTORING SPA	Specialist Financing	FULL	100	100	100	100
		SG LEASING SPA	Specialist Financing	FULL	100	100	100	100
	(1)	SG MILAN	Bank	FULL	100	100	100	100
	(1)	SOCECAP SA RAPPRESENTANZA GENERALE PER L'ITALIA	Insurance	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES S.P.A.	Bank	FULL	100	100	100	100
	(1)	SOGESSUR SA	Insurance	FULL	100	100	100	100
Japan								
		LYXOR ASSET MANAGEMENT JAPAN CO LTD	Portfolio Management	FULL	100	100	100	100
	(1)	SG TOKYO	Bank	FULL	100	100	100	100
	(1)(2)	SOCIETE GENERALE (NORTH PACIFIC) LTD. TOKYO BRANCH	Bank	FULL	0	100	0	100
		SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100
Latvia								
		ALD AUTOMOTIVE SIA	Specialist Financing	FULL	59.86	59.86	75	75
Lebanon								
	(3)	SG DE BANQUE AU LIBAN	Bank	ESI	16.79	16.79	16.85	16.85
Lithuania								
		UAB ALD AUTOMOTIVE	Specialist Financing	FULL	59.86	59.86	75	75

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
Luxembourg								
	(6)	AF EMG MK HD CURR - CLASSE C - LU0907913460	Insurance	FULL	47.7	0	47.7	0
		ALD INTERNATIONAL SERVICES S.A.	Specialist Financing	FULL	79.82	79.82	100	100
	(2)	AXA IM FIIS US SH.DUR.HIGH YIELD A DIS H	Specialist Financing	FULL	0	50.58	0	50.58
		AXUS LUXEMBOURG SA	Specialist Financing	FULL	79.82	79.82	100	100
		BARTON CAPITAL SA	Financial Company	FULL	100	100	100	100
	(6)	CANDRIAM BONDS EURO HIGH YIELD - LU1010337324	Insurance	FULL	45.35	0	45.35	0
	(6)	CODEIS COMPARTIMENT A0084	Insurance	FULL	100	0	100	0
		CODEIS COMPARTIMENT A0076	Financial Company	FULL	100	100	100	100
		CODEIS SECURITIES S.A.	Financial Company	FULL	100	100	100	100
		COVALBA	Financial Company	FULL	100	100	100	100
	(6)	FIDELITY FUNDS EUR HY IQ - LU0954694930	Insurance	FULL	49.6	0	49.6	0
		G FINANCE LUXEMBOURG SA	Financial Company	FULL	100	100	100	100
		IVEFI S.A.	Financial Company	FULL	100	100	100	100
		LX FINANZ S.A.R.L.	Financial Company	FULL	100	100	100	100
	(6)	LYXOR EURO 6M - CLASS SI	Insurance	FULL	64.37	0	64.37	0
	(6)	LYXOR FUNDS SOLUTIONS	Financial Company	FULL	100	0	100	0
		PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
		RED & BLACK AUTO LEASE GERMANY 2 S.A.	Financial Company	FULL	79.82	79.82	100	100
	(6)	SALINGER S.A	Bank	FULL	100	0	100	0
		SG ISSUER	Financial Company	FULL	100	100	100	100
		SGBT ASSET BASED FUNDING SA	Financial Company	FULL	100	100	100	100
		SGBTCI	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE BANK & TRUST	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL MARKET FINANCE	Bank	FULL	100	100	100	100
		SOCIETE GENERALE FINANCING AND DISTRIBUTION	Bank	FULL	100	100	100	100
		SOCIETE GENERALE LIFE INSURANCE BROKER SA	Insurance	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE WEALTH MANAGEMENT S.A.	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE RE SA	Insurance	FULL	100	100	100	100
		SOCIETE IMMOBILIERE DE L'ARSENAL	Group Real Estate Management Company	FULL	100	100	100	100
		SOGELIFE	Insurance	FULL	100	100	100	100
Macedonia								
	(4)	OHRIDSKA BANKA AD SKOPJE	Bank	FULL	0	74.53	0	75.38
Madagascar								
		BANKY FAMPANDROSOANA VAROTRA SG	Bank	FULL	70	70	70	70
Malta								
	(8)	LNG MALTA INVESTMENT 1 LIMITED	Financial Company	FULL	100	100	100	100
	(8)	LNG MALTA INVESTMENT 2 LIMITED	Financial Company	FULL	100	100	100	100
Morocco								
		ALD AUTOMOTIVE SA MAROC	Specialist Financing	FULL	36.57	36.57	50	50
		ATHENA COURTAGE	Insurance	FULL	58.17	58.45	99.93	99.93
		FONCIMMO	Group Real Estate Management Company	FULL	57.58	57.57	100	100
		LA MAROCAINE VIE	Insurance	FULL	79.19	89.03	99.98	99.98
		SG MAROCAINE DE BANQUES	Bank	FULL	57.58	57.57	57.58	57.57
		SOCIETE D' EQUIPEMENT DOMESTIQUE ET MENAGER EQDOM	Specialist Financing	FULL	30.93	30.93	53.72	53.72
		SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.58	57.57	100	100
		SOCIETE GENERALE OFFSHORE	Financial Company	FULL	57.51	57.5	99.88	99.88
		SOGECAPITAL GESTION	Financial Company	FULL	57.54	57.53	99.94	99.94
		SOGECAPITAL PLACEMENT	Portfolio Management	FULL	57.56	57.55	99.96	99.96
	(8)	SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.58	57.57	100	100

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
Mauritius								
		SG SECURITIES BROKING (M) LIMITED	Broker	FULL	100	100	100	100
Mexico								
		ALD AUTOMOTIVE S.A. DE C.V.	Specialist Financing	FULL	79.82	79.82	100	100
		ALD FLEET SA DE CV SOFOM ENR	Specialist Financing	FULL	79.82	79.82	100	100
		SGFP MEXICO. S.A. DE C.V.	Financial Company	FULL	100	99.98	100	100
Moldavia								
	(4)	MOBIASBANCA GROUPE SOCIETE GENERALE	Bank	FULL	0	79.93	0	87.9
Monaco								
	(1)	CRÉDIT DU NORD - MONACO	Bank	FULL	100	100	100	100
	(1)	SMC MONACO	Bank	FULL	100	100	100	100
	(6)	SOCIÉTÉ DE BANQUE MONACO	Bank	FULL	100	0	100	0
	(1)	SOCIÉTÉ GÉNÉRALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	100	100	100	100
Montenegro								
	(4)	SOCIETE GENERALE BANKA MONTENEGRO A.D.	Bank	FULL	0	90.56	0	90.56
Norway								
		ALD AUTOMOTIVE AS	Specialist Financing	FULL	79.82	79.82	100	100
		NF FLEET AS	Specialist Financing	FULL	63.85	63.85	80	80
		SG FINANS AS	Specialist Financing	FULL	100	100	100	100
New Caledonia								
		CREDICAL	Specialist Financing	FULL	87.07	87.07	96.64	96.64
		SOCIETE GENERALE CALEDONIENNE DE BANQUE	Bank	FULL	90.1	90.1	90.1	90.1
Netherlands								
		ALVARENGA INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
		ASTEROLD B.V.	Financial Company	FULL	100	100	100	100
		AXUS FINANCE NL B.V.	Specialist Financing	FULL	79.82	79.82	100	100
		AXUS NEDERLAND BV	Specialist Financing	FULL	79.82	79.82	100	100
		BRIGANTIA INVESTMENTS B.V.	Financial Company	FULL	100	100	100	100
	(6)	CAPEREA B.V.	Specialist Financing	FULL	100	0	100	0
		COPARER HOLDING	Group Real Estate Management Company	FULL	100	100	100	100
		HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
		HORDLE FINANCE B.V.	Financial Company	FULL	100	100	100	100
		MONTALIS INVESTMENT BV	Specialist Financing	FULL	100	100	100	100
	(1)	SG AMSTERDAM	Bank	FULL	100	100	100	100
		SG EQUIPMENT FINANCE BENELUX BV	Specialist Financing	FULL	100	100	100	100
		SOGELEASE B.V.	Specialist Financing	FULL	100	100	100	100
		SOGELEASE FILMS	Specialist Financing	FULL	100	100	100	100
		TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
Poland								
		ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	79.82	79.82	100	100
	(4)	EURO BANK S.A.	Bank	FULL	0	99.99	0	99.99
	(4)	PEMA POLSKA SP.Z O.O.	Services	FULL	0	100	0	100

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
		SG EQUIPMENT LEASING POLSKA SP Z.O.O.	Specialist Financing	FULL	100	100	100	100
	(1)	SOCIETE GENERALE S.A. ODDZIAL W POLSCE	Bank	FULL	100	100	100	100
	(1)	SOGECAP SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
	(1)	SOGESSUR SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
French Polynesia								
		BANQUE DE POLYNESIE	Bank	FULL	72.1	72.1	72.1	72.1
		SOGELEASE BDP SAS	Specialist Financing	FULL	72.1	72.1	100	100
Portugal								
		SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENZ SA	Specialist Financing	FULL	79.82	79.82	100	100
Czech Republic								
		ALD AUTOMOTIVE SRO	Specialist Financing	FULL	79.82	79.82	100	100
		CATAPS	Services	ESI	0.61	0.61	40	40
		ESSOX SRO	Specialist Financing	FULL	80	80	100	100
		FACTORING KB	Financial Company	FULL	60.73	60.73	100	100
		KB PENZIJNI SPOLECNOST, A.S.	Financial Company	FULL	60.73	60.73	100	100
		KB REAL ESTATE	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
	(6)	KB SMARTSOLUTIONS, S.R.O.	Bank	FULL	60.73	0	100	0
		KOMERCNI BANKA A.S	Bank	FULL	60.73	60.73	60.73	60.73
		KOMERCNI POJISTOVNA A.S	Insurance	FULL	80.76	80.76	100	100
		MODRA PYRAMIDA STAVEBNI SPORITELNA AS	Financial Company	FULL	60.73	60.73	100	100
	(4)	PEMA PRAHA SPOL. S.R.O.	Specialist Financing	FULL	0	100	0	100
		PROTOS	Financial Company	FULL	60.73	60.73	100	100
		SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Specialist Financing	FULL	80.33	80.33	100	100
		SOGEPROM CESKA REPUBLIKA S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM MICHLE S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100	100
		STD2, A.S.	Group Real Estate Management Company	FULL	60.73	60.73	100	100
		VN 42	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
Romania								
		ALD AUTOMOTIVE SRL	Specialist Financing	FULL	75.89	75.89	100	100
		BRD - GROUPE SOCIETE GENERALE SA	Bank	FULL	60.17	60.17	60.17	60.17
		BRD ASSET MANAGEMENT SAI SA	Portfolio Management	FULL	60.15	60.15	99.97	99.97
		BRD FINANCE IFN S.A.	Financial Company	FULL	80.48	80.48	100	100
		S.C. BRD SOGELEASE IFN S.A.	Specialist Financing	FULL	60.17	60.17	100	100
		S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	FULL	75	75	75	75
		SOCIETE GENERALE EUROPEAN BUSINESS SERVICES S.A.	Services	FULL	100	100	100	100
		SOGEPROM ROMANIA SRL	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(1)	SOGESSUR S.A PARIS - SUCURSALA BUCURESTI	Insurance	FULL	100	100	100	100

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
United Kingdom								
		ACR	Financial Company	FULL	100	100	100	100
		ALD AUTOMOTIVE GROUP LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
		ALD AUTOMOTIVE LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	(2)	ALD FUNDING LIMITED	Specialist Financing	FULL	0	79.82	0	100
	(1)	BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	(1)	DESCARTES TRADING LONDON BRANCH	Financial Company	FULL	100	100	100	100
		FENCHURCH NOMINEES LIMITED	Bank	FULL	100	100	100	100
		FRANK NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(1)	HORDLE FINANCE B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	(2)	JWB LEASE HOLDINGS LIMITED	Specialist Financing	FULL	0	100	0	100
		JWB LEASING LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
		KBIM STANDBY NOMINEES LIMITED	Bank	FULL	100	100	100	100
		KBPB NOMINEES LIMITED	Bank	FULL	100	100	100	100
		KH COMPANY SECRETARIES LIMITED	Bank	FULL	100	100	100	100
		KLEINWORT BENSON FARMLAND TRUST (MANAGERS) LIMITED	Bank	FULL	75	75	75	75
		LANGBOURN NOMINEES LIMITED	Bank	FULL	100	100	100	100
		LYXOR ASSET MANAGEMENT UK LLP	Financial Company	FULL	100	100	100	100
		MAGPIE ROSE LIMITED	Bank	FULL	100	100	100	100
		PICO WESTWOOD LIMITED	Bank	FULL	100	100	100	100
		ROBERT BENSON. LONSDALE & CO (CANADA) LIMITED	Bank	FULL	100	100	100	100
		SAINT MELROSE LIMITED	Bank	FULL	100	100	100	100
		SG (MARITIME) LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
		SG EQUIPMENT FINANCE (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
	(2)	SG EQUIPMENT FINANCE LEASING LIMITED	Specialist Financing	FULL	0	100	0	100
	(2)	SG EQUIPMENT FINANCE OPERATING LEASING LIMITED	Specialist Financing	FULL	0	100	0	100
	(2)	SG EQUIPMENT FINANCE RENTAL LIMITED	Specialist Financing	FULL	0	100	0	100
		SG FINANCIAL SERVICES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS (LONDON) NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS TRUST COMPANY LTD	Financial Company	FULL	100	100	100	100
		SG HEALTHCARE BENEFITS TRUSTEE COMPANY LIMITED	Financial Company	FULL	100	100	100	100
		SG INVESTMENT LIMITED	Financial Company	FULL	100	100	100	100
		SG KLEINWORT HAMBROS BANK LIMITED	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS LIMITED	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS TRUST COMPANY (UK) LIMITED	Bank	FULL	100	100	100	100
		SG LEASING (ASSETS) LIMITED	Specialist Financing	FULL	100	100	100	100
	(8)	SG LEASING (CENTRAL 1) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	FULL	100	100	100	100
	(2)	SG LEASING (DECEMBER) LIMITED	Specialist Financing	FULL	0	100	0	100
		SG LEASING (GEMS) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (JUNE) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (MARCH) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (USD) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (UTILITIES) LIMITED	Specialist Financing	FULL	100	100	100	100

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
		SG LEASING IX	Specialist Financing	FULL	100	100	100	100
	(1)	SG LONDRES	Bank	FULL	100	100	100	100
	(8)	SGFLD LIMITED	Financial Company	FULL	100	100	100	100
		SOCGEN NOMINEES (UK) LIMITED	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE EQUIPMENT FINANCE LIMITED	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE INTERNATIONAL LIMITED	Broker	FULL	100	100	100	100
		SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED	Financial Company	FULL	100	100	100	100
		STRABUL NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	(2)	TALOS HOLDING LTD	Financial Company	FULL	0	100	0	100
	(2)	TALOS SECURITIES LTD	Broker	FULL	0	100	0	100
	(1)	TH INVESTMENTS (HONG KONG) 2 LIMITED (UK BRANCH)	Financial Company	FULL	100	100	100	100
	(1)	TYNEVOR B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
Russian Federation								
		ALD AUTOMOTIVE OOO	Specialist Financing	FULL	79.82	79.82	100	100
		CLOSED JOINT STOCK COMPANY SG FINANCE	Specialist Financing	FULL	99.97	99.95	100	100
	(5)	COMMERCIAL BANK DELTACREDIT JOINT STOCK COMPANY	Bank	FULL	0	99.95	0	100
		CREDIT INSTITUTION OBYEDINYONNAYA RASCHOTNAYA SISTEMA	Financial Company	FULL	99.97	99.95	100	100
		JSC TELSYKOM	Services	FULL	99.97	99.95	100	100
		LLC RUSFINANCE	Bank	FULL	99.97	99.95	100	100
		LLC RUSFINANCE BANK	Bank	FULL	99.97	99.95	100	100
		PJSC ROSBANK	Bank	FULL	99.97	99.95	99.97	99.95
		RB FACTORING LLC	Specialist Financing	FULL	99.97	99.95	100	100
		RB LEASING LLC	Specialist Financing	FULL	99.97	99.95	100	100
		RB SERVICE LLC	Group Real Estate Management Company	FULL	99.97	99.95	100	100
		RB SPECIALIZED DEPOSITARY LLC	Financial Company	FULL	99.97	99.95	100	100
		SOCIETE GENERALE STRAKHOVANIE LLC	Insurance	FULL	99.99	99.99	100	100
		SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	FULL	99.99	99.99	100	100
Senegal								
		SOCIETE GENERALE SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
Serbia								
		ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	FULL	79.82	79.82	100	100
	(4)	SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD	Bank	FULL	0	100	0	100
	(4)	SOGELEASE SRBIJA D.O.O.	Specialist Financing	FULL	0	100	0	100
Singapore								
		SG MARKETS (SEA) PTE. LTD.	Broker	FULL	100	100	100	100
		SG SECURITIES (SINGAPORE) PTE. LTD.	Broker	FULL	100	100	100	100
	(1)	SG SINGAPOUR	Bank	FULL	100	100	100	100
		SG TRUST (ASIA) LTD	Financial Company	FULL	100	100	100	100
Slovakia								
		ALD AUTOMOTIVE SLOVAKIA S.R.O.	Specialist Financing	FULL	79.82	79.82	100	100
		ESSOX FINANCE S.R.O	Specialist Financing	FULL	80	80	100	100
	(1)	KOMERCNI BANKA BRATISLAVA	Bank	FULL	60.73	60.73	100	100
	(5)	PEMA SLOVAKIA SPOL.S.R.O.	Specialist Financing	FULL	0	100	0	100
	(1)	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	FULL	80.33	80.33	100	100

Country			Activity	Method *	Group ownership interest At 31.12.2019	Group ownership interest At 31.12.2018	Group voting interest At 31.12.2019	Group voting interest At 31.12.2018
Slovenia								
		ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	79.82	79.82	100	100
	(4)	SKB LEASING D.O.O.	Specialist Financing	FULL	0	99.73	0	100
	(4)	SKB BANKA D.D. LJUBLJANA	Bank	FULL	0	99.73	0	99.73
	(4)	SKB LEASING SELECT D.O.O.	Specialist Financing	FULL	0	99.73	0	100
Sweden								
		ALD AUTOMOTIVE AB	Specialist Financing	FULL	79.82	79.82	100	100
		NF FLEET AB	Specialist Financing	FULL	63.85	63.85	80	80
	(4)	PEMA TRUCK- OCH TRAILERUTHYRNING AB	Specialist Financing	FULL	0	100	0	100
	(1)	SG FINANS AS SWEDISH BRANCH	Specialist Financing	FULL	100	100	100	100
	(1)	SOCIETE GENERALE SA BANKFILIAL SVERIGE	Bank	FULL	100	100	100	100
Switzerland								
		ALD AUTOMOTIVE AG	Specialist Financing	FULL	79.82	79.82	100	100
	(4)	PEMA TRUCK- UND TRAILERVERMIETUNG GMBH	Specialist Financing	FULL	0	100	0	100
	(8)	ROSBANK (SWITZERLAND)	Bank	FULL	99.97	99.95	100	100
		SG EQUIPMENT FINANCE SCHWEIZ AG	Specialist Financing	FULL	100	100	100	100
	(1)	SG ZURICH	Bank	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING (SUISSE) S.A.	Bank	FULL	100	100	100	100
Taiwan								
	(1)	SG SECURITIES (HONG KONG) LIMITED TAIPEI BRANCH	Broker	FULL	100	100	100	100
	(1)	SG TAIPEI	Bank	FULL	100	100	100	100
Chad								
		SOCIETE GENERALE TCHAD	Bank	FULL	56.86	56.86	67.83	67.83
Thailand								
		SOCIETE GENERALE SECURITIES (THAILAND) LTD.	Broker	FULL	100	100	100	100
Togo								
	(1)	SOCIETE GENERALE TOGO	Bank	FULL	90.98	89.64	100	100
Tunisia								
		UNION INTERNATIONALE DE BANQUES	Bank	FULL	55.1	55.1	52.34	52.34
Turkey								
		ALD AUTOMOTIVE TURIZM TICARET ANONIM SIRKETI	Specialist Financing	FULL	79.82	79.82	100	100
	(1)	SG ISTANBUL	Bank	FULL	100	100	100	100
Ukraine								
		ALD AUTOMOTIVE UKRAINE LIMITED LIABILITY COMPANY	Specialist Financing	FULL	79.82	79.82	100	100

* *FULL: Full consolidation - JO: Joint Operation - EJV: Equity (Joint Venture) - ESI: Equity (significant influence) - EFS: Equity For Simplication (Entities controlled by the Group that are consolidated using the equity method for simplification because are not significant).*

(1) Branches
(2) Entities wound up
(3) Removal from the scope (loss of control or significant influence)
(4) Entities sold
(5) Merged
(6) Newly consolidated
(7) Including 30 funds
(8) Wind up in process.

Additional information related to the consolidation scope and equity investments as required by the regulation 2016-09 of the "Autorité des Normes Comptables" (ANC, the French Accounting standard setter), dated 2 December 2016 is available on the Societe Generale Group website at :

https://www.societegenerale.com/en/investors

NOTE 8.7 Fees paid to Statutory Auditors

The consolidated financial statements of Societe Generale Group are certified jointly by Ernst & Young et Autres, represented by Mr. Micha Missakian, on the one hand; and Deloitte et Associés, represented by Mr. Jean-Marc Mickeler, on the other hand.

On the proposal of the Board of Directors and following the recommendation of the Audit and Internal Control Committee of Societe Generale (CACI), the Annual General Meeting held on 23rd May 2018 renewed the mandates of Ernst & Young et Autres and of Deloitte et Associés, for six years.

In accordance with the European regulation on the audit reform, the CACI implements a specific approval policy of the non-audit services of statutory auditors ("SACC") and their network by to verify its compliance before to the launch of the mission.

A synthesis of the SACC (approved or refused) is presented to every session of the CACI.

The fees by type of mission (audit or non-audit) are submitted to an annual review by the CACI.

Lastly, the Finance Departments of the entities and business divisions annually appraise the quality of the audits performed by Deloitte et Associés and Ernst & Young et Autres. The conclusions of this survey are presented to the CACI.

AMOUNTS OF STATUTORY AUDITORS' FEES PRESENTED IN THE INCOME STATEMENT

		Ernst & Young et Autres		Deloitte et Associés		TOTAL	
(In EURm excluded VAT)		2019[1]	2018	2019[2]	2018	2019	2018
Statutory audit, certification, examination of parent company and consolidated accounts	Issuer	4	4	7	7	11	11
	Fully consolidated subsidiaries	16	16	12	12	28	28
SUB-TOTAL AUDIT		**20**	**20**	**19**	**19**	**39**	**39**
Non-audit services (SACC)	Issuer	0	2	2	1	2	3
	Fully consolidated subsidiaries	1	1	1	2	2	3
TOTAL		**21**	**23**	**22**	**22**	**43**	**45**

(1) Including Ernst and Young network: EUR 13 million
(2) Including Deloitte network: EUR 10 million

The non-audit services provided by Statutory Auditors this year mainly consisted of missions of compliance review with regard to the regulatory requirements, missions of internal control within the framework of respect of ISAE standards *(International Standard on Assurance Engagement),* agreed upon procedures, and then complementary audits within the scope of issuing of certificates or EFP Declaration (EFP: Extra-Financial Performance). They include also non-audit services expressly and exclusively entrusted to the Statutory Auditors for EUR 1 million.

NOTE 9 INFORMATION ON RISKS AND LITIGATION

Every quarter, the Group reviews in detail the disputes presenting a significant risk. These disputes may lead to the recording of a provision if it becomes probable or certain that the Group will incur an outflow of resources for the benefit of a third party without receiving at least the equivalent value in exchange. These provisions for litigations are classified among the *Other provisions* included in the *Provisions* item in the liabilities of the balance-sheet.

No detailed information can be disclosed on either the recording or the amount of a specific provision given that such disclosure would likely seriously prejudice the outcome of the disputes in question.

- On 24th October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5th October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion in damages to the bank. On 19th March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, on 23rd September 2016, the Versailles Court of Appeal rejected J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carry forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (Conseil d'État) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on the 20th September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.

- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3rd April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15th May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected Societe Generale's arguments relating to service of the claims issued against Goldas, which are therefore time-barred. On 18th December 2018, the Supreme Court refused permission to appeal to both Societe Generale and Goldas. On 16th February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against this decision.

- Societe Generale Algeria (SGA) and several of its branch managers are being prosecuted for breach of Algerian laws on exchange rates and capital transfers with other countries and on money laundering and the financing of terrorism. The defendants are accused of having failed to make complete or accurate statements to the Algerian authorities on capital transfers in connection with exports or imports made by clients of SGA and on cash payment transactions made at SGA counters. The events were discovered during investigations by the Algerian authorities, which subsequently filed civil claims before the criminal court. Sentences were delivered by the court of appeal against SGA and its employees in some proceedings, while charges were dropped in other ones. To date, fifteen cases have ended in favour of SGA, one case has ended against SGA and nine remain pending, seven of which before the Supreme Court.

- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – *Échange d'Images Chèques*), which has contributed to the improvement of cheque payments security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.

  On 20th September 2010, after several years of investigation, the French competition authority ruled that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the Banque de France) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million and Crédit du Nord, its subsidiary, a fine of EUR 7 million. However, in its 23rd February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except Banque de France, held that there was no competition law infringement, allowing the banks to recoup the fines paid. On 14th April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3rd and 4th November 2016 by the Paris Court of Appeal before which the case was remanded. On 21st December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22nd January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision. The court proceeding is still pending.

- Societe Generale Private Banking (Switzerland), along with several other financial institutions, has been named as a defendant in a putative class action that is pending in the US District Court for the Northern District of Texas. The plaintiffs seek to represent a class of individuals who were customers of Stanford International Bank Ltd. (SIBL), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16th February 2009. The plaintiffs allege that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants are responsible for those alleged losses. The plaintiffs further seek to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they are

alleged to have been fraudulent transfers. The Official Stanford Investors Committee (OSIC) was permitted to intervene and filed a complaint against Societe Generale Private Banking (Switzerland) and the other defendants seeking similar relief.

The motion by Societe Generale Private Banking (Switzerland) to dismiss these claims on grounds of lack of jurisdiction was denied by the court by order filed 5th June 2014. Societe Generale Private Banking (Switzerland) sought reconsideration of the Court's jurisdictional ruling, which the Court ultimately denied. On 21st April 2015, the Court permitted the substantial majority of the claims brought by the plaintiffs and the OSIC to proceed.

On 7th November 2017, the District Court denied the plaintiffs' motion for class certification. The plaintiffs sought leave to appeal this decision, which the court of appeal denied on 20th April 2018. On 3rd May 2019, several hundred individual plaintiffs filed motions to intervene in the pending OSIC action seeking recovery in their individual capacities for losses on their Stanford investments. The defendant financial institutions, including Societe Generale Private Banking (Switzerland), opposed these motions. By order of 18th September 2019 the court denied the motions to intervene. One group of plaintiffs appealed the denial, and another initiated a separate action in Texas state court in Houston in November 2019.

On 22nd December 2015, the OSIC filed a motion for partial summary judgment seeking return of a transfer of USD 95 million to Societe Generale Private Banking (Switzerland) made in December 2008 (prior to the Stanford insolvency) on the grounds that it is voidable under Texas state law as a fraudulent transfer. Societe Generale Private Banking (Switzerland) has opposed this motion.

- Notwithstanding the agreements reached with the US authorities regarding certain London Interbank Offered Rates and the Euro Interbank Offered Rate ("the IBOR matter"), the Bank continues to defend civil proceedings in the United States (as described below) and has responded to information requests received from other authorities, including the Attorneys General of various States of the United States and the New York Department of Financial Services.

  In the United States, Societe Generale, along with other financial institutions, has been named as a defendant in putative class actions involving the setting of US Dollar Libor, Japanese Yen Libor, and Euribor rates and trading in instruments indexed to those rates. Societe Generale has also been named in several individual (non-class) actions concerning the US Dollar Libor rate. All of these actions are pending in the US District Court in Manhattan (the "District Court").

  As to US Dollar Libor, all claims against Societe Generale have been dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that are effectively stayed. Certain individual plaintiffs, whose claims were dismissed, filed motions for leave to amend their complaints to add or revive claims against Societe Generale, but those applications were denied by the District Court. The class plaintiffs and a number of individual plaintiffs have appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit.

  On 13th January 2020, Societe Generale entered into a settlement agreement with the putative class of plaintiffs who purchased financial products tied to US Dollar Libor on an exchange. As part of that settlement, Societe Generale has agreed to pay USD 5.125 million. This settlement is subject to approval by the District Court.

  As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products and the plaintiffs have appealed that ruling to the United States Court of Appeals for the Second Circuit. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange, the District Court has allowed certain Commodity Exchange Act (CEA) claims to proceed to discovery. On 27th September 2019, Societe Generale filed a motion for judgment on the pleadings that seeks dismissal of plaintiff's remaining CEA claims. The parties are awaiting a decision. On 27th September 2019, plaintiff filed a motion for class certification. Briefing on plaintiff's motion for class certification has been stayed until the district court rules on defendants' motion for judgment on the pleadings.

  As to Euribor, the District Court dismissed all claims against Societe Generale in the putative class action and denied the plaintiffs' motion to file a proposed amended complaint. Plaintiffs have appealed those rulings to the United States Court of Appeals for the Second Circuit.

  In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- Beginning on 15th January 2019, Societe Generale and SG Americas Securities, LLC (SGAS), along with other financial institutions, have been named in three putative antitrust class actions in the US District Court in Manhattan, which have since been consolidated. Plaintiffs allege that the USD ICE Libor panel banks conspired to make artificially low submissions to that benchmark in order to profit on their trading in derivatives tied to USD ICE Libor. Plaintiffs seek to certify a class comprised of US residents (individuals and entities) that transacted with a defendant in floating rate debt instruments or interest rate swaps tied to USD ICE Libor and received a payment at any time between 1st February 2014 to the present, regardless of when the instrument was purchased. On 30th August 2019, Societe Generale and SGAS filed a motion to dismiss all claims asserted against them.

- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale has reached a settlement of USD 18 million, which was approved by the Court on 6th August 2018. A separate putative class action on behalf of putative classes of indirect purchasers is also pending. SG has reached a settlement of USD 975,000 to put an end to these proceedings, which is awaiting preliminary approval by the court. On 7th November 2018, a group of individual entities that elected to opt out of the main class action settlement filed a lawsuit against SG, SG Americas Securities, LLC and several other financial institutions. A motion to dismiss was filed on 1st April 2019.

- On 10th December 2012, the French Supreme Administrative Court (Conseil d'État) rendered two decisions confirming that the "précompte tax" which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the "précompte tax" claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1st February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale.

  Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10th December 2012, which was supposed to implement the decision rendered by the Court of

Justice of the European Union C-310/09 on 15th September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 29th April 2016 and by referring the matter to the Court of Justice of the European Union on 8th December 2016. The Court of Justice of European Union rendered its judgement on 4th October 2018 and sentenced France for failure by the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale will assert its rights before the competent courts and the French tax authority, from which it expects diligent treatment and in accordance with the law.

- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4th October 2016, and discovery is now proceeding. Societe Generale, along with other financial institutions, is also named as a defendant in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.

- Since August 2015, various former and current employees of the Societe Generale group have been under investigation by German criminal prosecution and tax authorities for their alleged participation in the so called "CumEx" patterns in connection with withholding tax on dividends on German shares. These investigations relate to a fund administered by SGSS GmbH proprietary trading activities and transactions carried out on behalf of clients. The Group entities respond to the requests of the German authorities.

  SGSS GmbH was informed by the Bonn District Court on 19th June 2019 that criminal proceedings had been initiated against two individuals who were employed by a company having previously advised this fund, the latter being suspected by the German prosecutors to have been involved in potentially fraudulent CumEx transactions. On 19th August 2019, the Bonn District Court ordered SGSS GmbH to join these criminal proceedings, which are currently pending, as a "secondary party".

- In May 2019, SGAS was named, along with other financial institutions, as a defendant in a putative class action in the US alleging anticompetitive behaviour in the pricing of "agency bonds" issued by US Government Sponsored Enterprises (GSEs), including Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae). SGAS, along with several other defendants, filed a motion to dismiss on 13th June 2019 which was granted on 29th August 2019 as against SGAS and several other bank defendants. Plaintiffs filed an amended complaint on 9th September 2019, and a motion to dismiss this amended complaint was filed on 17th September 2019. That motion was denied on 15th October 2019. On 16th December 2019, plaintiffs and twelve bank defendants, including SGAS, submitted for court approval a stipulation of settlement in the class action, for USD 250 million. Although SGAS's share of the settlement is not public, the amount was not material from a financial statement perspective. SGAS also has been named in two separate individual litigations, one brought in September by the State of Louisiana and the other brought in October by City of Baton Rouge/East Baton Rouge Parish. These suits also assert antitrust claims against SGAS and multiple other bank defendants based on these plaintiffs' purchases of GSE bonds. SGAS has also received a subpoena from the US Department of Justice (DOJ) in connection with its US agency bond business. SGAS is responding to these requests and is cooperating with the DOJ investigation.

- Societe Generale and certain of its subsidiaries are defendants in an action pending in the US Bankruptcy Court in Manhattan brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC (BLMIS). The action is similar to those brought by the BLMIS Trustee against numerous institutions and seeks recovery of amounts allegedly received by the SG entities indirectly from BLMIS through so-called "feeder funds" that were invested in BLMIS and from which the SG entities received redemptions. The suit alleges that the amounts that the SG entities received are avoidable and recoverable under the US Bankruptcy Code and New York state law. The BLMIS Trustee seeks to recover, in the aggregate, approximately USD 150 million from the SG entities. The SG entities are defending the action. In decisions dated 22nd November 2016 and 3rd October 2018, the Court rejected most of the claims brought by the BLMIS Trustee. The Trustee appealed to the US Court of Appeals for the Second Circuit. By order dated 25th February 2019, the Second Circuit vacated the judgements and remanded for further proceedings. By order dated 23rd April 2019, the Second Circuit has stayed the mandate, pending disposition of Defendant-Appellees' petition for review by the United States Supreme Court.

- On 10th July 2019, Societe Generale was named as a defendant in a litigation filed in the US District Court in Miami by plaintiffs seeking to recover under the Cuban Liberty and Democracy Solidarity (Libertad) Act of 1996 (known as the Helms-Burton Act) for alleged losses stemming from the expropriation by the Cuban government in 1960 of Banco Nunez in which they are alleged to have held an interest. Plaintiff claims damages from Societe Generale under the terms of this statute. Plaintiff filed an amended complaint on 24th September 2019 adding three other banks as defendants and adding several new factual allegations as to Societe Generale. Societe Generale filed a motion to dismiss, which was fully briefed as of 10th January 2020.

6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

ERNST & YOUNG et Autres
Tour First
TSA 1444492037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

DELOITTE & ASSOCIÉS
6, place de la Pyramide
92908 Paris-La Défense Cedex
S.A.S. au capital de € 2.188.160
572 028 041 R.C.S. Nanterre

Société Générale
Société anonyme
17, cours Valmy
92972 Paris-La Défense

Year ended December 31, 2019

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company that is issued in French language and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Societe Generale,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Société Générale for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations of the Group for the year then ended and of its financial position and of its assets and liabilities as at December 31, 2019 in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Internal Control Committee.

Basis for Opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Emphasis of Matter

Without qualifying the opinion expressed above, we draw your attention to:

- Notes 1 « Significant accounting principles » and 8.4 « Tangible and intangible fixed assets » to the consolidated financial statements that present the impacts of the first-time application of IFRS 16 « Leases »;
- Notes 1 « Significant accounting principles » and 6 « Income tax » to the consolidated financial statements that present the impacts of the first-time application of the amendment to IAS 12 « Income taxes ».

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

RECOVERABILITY OF DEFERRED TAX ASSETS IN FRANCE AND IN THE UNITED STATES

Risk identified

As at December 31, 2019 deferred tax assets on tax loss carryforwards were recorded in an amount of 2,659 M€, including 2,586 M€ for the tax groups in France and the United States.

As stated in Note 6 "Income tax" to the consolidated financial statements, the Société Générale Group calculates deferred taxes at the level of each tax entity and recognizes deferred tax assets at the closing date when it is considered probable that the tax entity concerned will have future taxable profits against which temporary differences and tax loss carryforwards can be offset, within a given timeframe.

In addition, as stated in Notes 6 "Income tax" and 9 "Information on risks and litigation" to the consolidated financial statements, certain tax loss carryforwards are challenged by the French tax authorities and are therefore liable to be called into question.

Given the assumptions used to assess the recoverability of the deferred tax assets in France and the United States (which represent the major part of the assets recognized), notably on future taxable profits, and the judgment exercised by Management in this respect, we considered this issue as a key audit matter.

Our response

Our audit approach consisted in assessing the probability that the Société Générale Group will be able to use in the future its tax loss carryforwards generated to date, in particular with regard of its ability to generate future taxable profits in France and the United States.

With the support of tax specialists included in our audit team, we:

- compared the projected results of the previous years with the actual results of the corresponding fiscal years;
- obtained an understanding of the three-year business plan drawn up by Management and approved by the Board of Directors, as well as of the assumptions used by Management beyond the three-year period to prepare projected tax results;
- obtained an understanding of the projected temporary differences over a three-year period;
- analyzed the sensitivity of these assumptions in the event of adverse scenarios defined by the Société Générale Group;
- analyzed the situation of the Société Générale Group, notably by taking note of the opinions of its external tax advisers regarding its tax loss carryforwards in France, partly challenged by the tax authorities;
- examined the information provided by the Group, concerning deferred tax assets, disclosed in Notes 6 "Income tax" and 9 "Information on risks and litigation" to the consolidated financial statements.

PORTFOLIO-BASED INTEREST RATE RISK FAIR VALUE HEDGING OF OUTSTANDINGS OF THE RETAIL BANKING NETWORKS IN FRANCE

Risk identified

To manage the interest rate risk generated by its retail banking activities in France in particular, the Société Générale Group manages a hedging derivatives portfolio to hedge its net interest rate position.

The Group documents these portfolio-based interest rate risk fair value hedging transactions ("macro-hedging") in its accounts in accordance with IAS 39 as adopted in the European Union, as presented in Note 3.2 "Financial derivatives" to the consolidated financial statements.

This documentation and the accounting treatment are only possible if certain criteria are met, in particular: designation and documentation at inception of the hedging relationship, eligibility of hedging and hedged instruments, demonstration of the hedge effectiveness, measurement of effectiveness. Pursuant to IAS 39 as adopted in the European Union, the documentation of hedging relationships compares:

- the gross outstandings designated for the hedging relationship (identification of eligible financial assets and eligible financial liabilities, for which maturities have been broken down according to the assumptions made by Management as described in Note 10 "Management of financial instruments related risks" to the consolidated financial statements), on the one hand;
- the nominal amounts of the corresponding hedging transactions, broken down by maturity, on the other hand.

In 2019, the Société Générale Group evolved its interest rate risk management of the fair value hedging strategy, to reflect in particular changes in its portfolio of customer deposits of retail banking networks in France in relation to the current interest rate environment, as presented in Note 3.2 "Financial derivatives" to the consolidated financial statements. This change led to a substantial increase in the commitments of interest rate derivatives hedging portfolios of liabilities.

The "macro-hedge" accounting of retail banking transactions in France requires Management to exercise judgment regarding in particular:

- the identification of eligible hedging and hedged items;
- the criteria adopted to schedule the outstandings' maturities by including behavioral criteria;
- and the performance of effectiveness tests and calculations.

As at December 31, 2019, the fair value of the derivatives instruments hedging portfolios of liabilities totaled 12,466 M€ in assets and 5,600 M€ in liabilities, and the revaluation differences on portfolios hedged against interest rate risk totaled 401 M€ in assets and 6,671 M€ in liabilities.

Considering the documentation requirements for "macro-hedging" relationships, the volume of hedging derivative transactions and the use of Management judgment required, we consider the accounting treatment of portfolio-based interest rate risk fair value hedging of outstandings of the retail banking networks in France to be a key audit matter.

Our response

Our audit procedures in response to the risk relating to the accounting treatment of portfolio-based interest rate risk fair value hedging of outstandings ("macro-hedging") consisted in obtaining an understanding of the procedures used to manage the structural interest rate risk, and reviewing the control environment set up by Management in particular for the documentation, identification and eligibility of hedged and hedging items, as well as for the performance of effectiveness tests.

With the support of financial modelling experts, where necessary, our work mainly consisted in:

- reviewing the accounting documentation of the hedging relationships;
- testing the eligibility of the financial assets and liabilities used by the Group for the portfolio-based interest rate risk fair value hedge accounting, according to the terms and conditions defined by IAS 39 as adopted in the European Union;
- examining the procedures used to prepare and control the criteria adopted to schedule the maturities of the hedged financial instruments, particularly with regard to the adopted maturities of the eligible financial liabilities;

- assessing the procedures used to determine the effectiveness of these hedging relationships, as well as the related governance;
- analyzing the results of prospective and retrospective tests required by the applicable accounting framework;
- performing recalculations on the portfolio of financial instruments eligible for portfolio-based interest rate risk fair value hedging;
- reviewing the qualitative and quantitative information disclosed in the notes to the consolidated financial statements and their compliance with IFRS 7 "Financial instruments: Disclosures".

CREDIT RISK APPRAISAL AND ASSESSMENT OF IMPAIRMENT FOR CUSTOMER LOANS

Risk identified

Customer loans and receivables carry a credit risk which exposes Société Générale Group to a potential loss if its client or counterparty is unable to meet its financial commitments. The Société Générale Group recognizes impairment to cover this risk.

Such impairment is calculated according to IFRS 9 "Financial instruments" principles, based on the expected credit losses calculation.

The assessment of expected credit losses for customer loans requires the exercise of judgment notably to:

- determine the loan classification criteria under stage 1, stage 2 or stage 3;
- estimate the amount of expected credit losses depending on the different stages;
- prepare macro-economic projections which are embedded in the deterioration criteria and in the expected credit losses measurement.

The qualitative information concerning in particular the recognition and procedure used to estimate expected credit losses are mainly described in Note 3.8 "Impairment and provisions" to the consolidated financial statements.

As at December 31, 2019, total customer loan outstandings exposed to credit risk totaled 460,587 M€; the impairment and provisions totaled 10,727 M€.

We considered the assessment of the credit risk and the measurement of impairment to be a key audit matter, as they require Management to exercise judgement and make estimates, particularly concerning the credit risk on the financing granted to companies in the most sensitive economic sectors and geographical areas, while the loans may represent significant amounts.

Our response

With the support of specialists in risk management and modelling included in the audit team, we focused our work on the most significant loans and/or portfolios of loans to clients, as well as on the financing granted to companies in the most sensitive economic sectors and geographical areas.

We obtained an understanding of the Société Générale Group's internal control and tested the manual and automated key controls relating to the assessment of the credit risk and the measurement of the expected losses.

Concerning impairment, our audit work notably consisted in:

- examining the compliance of policies and methodologies implemented by the Group and declined within the different business units, with IFRS 9 "Financial instruments";
- obtaining an understanding of the governance plan and testing the key controls set up at Group level;
- performing tests on a selection of models implemented in the information systems which are used to prepare financial information;
- performing a counter-calculation of the expected credit losses on a selection of stage 1 and stage 2 portfolios as at December 31, 2019 in order to assess the correct calibration of the models;
- analyzing the main parameters used by the Société Générale Group to classify outstandings and assess stages 1 and 2 impairment calculation as at December 31, 2019, including the integration of macro-economic projections;
- testing, as at December 31, 2019, in particular on a selection of the most significant loans to corporate clients, the main assumptions used to classify loans in stage 3, as well as the estimation of the related individual impairment.

We also examined the qualitative and quantitative disclosures in the notes to the consolidated financial statements relating to credit risk, and in particular the information required by IFRS 7 "Financial instruments: Disclosures".

VALUATION OF COMPLEX FINANCIAL INSTRUMENTS

Risk identified

Within the scope of its market activities, the Société Générale Group holds financial instruments for trading purposes. As at December 31, 2019, total amounts of 385,739 M€ and 364,129 M€ were recorded in assets and liabilities, respectively, on the Société Générale Group's balance sheet.

To determine the fair value of complex instruments, the Group uses techniques or in-house valuation models based on parameters and data, some of which are not observable in the market, which can differ the recognition of the margin in the income statement for transactions involving such financial instruments, as stated in Note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements. If necessary, these valuations include additional reserves or value adjustments. The models and data used to value these instruments, and their classification under the fair value hierarchy, are based on management's judgment and estimates.

Given the exercise of judgment in determining the fair value, the complexity of the modelling of the latter and the multiplicity of models used, we consider the valuation of complex financial instruments to be a key audit matter.

Our response

Our audit approach is based on the key internal control processes related to the valuation of complex financial instruments.

With the support of experts in the valuation of financial instruments included in the audit team, we designed an approach including the following main stages:

- we obtained an understanding of the procedure to authorize and validate new products and their valuation models, including the process for the entry of these models in the information systems;
- we analyzed the governance set up by the Risk Department for the control of the valuation models;
- based on samples, we specifically analyzed the valuation formulas for certain categories of complex instruments and the relating value adjustments;
- we tested the key controls relating to the independent verification of the valuation parameters, and analyzed certain market parameters used to provide input for the valuation models;
- as regards the process used to explain the changes in fair value, we obtained an understanding of the bank's analysis principles and

performed tests of controls; in addition, we performed "analytical" IT procedures on the daily control data relating to certain activities;

- we obtained the quarterly results of the independent price verification process performed on the valuation models using external market data, and analyzed the differences in parameters with the market data in the event of a significant impact, and the accounting treatment of such differences;
- we performed counter-valuations of a selection of complex derivative financial instruments using our tools;
- we analyzed the observability criteria, among others, used to determine the fair value hierarchy of such instruments, and to estimate deferred margin amounts;
- we examined the compliance of the methods underlying the estimates with the principles described in Note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements.

INFORMATION TECHNOLOGY RISK ON DERIVATIVE FINANCIAL INSTRUMENTS AND STRUCTURED BONDS ISSUED

Risk identified

The Société Générale Group's derivative financial instruments and structured bonds issued constitute an important activity within the bank's market activities, as illustrated by the significance of the net positions of derivative financial instruments in the transaction portfolio in Note 3.2 "Financial derivatives" to the consolidated financial statements.

This activity is highly complex given the nature of the financial instruments processed, the volume of transactions, and the use of numerous interfaced information systems.

The risk of occurrence of a significant misstatement in the accounts related to an incident in the data processing chains used or the recording of transactions until their transfer into the accounting system may result from:

- changes made to management and financial information by unauthorized persons via the information systems or underlying databases;
- a failure in processing or in the transfer of data between systems;
- a service interruption or an operating incident which may or may not be related to internal or external fraud.

In this context, the monitoring by the Société Générale Group of controls linked to the management of the information systems relating to the derivative financial instruments and structured bonds issued is essential for the reliability of the accounts.

As such, we considered the information technology risk on derivative financial instruments and structured bonds issued to be a key audit matter.

Our response

Our audit approach for this activity is based on the controls related to the management of the information systems set up by Société Générale Group. With the support of specialists in information systems included in the audit team, we tested the IT general controls of the applications that we considered to be key for this activity.

Our work concerned, in particular:

- the controls set up by the Société Générale Group on access rights, notably at sensitive periods in a professional career (recruitment, transfer, resignation, end of contract) with, where applicable, extended audit procedures in the event of ineffective control identified during the financial year;
- potential privileged access to applications and infrastructure;
- change management relating to applications, and more specifically the separation between development and business environments;
- security policies in general and their deployment in IT applications (for example, those related to passwords);
- handling of IT incidents during the audit period;
- governance and the control environment on a sample of applications.

For these same applications, and in order to assess the transfer of information flows, we tested the key application controls relating to the automated interfaces between the systems.

Furthermore, our tests of the IT general controls and application controls were supplemented by data analytics work on certain IT applications.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations on the information relating to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial performance statement provided for in Article L.225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information relating to the Group presented in the management report, it being specified that, in accordance with Article L.823-10 of the said Code, we have not verified the fairness of the information contained in this statement or its consistency with the consolidated financial statements that must be verified in a report by an independent third party.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as statutory auditors of Société Générale by the Annual General Meeting held on April 18, 2003 for DELOITTE & ASSOCIÉS and on May 22, 2012 for ERNST & YOUNG et Autres.

As at December 31, 2019, DELOITTE & ASSOCIÉS was in the seventeenth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the eighth year.

Previously, ERNST & YOUNG Audit was the statutory auditor of Société Générale from 2000 to 2011.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Internal Control Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

OBJECTIVE AND AUDIT APPROACH

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

REPORT TO THE AUDIT AND INTERNAL CONTROL COMMITTEE

We submit to the Audit and Internal Control Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Internal control Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Internal Control Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit and Internal Control Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 12, 2020

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres
Micha MISSAKIAN

DELOITTE & ASSOCIÉS
Jean-Marc MICKELER

6.4 SOCIETE GENERALE MANAGEMENT REPORT

Summary balance sheet of Societe Generale

(In EURbn at 31 December)	31.12.2019	31.12.2018	Variation
Interbank and money market assets	172	170	2
Customer loans	321	309	12
Securities	678	659	19
o.w. securities purchased under resale agreements	*238*	*259*	*(21)*
Other assets	154	146	8
o.w. option premiums	*55*	*53*	*2*
Tangible and intangible assets	3	3	-
TOTAL ASSETS	**1,328**	**1,287**	**41**

(In EURbn at 31 December)	31.12.2019	31.12.2018	Variation
Interbank and money market liabilities[1]	280	262	18
Customer deposits	375	380	(5)
Bonds and subordinated debt[2]	31	31	0
Securities	454	456	(2)
o.w. securities sold under repurchase agreements	*209*	*210*	*(1)*
Other liabilities and provisions	150	123	27
o.w. option premiums	*59*	*58*	*1*
Equity	38	35	3
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**1,328**	**1,287**	**41**

(1) Including negotiable debt instruments.
(2) Including undated subordinated capital notes.

In 2019 and particularly during the fourth quarter, the final stages of Brexit talks between the UK and the EU, in addition to the easing of US-China trade tensions, were instrumental in enabling markets to regain a certain degree of robustness at international level. In addition, capital markets were able to take advantage of central bank monetary policy, facilitating investment in equity markets and bolstering loan business.

On the domestic level, the real estate market continued to thrive despite social unrest and rising prices.

Amid this context, Societe Generale managed to strengthen its financial structure despite persistently low interest rates that drag on interest margins and stricter regulatory requirements.

The balance sheet totals EUR 1,328 billion, up EUR 41 billion versus 31 December 2018.

The interbank and money market item remained roughly stable throughout the period. Outstandings with Banque de France rose by EUR 5.5 billion while branch deposits fell by EUR 2 billion owing to low interest rates. Money market liabilities increased to the tune of EUR 18 billion. Bank refinancing decreased by EUR 4.3 billion. Conversely, term borrowings from banks rose by EUR 13.8 billion while issuance volumes of Medium-term Notes increased by EUR 8.5 billion.

Customer loan outstandings rose by EUR 12 billion and chiefly related to equipment loans granted for EUR 2.3 billion and real estate loans for EUR 6.6 billion, on back of robust commercial momentum and very favourable borrowing conditions. In Retail banking, special savings account deposits grew over the year by EUR 1.9 billion, up by EUR 8 billion since 2015.

The securities item is up EUR 19 billion. Most asset classes posted a substantial rise. That said, the transaction portfolio, and more specifically, share and dividend income, recorded a significant EUR 35 billion increase. The increase can be pinned to positive market conditions driving the share market compared with interest rate products, and to the acquisition of Commerzbank's businesses in 2019. By contrast, the EUR 21 billion drop in the number of securities purchased under resale agreements over the period, notably to customers, offset the rise in the purchase/sale portfolios.

Last, stock market indices impacting the valuation of derivatives and other asset and liability accounts, which are by nature volatile, underwent massive swings, particularly on rate swaps. As regards other financial instruments, the trend can be attributed to the acquisition of Commerzbank's Global Markets business.

Societe Generale boasts a diversified range of funding sources and channels:

- stable resources consisting of equity and subordinated debt (EUR 69 billion);
- customer deposits, down EUR 5 billion, gathered in the form of deposits which make up a significant share (28%) of total balance sheet resources;
- resources (EUR 166 billion) in the form of interbank deposits and borrowings;
- capital raised on the market through a proactive diversification policy, making use of various types of debt (secured and unsecured bonds, etc.), issuance vehicles (EMTNs, Certificates of Deposit), currencies and investor pools (EUR 109 billion);
- resources from securities sold under repurchase agreements to customers and banks (EUR 209 billion) were stable on the 2018 level.

The Group's financing structure is based on substantial deposit inflows across all its business lines and on the extension of its funding sources, which reflects Societe Generale's efforts to strengthen the structure of its balance sheet in recent years.

Summary income statement of Societe Generale

	2019			2018			Variations 19/18 (in %)		
(In EURm)	France	Inter-national	Societe Generale	France	Inter-national	Societe Generale	France	Inter-national	Societe Generale
Net banking income	**9,481**	**2,430**	**11,911**	**7,947**	**2,662**	**10,609**	**19**	**(9)**	**12**
Total operating expenses	(7,319)	(1,777)	(9,096)	(7,733)	(1,730)	(9,463)	(5)	3	(4)
Gross operating income	**2,162**	**653**	**2,815**	**214**	**932**	**1,146**	**910**	**(30)**	**146**
Cost of risk	(572)	(276)	(848)	(17)	(52)	(69)	3,265	431	1,129
Operating income	**1,590**	**377**	**1,967**	**197**	**880**	**1,077**	**707**	**(57)**	**83**
Net income from long-term investments	1,185	(38)	1,147	(54)	86	32	(2,294)	(144)	3,484
Operating income before income tax	**2,775**	**339**	**3,114**	**143**	**966**	**1,109**	**1,841**	**(65)**	**181**
Income tax	661	(80)	581	722	(106)	616	(8)	(25)	(6)
Net income	**3,436**	**259**	**3,695**	**865**	**860**	**1,725**	**297**	**(70)**	**114**

In 2019, Societe Generale generated gross operating income of EUR 2.8 billion, up EUR 1.7 billion on 2018.

Net banking income (NBI) amounted to EUR 11.9 million in 2019, up EUR 1.3 billion (+12%) on 2018:

- Retail Banking net banking income in France was up slightly (EUR +0.1 billion) in comparison to 2018. Against a backdrop of persistently low interest rates, the Retail bank turned in a resilient financial performance and is pressing on with the transformation of the network, and underpinning its business base with target clientele offering growth drivers; The net interest margin was up by 4% despite an extra EUR 0.1 billion provision for commitments related to mortgage savings agreements. Revenue was driven by volumes and a number of improved margins, in addition to the tiering measure introduced by the ECB late in the year. Fee income decreased by 1% in 2019 on back of commitments made by French banks with respect to bank fees charged;
- the Global Banking and Investor Solutions' business improved marginally compared with 2018. Activities in this business line showed resilience this year despite ongoing low-scale volatility and the persistent uncertainty caused specifically by geopolitical factors, notably the threat of protectionist measures. The improvement overshadowed some contrasting situations. The increase in income from the Fixed Income/Credit, Forex and Credit Sales activities offset the softer performance in Equities, Derivatives and Commodities, which were earmarked for restructuring following an announcement in the first half of the year:
  - income generated by the Global Markets and Investor Services business line recorded a contraction in 2019 after being dented by a lacklustre commercial environment during the first part of the year, in the wake of Q4 2018. The rebound in growth at the end of 2019 only partly compensated weaker revenue. This was partly due to the brisk performance by equity markets which saw stock market indices post their strongest performances in years. Despite being heavily undercut by the market throughout the entire year, the management of structured portfolios recorded solid performances at year-end,
  - the Coverage and Investment Banking business boasted a 19% increase in revenue over the year, buoyed by brisk momentum in the Financing and Transaction Banking businesses;
- the Corporate Centre, which includes the management of the Group's investment portfolio, saw a EUR 0.9 billion increase in in net banking income. Dividend inflows were up EUR 0.7 billion on 2018. The increase can be chiefly attributed to robust performances from insurance subsidiaries and the Crédit du Nord network in 2018;
- general operating costs were down EUR 0.4 billion (-4%):
  - management overheads totalled EUR 3.9 billion at 31 December 2019, down EUR 0.7 billion relative to 2018. Underlying management overheads were contained in 2019. Management overheads were cut by EUR 0.4 billion as a result of more favourable risk environment owing to positive tax inspection outcomes. 2018 was also dominated by a number of legal settlements with European and US authorities which impacted operating income to the tune of EUR 0.3 billion,

- personnel expenses stood at EUR 5.2 billion, up by EUR 0.3 billion. In 2019, personnel expenses included costs of EUR 0.2 billion associated with implementing restructuring plans. Pension plan expenses also rose by EUR 0.1 billion. In 2018, a number of French defined benefit plans were reviewed, which led to a decrease in corresponding liabilities;

- the net cost of risk amounted to a negative EUR 0.8 billion at end-2019. It was up by EUR 0.8 billion relative to the 2018 level as an extra EUR 0.3 billion was allocated to increase the provision for credit risk on non-downgraded performing assets. In 2018, changes to the calculation of provisions on a collective basis was contained to under-performing loans and had the reverse effect on the net expense. Other items resulting in a higher net cost of credit risk are a direct result of the quality of the credit portfolio;
- the combination of these items pushed up operating income by EUR 0.9 billion in comparison with 2018, and amounted to EUR 2 billion at end-2019;
- in 2019, Societe Generale generated a gain on fixed assets of EUR 1.1 billion, chiefly from the capital gain on the full disposal of its stakes in Societe Generale Express Bank, Societe Generale Banka Srbija A.D. Beograd and SKB Banka D.D Ljubljana. The disposals form part of Societe Generale's Strategic and Financial Plan. In 2018, Societe Generale did not book significant gains on fixed assets;
- tax on profits amounted to EUR 0.6 billion. Like 2018, the entity in France also recorded a tax loss in 2019, which was mainly the result of significant tax-exempt revenues to which parent companies are entitled and of disposals of investments qualifying for treatment as long-term capital gains;
- the after-tax net profit thus amounted to EUR 3.7 billion at end-2019 *versus* EUR 1.7 billion at end-2018.

Trade payables payment schedule

	31.12.2019						31.12.2018					
	Payables not yet due						Payables not yet due					
(In EURm)	1 to 30 days	31 to 60 days	More than 60 days	More than 90 days	Payables due	Total	1 to 30 days	31 to 60 days	More than 60 days	More than 90 days	Payables due	Total
Trade Payables	35	70	-	-	-	105	44	53	-	-	22	119

The date schedules equate to conditions calculated at 60 days from invoice date.

The processing of Societe Generale France's supplier invoices is largely centralised. The department responsible for this processing books and settles invoices for services requested by all Societe Generale France's corporate and business divisions.

In accordance with the Group's internal control procedures, invoices are only paid after they have been validated by the departments that signed for the services. The average time for the payment of invoices after validation is between three and seven days.

In accordance with Article D. 441-4 of the French Commercial Code, as worded pursuant to French Decree No. 2017-350 of 20th March 2017 and implemented pursuant to the Order of 20th April 2017, the information on supplier payment times is as follows:

The banking, insurance and financial services businesses (financing loans and commissions) are excluded from the scope.

(In EURm)	31.12.2019 Payables due					
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Payment delay						
Number of invoices concerned	-	746	528	231	2,853	4,358
Total amount of invoices (incl. tax) concerned (In EURm)	-	7	3	1	5	16
Percentage of total purchases (excl.tax) for the year	-	-	-	-	-	-
(B) Invoices excluded from (A) pertaining to disputed payables and receivables, not recorded						
Number of invoices excluded	-	-	-	-	-	-
Total amount (excl. tax) of invoices excluded	-	-	-	-	-	-
(C) Reference payment times used when calculating delay (Article L. 441-6 or L. 443-1 of the French Commercial Code)						
☑ Statutory payment terms (60 days from invoice date or 45 days end of month)						
Contractual payment terms						

Payment terms on accounts receivable

Payment times on Accounts Receivable in Respect of Financing Granted or Services Invoiced are fixed by contract. The initial payment terms set for loan repayments may be amended by means of contractual options (such as prepayment options, or options to defer payments). Compliance with contractual payment terms is monitored as part of the Bank's risk management process (see Chapter 4 of this Registration Document, "Risks and Capital Adequacy"), particularly in respect of credit risk, structural interest rate risk, and liquidity risk. The residual maturities of accounts receivable are indicated in Note 7.4 to the parent company financial statements.

The date schedules equate to conditions calculated at 60 days from invoice date.

(In EURm)	31.12.2019 Receivables due					
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Payment delay						
Number of invoices concerned		141	46	53	1572	1812
Total amount (incl. tax) of invoices concerned (in EURm)[1]		34	7	4	94	139
Percentage of total purchases (excl. tax) for the year	-	-	-	-	-	-
(B) Invoices excluded from (A) pertaining to disputed payables and receivables, not recorded						
Number of invoices excluded	-	-	-	-	-	-
Total amount (excl. tax) of invoices excluded	-	-	-	-	-	-
(C) Reference payment times used when calculating delay (Article L. 441-6 or L. 443-1 of the French Commercial Code)						
☑ Contractual payment terms (to be specified)						
Statutory payment terms						

(1) Including EUR 64 million of disputed payables.

Five-year summary of Societe Generale

(In EURm)	2019	2018	2017	2016	2015
Financial position at year-end					
Capital stock (in EURm)[1][2]	1,067	1,010	1,010	1,010	1,008
Number of shares issued[2]	853,371,494	807,917,739	807,917,739	807,713,534	806,239,713
Results of operations (in EURm)					
Revenue excluding tax[3]	34,300	30,748	27,207	27,174	28,365
Earnings before tax, depreciation, amortisation, provisions, employee profit sharing and general reserve for banking risks	3,832	(23)	1,678	5,884	5,809
Employee profit sharing	11	11	11	13	15
Income tax	(581)	(616)	(109)	246	(214)
Earnings after tax, depreciation, amortisation and provisions	3,695	1,725	800	4,223	1,065
Dividends paid[4]	1,777	1,777	1,777	1,777	1,612
Earnings per share (in EUR)					
Earnings after tax but before depreciation, amortisation and provisions	5.16	0.72	2.20	6.96	7.45
Net income	4.33	2.14	0.99	5.23	1.32
Dividend paid per share	2.20	2.20	2.20	2.20	2.00
Employees					
Headcount	46,177	46,942	46,804	46,445	46,390
Total payroll (in EURm)	3,754	3,128	3,560	3,696	3,653
Employee benefits (Social Security and other) (in EURm)	1,554	1,525	1,475	1,468	1,452

(1) In 2019, Societe Generale carried out the following capital increases for a total of EUR 56.75 million, with an issue premium of EUR 953.76 million:
- EUR 49.77 million related to a dividend payment, with an issue premium of EUR 838.5 million;
- EUR 7.05 million capital increase reserved for employees, with an issue premium of EUR 115.26 million.

(2) At 31 December 2019, Societe Generale's fully paid-up capital amounted to EUR 1,066,714,367.50 and comprised 853,371,494 shares with a nominal value of EUR 1.25.

(3) Revenue consists of interest income, dividend income, fee income, income from financial transactions and other operating income.

(4) The EUR 1,777 million dividend amount paid to shareholders is calculated on the basis of an existing number of shares on 31 December 2018.

Main changes in the investment portfolio in 2019

In 2019, Societe Generale carried out the following transactions which impacted Societe Generale's investment portfolio:

Outside France	In France
Creation	**Creation**
Acquisition of interest in	**Acquisition of interest in**
	Généo Capital Entrepreneur
Acquisition	**Acquisition**
Salinger SA	Treezor
Increase of interest in	**Increase of interest in**
Visa Inc.	
Subscription to capital increases	**Subscription to capital increases**
Societe Generale International Limited, Societe Generale Algérie	Boursorama SA
Full disposal	**Full disposal**
SG Express Bank, Banka Societe Generale Albania SH.A, SKB Banka D.D Ljubljana, Societe Generale Banka Srbija A.D. Beograd	
Reduction of interest[1]	**Reduction of interest**[1]
SG Kleinwort Hambros Limited	SG Financial Services Holding, Inter Europe Conseil

(1) Including capital reductions, dissolution by transfer of assets, mergers and liquidations.

The table below summarises the significant movements chalked up by the Societe Generale portfolio in 2019:

Increase[1]				Decrease[1]			
Threshold	**Companies**	**% of the capital 31.12.2019**	**% of the capital 31.12.2018**	**Threshold**	**Companies**	**% of the capital 31.12.2019**	**% of the capital 31.12.2018**
5%				5%	Société de Financement de l'Économie Française[2]	0%	9.4%
10%				10%			
20%	Société Phocéenne de Participations[2]	20%	0%	20%	Sprint LRMP[2]	19%	20.4%
33.33%	Généo Capital Entrepreneur[2]	40.5%	0%	33.33%			
50%				50%			
66.66%	Treezor[2]	100%	0%	66.66%	Inter Europe Conseil[2]	0%	100%
	SG Ventures[2]	100%	0%		SG Express Bank	0%	99.7%
	Oppens[2]	100%	0%		Banka Societe Generale Albania SH.A	0%	88.9%
					SKB Banka D.D Ljubljana	0%	97.6%
					Societe Generale Banka Srbija A.D. Beograd	0%	100%
					Paiements et Services[2]	0%	100%
					SG European Mortgage Investments[2]	0%	99.9%
					SILVAPER[2]	0%	100%

(1) Threshold crossings by percentage of direct ownership by Societe Generale SA.
(2) Stakes held in accordance with Article L. 233.6 of the French Commercial Code.

6.4.1 INFORMATION REQUIRED PURSUANT TO ARTICLE L. 511-4-2 OF THE FRENCH MONETARY AND FINANCIAL CODE RELATED TO SOCIETE GENERALE SA

As part of its long-standing presence in the commodity markets, Societe Generale proposes agricultural commodity derivatives to meet the various needs of its customers, including the risk management needs of business customers (producers, consumers) and exposure to the commodity markets for investors (asset managers, funds, insurance companies).

Societe Generale's offer includes sugar, cocoa, coffee, cotton, orange juice, corn, wheat, rapeseed, soybean, oats, cattle, lean hogs, milk and rice. Societe Generale makes markets in vanilla products on organised markets and in index-based products. Exposure to agricultural commodities can be provided through a single-commodity product or through multi-commodity products. Multi-commodity products are primarily used by investor clients through index-based products.

Societe Generale manages risks associated with the related positions either on OTC markets, for example:

- NYSE LIFFE (including Euronext Paris) for cocoa, corn, wheat, rapeseed oil, sugar and coffee;
- ICE FUTURES US for cocoa, coffee, cotton, orange juice, sugar and wheat;
- ICE FUTURES Canada for canola;
- CME group for corn, soybean, soybean oil, soybean meal, wheat, oats, cattle, lean hogs, milk and rice;
- Minneapolis Grain Exchange for wheat;
- SGX for rubber;
- TOCOM for rubber.

The list above is not static and may evolve in the future.

A number of measures are in place to prevent or detect any material impact on the price of agricultural commodities as a result of Societe Generale activities described above:

- the trading activity is in particular governed by the regulatory framework promulgated in Europe under MiFID II, which entered into effect on 3rd January 2018. It sets limits for positions on certain agricultural commodities, imposes reporting on positions to the trading platform, as well as systematic reporting of all transactions performed to the appropriate regulatory body;
- the business also operates within internal limits, set by teams tracking risks independently of the operators;
- these teams constantly monitor compliance with these various limits;
- moreover, Societe Generale's trading activity in exchange contracts follows limits set by the Societe Generale clearing broker;
- to prevent behaviour that could be considered disruptive, Societe Generale traders are provided with trading rules and mandates, and receive regular training on business standards and market conduct;
- daily controls are run in order to detect any inappropriate trading. These controls include the monitoring of the CFTC (US Commodity Futures Trading Commission) and exchange requirements on position limits, such that no operator can adopt a market position that poses a danger to market equilibrium.

6.4.2 PUBLICATION ON DORMANT ACCOUNTS

Articles L. 312-19 and L. 312-20 of the French Monetary and Financial Code, promulgated in French Act No. 2014-617 of 13 June 2014 on dormant bank accounts and unclaimed life insurance accounts, also known as the "Eckert Act", which entered into effect on 1 January 2016, require all credit institutions to publish information on dormant bank accounts on an annual basis.

In 2019, 22,079 dormant bank accounts were closed. The total amount deposited with the *Caisse des Dépôts et Consignations* stood at EUR 40,291,106.30.

At end-December 2019, 346,355 bank accounts were identified as dormant, representing an estimated total of EUR 1,692,951,207.03.

6.5 FINANCIAL STATEMENTS

6.5.1 PARENT COMPANY BALANCE SHEET

ASSETS

(In EURm)		31.12.2019	31.12.2018
Cash, due from central banks and post office accounts		77,447	73,934
Treasury notes and similar securities	Note 2.1	153,205	154,810
Due from banks	Note 2.3	171,231	181,460
Customer loans	Note 2.3	481,496	482,496
Bonds and other debt securities	Note 2.1	120,679	113,202
Shares and other equity securities	Note 2.1	140,976	105,948
Affiliates and other long term securities	Note 2.1	862	705
Investments in subsidiaries	Note 2.1	24,373	25,210
Tangible and intangible fixed assets	Note 7.2	2,969	2,596
Treasury stock	Note 2.1	151	242
Accruals, other accounts receivables and other assets	Note 3.2	154,306	146,099
TOTAL ASSETS		**1,327,695**	**1,286,702**

OFF-BALANCE SHEET ITEMS

(In EURm)		31.12.2019	31.12.2018
Loan commitments granted	Note 2.3	238,489	226,742
Guarantee commitments granted	Note 2.3	202,543	222,259
Commitments made on securities		23,744	30,243

LIABILITIES AND SHAREHOLDERS' EQUITY

(In EURm)		31.12.2019	31.12.2018
Due to central banks and post office accounts		3,852	5,661
Due to banks	Note 2.4	255,606	220,077
Customer deposits	Note 2.4	495,084	524,846
Liabilities in the form of securities issued	Note 2.4	116,702	108,350
Accruals, other accounts payable and other liabilities	Note 3.2	381,443	354,296
Provisions	Note 7.3	13,188	14,618
Long-term subordinated debt and notes	Note 6.4	23,836	23,807
Shareholders's equity			
Common stock	Note 6.1	1,067	1,010
Additional paid-in capital	Note 6.1	21,556	20,602
Retained earnings	Note 6.1	11,666	11,710
Net income	Note 6.1	3,695	1,725
SUB-TOTAL		**37,984**	**35,047**
TOTAL LIABILITIES		**1,327,695**	**1,286,702**

OFF-BALANCE SHEET ITEMS

(In EURm)		31.12.2019	31.12.2018
Loan commitments received	Note 2.4	78,052	60,532
Guarantee commitments received	Note 2.4	58,140	50,841
Commitments received on securities		28,304	31,732

6.5.2 INCOME STATEMENT

(In EURm)		2019	2018
Interest and similar income	Note 2.5	20,516	24,106
Interest and similar expense	Note 2.5	(20,234)	(23,778)
Dividend income	Note 2.1	3,617	2,933
Fee income	Note 3.1	4,430	4,286
Fee expenses	Note 3.1	(1,755)	(1,527)
Net income from the trading portfolio	Note 2.1	5,293	4,397
Net income from short-term investment securities	Note 2.1	102	140
Income from other activities[1]		8,559	21,747
Expenses from other activities[1]		(8,617)	(21,695)
Net banking income		**11,911**	**10,609**
Personnel expenses	Note 4.1	(5,236)	(4,908)
Other operating expenses[2]		(3,383)	(4,128)
Impairment and amortisation		(477)	(427)
Gross operating income		**2,815**	**1,146**
Cost of risk	Note 2.6	(848)	(69)
Operating income		**1,967**	**1,077**
Net income from long-term investments	Note 2.1	1,147	32
Operating income before tax		**3,114**	**1,109**
Income tax	Note 5	581	616
Net Income		**3,695**	**1,725**
Earnings per ordinary share	**Note 6.3**	**4.45**	**2.15**
Diluted earnings per ordinary share		**4.45**	**2.15**

Information about fees paid to Statutory Auditors is disclosed in the notes to the consolidated financial statements of the Societe Generale Group; consequently, this information is not provided in the notes to the parent company financial statements of Societe Generale.

(1) As part of its market making activities on commodities derivatives, Societe Generale may hold physical commodities stocks. Related incomes and expenses are included in Income and Expenses from Other Activities. For the year 2019, income amounts to EUR 8,345 million (EUR 21,323 million in 2018) and expense to EUR 8,502 million (EUR 21,391 million in 2018). During 2019, Societe Generale announced a strategic review of GBIS activities and the commitment to ending the activities as a market maker on commodity derivatives in 2020.

(2) o/w. EUR 297 million related to the 2019 contribution to the Single Resolution Fund (SRF) (EUR 349 million in 2018).

6.6 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

Introduction

The preparation and presentation of the parent company financial statements for Societe Generale comply with the provisions of Regulation 2014-07 of the French Accounting Standards Board, the ANC, related to the annual accounts for the banking sector.

As the financial statements of foreign branches were prepared using accounting principles generally accepted in their respective countries, they were subsequently adjusted to comply with the accounting principles applicable in France.

The disclosures provided in the notes to the parent company financial statements focus on information that is both relevant and material to the financial statements of Societe Generale, its activities and the circumstances in which it conducted its operations over the period.

Accounting policies and valuation methods

In accordance with the accounting principles applicable to French banks, the majority of transactions are recorded using valuation methods that take into account the purpose for which they were made.

In financial intermediation transactions, assets and liabilities are generally carried at historical cost and impairment is recognised where counterparty risk arises. Revenues and expenses arising from these transactions are recorded over the life of the transaction in accordance with the time period concept. Transactions on forward financial instruments carried out for hedging purposes or to manage the Bank's overall interest rate risk are accounted for using the same principles.

Trading transactions are generally marked to market at year-end, except for loans, borrowings and short-term investment securities which are recorded at nominal value. When financial instruments are not quoted in an active market, the market value used is reduced for reasons of prudence. Moreover, a reserve is recorded to cover valuations established on the basis of in-house models (Reserve Policy), which is determined according to the complexity of the model used and the life of the financial instrument.

Translation of foreign currency financial statement

The on- and off-balance sheet items of branches reporting in foreign currencies are translated at the official exchange rate prevailing at year-end. Income statement items of these branches are translated at the average month-end exchange rates. Translation gains and losses arising from the translation of the capital contribution, reserves, retained earnings and net income of foreign branches, which result from changes in exchange rates, are included in the balance sheet under *Other accounts payable* or *Other accounts receivable*.

Translation differences relating to branches in the Euro zone (since the Euro implementation) are retained in shareholders' equity and are only recognised in the income statement when these entities are sold.

Use of estimates and judgment

When applying the accounting principles disclosed in the following notes for the purpose of preparing Societe Generale's parent company financial statements, the Management makes assumptions and estimates that may have an impact on figures recorded in the income statement, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the parent company financial statements.

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

The use of estimates mainly concerns the following valuations:

- fair value in the balance sheet of financial instruments (securities portfolio and forward financial instruments) not quoted in an active market and held for trading activities (described in Notes 2.1, 2.2 and 3.2);
- impairment of financial assets (see Note 2.6),
- provisions recognised under liabilities (see Notes 2.6, 4.2 and 7.3);
- deferred tax assets recognised in the balance sheet (see Note 5).

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

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

Societe Generale has taken all the necessary steps to guarantee service continuity to its customers starting 31 January 2020 and will follow the developments in the negotiations that will be held during the transition period. Societe Generale has taken into account *Brexit*'s short-, medium- and long-term consequences in the assumptions and estimates retained in the preparation of the annual parent company financial statements.

NOTE 2 FINANCIAL INSTRUMENTS

NOTE 2.1 Securities portfolio

ACCOUNTING PRINCIPLES

Securities are classified according to:

- their type: public notes (Treasury notes and similar securities), bonds and other debt securities (negotiable debt instruments, interbank securities), shares and other equity securities;
- the purpose for which they were acquired: trading, short-term and long-term investment, shares intended for portfolio activity, investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments.

Purchases and sales of securities are recorded in the balance sheet at the date of settlement-delivery.

The classification and valuation rules applied for each portfolio category are as follows and the impairment rules applied are described in Note 2.6.

Trading securities

Trading securities are securities acquired or incurred principally for the purpose of selling or repurchasing them in the near-term or held for the purpose of market-making activities. These securities are traded in active markets, and the available market price reflects frequent buying and selling under normal conditions of competition. Trading securities also include securities linked to a sale commitment in the context of an arbitrage operation done on an organised or assimilated market and securities purchased or sold in the specialised management of a trading portfolio containing forward financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Trading securities are recognised in the balance sheet at acquisition price, excluding acquisition expenses.

They are marked to market at the end of the financial period.

Net unrealised gains or losses, together with net gains or losses on disposals, are recognised in the income statement under *Net income from the trading portfolio*, or, *from short-term investment securities.* Coupon payments received on fixed-income securities in the trading portfolio are recorded in the income statement *under Net interest income from bonds*, or *other debt securities*.

Trading securities that are no longer held for the purpose of selling them in the near-term, or no longer held for the purpose of market-making activities, or held in the specialised management of a trading portfolio for which there is no longer evidence of a recent pattern of short-term profit-taking, may be reclassified into the *Short-term investment securities* category or into the *Long-term investment securities* category if:

- exceptional market situations generate a change of holding strategy; or
- if after their acquisition debt securities become no longer negotiable in an active market and Societe Generale has the intention and the ability to hold them for the foreseeable future or until maturity.

Securities which are then reclassified are recorded in their new category at their fair market value on the date of reclassification.

Long-term investment securities

Long-term investment securities are debt securities acquired or reclassified from *Trading securities* and *Short-term investment securities* which Societe Generale intends and has the capacity to hold until maturity.

Societe Generale must therefore have, in particular, the necessary financing capacity to continue holding these securities until their expiry date. These long-term investment securities shall not be subject to any legal or other form of constraint that might call into question its intention to hold it until maturity.

Long-term investment securities also include trading and short-term investment securities which have been reclassified by Societe Generale following the particular conditions described here before (facing exceptional market situations or when debt securities are no longer negotiable in an active market). These reclassified securities are identified within the long-term investment securities portfolio.

Societe Generale may have to sell long-term investment securities or transfer them to another accounting category only in the specific cases:

- the sale or transfer is made at a date close to the maturity of the security; or
- the sale or transfer is due to an isolated event independent of Societe Generale's control.

These instruments may be designated as hedged items when forward financial instruments are used to hedge the interest rate risk on identifiable items or groups of similar items.

Long-term investments securities are recorded in the balance sheet at their purchase cost excluding acquisition expenses.

Securities, investments in subsidiaries, affiliates and other long-term securities

This category of securities covers *Investments in subsidiaries* and *Affiliates*, when it is deemed useful to Societe Generale's business to hold the said shares in the long term. This notably covers investments that meet the following criteria:

- shares in fully integrated companies or issued by companies accounted for using the equity method;
- shares in companies that share Directors or senior managers with Societe Generale and where influence can be exercised over the company in which the shares are held;
- shares in companies that belong to the same group controlled by individuals or legal entities, where the said persons or entities exercise control over the Group and ensure that decisions are taken in unison;
- shares representing more than 10% of the voting rights in the capital issued by a bank or a company whose business is directly linked to that of Societe Generale.

This category also includes *Other long-term equity investments*. These are equity investments made by Societe Generale with the aim of developing special professional relations with a company over the long term but without exercising any influence on its management due to the low proportion of attached voting rights.

Investments in subsidiaries, *Affiliates and Other long-term securities* are recorded at their purchase price net of acquisition costs. Dividend income earned on these securities is recognised in the income statement under Dividend income.

Short-term investment securities

Short-term investment securities are all those that are not classified as trading securities, long-term investment securities, or investments in consolidated subsidiaries and affiliates.

SHARES AND OTHER EQUITY SECURITIES

Equity securities are initially recognised on the balance sheet at cost excluding acquisition expenses, or at contribution value. At year-end, cost is compared to realisable value. Only the unrealised losses are recorded with the recognition of an impairment of the securities portfolio. Income from these securities is recorded in *Dividend income*.

BONDS AND OTHER DEBT SECURITIES

These securities are initially recognised on the balance sheet at cost excluding acquisition expenses and excluding interest accrued not due at the date of purchase. The positive or negative difference between cost and redemption value is amortised to income over the life of the relevant securities and using the actuarial method. Accrued interest on bonds and other short-term investment securities is recorded as related receivables and under *Interest and similar income* in the income statement.

Short-term investment securities may be reclassified into the Long-term investment securities category provided that:

- exceptional market situations generate a change of holding strategy; or
- if after their acquisition debt securities become no longer negotiable in an active market and Societe Generale has the intention and the ability to hold them for the foreseeable future or until maturity.

NOTE 2.1.1 TREASURY NOTES, BONDS AND OTHER DEBT SECURITIES, SHARES AND OTHER EQUITY SECURITIES

	31.12.2019				31.12.2018			
(In EURm)	Treasury notes and similar securities	Shares and other equity securities	Bonds and other debt securities	Total	Treasury notes and similar securities	Shares and other equity securities	Bonds and other debt securities	Total
Trading securities	129,396	139,215	69,815	338,426	135,243	104,327	69,581	309,151
Short-term investment securities[1]								
Gross book value	23,715	1,711	14,265	39,691	19,494	1,576	11,586	32,656
Impairment	(70)	(37)	(92)	(199)	(78)	(31)	(75)	(184)
Net book value	23,645	1,674	14,173	39,492	19,416	1,545	11,511	32,472
Long-term investment securities								
Gross book value	58	-	36,679	36,737	64	-	32,072	32,136
Impairment	-	-	-	-	-	-	-	-
Net book value	58	-	36,679	36,737	64	-	32,072	32,136
Related receivables	106	87	12	205	87	76	38	201
TOTAL	**153,205**	**140,976**	**120,679**	**414,860**	**154,810**	**105,948**	**113,202**	**373,960**

ADDITIONAL INFORMATION ON SECURITIES

(In EURm)	31.12.2019	31.12.2018
Estimated market value of short-term investment securities		
Unrealised capital gains[1]	990	453
Estimated value of long-term investment securities:	-	-
Premiums and discounts relating to short-term and long-term investment securities	80	186
Investments in mutual funds:		
- French mutual funds	5,497	4,069
- Foreign mutual funds	12,033	6,992
Of which mutual funds which reinvest all their income	*5*	*1*
Listed securities[2]	374,281	316,997
Subordinated securities	111	113
Securities lent	61,543	56,084

(1) Not including unrealized gains or losses on forward financial instruments, if any, used to hedge short-term investment securities.
(2) The listed trading securities amounted to EUR 301,015 million at 31 December 2019 against EUR 254,324 million at 31 December 2018.

NOTE 2.1.2 SECURITIES, INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND OTHER LONG-TERM SECURITIES

AFFILIATES AND OTHER LONG-TERM SECURITIES

(In EURm)	31.12.2019	31.12.2018
Banks	380	388
Others	521	368
Gross book value	**901**	**756**
Impairment	(39)	(51)
NET BOOK VALUE[1]	**862**	**705**

(1) The main changes involve:
- the buying back of Visa Inc. to Credit du Nord: EUR +60 million;
- the acquisition of Geneo Capital Entrepreneur: EUR +30 million;
- the full acquisition of Treezor: EUR +28 million and the subscription to its capital increase: EUR +8 million.

INVESTMENTS IN SUBSIDIARIES

(In EURm)	31.12.2019	31.12.2018
Banks	**21,714**	**26,234**
Listed	5,567	5,452
Unlisted	16,147	20,782
Others	**6,950**	**6,509**
Listed	1,156	1,156
Unlisted	5,794	5,353
Gross book value[1]	**28,664**	**32,743**
Impairment[2]	(4,291)	(7,533)
NET BOOK VALUE	**24,373**	**25,210**

All transactions with the related parties were concluded under normal market conditions.

(1) The main changes involve:
- the merger of Inter Europe Conseil in SG Paris: EUR -3,853 million;
- the capital decrease of SG Financial Services Holding: EUR -320 million;
- the full disposal of Societe Generale Banka Srbija A.D. Beograd: EUR -258 million;
- the full disposal of SKB Banka D.D Ljubljana: EUR -220 million;
- the capital increase of Salinger SA: EUR +315 million;
- the capital increase of Societe Generale International Limited: EUR +171 million.

(2) The main changes in the impairment are as follow:
- the annulation of Inter Europe Conseil impairment following its merger in SG Paris: EUR +2,945 million (no impact in reversal of impairment);
- the Rosbank recovery: EUR +305 million;
- the impairment of Societe Generale Securities Japan Limited: EUR -120 million.

NOTE 2.1.3 TREASURY STOCK

ACCOUNTING PRINCIPLES

Societe Generale's shares acquired for allocation to employees are recorded as Short-term investment securities and presented under *Treasury stock* on the assets side of the balance sheet.

Societe Generale's shares held with a view to underpinning the share price or as part of arbitrage transactions on the CAC 40 index are recorded as Trading securities and presented under *Treasury stock* on the assets side of the balance sheet.

	31.12.2019			31.12.2018		
(In EURm)	Quantity	Book value	Market value[2]	Quantity	Book value	Market value
Trading securities[1]	352,441	11	11	274,599	8	8
Short-term investment securities	3,706,880	140	115	5,975,497	234	166
Long-term equity investments	-	-	-	-	-	-
TOTAL	**4,059,321**	**151**	**126**	**6,250,096**	**242**	**174**

Nominal value: EUR 1.25.

Market value per share: EUR 31.02 at 31 December 2019.

(1) Societe Generale set up on 22 August 2011 a liquidity contract which was endowed with EUR 170 million for carrying out transactions on the Societe Generale share. At 31 December 2019, there were no Societe Generale shares held under the liquidity contract, which contained EUR 5 million for the purpose of carrying out transactions in Societe Generale shares.

(2) The accounting value is assessed according to the notice of the CNC N 2008-17 approved on 6 November 2008 concerning stock-options and bonus issues of shares.

NOTE 2.1.4 DIVIDEND INCOME

(In EURm)	2019	2018
Dividends from shares and other equity securities	20	10
Dividends from investments in non-consolidated subsidiaries and affiliates and other long-term securities	3,597	2,923
TOTAL[1]	**3,617**	**2,933**

(1) Dividends received from investments in the trading portfolio have been classified under "Net income from the trading portfolio and short-term investment securities".

NOTE 2.1.5 NET INCOME FROM THE TRADING PORTFOLIO AND SHORT-TERM INVESTMENT SECURITIES

(In EURm)	2019	2018
Net income from the trading portfolio:		
Net income from operations on trading securities	11,999	(12,658)
Net income from forward financial instruments	(6,423)	17,748
Net income from foreign exchange transactions	(283)	(693)
SUB-TOTAL	**5,293**	**4,397**
Net income from short-term investment securities:		
Gains on sale	141	278
Losses on sale	(27)	(87)
Allocation of impairment	(45)	(73)
Reversal of impairment	33	22
SUB-TOTAL	**102**	**140**
NET TOTAL	**5,395**	**4,537**

NOTE 2.1.6 NET INCOME FROM LONG-TERM INVESTMENTS

ACCOUNTING PRINCIPLES

This item includes capital gains or losses realised on disposals, as well as the net allocation to impairment for investments in subsidiaries and affiliates, long-term investment securities.

(In EURm)	2019	2018
Long-term investment securities:		
Net capital gains (or losses) on sale	-	-
Net allocation to impairment	-	-
SUB-TOTAL	**-**	**-**
Investments in subsidiaries and affiliates:		
Gains on sale[1]	926	174
Losses on sale[2]	(105)	(147)
Allocation to impairment[3]	(140)	(419)
Reversal of impairment[3]	451	361
Subsidies granted to affiliates (subsidiaries)	-	-
SUB-TOTAL	**1,132**	**(31)**
Net income from long term investment (see Note 7.2)	**15**	**63**
TOTAL	**1,147**	**32**

(1) o.w. EUR +782 million concerning the full disposal of SG Express Bank (EUR +488 million), Societe Generale Banka Srbija A.D. Beograd (EUR +176 million) and SKB Banka D.D Ljubljana (EUR +118 million).

(2) o.w. EUR -42 million concerning the mergers of financing SPV in SG Paris and EUR -39 million concerning the full disposal of Banka Societe Generale Albania SH.A., compensated by a provision reversal of the same amount.

(3) Almost all of allocations and write-backs concerning subsidiaries (cf. Note 2.1.2 - Investments in subsidiaries).

NOTE 2.2 Operations on forward financial instruments

ACCOUNTING PRINCIPLES

Operations on forward financial instruments relating to interest rates, foreign exchange or equities are used for trading or hedging purposes.

Nominal commitments on forward financial instruments are recorded as a separate off-balance sheet item. This amount represents the volume of outstanding transactions and does not represent the potential gain or loss associated with the market or counterparty risk on these transactions. Credit derivatives purchased to hedge credit risks on financial assets which are not valued at market value are classified and treated as guarantee commitments received.

The accounting treatment of income or expenses on these forward financial instruments depends on the purpose for which the transaction was concluded, as follows:

Hedging transactions

Income and expenses on forward financial instruments used as a hedge and assigned from the beginning to an identifiable item or group of similar items, are recognized in the income statement in the same manner as income and expenses on the hedged items. Income and expenses on interest rate instruments are recorded as net interest income in the same interest income or expense account as the items hedged. Income and expenses on other instruments such as equity instruments, stock market indexes or currencies are recognized under *Net income from short-term investment securities*.

Income and expenses on forward financial instruments used to hedge or manage an overall interest rate risk are recognized in the income statement over the life of the instrument under *Net income from the trading portfolio*.

Trading transactions

Trading transactions include:

- instruments traded on organised or similar markets and other instruments, such as credit derivatives and composite option products, which are included in the trading portfolio although they are traded over-the-counter on less liquid markets;
- some debt securities with a forward financial instrument component for which this classification in the accounts most appropriately reflects the results and associated risks.

These transactions are measured at their market value at the balance sheet date. When financial instruments are not quoted in an active market, this value is generally determined on the basis of in-house models. Where necessary, these valuations are adjusted for reasons of prudence by applying a discount *(Reserve Policy)*. This discount is determined on the basis of the instruments concerned and the associated risks, and takes into account:

- a conservative valuation of all the instruments, regardless of the liquidity of the corresponding market;
- a reserve calculated according to the size of the position and intended to cover the risk that Societe Generale will be unable to liquidate the investment in one go due to the size of the holding;
- an adjustment for the reduced liquidity of instruments and modeling risks in the case of complex products as well as transactions on less liquid markets (less liquid since they have been developed recently or are more specialized).

Furthermore, for over-the-counter transactions on forward interest rate instruments, these valuations also take into account counterparty risks and the present value of future management fees.

The corresponding gains or losses are directly recognized as income for the period, regardless of whether they are realized or unrealized. They are recognized in the income statement as *Net income from the trading portfolio*.

Gains or losses corresponding to contracts concluded within the scope of cash management activities managed by the trading room, in order to benefit from any interest rate fluctuations, are recorded when liquidated or over the life of the contract, depending on the type of instrument. Unrealized losses are provisioned at year-end and the corresponding amount is recorded under *Net income from the trading portfolio*.

NOTE 2.2.1 FORWARD FINANCIAL INSTRUMENTS COMMITMENTS

(In EURm)	Fair Value Trading transactions	Hedging transactions	Total at 31.12.2019	Total at 31.12.2018
Firm transactions				
Transactions on organized markets				
Interest rate futures	788,439	-	788,439	692,014
Foreign exchange futures	1,395,157	-	1,395,157	1,644,515
Other futures contracts	483,648	118	483,766	550,292
OTC agreements				
Interest rate swaps	9,125,400	12,494	9,137,894	8,439,448
Currency financing swaps	879,390	360	879,750	861,462
Forward Rate Agreements (FRA)	830,870	-	830,870	904,689
Other	46,791	-	46,791	47,339
Optional transactions				
Interest rate options	2,046,470	-	2,046,470	1,960,587
Foreign exchange options	291,941	89	292,030	526,129
Equity and index options	1,210,438	-	1,210,438	1,182,293
Other options	37,725	-	37,725	77,522
TOTAL	**17,136,269**	**13,061**	**17,149,330**	**16,886,290**

NOTE 2.2.2 FAIR-VALUE OF THE TRANSACTIONS QUALIFIED AS HEDGING

(In EURm)	31.12.2019
Firm transactions	
Transactions on organized markets	
Interest rate futures	-
Foreign exchange futures	-
Other forward contracts	(18)
OTC agreements	**-**
Interest rate swaps	3,914
Currency financing swaps	(66)
Forward Rate Agreements (FRA)	-
Other	-
Optional transactions	
Interest rate options	-
Foreign exchange options	-
Equity and index options	-
Other options	-
TOTAL	**3,830**

NOTE 2.2.3 MATURITIES OF FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

(In EURm)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Outright transactions					
Transactions on organised markets	1,041,104	704,045	451,894	470,319	2,667,362
OTC agreements	844,566	2,357,430	4,417,379	3,275,930	10,895,305
Optionnal transactions	**780,423**	**973,548**	**1,115,284**	**717,408**	**3,586,663**
TOTAL	**2,666,093**	**4,035,023**	**5,984,557**	**4,463,657**	**17,149,330**

NOTE 2.3 Loans and borrowings

ACCOUNTING PRINCIPLES

Amounts due from banks and customer loans are classified according to their initial duration and type: demand deposits (current accounts and overnight transactions) and term deposits in the case of banks, and commercial loans, overdrafts and other loans to customers. They also include securities purchased from banks and customers under resale agreements, and loans secured by notes and securities.

Only amounts due and customer loans which meet the following criteria are offset on the balance sheet: those with the same counterparty, maturity, currency and accounting entity, and those for which an agreement exists with the counterparty allowing the Company to combine the accounts and exercise the right of offset.

Interest accrued on these receivables is recorded as *Related receivables* and recognised in the income statement under *Interest income and expenses*.

Fees received and incremental transaction costs related to the granting of a loan (commissions or fees paid to contract finders, brokers and other intermediaries and handling fees) are comparable to interest and spread over the effective life of the loan.

Guarantees and endorsements recorded off-balance sheet represent transactions which have not yet given rise to cash movements, such as irrevocable commitments for the undrawn portion of facilities made available to banks and customers or guarantees given on their behalf.

If a commitment carries an incurred credit risk which makes it probable that Societe Generale will not recover all or part of the amounts due under the counterparty's commitment in accordance with the original terms of the contract, despite the existence of a guarantee, the corresponding outstanding loan is classified as a doubtful loan. Moreover, any loan will be classified as doubtful if one or more repayments are more than three months overdue (six months for mortgage loans and nine months for loans to local authorities), or, regardless of whether any payments have been missed, if it can be assumed that there is an identified risk, or if legal proceedings have been started.

If a loan to a given borrower is classified as doubtful, all outstanding loans or commitments to that borrower are reclassified as doubtful, regardless of whether or not they are backed by a guarantee.

Impairment for unrealised losses and for doubtful loans is recorded in the amount of the probable loss (see *Note 2.6*)

Restructuring of loans and receivables

When an asset recorded under *Due from banks* or *Customer loans* is restructured, contractual changes are made to the amount, term or financial conditions of the initial transaction approved by the Group, due to the financial difficulties or insolvency of the borrower (whether insolvency has already occurred or will definitely occur unless the debt is restructured), and these changes would not have been considered in other circumstances. Restructured financial assets are classified as impaired and the borrowers are considered to be in default.

These classifications are maintained for at least one year and for as long as any uncertainty remains for the Group as to whether or not the borrowers can meet their commitments. At the restructuring date, the carrying amount of the restructured financial asset is decreased to the present amount of the estimated new future recoverable cash flows discounted using the initial effective interest rate. This loss is booked to profit or loss under *Cost of risk*.

Restructured financial assets do not include loans and receivables subject to commercial renegotiations.

Loans and receivables may be subject to commercial renegotiations provided that the borrowing customer is not experiencing financial difficulties and is not insolvent. Such transactions involve customers whose debt the Group is willing to renegotiate in the interest of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force, and without relinquishing any principal or accrued interest.

Renegotiated loans and receivables are derecognised at the renegotiation date and replaced with the new loans, taken out under renegotiated conditions, which are recorded on the balance sheet at the same date. These new loans are subsequently measured at amortised cost, based on the effective interest rate arising from the new contractual conditions and taking into account the renegotiation fees billed to the customer.

NOTE 2.3.1 DUE FROM BANKS

(In EURm)	31.12.2019	31.12.2018
Deposits and loans		
Demand		
Current accounts	15,916	15,485
Overnight deposits and loans	374	468
Loans secured by notes-overnight	-	-
Term		
Term deposits and loans	76,534	75,640
Subordinated and participating loans	1,209	4,244
Loans secured by notes and securities	-	-
Related receivables	98	121
GROSS AMOUNT	**94,131**	**95,958**
Impairment	(20)	(24)
NET AMOUNT	**94,111**	**95,934**
Securities purchased under resale agreements	77,120	85,526
TOTAL[(1)(2)]	**171,231**	**181,460**

(1) At 31 December 2019 doubtful loans amounted to EUR 36 million (of which EUR 17 million were non-performing loans) against EUR 48 million (of which EUR 17 million were non-performing loans at 31 December 2018).

(2) Including amounts receivable from subsidiaries: EUR 75,903 million at 31 December 2019 against EUR 79,091 million at 31 December 2018.

NOTE 2.3.2 CUSTOMER LOANS

(In EURm)	31.12.2019	31.12.2018
Discount of trade notes	1,538	1,661
Other loans		
Short-term loans	73,163	74,060
Export loans	10,845	10,705
Equipment loans	48,044	45,782
Mortgage loans	70,177	63,604
Lease financing agreements	148	-
Other loans	95,519	99,359
SUB-TOTAL[(1)(2)(3)]	**297,896**	**293,510**
Overdrafts	22,971	15,596
Related receivables	1,096	1,051
GROSS AMOUNT	**323,501**	**311,818**
Impairment	(2,755)	(2,963)
NET AMOUNT	**320,746**	**308,855**
Loans secured by notes and securities	99	92
Securities purchased under resale agreements	160,651	173,549
TOTAL[(4)(5)]	**481,496**	**482,496**

(1) Including pledged loan: EUR 65,535 million of which amounts eligible for refinancing with Bank of France: EUR 10,305 million at 31 December 2019 (EUR 9,612 million at 31 December 2018).

(2) Of which participating loans: EUR 3,045 million at 31 December 2019 (EUR 2,834 million at 31 December 2018).

(3) At 31 December 2019 doubtful loans amounted to EUR 5,894 million (of which EUR 2,625 million were non-performing loans) against EUR 6,759 million (of which EUR 4,002 million were non-performing loans) at 31 December 2018.

(4) Of which amounts receivable from subsidiaries: EUR 170,140 million at 31 December 2019 (EUR 168,233 million at 31 December 2018).

(5) Including restructured loans: EUR 918 million at 31 December 2019 against EUR 2,297 million at 31 December 2018.

NOTE 2.3.3 COMMITMENTS GRANTED

(In EURm)	31.12.2019	31.12.2018
Commitments granted[1]		
Loan commitments		
- To banks	49,469	21,465
- To customers	189,020	205,277
TOTAL	**238,489**	**226,742**
Guarantee commitments		
- On behalf of banks	125,679	150,762
- On behalf of customers	76,864	71,497
TOTAL	**202,543**	**222,259**

(1) Of which commitments granted to subsidiaries: EUR 86,960 million at 31 December 2019 (EUR 92,533 million at 31 December 2018).

NOTE 2.3.4 SECURITISATION

ACCOUNTING PRINCIPLES

Loans and receivables transferred by Societe Generale to a securitisation undertaking (securitisation fund, securitisation vehicle or equivalent foreign undertaking) are derecognised and the gain or loss on sale calculated as the difference between the selling price and the carrying amount of transferred loans or receivables is recognised in profit or loss.

If the transfer agreement contains an overcollateralisation clause, Societe Generale records on the assets side of its balance sheet, among the loans and receivables, a receivable for the part of the amount of transferred loans and receivables exceeding the sale price.

Ordinary units issued by a gaining securitisation undertaking and acquired or subscribed by Societe Generale are recorded as trading securities or as short-term investment securities according to their purpose.

Specific units, subordinated units and other financial instruments issued by the gaining securitisation undertaking and acquired or subscribed by Societe Generale as collateral at the benefit of the undertaking are recorded as short-term investment securities (see Note 2.1).

If Societe Generale lodges a cash security deposit with the gaining securitisation undertaking to bear the losses resulting from the failure of debtors of loans and receivables transferred, it records such deposit on the assets side of its balance sheet in the section *Accruals, other accounts receivable and other assets* as a receivable from securitisation undertaking, provided that the possible balance of the deposit will be attributed to it in course of liquidation of the securitisation undertaking.

If the guarantee granted by Societe Generale takes the form of a commitment granted, it is recorded in the off-balance sheet as a guarantee commitment granted to customers or to banks, as the case may be.

In 2017, Societe Generale proceeded to a securitisation in order to substitute in the assets, eligible bonds as the eurosystem refinancing guaranty for mortgage loans. For this purpose, Societe Generale has transferred EUR 9,242 million mortgage loans to a securitisation mutual fund. To capitalise the acquisition, the fund has issued bonds which were fully subscribed by Societe Generale, who bears the risks and the profits.

The bonds are presented in the assets on the balance sheet within the investment portfolio for an amount of EUR 6,474 million at 31 December 2019 (EUR 7,640 million at 31 December 2018).

NOTE 2.4 Debts

ACCOUNTING PRINCIPLES

Amounts due to banks and customer deposits are classified according to their initial duration and type: demand (demand deposits and current accounts) and time deposits and borrowings in the case of banks, and regulated savings accounts and other deposits in the case of customers. They also include securities sold to banks and customers under repurchase agreements.

Interest accrued on these deposits is recorded as related payables and as an expense in the income statement.

NOTE 2.4.1 DUE TO BANKS

(In EURm)	31.12.2019	31.12.2018
Demand deposits		
Demand deposits and current accounts	20,192	22,721
Borrowings secured by notes – overnight	-	-
SUB-TOTAL	**20,192**	**22,721**
Term deposits		
Term deposits and borrowings	145,738	131,862
Borrowings secured by notes and securities	-	-
SUB-TOTAL	**145,738**	**131,862**
Related payables	400	429
TOTAL DEPOSITS	**166,330**	**155,012**
Securities sold under repurchase agreements	89,276	65,065
TOTAL[(1)]	**255,606**	**220,077**

(1) Including amounts due to subsidiaries: EUR 78,784 million at 31 December 2019 (EUR 77,953 million at 31 December 2018).

NOTE 2.4.2 CUSTOMER DEPOSITS

(In EURm)	31.12.2019	31.12.2018
Regulated savings accounts		
Demand	45,000	43,373
Term	17,912	17,637
SUB-TOTAL	**62,912**	**61,010**
Other demand deposits		
Businesses and sole proprietors	59,801	50,722
Individual customers	36,228	33,835
Financial customers	25,319	26,230
Others	7,054	5,935
SUB-TOTAL	**128,402**	**116,722**
Other term deposits		
Businesses and sole proprietors	43,405	45,542
Individual customers	183	214
Financial customers	128,999	143,443
Others	10,943	12,458
SUB-TOTAL	**183,530**	**201,657**
Related payables	609	641
TOTAL CUSTOMER DEPOSITS	**375,453**	**380,030**
Securities sold to customers under repurchase agreements	119,631	144,816
TOTAL[(1)]	**495,084**	**524,846**

(1) Including deposits of subsidiaries: EUR 179,676 million at 31 December 2019 (EUR 193,951 million at 31 December 2018).

NOTE 2.4.3 DEBT SECURITIES ISSUED

ACCOUNTING PRINCIPLES

These liabilities are classified by type of security: loan notes, interbank market certificates, negotiable debt instruments, bonds and other debt securities, but exclude subordinated notes which are classified under *Subordinated debt*.

Interest accrued is recorded as related payables and as an expense in the income statement. Bond issuance and redemption premiums are amortized using the straight-line or actuarial method over the life of the related borrowings. The resulting expense is recorded in the income statement under *Interest and similar expense.*

Bond issuance costs accrued over the period are recorded as expenses for the period, under *Interest and similar expense* in the income statement.

(In EURm)	31.12.2019	31.12.2018
Term savings certificates	-	-
Bond borrowings	2,029	1,792
Related payables	21	20
SUB-TOTAL	**2,050**	**1,812**
Interbank certificates and negotiable debt instruments	114,006	105,933
Related payables	646	605
TOTAL[(1)]	**116,702**	**108,350**

(1) Including commissions related to subsidiaries: EUR 2,029 million at 31 December 2019 (EUR 2,506 million at 31 December 2018)

NOTE 2.4.4 COMMITMENTS RECEIVED

(In EURm)	31.12.2019	31.12.2018
Commitments received[(1)]		
Loan commitments received from banks	78,052	60,532
Guarantee commitments received from banks	58,140	50,841
TOTAL	**136,192**	**111,373**

(1) Including commitments received from subsidiaries: EUR 16,079 million at 31 December 2019 (EUR 16,561 million at 31 December 2018).

NOTE 2.5 Interest income and expenses

ACCOUNTING PRINCIPLES

Interest income and expense are recognised in the income statement under *Interest and similar income* or *Interest and similar expense* for all financial instruments measured at amortised cost using the effective interest rate method. Negative interest is deducted from interest income and expense accounts related to these instruments.

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

When a financial asset or group of similar financial assets has been impaired following an impairment of value, subsequent interest income is recorded on the basis of the effective interest rate used to discount the future cash flows when measuring the loss of value.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same interest rate used to discount the expected outflow of resources.

	2019			2018		
(In EURm)	**Incomes**	**Expenses**	**Net**	**Incomes**	**Expenses**	**Net**
Interest income from transactions with banks	**2,981**	**(3,544)**	**(563)**	**3,320**	**(3,433)**	**(113)**
Transactions with central banks, post office accounts and banks	1,644	(2,172)	(528)	2,132	(2,320)	(188)
Securities sold under repurchase agreements and borrowings secured by notes and securities	1,337	(1,372)	(35)	1,188	(1,113)	75
Transactions with customers	**11,756**	**(8,555)**	**3,201**	**9,495**	**(7,473)**	**2,022**
Trade notes	32	-	32	33	-	33
Other customer loans	9,391	-	9,391	7,577	-	7,577
Overdrafts	310	-	310	355	-	355
Special savings accounts	-	(708)	(708)	-	(622)	(622)
Other deposits	-	(5,596)	(5,596)	-	(4,904)	(4,904)
Securities sold/bought under repurchase agreements and borrowings secured by notes and securities	2,023	(2,251)	(228)	1,530	(1,947)	(417)
Bonds and other debt securities	**3,547**	**(4,631)**	**(1,084)**	**9,336**	**(9,591)**	**(255)**
Other interest expenses and related income	**2,232**	**(3,504)**	**(1,272)**	**1,955**	**(3,281)**	**(1,326)**
TOTAL INTEREST INCOMES/EXPENSES	**20,516**	**(20,234)**	**282**	**24,106**	**(23,778)**	**328**

The detail of other customer loans is composed of:

(In EURm)	2019	2018
Short-term loans	1,909	1,619
Export loans	311	282
Equipment loans	1,008	881
Mortgage loans	1,270	1,319
Other loans	4,893	3,476
OTHER CUSTOMER LOANS	**9,391**	**7,577**

NOTE 2.6 Impairment and provisions

NOTE 2.6.1 IMPAIRMENT AND PROVISIONS FOR CREDIT RISKS

NOTE 2.6.1.1 IMPAIRMENT

ACCOUNTING PRINCIPLES

Impairment of assets

Impairment for unrealised losses is equal to the difference between the carrying amount of the asset and the present value of estimated future recoverable cash flows, taking into account any guarantees, discounted at the financial assets' original effective interest rate. Furthermore, this impairment may not be less than the full amount of the accrued interest on the doubtful loan. Impairment, reversals of impairment, losses on bad debts and recovery of impaired debts are recognised under *Cost of risk*, along with write-backs of impairment linked to the passage of time.

Doubtful loans can be reclassified as performing loans when the credit risk has been definitively eliminated and regular repayments have resumed according to the original terms of the contract. Similarly, doubtful loans which have been restructured can be reclassified as performing loans. When a loan is restructured, a discount is applied to any differences between the cash flows expected to be received under the initial terms of the contract and the present value of the future flows of capital and interest expected to be received under the new terms, discounted at the original effective interest rate.

The amount deducted is recognised under *Cost of risk*. If the restructured loan is subsequently reclassified as a performing loan, it is reincorporated into net interest income over the remaining term of the loan.

When a borrower's solvency is such that after the loan has been classified as doubtful for a reasonable period, it is not foreseeable that it will be reclassified as a performing loan, the loan is identified as a non-performing loan. A loan is classified as non-performing once the Bank asks for an early termination, when the contract is terminated and in any case one year after it was classified as doubtful, except where the original terms of the contract have been respected or where the loan is covered by guarantees which ensure its recovery. Loans which have been restructured and for which the borrower has not respected the new conditions are also classified as non-performing.

Impairment of securities

SHORT-TERM INVESTMENT SECURITIES

- Shares and other equity securities.

At year-end, cost is compared to realisable value. For listed securities, realisable value is defined as the most recent market price. Unrealised capital gains are not recognised in the accounts, but an impairment of portfolio securities is recorded to cover unrealised capital losses, without the said impairment being offset against any unrealised capital gains.

- Bonds and other debt securities

At year-end, cost is compared to realisable value or, in the case of listed securities, to their most recent market price. Unrealized capital gains are not recognised in the accounts, but an impairment of portfolio securities is recorded to cover unrealised capital losses, after consideration of any gains made on any related hedging transactions.

Allocations to and reversals of impairment for losses on short-term investment securities together with gains and losses on sales of these securities are recorded under *Net income from short-term investment securities* in the income statement.

LONG-TERM INVESTMENT SECURITIES

At year-end, no impairment is made for unrealised losses, unless there is a strong probability that the securities will be sold in the short term, or unless there is a risk that the issuer will be unable to redeem them.

Allocations to and reversals of impairment for losses on long-term investment securities, together with gains and losses on sales of these securities, are recorded in the income statement under Net income from long-term investments.

AFFILIATES AND INVESTMENT IN SUBSIDIARIES

At year-end, investments in consolidated subsidiaries and affiliates are valued at their value in use, namely the price the Company would accept to pay to obtain the said securities if it had to acquire them in view of its investment objective. This value is estimated on the basis of various criteria, such as shareholders' equity, profitability, and the average share price over the last three months. Unrealised capital gains are not recognised in the accounts but an impairment on portfolio securities is recorded to cover unrealised capital losse.

Allocations to and reversals of impairment as well as any capital gains or losses realised on the disposal of these securities, including any profit or loss generated when tendering these securities to public share exchange offers, are recognised under *Net income from long-term investments.*

(In EURm)	31.12.2019	31.12.2018
Assets impairment:		
Banks	20	24
Customer loans	2,755	2,963
Other	100	142
SUB-TOTAL[1]	**2,875**	**3,129**
Impairment on securities[2]	4,528	7,768
TOTAL IMPAIRMENT	**7,403**	**10,897**

(1) Of which impairment for non-performing loans: EUR 2,055 million.
(2) Except Treasury stock.

The change of impairment (excluding securities) breaks down as follows:

		Net Allocations				
(In EURm)	Amount at 31.12.2018	Net cost of risk	Other income statement	Used reversals	Change in scope and reclassifying	Amount at 31.12.2019
Assets' impairment	**3,129**	**364**	**4**	**(586)**	**(36)**	**2,875**

NOTE 2.6.1.2 PROVISIONS

ACCOUNTING PRINCIPLES

Provisions include:

- provisions for off-balance sheet commitments (relative to commitments granted);
- collective provisions for credit risk.

Provisions for off-balance sheet commitments (provisions for off-balance sheet guarantees)

Provisions for off-balance sheet commitments represent the Societe Generale's potential losses incurred following the identification of an identified credit risk on an off-balance sheet financing or guarantee commitment that would not be considered as a derivative instrument or designated as financial asset through profit or loss.

Collective provisions for credit risk (linked to downgraded commitments and loans)

In a homogenous portfolio, as soon as a significant deterioration in credit risk is identified on a group of financial instruments, and without waiting for the risk to individually affect one or more receivables or commitments, a provision is recognized for the amount of credit losses that Societe Generale expects to incur over the life of the exposures (lifetime expected credit loss).

In order to provide better information with regard to its activity, Societe Generale has chosen, in line with the principle of prudence, to extend in 2019 the provisioning of credit risk to healthy non-degraded outstandings, up to the amount of credit losses that Société Generale expects to incur over the next year.

Lifetime expected credit losses are calculated taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity. Accordingly, the amount of impairment equals to the present value of the expected credit losses, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring through to maturity.

12-month expected credit losses are calculated taking into consideration past data and the current situation. Accordingly, the amount of impairment equals to the present value of the expected credit losses, taking into account the probability of a default event occurring within the next 12 months and if any, the impact of collateral called up or liable to be called up.

Changes in collective provisions are recorded in *Cost of risk*.

Comments related to the identification of the downgrading of credit risk:

To identify the exposures under collective provision, Societe Generale determines whether or not there is a significant increase of credit risk based on available historical and prospective informations (behaviour scoring, loan to value indicators, macro-economics scenarios, etc).

The assessment of changes in credit risk takes account of the following criteria:

- 1st criteria: changes in the counterparty's credit rating as well as a change in operating sector, macroeconomic conditions and the behaviours of the counterparty that may, above and beyond the review of the credit rating, may be a sign of deteriorating credit risk;
- 2nd criteria: changes in the counterparty's credit rating, from contract to contract from the date of first recognition to the balance sheet date;
- 3rd criteria: the existence of amounts past due of more than 30 days.

Once any one of these criteria is met, the relative contract is impaired as described before.

(In EURm)	Amount at 31.12.2018	Net cost of risk	Change in scope and reclassifying	Amount at 31.12.2019
Provisions for off-balance sheet commitments to banks	-	-	-	-
Provisions for off-balance sheet commitments to customers	159	(12)	-	146
Collective provisions for credit risks	544	331	3	878
TOTAL	**703**	**319**	**3**	**1,024**

The amount of collective provisions for credit risks on performing loans allocated as per 1 January 2019 is amounting at EUR 304 million on 31 December 2019.

NOTE 2.6.1.3 COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS/PLANS (CEL/PEL)

ACCOUNTING PRINCIPLES

Comptes d'épargne-logement (CEL or mortgage savings accounts) and *Plans d'épargne-logement* (PEL or mortgage savings plans) are special savings schemes for individual customers which are governed by Law 65-554 of 10th July 1965. These products combine an initial deposits phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. Under the current regulation, this last phase is subject to the prior existence of the savings phase and is therefore inseparable from it. The savings deposits collected and loans granted are recognised at amortised cost.

These instruments create two types of commitments for Societe Generale: the obligation to subsequently lend to the customer at an interest rate also established at the inception of the savings agreement and the obligation to remunerate customer savings for an indeterminate future period at an interest rate established at the inception of the mortgage savings agreement.

If it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Company, a provision is recorded on the liabilities side of the balance sheet. Any changes in these provisions are recognised as net banking income under *Net interest income*. These provisions only relate to commitments arising from PEL/CEL that are outstanding at the date of calculation.

Provisions are calculated for each generation of mortgage savings plans (PEL), with no netting between different PEL generations, and for all mortgage saving accounts (CEL) which constitute a single generation.

During the deposits phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observed past behaviour of customers.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable on the basis of the amount of balance sheet deposits at the date of calculation and the historical observed past behaviour of customers.

A provision is recorded if the discounted value of expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated on the basis of interest rates available to individual customers for equivalent savings and loan products with a similar estimated life and date of inception.

OUTSTANDING DEPOSITS IN MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EURm)	31.12.2019	31.12.2018
Mortgage savings plans (PEL)		
less than 4 years old	1,245	2,752
between 4 and 10 years old	9,661	9,043
more than 10 years old	5,315	4,545
SUB-TOTAL	**16,221**	**16,340**
Mortgage savings accounts (CEL)	1,067	1,076
TOTAL	**17,288**	**17,416**

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EURm)	31.12.2019	31.12.2018
less than 4 years old	1	1
between 4 and 10 years old	11	22
more than 10 years old	11	10
TOTAL	**23**	**33**

PROVISIONS FOR COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EURm)	31.12.2018	Allocations	Reversals	31.12.2019
Mortgage savings plans (PEL)				
less than 4 years old	1	-	(1)	-
between 4 and 10 years old	20	7	-	27
more than 10 years old	118	98	-	216
SUB-TOTAL	**139**	**105**	**(1)**	**243**
Mortgage savings accounts (CEL)	10	-	(2)	8
TOTAL	**149**	**105**	**(3)**	**251**

The level of provisions is sensitive to the long-term interest rates. Since the long-term rates were low during 2019, the provisions for PEL and CEL mortgage saving accounts are linked to the risks attached to the commitment to remunerate the deposits. Provisioning for PEL/CEL savings amounted to 1.41% of total outstandings as at 31st December 2019.

METHODS USED TO ESTABLISH THE PARAMETERS FOR VALUING PROVISIONS

The parameters used for estimating the future behaviour of customers are derived from historical observations of customer behaviour patterns over long period (more than ten years). The values of these parameters can be adjusted whenever changes are made to regulations that may undermine the effectiveness of past data as an indicator of future customer behaviour.

The values of the various market parameters used, notably interest rates and margins, are calculated on the basis of observable data and constitute a best estimate, at the date of valuation, of the future value of these items for the periods in question, in line with the Retail Banking Division's policy of interest rate risk management.

The discount rates used are derived from the zero-coupon swaps vs. Euribor yield curve on valuation date, averaged over a 12-month period.

NOTE 2.6.1.4 COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk includes allocations, net of reversals, to provisions and to impairments for credit risk, the amount of the loan considered uncollectible and the amount of recoveries on loans written off.

(In EURm)	2019	2018
Net allocation to impairment and provisions for receivables & off-balance sheet commitments	(710)	36
Losses not covered by impairment and amounts recovered on write-offs	(138)	(105)
TOTAL COST OF RISK	**(848)**	**(69)**
Gain on revaluation of currency hedge of provisions	(93)	(21)

NOTE 2.6.2 PROVISIONS FOR FORWARD FINANCIAL INSTRUMENTS

ACCOUNTING PRINCIPLES

Provisions on forward financial instruments are related to unrealised losses calculated on homogeneous sets of forward financial contracts recognised in balance sheet as isolated open positions

They are determined as the difference between the market value estimated at balance sheet closing date and those determined at previous balance sheet closing date. They are recognised in balance sheet as provisions for probable risks and expenses. The changes in provisions thus calculated are recorded in net income under *Net income from the trading portfolio.*

(In EURm)	Amount at 31 December 2018	Net Allowances	Used provisions	Change in scope and reclassifying	Amount at 31 December 2019
Provisions for forwards Financial instruments	10,646	(1,483)	-	31	9,194

NOTE 3 OTHER ACTIVITIES

NOTE 3.1 Net fees for services

ACCOUNTING PRINCIPLES

Societe Generale recognises fee income and expense for services provided and received in different ways depending on the type of service.

Fees for ongoing services, such as some payment services, custody fees, or web-service subscriptions are recorded as income over the lifetime of the service. Fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties following payment incidents are recognized in income when the service is provided.

In syndication deals, the effective interest rate for the share of the issue retained on Societe Generale's balance sheet is comparable to that applying to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees is recorded in the income statement at the end of the syndication period. Arrangement fees are recorded in income when the placement is legally complete.

	2019			2018		
(In EURm)	**Incomes**	**Expenses**	**Net**	**Incomes**	**Expenses**	**Net**
Transactions with banks	84	(65)	19	81	(92)	(11)
Transactions with customers	1,401	(33)	1,368	1,478	(35)	1,443
Securities transactions	356	(805)	(449)	457	(831)	(374)
Primary market transactions	59	-	59	44	-	44
Foreign exchange transactions and forward financial instruments	162	(393)	(231)	85	(283)	(198)
Loan and guarantee commitments	701	(302)	399	657	(174)	483
Services	1,667	-	1,667	1,484	-	1,484
Other	-	(157)	(157)	-	(112)	(112)
NET TOTAL	**4,430**	**(1,755)**	**2,675**	**4,286**	**(1,527)**	**2,759**

NOTE 3.2 Accruals, other assets and liabilities

NOTE 3.2.1 ACCRUALS, OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS

(In EURm)	31.12.2019	31.12.2018
Other assets		
Guarantee deposits paid[1]	36,166	30,784
Miscellaneous receivables	2,957	3,220
Premiums on options purchased	55,219	53,060
Settlement accounts on securities transactions	2,993	3,144
Other	312	626
SUB-TOTAL	**97,647**	**90,834**
Accruals and similar		
Prepaid expenses	392	402
Deferred taxes	4,047	4,113
Accrued income	1,940	2,190
Other[2]	50,381	48,702
SUB-TOTAL	**56,759**	**55,407**
GROSS AMOUNT	**154,406**	**146,241**
Impairment	(100)	(142)
NET TOTAL	**154,306**	**146,099**

(1) Mainly relates to guarantee deposits paid on financial instruments.
(2) Including derivative instruments valuation for EUR 41,379 million (EUR 38,391 million at 31 December 2018).

NOTE 3.2.2 ACCRUALS, OTHER ACCOUNTS PAYABLE AND OTHER LIABILITIES

(In EURm)	31.12.2019	31.12.2018
Securities transactions		
Amounts payable for securities borrowed	200,412	190,147
Other amounts due for securities	44,076	55,824
SUB-TOTAL	**244,488**	**245,971**
Other liabilities		
Guarantee deposits received[1]	34,022	23,440
Miscellaneous payables	(554)	531
Premiums on options sold	59,432	57,532
Settlement accounts on securities transactions	3,485	3,509
Other securities transactions	23	-
Related payables	169	199
SUB-TOTAL	**96,577**	**85,211**
Accruals and similar		
Accrued expenses	3,606	3,799
Deferred taxes	11	1
Deferred income	1,742	1,340
Other[2]	35,019	17,974
SUB-TOTAL	**40,378**	**23,114**
TOTAL	**381,443**	**354,296**

(1) Mainly relates to guarantee deposits received on financial instruments.
(2) Including derivative instruments valuation for EUR 24,774 million (EUR 6,313 million at 31 December 2018).

NOTE 4 EXPENSES AND EMPLOYEE BENEFITS

NOTE 4.1 Personnel expenses and remuneration of members of the Board of Directors and Chief Executive Officers

ACCOUNTING PRINCIPLES

The *Personnel expenses* include all expenses related to the staff, notably the cost of the legal employee profit-sharing, income related to CICE (Tax Credit for Competitiveness and Employment), as well as the cost of internal restructuring plans.

Employee benefits are divided into four categories:

- short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled within twelve months of the end of the annual reporting period in which the employees render the related service, such as fixed and variable compensation, annual leave, taxes and social security contributions, mandatory employer contributions and profit-sharing;
- post-employment benefits, including defined contributions plans and defined benefit plans such as pension plans and retirement benefits;
- other long-term employee benefits are employee benefits that are not expected to be fully settled within twelve months, such as deferred variable compensation paid in cash and not indexed, long service awards and time saving accounts;
- termination benefits.

Short-term employee benefits are recorded under *Personnel expenses* during the period according to the services provided by the employee.

The accounting principles relating to post-employment benefits and other long-term benefits are described in Note 4.2; those related to share-based payments are described in Note 4.3.

NOTE 4.1.1 PERSONNEL EXPENSES

(In EURm)	2019	2018
Employee compensation	3,643	3,385
Social security benefits and payroll taxes	1,425	1,300
Employer contribution, profit sharing and incentives	168	223
TOTAL	**5,236**	**4,908**
Average staff	**46,177**	**46,942**
In France	41,339	42,014
Outside France	4,838	4,928

Analysis of personnel expenses for the last five years:

(In EURm)	2019	2018	2017	2016	2015
Societe Generale					
Profit sharing	11	11	11	13	15
Incentives	99	150	136	99	79
Employer contribution	58	62	44	49	43
SUB-TOTAL	**168**	**223**	**191**	**161**	**137**
Subsidiaries	**-**	**-**	**-**	**-**	**-**
TOTAL	**168**	**223**	**191**	**161**	**137**

NOTE 4.1.2 REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICERS

Total attendance fees paid in 2019 to the Company's Directors amounted to EUR 1.7 million. The remuneration paid in 2019 to the senior management (Chairman of the Board, the Chief Executive Officer and his deputies) amounted to EUR 9.1 million (including EUR 2.8 million of variable pay paid in cash or in shares for 2015 to 2018 fiscal years and EUR 0.9 million of long-term incentives for the 2013 fiscal year).

NOTE 4.2 Employee benefits

Societe Generale, in France and its branches in foreign countries, may award their employees:

- post-employment benefits, such as pension plans or retirement benefits;
- other long-term benefits: these benefits include deferred compensation programs settled in cash and not indexed to the Societe Generale share, such as long-term deferred variable remuneration, CET *(Comptes Épargne Temps)* flexible working provisions, or long service awards;
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In EURm)	Amount at 31 December 2018	Net allowances	Used Reversals	Change at scope and reclassifying	Amount at 31 December 2019
Post-employment benefits[1]	1,194	131	(135)	7	1,197
Long-Term benefits	553	165	(206)	9	520
Termination benefits	269	274	(263)	2	282
PROVISIONS FOR EMPLOYEE BENEFITS	**2,016**	**570**	**(605)**	**18**	**1,999**

(1) *The write-backs available of post-employment benefits include the freezing of rights under the additional plan for the supplementary retirement allowance for executives, implemented in France in 1991.*

On 9 April 2019, Societe Generale announced two transformation projects including a strategic adjustment of its Global Banking and Investor Solutions activities and a more operational project aimed at adapting the organisation of the Retail Banking and International Financial Services headquarters.

These projects led to an adjustment of the restructuring provisions with an allocation of EUR 243 million, of which EUR 236 million were recorded under *Personnel expenses* and EUR 7 million were recorded under *Other operating expenses*. Most of these provisions were used during the second half of 2019.

Provisions also include a restructuring provision related to planned changes that could concern part of French Retail Banking's head office, customer transactions processing platforms (back offices) and certain network support functions. This project resulted in an allocation of EUR 55 million, of which EUR 44 million were recorded under *Personnel expenses* and EUR 11 million were recorded under *Other operating expenses.*

ACCOUNTING PRINCIPLES

Post-employment benefits

Pension plans may be defined contribution or defined benefit plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans limit Societe Generale's liability to the subscriptions paid into the plan but do not commit the Company to a specific level of future benefits. Contributions paid are recorded as an expense for the current year.

DEFINED BENEFIT PLANS

Defined benefit plans commit Societe Generale, either formally or constructively, to pay a certain amount or level of future benefits and therefore bear the medium- or long-term risk. The present value of defined benefit obligations is valued by independent qualified actuaries.

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

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

Funding assets are classified as plan assets if assets are held by an entity (a fund) that is legally separate from the reporting entity and are available to be used only to pay employee benefits.

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

When these plans are financed from funds not classified as plan assets, these funds, classified as separate assets, are displayed separately on the asset side of the balance sheet.

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance (return on plan assets) are recognised as actuarial gains or losses. They are recorded immediately and in full in the income statement.

Where a new or amended plan comes into force the cost of past services is recorded immediately and in full in the income statement. An annual expense is recorded under *Personnel expenses* for defined benefit plans, consisting of:

- the additional entitlements vested by each employee (current service cost);
- the financial expense resulting from the discount rate;
- the expected return on plan assets (gross return);
- the actuarial gains and losses and past service cost;
- the settlement and curtailment of plans.

Other long-term benefits

Other long-term employee benefits are those that are payable to employees for services rendered during their employment, but which are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Other long-term benefits are measured in the same way as post-employment benefits

DEFINED CONTRIBUTION PLANS

Main defined contribution plans provided to employees of the Group are located in France. They include state pension plans and other national pension plan such as AGIRC-ARRCO, as well as pension schemes put in place by some branches of the Societe Generale for which the only commitment is to pay annual contributions (PERCO).

POST-EMPLOYMENT BENEFIT PLANS (DEFINED BENEFIT PLANS)

Pension plans include pension benefit as annuities and end of career payments. Pension benefit annuities are paid in addition to pensions state plans.

In France, since 4 July 2019, date of publication of the ordinance ending the so-called "random rights" defined benefit pension plans in application of the *Loi Pacte*, the supplementary pension plan for executive managers, set up in 1991, is closed to new employees and the rights of beneficiaries were frozen on 31 December 2019.

NOTE 4.2.1.1 RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

(In EURm)	31.12.2019	31.12.2018
Net liabilities recorded in the balance sheet	1,197	1,194
Assets recorded in the balance sheet[1]	(1,047)	(952)
Net balance	**150**	**242**
Breakdown of the net balance		
Present value of funded defined benefit obligations	2,280	2,139
Fair value of plan assets	(2,257)	(2,012)
A – Actuarial deficit (net balance)	**23**	**127**
B – Present value of unfunded defined benefit obligations	**128**	**115**
Unrecognised items		
Plan assets impacted by change in asset celling	-	-
C – Total unrecognised items	**-**	**-**
A + B - C Net balance	**151**	**242**

(1) This item includes excess in plan assets for EUR 84 million and separate assets for EUR 963 million as of 31 December 2019 against EUR 902 million as of 31 December 2018 (see Note 4.2.1 – paragraph 1.2).

NOTE 4.2.1.2 INFORMATION REGARDING PLAN ASSETS

Funding assets include plan assets and separate assets.

The breakdown of the fair value of plan assets is as follows: 86% bonds, 7% equities and 7% other investments. Societe Generale's own financial instruments directly held are not significant.

Excess in funding assets are EUR 163 million.

Employer contributions to be paid to post-employment defined benefit plans for 2020 are estimated at EUR 3 million.

NOTE 4.2.1.3 MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

(In percentage)	31.12.2019	31.12.2018
Discount rate		
France	0.84%	1.56%
United Kingdom	2.00%	2.70%
United States	3.19%	4.29%
Other	0.72%	1.44%
Long-term inflation		
France	1.30%	1.45%
United Kingdom	2.92%	3.14%
United States	N/A	N/A
Other	1.24%	1.42%
Future salary increase net of inflation		
France	0.75%	0.70%
United Kingdom	N/A	N/A
United States	N/A	N/A
Other	0.66%	0.81%
Average remaining working lifetime of employees (in years)		
France	8.36	8.20
United Kingdom	5.00	6.00
United States	7.87	7.85
Other	8.77	8.56
Duration (in years)		
France	13.95	14.30
United Kingdom	16.34	16.30
United States	15.28	15.59
Other	16.60	15.33

The assumptions by geographical area are averages weighted by the present value of the Defined Benefit Obligation (DBO) with the exception of the expected returns on plan assets, which are averages weighted by the fair value of assets.

The yield curves used to discount the liabilities are corporate AA yield curves (source: Merrill Lynch) observed in the end of October for USD, GBP and EUR, and corrected at the end of December if the variation in discount rates had a significant impact.

Inflation rates used for EUR and GBP monetary areas are market rates observed in the end of October and corrected at the end of December if the variation had a significant impact. Inflation rates used for the other monetary areas are the long-term targets of the central banks.

The average remaining working lifetime of employees is calculated taking into account turn over assumptions.

The assumptions described above have been applied on post-employment benefit plans.

NOTE 4.3 Free share plans

ACCOUNTING PRINCIPLES

In the case of share purchase options and free shares plans granted to employees without issuance of new shares, a provision must be recorded for the loss that the entity expects to incur when it will deliver treasury shares to the employees.

This provision is recorded under *Personnel expenses* for an amount equal to the difference:

- between the quoted price of the treasury shares at year-end closing date and the exercise price (zero in the case of free shares) if the entity has not already purchased its treasury shares in order to give them to the employees;
- between the acquisition price of treasury shares held and the exercise price (zero in case of free shares) if the entity has already purchased its treasury shares in order to deliver them to the employees.

If vesting conditions such as service or performance conditions must be satisfied for the employees of Societe Generale to become entitled to receive shares, the provision expense shall be accounted for the services as they are rendered by the employees during the vesting period.

In the case of stock options plans, no expense shall be recorded concerning treasury shares that have to be issued.

NOTE 4.3.1 MAIN CHARACTERISTICS OF THE FREE SHARE PLANS OF THE YEAR

The plans for employees for the year ended 31 December 2019 are briefly described below:

Issuer	**Societe Generale**
Year of grant	**2019**
Type of plan	**Performance shares**
Number of free shares granted	2,217,118
Shares delivered	-
Shares forfeited as at 31.12.19	21,666
Shares outstanding as at 31.12.19	2,195,452
Number of shares reserved as at 31.12.19	2,195,452

The performance conditions are described in the *Corporate Governance* section of the present document.

NOTE 4.3.2 AMOUNT OF THE DEBT RECORDED IN THE BALANCE SHEET AND OF THE EXPENSE OF THE YEAR

The amount of the debt recorded in the balance sheet for on-going plans is EUR 97 million, and yearly expense is 53 million.

NOTE 4.3.3 INFORMATION RELATED TO TREASURY SHARES FOR 2019 PLANS

The number of treasury shares acquired in relation to the 2019 plans is 578,992 for a cost of EUR 22 million. As a consequence, 1,616,460 treasury shares are yet to be acquired to reach the total number of shares granted.

NOTE 5 TAXES

ACCOUNTING PRINCIPLES

Current taxes

In the 1989 financial year, Societe Generale opted to apply a tax consolidation regime. At 31 December 2019, 217 subsidiaries had signed a tax consolidation agreement with Societe Generale. Each of the integrated companies shall record in its accounts the tax debt to Societe Generale, determined in accordance with the application of the tax integration convention.

Deferred taxes

Societe Generale applies the option allowing it to recognise deferred taxes in its annual financial statements.

Deferred taxes are recognised whenever Societe Generale identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities. They are calculated using the liability method, whereby deferred taxes from previous years are adjusted to account for changes in tax rates. The impact of changes to tax rates is recorded in the income statement under deferred taxes. Net deferred tax assets are recorded only if the entity concerned is likely to recover these assets within a set timeframe.

Deferred taxes are determined separately for each taxable entity (parent company and foreign branches) and are never discounted to present value.

NOTE 5.1 Income tax

(In EURm)	2019	2018
Current taxes	673	565
Deferred taxes	(92)	51
TOTAL[1]	**581**	**616**

(1) 2019 income tax includes a loss of EUR 19 million related to the effect of the tax consolidation (against a gain of EUR 56 million for 2018). The 2019 loss is mostly due to the decrease of the tax rates applied to the members of the tax group.

In France, the standard corporate income tax rate is 33.33%. A national contribution payment based on pre-tax earnings *(contribution sociale)* was introduced in 2000 equal to 3.3% (after a deduction of EUR 0.76 million from basic taxable income).

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. This portion of fees and expenses is 12% of gross capital gain and is applicable only if the Company realizes a net long-term capital gain.

Furthermore, under the parent-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to the taxation of a portion of fees and expenses at the full statutory tax rate.

The 2018 French Finance Act, adopted on 21 December 2017, includes a gradual reduction in French tax rate (amended by law n° 2019-759 of 24 July 2019 regarding the tax rate for 2019 and amended by the 2020 French Finance Act regarding the 2020 and 2021 tax rates). Until 2022, the standard Corporate Income Tax of 33.33% will be brought down to 25%, plus the existing national contribution of 3.3%.

Deferred taxes in French companies are determined by applying the tax rate in effect at the reversal of the temporary difference. Regarding the gradual reduction in French tax rate until 2022:

- for income taxed at the ordinary tax rate, the rate is between 34.43% or 32.02% in 2019 and 25.83% from 2022 (including the national contribution payment);
- for income taxed at reduced rate, the rate is between 4.13% or 3.84% in 2019 and 3.10% from 2022 (including the national contribution payment).

NOTE 5.2 Provisions for tax adjustments

ACCOUNTING PRINCIPLES

Provisions represent liabilities whose timing or amount cannot be precisely determined.

Provisions may be recorded:

- where, by virtue of an obligation related to the corporate income tax toward a tax authority, Societe Generale will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange;
- and when the amount of probable outflow of resources can be reliably estimated.

The probable outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions for tax adjustments are booked to current taxes in the income statement under *Income tax*.

Information on the nature and the amount of the associated risks is not disclosed when Societe Generale considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

(In EURm)	Amount at 31.12.2018	Net allocations	Used reversals	Change in scope and reclassifying	Amount at 31.12.2019
Provisions for tax adjustments	**69**	**(26)**	**(23)**	**-**	**20**

NOTE 5.3 Deferred taxes

(In EURm)	31.12.2019	31.12.2018
Tax loss carryforwards	2,613	2,815
Gains on sales of assets to companies included in the tax consolidation, in France	(173)	(159)
Other (primarily relating to other reserves)	1,607	1,457
TOTAL	**4,047**	**4,113**

Each year, Societe Generale performs a review of tax loss carryforwards, according to the tax system applicable for each relevant tax entity and a realistic forecast of its tax results. For this purpose, tax results are determined based on the forecast of the performance of each business line entering in the Societe Generale budgetary path and/or on the strategic review of countries, after being approved by empowered management bodies. In addition, they include accounting and tax adjustments (of which the reversal of deferred tax assets and liabilities on temporary differences) applicable to concerned entities and jurisdictions. These adjustments are determined based on historical tax results and on the Group's tax expertise. Beyond the Group budgetary path and/or the strategic review, extrapolations are performed particularly from macro-economic assumptions (for example, the evolution of interest rates).

By nature, the appreciation of macro-economic factors chosen, and the internal estimations used to determine the tax results contain risks and uncertainties on their realization over the estimated horizon of the losses absorption. These risks and uncertainties concern the possibilities of change of tax rules applicable (tax result computation as well as rules of imputation of tax losses carried forward) or the achievement of the strategic assumptions.

To ensure the robustness of the tax result projections, the Group realizes sensitivity analysis on the achievement of budgetary and strategic assumptions.

At 31 December 2019, these analyses confirm the probability for the Group to use tax loss carryforwards subject to deferred tax assets against future taxable profit.

NOTE 5.4 Deferred tax assets recognised on tax loss carryforwards

At 31st December 2019, based on the tax system of each franchise and a realistic projection of their tax income or expense, the projected period for deferred tax asset recovery is indicated in the table below:

(In EURm)	31.12.2019	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets relating to tax loss carryforwards	2,613	0	0
w. French tax group	*2,168*	*unlimited* [(1)]	*8 years*
w. US tax group	*418*	*20 years* [(2)]	*7 years*
others	27	0	0

(1) In accordance with the 2013 Finance Law, the deduction of previous losses is limited to EUR 1 million plus 50% of the fraction of the taxable income for the fiscal year exceeding this limit. The non-deductible portion of losses may be carried forward to the following fiscal years with no time limit and under the same conditions.

(2) Tax losses generated before December 2011.

Furthermore, at 31 December 2019, deferred tax assets and liabilities not recognised on the asset side of the balance sheet concerned our franchises in the United States of America, for EUR 408 million (versus EUR 497 million at 31 December 2018) and in Singapore for EUR 35 million (versus EUR 29 million at 31 December 2018).

With regards to the tax treatment of the loss caused by the actions of Jérôme Kerviel, Societe Generale considers that the judgment of the Versailles Court of Appeal of 23 September 2016 is not likely to call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court *(Conseil d'État)* and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers there is no need to provision the corresponding deferred tax assets.

However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and confirmed that they intended to call into question the deductibility of the loss caused by the actions of Jérôme Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by a tax adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the Bank's forecasts. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale will not fail to assert its rights before the competent courts.

NOTE 6 SHAREHOLDER'S EQUITY

NOTE 6.1 Changes in shareholders' equity

(In EURm)	Capital Stock	Additional paid-in-capital	Reserves, unappropriated retained earnings	Shareholders' equity
At 31 December 2017	**1,010**	**20,444**	**13,474**	**34,928**
Increase/Decrease in capital stock	-	-	-	-
Net income for the period	-	-	1,725	1,725
Dividends paid[1]	-	-	(1,764)	(1,764)
Other movements[2]	-	158	-	158
At 31 December 2018[3]	**1,010**	**20,602**	**13,435**	**35,047**
Increase in capital stock[4]	57	954		1,011
Net income for the period	-	-	3,695	3,695
Dividends paid[5]	-	-	(1,769)	(1,769)
Other movements	-	-	-	-
At 31 December 2019[6]	**1,067**	**21,556**	**15,361**	**37,984**

(1) The dividends distribution performed by Societe Generale in 2018 amounted to EUR 1,764 million after elimination of treasury stock dividend for EUR 13.4 million.
(2) EUR 158.34 million related to the merger profit further to the takeover of Soginfo.
(3) At 31 December 2018, Societe Generale's fully paid-up capital amounted to EUR 1,009,897,173.75 and comprised 807,917,739 shares with a nominal value of EUR 1.25.
At 31 December 2018, the amount of Societe Generale's reserves was EUR 3,632,931,198.50 with:
– EUR 100.99 million for legal reserve;
– EUR 2,097.25 million long term capital gain reserve;
– EUR 1,434.69 million for other reserve.
(4) In 2019 Societe Generale proceeded with the following capital increases, representing a total of EUR 56.82 million, with an issuing premium of EUR 953.76 million:
– EUR 49.77 million resulting from dividend distribution, with a EUR 838.5 million issuing premium;
– EUR 7.05 million for the capital increase reserved for employees, with a EUR 115.26 million issuing premium.
(5) The dividends distribution performed by Societe Generale in 2019 amounted to EUR 1,769 million after elimination of treasury stock dividends for EUR 8.2 million.
(6) At 31 December 2019, Societe Generale's fully paid-up capital amounted to EUR 1,066,714,367.50 and comprised 853,371,494 shares with a nominal value of EUR 1.25.
At 31 December 2019, the amount of Societe Generale's reserves was EUR 3,632,931,198.50 with:
– EUR 100.99 million for legal reserve;
– EUR 2,097.25 million long term capital gain reserve;
– EUR 1,434.69 million for other reserve.

NOTE 6.2 Proposal of income assignment

At the Annual General Meeting of 19th May 2020, the Board of Directors will propose an allocation of income for the year ended 31st December 2019 and dividend distribution under the following terms:

(In EURm)	
Net income	3,695
Unappropriated retained earnings	8,033
TOTAL INCOME TO BE APPROPRIATED	**11,728**
Dividend	1,877
Retained earnings	9,851
TOTAL APPROPRIATED INCOME	**11,728**

The dividend corresponds to EUR 2.20 per share with a par value of EUR 1.25.

The amount of dividend of EUR 1,877 million to be paid to shareholders is calculated on the basis of an existing number of shares on 31 December 2019.

NOTE 6.3 Net earnings per shares

(In EURm)	31.12.2019	31.12.2018
Net income attributable to ordinary shareholders	**3,695**	**1,725**
Weighted average number of ordinary shares outstanding	829,901,725	801,909,473
Earnings per ordinary share *(in EUR)*	**4.45**	**2.15**
Average number of ordinary shares used in the dilution calculation[1]	-	-
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	829,901,725	801,909,473
Diluted earnings per ordinary share *(in EUR)*	4.45	2.15

(1) The number of shares used in the dilution calculation is computed using the "share buy-back" method and takes into account free shares in stock-option plans.

NOTE 6.4 Subordinated debt

ACCOUNTING PRINCIPLES

This item includes all dated or undated borrowings, whether or not in the form of securitized debt, which in the event of the liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Interest accrued and payable in respect of long-term subordinated debt, if any, is recorded as related payables and as an expense in the income statement.

In million **Issuance date**	**Currency**	**Amount issued**	**Maturity date**	**31.12.2019**	**31.12.2018**
Undated subordinated capital notes					
1 July 1985	EUR	348	Undated	62	62
24 November 1986	USD	500	Undated	221	216
16 June 2008	GBP	700	Undated	0	0
7 July 2008	EUR	100	Undated	0	0
4 September 2009	EUR	1,000	Undated	0	1,000
6 September 2013	USD	1,250	Undated	0	0
18 December 2013	USD	1,750	Undated	1,558	1,528
7 April 2014	EUR	1,000	Undated	1,000	1,000
25 June 2014	USD	1,500	Undated	1,335	1,310
29 September 2015	USD	1,250	Undated	1,113	1,092
13 September 2016	USD	1,500	Undated	1,335	1,310
6 April 2018	USD	1,250	Undated	1,113	1,092
4 October 2018	USD	1,250	Undated	1,113	1,092
16 April 2019	SGD	750	Undated	496	0
12 September 2019	AUD	700	Undated	438	0
SUB-TOTAL[1]				**9,784**	**9,702**
Subordinated long-term debts and notes					
21 July 2000	EUR	78	31 July 2030	11	12
30 January 2003	GBP	450	30 January 2018	0	0
29 December 2003	GBP	150	30 January 2018	0	0
16 August 2005	EUR	226	18 August 2025	216	216
15 May 2006	EUR	135	15 May 2018	0	0
26 October 2006	EUR	120	26 October 2018	0	0
9 February 2007	EUR	124	11 February 2019	0	116
16 July 2007	EUR	135	16 July 2019	0	130
30 October 2007	EUR	134	30 October 2019	0	129
14 February 2008	EUR	225	14 February 2018	0	0
26 March 2008	EUR	550	26 March 2018	0	0
7 April 2008	EUR	250	6 April 2023	155	155
15 April 2008	EUR	321	15 April 2023	321	321
28 April 2008	EUR	50	6 April 2023	50	50
14 May 2008	EUR	90	6 April 2023	90	90
14 May 2008	EUR	50	6 April 2023	50	50
14 May 2008	EUR	150	6 April 2023	150	150

In million Issuance date	Currency	Amount issued	Maturity date	31.12.2019	31.12.2018
30 May 2008	EUR	79	15 April 2023	79	79
10 June 2008	EUR	300	12 June 2023	260	260
30 June 2008	EUR	40	30 June 2023	40	40
20 August 2008	EUR	1,000	20 August 2018	0	0
7 June 2013	EUR	1,000	7 June 2023	1,000	1,000
17 January 2014	USD	1,000	17 January 2024	890	873
16 September 2014	EUR	1,000	16 September 2026	1,000	1,000
27 February 2015	EUR	1,250	27 February 2025	1,250	1,250
14 April 2015	USD	1,500	14 April 2025	1,335	1,310
15 April 2015	EUR	150	7 April 2025	150	150
2 June 2015	AUD	125	2 June 2027	78	77
3 June 2015	CNH	1,200	3 June 2025	153	152
10 June 2015	AUD	50	10 June 2025	31	31
12 June 2015	JPY	27,800	12 June 2025	228	221
12 June 2015	JPY	13,300	12 June 2025	109	106
12 June 2015	JPY	2500	12 June 2025	21	20
22 July 2015	USD	50	23 July 2035	45	44
30 September 2015	JPY	20,000	30 September 2025	164	159
21 October 2015	EUR	70	21 October 2026	70	70
24 November 2015	USD	1,000	24 November 2025	890	873
24 November 2015	USD	500	24 November 2045	445	437
19 May 2016	SGD	425	19 May 2026	281	273
3 June 2016	JPY	15,000	3 June 2026	123	119
3 June 2016	JPY	27,700	3 June 2026	227	220
27 June 2016	USD	500	27 June 2036	445	437
20 July 2016	AUD	325	20 July 2028	203	200
19 August 2016	USD	1,000	19 August 2026	890	873
13 October 2016	AUD	150	13 October 2026	94	92
16 December 2016	JPY	10,000	16 December 2026	82	79
24 January 2017	AUD	200	24 January 2029	125	123
19 May 2017	AUD	500	19 May 2027	406	308
23 June 2017	JPY	5,000	23 June 2027	41	40
18 July 2017	AUD	150	19 May 2027	0	92
18 July 2017	JPY	5,000	27 July 2027	41	40
23 February 2018	EUR	1,000	23 February 2028	1,000	1,000
7 March 2018	JPY	6,500	7 March 2028	53	52
13 April 2018	JPY	6,500	13 April 2028	53	52
17 April 2018	JPY	6,500	17 April 2028	53	52
24 October 2018	JPY	13,100	24 October 2028	107	104
18 April 2019	AUD	300	18 May 2034	188	0
SUB-TOTAL[(1)]				**13,693**	**13,727**
Related payables				**359**	**378**
TOTAL[(2)(3)]				**23,836**	**23,807**

(1) The Board of Directors may decide to defer payouts on undated subordinated notes in full or in part in case the Ordinary General Meeting called to approve the parent company financial statements has decided not to pay any dividends.

Societe Generale has issued EUR 348 million in undated subordinated notes with warrants for the acquisition of preferential investment certificates attached, all of which are eligible for dividends on income earned from 1 July 1985. These certificates shall only be redeemed in the event of the liquidation of the Company and once all unsubordinated debt has been reimbursed in full.

The other securities and borrowings have an early redemption clause as of their tenth year which may only be exercised by Societe Generale.

(2) the Bank's global subordinated debt expense, net of tax and of the repurchase impact, amounted to EUR 1,230 million in 2019 (compared with EUR 1,266 million in 2018).

(3) Including debt related to subsidiaries EUR 43 million at 31 December 2019 (EUR 160 million at 31 December 2018).

NOTE 7 OTHER INFORMATION

NOTE 7.1 Geographical breakdown of net banking income[1]

	France		Europe		Americas	
(In EURm)	2019	2018	2019	2018	2019	2018
Net interest and similar income[2]	2,878	2,437	680	643	286	95
Net fee income	2,179	2,194	293	370	141	117
Net income from financial transactions	4,531	3,436	450	624	23	85
Other net operating income	(107)	(120)	44	168	1	7
NET BANKING INCOME	**9,481**	**7,947**	**1,467**	**1,805**	**451**	**304**

	Asia/Oceania[3]		Africa		Total	
(In EURm)	2019	2018	2019	2018	2019	2018
Net interest and similar income[2]	46	76	9	10	3,899	3,261
Net fee income	59	73	3	5	2,675	2,759
Net income from financial transactions	391	392	-	-	5,395	4,537
Other net operating income	4	(3)	-	-	(58)	52
NET BANKING INCOME	**500**	**538**	**12**	**15**	**11,911**	**10,609**

(1) Geographical regions in which companies recording income is located.
(2) Including dividend income and net income from lease financing and similar agreements.
(3) Included a new location in Australia.

NOTE 7.2 Tangible and intangible fixed assets

ACCOUNTING PRINCIPLES

Premises, equipment and other fixed assets are carried at their purchase price on the assets side of the balance sheet. Borrowing expenses incurred to fund a lengthy construction period for fixed assets are included in the acquisition cost, along with other directly attributable expenses.

Software developed internally is recorded on the asset side of the balance sheet at the amount of the direct cost of development, which includes external expenditure on hardware and services and personnel expenses which can be attributed directly to its production and preparation for use.

As soon as they are fit for use, fixed assets are depreciated over their useful life. Any residual value of the asset is deducted from its depreciable amount.

Where one or several components of a fixed asset are used for different purposes or to generate economic benefits over a different time period from the asset considered as a whole, these components are depreciated over their own useful life, through the income statement under *Impairment and amortisation*.

Societe Generale has applied this approach to its operating property, breaking down its assets into the following minimum components with their corresponding impairment periods:

Infrastructure	Major structures	50 years
	Doors and windows, roofing	20 years
	Façades	30 years
Technical installations	Elevators	
	Electrical installations	
	Electrical generators	
	Air conditionning, extractors	
	Technical wiring	10-30 years
	Securities and surveillance installations	
	Plumbing	
	Fire and safety equipment	
Fixtures and fittings	Finishing, surroundings	10 years

Impairment periods for fixed assets other than buildings depend on their useful life, usually estimated in the following ranges:

Plant and equipment	5 years
Transport	4 years
Furniture	10-20 years
Office equipment	5-10 years
It equipment	3-5 years
Software, developed or acquired	3-5 years
Concessions, patents, licences, etc.	5-20 years

NOTE 7.2.1 CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In EURm)	Gross book value 31.12.2018	Acquisitions	Disposals	Scope variation and other movements	Accumulated impairment and amortisation 31.12.2019	Accumulated impairment and amortisation 2019.12	Net book value 31.12.2019
Operating assets							
Intangible assets	3,818	579	(17)	(89)	4,291	(2,712)	1,579
Tangible assets	3,261	295	(141)	136	3,551	(2,164)	1,387
Non-operating assets							
Tangible assets	10	-	-	-	10	(7)	3
TOTAL	**7,089**	**874**	**(158)**	**47**	**7,852**	**(4,883)**	**2,969**

NOTE 7.2.2 INCOME FROM LONG-TERM INVESTMENTS

ACCOUNTING PRINCIPLES

This item covers capital gains or losses realised on disposals, as well as the net allocation to impairment in operating fixed assets. Income from non-operating assets is recorded under *Net banking income*.

(In EURm)	31.12.2019	31.12.2018
Operating fixed assets:		
Gains on sale	59	65
Losses on sale	(44)	(2)
TOTAL	**15**	**63**

NOTE 7.3 PROVISIONS

ACCOUNTING PRINCIPLES

Under balance sheet liabilities, *Provisions* are comprised of provisions for financial instruments (off-balance sheet commitments and loans), mortgage savings accounts/plans (CEL/PEL), disputes, employee benefits and income tax adjustments.

DETAILS OF THE PROVISIONS

(In EURm)	Amount at 31.12.2018	Allocations	Reversals	Change in scope and reclassifying	Amount at 31.12.2019
Provisions on forward financial instruments (see Note 2.6)	10,646	2,186	(3,669)	31	9,194
Provisions on credit Risks (see Note 2.6)	703	432	(116)	5	1,024
Provisions on employee benefits (see Note 4.2)	2,016	570	(605)	18	1,999
Provision on commitments related to mortgage saving agreements (PEL/CEL) (see Note 2.6)	149	102	-	-	251
Provisions for tax adjustments (see Note 5)	69	10	(59)	-	20
Other provisions on risks and expenses	1,035	97	(433)	1	700
TOTAL	**14,618**	**3,397**	**(4,882)**	**55**	**13,188**

OTHER PROVISIONS FOR RISKS AND EXPENSES

ACCOUNTING PRINCIPLES

A description of contingencies and disputes is provided in the Risk Management report.

Provisions for contingencies and disputes are defined as liabilities with no precisely defined amount or due date.

They are only recorded if the Company has an obligation to a third party that will probably or necessarily lead to a transfer of funds to the third party, without compensation for at least an equivalent amount being expected from this third party.

Information on the nature and the amount of the risks is not disclosed when the Group estimates that such disclosure could seriously prejudice its position in a dispute with other parties on the subject matter of the provision.

Net allocations to provisions are classified by type of risk in the corresponding accounts in the income statement.

Other provisions include provisions for restructuring (except employees expenses), provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

Societe Generale is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, Societe Generale and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of Societe Generale's current business. In recent years, litigation with investors and the number of disputes involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Societe Generale entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

In preparing its financial statements, Societe Generale assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgement and taking into account all information available when financial statements are prepared. In particular, Societe Generale takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court rulings already handed down, as well as its experience and the experiences of other companies dealing with similar cases (assuming that Societe Generale has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter, Societe Generale carries out a detailed examination of pending disputes that present a significant risk. These disputes are described in the Note 8 "Information on risks and litigation".

NOTE 7.4 Breakdown of assets and liabilities by term to maturity

	Outstanding at 31.12.2019					
(In EURm)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Intercompany eliminations: Societe Generale Paris/branches	Total
Assets						
Due from banks	182,893	52,159	71,831	28,149	(163,801)	171,231
Customer loans	194,595	54,900	137,435	94,575	(9)	481,496
Bonds and other debt securities						
Trading securities	16,469	46,929	3,707	2,710	-	69,815
Short-term investment securities	2,559	11,355	47	181	-	14,142
Long-term investment securities	4	995	10,200	25,523	-	36,722
TOTAL	**396,520**	**166,338**	**223,220**	**151,138**	**(163,810)**	**773,406**
Liabilities						
Due to banks	225,855	58,851	83,808	49,740	(162,648)	255,606
Customer deposits	342,074	45,305	58,455	50,402	(1,152)	495,084
Liabilities in the form of securities issued	15,986	23,254	49,133	28,329	-	116,702
TOTAL	**583,915**	**127,410**	**191,396**	**128,471**	**(163,800)**	**867,392**

NOTE 7.5 Transactions in foreign currencies

ACCOUNTING PRINCIPLES

Gains and losses arising from ordinary activities in foreign currencies are recognized in the income statement. Outright forward foreign exchange transactions and those used to hedge other forward foreign exchange transactions are valued on the basis of the forward foreign exchange rate of the relevant currency for the remaining maturity. Spot and other forward foreign exchange positions are revalued on a monthly basis using official month-end spot rates. Unrealized gains and losses are recognised in the income statement. Premiums and discounts resulting from hedged forward foreign exchange transactions are amortised to income on a straight-line basis over the remaining term to maturity of these transactions.

	31.12.2019				31.12.2018			
(In EURm)	**Assets**	**Liabilities**	**Foreign exchange bought, not yet received**	**Foreign exchange sold, not yet delivered**	**Assets**	**Liabilities**	**Foreign exchange bought, not yet received**	**Foreign exchange sold, not yet delivered**
EUR	613,314	615,161	299,729	284,788	590,757	617,439	356,411	335,016
USD	461,677	459,371	558,578	540,720	456,555	429,199	673,967	654,999
GBP	73,431	74,322	155,699	149,869	58,509	58,728	161,289	152,706
JPY	85,313	84,363	59,668	110,365	83,732	83,159	79,386	137,679
Other currencies	93,960	94,478	261,501	244,470	97,149	98,177	313,920	293,286
TOTAL	**1,327,695**	**1,327,695**	**1,335,175**	**1,330,212**	**1,286,702**	**1,286,702**	**1,584,973**	**1,573,686**

NOTE 7.6 Operations in uncooperative states or territories

Since 2003, Societe Generale has defined strict internal rules to prevent the development of operations in countries qualified as uncooperative tax heavens by the OECD. Any operation, or development of new activities as part of existing operations, may only be authorised by decision of the General Management after approval by the Corporate Secretariat and the Compliance and Risk Divisions.

Since 2010, Societe Generale has decided to close (and has therefore taken the necessary steps to do so) all the Societe Generale's operations in countries and territories deemed non-cooperative by France, the list of which was updated by the Ministerial order of 8 April 2016 (published on 10 April 2016).

In 2019, Societe Generale did not hold, directly or indirectly, any operations in the states and territories in question.

NOTE 7.7 Table of subsidiaries and affiliates

(In thousands of euros or local currency)		2019			
Company/Head Office or Establishment	**Activity/Division**		**Registered capital** *(local currency)* [1]	**Shareholders' equity other than capital** *(local currency)*[1]	**Share of capital held** *(%)*
I - INFORMATION ON INVESTMENTS WITH A BOOK VALUE IN EXCESS OF 1% OF SOCIETE GENERALE'S SHARE CAPITAL					
A) Subsidiaries (more than 50 % owned by Societe Generale)					
SG AMERICAS SECURITIES HOLDINGS, LLC	**Brokerage**				
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington - Delaware - USA	Global Banking and Investor Solutions	USD	1,430,976	1,108,961	100.00
SG FINANCIAL SERVICES HOLDING	**Portfolio management**				
29, boulevard Haussmann - 75009 Paris - France	Corporate Centre	EUR	1,641,835	212,764	100.00
SOCIETE GENERALE INTERNATIONAL LIMITED	**Brokerage and clearing**				
10 Bishops square - London E1 6EG - United Kingdom	Global Banking and Investor Solutions	GBP	1,150,000	220,259	100.00
GENEFINANCE	**Portfolio management**				
29, boulevard Haussmann - 75009 Paris - France	Corporate Centre	EUR	1,000,000	236,648	100.00
SOCIETE GENERALE SECURITIES SERVICES SPA	**Credit institution**				
Via Benigno Crespi, 19 A - 20159 Milan - Italy	Global Banking and Investor Solutions	EUR	111,309	197,187	100.00
SG KLEINWORT HAMBROS LIMITED	**Asset management**				
St Jame's Square, SW1Y 4JU - London - United Kingdom	Global Banking and Investor Solutions	GBP	466,651	101,843	100.00
SOCIETE GENERALE REAL ESTATE	**Real estate and real estate financing**				
29, boulevard Haussmann - 75009 Paris - France	French retail Banking	EUR	327,112	34,738	100.00
SOGEMARCHE	**Real estate**				
17, cours Valmy - 92800 Puteaux - France	Corporate Centre	EUR	500,000	(24,743)	100.00
SOCIETE GENERALE SECURITIES JAPAN LIMITED	**Brokerage**				
1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan	Global Banking and Investor Solutions	JPY	35,765,000	35,097,000	100.00
SOCIETE GENERALE (CHINA) LIMITED	**International retail banking**				
Taikang International Tower 18th floor,2, Wudinghou Street, Xicheng District - 100033 Beijing - China	Global Banking and Investor Solutions	CNY	4,000,000	(260,581)	100.00
FIDITALIA SPA	**Consumer finance**				
Via Guglielmo Silva n°34 - 20149 Milan - Italy	International retail Banking and Financial Services	EUR	130,000	178,223	100.00
SALINGER S.A.	**Portfolio management**				
15 avenue Emile Reuter L2420 Luxembourg LUXEMBOURG	Global Banking and Investor Solutions	EUR	100	315,089	100.00
BANCO SOCIETE GENERALE BRASIL S/A	**Investment banking**				
Avenida Paulista, 2300 - Cerqueira Cesar - Sao Paulo - SP CEP 01310-300 - Brazil	Global Banking and Investor Solutions	BRL	2,956,929	(1,511,149)	100.00

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.
(2) For banking and finance subsidiaries, revenue refers to net banking income.
(3) Financial statements not yet audited for French companies.

2019							
Book value of shares held		Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Revenue excluding tax for the last financial year	Net income (loss) for the last financial year	Dividends received by the Company during the year	Remarks Revaluation differences
Gross *(EUR)*	Net *(EUR)*	*(in EUR)*	*(in EUR)*	*(local currency)* (1) (2) (3)	*(local currency)* (1) (3)	*(in EUR)*	
3,007,012	3,007,012	1,014,777	0	551,724	(14,835)	0	1 EUR = 1.1234 USD
2,136,144	2,136,144	2,250,148	0	190,386	210,311	1,425,593	
1,621,849	1,558,196	4,880,349	1,233,342	239,723	96,155	0	1 EUR = 0.8508 GBP
1,076,025	1,076,025	1,895	0	39,440	265,582	301,000	
745,062	619,377	0	0	146,566	29,204	19,995	
617,040	617,040	0	0	171,955	13,016	52,128	1 EUR = 0.8508 GBP
586,505	586,505	0	0	255	35,713	50,379	
500,000	500,000	0	0	24,994	1,015	0	
619,023	499,477	0	515	18,905,000	2,244,000	23,796	1 EUR = 121.94 JPY
419,341	397,242	431 469	0	463,943	142,977	0	1 EUR = 7.8205 CNY
335,169	335,169	4,281,550	0	224,445	61,289	0	
315,184	315,184	0	0	(24)	(29)	0	
935,308	257,187	0	21,875	244,905	38,379	0	1 EUR = 4.5157 BRL

(In thousands of euros or local currency)		2019			
Company/Head Office or Establishment	**Activity/Division**		**Registered capital** *(local currency)* [1]	**Shareholders' equity other than capital** *(local currency)*[1]	**Share of capital held** *(%)*
SOGECAMPUS	**Real estate**				
17, cours Valmy - 92800 Puteaux - France	Corporate Centre	EUR	241,284	37,222	100.00
LYXOR ASSET MANAGEMENT	**Alternative asset management**				
17, cours Valmy - 92800 Puteaux - France	Global Banking and Investor Solutions	EUR	161,106	26,296	100.00
GENEGIS I	**Office space**				
29, boulevard Haussmann - 75009 Paris - France	Corporate Centre	EUR	192,900	14,764	100.00
SOCIETE GENERALE ALGERIE	**International retail banking**				
Residence EL KERMA - 16105 Gue de Constantine - Wilaya d'Alger - Algeria	International retail Banking and Financial Services	DZD	20,000,000	25,406,230	100.00
SG SECURITIES KOREA CO, LTD	**Business consulting**				
24th Floor, D1 D-Tower, 17 Jong-ro 3-gil, Jongno-gu - Seoul - South Korea	Global Banking and Investor Solutions	KRW	205,500,000	96,814,843	100.00
COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)	**Office space**				
29, boulevard Haussmann - 75009 Paris - France	Corporate Centre	EUR	76,627	2,461	100.00
SG AMERICAS, INC.	**Investment banking**				
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington - Delaware - USA	Global Banking and Investor Solutions	USD	0	445,321	100.00
SOCIETE GENERALE CAPITAL CANADA Inc	**Brokerage**				
1501 Avenue McGill College - Suite 1800 H3A 3M8 - Montreal -Canada	Global Banking and Investor Solutions	CAD	150,000	62,451	100.00
SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	**Office space**				
29, boulevard Haussmann - 75009 Paris - France	Corporate Centre	EUR	90,030	192,950	100.00
ORPAVIMOB	**Real estate and real estate financing**				
17, cours Valmy - 92800 Puteaux - France	Global Banking and Investor Solutions	EUR	79,253	5,714	100.00
SG SECURITIES (SINGAPORE) PTE. LTD.	**Brokerage**				
8 Marina Boulevard - #12-01 - Marina Bay financial Centre Tower 1 - 018981 - Singapore - Singapore	Global Banking and Investor Solutions	SGD	99,156	9,857	100.00
SG FACTORING SPA	**Factoring**				
Via Trivulzio, 7 - 20146 Milan - Italy	Global Banking and Investor Solutions	EUR	11,801	29,481	100.00
SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	**Brokerage on equity markets**				
Level 25 - 400 George Street - Sydney - NSW 2000 - Australia	Global Banking and Investor Solutions	AUD	100,000	(32,588)	100.00
TREEZOR	**Electronic money institution**				
41 rue de Prony 75017 Paris - France	Corporate Centre	EUR	3,200	7,275	100.00
SG AUSTRALIA HOLDINGS LTD	**Portfolio management**				
Level 25, 1-7 bligh street - Sydney, NSW 2000 - Australia	Global Banking and Investor Solutions	AUD	19,500	3,332	100.00

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.
(2) For banking and finance subsidiaries, revenue refers to net banking income.
(3) Financial statements not yet audited for French companies.

2019							
Book value of shares held		Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Revenue excluding tax for the last financial year	Net income (loss) for the last financial year	Dividends received by the Company during the year	Remarks Revaluation differences
Gross *(EUR)*	Net *(EUR)*	*(in EUR)*	*(in EUR)*	*(local currency)* (1) (2) (3)	*(local currency)* (1) (3)	*(in EUR)*	
241,284	241,284	122,500	0	23,619	3,008	1,255	
217,348	217,348	0	0	112,228	10,923	13,187	
196,061	196,061	30,615	0	214,204	(283)	0	
185,439	185,439	0	77,157	24,742,672	5,270,471	107,326	1 EUR = 133.8488 DZD
158,676	158,676	0	0	110,784,608	45,081,598	0	1 EUR = 1296.28 KRW
155,837	155,837	0	0	753	1,775	1,383	
							capital = 1 USD
1,612,723	105,256	0	0	8,888	1,185	0	1 EUR = 1.1234 USD
102,181	102,181	0	0	41,799	4,059	5,969	1 EUR = 1.4598 CAD
89,992	89,992	0	0	7,567	14,926	4,051	
79,253	79,253	0	0	18,877	3,786	3,276	
96,238	75,170	0	0	47,543	24,053	14,423	1 EUR = 1.5111 SGD
46,100	46,100	741,212	1,269,400	10,457	3,271	3,754	
62,745	40,118	100,031	128,165	20,051	(3,584)	0	1 EUR = 1.5995 AUD
35,566	35,566	865	12,729	5,336	(1,079)	0	
12,154	12,154	0	0	6,686	4,675	0	1 EUR = 1.5995 AUD

(In thousands of euros or local currency)		2019			
Company/Head Office or Establishment	**Activity/Division**		**Registered capital** *(local currency)* [1]	**Shareholders' equity other than capital** *(local currency)*[1]	**Share of capital held** *(%)*
SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD (HONG-KONG)	**Investment banking**				
Level 38 - Three Pacific Place 1 Queen's Road - East Hong-Kong - Hong Kong	Global Banking and Investor Solutions	USD	154,991	243,972	100.00
SOCIETE GENERALE EQUIPMENT FINANCE SA	**Portfolio management**				
17, cours Valmy - 92800 Puteaux - France	International retail Banking and Financial Services	EUR	750,355	3,113	100.00
CREDIT DU NORD	**French retail banking**				
28, place Rihour - 59800 Lille - France	French retail Banking	EUR	890,263	1,959,049	100.00
DESCARTES TRADING	**Proprietary trading**				
17, cours Valmy - 92800 Puteaux - France	Global Banking and Investor Solutions	EUR	377,000	(18,963)	100.00
SOCIETE GENERALE SFH	**Credit institution**				
17, cours Valmy - 92800 Puteaux - France	Global Banking and Investor Solutions	EUR	375,000	180,078	100.00
SOCIETE GENERALE IMMOBEL	**Real estate**				
11 Rue des Colonies - 1000 Brussels - Belgium	Global Banking and Investor Solutions	EUR	25,062	2,501	100.00
BOURSORAMA SA	**Online brokerage**				
44 rue Traversiere 92100 Boulogne-Billancourt - France	French retail Banking	EUR	37,848	486,169	100.00
SOCIETE GENERALE SCF	**Mortgages**				
17, cours Valmy - 92800 Puteaux - France	Global Banking and Investor Solutions	EUR	150,000	103,738	100.00
VALMINVEST	**Office space**				
29, boulevard Haussmann - 75009 Paris - France	Corporate Centre	EUR	248,877	11,710	100.00
SOCIETE GENERALE SECURITIES SERVICES HOLDING	**Portfolio management**				
17, cours Valmy - 92800 Puteaux - France	Global Banking and Investor Solutions	EUR	12,487	(421)	100.00
ROSBANK	**International retail banking**				
34, Masha Poryvaeva Street 107078 - Moscow - Russia	International retail Banking and Financial Services	RUB	17,586,914	121,498,771	99.95
SOCIETE DE LA RUE EDOUARD VII	**Office space**				
29, boulevard Haussmann - 75009 Paris - France	Corporate Centre	EUR	11,396	874	99.91
SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED	**Investment banking**				
SG House, 41 Tower Hill, EC3N 4SG - London - United Kingdom	Global Banking and Investor Solutions	GBP	157,815	103,281	98.96
SOCIETE GENERALE MAURITANIE	**International retail banking**				
Ilot A, n°652 Nouakchott - Mauritania	International retail Banking and Financial Services	MRU	600,000	1,229,976	95.50
ALD	**Automobile leasing and financing**				
1-3 rue Eugene et Armand Peugeot - Le Corosa - 92500 - France	International retail Banking and Financial Services	EUR	606,155	704,748	79.82

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.
(2) For banking and finance subsidiaries, revenue refers to net banking income.
(3) Financial statements not yet audited for French companies.

2019							
Book value of shares held		Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Revenue excluding tax for the last financial year	Net income (loss) for the last financial year	Dividends received by the Company during the year	Remarks Revaluation differences
Gross *(EUR)*	Net *(EUR)*	*(in EUR)*	*(in EUR)*	*(local currency)* (1) (2) (3)	*(local currency)* (1) (3)	*(in EUR)*	
146,513	146,513	266,031	0	439,693	130,232	191,633	1 EUR = 1.1234 USD
754,201	754,201	65,110	0	17,994	(30,255)	54,624	
1,410,256	1,410,256	13,441,530	80,000	894,814	188,417	340,525	
376,987	376,987	62,000	0	30,601	(5,637)	0	
375,000	375,000	36,000,000	41,041,488	397,415	34,893	0	
25,061	25,061	0	0	2,796	1,864	85,799	
848,865	848,865	5,099,591	0	152,052	(54,625)	0	
150,000	150,000	8,260,000	11,580,186	15,183	2,536	0	
249,427	249,427	0	0	502	2,739	2,702	
237,555	12,066	250	0	0	572	0	
3,789,177	2,594,370	658,495	58,866	55,122,846	12,544,822	0	1 EUR = 69.9563 RUB
59,612	23,137	0	0	-	169	108	
194,817	194,817	0	0	11,694	7,516	14,553	1 EUR = 0.8508 GBP
20,361	20,361	0	102,391	856,000	240,430	0	1 EUR = 42.26815 MRU
1,156,422	1,156,422	175,000	0	96,457	444,820	187,075	

(In thousands of euros or local currency)		2019			
Company/Head Office or Establishment	**Activity/Division**		**Registered capital** *(local currency)* [1]	**Shareholders' equity other than capital** *(local currency)*[1]	**Share of capital held** *(%)*
BANQUE DE POLYNÉSIE	**Retail banking**				
355 Bd Pomare, BP 530, 98713 Papeete - Tahiti - French Polynesia	International retail Banking and Financial Services	XPF	1,380,000	7,225,260	72.10
SOCIETE GENERALE DE BANQUES EN CÔTE D'IVOIRE	**International retail banking**				
5 & 7, avenue J. Anoma, 01 BP 1355 - Abidjan 01 - Ivory Coast	International retail Banking and Financial Services	XOF	15,555,555	142,452,195	71.84
BANCO SOCIETE GENERALE MOÇAMBIQUE SA	**International retail banking**				
Av. Julius Nyerere no. 140 , 1568 - Maputo - Mozambique	International retail Banking and Financial Services	MZN	2,397,200	1,622,522	65.00
KOMERCNI BANKA A.S	**International retail banking**				
Na Prikope 33 - Building Register number 969 - 114 07 Praha 1 - Czech Republic	International retail Banking and Financial Services	CZK	19,004,926	70,263,023	60.35
BRD - GROUPE SOCIETE GENERALE	**International retail banking**				
B-dul Ion Mihalache nr. 1-7 Sector 1 - Bucharest - Romania	International retail Banking and Financial Services	RON	696,902	5,514,951	60.17
SOCIETE GENERALE CAMEROUN	**International retail banking**				
78 Avenue Joss, BP 4042 - Douala - Cameroon	International retail Banking and Financial Services	XAF	12,500,000	49,546,043	58.08
GENEFIM	**Real estate lease finance**				
29, boulevard Haussmann - 75009 Paris - France	French retail Banking	EUR	72,779	29,156	57.62
SG MAROCAINE DE BANQUES	**International retail banking**				
55, boulevard Abdelmoumen - Casablanca - Morroco	International retail Banking and Financial Services	MAD	2,050,000	8,407,048	57.59
UNION INTERNATIONALE DE BANQUES	**International retail banking**				
65, avenue Habib Bourguiba - 1000A Tunis - Tunisia	International retail Banking and Financial Services	TND	172,800	254,854	52.34
B) Affiliates (10% to 50 % owned by Societe Generale)					
TRANSACTIS	**Payment**				
Tour Europe - La defense II 33 place des corolles 92400 Courbevoie - France	Global Banking and Investor Solutions	EUR	23,148	18	50.00
GENEO CAPITAL ENTREPRENEUR	**Portfolio management**				
14 boulevard du General Leclerc 92200 Neuilly sur seine - France	French retail Banking	EUR	156,640	(2,898)	40.54
SA SOGEPARTICIPATIONS	**Portfolio management**				
29, boulevard Haussmann - 75009 Paris - France	Corporate Centre	EUR	411,267	306,814	24.58
SOCIETE GENERALE CALEDONIENNE DE BANQUE	**Retail banking**				
44, rue de l'Alma BP G2 98848 Noumea cedex - New Caledoania	International retail Banking and Financial Services	XPF	1,068,375	13,461,639	20.60

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(3) Financial statements not yet audited for French companies.

2019							
Book value of shares held		Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Revenue excluding tax for the last financial year	Net income (loss) for the last financial year	Dividends received by the Company during the year	Remarks Revaluation differences
Gross *(EUR)*	Net *(EUR)*	*(in EUR)*	*(in EUR)*	*(local currency)* (1) (2) (3)	*(local currency)* (1) (3)	*(in EUR)*	
12,397	12,397	0	122,677	5,489,089	810,053	6,634	1 EUR =119.33174 XPF
30,504	30,504	143,816	39,820	144,297,827	45,322,318	7,019	1 EUR = 655.957 XAF
30,352	17,430	1,200	14,979	765,925	6,902	0	1 EUR = 69.04645 MZN
1,372,707	1,372,707	1,509,544	345,758	31,840,199	15,283,484	226,832	1 EUR = 25.408 CZK
220,608	220,608	21,887	210,128	3,167,905	1,527,592	144,456	1 EUR = 4.783 RON
16,940	16,940	35,848	8,638	74,849,196	12,134,952	7,609	1 EUR = 655.957 XAF
89,846	89,846	2,488,535	0	41,428	7,215	11,297	-
144,377	144,377	0	0	4,655,016	1,134,101	16,711	1 EUR = 10.7453 MAD
153,211	153,211	12,580	109,498	424,513	128,999	3,555	1 EUR = 3.17975 TND
11,574	11,574	39,397	0	129,063	43	0	-
30,000	30,000	0	0	0	(2,898)	0	-
234,000	234,000	385,000	0	389,792	395,437	77,579	-
16,266	16,266	143,047	77,000	9,352,821	2,360,311	4,308	1 EUR = 119.33174 XPF

(In thousands of euros or local currency)		2019			
Company/Head Office or Establishment	**Activity/Division**		**Registered capital** *(local currency)* [1]	**Shareholders' equity other than capital** *(local currency)*[1]	**Share of capital held** *(%)*
CAISSE DE REFINANCEMENT DE L'HABITAT	**Housing loan refinancing**				
3 rue de la Boetie - 75008 Paris - France	Corporate Centre	EUR	539,995	22,598	17.09
CREDIT LOGEMENT	**Credit institution**				
50, boulevard Sebastopol - 75003 Paris - France	Corporate Centre	EUR	1,259,850	202,753	13.50

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.
(2) For banking and finance subsidiaries, revenue refers to net banking income.
(3) Financial statements not yet audited for French companies.

2019

Book value of shares held		Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Revenue excluding tax for the last financial year	Net income (loss) for the last financial year	Dividends received by the Company during the year	Remarks	Revaluation differences
Gross *(EUR)*	Net *(EUR)*	*(in EUR)*	*(in EUR)*	*(local currency)* (1) (2) (3)	*(local currency)* (1) (3)	*(in EUR)*		
114,322	114,322	0	0	925,741	0	0		
171,037	171,037	252,424	0	276,669	103,407	33,287		

Table of subsidiaries and affiliates (continued)

(In thousands of euros)	Book value of shares held Gross *(EUR)*	Book value of shares held Net *(EUR)*	Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Dividends received during the year		Remarks
II - INFORMATION CONCERNING OTHER SUBSIDIARIES AND AFFILIATES							
A) Subsidiaries not included in paragraph 1 :							
1°) French subsidiaries	68,931	64,479	13,220,648	0	47,692	Revaluation difference :	0
2°) Foreign subsidiaries	378,368	98,656	317,010	42,731	37,253	Revaluation difference :	1,447
B) Affiliates not included in paragraph 1 :							
1°) French companies	7,810	5,430	600	0	301	Revaluation difference :	0
2°) Foreign companies	9,794	9,794	7,622	0	0	Revaluation difference :	0

NOTE 8 INFORMATION ON RISKS AND LITIGATION

Every quarter, Societe Generale reviews in detail the disputes presenting a significant risk. These disputes may lead to the recording of a provision if it becomes probable or certain that Societe Generale will incur an outflow of resources for the benefit of a third party without receiving at least the equivalent value in exchange. These provisions for litigations are classified among the "Other provisions" included in the *Provisions* item in the liabilities of the balance-sheet.

No detailed information can be disclosed on either the recording or the amount of a specific provision given that such disclosure would likely seriously prejudice the outcome of the disputes in question.

- On 24 October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5 October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion as damages to the Bank. On 19 March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, the Versailles Court of Appeal rejected on 23 September 2016 J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the Bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court *(Conseil d'État)* and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale will not fail to assert its rights before the competent courts. By a decision handed down on the 20 September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.

- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3 April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15 May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected Societe Generale's arguments relating to service of the claims issued against Goldas, which are therefore time barred. On 18 December 2018, the Supreme Court refused permission to appeal to both Societe Generale and Goldas. On 16 February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against this decision.

  In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – *Échange d'Images Chèques*), which has contributed to the improvement of cheque payments' security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.

- On 20 September 2010, after several years of investigation, the French competition authority ruled that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the Banque de France) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million and Crédit du Nord, its subsidiary, a fine of EUR 7 million. However, in its 23 February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except Banque de France, held that there was no competition law infringement, allowing the banks to recoup the fines paid. On 14 April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3 and 4 November 2016 by the Paris Court of Appeal before which the case was remanded. On 21 December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22 January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision. The court proceeding is still pending.

- Notwithstanding the agreements reached with the US authorities regarding certain London Interbank Offered Rates and the Euro Interbank Offered Rate ("the IBOR matter"), the Bank continues to defend civil proceedings in the United States (as described below) and has responded to information requests received from other authorities, including the Attorneys General of various States of the United States and the New York Department of Financial Services.

In the United States, Societe Generale, along with other financial institutions, has been named as a defendant in putative class actions involving the setting of US Dollar Libor, Japanese Yen Libor, and Euribor rates and trading in instruments indexed to those rates. Societe Generale has also been named in several individual (non-class) actions concerning the US Dollar Libor rate. All of these actions are pending in the US District Court in Manhattan (the "District Court").

As to US Dollar Libor, all claims against Societe Generale have been dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that are effectively stayed. Certain individual plaintiffs whose claims were dismissed filed motions for leave to amend their complaints to add or revive claims against Societe Generale, but those applications were denied by the District Court. The class plaintiffs and a number of individual plaintiffs have appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit.

On 13 January 2020, Societe Generale entered into a settlement agreement with the putative class of plaintiffs who purchased financial products tied to US Dollar Libor on an exchange. As part of that settlement, Societe Generale has agreed to pay USD 5.125 million. This settlement is subject to approval by the District Court.

As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products and the plaintiffs have appealed that ruling to the United States Court of Appeals for the Second Circuit. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange, the District Court has allowed certain Commodity Exchange Act ("CEA") claims to proceed to discovery. On 27 September 2019, Societe Generale filed a motion for judgment on the pleadings that seeks dismissal of plaintiff's remaining CEA claims. The parties are awaiting a decision. On 27 September 2019, plaintiff filed a motion for class certification. Briefing on plaintiff's motion for class certification has been stayed until the district court rules on defendants' motion for judgment on the pleadings.

As to Euribor, the District Court dismissed all claims against Societe Generale in the putative class action and denied the plaintiffs' motion to file a proposed amended complaint. Plaintiffs have appealed those rulings to the United States Court of Appeals for the Second Circuit.

In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- Beginning on 15 January 2019, Societe Generale and SG Americas Securities, LLC ("SGAS"), along with other financial institutions, have been named in three putative antitrust class actions in the US District Court in Manhattan, which have since been consolidated. Plaintiffs allege that the USD ICE LIBOR panel banks conspired to make artificially low submissions to that benchmark in order to profit on their trading in derivatives tied to USD ICE LIBOR. Plaintiffs seek to certify a class comprised of US residents (individuals and entities) that transacted with a defendant in floating rate debt instruments or interest rate swaps tied to USD ICE LIBOR and received a payment at any time between 1 February 2014 to the present, regardless of when the instrument was purchased. On 30 August 2019, Societe Generale a motion to dismiss all claims asserted against them.

- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale has reached a settlement of USD 18 million, which was approved by the Court on 6 August 2018. A separate putative class action on behalf of putative classes of indirect purchasers is also pending. Societe Generale has reached a settlement of USD 975,000 to put an end to these proceedings, which is awaiting preliminary approval by the court. On 7 November 2018, a group of individual entities that elected to opt out of the main class action settlement filed a lawsuit against Societe Generale and several other financial institutions. A motion to dismiss was filed on 1 April 2019.

- On 10 December 2012, the French Supreme Administrative Court *(Conseil d'État)* rendered two decisions confirming that the "précompte tax" which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the "précompte tax" claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1 February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale.

  Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10 December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15 September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 29 April 2016 and by referring the matter to the Court of Justice of the European Union on 8 December 2016. The Court of Justice of European Union rendered its judgement on 4 October 2018 and sentenced France for failure by the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale will assert its rights before the competent courts and the French tax authority, from which it expects diligent treatment and in accordance with the law.

- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4 October 2016, and discovery is now proceeding. Societe Generale, along with other financial institutions, is also named as a defendant in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.

- Since August 2015, various former and current employees of the Societe Generale have been under investigation by German criminal prosecution and tax authorities for their alleged participation in the so called "CumEx" patterns in connection with withholding tax on dividends on German shares. These investigations relate to a fund proprietary trading activities and transactions carried out on behalf of clients. Societe Generale respond to the requests of the German authorities.
- Societe Generale and certain of its subsidiaries are defendants in an action pending in the US Bankruptcy Court in Manhattan brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC ("BLMIS"). The action is similar to those brought by the BLMIS Trustee against numerous institutions and seeks recovery of amounts allegedly received by the SG entities indirectly from BLMIS through so-called "feeder funds" that were invested in BLMIS and from which the Societe Generale received redemptions. The suit alleges that the amounts that the SG entities received are avoidable and recoverable under the US Bankruptcy Code and New York state law. The BLMIS Trustee seeks to recover, in the aggregate, approximately USD 150 million from the SG entities. The Societe Generale is defending the action. In decisions dated 22 November 2016 and 3 October 2018, the Court rejected most of the claims brought by the BLMIS Trustee. The Trustee appealed to the US Court of Appeals for the Second Circuit. By order dated 25 February 2019, the Second Circuit vacated the judgments and remanded for further proceedings. By order dated 23 April 2019, the Second Circuit has stayed the mandate, pending disposition of Defendant-Appellees' petition for review by the United States Supreme Court.
- On 10 July 2019, Societe General was named as a defendant in a litigation filed in the US District Court in Miami by plaintiffs seeking to recover under the Cuban Liberty and Democracy Solidarity *(Libertad)* Act of 1996 (known as the Helms-Burton Act) for alleged losses stemming from the expropriation by the Cuban government in 1960 of Banco Nunez in which they are alleged to have held an interest. Plaintiff claims damages from Societe Generale under the terms of this statute. Plaintiff filed an amended complaint on 24 September 2019 adding three other banks as defendants and adding several new factual allegations as to Societe Generale. Societe Generale filed a motion to dismiss, which was fully briefed as of 10 January 2020.

6.7 STATUTORY AUDITORS' REPORT ON FINANCIAL STATEMENTS

DELOITTE & ASSOCIÉS
6, place de la Pyramide
92908 Paris-La Défense Cedex
S.A.S. au capital de € 2,188,160
572 028 041 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Société Générale
Société anonyme
17, cours Valmy
92972 Paris-La Défense

Year ended December 31, 2019

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Société Générale,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Société Générale for the year ended December 31, 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Internal Control Committee.

Basis for Opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics *(Code de déontologie)* for statutory auditors.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

RECOVERABILITY OF DEFERRED TAX ASSETS IN FRANCE AND THE UNITED STATES

Risk identified	Our response
As at December 31, 2019, deferred tax assets on loss carryforwards were recorded in the amount of 2,613 M€, including 2,586 M€ for the tax groups in France and the United States. As stated in Note 5 "Taxes" to the financial statements, Société Générale calculates deferred taxes at the level of each tax entity and recognizes deferred tax assets at the closing date when it is considered probable that the tax entity concerned will have future taxable profits against which temporary differences and tax loss carryforwards can be offset, within a given timeframe. In addition, as stated in Notes 5 "Taxes" and 8 "Information on risks and litigation" to the financial statements, certain tax loss carryforwards are challenged by the French tax authorities and are therefore liable to be called into question. Given the assumptions used to assess the recoverability of the deferred tax assets in France and the United States (which represent the major part of the assets recognized), notably on future taxable profits, and the judgment exercised by Management in this respect, we considered this issue as a key audit matter.	Our audit approach consisted in assessing the probability that Société Générale will be able to use in the future its tax loss carryforwards generated to date, in particular with regard of its ability to generate future taxable profits in France and the United States. With the support of tax specialists included in our audit team, we: ■ compared the projected results of the previous years with the actual results of the corresponding fiscal years; ■ obtained an understanding of the three-year business plan drawn up by Management and approved by the Board of Directors, as well as of the assumptions used by Management beyond the three-year period to prepare projected tax results; ■ obtained an understanding of the projected temporary differences over a three-year period; ■ analyzed the sensitivity of these assumptions in the event of adverse scenarios defined by Société Générale; ■ analyzed the situation of Société Générale, notably by taking note of the opinions of its external tax advisers regarding its tax loss carryforwards in France, partly challenged by the tax authorities; ■ examined the information provided by the Company, concerning deferred tax assets, disclosed in Notes 5 "Taxes" and 8 "Information on risks and litigation" to the financial statements.

MEASUREMENT OF IMPAIRMENT AND PROVISIONS RELATING TO LOANS AND COMMITMENTS TO CLIENTS

Risk identified	Our response
Customer loans and receivables carry a credit risk which exposes Société Générale to a potential loss if its client or counterparty is unable to meet its financial commitments. Société Générale recognizes impairment and provisions to cover this risk. The accounting principles used for the measurement of individual impairment, on the one hand, and collective provisions, on the other, are set out in Note 2.6 "Impairment and provisions" to the financial statements. The amount of the collective provisions for credit risk is measured based on the amount of the expected credit losses within one year and to maturity, calculated on the basis of non-downgraded performing loans and downgraded performing loans, respectively. These collective provisions are determined using statistical models requiring the exercise of judgment at the various stages in the calculation. In addition, Société Générale uses judgment and makes accounting estimates to measure the level of individual impairment for doubtful loans. As at December 31, 2019, outstanding loans to clients exposed to credit risk amounts to a total of 323,501 M€; total impairment amounts to 2,755 M€ and total provisions amounts to 1,024 M€. We considered the assessment of the credit risk and the measurement of impairment and provisions to constitute a key audit matter, as they require management to exercise judgement and to make estimates, particularly concerning the credit risk on the financing granted to companies in the most sensitive economic sectors and geographical areas, while the loans may represent significant amounts.	With the support of specialists in risk management and modelling included in the audit team, we focused our work on the most significant loans and/or portfolios of loans to clients, as well as on the financing granted to companies in the most sensitive economic sectors and geographical areas. We obtained an understanding of Société Générale's internal control and tested the key manual and automated controls relating to the assessment of the credit risk and the measurement of the expected losses. Our audit work notably consisted in: ■ obtaining an understanding of the governance plan and testing the key controls set up; ■ performing a counter-calculation of the expected credit losses on a selection of portfolios of deemed performing loans as at December 31, 2019 in order to assess the correct calibration of the provision calculation models as defined by Société Générale; ■ analyzing the main parameters used by Société Générale to measure the collective provisions as at December 31, 2019; ■ testing, as at December 31, 2019, in particular on a selection of the most significant loans to corporate clients, the main assumptions used to classify loans as doubtful, as well as the estimation of the related individual impairment. We also examined the qualitative and quantitative information on credit risk disclosed in Note 2.6 "Impairment and provisions" to the financial statements.

MEASUREMENT OF COMPLEX FINANCIAL INSTRUMENTS

Risk identified	Our response
Within the scope of its market activities, Société Générale holds financial instruments for trading purposes. As at December 31, 2019, 338,426 M€ are recorded in this respect under assets on Société Générale's balance sheet. To determine the market value of complex instruments, Société Générale uses techniques or in-house valuation models based on parameters and data, some of which are not observable in the market, as stated in Note 2.2 "Operations on forward financial instruments" to the financial statements. If necessary, these valuations include additional reserves or value adjustments. The models and data used to value these instruments are based on management's judgment and estimates. Given the exercise of judgment in determining the market value, the complexity of the modelling of the latter and the multiplicity of models used, we consider the valuation of complex financial instruments to be a key audit matter.	Our audit approach is based on the key internal control processes related to the valuation of complex financial instruments. With the support of experts in the valuation of financial instruments included in the audit team, we designed an approach including the following main stages: ■ we obtained an understanding of the procedure to authorize and validate new products and their valuation models, including the process for the entry of these models in the information systems; ■ we analyzed the governance set up by the Risk Department for the control of the valuation models; ■ based on samples, we specifically analyzed the valuation formulas for certain categories of complex instruments and the relating value adjustments; ■ we tested the key controls relating to the independent verification of the valuation parameters, and analyzed certain market parameters used to provide input for the valuation models; ■ as regards the process used to explain the changes in value, we obtained an understanding of the bank's analysis principles and performed tests of controls; in addition, we performed "analytical" IT procedures on the daily control data relating to certain activities; ■ we obtained the quarterly results of the independent price verification process performed on the valuation models using external market data, and analyzed the differences in parameters with the market data in the event of a significant impact, and the accounting treatment of such differences; ■ we performed counter-valuations of a selection of complex derivative financial instruments using our tools; ■ we examined the compliance of the methods underlying the estimates with the principles described in Note 2.2 "Operations on forward financial instruments" to the financial statements.

IT RISK ON DERIVATIVE FINANCIAL INSTRUMENTS AND STRUCTURED BONDS ISSUES

Risk identified	Our response
Société Générale's derivative financial instruments and structured bonds issued constitute an important activity within the bank's market activities, as illustrated by the significance of the net positions of derivative financial instruments in the transaction portfolio in Note 2.2 "Operations on forward financial instruments" to the financial statements. This activity is highly complex given the nature of the financial instruments processed, the volume of transactions, and the use of numerous interfaced information systems. The risk of occurrence of a significant misstatement in the accounts related to an incident in the data processing chains used or the recording of transactions until their transfer into the accounting system may result from: ■ changes made to management and financial information by unauthorized persons via the information systems or underlying databases; ■ a failure in processing or in the transfer of data between systems; ■ a service interruption or an operating incident which may or may not be related to internal or external fraud. In this context, in order to ensure the reliability of the accounts, it is essential for Société Générale to master the controls relating to the management of the information systems used in the above-mentioned activity. We consider this to be a key audit matter.	Our audit approach for this activity is based on the controls related to the management of the information systems set up by Société Générale. With the support of specialists in information systems included in the audit team, we tested the IT general controls of the applications that we considered to be key for this activity. Our work concerned, in particular: ■ the controls set up by Société Générale on access rights, notably at sensitive periods in a professional career (recruitment, transfer, resignation, end of contract) with, where applicable, extended audit procedures in the event of ineffective controls identified during the financial year; ■ potential privileged access to applications and infrastructure; ■ change management relating to applications, and more specifically the separation between development and business environments; ■ security policies in general and their deployment in IT applications (for example, those related to passwords); ■ handling of IT incidents during the audit period; ■ governance and the control environment on a sample of applications. For these same applications, and in order to assess the transfer of information flows, we tested the key application controls relating to the automated interfaces between the systems.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS PROVIDED TO THE SHAREHOLDERS

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders except for the point described below.

We have the following matter to report regarding the fair presentation and consistency with the financial statements of the information relating to payment deadlines referred to in Article D.441-4 of the French Commercial Code (*Code de commerce*): as stated in the management report, this information does not include bank and other related operations as your Company considers that such operations fall outside the scope of disclosable information.

REPORT ON CORPORATE GOVERNANCE

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled thereby, included in the consolidation scope. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L.225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

OTHER INFORMATION

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders or holders of the voting rights and the cross-shareholdings has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as statutory auditors of Société Générale by your Annual General Meeting held on April 18, 2003 for DELOITTE & ASSOCIÉS and on May 22, 2012 for ERNST & YOUNG et Autres.

As at December 31, 2019, DELOITTE & ASSOCIÉS was in the seventeenth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the eighth year.

Previously, ERNST & YOUNG Audit was the statutory auditor of Société Générale from 2000 to 2011.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Internal Control Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

OBJECTIVES AND AUDIT APPROACH

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT TO THE AUDIT AND INTERNAL CONTROL COMMITTEE

We submit to the Audit and Internal Control Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Internal control Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Internal Control Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit and Internal Control Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 12, 2020

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIÉS
Jean-Marc Mickeler

ERNST & YOUNG et Autres
Micha Missakian

7

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7.1 THE SOCIETE GENERALE SHARE

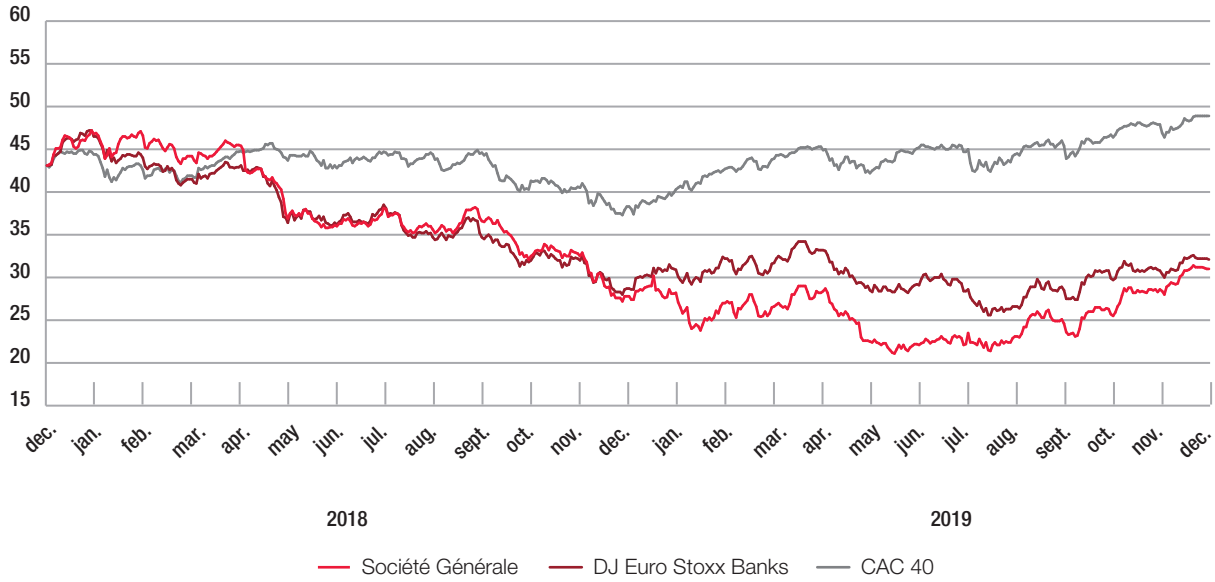
7.1.1 STOCK MARKET PERFORMANCE

Societe Generale's share price increased by 11.5% in 2019, closing at EUR 31.02 at 31st December. This performance can be compared over the same period to an increase of 11.1% for the Eurozone bank index (DJ EURO STOXX BANK) and to an increase of 26.4% for the CAC 40 index.

At 31st December 2019, the Societe Generale Group's market capitalisation stood at EUR 26.5 billion, ranking it 22nd among CAC 40 stocks (22th at 31st December 2018), 18th in terms of free float (19th at 31st December 2018) and 9th among Eurozone banks (8th at 31st December 2018).

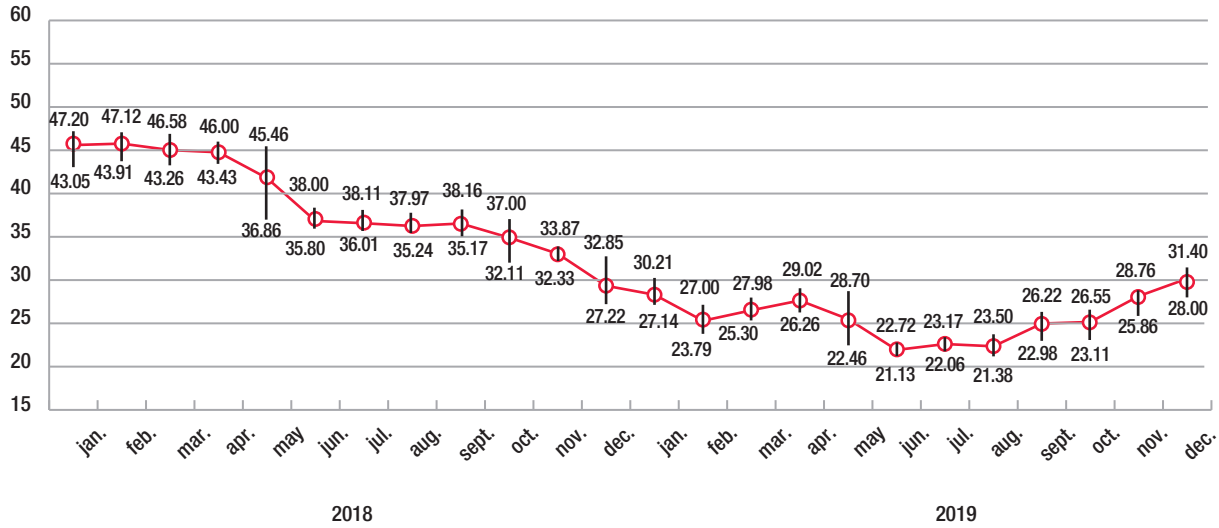
The market for the Group's shares remained highly liquid in 2019, with an average daily trading volume of EUR 123 million, representing a daily capital rotation ratio of 0.58% (versus 0.51% in 2018). In value terms, Societe Generale's shares were the 7th most actively traded on the CAC 40 index

SHARE PERFORMANCE (BASE: SOCIETE GENERALE SHARE PRICE AS AT 31ST DECEMBER 2017)



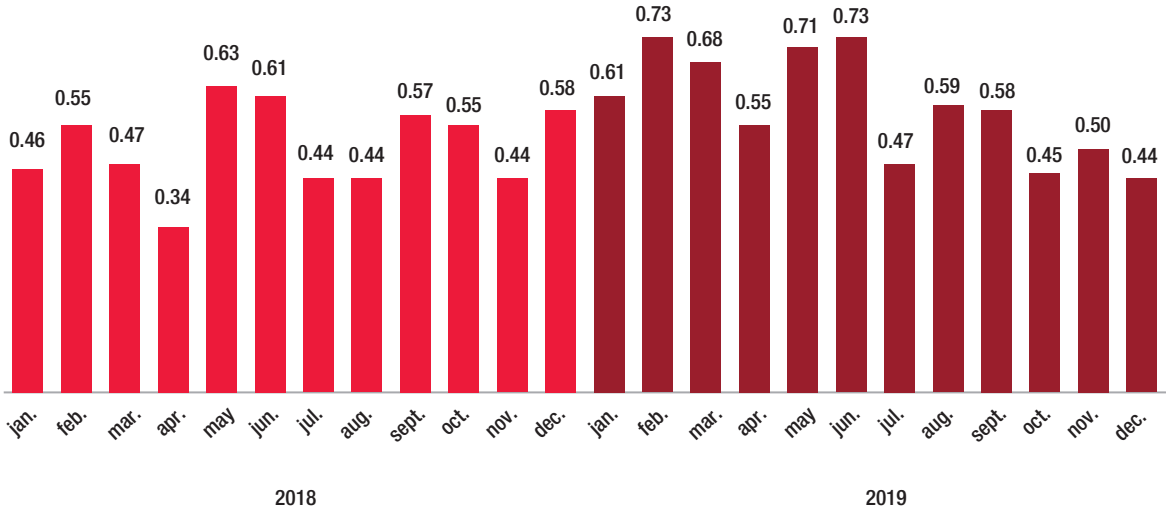
Source: Thomson Reuters Eikon

MONTHLY CHANGE IN SHARE PRICE (AVERAGE MONTHLY PRICE IN EURO)



Source: Thomson Reuters Eikon

TRADING VOLUMES (AVERAGE DAILY TRADING VOLUMES AS PERCENTAGE OF CAPITAL)



Source: Thomson Reuters Eikon.

7.1.2 TOTAL RETURN* FOR SHAREHOLDERS

The following table shows the cumulative and annualised average total return on investment for Societe Generale shareholders over different time periods ending 31st December 2019.

Duration of shareholding	Date	Cumulative totalreturn*	Annualised averagetotal return*
Since privatisation	8th July 1987	670.7%	6.5%
15 years	31st December 2004	-20.7%	-1.5%
10 years	31st December 2007	-9.1%	-0.9%
5 years	31st December 2014	16.7%	3.1%
4 years	31st December 2015	-6.7%	-1.7%
3 years	31st December 2016	-19.4%	-6.9%
2 years	31st December 2017	-16.4%	-8.6%
1 year	31st December 2018	22.1%	22.1%

Source: Thomson Reuters Eikon

** Total return = capital gain + net dividend reinvested in shares.*

7.1.3 STOCK EXCHANGE LISTING

The Societe Generale share is listed on the Paris Stock Exchange (deferred settlement market, continuous trading group A, ISIN code FR0000130809) and is also traded in the United States under an American Depository Receipt (ADR) programme.

7.1.4 STOCK MARKET INDICES

The Societe Generale share is a component stock of the CAC 40, STOXX All Europe 100, EURO STOXX 50, Euronext 100, MSCI PAN EURO, FTSE4Good Global and ASPI Eurozone indices.

7.1.5 2019 DIVIDEND

The Board of Directors of Societe Generale, which met on 5th February 2020, decided to propose the distribution of a dividend of EUR 2.20 per share to the General Meeting of 19th May 2020:

- dividend detachment will take place on 26th May 2020;
- the dividend will be paid as from 28th May 2020.

7.1.6 DIVIDEND HISTORY

	2019*	2018	2017	2016	2015
Net dividend (in EUR)	2.20	2.20	2.20	2.20	2.00
Payout ratio (%)(1)	72.1	51.8	75.3	51.6	44.5
Net yield (%)(2)	7.1	7.9	5.1	4.7	4.7

* *Dividend proposed by the Board of Directors to the General Meeting to be held on 19th May 2020.*
(1) *Net dividend/diluted earnings per ordinary share (see Chapter 6, p. 420, Note 7.2 to the consolidated financial statements).*
(2) *Net dividend/closing price at end-December.*

Stock market data	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Share capital (number of outstanding shares)	853,371,494	807,917,739	807,917,739	807,713,534	806,239,713
Market capitalisation (in EUR bn)	26.5	22.5	34.8	37.8	34.3
Earnings per share (in EUR)	3.05	4.24	2.92	4.26	4.49
Book value per share at year-end (in EUR)	63.7	64.6	63.2	63.7	61.6
Share price (in EUR)					
high	31.4	47.2	51.9	47.5	48.3
low	21.1	27.2	41.4	26.4	32.8
closing	31.0	27.8	43.1	46.8	42.6

7.2 INFORMATION ON SHARE CAPITAL

7.2.1 SHARE CAPITAL

At 31st December 2019, Societe Generale paid-up share capital amounted to EUR 1,066,714,367.50 and comprised 853 371 494 shares with a nominal value of EUR 1.25 per share, all eligible for dividends paid out of income earned from 1st January 2019.

As part of the Group's capital market activities, transactions may be carried out involving indices or underlying assets with a Societe Generale share component. These transactions do not have an impact on the Group's future capital.

7.2.2 SHARE BUYBACKS AND TREASURY SHARES

At 31st December 2019, Societe Generale held 3,706,880 shares under its share buyback programme, representing 0.43% of its capital. The Group disposed of all its treasury shares during the first half of 2015.

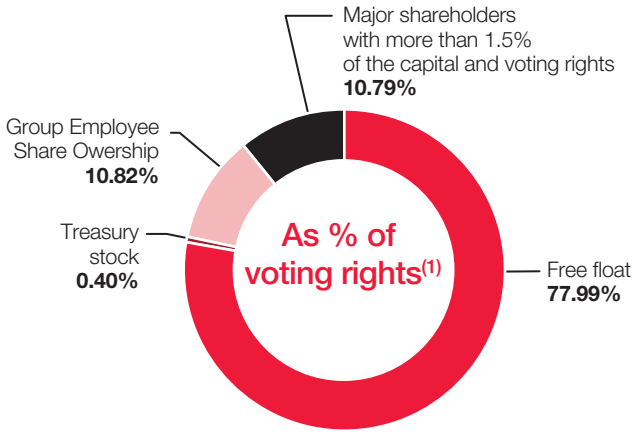
7.2.3 BREAKDOWN OF CAPITAL AND VOTING RIGHTS OVER 3 YEARS

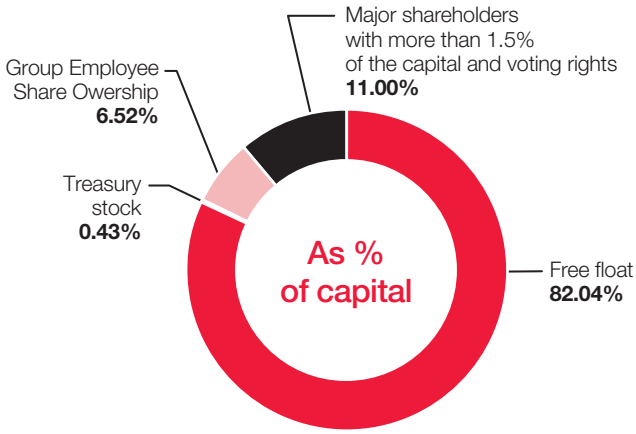
	31.12.2019[1]				31.12.2018[2]			31.12.2017[3]		
	Number of shares	% of capital	% of voting rights[4]	% of voting rights exercisable at GM[4]	Number of shares	% of capital	% of voting rights[4]	Number of shares	% of capital	% of voting rights[4]
Group Employee Share Ownership Plan	55,675,710	6.52%	10.82%	10.86%	49,885,581	6.17%	10.91%	47,914,654	5.93%	10.85%
Shareholders with more than 1.5% of the capital or voting rights[5]	93,844,827	11.00%	10.79%	10.83%	98,207,247	12.16%	11.81%	113,334,627	14.03%	13.52%
BlackRock, Inc.	*55,827,300*	*6.54%*	*6.05%*	*6.07%*	*48,813,400*	*6.04%*	*5.55%*	*50,129,600*	*6.20%*	*5.69%*
The Capital Group Companies, Inc.	*17,417,900*	*2.04%*	*1.89%*	*1.89%*	*28,794,220*	*3.56%*	*3.27%*	*42,605,400*	*5.27%*	*4.84%*
CDC	*20,599,627*	*2.41%*	*2.85%*	*2.86%*	*20,599,627*	*2.55%*	*2.99%*	*20,599,627*	*2.55%*	*2.99%*
Free float	700,144,077	82.04%	77.99%	78.31%	653,719,414	80.91%	76.58%	639,818,154	79.19%	74.85%
Share buybacks[6]	3,706,880	0.43%	0.40%	0.00%	6,105,497	0.76%	0.69%	6,850,304	0.85%	0.78%
Treasury stocks[7]	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%
TOTAL		**100%**	**100%**	**100%**		**100%**	**100%**		**100%**	**100%**
Calculation base		853,371,494	922,891,360	919,184,480		807,917,739	879,624,610		807,917,739	880,459,245

(1) As at 31st December 2019, the share of EU institutional shareholders in the capital is estimated at 48%.
(2) As at 31st December 2018, the share of EU institutional shareholders in the capital is estimated at 47%.
(3) As at 31st December 2017, the share of EU institutional shareholders in the capital is estimated at 46%.
(4) In accordance with article 223–11 of the AMF's General Regulation, the calculation of the total voting rights includes voting rights associated with share buybacks and treasury shares; however, these shares do not give the right to vote at General Meetings.
(5) Societe Generale's By-laws stipulate that shareholders are obliged to notify the Company whenever their holding of share capital or voting rights exceeds an additional 0.5% beyond an initial notification threshold of 1.5%. As at end-December 2018, no other shareholder declared a holding in excess of 1.5% of the share capital or voting rights, with the exception of mutual funds and trading activities of financial institutions.
(6) Of which liquidity contract (no shares as of 31 December 2019).
(7) Except shares held in the context of Global Markets activities.

During the 2019 financial year:

- Dodge & Cox, acting on behalf of clients and funds that it manages, reported to the AMF (French Financial Markets Authority) that on 23 August 2019 it had crossed upwards the 5% threshold of Societe Generale's share capital and held on behalf of said clients and funds 43,464,062 Societe Generale shares, representing the same number of voting rights, i.e. 5.13% of the share capital and 4.73% of the voting rights. On 3 December 2019, Dodge & Cox reported that it had crossed downwards the 5% threshold of Societe Generale's share capital and held on behalf of its clients and funds 42,361,662 Societe Generale shares, representing the same number of voting rights, i.e. 4.96% of share capital and 4.59% of the voting rights.
- Lyxor International Asset Management SAS, acting on behalf of investment funds, reported to the AMF (French Financial Markets Authority) that on 14 May 2019 it had crossed downwards the 5% threshold of Societe Generale's share capital and held on behalf of said funds 40,292,237 Societe Generale shares, representing 80,137,883 voting rights, i.e. 4.99% of the share capital and 9.10% of the voting rights. On 29 May 2019, Lyxor International Asset Management SAS reported it had crossed upwards the 5% threshold of Societe Generale's share capital and held 43,589,977 Societe Generale shares, representing 82,652,766 voting rights, i.e. 5.40% of share capital and 9.39% of the voting rights.





(1) *As of 2006 and in accordance with Article 223–11 of the AMF's General Regulation, the calculation of the total voting rights includes voting rights associated with share buybacks and treasury shares; however, these shares do not give the right to vote at General Meetings.*

7.2.4 SHARE BUYBACKS

The General Meeting of 21st May 2019 authorised the Company to buy or sell its own shares with a view to (i) cancelling bought-back shares, (ii) granting, covering and honouring any free shares allocation plan, employee savings plan and any form of allocation for the benefit of employees and company officers of the Company or affiliated companies, (iii) granting shares when rights attached to convertible securities are exercised, (iv) holding and subsequently using shares in exchange or as payment for acquisitions, and (v) executing a liquidity contract.

Societe Generale did not buy back any of its own shares in 2019, excluding the liquidity contract.

Under the liquidity contract implemented on 22nd August 2011, Societe Generale acquired 1,706,961 shares in 2019, with a value of EUR 42,999,344, and sold 1,836,961 shares with a value of EUR 46,729,436.

At 31st December 2019, the liquidity contract held no share.

From 1st January 2019 to 5th February 2020, excluding the liquidity contract, Societe Generale did not buy back any of its own shares on the market. At 6th February 2020, no shares were recorded in the liquidity contract account.

From 1st January 2019 to 31st December 2019

	Purchases			Transfers/Disposals				
	Number	Purchase price per share	Total purchase price	Number	Purchase price per share	Total purchase price	Disposal/ transfer price per share	Total disposal/ transfer price
Cancellation	0	-	0,00					
Acquisitions	0	-	0,00					
Allocation to employees	0	-	0,00	2,268,617	43.79	99,352,195	0.00	0
Liquidity contract	1,706,961	25.19	42,999,344	1,836,961	25.84	47,468,673	25.44	46,729,436
TOTAL	**1,706,961**	**25.19**	**42,999,344**	**4,105,578**	**35.76**	**146,820,868**	**25.44**	**46,729,436**

VALUE OF TREASURY SHARES AND BUYBACKS AS AT 31ST DECEMBER 2019

Percentage of capital held directly or indirectly	0.43%
Number of shares cancelled over the last 24 months	0
Number of shares held directly	3,706,880
Book value of shares held directly	EUR 139,964,519
Market value of shares held directly(1)	EUR 114,968,883

(1) The current value is equal to the average share price of the last month for available-for-sale listed securities.

As at 31.12.2019	Number of shares	Nominal value (in EUR)	Book value (in EUR)
Societe Generale*	3,706,880	4,633,600	139,964,519
TOTAL	**3,706,880**	**4,633,600**	**139,964,519**

** Of which liquidity contract (no shares as of 31 December 2019).*

7.2.5 CHANGES IN SHARE CAPITAL

Operation	Date (of record or completion)	Change	Number of shares	Share capital (in EUR)	Change in share capital resulting from operation (%)
Exercise of stock options from 11th July 2013 to 31st December 2013	recorded on 8th January 2014	+59,863	798,716,162	998,395,202.50	
Free grant of shares to employees	recorded on 31st March 2014	+1,303,272	800,019,434	1,000,024,292.50	+0.16
Increase through 2014 Company Savings Planand exercise of stock options until 30th June 2014	recorded on 11th July 2014	+5,172,260(1)	805,191,694	1,006,489,617.50	+0.65
Exercise of stock options from 1st July 2014 to 31st December 2014	recorded on 8th January 2015	+15,952	805,207,646	1,006,509,557.50	
Free grant of shares to employees	recorded on 31st March 2015	+892,416	806,100,062	1,007,625,077.50	+0.11
Exercise of stock options from 1st January 2015 to 31st December 2015	recorded on 8th January 2016	+139,651	806,239,713	1,007,799,641.25	+0.01
Free grant of shares to employees	recorded on 31st March 2016	+1,264,296	807,504,009	1,009,380,011.25	+0.15
Exercise of stock options from 1st January 2016 to 31st December 2016	recorded on 9th January 2017	+209,525	807,713,534	1,009,641,917.50	+0.02
Exercise of stock options from 1st January 2017 to 8th March 2017	recorded on 11th December 2017	+204,205	807,917,739	1,009,897,173.75	+0.02
Increase through the exercise of the optionfor the payment of dividends in shares	recorded on 12th June 2019	+39,814,909	847,732,648	1,059,665,810.00	+4.93
Increase through 2019 Company Savings Plan	recorded on 1st August 2019	+5,638,846	853,371,494	1,066,714,367.50	+0.67

(1) Including 55,292 shares resulting from the exercise of stock options in 2014.

7.2.6 TRANSACTIONS CARRIED OUT BY CHIEF EXECUTIVE OFFICERS AND DIRECTORS IN SOCIETE GENERALE SHARES

Summary statement published in compliance with Article 223–26 of the AMF General Regulation.

(In EUR)	Nature de l'opération	Date	Montant
Philippe AYMERICH			
Deputy Chief Executive Officer, performed 2 opérations :	Acquisition of 1,813 shares Société Générale	01.04.19	-
	Acquisition of 840 shares Société Générale	14.06.19	18,740
Lorenzo BINI SMAGHI			
Chairman of the Board, performed 1 opération :	Acquisition of 174 shares Société Générale	14.06.19	3 882
Séverin CABANNES			
Deputy Chief Executive Officer, performed 3 opérations :	Acquisition of 7,703 shares Société Générale	01.04.19	-
	Acquisition of 5,967 shares Société Générale	14.06.19	133,124
	Acquisition by Ms CABANNES of 356 shares Société Généralee	14.06.19	7,942
William CONNELY			
Director, performed 1 opération :	Acquisition of 173 shares Société Générale	14.06.19	3,860
Jérôme CONTAMINE			
Director, performed 1 opération :	Acquisition of 69 shares Société Générale	14.06.19	1,539
Philippe HEIM			
Deputy Chief Executive Officer, performed 2 opérations :	Acquisition of 2,430 shares Société Générale	01.04.19	-
	Acquisition of 721 shares Société Générale	14.06.19	16,086
Diony LEBOT			
Deputy Chief Executive Officer, performed 6 opérations :	Acquisition by Mr LEBOT of 2,000 shares Société Générale	11.02.19	48,295
	Acquisition de 1,500 actions Société Générale	11.02.19	36,476
	Acquisition de 1,500 actions Société Générale	14.03.19	40,581
	Acquisition de 1,100 actions Société Générale	15.03.19	29,722
	Acquisition de 2,430 actions Société Générale	01.04.19	-
	Acquisition de 902 actions Société Générale	14.06.19	20,124
	Acquisition of 1,000 shares Société Générale	18.12.19	30,920
Juan Maria NIN GENOVA			
Director, performed 1 opération :	Acquisition of 129 shares Société Générale	14.06.19	2,878
Frédéric OUDÉA			
Chief Executive Officer, performed 2 opérations :	Acquisition of 15,533 shares Société Générale	01.04.19	-
	Acquisition of 13,433 shares Société Générale	14.06.19	299,690
Lubomira ROCHET			
Director, performed 1 opération :	Acquisition of 400 shares Société Générale	21.03.19	11,068

7.2.7 EXISTING AGREEMENTS BETWEEN SOCIETE GENERALE AND ITS SHAREHOLDERS

On 24th July 2000, Societe Generale entered into an agreement with Santander Central Hispano (which became "Banco Santander") relating to the management of their cross-holdings. According to this agreement, Societe Generale and Santander Central Hispano each grant the other party a pre-emptive right to the shares held, directly or through a subsidiary, by each of the parties in the share capital of the other, although this right does not apply in the event of a public tender offer initiated by a third party for the shares of either party.

The agreement was concluded for an initial period of three years from the date of its signature and is subsequently renewable for two-year periods.

This pre-emptive clause was published by the French Financial Markets Council (Conseil des Marchés Financiers) in the Decision No. 201C1417 dated 30th November 2001. This agreement was still in force on 31st December 2019. However, as at 31st December 2019, Banco Santander no longer held any shares in Societe Generale and Societe Generale no longer held any shares in Banco Santander.

7.3 ADDITIONAL INFORMATION

7.3.1 GENERAL INFORMATION

Name

Societe Generale

Registered office

29 boulevard Haussmann, 75009 Paris (France)

Administrative office

17 cours Valmy, 92972 Paris-La Défense (France)

Postal address: Societe Generale, Tours Societe Generale, 75886 Paris cedex 18 (France)

Telephone number: +33 (0)1 42 14 20 00

Website: *www.societegenerale.com*

Legal form

Societe Generale is a public limited company (*société anonyme*) established under French law and having the status of a bank.

Governing law

Societe Generale is a public limited company (*société anonyme*) governed by French commercial legislation, in particular by Articles L. 210-1 *et seq.* of the French Commercial Code, as well as by its By-laws.

Societe Generale is a credit institution licensed as a bank and investment services provider. It is subject to the legislative and regulatory provisions relating to the financial sector, in particular the Articles of the French Monetary and Financial Code and, where appropriate, to local law provisions in particular for its branches. As such, it may carry out all banking transactions, all investment services and related services, except for operating a multilateral trading facility (MTF) or an organised trading facility (OTF). It must in particular comply with a number of prudential rules and is subject to the controls carried out by the European Central Bank (ECB) and the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR).

Date of incorporation and duration

Societe Generale was incorporated following a deed approved by decree dated 4th May 1864. The duration of Societe Generale will expire on 31st December 2047, unless it is extended or the Company is wound up before that date.

Corporate purpose

Article 3 of the Company's By-laws describes the corporate purpose. The purpose of Societe Generale is, under the conditions determined by the laws and regulations applicable to credit institutions, to carry out with individuals or legal entities, in France and abroad:

- all banking transactions;
- all transactions related to banking operations, including in particular investment services or related services referred to in Articles L. 321-1 and L. 321-2 of the French Monetary and Financial Code;
- all acquisitions of interests in other companies.

Societe Generale may also, on a regular basis, as defined in the conditions set by the French Banking and Financial Regulation Committee (*Comité de la réglementation bancaire et financière*), engage in all transactions other than those mentioned above, in particular insurance brokerage.

Generally, Societe Generale may carry out, on its own behalf, on behalf of a third party or jointly, all financial, commercial, industrial or agricultural, security or property transactions, directly or indirectly related to the abovementioned activities or likely to facilitate their accomplishment.

Identification

552 120 222 RCS PARIS

ISIN code (International Securities Identification Number): FR 0000130809

NAF (trade sector) code: 6419Z

LEI (Legal Entity Identifier): O2RNE8IBXP4R0TD8PU41

Corporate documents

Documents relating to the Company and in particular its By-laws, its accounts, the reports submitted to its General Meetings by the Board of Directors or the Statutory Auditors, are available at Tours Société Générale, 17 cours Valmy, 92972 Paris-La Défense (France).

The By-laws of Societe Generale are filed with the notarial firm of "Thibierge & Associés" in Paris (France).

Financial year

From 1st January to 31st December of each year.

Categories of shares and attached rights

Under Article 4 of the Company's By-laws, the share capital is divided into 853,371,494 fully paid-up shares with a nominal value of EUR 1.25.

Double voting rights

In accordance with Article 14 of the Company's By-laws, double voting rights are allocated, in relation to the amount of share capital represented by the shares in question, to all shares which are fully paid-up and which have been registered in the name of the same shareholder for at least two years as from 1st January 1993, as well as to any new registered shares that may be freely allocated to a shareholder, in the event of a capital increase by incorporation of reserves, profits or premiums, on the basis of shares benefiting from this right.

According to the law, double voting rights cease for shares which have been converted into bearer form or if ownership of the shares is transferred. Nevertheless, transfer through inheritance, liquidation of marital assets, donation *inter vivos* to a spouse or a direct relative entitled to inherit, does not result in the loss of rights and does not affect the minimum two-year vesting period. The same applies, unless otherwise stated in the Company's By-laws, in case of transfer following a merger or a spin-off of a shareholder company.

Restriction on voting rights

In accordance with Article 14 of the Company's By-laws, the number of votes at General Meetings to be used by one shareholder, either personally or through a proxy, may not exceed 15% of the total voting rights existing at the date of the Meeting. This 15% limit does not apply to the Chairman or any other proxy with respect to the total number of voting rights they hold on a personal basis and in their capacity as proxy, provided that each proxy complies with the 15% rule. For the purposes of applying this 15% limit, shares held by a single shareholder include shares held indirectly or jointly in accordance with the conditions described in Articles L. 233-7 *et seq.* of the French Commercial Code. This limit ceases to apply when a shareholder comes to hold, following a public tender offer, either directly or indirectly or jointly with another shareholder, more than 50.01% of the Company's voting rights.

Disclosure of statutory threshold crossings

In accordance with the provisions of Article 6.2 of the Company's By-laws, any shareholder acting alone or jointly, who comes to hold directly or indirectly at least 1.5% of the share capital or of the voting rights in the Company, must inform the latter within fifteen days following the crossing of this threshold, and must also indicate in this statement the number of securities giving access to the share capital it holds. Mutual fund management companies must provide this information for all shares in the Company held by the funds they manage. Beyond 1.5%, the Company must be notified of each crossing of an additional 0.50% threshold of the share capital or voting rights, as provided by Article 6.2 of the Company's By-laws.

Failure to comply with this requirement will be punished in accordance with legal provisions, at the request, duly recorded in the minutes of the General Meeting, of one or more shareholders holding at least 5% of the share capital or of the voting rights in the Company.

Any shareholder, acting alone or jointly, is also required to inform the Company within fifteen days when the percentage of share capital or voting rights it holds falls below each of the thresholds mentioned in Article 6.2 of the Company's By-laws.

Convening and rules for attending General Meetings of Shareholders

Under Article 14 of the Company's By-laws, General Meetings are convened and deliberate in accordance with the conditions set forth by the laws and regulations in force. They meet at the registered office or in any other place in mainland France indicated in the convening notice. Such meetings are chaired by the Chairman of the Board of Directors or, failing this, by a Director appointed for this purpose by the Chairman of the Board of Directors.

Regardless of the number of shares held, any shareholder whose shares are registered under the terms and at a date set by decree, has the right, upon proof of their identity and status as a shareholder, to participate in the General Meetings. A shareholder may, in accordance with the laws and regulations in force, personally attend the General Meetings, vote remotely or appoint a proxy. The intermediary registered on behalf of shareholders may participate in the General Meetings, under the conditions set forth by the provisions of the laws and regulations in force.

In order for the ballots to be counted, they must be received by the Company at least two days before the General Meeting is held, unless a shorter period is specified in the convening notice or required by the regulations in force.

Shareholders may participate in General Meetings by videoconference or any other means of telecommunication, when provided for in the convening notice and subject to the conditions defined therein.

The General Meeting may be publicly broadcast by means of electronic communication subject to the approval of and under the terms set by the Board of Directors. Notice will be given in the notice of meeting and/or the convening notice.

In all General Meetings, the voting right attached to shares with a right of usufruct is exercised by the usufructuary.

Identifiable bearer securities

Article 6.3 of the Company's By-laws provides that Societe Generale may at any time, in accordance with the provisions of the laws and regulations in force, ask the organisation responsible for securities clearing to provide information relating to the securities granting the right to vote in its General Meetings, either immediately or in the future, as well as information about the holders of these securities.

7.3.2 PUBLICLY AVAILABLE DOCUMENTS

The Company's By-laws are included in this Registration Document. All reports, letters and other documents, historical financial data, assessments and statements prepared by any expert at the request of the issuer and included in part or referred to in the present document, as well as all financial information, including on subsidiaries, for each of the two financial years preceding the publication of this document, are available either on the Societe Generale Group website or at its administrative office.

7.4 BY-LAWS

TYPE OF COMPANY – NAME – REGISTERED OFFICE – PURPOSE

Article 1

The Company, named Societe Generale, is a public limited company incorporated by deed approved by the Decree of 4 May 1864, and is approved as a bank.

The duration of Societe Generale, previously fixed at 50 years with effect from 1st January 1899, was then extended by 99 years with effect from 1st January 1949.

Under the legislative and regulatory provisions relating to credit institutions, notably the Articles of the French Monetary and Financial Code that apply to them, the Company is subject to commercial laws, in particular Articles L. 210-1 *et seq.* of the French Commercial Code, as well as these By-laws.

Article 2

Societe Generale's registered office is at 29, boulevard Haussmann, Paris (9th arrondissement).

In accordance with current legislative and regulatory provisions, it may be transferred to any other location.

Article 3

The purpose of Societe Generale is, under the conditions determined by the laws and regulations applicable to credit institutions, to carry out with individuals and corporate entities, in France or abroad:

- all banking transactions;
- all transactions related to banking operations, including in particular investment services or allied services as listed by Articles L. 321-1 and L. 321-2 of the French Monetary and Financial Code;
- all acquisitions of interests in other companies.

Societe Generale may also, on a regular basis, as defined in the conditions set by the French Financial and Banking Regulation Committee, engage in all transactions other than those mentioned above, including in particular insurance brokerage.

Generally, Societe Generale may carry out, on its own behalf, on behalf of a third party or jointly, all financial, commercial, industrial, agricultural, security or property transactions, directly or indirectly related to the above-mentioned activities or likely to facilitate the accomplishment of such activities.

CAPITAL – SHARES

Article 4

4.1. SHARE CAPITAL

The share capital amounts to EUR 1,066,714,367.50. It is divided into 853,371,494 fully paid-up shares, each with a nominal value of EUR 1.25.

4.2. CAPITAL INCREASE AND REDUCTION

The capital may be increased or reduced on the decision of the competent General Meeting or Meetings.

Any capital reduction motivated by losses shall be divided between shareholders in proportion to their share of the capital.

Article 5

Unless otherwise provided by legislative and regulatory provisions, all shares have the same rights.

All shares which make up or which will make up the share capital will be given equal rank as regards taxes. Consequently, all taxes which, for whatever reason, may become payable on certain shares following capital reimbursement, either during the life of the Company or during its liquidation, shall be divided between all the shares making up the capital on such reimbursement(s) so that, while allowing for the nominal and non-amortised value of the shares and for their respective rights, all present or future shares shall entitle their owners to the same effective advantages and to the right to receive the same net sum.

Whenever it is necessary to possess a certain number of shares in order to exercise a right, it is incumbent on shareholders who own fewer shares than the total number required to assemble the necessary number of shares.

Article 6

6.1. FORM AND TRANSFER OF SHARES

The shares may, in accordance with the holder's wishes, be registered or bearer shares and shall be freely negotiable, unless otherwise stipulated by law.

6.2. STATUTORY THRESHOLDS

Any shareholder acting on his own or jointly, who comes to hold directly or indirectly at least 1.5% of the capital or voting rights, must inform the Company within fifteen days of the time at which he exceeds this threshold, and must also indicate in his declaration the number of shares he holds in the share capital. Mutual fund management companies must provide this information based on the total number of shares held in the Company by the funds they manage. Beyond the initial 1.5%, shareholders are obliged to notify the Company, under the afore-mentioned conditions, whenever their holding of capital or voting rights exceeds an additional 0.50%.

Failure to comply with this requirement will be penalised in accordance with legal provisions on this matter, at the request of one or more shareholders with at least a 5% holding in the Company's capital or voting rights. Said request will be duly recorded in the minutes of the General Meeting.

Any shareholder acting on his own or jointly, is also required to inform the Company within fifteen days if the percentage of his capital or voting rights falls below each of the thresholds described in this article.

6.3. IDENTIFICATION OF SHAREHOLDERS

The Company can at any time, in accordance with current legislative and regulatory provisions, request that the organization responsible for securities clearing provide information relating to the shares granting the right to vote in its General Meetings, either immediately or in the long term, as well as information about the holders of these shares.

6.4. SHAREHOLDERS' RIGHTS

The rights of shareholders shall comply with applicable legislative and regulatory provisions, subject to the specific provisions of the current By-laws.

BOARD OF DIRECTORS

Article 7

I – DIRECTORS

The Company is managed by a Board of Directors made up of two categories of Directors:

1. Directors appointed by the Ordinary General Meeting of Shareholders.

There are at least nine of these Directors, and thirteen at the most.

The term of office of Directors appointed by the Ordinary General Meeting is four years starting from the approval of this statutory clause. This provision does not apply to Directors in office at the time of this approval.

When, in application of current legislative and regulatory provisions, a Director is appointed to replace another, then his term of office shall not exceed the term of office remaining to be served by his predecessor.

Each Director must hold at least six hundred shares.

2. Directors elected by employees.

The status and methods of electing these Directors are laid down by Articles L. 225-27 to L. 225-34 of the French Commercial Code, as well as by these By-laws.

There are two Directors, one to represent the executives and one to represent all other Company employees.

In any event, their number may not exceed one third of the Directors appointed by the General Meeting.

Their term of office is three years.

Regardless of the appointment procedure, the duties of a Director cease at the end of the Ordinary General Meeting called to approve the financial statements of the previous fiscal year and held during the year in which his term of office expires.

Directors may be reelected, as long as they meet the legal provisions, particularly with regard to age.

II - METHODS OF ELECTING DIRECTORS ELECTED BY EMPLOYEES

For each seat to be filled, the voting procedure is that set forth by law.

The first Directors elected by employees will begin their term of office during the Board of Directors' meeting held after publication of the full results of the first elections.

Subsequent Directors shall take up office upon expiry of the outgoing Directors' terms of office.

If, under any circumstances and for any reason whatsoever, there shall remain in office less than the statutory number of Directors before the normal end of the term of office of such Directors, vacant seats shall remain vacant until the end of the term of office and the Board shall continue to meet and take decisions validly until that date.

Elections shall be organised every three years so that a second vote may take place at the latest fifteen days before the normal end of the term of office of outgoing Directors.

For both the first and second ballot, the following deadlines should be adhered to:

- posting of the date of the election at least eight weeks before the polling date;
- posting of the lists of the electors at least six weeks before the polling date;
- registration of candidates at least five weeks before the polling date;
- posting of lists of candidates at least four weeks before the polling date;
- sending of documents required for postal voting at least three weeks before the polling date.

The candidatures or lists of candidates other than those entered by a representative trade union should be accompanied by a document including the names and signatures of the one hundred employees presenting the candidates.

Polling takes place the same day, at the work place, and during working hours. Nevertheless, the following may vote by post:

- employees not present on the day of polling;
- employees working abroad;
- employees of a department or office, or seconded to a subsidiary in France, not having a polling station, or who cannot vote in another office.

Each polling station consists of three elective members, the Chairman being the oldest one among them. The Chairman is responsible for seeing that voting operations proceed correctly.

Votes are counted in each polling station, and immediately after the closing of the polls; the minutes are drawn up as soon as the counting has been completed.

Results are immediately sent to the Head Office of Societe Generale, where a centralised results station will be set up with a view to drafting the summary report and announcing the results.

Methods of polling not specified by Articles l. 225-27 to L. 225-34 of the French Commercial Code or these By-laws are decreed by the General Management after consulting with the representative trade unions.

These methods may include electronic voting, whose organization may deviate from the practical organization of the election described herein.

III – NON-VOTING DIRECTORS

On the proposal of the Chairman, the Board of Directors may appoint one or two Non-Voting Directors.

Non-Voting Directors are convened and attend Board of Directors' meetings in a consultative capacity.

They are appointed for a period not exceeding four years and the Board can renew their terms of office or terminate them at any time.

They may be selected from among shareholders or non-shareholders, and receive an annual remuneration determined by the Board of Directors.

Article 8

The Board of Directors determines the Company's strategy and ensures its implementation. Subject to the powers expressly attributed to the General Meeting and within the scope provided for in the corporate purpose, it considers all matters that affect the Company's operations and settles by its decisions matters that concern it.

It carries out all the controls and verifications it deems appropriate. The Chairman or Chief Executive Officer is required to furnish each Director with all documents required to carry out their function.

Article 9

The Board of Directors elects a Chairman from among its natural person members, determines his remuneration and sets the duration of his term of office, which may not exceed that of his term of office as Director.

No member of 70 years of age or more shall be appointed Chairman. If the Chairman in office reaches the age of 70, his duties shall cease after the next Ordinary General Meeting called to approve the financial statements of the preceding fiscal year.

The Chairman organises and manages the work of the Board of Directors and reports on its activities to the General Meeting. He ensures that the Company's bodies operate correctly and in particular ensures that the Directors are able to fulfil their functions.

Article 10

The Board of Directors meets as often as is required by the interests of the Company, upon convocation by the Chairman, either at the registered office or in any other place indicated in the Notice of meeting. The Board examines the items placed on the agenda.

It shall meet when at least one-third of Board members or the Chief Executive Officer submits a request for a meeting with a specific agenda to the Chairman.

If the Chairman is unable to attend, the Board of Directors can be convened either by one-third of its members, or by the Chief Executive Officer or a Deputy Chief Executive Officer, provided they are members of the Board.

Unless specifically provided for, Directors are called to meetings by letter or by any other means. In any event, the Board may always deliberate validly if all its members are present or represented.

Article 11

Board meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Director designated for this purpose at the beginning of the meeting.

Every Director may give his proxy to another Director, but a Director may act as proxy for only one other Director and a proxy can only be given for one specific meeting of the Board.

In all cases, deliberations of the Board are valid only if at least half the members are present.

The Chief Executive Officer attends meetings of the Board.

One or several delegates of the Central Works Council attend Board meetings, under the conditions laid down by the legislation in force.

At the request of the Chairman of the Board of Directors, members of the General Management, the Statutory Auditors or other persons outside the Company with specific expertise relating to the items on the agenda may attend all or part of a Board meeting.

Resolutions are adopted by a majority vote of the Directors present or represented. In the event of a tie, the Chairman holds a casting vote.

A member of the Management appointed by the Chairman serves as Secretary of the Board.

Minutes are prepared and copies or extracts certified and delivered in accordance with the law.

Article 12

Members of the Board may receive Director's fees in the form of a global sum set by the General Meeting distributed by the Board among its members as it sees fit.

GENERAL MANAGEMENT

Article 13

The General Management of the Company is the responsibility of either the Chairman of the Board of Directors, or any other individual appointed by the Board of Directors to act as Chief Executive Officer.

The Board of Directors may choose between the two general management structures, and its decision is only valid if:

- the agenda with respect to this choice is sent to members at least 15 days before the date of the Board meeting;
- at least two-thirds of Directors are present or represented.

Shareholders and third parties shall be informed of this decision in accordance with the regulations in force.

When the Chairman of the Board of Directors assumes responsibility for the general management of the Company, the following provisions relating to the Chief Executive Officer shall be applicable to him.

The Chief Executive Officer shall be granted exhaustive powers to act on behalf of the Company in all matters. He shall exercise these powers within the scope of the Company's purpose and subject to those powers expressly as- signed by law to meetings of shareholders and the Board of Directors. He shall represent the Company *vis-à-vis* third parties.

The Board of Directors sets the remuneration and the duration of the Chief Executive Officer's term, which may not exceed that of the dissociation of the functions of Chairman and Chief Executive Officer nor, where applicable, the term of his Directorship.

No person aged 70 or more may be appointed Chief Executive Officer. If the Chief Executive Officer in office reaches 70 years of age, his functions shall end at the end of the next Ordinary General Meeting called to approve the financial statements of the preceding fiscal year.

On recommendation by the Chief Executive Officer, the Board of Directors can appoint up to five persons to assist the Chief Executive Officer, who shall have the title Deputy Chief Executive Officer.

In agreement with the Chief Executive Officer, the Board of Directors determines the extent and duration of the powers granted to Deputy Chief Executive Officers. The Board of Directors sets their remuneration. With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

SHAREHOLDERS' MEETING

Article 14

General Meetings are comprised of all shareholders.

The General Meeting is called and deliberates as provided for by the legal and regulatory provisions in force.

It meets at the Company's head office or in any other place in mainland France indicated in the Notice to attend the General Meeting.

Such meetings are chaired by the Chairman of the Board or, in his absence, by a Director appointed for this purpose by the Chairman of the Board.

Regardless of the number of shares held, all shareholders whose shares are registered under the terms and at a date set forth by decree have the right, upon proof of their identity and status as a shareholder, to participate in the General Meetings. They may, as provided for by the legal and regulatory provisions in force, personally attend the General Meetings, vote remotely or appoint a proxy.

The intermediary registered on behalf of shareholders may participate in the General Meetings, as provided for by the legal and regulatory provisions in force.

In order for the ballots to be counted, they must be received by the Company at least two days before the General Meeting is held, unless otherwise specified in the Notice of meeting or required by the regulations in force.

Shareholders may participate in General Meetings by videoconference or any other means of telecommunication, when stipulated in the Notice of meeting and subject to the conditions provided therein.

The General Meeting may be publicly broadcast by means of electronic communication subject to the approval and under the terms set by the Board of Directors. Notice will be given in the preliminary Notice of meeting and/or Notice to attend the meeting.

Double voting rights, in relation to the share of capital stock they represent, are allocated to all those shares which are fully paid up and which have been registered in the name of the same shareholder for at least two years as from 1st January 1993. Double voting rights are also allocated to new registered shares that may be allocated free of charge to a shareholder in respect of the shares with double voting rights already held by him, in the case of a capital increase by incorporation of reserves, earnings, or additional paid-in capital.

The number of votes at General Meetings to be used by one shareholder, either personally or by a proxy, may not exceed 15% of total voting rights at the date of the meeting.

This 15% limit does not apply to the Chairman or any other proxy with respect to the total number of voting rights they hold on a personal basis and in their capacity as proxy, provided each shareholder for whom they act as proxy complies with the rule stipulated in the previous paragraph.

For the purposes of applying this limit, shares held by a single shareholder include shares held indirectly or jointly in accordance with the conditions described in Articles l. 233-7 *et seq.* of the French Commercial Code.

This limit ceases to apply when a shareholder acquires – either directly or indirectly or jointly with another shareholder – more than 50.01% of the Company's voting rights following a public offering.

In all General Meetings, the voting right attached to shares that include a usufructuary right, is exercised by the usufructuary.

SPECIAL MEETINGS

Article 15

When different categories of shares exist, the special meetings of the Shareholders of such categories of shares deliberate as provided by applicable legislative and regulatory provisions and Article 14 herein.

AUDITORS

Article 16

The Statutory Auditors are appointed and carry out their duties according to the applicable statutory and regulatory provisions.

ANNUAL FINANCIAL STATEMENTS

Article 17

The financial year starts on 1st January and ends on 31st December.

The Board of Directors prepares the financial statements for the year under the conditions set by the applicable laws and regulations.

All other documents prescribed by the applicable laws and regulations are also drawn up.

Article 18

The results for the year are determined in accordance with the applicable legal and regulatory provisions.

At least 5% of the profits for the year, less any previous losses, must be set aside by law to form a reserve fund until said fund reaches 10% of the capital.

The net income available after this deduction, increased by any net income brought forward, constitutes the profits available for distribution, to be successively allocated to ordinary, extraordinary or special reserves or to be carried forward in those amounts which the General Meeting may deem useful, upon the recommendation of the Board of Directors.

The balance is then allocated to the shareholders in proportion to their stake in the share capital.

The General Meeting may also resolve to distribute amounts from available reserves.

The General Meeting approving the annual financial statements may, with regard to the whole or part of the dividend or interim dividend, grant each shareholder the option to choose between payment of the dividend or interim dividend in cash or in shares in accordance with the conditions set by the laws in force. A shareholder who exercises this option must do so for all of the dividends or interim dividends attached to their shares.

Except in cases of a reduction in capital, no distribution may be made to shareholders if the shareholders' equity of the Company is or may subsequently become less than the minimum capital and reserves that may not be distributed by law or under the Company's By-laws.

FORUM SELECTION CLAUSE

Article 19

Any dispute arising during the life of the Company or during its liquidation, between the Company and its shareholders or among the shareholders themselves, related to Company matters, shall be exclusively brought before the courts under the proper jurisdiction effective at the Company's registered office.

DISSOLUTION

Article 20

In the event that Societe Generale is wound up and unless otherwise provided for by law, the General Meeting determines the method of liquidation, appoints the liquidators on the proposal of the Board of Directors and continues to exercise its assigned powers during said liquidation until completion thereof.

The net assets remaining after repayment of the nominal value of the shares are distributed among the shareholders, in proportion to their share of the capital.

7.5 INTERNAL RULES OF THE BOARD OF DIRECTORS[1]

(Updated on 31st July 2019)

Preamble

The Board of Directors collectively represents all shareholders and acts in the Company's interest. Each Director, regardless of the manner in which he/she was appointed, must act in all circumstances in the Company's corporate interest.

Societe Generale applies the AFEP-MEDEF Corporate Governance Code for listed companies. As a credit institution, Societe Generale is subject to the provisions of the French Commercial Code, the French Monetary and Financial Code and more generally the regulatory texts applicable to the banking sector.

The purpose of these Internal Rules is to define the Board of Directors' organisation and operating procedures and to specify the rights and obligations of its members.

The Board of Directors ensures that Societe Generale has a solid governance system including, in particular, a clear organisation ensuring a well-defined, transparent and coherent sharing of responsibilities, effective procedures for the detection, management, monitoring and reporting of risks to which the Company is or could be exposed, an adequate internal control system, sound administrative and accounting procedures and compensation policies and practices enabling and promoting sound and effective risk management.

Article 1: Powers of the Board of Directors

1.1 The Board of Directors shall deliberate on any issue falling within its legal or regulatory powers and devote sufficient time to perform its missions.

1.2 The Board of Directors is competent, the enumeration is not to be regarded as exhaustive, in the following areas:

a) Strategic directions and operations

The Board of Directors:

- approves the Group's strategic directions, ensures their implementation and reviews them at least once a year; these directions include the values and the code of conduct of the Group as well as the main thrusts of the policy followed with respect to social and environmental responsibility, human resources, information systems and organisation;
- approves the plans for strategic operations, in particular acquisitions or disposals, which may have a significant impact on the Group's earnings, its balance sheet structure or its risk profile.

This prior approval process concerns:

- organic growth transactions of a unit amount higher than EUR 250 million and not already approved as part of the annual budget or the strategic plan,
- external growth transactions of a unit amount higher than 3% of the Group's consolidated shareholders' equity or higher than 1.50% of the Group's consolidated shareholders' equity if these transactions do not fall within the development priorities approved in the strategic plan,
- disposal transactions of a unit amount higher than 1.50% of the Group's consolidated shareholders' equity,
- partnership transactions with a compensation *(soulte)* of an amount higher than 1.50% of the Group's consolidated shareholders' equity,
- transactions substantially degrading the Group's risk profile.

The Chairman shall assess, on a case-by-case basis, the appropriateness of a referral to the Board of Directors to deliberate on a transaction that does not fall under the aforementioned circumstances.

During each Board of Directors' meeting, an update is made on the transactions concluded since the previous meeting as well as on the main projects in progress and likely to be concluded before the next Board of Directors' meeting.

b) Financial statements and communication

The Board of Directors:

- ensures the accuracy and truthfulness of the annual and consolidated annual accounts and the quality of the information provided to the shareholders and the market;
- approves the Management Report;
- controls the publication and communication process, the quality and reliability of the information to be published and communicated.

c) Risk management

The Board of Directors:

- approves the global strategy and the appetite in terms of risks of any kind and controls the related implementation. To this end, it approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which the Company is or could be exposed, including the risks created by the economic environment; ensures, in particular, the adequacy and effectiveness of the risk management systems, controls the risk exposure from its activities and approves the overall risk limits; ensures the effectiveness of the corrective measures taken in the event of a default.

d) Governance

The Board of Directors:

- appoints the Chairman, the Chief Executive Officer and, upon the latter's proposal, the Deputy Chief Executive Officer(s); it determines any possible limitations on the powers of the Chief Executive Officer and the Deputy Chief Executive Officer(s);
- reviews the governance system, periodically assesses its effectiveness and ensures that corrective measures to remedy potential shortcomings have been taken;
- ensures, in particular, compliance with the banking regulations with respect to internal control;

(1) This document does not form part of Societe Generale's By-laws.

- determines the orientations and controls the implementation by the Effective Senior Managers[1] of the oversight systems in order to ensure effective and prudent management of the institution, in particular the avoidance of conflicts of interest;
- deliberates on changes to the Group's management structures prior to their implementation and is informed of the main changes to its organisation;
- deliberates at least once a year, on its operation and that of its Committees, on the skills, aptitudes and availability of its members (see Articles 2 and 3) as well as on the conclusions of the periodic assessment thereof;
- reviews once a year the succession plan for the Chairman of the Board of Directors and the Chief Executive Officers *(dirigeants mandataires sociaux)*;
- gives, where appropriate, its prior consent to the dismissal of the Chief Risk Officer, after the Risk Committee and the Nomination and Corporate Governance Committee have been consulted;
- prepares the report on corporate governance submitted to the General Meeting of Shareholders.

e) Compensation and wage policy

The Board of Directors:

- distributes the overall amount of the Directors' compensation in accordance with Article 15 of these Internal Rules;
- establishes the compensation policy principles applicable in the Group, in particular regarding the categories of staff whose activities have a significant impact on the Group's risk profile, and ensures that the internal control systems enable to verify that these principles comply with the regulations and professional standards and are consistent with the objectives for risk control;
- sets the compensation of the Chairman of the Board of Directors and the Chief Executive Officers *(dirigeants mandataires sociaux)*, in particular their fixed and variable compensation, including benefits in kind, allocations of performance shares or any compensation instruments, as well as post-employment benefits;
- deliberates once a year on the Company's policy regarding professional and wage equality between men and women.

f) Preventive recovery plan

The Board of Directors:

- establishes the preventive recovery plan that is communicated to the European Central Bank and deliberates on any similar plan requested by foreign supervisory authorities.

Article 2: Skills/Aptitudes of the members of the Board of Directors

2.1 The members of the Board of Directors shall have at all times the good repute, knowledge, skills and experience necessary for the performance of their duties and, collectively, the knowledge, skills and experience necessary to understand the Company's activities, including the main risks to which it is exposed.

2.2 Each Director continually ensures to improve his/her knowledge of the Company and its sector of activity.

Article 3: Availability of the members of the Board of Directors

3.1 The members of the Board of Directors shall devote sufficient time to the performance of their functions.

Under the conditions defined by the legislation in force, they may hold, within any legal entity, only one executive directorship and two non-executive directorships or only four non-executive directorships. For the purpose of this rule, directorships held within the same group are considered to be a single directorship. The European Central Bank may authorise a member of the Board of Directors to hold an additional non-executive directorship.

3.2 Any Director holding an executive directorship in the Group must obtain the opinion of the Board of Directors before accepting a mandate in a listed company; the Director must comply with the procedure set out in Article 14 "Conflicts of interest."

3.3 The Director shall promptly inform the Chairman of any change in the number of directorships held, including his/her participation in a Committee of a Board, as well as any change in professional responsibility.

He/she undertakes to let the Board of Directors decide whether he/she should continue to serve as a Director in the event of a significant change in his/her professional responsibilities or mandates.

He/she undertakes to resign from his/her directorship when he/she no longer considers himself/herself able to perform his/her duties within the Board of Directors and the Committees of which he/she is a member.

3.4 The Directors, under the conditions defined by the By-laws, may participate in meetings of the Board or of the Committees by videoconference or telecommunication means enabling their identification and guaranteeing their effective participation.

3.5 The Registration Document reports on the attendance of Directors at meetings of the Board of Directors and the Committees.

3.6 The Directors shall attend the General Meetings of Shareholders.

Article 4: Ethics of the members of the Board of Directors

4.1 The Director keeps, in all circumstances, his/her independence of analysis, judgement, decision and action.

He/she undertakes not to seek or accept any benefit likely to compromise his/her independence.

4.2 Each Director must comply with the provisions of the rules on market abuse (Regulation (EU) n° 596/2014 dated 16th April 2014 and its delegated and implementing regulations supplementing it and defining technical standards; French Monetary and Financial Code; General Regulations, position-recommendation and instruction of the French Financial Markets Authority) in particular the ones relating to the communication and the use of inside information with regard to Societe Generale shares, debt securities and derivatives instruments or other financial instruments related to the Societe Generale share (hereinafter, Financial instruments). He/she must also comply with these same rules for Financial instruments of his/her subsidiaries or listed investments or companies on which he/she may hold inside information received as a result of his/her participation in the Board of Directors of Societe Generale.

(1) Persons designated as such with the European Central Bank (ECB) and the French Prudential Supervisory and Resolution Authority (ACPR) persuant to banking regulations. For Societe Generale, thse are Chief Executive Officer and the Deputy Chief Executive Officers.

4.3 Directors shall abstain from intervening on the market of Societe Generale Financial instruments during the 30 calendar days preceding the publication of Societe Generale's quarterly, half-yearly and annual results as well as on the day of the said publication.

They shall refrain from carrying out speculative or leveraged transactions on Societe Generale Financial instruments or those of a listed company controlled directly or indirectly by Societe Generale within the meaning of Article L. 233-3 of the French Commercial Code.

They shall inform the Secretary of the Board of Directors of any difficulty they may encounter in enforcing the above.

4.4 In accordance with the regulations in force, Directors and persons closely associated with them must report to the French Financial Markets Authority (AMF) the transactions carried out on Societe Generale Financial instruments.

A copy of this statement is also sent to the Secretary of the Board of Directors.

4.5 Directors must hold in registered form all Societe Generale shares they have under the obligation provided for in Article 16 of these Internal Rules.

Article 5: The Chairman of the Board of Directors

5.1 The Chairman convenes and chairs the Board of Directors meetings. He/she sets the timetable and agenda of the meetings. He/she organises and manages the work of the Board of Directors and reports on its activities to the General Meeting. He/she chairs the General Meetings of Shareholders.

5.2 The Chairman ensures the proper functioning of the Company's bodies and the implementation of the best corporate governance practices, in particular as regards the Committees set up within the Board of Directors, which he/she may attend without the right to vote. He/she may submit questions for the consideration of these Committees.

5.3 He/she receives all information relevant to his/her missions. He/she is regularly informed by the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officers, of significant events relating to the life of the Group. He/she may request the disclosure of any information or document that may inform the Board of Directors. For the same purpose, he/she may hear the Statutory Auditors and, after having informed the Chief Executive Officer, any Group senior manager.

5.4 He/she ensures that the Directors are in a position to fulfil their missions and ensures that they are properly informed.

5.5 He/she is the only person authorised to speak on behalf of the Board of Directors, except in exceptional circumstances or with a specific mandate entrusted to another Director.

5.6 He/she devotes his/her best efforts to promote in all circumstances the values and the image of the Company. In consultation with the General Management, he/she may represent the Group in its high-level relations, in particular with major clients, regulators, major shareholders and public authorities, both domestically and internationally.

5.7 He/she has the material resources necessary for the performance of his/her missions.

5.8 The Chairman has no executive responsibilities, these responsibilities being exercised by the General Management which proposes and applies the Company's strategy, within the limits defined by law and in compliance with the corporate governance rules and directions set by the Board of Directors.

Article 6: Meetings of the Board of Directors

6.1 The Board of Directors shall hold at least eight meetings per year.

6.2 The Directors who participate in the meeting of the Board of Directors by means of videoconference or telecommunication enabling their identification and guaranteeing their effective participation shall be deemed present for the calculation of the *quorum* and the majority. To this end, the means chosen shall transmit at least the voice of the participants and comply with technical characteristics enabling the continuous and simultaneous transmission of the deliberations.

This provision does not apply when the Board of Directors is convened to carry out the work for establishing and adopting the annual and consolidated annual accounts and the Management Report.

6.3 Convening notices, which may be transmitted by the Secretary of the Board of Directors, are sent by letter, fax, e-mail or by any other means, including verbally.

6.4 Upon decision of the Chairman, the Deputy Chief Executive Officers or other Group senior managers or, where relevant, external persons whose attendance is useful to the deliberations may attend all or part of the meetings of the Board of Directors.

Article 7: Information provided to the Board of Directors

7.1 The Chairman or the Chief Executive Officer shall provide each Director with all information and documents necessary for the performance of his/her missions; he/she is provided with computer equipment enabling easy access to them.

7.2 Effective Senior Managers shall inform the Board of Directors of all significant risks, risk management policies and changes made to them.

7.3 If necessary, in the event of changes in the risks affecting or likely to affect the Company, the Chief Risk Officer may report directly to the Board of Directors.

7.4 Meetings of the Board of Directors and the Committees are preceded by the on-line publication or availability in due course of a file on the agenda items that require special analysis and prior reflection whenever the respect of confidentiality so permits.

Moreover, between meetings, Directors shall receive all useful information, including critical information, about events or transactions significant for the Company. In particular, they shall receive press releases issued by the Company.

Article 8: Training of Directors

8.1 The Company devotes the necessary human and financial resources to the training of the Directors and, especially, the Directors representing the employees.

8.2 Training sessions on the specificities of the banking activity are organised each year.

Each Director may, on his/her appointment or throughout his/her term of office, benefit from any training that he/she deems necessary for the performance of the mandate.

8.3 These training sessions shall be organised by the Company which shall bear their costs.

Article 9: Committees of the Board of Directors

9.1 In certain areas, the Board of Directors' deliberations are prepared by specialised Committees composed of Directors appointed by the Board of Directors, which examine matters within their remit and submit their opinions and proposals to the Board of Directors.

9.2 These Committees are composed of members of the Board of Directors who do not hold any executive function within the Company and who have suitable knowledge for the performance of the missions of the Committee in which they participate.

These Committees may decide, as necessary, to involve other Directors, without the right to vote, in their meetings.

9.3 They shall have the necessary means to perform their missions and act under the responsibility of the Board of Directors.

9.4 In the performance of their respective duties, they may request the communication of any relevant information, hear the Chief Executive Officer, the Deputy Chief Executive Officers as well as the Group's senior managers and, after having informed the Chairman, request the carrying out of external technical studies, at the Company's expense. They shall report on the information obtained and the opinions collected.

9.5 There are four standing Committees:

- the Audit and Internal Control Committee;
- the Risk Committee;
- the Compensation Committee; and
- the Nomination and Corporate Governance Committee.

9.6 Upon decision of the Chairmen of the relevant Committees, joint meetings between Committees may be arranged on topics of common interest. These meetings are co-chaired by the Chairmen of the Committees.

9.7 The Board of Directors may create one or more *"ad hoc"* Committees.

9.8 The Risk Committee, the Compensation Committee and the Nomination and Corporate Governance Committee may perform their missions for Group companies on a consolidated or sub-consolidated basis.

9.9 Each Committee shall be chaired by a Chairman appointed by the Board of Directors based on a proposal from the Nomination and Corporate Governance Committee.

The Secretariat of each Committee is provided by a person designated by the Secretary of the Board of Directors.

9.10 The Chairman of each Committee shall report to the Board of Directors on the Committee's work. A written report of the Committees' work shall be regularly circulated to the Board of Directors.

Each Committee shall submit its annual work programme to the Board of Directors.

9.11 Each Committee shall give an opinion to the Board of Directors on the part of the Registration Document dealing with the issues falling within its scope of activity and prepare an Annual Activity Report, submitted to the Board of Directors' approval, to be inserted in the Universal Registration Document.

Article 10: The Audit and Internal Control Committee

10.1 The Audit and Internal Control Committee's mission is to monitor issues concerning the preparation and control of accounting and financial information as well as the monitoring of the effectiveness of internal control, measurement, monitoring and risk control systems.

10.2 In particular, it is responsible for:

a) ensuring the monitoring of the process for the production of the financial information, particularly reviewing the quality and reliability of existing systems, making proposals for their improvement and ensuring that corrective actions have been implemented in the event of a malfunction in the process; where appropriate, it makes recommendations to ensure their integrity;

b) analysing the draft accounts to be submitted to the Board of Directors in order to, in particular, verify the clarity of the information provided and assess the relevance and consistency of the accounting methods adopted for drawing up annual accounts and consolidated annual accounts;

c) conducting the procedure for selecting the Statutory Auditors and issuing a recommendation to the Board of Directors, developed in accordance with the provisions of Article 16 of the Regulation (EU) n° 537/2014 dated 16th April 2014, concerning their appointment or renewal as well as their remuneration;

d) ensuring the independence of the Statutory Auditors in accordance with the regulations in force;

e) approving, in accordance with Article L. 823-19 of the French Commercial Code and the policy adopted by the Board of Directors, the provision of services other than the certification of accounts referred to in Article L. 822-11-2 of the said Code after analysing the risks to the Statutory Auditor's independence and the safeguard measures applied by the latter;

f) reviewing the work programme of the Statutory Auditors and, more generally, monitoring the control of the accounts by the Statutory Auditors in accordance with the regulations in force;

g) ensuring the monitoring of the effectiveness of internal control, risk management and internal audit systems, with regard to the procedures for the preparation and processing of the accounting and financial information. To this end, the Committee is responsible in particular for:

- reviewing the Group's permanent control quarterly dashboard;
- reviewing the internal control and risk control of the business segments, divisions and main subsidiaries;
- reviewing the Group's periodic monitoring programme and giving its opinion on the organisation and functioning of the internal control departments;
- reviewing the follow-up letters from the banking and markets supervisors and issuing an opinion on draft replies to these letters.

h) reviewing the reports prepared in order to comply with the regulations in terms of internal control.

10.3 It regularly reports to the Board of Directors on the performance of its missions, including the outcomes of the mission of certification of the accounts, how this mission contributed to the integrity of the financial information and the role it played in this process. It informs the Board of Directors without delay of any difficulty encountered.

10.4 The Statutory Auditors shall be invited to the meetings of the Audit and Internal Control Committee, unless the Committee decides otherwise. They may also be consulted outside these meetings.

10.5 The Audit and Internal Control Committee or its Chairman also hear the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, as necessary, the managers in charge of drawing up the accounts, internal control, risk control, compliance control and periodic control.

10.6 The Audit and Internal Control Committee is composed of at least three Directors appointed by the Board of Directors, who have the appropriate financial, accounting, or statutory audit skills. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

Article 11: The Risk Committee

11.1 The Risk Committee advises the Board of Directors on the overall strategy and the appetite regarding all kinds of risks, both current and future, and assists it when it controls the implementation of this strategy.

11.2 In particular, it is responsible for:

a) preparing the debates of the Board of Directors on documents relating to risk appetite;

b) reviewing the risk control procedures and is consulted for the setting of overall risk limits;

c) undertaking a regular review of the strategies, policies, procedures and systems used to detect, manage and monitor the liquidity risk and communicating its conclusions to the Board of Directors;

d) issuing an opinion on the Group's global provisioning policy, as well as on specific provisions for significant amounts;

e) reviewing the reports prepared to comply with the banking regulations on risks;

f) reviewing the policy concerning risk control and the monitoring of off-balance sheet commitments, especially in the light of the memoranda prepared to this end by the Finance Division, the Risk Division and the Statutory Auditors;

g) reviewing, as part of its mission, whether the prices for the products and services mentioned in books II and III of the French Monetary and Financial Code and offered to clients are consistent with the Company's risk strategy. When these prices do not correctly reflect the risks, it informs the Board of Directors accordingly and gives its opinion on the action plan to remedy the situation;

h) without prejudice to the Compensation Committee's missions, reviewing whether the incentives provided for by the compensation policy and practices are consistent with the Company's situation with regard to the risks to which it is exposed, its capital and its liquidity, as well as the probability and timing of expected benefits;

i) reviewing the risks associated with the Group's implementation of the guidelines on social and environmental responsibility and the indicators relating to the Conduct as part of the "Culture and Conduct" programme;

j) reviewing the enterprise risk management related to the Company's operations in the United States in accordance with the requirements of the US Federal Reserve's Enhanced Prudential Standard Rules and supervisory guidelines. When acting as US Risk Committee, the Risk Committee operates under a dedicated charter, which forms part of and supplements this Section. The Chairman of the Risk Committee reports the work adopted by the US Risk Committee to the Board of Directors, which validates it.

11.3 It has all information on the Company's risk situation. It may use the services of the Chief Risk Officer or external experts.

11.4 The Statutory Auditors are invited to the meetings of the Risk Committee, unless the Committee decides otherwise. They may also be consulted outside these meetings.

The Risk Committee or its Chairman hear the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, as necessary, the managers responsible for drawing up the accounts, internal control, risk control, compliance control and periodic control.

11.5 The Risk Committee is composed of at least three Directors appointed by the Board of Directors who have knowledge, skills and expertise concerning risks. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

Article 12: The Compensation Committee

12.1 The Compensation Committee prepares the decisions that the Board of Directors adopts concerning compensation, especially those related to the Chairman of the Board of Directors and the Chief Executive Officers *(dirigeants mandataires sociaux)* as well as those that have an impact on the risk and the management of risks in the Company.

12.2 It conducts an annual review of:

a) the principles of the Company's compensation policy;

b) the compensation, allowances and benefits of any kind granted to the Company officers *(mandataires sociaux)* as well as the Effective Senior Managers, if they are different;

c) the compensation policy for regulated employees within the meaning of the banking regulations.

12.3 It controls the compensation of the Chief Risk Officer and the Chief Compliance Officer.

12.4 It receives all information necessary for its mission and in particular the Annual Report sent to the European Central Bank.

12.5 It may be assisted by the internal control services or by external experts.

12.6 In particular, the Committee:

a) proposes to the Board of Directors, in compliance with the regulations applicable to credit institutions, the principles given by the AFEP-MEDEF Corporate Governance Code and professional standards, the principles of the compensation policy for the Chairman of the Board of Directors and the Chief Executive Officers *(dirigeants mandataires sociaux)*, and especially the criteria for the determination, the structure and the amount of this compensation, including allowances and benefits in kind, insurance or pension benefits, and compensation of any kind received from all the Group companies; it ensures their application;

b) prepares the annual performance assessment of the Chief Executive Officers *(dirigeants mandataires sociaux exécutifs)*;

c) proposes to the Board of Directors the policy for performance shares;

d) prepares the decisions of the Board of Directors concerning the employee savings plan.

12.7 It is composed of at least three Directors and includes a Director elected by the employees. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Code[1]. Its composition enables it to exercise a competent and independent judgement on the compensation policies and practices with regard to the management of risks, the equity and the liquidities of the Company.

Article 13: The Nomination and Corporate Governance Committee

13.1 The Nomination and Corporate Governance Committee:

a) is responsible for making proposals to the Board of Directors for the appointment of Directors and Committees members as well as on the succession of the Company officers *(mandataires sociaux)*, especially in the event of an unforeseeable vacancy, after having carried out necessary studies. To this end, it prepares the selection criteria to be submitted to the Board of Directors, proposes to the Board of Directors an objective to be achieved concerning the balanced representation of women and men on the Board of Directors and develops a policy designed to achieve this objective[2];

b) periodically reviews the structure, size, composition and effectiveness of the Board of Directors' work and submits to the Board of Directors any recommendation relevant to the carrying out of the annual assessment of the Board of Directors and its members;

c) periodically reviews the Board of Directors' policies concerning the selection and appointment of the Effective Senior Managers, the Deputy Chief Executive Officers and the Heads of risk, compliance, audit and finance functions; it makes recommendations in this area;

d) is informed in advance of the appointment of the Heads of risk, compliance, audit and finance functions. It is also informed of the appointment of the Heads of Business Units or of Service Units. It is informed of the succession plan for these senior officers *(dirigeants)*;

e) prepares the review by the Board of Directors of corporate governance issues as well as the Board of Directors' work on matters relating to Corporate culture. It proposes to the Board of Directors the presentation of the Board of Directors in the Registration Document and in particular the list of independent Directors.

13.2 It is composed of at least three Directors. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code. The Chief Executive Officer is involved, as necessary, in the Committee's work.

Article 14: Conflicts of interest

14.1 The Director shall inform the Secretary of the Board of Directors of any conflict of interest, including potential ones, in which he/she may be directly or indirectly involved. He/she shall refrain from taking part in the debates and decision-making on related matters.

14.2 The Chairman is in charge of managing conflict of interest situations of the members of the Board of Directors. Where appropriate, he/she refers the matter to the Nomination and Corporate Governance Committee. Regarding conflicts which could affect him/her personally, he/she refers to the Chairman of the Nomination and Corporate Governance Committee.

If necessary, the Chairman may invite a Director having a conflict of interest not to attend the deliberation.

14.3 The Director shall inform the Chairman and the Chairman of the Nomination and Corporate Governance Committee of his/her intention to accept a new mandate, including his/her participation in a Committee, in a listed company that does not belong to a group of which he/she is an executive officer *(dirigeant)*, in order to enable the Board of Directors, based on the Committee's proposal, to decide where appropriate that such an appointment would be inconsistent with the directorship in Societe Generale.

14.4 The Director shall inform the Chairman of the Board of Directors of any conviction for fraud, of any incrimination and/or public sanction, and of any prohibition to manage or administer that may have been pronounced against him/her, as well as any bankruptcy, sequestration or liquidation proceedings to which he/she may have been associated.

14.5 Each Director shall make a sworn statement as to the existence or otherwise of the situations referred to in 14.1 and 14.3: i) upon taking up his/her office, ii) each year in response to the request made by the Secretary of the Board of Directors upon the preparation of the Registration Document, iii) at any time if the Secretary of the Board of Directors requests it and iv) within 10 working days following the occurrence of any event that renders the previous statement made by him/her in whole or in part inaccurate.

(1) For the calculation of the rate of independents within the committees, the AFEP-MEDEF Code does not take employees into account.

(2) The objective and policy of the credit institutions, as well as the terms of implementation, are made public in accordance with paragraph 2 (c) of Article 435 of regulation (EU) n° 575/2013 dated 26 June 2013.

Article 15: Directors' compensation

15.1 The overall amount of the Directors' compensation is set by the General Meeting. The Board of Directors may decide to only partially use it. It may decide to allocate a budget for specific tasks or temporary workload increases for some members of the Board of Directors or of Committees.

15.2 The Chairman and the Chief Executive Officer, when he/she is also a Director, do not receive this compensation.

15.3 As from 1st May 2018, the amount of allocated compensation is reduced by a sum equal to EUR 200,000 to be distributed between the members of the Risk Committee and the members of the Audit and Internal Control Committee gathered as the US Risk Committee. This amount is distributed in equal portions, except for the Chairman of the Risk Committee who has two portions.

The balance is then reduced by a lump sum of EUR 130,000 distributed between the Chairman of the Audit and Internal Control Committee and the Chairman of the Risk Committee.

15.4 The balance is divided into 50% fixed, 50% variable. The number of fixed portions per Director is 6. Additional fixed portions are allocated:

- Chairman of the Audit and Internal Control Committee or of the Risk Committee: 4 portions;
- Chairman of the Nomination and Corporate Governance Committee or of the Compensation Committee: 3 portions;
- Member of the Nomination and Corporate Governance Committee or of the Compensation Committee: 0.5 portion;
- Member of the Audit and Internal Control Committee or of the Risk Committee: 1 portion.

The additional fixed portions may be reduced in proportion to the actual attendance when the attendance over the year is below 80%.

15.5 The variable portion of the compensation is divided up at the end of the year, in proportion to the number of meetings or working meetings of the Board of Directors and of each of the Committees which each Director has attended.

Article 16: Shares held in a personal capacity

16.1 Each Director appointed by the General Meeting (whether in his/her own name or as a permanent representative of a legal entity) must hold the equivalent of at least 1,000 shares. Each Director has a six-month time frame to hold the 600 shares provided for by the By-laws and an additional six-month time frame to increase his/her holding to 1,000 shares.

16.2 Each Director shall refrain from hedging his/her shares.

Article 17: Reimbursement of expenses

17.1 Directors' travel, accommodation, meals and mission expenses pertaining to the meetings of the Board of Directors or of the Committees of the Board of Directors, the General Meeting of Shareholders or any other meetings related to the work of the Board of Directors or the Committees, are paid for or reimbursed by Societe Generale, upon submission of receipts.

At least once a year, the Nomination and Corporate Governance Committee considers these and, as necessary, makes proposals or recommendations.

17.2 As to the Chairman, the Company also pays the expenses necessary for the performance of his/her duties.

17.3 The Secretary of the Board of Directors receives and verifies the relevant supportive documents and ensures that the sums due are paid or reimbursed.

Article 18: Secret

18.1 Each Director is bound by a strict professional secrecy with regard to the confidential information he/she receives, the discussions in which he/she participates, the decisions taken as long as they are not made public as well as with regard to the views expressed by each of them.

18.2 He/she obliges himself/herself to a duty of care and a duty to alert.

CHARTER OF THE U.S. RISK COMMITTEE OF THE SOCIETE GENERALE BOARD OF DIRECTORS

MANDATE

The U.S. Risk Committee ("**Committee**" or the "**USRC**") of the Societe Generale ("**SG**" or "**SG Group**") Board of Directors ("Board") is formed in accordance with the requirements of the Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations ("**EPS Rules**") as promulgated by the Board of Governors of the Federal Reserve System[(1)]) The Committee's mandate is to (a) review all kinds of risks, both current and future, relating to, booked in or arising from SG's business, activities, affairs and operations in the United States, including SG's subsidiaries, branches, agencies and representative offices in the United States (collectively, "**SGUS**"), (b) advise the Board on the overall strategy and the appetite regarding such risks, and (c) assist the Board when it controls the implementation of this strategy; and (d) oversee the adequacy and effectiveness of the SGUS Internal Audit function.

For avoidance of doubt, it is the responsibility of SG and SGUS senior management to identify and assess SGUS' exposure to risk and escalate those risks, and planned mitigants, to the Committee. Although the Committee is responsible for overseeing the SGUS enterprise risk management function and challenging management on SGUS risk issues, it is not the sole body responsible for ensuring that SGUS' risk management function is carried out efficiently and effectively.

CHARTER

This charter forms part of and supplements Section 11.2(j) of the Internal Rules of the SG Board of Directors, as amended from time to time (the "**Internal Rules**"), which forms the USRC. Any topic not covered herein shall be governed by the Internal Rules.

MEMBERSHIP

The Committee is composed of the members of the SG Board's Risk Committee (Comité des Risques), the Chair of the Board's Audit and Internal Control Committee (Comité d'Audit et de Contrôle Interne). and the other members of the Comité d'Audit et de Contrôle Interne unless the Board has provided an exception to one or more of such members. The Committee is chaired by the Chair of the Comité des Risques. If the Committee Chair cannot be present at a meeting, he or she shall delegate the role to the Chair of the Comité d'Audit et de Contrôle Interne.

The Committee shall meet the requirements for independent membership set out in the Internal Rules and shall at all times include at least one member who meets the independence requirements set forth in the EPS Rules.

QUORUM AND COMMITTEE DECISIONS

The presence of at least a majority of the members of the Committee shall constitute a quorum. If a quorum is present, the Committee may act through the vote of a majority of the Directors who are in attendance. Committee members may attend meetings in person, or by video conference or by telephone. Committee decisions may be taken absent a meeting by unanimous written consent.

AGENDA AND COMMITTEE MATERIALS

The Committee shall approve an annual agenda submitted to it by the SGUS Chief Executive Officer after consultation with the SGUS Chief Risk Officer and SGUS General Counsel. The agenda for each meeting is based off the approved annual agenda, with additions and modifications as relevant issues within the USRC's mandate arise each year, which is proposed for Committee approval by the SGUS Chief Executive Officer. Materials for each meeting of the Committee are typically circulated to Committee members no less than five business days prior to meetings.

MEETING FREQUENCY

The Committee may meet as often as it determines is appropriate to carry out its responsibilities under this charter, provided that the Committee shall meet at least once per quarter and generally meets ten times per year. Special meetings of the Committee may be held from time to time.

MEETING MINUTES

The SGUS General Counsel shall be the Secretary of the Committee and shall document the meetings. Minutes shall be circulated to the Committee members prior to the next meeting of the Committee and shall be approved at such subsequent meeting of the Committee. The official records of Committee meetings shall be maintained by the Secretary to the Board.

ROLES AND RESPONSIBILITIES

The mandate of the Committee, including its function of challenging management, is set forth above. The Committee's specific roles and responsibilities in fulfillment of this mandate include the following:

- regularly receive updates from the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, as necessary, other SGUS Managers;
- at least annually, review the SGUS enterprise risk management framework including, but not limited to, the elements of the framework relating to liquidity risk management;
- at least annually, review and, as required, approve the overarching policies establishing the SGUS risk management governance and risk control infrastructure as well as the processes and systems for implementing, monitoring and reporting compliance with such policies;
- on a quarterly basis, review a quarterly report from the U.S. Chief Risk Officer on risks affecting SGUS, which risks include, but are not limited to, liquidity risk. For avoidance of doubt, no member of the SG management has the right to demand changes to or veto the contents of the quarterly Risk Report;
- at least quarterly, and more frequently if needed, conduct in camera meetings with the SGUS Chief Risk Officer with no other SG Group or SGUS personnel present. In addition, the SGUS Chief Risk Officer shall have unfettered access to the USRC should he or she need to report an issue, finding, conclusion, recommendation or analysis to the Committee;
- at least annually, review, and approve the acceptable level of liquidity risk that SG may assume in connection with the operating strategies for its combined U.S. operations (liquidity risk tolerance), taking into account the capital structure, risk profile, complexity, activities, size and SG's enterprise-wide liquidity risk tolerance of such operations;

(1) 79 Fed. Reg. 17, 240 (Mar. 27, 2014), codified at 12 C.F.R. Part 252.

- at least semi-annually, review information sufficient to determine whether SG's combined U.S. operations are operating in accordance with its established liquidity risk tolerance and to ensure that such liquidity risk tolerance is consistent with SG's enterprise-wide liquidity risk tolerance;
- at least annually, review SGUS significant business lines and products to determine whether each creates or has created any unanticipated liquidity risk and whether the liquidity risk of each is within the established liquidity risk tolerance;
- at least annually, review and approve the SGUS contingency funding plan and any material revisions thereto;
- at least annually, review the SGUS business plans, results and strategy;
- on a regular basis, review progress on all SGUS remediation projects arising from prudential supervisory issues;
- at least quarterly, review information about the SGUS corporate compliance framework, including metrics, updates and challenges;
- serve as the ultimate oversight body over SGUS' compliance with U.S. anti-money laundering laws, including the Bank Secrecy Act, Office of Foreign Assets Control regulations, and applicable know-your-customer requirements and, at least annually, review the SGUS framework for compliance with such regulations and requirements;
- annually, review and approve the SGUS Internal Audit function ("**SGIAA**") proposed annual audit plan, SGIAA charter and key performance indicators;
- on a regular basis, review reports from SGIAA relating to: the conclusions of the audit work, including the adequacy of key SGUS risk management processes, areas of higher risk, the status of issues and recommendations, root-cause analysis, and information on significant industry and institution thematic trends;
- on a regular basis, receive a presentation from the SGIAA Chief Audit Executive provided outside of the presence of SGUS senior management (other than the SGUS Chief Executive Officer and the SGUS General Counsel) relating to: the completion status of the annual audit plan, including any significant changes made to such plan; updates on ongoing SGIAA remediation plans, if any; and the results of SGIAA key performance indicators and internal and external quality assurance reviews;
- as and when requested by SGIAA, conduct in camera meetings with the SGIAA Chief Audit Executive. In addition, the SGIAA Chief Audit Executive shall have unfettered access to the USRC should he or she need to report an issue, finding, conclusion, recommendation or analysis to the Committee;
- at least annually: review SGIAA's annual Independent and Objectivity Assertion Presentation and SGIAA's annual skills assessment; assess the ability of SGIAA to operate independently and objectively; and raise any concerns regarding SGIAA to the Group Head of Inspection and Audit and the SGUS CEO; and
- at least annually, receive information and training on a range of topics affecting SGUS. Such topics will change from time to time but will typically include anti-bribery and corruption, human resources, culture & conduct, information technology risk management; cybersecurity, regulatory developments and litigation and enforcement developments.

Additional details on the periodicity of all the foregoing topics are set forth in the annual agenda of the Committee.

For avoidance of doubt, all SGIAA presentations referenced herein shall be made to the Committee and the SGIAA Chief Audit Executive interactions described herein shall be with the Committee. The Group Audit function shall continue to report to the Comité d'Audit et de Contrôle Interne and may in its discretion include information in its reports about any matters relating to SGUS or SGIAA and its work.

Annex A contains a list of all documents scheduled for approval by the Committee on an annual basis. Other items may also be presented to the Committee for approval as needed.

AMENDMENTS TO THIS CHARTER

Amendments to this charter shall be approved by the Committee and the SG Board after prior examination by the Nomination and Corporate Governance Committee of the Board.

USE OF ADVISORS

The Committee may request select, retain and terminate special risk management, legal, financial, accounting, audit or other professional advisors to assist the Committee in performing its responsibilities under this charter at the corporation's expense, after informing the Chairman of the Board of Directors or the Board of Directors itself, and subject to reporting back to the Board thereon. Such retention shall be coordinated by the Committee Chair with the assistance of the Secretary to the Board.

Annex A: List of Items Approved by the Committee Annually

SGUS Risk Appetite Statement
SGUS Liquidity Risk Tolerance
SGUS Enterprise Risk Management Framework
SGUS Contingency Funding Plan
SGUS Liquidity Risk Policy
Proposed USRC training program
Annual U.S. Risk Committee Agenda
SGUS Compliance Risk Management Program Framework document
SGIAA Charter
SGIAA Key Performance Indicators
SGIAA Annual Audit Plan

7.6 LIST OF REGULATED INFORMATION PUBLISHED IN THE LAST 12 MONTHS[1]

Press releases under regulated information

- 21.05.2019 – Annual general meeting and Board of directors dated 21st May 2019
- 12.06.2019 – Result of the option for the payment of the dividend in shares
- 01.08.2019 – Result of the global employee share ownership plan 2019 and new share capital
- 11.12.2019 – Disclosure of regulatory capital requirements as from 1 January 2020

Annual financial report

- 11.03.2019 – Availability of the Registration Document 2019
- 11.03.2019 – Availability of the Annual Financial Report
- 18.03.2019 – Registration Document 2019
- 06.05.2019 – First update to the 2019 Registration Document filed on 6 May 2018
- 06.05.2019 – Availability of the first update of the 2019 Universal Registration Document filed on 6 May 2018
- 05.08.2019 – Availability of the 2019 Universal Registration Document filed on 5 August 2019
- 05.08.2019 – Universal Registration Document
- 08.11.2019 – Availability of the First Amendment to the Universal Registration Document filed on 8 November 2019 under number D19.0738-A01
- 08.11.2019 – First amendment to the Universal Registration Document filed on 8 November 2018 under number D19.0738-A01
- 16.12.2019 – Availability of the Second amendment to the Universal Registration Document filed on 16 December 2019 under number D19.0738-A02
- 16.12.2019 – Second amendment to the Universal Registration Document filed on 16 December 2019 under number D19.0738-A02

Half-yearly financial report

- 05.08.2019 – 2019 interim financial report
- 05.08.2019 – Availability of the 2019 interim financial report

Quarterly financial information

- 03.05.2019 – 1st quarter 2019 Results
- 01.08.2019 – 2nd quarter 2019 Results
- 06.11.2019 – 3rd quarter 2019 Results
- 07.02.2019 – 4th quarter and full-year 2018 results
- 13.02.2019 – Erratum Q4-2019_Calculation of underlying earnings per share

Monthly reports on total amount of voting rights and shares

- 12 report forms

Description of the buyback programmes and statement of the liqudity agreement

- 16.05.2019 – Description of share buyback programme
- 03.07.2019 – Half-year statement on the liquidity agreement
- 01.08.2019 – Update of the liquidity agreement
- 20.02.2020 – Half-year statement on the liquidity agreement
- 25.02.2020 – Information about the number of executed transactions and the exchanged volume regarding the liquidity agreement

Reports on corporate governance

- 11.03.2019 – Availability of the report on corporate governance

Communiques for access to or consultation of the information relative to shareholders' general meetings

- 17.04.2019 – Availability or consultation of the information relating to the Combined General Meeting of shareholders of 21 May 2019

Press release setting out the arrangement for supplying a prospectus

- 21.05.2019 – Information document for the 2019 capital increase reserved for employees

(1) Full information available at www.societegenerale.com under "Regulated information"

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PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

8.1 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT 568

8.2 STATEMENT OF THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT 568

8.3 PERSONS RESPONSIBLE FOR THE AUDIT OF THE ACCOUNTS 568

8.1 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Mr. Frédéric Oudéa

Chief Executive Officer of Societe Generale

8.2 STATEMENT OF THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

I hereby certify, after taking all reasonable measures for this purpose, that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its meaning.

I certify, to the best of my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and are a fair reflection of the assets, liabilities, financial position and profit or loss of the Company and all the undertakings included in the consolidation scope, and that the Management Report (the cross-reference table of the annual financial report in Chapter 9 indicates the contents of said report) presents a fair view of the Company's business, performance and financial position and that of all the undertakings included in the consolidation scope, as well as a description of the main risks and uncertainties to which they are exposed

Paris, 12th March 2020

Chief Executive Officer

Frédéric Oudéa

8.3 PERSONS RESPONSIBLE FOR THE AUDIT OF THE ACCOUNTS

STATUTORY AUDITORS

Name: Ernst & Young et Autres
represented by Mr. Micha Missakian

Address: 1/2 place des Saisons,
92400 Courbevoie – Paris-La Défense (France)

Date of appointment: 22nd May 2012

Date of renewal: 23rd May 2018

Term of office: six financial years

End of current term of office: at the close of the Ordinary General Meeting called to approve the accounts for the year ended 31st December 2023

Name: Deloitte & Associés
represented by Mr. Jean-Marc Mickeler

Address: 6, place de la Pyramide
92908 Paris-La Défense Cedex (France)

Date of first appointment: 18th April 2003

Date of last renewal: 23nd May 2018

Term of office: six financial years

End of current term of office: at the close of the Ordinary General Meeting called to approve the accounts for the year ended 31st December 2023

The companies Ernst & Young et Autres and Deloitte & Associés are registered as Statutory Auditors with the Compagnie régionale des Commissaires aux comptes de Versailles.

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CROSS-REFERENCE TABLES

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9.1 CROSS-REFERENCE TABLES

9.1.1 CROSS-REFERENCE TABLE OF THE UNIVERSAL REGISTRATION DOCUMENT

This cross-reference table contains the headings provided for in Annex 1 (as referred to in Annex 2) of the Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council and repealing Commission Regulation (EC) No 809/2004, and refers to the pages of this Universal Registration Document where the information relating to each of these headings is mentioned.

Headings		Page numbers of the Universal Registration Document
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In accordance with EC Regulation No. 2019/890 dated 14 March 2019, complementary to EC Regulation n° 2017/1129, the following information is included by reference in this Universal Registration Document:

- the parent company and consolidated accounts for the year ended 31st December 2017, the related Statutory Auditors' reports and the Group Management Report presented respectively on pages 454 to 523 and 123, 125, 147, 151 to 154, 166-167, 176, 179 to 183, 191 to 194, 198 to 202, 204 to 206, 217-218, 220 to 222, 301 to 447, on pages 524 to 529 and 448 to 453, and on pages 27 to 67 of the Registration Document D. 18-0112 filed with the AMF on 8th March 2018;
- the parent company and consolidated accounts for the year ended 31st December 2018, the related Statutory Auditors' reports and the Group Management Report presented respectively on pages 469 to 525 and 131, 149, 163-166, 178, 187, 189 to 194, 202 to 205, 209 to 213, 215 to 218, 228-233, 300 to 463, on pages 526–530 and 469-475, and on pages 25 to 65 of the Registration Document D. 19-0133 filed with the AMF on 11th March 2019.

The chapters of the Registration Documents D. 18-0112 and D. 19-0133 not mentioned above do not apply to investors or are covered in another part of this Universal Registration Document.

Both of the aforementioned Registration Documents are available on the Company's website *www.societegenerale.com* and on the AMF's (French Financial Markets Authority) website *www.amf-france.org.*

9.1.2 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

Pursuant to Article 222-3 of the French Financial Markets Authority's General Regulation, the Annual Financial Report referred to in section I of Article L. 451-1-2 of the French Monetary and Financial Code includes the items described in the following pages of the Universal Registration Document:

Annual Financial Report	Page No.
Statement of the person responsible for the Universal Registration Document	568
Management Report	
■ Analysis of results, financial position, risks and main characteristics of internal control and risk management procedures for the preparation and processing of accounting and financial information of the parent company and consolidated Group (Article L. 225-100-1 of the French Commercial Code)	8-28 ; 32-48 ; 56-64 ; 149-296 ; 297-307 ; 351-359 ; 474-480
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9.1.3 CROSS-REFERENCE TABLE FOR THE REGISTRY OF THE COURT

Pursuant to Article L. 232-23 of the French Commercial Code, it is specified that the Universal Registration Document includes the items described in the following pages and/or chapters of the Universal Registration Document:

Financial statements	Page No.
■ Annual accounts	474-535
■ Statutory Auditors' report on the annual accounts	536-540
■ Consolidated accounts	135 ; 147 ; 157-163 ; 172-173 ; 181 ; 183-186 ; 199-211 ; 214-219 ; 231-236 ; 310-468
■ Statutory Auditors' report on the consolidated accounts	469-473

Management Report (Article L. 225-100 of the French Commercial Code)	Chapter No. or page No.
Activities of the Company and of the Group/Declaration of non-financial performance/Others	
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■ Report on corporate governance and related Statutory Auditor's report	70-142
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GLOSSARY OF MAIN TECHNICAL TERMS

ACRONYM TABLE

Acronym	Definition	Glossary
ABS	Asset-Backed Securities	See: Securitisation
CDS	Credit Default Swap	See: Securitisation
CDO	Collateralised Debt Obligation	See: Securitisation
CLO	Collateralised Loan Obligation	See: Securitisation
CMBS	Commercial Mortgage Backed Securities	See: Securitisation
CRD	Capital Requirement Directive	
CVaR	Credit Value at Risk	
EAD	Exposure at default	
EL	Expected Loss	
ESG	Environment, Social and Governance	
G-SIB	Global Systemically Important Banks	See: SIFI
LCR	Liquidity Coverage Ratio	
LGD	Loss Given Default	
NSFR	Net Stable Funding Ratio	
PD	Probability of Default	
RMBS	Residential Mortgage Backed Securities	See: Securitisation
RWA	Risk Weighted Assets	
SVaR	Stressed Value at Risk	
VaR	Value at Risk	

Asset Backed Securities (ABS): see securitisation.

Basel 1 (Accords): prudential framework established in 1988 by the Basel Committee to ensure solvency and stability in the international banking system by setting an international minimum and standardised limit on banks' capital bases. It notably establishes a minimum capital ratio – as a proportion of the total risks taken on by banks – of 8% (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Basel 2 (Accords): prudential framework used to better assess and limit banks' risks. It is focused on banks' credit, market and operational risks (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Basel 3 (Accords): changes to prudential banking standards that supplement the Basel 2 accords by improving the quality and quantity of banks' required capital. They also implement minimum requirements in terms of liquidity risk management (quantitative ratios), define measures to limit the financial system's procyclicality (capital buffers that vary according to the economic cycle) and strengthen requirements related to systemically significant banks (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012). The Basel 3 Accords are implemented in Europe under Directive 2013/36/EU ("CRD4") and Regulation 575/2013 ("CRR"), which have been in force since 1st January 2014.

Bond: a bond is a fraction of a loan, issued in the form of a security, which is tradable and – in a given issue – grants a receivable over the issuer according to the issue's nominal value (the issuer being a company, public sector entity or government).

Cash Generating Unit (CGU): the smallest identifiable set of assets which generates incoming cash flow that is generally independent from the incoming cash flow generated by other assets or sets of assets in accordance with the IAS 36 accounting standard. "In accordance with IFRS standards, a company must determine the largest number of cash generating units (CGU) which make it up; these CGU should be generally independent in terms of operations and the company must allocate assets to each of these CGU. Impairment testing must be conducted at the CGU level periodically (if there are reasons to believe that their value has dropped) or annually (if they include goodwill)." (Source: Les Echos.fr, quoting Vernimmen).

Collateral: transferable asset or guarantee used as a pledge for the repayment of a loan in the event that the borrower cannot meet its payment obligations (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Collateralised Debt Obligation (CDO): see securitisation.

Collateralised Loan Obligation (CLO): see securitisation.

Commercial Mortgage Backed Securities (CMBS): see securitisation.

Common Equity Tier 1 capital: includes principally share capital, associated share premiums and reserves, less prudential deductions.

Common Equity Tier 1 ratio: ratio between **Common Equity Tier 1** capital and risk-weighted assets, according to CRD4/CRR rules. **Common Equity Tier 1** capital has a more restrictive definition than in the earlier CRD3 Directive (Basel 2).

Comprehensive Risk Measurement (CRM): capital charge in addition to Incremental Risk Charge (IRC) for the credit activities correlation portfolio which accounts for specific price risks (spread, correlation, collection, etc.). The CRM is a 99.9% risk factor, meaning the highest risk obtained after eliminating the 0.1% most unfavourable incidents.

Core Tier 1 ratio: ratio between Core Tier 1 capital and risk-weighted assets, according to Basel 2 rules and their changes known as Basel 2.5.

Cost-to-income ratio: ratio indicating the share of net banking income (NBI) used to cover the company's operating costs. It is determined by dividing management fees by the NBI.

Cost of risk in basis points: the cost of risk in basis points is calculated using the ratio of the net cost of commercial risk to loan outstandings at the start of the period.

Net cost of risk corresponds to the cost of risk calculated for on- and off-balance sheet exposures, *i.e.* Depreciation and reversals (used or not used) + Losses on unrecoverable receivables - Recovery of impaired debts. Provisions and reversals of provisions for litigation issues are excluded from this calculation.

CRD3: European Directive on capital requirements, incorporating the provisions known as Basel 2 and 2.5, notably in respect of market risk: improvement in the incorporation of the risk of default or rating migration for assets in the trading book (tranched and untranched assets), and reduction in the procyclicality of Value at Risk (see definition).

CRD4/CRR (Capital Requirement Regulation): Directive 2013/36/EU ("CRD4") and Regulation (EU) No. 575/2013 ("CRR") constitute the corpus of the texts transposing Basel 3 in Europe. They therefore define the European regulations relating to the solvency ratio, large exposures, leverage and liquidity ratios, and are supplemented by the European Banking Authority's ("EBA") technical standards.

Credit and counterparty risk: risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk also includes the counterparty risk linked to market transactions, as well as that stemming from securitisation activities.

Credit Default Swaps (CDS): insurance mechanism against credit risk in the form of a bilateral financial contract, in which the protection buyer periodically pays the seller in return for a guarantee to compensate the buyer for losses on reference assets (government, bank or corporate bonds) if a credit event occurs (bankruptcy, payment default, moratorium, restructuring) (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Credit Value at Risk (CVaR): the largest loss that would be incurred after eliminating the top 1% of the most adverse occurrences, used to set the risk limits for individual counterparties.

Derivative: a financial asset or financial contract, the value of which changes based on the value of an underlying asset, which may be financial (equities, bonds, currencies, etc.) or non-financial (agricultural or other commodities, etc.). Depending on the circumstances, this change may be accompanied by a leverage effect. Derivatives can take the form of securities (warrants, certificates, structured EMTNs, etc.) or contracts (forwards, options, swaps, etc.). Listed derivative contracts are called Futures.

Doubtful loan coverage rate: ratio between portfolio provision and depreciation and doubtful outstandings (customer loans and receivables, loans and receivables with credit institutions, finance leases and basic leases).

Expected Loss (EL): losses that may occur given the quality of a transaction's structuring and all measures taken to reduce risk, such as collateral.

Exposure at default (EAD): Exposure in case of default, exposure incurred by the financial institution in the event of default of a counterparty. The EAD includes both balance sheet and off-balance sheet exposures. Off-balance sheet exposures are converted to their balance sheet equivalent using internal or regulatory conversion factors (drawdown assumption).

Fair value: the amount for which an asset could be exchanged or a liability settled, between informed and consenting parties under normal market conditions.

Gross rate of doubtful outstandings: the ratio between doubtful outstandings and gross book loan outstandings (customer loans and receivables, loans and receivables with credit institutions, finance leases and basic leases).

Haircut: percentage by which the market value of securities is reduced to reflect their value in the context of stress (counterparty or market stress risk). The extent of the reduction reflects the perceived risk.

Impairment: recording of probable loss on an asset (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Incremental Risk Charge (IRC): capital cost incurred due to rating migration risk and risk of issuers' default within a one-year horizon for trading book debt instruments (bonds and CDS). The IRC is a 99.9% risk factor, meaning the highest risk obtained after eliminating the 0.1% most unfavourable incidents.

Insurance risk: beyond asset/liability risk management (interest-rate, valuation, counterparty and currency risk), insurance risk includes underwriting risk, mortality risk and structural risk of life and non-life insurance activities, including pandemics, accidents and catastrophic events (such as earthquakes, hurricanes, industrial disasters, or acts of terrorism or war).

Internal Capital Adequacy Assessment Process (ICAAP): process outlined in Pillar 2 of the Basel Accord, by which the Group verifies its capital adequacy with regard to all risks incurred. Investment grade: long-term rating provided by an external ratings agency, ranging from AAA/Aaa to BBB-/Baa3 for a counterparty or underlying issue. A rating of BB+/Ba1 or lower indicates a Non-Investment Grade instrument.

Leverage ratio: the leverage ratio is intended to be a simple ratio developed with a view to limiting the size of banks' balance sheets. The leverage ratio compares the Tier 1 capital with the accounting balance sheet/off-balance sheet, after restatements of certain items. A new definition of leverage ratio has been implemented in accordance with the application of the CRR.

Liquidity: for a bank, the capacity to cover its short-term maturities. For an asset, this term indicates the potential to purchase or sell it quickly on the market, with a limited discount (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Liquidity Coverage Ratio (LCR): this ratio is intended to promote the short-term resilience of a bank's liquidity risk profile. The LCR requires banks to hold risk-free assets that may be easily liquidated on markets in order to meet required payments for outflows net of inflows during a thirty-day crisis period without central bank support (Source: December 2010 Basel document).

Loss Given Default (LGD): ratio between the loss incurred from exposure to default by a counterparty and the amount of the exposure at the time of default.

Market risk: risk of decline in the value of financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets, including real estate.

Market stress tests: to assess market risks, alongside the internal VaR and SVaR model, the Group monitors its exposure using market stress test simulations to take into account exceptional market occurrences, based on 26 historical scenarios and eight hypothetical scenarios.

Mezzanine: form of financing between equity and debt. In terms of ranking, mezzanine debt is subordinate to senior debt, but it is still above equity.

Minimum requirement of own funds and eligible liabilities (MREL): the EU Bank Recovery and Resolution Directive (BRRD) requires compliance with a minimum ratio of "bail-inable" debt (*i.e.* debt that can be used in the event of the bank's resolution). The MREL requirement is determined on a case-by-case basis for each bank.

Monoline insurer: insurance company participating in a credit enhancement transaction and which guarantees bond issues (for example, a securitisation transaction), in order to improve the issue's credit rating.

Net earnings per share: net earnings of the company (adjusted for hybrid securities recorded under equity instruments) divided by the weighted average number of shares outstanding.

Net Stable Funding Ratio (NSFR): this ratio aims to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding. This structural ratio has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities (Source: December 2010 Basel document).

Netting agreement: a contract in which two parties to a forward financial instrument, securities lending or resale contract agree to offset reciprocal claims arising from these contracts, with the settlement of these claims based only on the net balance, especially in the event of default or termination. A master netting agreement enables this mechanism to be extended to different kinds of transactions, subject to various framework agreements under a master agreement.

Operational risk (including accounting and environmental risk): risk of losses or sanctions, notably due to failures in procedures and internal systems, human error or external events, etc.

Own shares: shares held by the company, especially as part of the Share Buyback programme. Own shares are excluded from voting rights and are not included in the calculation of earnings per share, with the exception of shares held as part of a liquidity contract.

Personal commitment: represented by a deposit, autonomous guarantee or letter of intent. Whoever makes themselves guarantor for an obligation binds themselves to the creditor to honour that obligation, if the debtor does not honour it themselves. An independent guarantee is an undertaking by which the guarantor binds himself, in consideration of a debt subscribed by a third party, to pay a sum either on first demand or subject to terms agreed upon. A letter of intent is an undertaking to do or not to do, the purpose of which is the support provided to a debtor in honouring their obligation.

Physical collateral: guarantees consisting of assets including tangible and intangible property and securities, including commodities, precious metals, cash, financial instruments and insurance contracts.

Prime Brokerage: a bundled package of services dedicated to hedge funds to facilitate and improve their activities. In addition to performing standard brokerage transactions on financial markets (buying and selling on the customer's behalf), the prime broker offers securities lending and borrowing services and financing services specifically suited to hedge funds.

Probability of Default (PD): likelihood that a counterparty of the bank will default within one year.

Rating: assessment by a ratings agency (Moody's, Fitch Ratings, Standard & Poor's) of the financial solvency risk of an issuer (company, government or other public institution) or of a given transaction (bond loan, securitisation, covered bond). The rating has a direct impact on the cost of raising capital (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Resecuritisation: securitisation of an already securitised exposure where the risk associated with underlyings is divided into tranches and, therefore, at least one of the underlying exposures is a securitised exposure.

Residential Mortgage Backed Securities (RMBS): see securitisation.

Return On Equity (ROE): ratio between the net income restated for interest on hybrid securities recorded under equity instruments and restated book equity (especially hybrid securities), which enables return on capital to be measured.

Risk appetite: level of risk, by type and by business line, that the Group is prepared to take on with regard to its strategic objectives. Risk appetite is derived using both quantitative and qualitative criteria. The Risk Appetite exercise is one of the strategic steering tools available to the Group's decision-making bodies.

Risk weight: percentage of weighting of exposures which is applied to a particular exposure in order to determine the related risk-weighted asset.

Risk-Weighted Assets (RWA): value of a bank's assets or exposures, weighted according to risk.

Securitisation: transaction that transfers a credit risk (loan outstandings) to an organisation that issues, for this purpose, tradable securities to which investors subscribe. This transaction may involve a transfer of outstandings (physical securitisation) or a transfer of risk only (credit derivatives). Securitisation transactions may, if applicable, enable securities subordination (tranches).

The following products are considered securitisations:

ABS: Asset Backed Securities.

CDO: Collateralised Debt Obligation, a debt security backed by an asset portfolio (bank loans (residential) or corporate bonds). Interest and principal payments may be subordinated (tranche creation).

CLO: Collateralised Loan Obligation, a CDO backed by an asset portfolio of bank loans.

CMBS: Commercial Mortgage Backed Securities, a debt security backed by an asset portfolio of corporate real estate loans leading to a mortgage.

RMBS: Residential Mortgage Backed Securities, a debt security backed by an asset portfolio of residential mortgage loans.

Share: equity stake issued by a company in the form of shares, representing a share of ownership and granting its holder (shareholder) the right to a proportional share in any distribution of profits or net assets as well as a right to vote in a General Meeting of Shareholders.

Stressed Value at Risk (SVaR): identical to the VaR approach, the calculation method consists of a "historical simulation" with "one-day" shocks and a 99% confidence interval. Unlike the VaR, which uses 260 scenarios of daily variation year-on-year, the stressed VaR uses a fixed one-year window that corresponds to a historical period of significant financial tensions.

Structural interest rate and currency risk: risk of loss or of write-downs in the Group's assets arising from variations in interest or exchange rates. Structural interest rate and exchange rate risks are incurred in commercial activities and proprietary transactions.

Structured issue or structured product: a financial instrument combining a bond product and an instrument (an option for example) providing exposure to all types of asset (equities, currencies, interest rates, commodities). Instruments can include a total or partial guarantee in respect of the invested capital. The term "structured product" or "structured issue" also refers to securities resulting from securitisation transactions, where holders are subject to a ranking hierarchy.

Systemically Important Financial Institution (SIFI): the Financial Stability Board (FSB) coordinates all of the measures to reduce moral hazard and risks to the global financial system posed by Globally Systemically Important Financial Institutions (G-SIFI). These banks meet criteria defined in the Basel Committee rules included in the document titled "Global Systemically Important Banks: Assessment methodology and the additional loss absorbency requirement" and published as a list in November 2011. This list is updated by the FSB each November. Banks classified as G-SIBs are subject to increasingly strict capital requirements.

Tier 1 capital: comprises Common Equity Tier 1 capital and Additional Tier 1 capital. The latter corresponds to perpetual debt instruments, with no incentive to redeem, less prudential deductions.

Tier 2 capital: supplementary capital consisting mainly of subordinated notes less prudential deductions.

Tier 1 ratio: ratio between Tier 1 capital and risk-weighted assets.

Total capital ratio or Solvency ratio: ratio between total (Tier 1 and Tier 2) capital and risk-weighted assets.

Total Loss Absorbing Capacity (TLAC): on 10th November 2014, the Financial Stability Board (FSB) published for public consultation a term sheet proposing a "pillar 1" type requirement regarding loss-absorbing capacity in the event of resolution. This new requirement only applies to G-SIBs (Global Systemically Important Banks). It is a ratio of liabilities considered to be "bail-inable" in the event of resolution and calculated with respect to weighted risks or the leverage ratio denominator (Source: *Revue de l'ACPR*, No. 25).

Transformation risk: appears as soon as assets are financed through resources with a different maturity. Due to their traditional activity of transforming resources with a short maturity into longer-term maturities, banks are naturally faced with transformation risk which itself leads to liquidity and interest-rate risk. Transformation occurs when assets have a longer maturity than liabilities; anti-transformation occurs when assets are financed through longer-maturity resources.

Treasury shares: shares held by a company in its own equity through one or several intermediary companies in which it holds a controlling share either directly or indirectly. Treasury shares are excluded from voting rights and are not included in the calculation of earnings per share.

Value at Risk (VaR): composite indicator used to monitor the Group's daily market risk exposure, notably for its trading activities (99% VaR in accordance with the internal regulatory model). It corresponds to the greatest risk calculated after eliminating the top 1% of most unfavourable occurrences observed over a one-year period. Within the framework described above, it corresponds to the average of the second and third largest losses computed.

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