SOCIETE GENERALE

31.12.2020

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited figures)

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1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET - ASSETS

(In EUR m)		31.12.2020	31.12.2019
Cash, due from central banks		168,179	102,311
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	429,458	385,739
Hedging derivatives	Notes 3.2 and 3.4	20,667	16,837
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	52,060	53,256
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	15,635	12,489
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	53,380	56,366
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	448,761	450,244
Revaluation differences on portfolios hedged against interest rate risk		378	401
Investments of insurance companies	Note 4.3	166,854	164,938
Tax assets	Note 6	5,001	5,779
Other assets	Note 4.4	67,341	68,045
Non-current assets held for sale		6	4,507
Investments accounted for using the equity method		100	112
Tangible and intangible fixed assets *	Note 8.4	30,088	30,844
Goodwill	Note 2.2	4,044	4,627
Total		**1,461,952**	**1,356,495**

* *The amount has been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

CONSOLIDATED BALANCE SHEET - LIABILITIES

(In EUR m)		**31.12.2020**	**31.12.2019**
Due to central banks		1,489	4,097
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	390,247	364,129
Hedging derivatives	Notes 3.2 and 3.4	12,461	10,212
Debt securities issued	Notes 3.6 and 3.9	138,957	125,168
Due to banks	Notes 3.6 and 3.9	135,571	107,929
Customer deposits	Notes 3.6 and 3.9	456,059	418,612
Revaluation differences on portfolios hedged against interest rate risk		7,696	6,671
Tax liabilities	Note 6	1,223	1,409
Other liabilities *	Note 4.4	84,937	85,254
Non-current liabilities held for sale		-	1,333
Insurance contracts related liabilities	Note 4.3	146,126	144,259
Provisions	Note 8.3	4,775	4,387
Subordinated debts	Note 3.9	15,432	14,465
Total liabilities		**1,394,973**	**1,287,925**
Shareholders' equity			
Shareholders' equity, Group share			
Issued common stocks and capital reserves		22,333	21,969
Other equity instruments		9,295	9,133
Retained earnings		32,076	29,558
Net income		(258)	3,248
Sub-total		**63,446**	**63,908**
Unrealised or deferred capital gains and losses	Note 7.3	(1,762)	(381)
Sub-total equity, Group share		**61,684**	**63,527**
Non-controlling interests		5,295	5,043
Total equity		**66,979**	**68,570**
Total		**1,461,952**	**1,356,495**

* *The amount has been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

CONSOLIDATED INCOME STATEMENT

(In EUR m)		2020	2019
Interest and similar income	Note 3.7	20,721	23,712
Interest and similar expense	Note 3.7	(10,248)	(12,527)
Fee income	Note 4.1	8,529	9,068
Fee expense	Note 4.1	(3,612)	(3,811)
Net gains and losses on financial transactions		2,851	4,460
o/w net gains and losses on financial instruments at fair value through profit or loss	*Note 3.1*	*2,785*	*4,343*
o/w net gains and losses on financial instruments at fair value through other comprehensive income		*69*	119
o/w net gains and losses from the derecognition of financial instruments at amortised cost		*(3)*	(2)
Net income from insurance activities	Note 4.3	2,124	1,925
Income from other activities	Note 4.2	11,471	11,629
Expenses from other activities	Note 4.2	(9,723)	(9,785)
Net banking income		**22,113**	**24,671**
Personnel expenses	Note 5	(9,289)	(9,955)
Other operating expenses *	Note 8.2	(5,821)	(6,240)
Amortisation, depreciation and impairment of tangible and intangible fixed assets *	Note 8.4	(1,604)	(1,532)
Gross operating income		**5,399**	**6,944**
Cost of risk	Note 3.8	(3,306)	(1,278)
Operating income		**2,093**	**5,666**
Net income from investments accounted for using the equity method		3	(129)
Net income / expense from other assets		(12)	(327)
Value adjustment on goodwill	Note 2.2	(684)	-
Earnings before tax		**1,400**	**5,210**
Income tax	Note 6	(1,204)	(1,264)
Consolidated net income		**196**	**3,946**
Non-controlling interests		454	698
Net income, Group share		**(258)**	**3,248**
Earnings per ordinary share	Note 7.2	**(1.02)**	**3.05**
Diluted earnings per ordinary share	Note 7.2	**(1.02)**	**3.05**

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In EUR m)	**2020**	**2019**
Consolidated net income	**196**	**3,946**
Unrealised or deferred gains and losses that will be reclassified subsequently into income	**(1,353)**	**844**
Translation differences	(1,776)	563
Revaluation of debt instruments at fair value through other comprehensive income	247	(28)
Revaluation differences for the period	*317*	*48*
Reclassified into income	*(70)*	*(76)*
Revaluation of available-for-sale financial assets	117	188
Revaluation differences for the period	*123*	*190*
Reclassified into income	*(6)*	*(2)*
Revaluation of hedging derivatives	154	153
Revaluation differences of the period	*138*	*195*
Reclassified into income	*16*	*(42)*
Unrealised gains and losses of entities accounted for using the equity method	-	1
Related tax	(95)	(33)
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	**(79)**	**(160)**
Actuarial gains and losses on defined benefit plans	(53)	(32)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss	(79)	(121)
Revaluation of equity instruments at fair value through other comprehensive income	16	(48)
Unrealised gains and losses of entities accounted for using the equity method	-	3
Related tax	37	38
Total unrealised or deferred gains and losses	**(1,432)**	**684**
Net income and unrealised or deferred gains and losses	**(1,236)**	**4,630**
o/w Group share	*(1,640)*	*3,903*
o/w non-controlling interests	*404*	*727*

CHANGES IN SHAREHOLDERS' EQUITY

	Shareholders' equity, Group share							
(In EUR m)	Issued common stocks and capital reserves	Other equity instruments	Retained earnings	Net income, Group share	Unrealised and deferred gains and losses	Total	Non-controlling interests	Total consolidated shareholder's 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 and remuneration of equity instruments	1,011	23	(731)	-	-	303	(33)	270
Elimination of treasury stock	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***
At 31 December 2019	**21,969**	**9,133**	**29,558**	**3,248**	**(381)**	**63,527**	**5,043**	**68,570**
Allocation to retained earnings	6	-	3,229	(3,248)	13	-	-	-
At 1 January 2020	**21,975**	**9,133**	**32,787**	**-**	**(368)**	**63,527**	**5,043**	**68,570**
Increase in common stock and issuance / redemption and remuneration of equity instruments (see Note 7.1)	-	162	(628)	-	-	(466)	(33)	(499)
Elimination of treasury stock (see Note 7.1)	316	-	(57)	-	-	259	-	259
Equity component of share-based payment plans (see Note 5.3)	42	-	-	-	-	42	-	42
2020 Dividends paid (see Note 7.2)	-	-	-	-	-	-	(91)	(91)
Effect of changes of the consolidation scope (see Note 7.1)	-	-	80	-	-	80	(21)	59
Sub-total of changes linked to relations with shareholders	***358***	***162***	***(605)***	***-***	***-***	***(85)***	***(145)***	***(230)***
2020 Net income	-	-	-	(258)	-	(258)	454	196
Change in unrealised or deferred gains and losses	-	-	-	-	(1,394)	(1,394)	(57)	(1,451)
Other changes	-	-	(106)	-	-	(106)	-	(106)
Sub-total	***-***	***-***	***(106)***	***(258)***	***(1,394)***	***(1,758)***	***397***	***(1,361)***
At 31 December 2020	**22,333**	**9,295**	**32,076**	**(258)**	**(1,762)**	**61,684**	**5,295**	**66,979**

CASH FLOW STATEMENT

(In EUR m)	2020	2019
Consolidated net income (I)	**196**	**3,946**
Amortisation expense on tangible and intangible fixed assets (including operational leasing) *	5,263	5,218
Depreciation and net allocation to provisions	1,937	(3,284)
Net income/loss from investments accounted for using the equity method	(3)	129
Change in deferred taxes	496	295
Net income from the sale of long-term assets and subsidiaries	(74)	(84)
Other changes *	(757)	1,258
Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)	**6,862**	**3,532**
Income on financial instruments at fair value through profit or loss	6,077	5,267
Interbank transactions	42,149	14,554
Customers transactions	43,790	5,429
Transactions related to other financial assets and liabilities	(21,347)	(36,748)
Transactions related to other non-financial assets and liabilities	3,064	14,424
Net increase/decrease in cash related to operating assets and liabilities (III)	**73,733**	**2,926**
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	**80,791**	**10,404**
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments	(1,275)	234
Net cash inflow (outflow) related to tangible and intangible fixed assets	(5,588)	(7,210)
Net cash inflow (outflow) related to investment activities (B)	**(6,863)**	**(6,976)**
Cash flow from/to shareholders	24	(1,219)
Other net cash flow arising from financing activities	2,109	3,229
Net cash inflow (outflow) related to financing activities (C)	**2,133**	**2,010**
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	(2,596)	1,386
Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C) + (D)	**73,465**	**6,824**
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 start of the year	**108,480**	**101,656**
Cash, due from central banks (assets)	168,179	102,311
Due to central banks (liabilities)	(1,489)	(4,097)
Current accounts with banks (see Notes 3.5 and 4.3)	26,609	21,843
Demand deposits and current accounts with banks (see Note 3.6)	(11,354)	(11,577)
Cash and cash equivalents at the end of the year	**181,945**	**108,480**
Net inflow (outflow) in cash and cash equivalents	**73,465**	**6,824**

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 9 February 2021.

NOTE 1 - SIGNIFICANT ACCOUNTING PRINCIPLES

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 2020 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date. The Group includes the parent company Societe Generale (including the Societe Generale foreign branches) and all of the entities in France and abroad that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates).

These standards are available on the European Commission website.

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 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 the notes to the consolidated financial statements 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, particularly affected by the effects of the Covid-19 crisis.

The Group has elected to publish its Annual Financial Report 2020 using the European Single Electronic Format (ESEF) as defined by the European Delegated Regulation 2019/815 amended by the Delegated Regulation 2020/1989.

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.

2. NEW ACCOUNTING STANDARDS APPLIED BY THE GROUP AS AT 1 JANUARY 2020

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in the framework of interest rate benchmark reform (IBOR reform)

Amendments to IFRS 3 "Business Combinations"

Amendments to IAS 1 and IAS 8 "Definition of Material"

Amendments to IFRS 16 « leases » Covid-19 related rent concessions

AMENDMENTS TO IFRS 9 "FINANCIAL INSTRUMENTS", IAS 39 "FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT", IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES", IFRS 4 "INSURANCE CONTRACTS", IFRS 16 "LEASES"

In the context of the interest rate reform – or IBOR reform – currently being implemented (see Note 10), the accounting standards applicable have been amended by the IASB.

The objective of the first amendments, implemented by the Group since 31 December 2019, is to enable the continued application of hedge accounting treatments despite uncertainties regarding the timetable and specifics regarding the transition from current interest rate benchmarks to new ones; and to do so despite any possible changes to financial instruments indexed on the current interest rate benchmarks. These amendments have introduced exemptions relating mainly to compliance with the following requirements:

– the hedged cash flows must be highly probable,

– the hedges must be highly effective,

– the hedged risk has to be identifiable.

These amendments will remain applicable until the uncertainties have been resolved. Specific information on the hedging financial instruments concerned are disclosed in the Notes (see Note 3.2.2).

Supplementary amendments have been introduced by the IASB regarding the treatment of the changes in financial instruments contracts in the framework of the IBOR reform. Adopted by the European Union on 14 January 2021, they were early-applied by the Group in its financial statements as at 31 December 2020.

These supplementary amendments provide for the application of the following treatments:

- changes brought about by the IBOR reform in the determination of the contractual cash flows, when performed on an economically equivalent basis, should be booked as a revision of the variable interest rate when measuring financial assets and liabilities at amortised cost, financial assets at fair value through other comprehensive income and lease liabilities (see Note 3 "Financial instruments" and Note 3.7 Interest income and expense);
- continuation of the hedging relationship when changes are made, in the framework of the IBOR reform, on the hedged item and/or the hedging instrument and leading to a new documentation of the hedge (see Note 3.2.2 Financial instruments – Hedging derivatives).

During 2020, the implementation of the IBOR reform triggered changes in the assessment of some derivative financial instrument contracts cleared through Clearing Houses (LCH, CME) as well as in the remuneration of the collateral deposits associated. Regarding financial instrument agreements, the changes in value resulting from changes in discount rates have been compensated in cash without any impact on the Group's income statement.

AMENDMENTS TO IFRS 3 "BUSINESS COMBINATIONS"

These amendments clarify the implementation guide 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.

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

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

These amendments are intended to clarify the definition of 'material' in order to facilitate the exercise of judgement during the preparation of financial statements, particularly when selecting the information to be presented in the Notes.

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

AMENDMENTS TO IFRS 16 "LEASES" - COVID-19 RELATED RENT CONCESSIONS

These amendments are intended to optionally enable lessees who receive rent reliefs in the context of the Covid-19 pandemic not to analyse whether the granted concessions should be accounted for as changes to leases (which would imply a spreading into the income statement of the effects of the granted benefit over the term of the contract) but to account for these reliefs as negative variable leases (generating an immediate gain in the income statement).

In 2020, the Group did not have any rent reliefs consecutive of the Covid-19 crisis.

FOLLOW-UP ON IFRS INTERPRETATIONS COMMITTEE (IFRS IC) DECISIONS ON 26 NOVEMBER 2019 RELATED TO IFRS 16

During its 26 November 2019 meeting, the IFRS IC specified two major points for the application of the IFRS 16 principles:

- to assess the enforceability of the agreement and determine the lease term within enforcement period one should take account of all the economic aspects of the agreement, the intents and capacities of all parties, and not only of the contractual terms (contractual termination penalties, for example);
- the assumptions used to determine the lease term and those used to determine the depreciation period of any layouts associated with the lease shall be aligned.

The ANC issued a new statement of conclusions on French commercial leases (called "3/6/9" leases) taking into account the clarifications provided by the IFRS IC.

In 2020, the Group reviewed the enforcement periods and durations to be selected for the commercial leases of its retail networks in France; some of these leases, having been extended tacitly each year, had not resulted, on 1 January 2019, in the recognition of any lease debt or right-of-use.

This revision of the duration is reflected in the consolidated financial statements through the recognition, from 1 January 2019, of a supplementary lease debt and a right-of-use which amounted to 192 million euros as at 31 December 2019.

The impact on the 2019 income of the substitution of the depreciation expense and interest expense on the lease debt to the lease expenses amounts to 45 million euros.

3. ACCOUNTING STANDARDS, AMENDMENTS OR INTERPRETATIONS TO BE APPLIED BY THE GROUP IN THE FUTURE

IASB published accounting standards and amendments, some of which have not been adopted by the European Union as at 31 December 2020. They are required to be applied for annual periods beginning on 1st January 2021 at the earliest or on the date of their adoption by the European Union.

The accounting standards and amendments which have therefore not been applied by the Group as at 31 December 2020 and their implementation timetable are as follows:

2022

- Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets - Onerous contracts - Cost of fulfilling a contract"
- Annual improvements to IFRS standards (2018 - 2020 cycle)

2023

- IFRS 17 "Insurance Contracts"

AMENDMENTS TO IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS - ONEROUS CONTRACTS – COST OF FULFILLING A CONTRACT"

Issued by IASB on 14 May 2020.

These amendments clarify the costs to be retained in determining the costs of fulfilling a contract when analysing onerous contracts.

ANNUAL IMPROVEMENTS TO IFRS STANDARDS (2018-2020 CYCLE)

Issued by IASB on 14 May 2020.

As part of the annual Improvements to the International Financial Reporting Standards (IFRS), the IASB has issued minor amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial instruments”, IAS 41 “Agriculture” and IFRS 16 “Leases”.

IFRS 17 "INSURANCE CONTRACTS"

Issued by IASB on 18 May 2017.

This new standard will replace IFRS 4 “Insurance Contracts” issued in 2004 which currently allows entities to apply national accounting regulations for the recognition of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts within its scope application (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised as liabilities on the balance sheet will be replaced by an assessment of current value of the insurance contracts.

On 25 June 2020, the IASB issued amendments to IFRS 17 "Insurance Contracts" to facilitate its implementation.

These amendments to IFRS 17 include the postponement to 1st January 2023 of its first application date originally set for 1 January 2021. In parallel, an amendment to the IFRS 4 Standard has also been published to extend until 1 January 2023 the ability for entities whose primary activity is insurance to delay the application of IFRS 9. As at 15 December 2020, the European Commission published the Regulation (EU) 2020/2097 which allows the financial conglomerates falling within the scope of Directive 2002/87/EC to postpone until the 1 January 2023 the implementation of IFRS 9 by their entities belonging to the insurance sector.

In 2018, the Group completed the scoping of a project to implementing the IFRS 17 standard in order to determine the stakes and impacts for the Insurance business line.

Over the course of 2019, a project structure was set up under the joint governance of the Group's Finance Divisions and the Insurance business line.

In 2019 and 2020, the work has focused on reviewing the different types of contracts, the analysis of their accounting treatment under IFRS 17 and their presentation in the consolidated financial statements and finally the study and choice of information systems and processes.

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, on the Unrealised or deferred gains and losses on the valuation of assets and liabilities in the balance sheet, and on the 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 nature, valuations based on estimates involve risks and uncertainties concerning their occurrence in the future. Consequently, the actual future results may differ from these estimates and have a significant impact on the financial statements.

The assumptions and the estimates made for the preparation of these consolidated financial statements have changed since the previous annual closing to reflect the current uncertainties about the consequences, duration and magnitude of the economic crisis generated by the Covid-19 pandemic. The effects of this crisis on the assumptions and estimates used are specified in the 5th part of this note.

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;
- assumptions and amortisation conventions used to determine the maturities of financial assets and liabilities for the purpose of measuring and monitoring the structural interest rate risks and documenting the related macro fair value hedge accounting (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);

- the determination of the lease period to be applied in determining the right-of-use assets and the lease liability (see Note 8.4).

BREXIT

The United Kingdom organised on 23 June 2016 a referendum at which a majority of British people voted to leave the European Union (Brexit).

After having been postponed several times, the United Kingdom withdrawal agreement entered into force on 31 January 2020 with transition period which ended on 31 December 2020. The law of European union has also ceased to apply to the United Kingdom since 1 January 2021.

Despite the unfavourable health and political context, the negotiations conducted between the United-Kingdom and the European Union resulted on 24 December 2020 in a Trade and cooperation agreement excluding financial services. To date, there is merely a European equivalence for the use of Clearing Houses for an 18-month period from 1 January 2021.

The Group had anticipated these difficulties and has thus maintained the measures already in place from 31 January 2020 to provide continuity of service to its customers (in particular, reorganisation and migration of some customer accounts between the two platforms in Paris and London). Furthermore, the Group has been granted a transitional authorisation to continue its activities in London for two years, subject to compliance with local regulatory standards.

Thus, areas of uncertainties remain with regard to financial services and the terms and conditions for obtaining equivalences on one side, and to the potential increase in the divergences between local regulations and European regulations on the other side.

The Group continues to follow these negotiations and has taken account of the short-/mid-/long-term consequences of the Brexit in the assumptions and estimates selected to prepare the consolidated accounts.

5. COVID-19

The Covid-19 pandemic is causing a health crisis and an economic shock of historic proportions. The containment measures imposed by many governments to stop the spread of virus have led to a collapse of global activity during 2020: the crisis is affecting both the supply of goods and services through containment measures and demand through declining corporate and household incomes. Governments and central banks have massively intervened to mitigate the effects of this shock by providing significant support in term of liquidity and credit guarantees to the economy.

High uncertainties remain about the consequences, magnitude and duration of the crisis.

In this context, the Group decided during the second quarter to take a multi-scenario approach. This one served to analyse the effects on the Group activities in order to take into account the assumptions and estimates used by the Group in the preparation of the half-year consolidated financial statements. These scenarios have been updated at the end of 2020 for the preparation of annual financial consolidated statements.

Links to the numerous publications of regulatory authorities and of the IASB, the Group has also made some adjustments in methodology and has taken into account support measures decided by the government authorities for the application of the principles for measuring expected credit losses. Indeed, as part of the economic emergency plan implemented by the French authorities offering cashflow support to the companies weakened by the crisis, the Group has proposed to some of its clients adjustments to their loans facilities in the form of moratoriums (deferral of the payment date without waiving interest in most cases) and has actively contributed to the massive granting processes of State Guaranteed Loans (PGE). Similar measures have also been implemented in different countries where the Group operates.

These different elements consequent to the Covid-19 crisis are detailed below to shed light on the financial consequences of the crisis and on their implementation in the preparation of the consolidated financial statements.

DEFINITION OF NEW MACROECONOMIC SCENARIOS

To prepare its financial statements, the Group uses macroeconomic scenarios in the expected credit losses measurement models including forward-looking data (see Note 3.8).

These scenarios are developed by the Societe Generale Department of Economic and Sector Studies for all the Group entities. A weighting ratio is attributed to each scenario and the outputs from the models correspond to a weighted average of these scenarios.

In the second quarter 2020, the Group developed four new macro-economic scenarios to better reflect the impacts and uncertainties generated by the Covid-19 crisis.

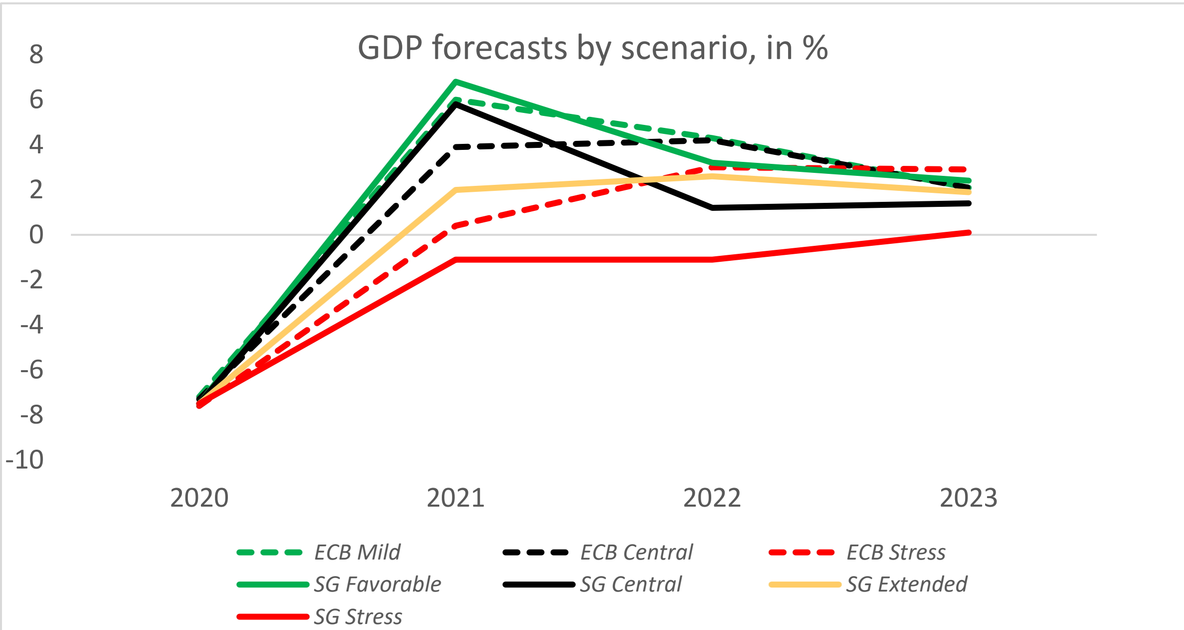
On 31 December 2020, the Group maintained the coexistence of four scenarios owing to a still high level of uncertainty, and adjusted them to reflect the perspectives at that date:

– the central scenario (SG Central) expects, after a significant fall in GDP in the countries where the Group has been operating in 2020, a gradual rebound from 2021, considering that the travel restrictions measures will be lifted by the beginning of 2022;

– a scenario of prolonged health crisis (SG Extended) expects that the travel restrictions measures will be lifted by the beginning of 2023;

– lastly, two scenarios, one favourable and one stress supplement these two scenarios. These two last scenarios are less severe as at 30 June 2020 owing to a better controlled environment due by strengthening support measures.

The illustration below compares the GDP previsions in the Euro area used by the Group for each scenario with the previsions provided by ECB in December 2020. By the end of 2021, the scenarios adopted by the Group are within the range of the ECB scenarios.



The main variables used (GDP percentage growth for the main countries where the Group operates and profit margins of French companies) for each scenario are detailed below:

SG Favourable scenario	2021	2022	2023	2024	2025
France GDP	7.5	3.0	2.5	2.8	1.9
Profit margin of French companies	33.6	32.4	32.7	33.8	32.3
Euro area GDP	6.8	3.2	2.4	2.7	1.8
United States GDP	4.7	4.8	3.4	3.2	2.2
China GDP	8.2	6.8	5.6	5.5	4.4
Czech Republic GDP	6.8	3.5	3.0	3.5	2.5
Romania GDP	6.7	3.6	3.0	4.0	3.0

SG Central scenario	2021	2022	2023	2024	2025
France GDP	6.5	1.0	1.5	1.8	1.9
Profit margin of French companies	33.0	32.2	32.2	32.2	32.5
Euro area GDP	5.8	1.2	1.4	1.7	1.8
United States GDP	3.7	2.8	2.4	2.2	2.2
China GDP	7.2	4.8	4.6	4.5	4.4
Czech Republic GDP	5.8	1.5	2.0	2.5	2.5
Romania GDP	5.7	1.6	2.0	3.0	3.0

SG Extended scenario	2021	2022	2023	2024	2025
France GDP	2.0	3.0	2.5	1.8	1.9
Profit margin of French companies	30.5	31.4	32.0	32.0	31.9
Euro area GDP	2.0	2.6	1.9	1.7	1.8
United States GDP	0.4	3.3	2.4	2.2	2.2
China GDP	3.8	5.2	4.8	4.5	4.4
Czech Republic GDP	2.0	0.3	1.3	2.2	2.3
Romania GDP	2.0	1.8	2.0	3.0	3.0

SG Stress scenario	2021	2022	2023	2024	2025
France GDP	(0.8)	(1.0)	0.5	1.3	1.9
Profit margin of French companies	29.7	29.4	30.0	30.0	31.9
Euro area GDP	(1.1)	(1.1)	0.1	1.2	1.8
United States GDP	(3.0)	0.1	0.9	1.7	2.2
China GDP	0.5	2.0	3.2	4.0	4.4
Czech Republic GDP	(1.1)	(2.1)	0.2	1.9	2.5
Romania GDP	(1.2)	(1.3)	0.5	2.5	3.0

WEIGHTING OF THE MACROECONOMIC SCENARIOS

On 31 December 2020, the SG Central scenario has been updated as described in the "Definition of macroeconomic parameters" paragraph. The analysis of the consequences of the first lockdown and the proposed governmental support measures has enabled the Groupe, as part of the annual budget process, to review the SG Central scenario. Thus, the SG Central scenario takes into account more precisely the uncertainties related to COVID19 crisis and its future consequences.

Presentation of the changes in weighting:

	31 December 2019	30 June 2020	31 December 2020
SG Central	74%	65%	65%
SG Extended	-	25%	10%
SG Stress	16%	5%	15%
SG Favourable	10%	5%	10%

CALCULATION OF EXPECTED CREDIT LOSSES

The main evolutions of the year concerned:

- the update of the models of expected credit losses to take into account the impact of the new macroeconomic scenarios described above;
- adjustments of the models to better reflect the impact of the scenarios on the expected credit losses;
- the update of sector adjustments and adjustments on the scope of entities that do not use developed model;
- the inclusion of support measures for customers weakened by the crisis in connection with the government authorities.

The impacts of these changes of the valuation and the accounting of expected credit losses are presented in the Note 3.8.

Based on the scenarios and weightings mentioned above, and after taking into account the methodological adjustments and support measures, the Cost of risk for the financial year 2020 amounts to a net expense of 3,306 million euros, increasing by 2,028 million euros (159%) compared to the financial year 2019.

Using weighting of 10% for the scenario SG Central, of 65% for the scenario SG Extended, of 10% for the scenario SG Favourable and of 15% for the scenario SG Stress*,* the impact would be an extra allocation of 131 million euros.

COVID-19 SUPPORT MEASURES

The terms of the moratoriums varied from country to country. In the large majority of cases, they have been included in mass schemes (i.e. broadly applied to all outstanding company loans, with no specific granting conditions).

In France, the moratoriums took the form of a six-month payment deferment on loans (until twelve months for the tourism moratoriums) granted to corporates and professionals (principal and interests), with interests on the deferral charged only on the principal. For the French Retail Banking, the outstandings of these moratoriums represented 23.1 billion euros, of which the majority has now expired, with a resumption for most customer of reimbursements without incident.

Abroad, various cases have been observed, both over the duration of the moratorium, and over its terms (interest charged or not for the deferment).

From an accounting point of view, these moratoriums were not considered as substantial modifications of the contractual cash flows of the loans to which they were applied, and therefore did not result in the derecognition of these loans. The application of the IFRS 9 provisions relating to the modification of financial assets (catch-up method with recording of a charge in profit or loss representative of a loss of interests) had no material effect on the financial statements of the Group.

As recommended by the prudential and supervisory authorities, and repeated over by the IASB in a press release of 27 March 2020, the granting of moratoriums directly related to the cash flow difficulties generated by the occurrence of the Covid-19 crisis did not lead to the automatic transfer of these credit outstandings into Stage 2 (under-performing assets), nor into Stage 3 (credit-impaired assets). A case-by-case analysis was conducted on the most significant exposures, and on those with increased risks particularly due to their ante-crisis Basel scoring. At the end of December 2020, 7.5 billion euros of these outstandings are classified in Stage 2 and 730 million euros are downgraded to Stage 3.

In France, in addition to the moratoriums, the Group's entities have contributed to the implementation of support measures decided by the authorities through the study and allocation of State Guaranteed Loans.

Thus, the Group offers until June 2021 to its customers affected by the crisis (professionals and corporate customers) the allocation of State Guaranteed Loan facilities (PGE) within the framework of the 2020 French Amending Finance Act and the conditions set by the decree of 23 March 2020. These are financings made at cost price and guaranteed by the government up to 90% (with a waiting period of two months after the disbursement at the end of which the guarantee period begins). With a maximum amount corresponding in the general case to three months of turnover before taxes, these loans come with a one-year repayment exemption. At the end of this year, the customer can repay the loan, or amortise it over one to five more years, with the possibility of extending the capital franchise for one year. The remuneration conditions of the guarantee are set by the State and are applicable by all French banking institutions: the bank keeps only one share of the guarantee premium paid by the borrower (the amount of which depends on the size of the company and the maturity of the loan) remunerating the risk it bears and which corresponds to the part of the loan not guaranteed by the State (i.e. between 10% and 30% of the loan depending on the size of the borrower).

The State Guaranteed Loans contractual characteristics are those of basic loans (SPPI criterion) and these loans are held by the Group as part of a business model whose objective is to collect contractual cash flows until their maturity; as a result, these loans have been recorded in the consolidated balance sheet under Customer loans at amortised cost.

As at 31 December 2020, the State Guaranteed Loans granted by the Group represent a credit outstanding of approximately 18.6 billion euros (of which 3.4 billion euros classified in Stage 2 and 433 million euros in Stage 3). The State Guaranteed Loans granted by the French Retail Banking amount to 16.7 billion euros (of which 3.3 billion euros classified in Stage 2 and 390 million euros in Stage 3) and new State Guaranteed Loans will be granted until the deadline for granting set by the State on 30 June 2021.

When initially recognised, these loans are recorded at their nominal value, as the Group considers that it is representative of their fair value; and an impairment for expected credit loss based on a probability of default at one year is recorded taking into account the effects of the guarantee insofar as it is an integral part of the loan. The models for calculating expected credit losses also take into account the probabilities of exercise of the extension options, the amount of the loan not guaranteed by the State as well as the waiting period in the enforcement of the guarantee.

The amount of expected credit losses recorded as at 31 December 2020 for all of the State Guaranteed Loans is approximately 80 million euros of which 65 million euros from French Retail Banking.

NOTE 2 - CONSOLIDATION

MAKING 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 as well as a portion of the financial statements of the companies over which the Group exercises 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 three 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 there are several investors, each with substantive rights that give them the unilateral ability to direct different relevant activities, the investor who 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 variable returns

To assess the link between power and variable returns, 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 their effective acquisition date while the results of subsidiaries disposed of during the fiscal year are included up to the date where the Group relinquished control.

- **Consolidation methods**

The subsidiaries, including the 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 portion 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 portions of these entities not owned 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, the investment in an associate is recognised, on initial recognition, 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 the 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 2020, compared with the scope applicable at the closing date of 31 December 2019, are as follows:

SOCIETE GENERALE DE BANQUE AUX ANTILLES (SGBA)

On 2 March 2020, the Group sold to Promontoria MMB all its interest in Societe Generale de Banque aux Antilles, a subsidiary located in Guadeloupe, Martinique and French Guiana. The sale reduced the Group’s balance sheet by EUR 0.4 billion (Non-current assets held for sale and Non-current liabilities held for sale).

SG FINANS AS

On 1 October 2020, the Group sold to Nordea Finance all its participation in SG Finans AS, equipment finance and factoring company in Norway, Sweden and Denmark. The sale reduced the Group’s balance sheet by EUR 4 billion, mainly through a decrease of EUR 4 billion in customer loans and of EUR 0.9 billion in due to banks, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2019.

The result of these two disposals recorded in Net income / expense from other assets amounts to EUR -169 million for the 2020 financial year.

NOTE 2.2 - GOODWILL

MAKING 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.

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 in accordance with IFRS 3 "Business Combinations".

On the acquisition date, the acquisition cost is calculated as the total fair value 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 profit or loss for the period except those related to the issuance of equity or debt 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. If recognised as equity instruments, these subsequent adjustments are not recorded.

On the acquisition date, as required by IFRS 3, all assets, liabilities, off-balance sheet items and contingent liabilities of this new subsidiary (even if they were not recognised before the combination) are measured individually at their fair value regardless of their purpose. 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.

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 profit or loss.

On the acquisition date, 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.

The analyses and professional appraisals required for this initial valuation must be carried out within twelve 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. Goodwill and non-controlling interests initially recorded are consequently adjusted.

On 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 adjustment on goodwill.

As at 31 December 2020, 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	Banking group Rosbank and its subsidiaries
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 Sogecap, 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 over the year 2020 in the values of goodwill of CGUs):

(In EUR m)	Value as at 31.12.2019	Acquisitions and other increases	Disposals and other decreases	Impairment loss	Value as at 31.12.2020
French Retail Banking	**797**	**-**	**-**	**-**	**797**
Societe Generale Network	286	-	-	**-**	286
Credit du Nord	511	-	-	**-**	511
International Retail Banking & Financial	**2,729**	**2**	**(1)**	**-**	**2,730**
Europe	1,361	-	-	**-**	1,361
Russia	-	-	-	**-**	-
Africa, Mediterranean Basin and Overseas	228	-	-	**-**	228
Insurance	335	-	-	**-**	335
Equipment and Vendor Finance	228	-	-	**-**	228
Auto Leasing Financial Services	577	2	(1)	**-**	578
Global Banking and Investor Solutions	**1,101**	**101**	**(1)**	**(684)**	**517**
Global Markets and Investor Services	584	101	(1)	**(684)**	-
Financing and Advisory	57	-	-	**-**	57
Asset and Wealth Management	460	-	-	**-**	460
TOTAL	**4,627**	**103**	**(2)**	**(684)**	**4,044**

COMPLETION OF THE ACQUISITION OF COMMERZBANK'S "EQUITY MARKETS AND COMMODITIES" BUSINESS

On 8 November 2018, the Group signed an agreement committing Societe Generale to acquire the Commerzbank's ''Equity Markets and Commodities'' (EMC) business, which comprises the manufacturing and market-making of flow ("Flow business") and structured products ("Exotic, Vanilla and Funds" business) as well as part of the asset management activities ("Asset Management" business).

Due to operational reasons, the integration process of the staff, trading positions and infrastructure of the EMC business took place between the first half of 2019 and the first half of 2020.

In 2019, the Group took control of the "Exotic, Vanilla and Funds" (EVF) and the asset management businesses, 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).

During the first half of 2020, the integration process was completed with the acquisition of the "Flow" business, leading to the recognition of a EUR 101 million goodwill allocated to Global Markets and Investor Services CGU.

ANNUAL IMPAIRMENT TEST OF CGU

The Group performed an annual impairment test at 31 December 2020 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 under value adjustment on goodwil.

The recoverable amount of a CGU is calculated using the discounted cash flow (DCF) method applied to the entire CGU.

As at 30 June 2020, the Group adjusted the implementation modalities of the discounted dividend method, moving towards an approach integrating two macroeconomic scenarios, more relevant in the context of an exercise carried out outside the budget process, and in a context of strong uncertainties at the beginning of the COVID-19 crisis.

As at 31 December 2020, the analysis of the consequences of lockdowns and of the support measures proposed by governments has enabled the Group, as part of the annual budget process, to revise the central scenario by refining the consideration of uncertainties linked to the Covid-19 crisis and its future consequences. This revision made it possible to re-apply the approach usually adopted during annual tests for the assessment of the recoverable amount of CGUs, whose key principles are as follows:

- For each CGU, estimates of future distributable dividends are determined over a six-year period, on the basis of a five-year budget trajectory (2021 – 2025) extrapolated to 2026, the latter year being used to calculate the terminal value.
- These estimates take into account the equity target allocated to each CGU, unchanged compared to 31 December 2019 (11% of the risk-weighted assets of each CGU, except for the Crédit du Nord CGU for which the target is set at 10.5% of the risk-weighted assets).
- The growth rates used to calculate the terminal value are determined using forecasts on sustainable long-term economic growth and 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 provides 2025 forecasts.
- The projected dividends are then discounted on the basis of a rate equal to the 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 updated discount rates as at 31 December 2020 are detailed below.

The table below presents discount rates and long-term growth rates specific to the CGUs of the Group's three core businesses:

Assumptions as at 31 December 2020	Discount rate	Long-term growth rate
French Retail Banking		
Societe Generale Network and Credit du Nord	8.1%	1.5%
International Retail Banking and Financial Services		
Retail Banking and Consumer Finance	10.1% to 13.7%	2% to 3%
Insurance	9.5%	2.5%
Equipment and Vendor Finance and Auto Leasing Financial Services	9.3%	2%
Global Banking and Investor Solutions		
Global Markets and Investor Services	12.1%	2%
Financing and Advisory	9.8%	2%
Asset and Wealth Management	9.5%	2%

Budget projections are based on the following main business line and macroeconomic assumptions:

French Retail Banking	
Societe Generale Network and Credit 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 Credit 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 development of activities in Russia ▪ 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 (1)
Equipment and Vendor Finance	▪ Consolidation of leadership in these corporate financing businesses ▪ Recovery 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	▪ After the significant drop in revenues linked to the Covid-19 crisis, particularly in the Investment Solutions activities, adaptation of the market activities to a competitive environment under pressure and continued business and regulatory investments ▪ Consolidation of market-leading franchises (equities) particularly through the integration of Commerzbank's Equity Markets and Commodities activities, with an increase in revenues on listed products ▪ 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) ▪ Progressive normalisation 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

(1) The impacts of the new IFRS 17 standard have not been incorporated into the trajectory of the Insurance CGU, as the methodological options have not been stabilised.

During the first half of 2020, the tests carried out led to the impairment of all goodwill allocated to the Global Markets and Investor Services CGU for an amount of EUR 684 million presented in value adjustment on goodwill line in the income statement.

For other CGUs, the tests carried out at 31 December 2020 show that the recoverable amount remains higher than the book value.

Sensitivity tests were performed to measure the impact of the change in the discount rate and in the long-term growth rate on the recoverable amount of each CGU. The results of these tests show that:

- a 50 basis point increase applied to all CGU discount rates shown in the table above would result in a decrease in the total recoverable amount of 7.3% without requiring additional impairment of any CGU;
- a 50 basis point reduction in long-term growth rates would result in a 1% decrease in the total recoverable amount without requiring additional depreciation of any CGU.
- by combining these two sensitivity cases, the total recoverable amount would result in a 9.2% decrease without requiring additional depreciation of any CGU.

NOTE 2.3 - 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.

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.

(In EUR m)	Asset financing 31.12.2020	Asset financing 31.12.2019	Asset management 31.12.2020	Asset management 31.12.2019	Others 31.12.2020	Others 31.12.2019
Total balance sheet of the entity [(1)]	**6,777**	**7,436**	**118,781**	**135,564**	**21,105**	**31,038**
Net carrying amount of Group interests in unconsolidated structured entities						
Assets	**3,021**	**2,011**	**6,284**	**13,139**	**6,714**	**8,950**
Financial assets at fair value through profit or loss	311	446	5,763	12,652	839	3,801
Financial assets at fair value through other comprehensive income	-	-	-	-	53	55
Financial assets at amortised cost	2,706	1,553	354	361	5,822	5,094
Others	4	12	167	126	-	-
Liabilities	**1,478**	**1,851**	**4,597**	**12,241**	**1,707**	**4,261**
Financial liabilities at fair value through profit or loss	129	218	2,845	8,927	871	3,438
Due to banks and customer deposits	1,332	1,621	1,636	1,625	836	823
Others	17	12	116	1,689	-	-

(1) For Asset management: NAV (Net Asset Value) of funds.

In 2020, the Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2020, does not intend to provide such support.

The maximum exposure to loss related to interests in unconsolidated structured entities is measured as:

(In EUR m)	Asset financing 31.12.2020	Asset financing 31.12.2019	Asset management 31.12.2020	Asset management 31.12.2019	Others 31.12.2020	Others 31.12.2019
Amortised cost or fair value (according to the measurement of the financial instrument) of non-derivative financial assets entered into with the structured entity	2,521	3,029	4,618	5,097	2,223	2,333
Fair value of derivative financial assets recognised in the balance sheet	244	327	3,585	9,885	522	2,885
Notional amount of CDS sold (maximum amount to be paid)	-	-	-	-	-	-
Notional amount of loan or guarantee commitments granted	474	534	478	978	1,080	1,848
Maximum exposure to loss	**3,239**	**3,890**	**8,681**	**15,960**	**3,825**	**7,066**

The amount of maximum exposure to loss can be mitigated by:

- the notional amount of guarantee commitments received;
- the fair value 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 1,865 million and mainly concern Asset financing.

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.

As at 31 December 2020, 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 3,629 million.

In 2020, no significant revenue has been recognised for theses structured entities.

NOTE 3 - FINANCIAL INSTRUMENTS

MAKING 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.).

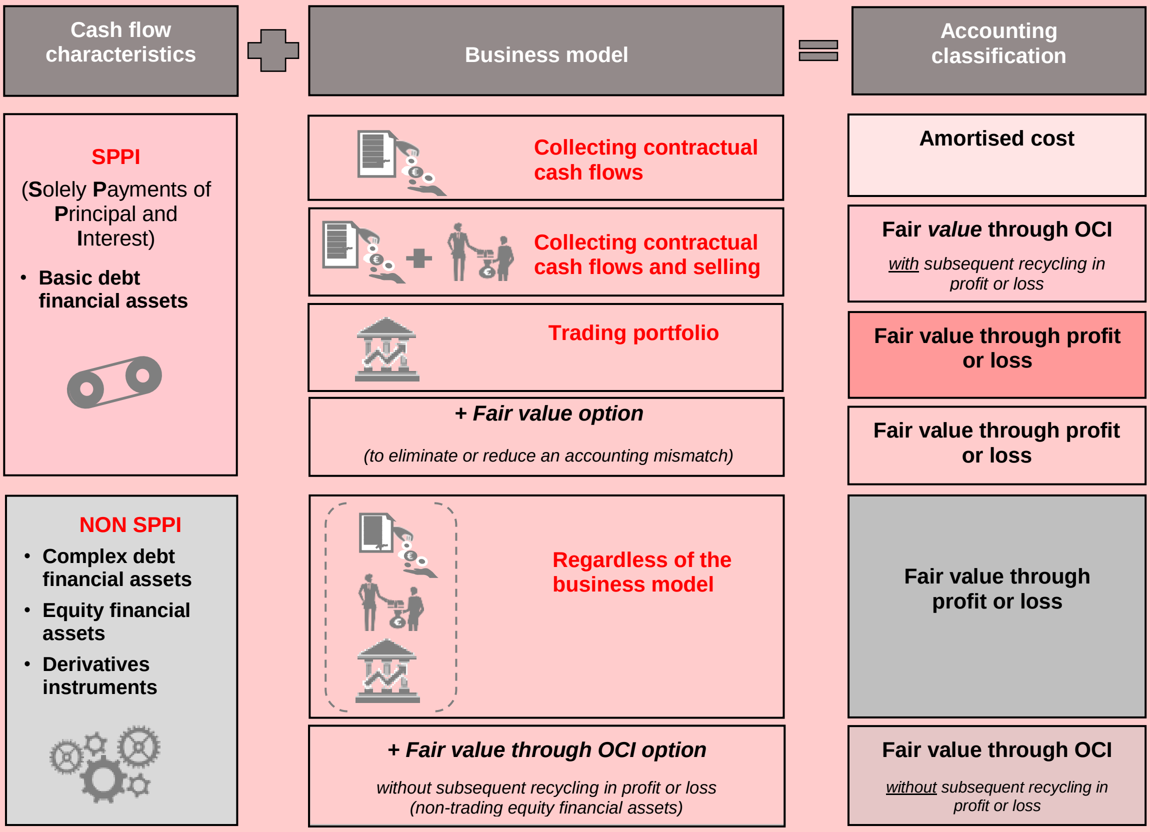
In the financial statements, the classification and valuation of financial assets and liabilities depend on their contractual characteristics and the way the entity manages those financial instruments.

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 the 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 the instruments whose characteristics are similar to those of a basic lending arrangement, meaning their associated cash flows are highly predictable. All other financial instruments that do not share these characteristics are measured at fair value through profit or loss, regardless of the business model used to manage them.

The 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 any 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 on these instruments 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 on financial assets and selling these 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 the 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).

RECLASSIFICATIONS OF FINANCIAL ASSETS

Reclassifications 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:

- as at the settlement/delivery date for securities;
- as at the trade date for derivatives;
- as 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 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.

Upon initial recognition, the financial assets and liabilities are measured at fair value including the transaction costs directly attributable to their acquisition or issuance, except for the 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 exclusively based on observable market data, any difference between the fair value and the transaction price, i.e. the sales margin, is immediately recognised in profit or loss. However, if one of the valuation inputs is not observable or if the used valuation model is not recognised by the market, the recognition of the sales margin is then generally deferred in profit or loss. For some instruments, due to their complexity, this margin is recognised at their maturity or upon disposal in the event of an early sale. When valuation inputs become observable, any portion of the sales margin that has not yet been recorded is then recognised in profit or loss (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 of the risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all of 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 transfer of the asset. 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 said 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 profit or loss on the prepayment date in 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.

FOREIGN EXCHANGE TRANSACTIONS

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 under Net gains and losses on financial instruments at fair value through profit or loss.

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 profit or loss 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.

TREATMENTS OF THE CHANGES IN THE BASIS FOR DETERMINING THE CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS AND LIABILITIES – IBOR REFORM

The basis for determining the contractual cash flows of a financial asset or liability may be modified:

- either by amending the contractual terms and conditions set during the initial recognition of the financial instrument (example: when the agreement is renegotiated, the contractual terms and conditions are amended to replace the initial reference interest rate by an alternative one),
- or by applying the appropriate external dispositions without requiring a change in contractual terms (example: the method for determining the reference interest rate is modified without any change in the contractual terms and conditions, i.e., the EONIA has been quoted by reference to the €ster + 8.5bp since October 2019),
- or as a result of the activation of an existing contractual term or condition (example: application of the contractual rate replacement provision, or “Fallback”).

If, in the context of the reference interest rates reform (IBOR reform), there is a change in the basis for determining the contractual cash flows of a financial asset or liability at amortised cost or of a financial asset at fair value through other comprehensive income, the reassessment of the contractual cash flows is regarded as a modification of the effective interest rate applied to determine the future interest income or expense and does not generate a gain or loss in the income statement.

This treatment depends on compliance with the following conditions:

- a change in the basis for determining the contractual cash flows is required and results directly from the IBOR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the former basis used before the change.

  The cases giving rise to a new basis for determining the contractual cash flows considered economically equivalent to the former basis are, for example:

- the replacement of an existing reference interest rate used to determine the contractual cash flows of a financial asset or liability by:

\- an alternative reference interest rate (or by changing the method used to determine the reference interest rate in question), with

\- the addition of a fixed spread necessary to compensate for the difference in basis between the existing reference interest rate and the alternative one;

- changes in the determination of the amount of interest resulting from the use of a new reference interest rate (rate revision procedure, number of days between interest payment dates …); and
- the addition of a Fallback provision to the contractual terms and conditions of a financial asset or liability to allow for the implementation of the changes described above (replacement of the rate; changes in the determination of the interest).

Changes to a financial asset or liability, in addition to those deriving directly from the application of the IBOR reform, are treated as changes to instruments with an income statement impact whenever they are substantial.

METHOD OF 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.

NOTE 3.1 - FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

OVERVIEW

	31.12.2020		31.12.2019	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading portfolio	404,338	319,812	358,033	281,246
Financial assets measured mandatorily at fair value through profit or loss	23,630		24,977	
Financial instruments measured using fair value option through profit or loss	1,490	70,435	2,729	82,883
Total	**429,458**	**390,247**	**385,739**	**364,129**
o/w securities purchased/sold under resale/repurchase agreements	*119,374*	*120,697*	*111,818*	*97,895*

1. TRADING PORTFOLIO

ACCOUNTING PRINCIPLES

The trading book contains the financial assets and liabilities held or accrued for the purpose of capital markets activities.

This portfolio also includes, among other trading assets, the 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 as at the closing date and recognised in the balance sheet under Financial assets or liabilities at fair value through profit or loss. The changes in fair value and revenues associated to those instruments are recorded in profit or loss under Net gains and losses on financial instruments at fair value through profit or loss.

TRADING ACTIVITIES

Financial assets held for trading are:

- acquired for the purpose of selling or repurchasing it in the near 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 3.1.2).

ASSETS

(In EUR m)	31.12.2020	31.12.2019
Bonds and other debt securities	30,322	26,080
Shares and other equity securities	92,780	77,966
Loans, receivables and securities purchased under resale agreements	129,700	117,956
Trading derivatives (1)	151,536	135,849
Other trading assets	-	182
Total	**404,338**	**358,033**
o/w securities lent	*11,066*	*13,681*

(1) See Note 3.2 Derivatives instruments.

LIABILITIES

(In EUR m)	31.12.2020	31.12.2019
Amounts payable on borrowed securities	32,165	38,950
Bonds and other debt instruments sold short	5,385	3,518
Shares and other equity instruments sold short	1,253	1,466
Borrowings and securities sold under repurchase agreements	120,755	97,820
Trading derivatives (1)	159,176	138,120
Other trading liabilities	1,078	1,372
Total	**319,812**	**281,246**

(1) See Note 3.2 Derivatives instruments.

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 profit or loss under Net gains or losses on financial instruments at fair value through profit or loss.

(In EUR m)	31.12.2020	31.12.2019
Bonds and other debt securities	190	177
Shares and other equity securities	2,561	2,492
Loans, receivables and securities purchased under resale agreements	20,879	22,308
Total	**23,630**	**24,977**

BREAKDOWN OF LOANS AND RECEIVABLES AND SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(In EUR m)	31.12.2020	31.12.2019
Short-term loans	1,997	2,029
Equipment loans	17,248	18,152
Other loans	1,634	2,127
Total	**20,879**	**22,308**

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 as basic loans (SPPI).

3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS USING FAIR VALUE OPTION

ACCOUNTING PRINCIPLES

In addition to the financial assets and liabilities held for trading, and the financial assets measured mandatorily at fair value through profit or loss, the same items in the financial statements include the 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 profit or loss 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, any gains and losses, 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 EUR m)	31.12.2020	31.12.2019
Bonds and other debt securities	29	1,458
Loans, receivables and securities purchased under resale agreements	158	145
Separate assets for employee benefits plans (1)	1,303	1,126
Total	**1,490**	**2,729**

(1) Including, as at 31 December 2020, 1,150 million euros of separate assets for defined post-employment benefits compared to 963 million euros as at 31 December 2019 (see Note 5.2).

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.

	31.12.2020		31.12.2019	
(In EUR m)	Fair value	Amount redeemable at maturity	Fair value	Amount redeemable at maturity
Financial instruments measured using fair value option through profit or loss	70,435	70,941	82,883	83,249

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 79 million euros during 2020. Up to this date, the total losses attributable to own credit risk amounted to 396 million euros recognised in equity.

4. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(In EUR m)	2020	2019
Net gain/loss on trading portfolio (excluding derivatives)	(1,790)	5,754
Net gain/loss on financial instruments at fair value through profit or loss (1)	2,746	3,661
Net gain/loss on financial instruments measured using fair value option	(2,285)	(15,028)
Net gain/loss on derivative instruments	4,645	9,712
Net gains/loss on hedging instruments (2)	92	100
Net gain/loss on fair value hedging derivatives	*801*	*1,155*
Revaluation of hedged items attributable to hedged risks (3)	*(709)*	*(1,055)*
Net gain/loss on foreign exchange transactions	(623)	144
Total	**2,785**	**4,343**
o/w gains on financial instruments at fair value through other comprehensive income	*55*	*84*

(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 income statement 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 - DERIVATIVES INSTRUMENTS

MAKING 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 a 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 derivatives instruments 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 - DERIVATIVES WITH SOCIETE GENERALE SHARES AS UNDERLYING INSTRUMENT

Derivatives instruments having with Societe Generale shares as underlying instrument or shares in Group ubsidiaries 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 purchases of Societe Generale shares, a debt is recognised for the value of the notional amount with a contra entry in equity.

Other derivatives instruments 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 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 under one of the financial liability categories measured at amortised cost.

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 derivatives instruments involving counterparties that subsequently proved to be in 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. On this termination date, the 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.

FAIR VALUE

	31.12.2020		31.12.2019	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate instruments	99,873	98,406	91,146	88,501
Foreign exchange instruments	18,698	19,795	18,036	18,354
Equities & index Instruments	31,224	37,978	22,318	26,141
Commodities Instruments	413	392	1,860	2,201
Credit derivatives	1,297	1,434	2,415	2,037
Other forward financial instruments	31	1,171	74	886
Total	**151,536**	**159,176**	**135,849**	**138,120**

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.

COMMITMENTS (NOTIONAL AMOUNTS)

(In EUR m)	31.12.2020	31.12.2019
Interest rate instruments	**9,731,256**	**11,988,127**
Firm instruments	8,090,893	9,959,001
Swaps	*6,849,353*	*8,324,621*
FRAs	*1,241,540*	*1,634,380*
Options	1,640,363	2,029,126
Foreign exchange instruments	**3,155,455**	**3,192,776**
Firm instruments	2,349,313	2,475,393
Options	806,142	717,383
Equity and index instruments	**869,679**	**1,124,549**
Firm instruments	128,941	186,691
Options	740,738	937,858
Commodities instruments	**20,078**	**96,900**
Firm instruments	19,194	83,509
Options	884	13,391
Credit derivatives	**202,994**	**246,006**
Other forward financial instruments	**28,603**	**38,428**
Total	**14,008,065**	**16,686,786**

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.

In the context of Covid-19 crisis, the Group has not observed any ineffectiveness or disappearance of hedged items that could lead to the termination of its hedging relationships.

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 to be hedged.

To designate an instrument as a hedging derivative, the Group documents the hedging relationship in detail, from inception. 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.

The 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 and similar income / Interest and similar expense – Hedging derivatives symmetrically to the accrued interest income and expenses related to the hedged item.

In the balance sheet, the carrying value of the hedged item is adjusted for the 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 interest rates, future exchange 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 the hedging derivative is recorded under 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, the accrued interest income and expenses on the derivative are recorded in the income statement under Interest income / Interest expense – Hedging derivatives symmetrically to the accrued interest income and expenses related to the hedged item.

The prospective effectiveness of the hedge is assessed via a sensitivity analysis based on probable market input trends or via a regression analysis of the statistical relationship (correlation) between certain components of the hedged item and the hedging instrument. The effectiveness of the hedge is assessed using the hypothetical derivative method, which consists in i) creating a hypothetical derivative which bears exactly the same characteristics as the instrument being hedged (in terms of notional amounts, date on which the rates are reset, interest rate, exchange rate, etc.), but 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.

When the derivative financial instrument has expired, 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. Gains and losses booked under equity are later recorded under Net gains and losses on financial instruments at fair value through profit or loss in the income statement at the same time as cash flows hedged. For interest rate derivatives, accrued interest income and expenses on the derivative are recorded in the income statement under Interest income / Interest expense – Hedging derivatives symmetrically to the accrued interest income and expenses related to the hedged item.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. The amounts previously recognised directly in equity are reclassified in the income statement over the periods during which interest income is affected by the cash flows 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, the 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 hedging 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 hedge of a net investment in a foreign operation follows the same accounting principles as the cashflow hedge relationships. Thus, the effective portion of the changes in fair value of a hedging derivative designated for accounting purposes as the 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.

In accounting for these transactions, are either documented as fair value hedges or as cash flow hedges, depending on the Group entities.

Group entities documenting a macro fair value hedge of fixed rate assets and liabilities portfolios, apply the IAS 39 “carve-out” standard as adopted by the European Union, which facilitates:

- the application of fair value hedge accounting to the macro-hedges used for asset-liability management, including customer demand deposits in the fixed-rate positions being hedged;
- the performance of the effectiveness tests required by IAS 39 as adopted by the European Union.

The accounting treatment of the derivatives instruments 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 measured based on the modelled synthetic instrument 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.

Finally, regardless of the documentation used for these macro-hedges, they require the implementation of three tests to measure the effectiveness of the relationship:

- a non-over-coverage test to ensure, prospectively and retrospectively, that the nominal amount of the portfolios covered is higher than the notional amount of the hedging instruments for each future maturity band and each rate generation;
- a test of non-disappearance of the hedged item, which consists in prospectively and retrospectively ensuring that the historically covered maximum position is less than the notional amount of the hedging instruments on the closing date considered for each future maturity band and each generation of rates;
- a quantitative test to retrospectively ensure that the fair value changes in the modelled synthetic instrument offset the changes in fair value of the hedging instruments.

The sources of ineffectiveness of the macro-hedges implemented in the Group result from the latest fixing of the variable leg of the hedging swaps, the two-curve valuation of the collateralised hedging instruments, the possible mismatches of interests between the hedged item and the hedging instrument and the consideration of counterparty risk on the hedging instruments.

TREATMENT OF THE CHANGES IN THE BASIS USED FOR DETERMINING THE CONTRACTUAL CASH FLOWS OF THE COMPONENTS OF A HEDGING RELATIONSHIP – IBOR REFORM

Non-discontinuation of hedging relationships

The documentation of the existing hedging relationships shall be updated to reflect the changes brought about by the reform of the reference interest rate (IBOR reform) on the basis for determining the contractual cash flows of the hedging components.

These updates resulting from the IBOR reform do not cause the discontinuation of the hedging relationship nor the designation of a new accounting hedge if the aim of such updates is only to:

- designate the alternative reference interest rate (contractually or non-contractually specified) as a hedged risk;
- update the description of the hedged item, including a description of the hedged portion of cash flows or of the fair value;
- update the description of the hedging instrument;
- update the description of the method used to assess the effectiveness of the hedge.

These updates are performed as and when changes are made to the hedged items or the hedging instruments; an accounting hedge may be updated several successive times.

Changes not directly resulting from the application of the IBOR reform and impacting the basis used for determining the contractual cash flows of the hedging relationship components or the hedging documentation are analysed beforehand in order to confirm compliance with the qualifying criteria for hedge accounting.

Specific accounting treatments

Regarding fair value hedges and cash flow hedges, the applicable accounting requirements remain unchanged for the recognition of gains and losses resulting from the reassessment of the hedged component and the hedging instrument taking account of the changes described above.

For the purpose of the retrospective effectiveness assessment, the cumulative fair value changes may be reset to zero on a case by case basis for each hedging relationship modified.

The amounts of gains or losses recognised in equity (as unrealised or deferred gains and losses), for the cash flow hedges that have been discontinued prospectively after a change in the reference interest rate used as a basis for the future cash flows hedged are kept in equity until the hedged cash flows are recorded on the income statement.

An alternative reference interest rate used as a risk component not specified by an agreement (example, a 3-month alternative reference interest rate used to determine the fixed rate of a loan and for which the Group intends to hedge the changes in value) may be used, provided it is, as reasonably expected, separately identifiable (i.e., quoted on a sufficiently liquid market) in the 24 months after its first use.

FAIR VALUE

	31.12.2020		31.12.2019	
(In EUR m)	Assets	Liabilities	Assets	Liabilities
Fair value hedge	**19,982**	**12,161**	**16,617**	**9,981**
Interest rate instruments	19,950	12,161	16,616	9,981
Foreign exchange instruments	32	-	1	-
Cash flow hedge	**298**	**163**	**181**	**124**
Interest rate instruments	288	58	169	65
Foreign exchange instruments	10	34	10	46
Equity and index Instruments	-	71	2	13
Net investment hedge	**387**	**137**	**39**	**107**
Foreign exchange instruments	387	137	39	107
Total	**20,667**	**12,461**	**16,837**	**10,212**

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.

Furthermore, 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 outstanding. These data may be increased or decreased by changes in management methods.

Finally, as part of their management of structural interest rate and exchange rate risks, the Group's entities set up fair value hedge for portfolios of assets or liabilities for interest rate risk as well as cash flow hedge and net investment hedge for foreign exchange risk.

COMMITMENTS (NOTIONAL AMOUNTS)

(In EUR m)	31.12.2020	31.12.2019
Interest rate instruments	**970,144**	**757,099**
Firm instruments	969,391	755,847
*Swaps **	*779,359*	*711,985*
*FRAs **	*190,032*	*43,862*
Options	753	1,252
Foreign exchange instruments	**8,604**	**11,314**
Firm instruments	8,604	11,314
Equity and index instruments	**169**	**90**
Options	169	90
Total	**978,917**	**768,503**

* *Amounts restated, compared to the financial statements published for the year 2019. Since the second semester of 2019, 3-month Forward Rate Agreements and Futures contracts are now concluded by the Group to extend the maturity of swaps underwritten for hedging the net interest margin. This change in hedging management mechanically generates an increase in commitments on this type of contracts but does not lead to an increase in interest rate risk exposure.*

The notional amounts of the hedging instruments affected by the amendments to IAS 39, introduced in the context of the rate reform and aimed at not taking into account the uncertainties associated with the reform in order to meet certain criteria required in terms of hedge accounting, amounted to the following:

	31.12.2020	
(In EUR m)	Fair value hedge	Cash flow hedge
Eonia	**31,396**	**1,975**
Euribor	**554,246**	**4,702**
Libor	**23,006**	**550**
of which : Libor USD	*16,808*	*320*
of which : Libor GBP	*582*	*230*
Total	**608,648**	**7,227**

MATURITIES OF HEDGING DERIVATIVES INSTRUMENTS (NOTIONAL AMOUNTS)

These items are presented according to the contractual maturity of the financial instruments.

(In EUR m)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2020
Interest rate instruments	66,139	301,608	376,800	225,597	970,144
Foreign exchange instruments	272	5,788	2,314	230	8,604
Equity and index instruments	34	49	86	-	169
Total	**66,445**	**307,445**	**379,200**	**225,827**	**978,917**

NOTE 3.3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

OVERVIEW

(In EUR m)	**31.12.2020**	**31.12.2019**
Debt instruments	51,801	53,012
Bonds and other debt securities	*51,721*	*52,991*
Loans and receivables and securities purchased under resale agreements	*80*	*21*
Shares and other equity securities	259	244
Total	**52,060**	**53,256**
o/w securities lent	*173*	*146*

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 in 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, the changes in expected credit losses are recorded in profit or loss under Cost of risk with a corresponding entry under 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 OF THE PERIOD

(In EUR m)	2020
Balance as at 1 January	**53,012**
Acquisitions/disbursements	38,191
Disposals/redemptions	(37,193)
Transfers towards (or from) another accounting category	(563)
Change in scope and others	(265)
Changes in fair value during the period	1,258
Change in related receivables	52
Translation differences	(2,691)
Balance as at 31 December	**51,801**

UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

(In EUR m)	31.12.2020	31.12.2019
Unrealised gains	714	391
Unrealised losses	(262)	(186)
Total	**452**	**205**

2. EQUITY INSTRUMENTS

ACCOUNTING PRINCIPLES

Equity instruments (shares and share equivalents), that are not held for trading purposes, can be initially designated by the Group to be measured at fair value through other comprehensive income. This choice made instrument by instrument, is irrevocable.

These equity instruments are then measured at fair value and the 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, is recorded in profit or loss under Net gains or losses on financial assets at fair value through other comprehensive income.

The Group chose only in few rare cases to designate equity instruments to be measured at fair value through other comprehensive income.

NOTE 3.4 - FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

MAKING 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 on 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 which 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 the 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 the 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 and that are observable for the asset or liability concerned, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

These are the instruments measured using a financial model based on market inputs. The inputs used shall be observable in active markets; using some unobservable inputs is possible only if the latter have only a minor impact on the fair value of the instrument. The 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 the 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 the 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 however limited. 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 a significant part of which 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 using financial models based on market inputs among which those which are unobservable or observable on insufficiently active markets, have a significant impact on the fair value of the financial instrument as a whole.

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 the correlations between the different underlying assets 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 asset); 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).

1. FINANCIAL ASSETS MEASURED AT FAIR VALUE

(In EUR m)	31.12.2020				31.12.2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio (excluding derivatives)	**109,734**	**138,699**	**4,369**	**252,802**	**89,037**	**129,130**	**4,017**	**222,184**
Bonds and other debt securities	26,420	3,108	794	30,322	22,645	2,976	459	26,080
Shares and other equity securities	83,314	9,465	1	92,780	66,392	11,465	109	77,966
Loans, receivables and securities purchased under resale agreements	-	126,126	3,574	129,700	-	114,507	3,449	117,956
Other trading assets	-	-	-	-	-	182	-	182
Trading derivatives	**49**	**147,417**	**4,070**	**151,536**	**191**	**132,572**	**3,086**	**135,849**
Interest rate instruments	4	97,189	2,680	99,873	6	88,868	2,272	91,146
Foreign exchange instruments	38	18,484	176	18,698	182	17,717	137	18,036
Equity and index instruments	-	30,730	494	31,224	-	21,938	380	22,318
Commodity instruments	-	410	3	413	-	1,784	76	1,860
Credit derivatives	-	580	717	1,297	-	2,195	220	2,415
Other forward financial instruments	7	24	-	31	3	70	1	74
Financial assets measured mandatorily at fair value through profit or loss	**183**	**19,517**	**3,930**	**23,630**	**350**	**21,746**	**2,881**	**24,977**
Bonds and other debt securities	18	43	129	190	11	44	122	177
Shares and other equity securities	165	359	2,037	2,561	339	185	1,968	2,492
Loans, receivables and securities purchased under resale agreements	-	19,115	1,764	20,879	-	21,517	791	22,308
Financial assets measured using fair value option through profit or loss	**13**	**1,461**	**16**	**1,490**	**1,296**	**1,320**	**113**	**2,729**
Bonds and other debt securities	13	-	16	29	1,296	162	-	1,458
Loans, receivables and securities purchased under resale agreements	-	158	-	158	-	32	113	145
Other financial assets	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	1,303	-	1,303	-	1,126	-	1,126
Hedging derivatives	**-**	**20,667**	**-**	**20,667**	**-**	**16,837**	**-**	**16,837**
Interest rate instruments	-	20,238	-	20,238	-	16,785	-	16,785
Foreign exchange instruments	-	429	-	429	-	50	-	50
Equity and index instruments	-	-	-	-	-	2	-	2
Financial assets measured at fair value through other comprehensive income	**51,090**	**708**	**262**	**52,060**	**51,730**	**1,282**	**244**	**53,256**
Bonds and other debt securities	51,090	628	3	51,721	51,730	1,261	-	52,991
Shares and other equity securities	-	-	259	259	-	-	244	244
Loans and receivables	-	80	-	80	-	21	-	21
Total	**161,069**	**328,469**	**12,647**	**502,185**	**142,604**	**302,887**	**10,341**	**455,832**

2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	31.12.2020				31.12.2019			
(In EUR m)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio (excluding derivatives)	**6,666**	**152,939**	**1,031**	**160,636**	**5,001**	**136,800**	**1,325**	**143,126**
Amounts payable on borrowed securities	28	32,031	106	32,165	71	38,743	136	38,950
Bonds and other debt instruments sold short	5,385	-	-	5,385	3,464	54	-	3,518
Shares and other equity instruments sold short	1,253	-	-	1,253	1,466	-	-	1,466
Borrowings and securities sold under repurchase agreements	-	119,831	924	120,755	-	96,631	1,189	97,820
Other trading liabilities	-	1,077	1	1,078	-	1,372	-	1,372
Trading derivatives	**46**	**153,807**	**5,323**	**159,176**	**216**	**132,371**	**5,533**	**138,120**
Interest rate instruments	5	95,704	2,697	98,406	31	85,177	3,293	88,501
Foreign exchange instruments	40	19,599	156	19,795	175	18,064	115	18,354
Equity and index instruments	-	36,000	1,978	37,978	-	24,529	1,612	26,141
Commodity instruments	-	392	-	392	-	2,131	70	2,201
Credit derivatives	-	942	492	1,434	-	1,594	443	2,037
Other forward financial instruments	1	1,170	-	1,171	10	876	-	886
Financial liabilities measured using fair value option through profit or loss	**-**	**30,784**	**39,651**	**70,435**	**-**	**38,160**	**44,723**	**82,883**
Hedging derivatives	**-**	**12,461**	**-**	**12,461**	**-**	**10,212**	**-**	**10,212**
Interest rate instruments	-	12,219	-	12,219	-	10,045	-	10,045
Foreign exchange instruments	-	171	-	171	-	154	-	154
Equity and index instruments	-	71	-	71	-	13	-	13
Total	**6,712**	**349,991**	**46,005**	**402,708**	**5,217**	**317,543**	**51,581**	**374,341**

3. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

(In EUR m)	Balance as at 31 December 2019	Acquisitions	Disposals / redemp-tions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 31 December 2020
Trading portfolio (excluding derivatives)	**4,017**	**3,252**	**(1,551)**	**(1,391)**	**214**	**(24)**	**(151)**	**3**	**4,369**
Bonds and other debt securities	459	1,505	(978)	(319)	214	(60)	(30)	3	794
Shares and other equity securities	109	1	-	(86)	-	(23)	-	-	1
Loans, receivables and securities purchased under resale agreements	3,449	1,746	(573)	(986)	-	59	(121)	-	3,574
Trading derivatives	**3,086**	**195**	**(88)**	**(862)**	**1,153**	**533**	**53**	**-**	**4,070**
Interest rate instruments	2,272	-	-	(766)	724	350	100	-	2,680
Foreign exchange instruments	137	-	(1)	(13)	4	65	(16)	-	176
Equity and index instruments	380	192	(87)	(74)	218	(115)	(20)	-	494
Commodity instruments	76	3	-	-	-	(75)	(1)	-	3
Credit derivatives	220	-	-	(9)	207	309	(10)	-	717
Other forward financial instruments	1	-	-	-	-	(1)	-	-	-
Financial assets measured mandatorily at fair value through profit or loss	**2,881**	**711**	**(273)**	**-**	**1,047**	**(405)**	**(72)**	**41**	**3,930**
Bonds and other debt securities	122	25	(10)	-	-	(8)	-	-	129
Shares and other equity securities	1,968	502	(263)	-	-	(197)	(22)	49	2,037
Loans, receivables and securities purchased under resale agreements	791	184	-	-	1,047	(200)	(50)	(8)	1,764
Financial assets measured using fair value option through profit or loss	**113**	**1**	**(1)**	**(100)**	**-**	**16**	**-**	**(13)**	**16**
Bonds and other debt securities	-	1	(1)	-	-	16	-	-	16
Loans, receivables and securities purchased under resale agreements *	113	-	-	(100)	-	-	-	(13)	-
Financial assets measured at fair value option through other comprehensive income	**244**	**-**	**-**	**-**	**-**	**18**	**-**	**-**	**262**
Debt instruments	-	-	-	-	-	-	-	3	3
Equity instruments	244	-	-	-	-	18	-	(3)	259
Total	**10,341**	**4,159**	**(1,913)**	**(2,353)**	**2,414**	**138**	**(170)**	**31**	**12,647**

FINANCIAL LIABILITIES

(In EUR m)	Balance as at 31 December 2019	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 31 December 2020
Trading portfolio (excluding derivatives)	**1,325**	**438**	**(654)**	**(196)**	**-**	**131**	**(13)**	**-**	**1,031**
Debt securities issued	-	-	-	-	-	-	-	-	-
Amounts payable on borrowed securities	136	-	-	(143)	-	119	(6)	-	106
Borrowings and securities sold under repurchase agreements	1,189	438	(654)	(53)	-	11	(7)	-	924
Other trading liabilities	-	-	-	-	-	1	-	-	1
Trading derivatives	**5,533**	**726**	**(156)**	**(1,346)**	**1,267**	**(147)**	**(545)**	**(9)**	**5,323**
Interest rate instruments	3,293	-	-	(1,218)	797	260	(426)	(9)	2,697
Foreign exchange instruments	115	-	-	(24)	-	71	(6)	-	156
Equity and index instruments	1,612	726	(156)	(46)	364	(418)	(104)	-	1,978
Commodity instruments	70	-	-	-	-	(69)	(1)	-	-
Credit derivatives	443	-	-	(58)	106	9	(8)	-	492
Financial liabilities measured using fair value option through profit or loss	**44,723**	**20,695**	**(20,890)**	**(6,871)**	**4,794**	**(1,413)**	**(1,375)**	**(12)**	**39,651**
Total financial liabilities at fair value	**51,581**	**21,859**	**(21,700)**	**(8,413)**	**6,061**	**(1,429)**	**(1,933)**	**(21)**	**46,005**

During the first half of 2020, the Group changed its methodology for determining the observability of market input used in the calculation of the fair value of financial instruments:

- Observability is now determined on the one hand at a more granular level, and on the other hand takes more parameters into account in the analysis, whereas it was until now assessed by family of inputs with homogeneous characteristics. These changes, aiming at extending and improving the system by measuring observability at a more granular level, have led to the reclassification of some financial instruments at fair value from level 2 to level 3.
- The classification rules between levels 2 and 3 of fair value have also been revised in order to take account of a concept of significance in the allocation, in accordance with IFRS 13 "Fair Value Measurement": financial instruments classified in level 3 are now the ones that are valued using a financial model based on market inputs which are unobservable or can only be observed on insufficiently active markets, and whose influence is significant on the fair value of the instrument as a whole. As at 31 December 2019, any transaction considered unobservable, according to the criteria in force on that date, led to the classification of the instrument in level 3, regardless of the significance of the input concerned. This second change led to a reclassification of some financial instruments from level 3 to level 2.

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 DERIVATIVES INSTRUMENTS

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.

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 EUR m) Cash instruments and derivatives [(1)]	Value in balance sheet: Assets	Value in balance sheet: Liabilities	Main products	Valuation techniques used	Significant unobservable inputs	Range of inputs min & max
Equities/funds	925	29,198	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	1.6% ; 347.5%
					Equity dividends	0%; 35.8%
					Correlations	-99.6% ; 100%
					Hedge fund volatilities	7.6% ; 20%
					Mutual fund volatilities	2.1% ; 26.1%
Interest rates and Forex	9,133	16,314	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-46.2% ; 90%
			Forex derivatives	Forex option pricing models	Forex volatilities	0% ; 27.5%
			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	55% ; 88.9%
Credit	718	493	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	3	0	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	NA
Long term equity investments	1,868	-	Securities held for strategic purposes	Net Book Value / Recent transactions	Not applicable	-
Total	**12,647**	**46,005**				

(1) Hybrid instruments are broken down by main unobservable inputs.

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 2020 on instruments whose valuation requires certain unobservable inputs. This estimate was based either on a "standardised" variation in unobservable inputs, calculated for each input on a net position, or on assumptions in line with the additional valuation adjustment policies for the financial instruments in question.

The "standardised" variation is:

- either the standard deviation of consensus prices (TOTEM, etc.) used to measure an input nevertheless considered as unobservable; or
- the standard deviation of historic data used to measure the input.

SENSITIVITY OF LEVEL 3 FAIR VALUE TO A REASONABLE VARIATION IN UNOBSERVABLE INPUTS

	31.12.2020		31.12.2019	
(In EUR m)	Negative impact	Positive impact	Negative impact	Positive impact
Shares and other equity instruments and derivatives	**(49)**	**150**	**(9)**	**79**
Equity volatilities	0	27	0	19
Dividends	(18)	46	(1)	13
Correlations	(31)	69	(8)	43
Hedge Fund volatilities	0	0	0	0
Mutual Fund volatilities	0	8	0	4
Rates or Forex instruments and derivatives	**(6)**	**27**	**(6)**	**43**
Correlations between exchange rates and/or interest rates	(4)	26	(4)	41
Forex volatilities	(1)	1	(1)	2
Constant prepayment rates	0	0	0	0
Inflation / inflation correlations	(1)	0	(1)	0
Credit instruments and derivatives	**0**	**12**	**(3)**	**13**
Time to default correlations	0	1	(3)	7
Recovery rate variance for single name underlyings	0	0	0	0
Quanto correlations	0	8	0	5
Credit spreads	0	3	0	1
Commodity derivatives	**NA**	**NA**	**0**	**1**
Commodities correlations	NA	NA	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 at the computation date on the basis of a standardised variation in inputs. Future variations in fair value cannot be deduced or forecast from these estimates.

7. DEFERRED MARGIN RELATED TO MAIN UNOBSERVABLE INPUTS

At initial recognition, financial assets and liabilities are measured at fair value, i.e. 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.

When this fair value differs from transaction price and the instrument's valuation technique uses one or more unobservable inputs, this difference representative of a commercial margin is deferred in time to be recorded in the income statement, from case to case, at maturity of the instrument, at the time of sell or transfer, over time, or when the inputs become observable.

The table below shows the amount remaining to be recognised in the income statement due to this difference, less any amounts recorded in the income statement after initial recognition of the instrument.

(In EUR m)	2020	2019
Deferred margin at 1 January	**1,151**	**1,237**
Deferred margin on new transactions during the period	949	693
Margin recorded in the income statement during the period	(943)	(779)
o/w amortisation	*(614)*	*(473)*
o/w switch to observable inputs	*(24)*	*(16)*
o/w disposed, expired or terminated	*(305)*	*(290)*
Deferred margin at 31 December	**1,157**	**1,151**

Two adjustments have been made in 2020 to the rules for identifying and amortising the deferred margin relating to financial instruments valued from unobservable parameters:

- In line with the observed evolution of market practices, observability, assessed until the end of 2019 by family of parameters with homogeneous characteristics, is now determined at a more granular level, by integrating more parameters into the analysis;
- At the same time, the way of recognizing the margin over time takes now into account the materiality of unobservable parameters in the measurement of the fair value of the instrument.

NOTE 3.5 - LOANS, RECEIVABLES AND SECURITIES AT AMORTISED COST

OVERVIEW

	31.12.2020		31.12.2019	
(In EUR m)	**Carrying amount**	*o/w impairment*	**Carrying amount**	*o/w impairment*
Due from banks	53,380	*(31)*	56,366	*(24)*
Customer loans	448,761	*(11,601)*	450,244	*(10,727)*
Securities	15,635	*(42)*	12,489	*(10)*
Total	**517,776**	***(11,674)***	**519,099**	***(10,761)***

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 profit or loss under Interest and similar income. Furthermore, as these financial assets are subject to impairment for credit risk, changes in the 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), the subsequent accrued interest incremented to the carrying amount of the financial asset before impairment is limited to the 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, while the borrowing customer is not experiencing any 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 as at the renegotiation date, and the new loans contractualised under the renegotiated terms and conditions replace the previous loans in the balance sheet as 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 a basic instrument (SPPI), the 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 the 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.

1. DUE FROM BANKS

(In EUR m)	31.12.2020	31.12.2019
Current accounts	25,712	20,717
Deposits and loans	16,000	17,269
Securities purchased under resale agreements	11,264	18,168
Subordinated and participating loans	97	88
Related receivables	297	118
Due from banks before impairments (1)	**53,370**	**56,360**
Credit loss impairment	(31)	(24)
Revaluation of hedged items	41	30
Total	**53,380**	**56,366**

(1) As at 31 December 2020, the amount due from banks classified as Stage 3 impairment (credit impaired) was 36 million euros compared to 38 million euros at 31 December 2019. 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).

2. CUSTOMER LOANS

(In EUR m)	31.12.2020	31.12.2019
Overdrafts	16,381	19,181
Other customer loans	401,589	388,167
Lease financing agreements	30,086	30,761
Securities purchased under resale agreements	8,439	19,541
Related receivables	3,438	2,937
Customer loans before impairments [(1)]	**459,933**	**460,587**
Credit loss impairment	(11,601)	(10,727)
Revaluation of hedged items	429	384
Total	**448,761**	**450,244**

(1) Aa at 31 December 2020, the amount due from customers classified as Stage 3 impairment (credit impaired) was 16,807 million euros compared to 15,976 million euros at 31 December 2019. 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 EUR m)	31.12.2020	31.12.2019
Trade notes	8,491	9,700
Short-term loans	133,502	123,452
Export loans	11,078	11,582
Equipment loans	62,324	58,683
Housing loans	142,247	136,333
Loans secured by notes and securities	83	98
Other loans	43,864	48,319
Total	**401,589**	**388,167**

ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

(In EUR m)	31.12.2020	31.12.2019
Gross investments	**32,077**	**33,517**
Amount for the next five years	26,786	27,595
Less than one year	*9,111*	
From one to two years	*6,690*	
From two to three years	*5,460*	
From three to four years	*3,402*	
From four to five years	*2,123*	
More than five years	5,291	5,922
Present value of minimum payments receivable	**28,444**	**29,110**
Rental receivables due for the next five years	24,321	24,985
Less than one year	*8,465*	
From one to two years	*6,099*	
From two to three years	*4,945*	
From three to four years	*3,010*	
From four to five years	*1,802*	
Rental receivables due for more than five years	4,123	4,125
Unearned financial income	**1,991**	**2,754**
Unguaranteed residual values receivable by the lessor	**1,642**	**1,652**

In 2020, the Group refined the collection of information on minimum rents receivable on finance lease assets. The 2019 year-on-year comparative data for payments less than five years is not available.

3. SECURITIES

(In EUR m)	31.12.2020	31.12.2019
Government securities	7,143	6,005
Negotiable certificates, bonds and other debt securities	8,390	6,390
Related receivables	101	85
Securities before impairments	**15,634**	**12,480**
Impairment	(42)	(10)
Revaluation of hedged items	43	19
Total	**15,635**	**12,489**

NOTE 3.6 - DEBTS

ACCOUNTING PRINCIPLES

Debts include the non-derivative financial liabilities that are not measured at fair value through profit or loss.

They are recognised in the balance sheet, depending on 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, i.e. at the fair value of the amount borrowed net of transaction fees. These liabilities are measured as at the 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).

1. DUE TO BANKS

(In EUR m)	31.12.2020	31.12.2019
Demand deposits and current accounts	11,354	11,577
Overnight deposits and borrowings	3,221	3,680
Term deposits (1)	117,460	82,893
Related payables	61	186
Revaluation of hedged items	440	308
Securities sold under repurchase agreements	3,035	9,285
Total	**135,571**	**107,929**

(1) Including term-deposits linked to governments and central administrations, and in particular long-term refinancing operations set up by the ECB (Targeted Longer-Term Refinancing Operations – TLTRO).

The European Central Bank (ECB) launched in 2019 a third series of Targeted Longer-Term Refinancing Operations (TLTRO) with the aim of maintaining favourable credit conditions in the euro area. Like the two previous systems, borrowing banks can benefit from a reduced interest rate depending on their performance in granting loans to their household (excluding real estate loans) and business (excluding financial institutions) customers. These TLTRO III operations each have a three-year maturity and are conducted quarterly between September 2019 and March 2021. Certain terms and conditions were modified in March 2020, in particular the loan production objectives, rate conditions and drawdown limit, in order to further support the granting of loans in the face of the emergence of the Covid-19 crisis.

The entities of the Societe Generale group have subscribed to TLTRO III loans through quarterly drawings staggered between December 2019 and December 2020. As of the closing date, the total outstanding amount is 62.6 billion euros.

Based on the granting of loans for the year 2020 and the estimate of future production for the first quarter of 2021, the Group considers that it has reasonable assurance of reaching the objective of stability of the outstanding eligible loans between 1 March 2020 and 31 March 2021 and consequently of benefiting from a bonificated borrowing rate. This bonificated rate, more favourable than the remuneration conditions for the main Eurosystem refinancing operations, is equal to the average interest rate of the deposit facility over the life of each operation and is complemented by an additional temporary bonification over the period from

24 June 2020 to 23 June 2021 (reduction of 50 basis points in the average rate of the deposit facility with a floor rate set at -1%).

Interest income recorded in 2020 in respect of these transactions is presented under Interest and similar income; the amount is determined on the basis of a weighted rate calculated over the life of the operations and taking account of the temporary additional bonification.

2. CUSTOMER DEPOSITS

(In EUR m)	31.12.2020	31.12.2019
Regulated savings accounts	100,204	96,642
Demand	*74,617*	*70,610*
Term	*25,587*	*26,032*
Other demand deposits [1]	268,556	229,756
Other term deposits [1]	81,295	82,817
Related payables	299	441
Revaluation of hedged items	169	196
Total customer deposits	**450,523**	**409,852**
Securities sold to customers under repurchase agreements	5,536	8,760
Total	**456,059**	**418,612**

(1) Including term-deposits linked to governments and central administrations

BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE

(In EUR m)	31.12.2020	31.12.2019
Professionals and corporates	124,987	111,079
Individual customers	84,364	76,135
Financial customers	43,558	29,093
Others [1]	15,647	13,449
Total	**268,556**	**229,756**

(1) Including term-deposits linked to governments and central administrations

3. DEBT SECURITIES ISSUED

(In EUR m)	31.12.2020	31.12.2019
Term savings certificates	312	510
Bond borrowings	22,434	23,847
Interbank certificates and negotiable debt instruments	114,276	99,107
Related payables	672	776
Revaluation of hedged items	1,263	928
Total	**138,957**	**125,168**
o/w floating-rate securities	*59,475*	*49,343*

NOTE 3.7 - INTEREST INCOME AND EXPENSE

MAKING 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 which are calculated using the same risk-free interest rate as that used to discount the expected outflow of resources as soon as the effects of this discounting are significant.

SPECIFIC TREATMENT RELATED TO THE REPLACEMENT OF A REFERENCE INTEREST RATE BY AN ALTERNATIVE REFERENCE INTEREST RATE (POSSIBLY INCLUDING A FINANCIAL COMPENSATION) – IBOR REFORM

The replacement of a reference interest rate by an alternative reference interest rate (possibly including a financial compensation in the form of a margin adjustment expressed in basis points and/or a cash amount) is liable to change the basis for determining the contractual cash flows of a financial asset or liability (i.e., the method for calculating the return on it).

The effective interest rate is then modified prospectively to reflect the change from the current reference interest rate to an alternative reference interest rate. This last is adjusted for the new margin expressed in basis points and, if needed, for the amortisation over the remaining term of the contract, of the cash amount paid at the time of the modification.

(In EUR m)	2020 Income	2020 Expense	2020 Net	2019 Income	2019 Expense	2019 Net
Financial instruments at amortised cost	12,193	(5,449)	6,744	14,907	(7,850)	7,057
Central banks	*110*	*(153)*	*(43)*	*427*	*(181)*	*246*
Bonds and other debt securities	*470*	*(1,660)*	*(1,190)*	*318*	*(2,096)*	*(1,778)*
Due from/to banks	*943*	*(819)*	*124*	*1,010*	*(1,632)*	*(622)*
Customer loans and deposits	*10,257*	*(2,109)*	*8,148*	*12,053*	*(3,123)*	*8,930*
Subordinated debt	*-*	*(503)*	*(503)*	*-*	*(516)*	*(516)*
Securities lending/borrowing	*6*	*(4)*	*2*	*10*	*(6)*	*4*
Repo transactions	*407*	*(201)*	*206*	*1,089*	*(296)*	*793*
Hedging derivatives	6,550	(4,753)	1,797	6,433	(4,632)	1,801
Financial instruments at fair value through other comprehensive income	526	(2)	524	752	(1)	751
Lease agreements	991	(44)	947	1,178	(44)	1,134
Real estate lease agreements	*179*	*(43)*	*136*	*189*	*(43)*	*146*
Non-real estate lease agreements	*812*	*(1)*	*811*	*989*	*(1)*	*988*
Subtotal interest income/expense on financial instruments using the effective interest method	**20,260**	**(10,248)**	**10,012**	**23,270**	**(12,527)**	**10,743**
Financial instruments mandatorily at fair value through profit or loss	461	-	461	442	-	442
Total Interest income and expense	**20,721**	**(10,248)**	**10,473**	**23,712**	**(12,527)**	**11,185**
o/w interest income from impaired financial assets	*268*	*-*	*268*	*280*	*-*	*280*

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 of 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 EUR m)	2020	2019
Trade notes	342	511
Other customer loans	8,992	10,361
Short-term loans	*3,840*	*4,572*
Export loans	*255*	*375*
Equipment loans	*1,410*	*1,529*
Housing loans	*2,884*	*2,985*
Other customer loans	*603*	*900*
Overdrafts	662	909
Doubtful outstandings (stage 3)	261	272
Total	**10,257**	**12,053**

NOTE 3.8 - IMPAIRMENT AND PROVISIONS

MAKING 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 the income statement 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 the income statement 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.

For financial assets measured at fair value through profit or loss (including instruments held by global markets activities), their fair value includes already the expected credit loss, as assessed by the market participants, 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 has become credit-impaired / 90 days past due
Measurement of credit risk	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

EXPOSURES CLASSIFIED IN STAGE 1

At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are purchased or originated credit-impaired instruments.

EXPOSURES CLASSIFIED IN STAGE 2

To identify Stage 2 exposures, the significant increase in credit risk compared to the date of initial recognition is assessed by the Group using all available past and forward-looking data (behavioural scores, loan to value indicators, macroeconomic forecast scenarios, etc.).

The three criteria used to assess the significant changes in credit risk are detailed below. Once only one of these three criteria is met, the relevant outstanding is transferred from Stage 1 to Stage 2 and related impairments or provisions are adjusted accordingly.

Criteria 1: the classification of the counterparty in "sensitive"

To determine the classification of the counterparty as "sensitive" (notion of watch list), the Group analyses:

– the counterparty's credit rating (where it is the subject of an internal analysis); and

– the changes in its operating sector, in macroeconomic conditions and in the behaviours of the counterparty that may 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.

Criteria 2: the magnitude of the change in a counterparty's credit rating since the initial recognition

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.

Criteria 3: the existence of payments more than 30 days past due

There is a (rebuttable) presumption of a significant deterioration in credit risk when a payment on an asset is more than 30 days past due.

The three criteria are symmetrical: thus, a removal from the watch list of sensitive counterparties, a sufficient improvement in the debtor's credit rating or a settlement of payments more than 30 days overdue results in a return to Stage 1, without any probation period in Stage 2.

Particular case of exposures without credit rating

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 30 days past due for retail customers;
- the classification into watch list and the existence of payments more than 30 days past due for Corporate.

EXPOSURES CLASSIFIED IN STAGE 3

To identify Stage 3 exposures (doubtful exposures), the Group has been applying to most of its entities, since July 2020, the new definition of default as detailed in the guidelines published by the European Banking Authority (EBA). This definition results in classification into Stage 3 according to the following criteria:

- one or more unpaid payments of over 100 euros for Retail (500 euros for Non-retail) during 90 consecutive days, representing at least 1% of the total exposure of the customer. This unpaid amount may or may not be accompanied by a recovery procedure (except for restructured loans classified into Stage 1 or 2 which are retransferred into Stage 3 from the first amount unpaid after 30 days during the two-year probation period). In addition, only missed payments related to business litigations, specific contractual features or IT failures may avoid automatic transfer into Stage 3 after 90 days.
- 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;

– the granting of concessions to the clauses of the loan agreement, which would not have been granted in other circumstances (restructured loans) and result in a decrease in the present value of cash flows of more than 1% of its initial value;

– the existence of probable credit risk or litigious proceedings (ad hoc mandate, bankruptcy protection, 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.

The classification in Stage 3 is kept during the 3-month probation period after the disappearance of all default indicators described above. The probation period in Stage 3 is extended to one year for the restructured loans that have been transferred in Stage 3.

In the case of a return to Stage 2, the exposures are kept in Stage 2 during a probation period before assessing whether they could be transferred to Stage 1. This probation period in Stage 2 is from 6 months to two years according to the nature of the risk portfolio to which the exposures belong.

For the entities which do not implement the new definition of default, the main differences concern the criteria for classification into Stage 3:

- Existence of payments more than 90 days past due without materiality threshold;
- No probation period (except for restructured loans that remain at least 1 year in Stage 3) before reclassification into Stage 1 or 2 once the Stage 3 conditions are not met anymore;
- Classification of all restructured loans into Stage 3

The rules of implementation of the new definition of default will be carried out by these entities from 1 January 2021.

MEASUREMENT OF DEPRECIATION AND PROVISION

Stage 1 exposures are impaired for the amount of credit losses that the Group expects to incur within 12 months (12-month expected credit losses), based on past data and the current situation. Accordingly, the amount of impairment is the difference between the gross carrying amount of the asset and the present value of future cash flows deemed to be recoverable, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring within the next 12 months.

Stage 2 and 3 exposures are impaired for the amount of credit losses that the Group expects to incur over the life of the exposures (lifetime expected credit losses), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity. Accordingly, the amount of impairment is the difference between the gross carrying amount of the asset and the present value of future cash flows deemed to be recoverable, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring through to the instrument’s maturity.

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.

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 the income statement 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.

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 classified in Stage 3 (credit-impaired exposures) whether the present value of modified cash flows decreases by more than 1% compared with the carrying amount of financial instruments before the restructuring or there is a high probability that the counterparty cannot meet all its commitments involving a risk of loss for the Group. In these two cases, the restructuring of financial assets leads to 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 or the loans which the present value does not decrease more than 1%, 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 30 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.

Given the new contractual terms arising from the restructuring 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 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.

COVID-19 CRISIS

This section summarises the main developments relating to the Covid-19 crisis.

Over 2020, the exceptional nature of the economic crisis caused by the pandemic, combined with unprecedented government support measures, required adjustments to the models used to calculate impairments and provisions for credit risk to best reflect expected losses based on our expectations of future defaults. As at 31 December 2020, the default situations observed remain moderate as a result of the implementation of moratoria. However, an increase in defaults is expected for 2021 and 2022, which should be reflected, as early as 2020, in the provisions for performing loans in Stage 1 and under-performing loans in Stage 2.

Consequently:

- the models and parameters used to estimate expected credit losses have been reviewed based on the economic scenarios described in paragraph 5 of Note 1;
- the adjustments made to supplement the models used have been updated (sectoral adjustments and adjustments when using simplified models)
- a new criterion for reclassifying loans into Stage 2 under-performing loans has been established.

UPDATE OF THE MODELS AND PARAMETERS USED TO ESTIMATE EXPECTED CREDIT LOSSES

When applied for determining future default rates, the models used to estimate expected credit losses didn’t reflect accurately the economic uncertainties stemming from the current crisis.

Consequently, the Group made some adjustments to its models to better reflect the impact of economic scenarios on expected credit losses.

GDP adjustments

The sharp downturn in economic activity resulting from the lockdown measures taken by governments has led to high volatility of quarterly GDP growth rates (year-on-year) for the 2021 and 2022 forecasts in the countries where the Group operates.

In addition, the authorities have adopted financial support measures for households and businesses to help them cope with this sudden deterioration in activity. Therefore, it seems likely that a time-lag will appear between the deterioration in the portfolios' credit quality and that of activity, the first being delayed with respect to the second.

In order to account for this time-lag, the Group has revised its models and retained for each quarter from 2020 to 2022 the (logarithmic) average variation in GDP over the past eight quarters compared to a base of 100 in 2019.

This adjustment is applied to each of the four scenarios (*SG Favourable*, *SG Central*, *SG Extended and SG Stress*) for the GDP series used to model expected credit losses (see Note 1, paragraph 5).

The table below results from the combination of the four scenarios after adjustment; it shows the adjusted GDP growth rates used in the models applied to estimate expected credit losses (in percentages):

	2020	2021	2022	2023	2024
Euro area	(2.8)	(5.8)	(3.8)	1.4	1.7
France	(3.3)	(7.1)	(5.3)	1.6	1.8
United States of America	(2.3)	(3.5)	(1.5)	2.3	2.2
China	(2.3)	1.8	4.6	4.5	4.5

Adjustment of the margin rate of French companies

In France, the pandemic economic shock caused a decrease in corporate profit margin. According to the Group's economists, this deteriorated margin rate does not, however, take sufficient account of State support measures to reduce the companies' financial difficulties, particularly through the *PGE* mechanism. To better reflect the impact of these measures, an add-on equivalent to 2.4 points of the 2019 added value has been included in all scenarios for 2020 and the first half of 2021 regarding the margin rate of French companies. However, no add-on has been applied over the remainder of the forecast horizon for expected credit losses.

It is worth noting that should the government stop some of the support measures put in place in the second quarter of 2020, the Group would have to scale down the margin rate add-on of French companies.

As at 31 December 2020, the adjustments in macroeconomic variables and probabilities of default led the Group to increase the amount of impairment and provisions for credit risk by 496 million euros.

ADJUSTMENTS MADE IN ADDITION TO THE APPLICATION OF MODELS

Sectoral adjustments

The different models used to estimate the expected credit losses may be supplemented by sectoral adjustments that increase or decrease the amount of expected credit losses. These adjustments allow to better anticipate defaults or recoveries in certain cyclical sectors. These adjustments have been reviewed and supplemented to take account of the specific risk on sectors particularly affected by the Covid-19 crisis. The total sectoral adjustments amount to 406 million euros as at 31 December 2020 (244 million euros as at 31 December 2019).

Adjustments in the context of simplified models

For entities lacking developed models for estimating the correlations between the macroeconomic variables and the probability of default, adjustments have also been performed to reflect the deterioration of credit risk on some portfolios when this deterioration could not be measured by a line by line analysis of the outstanding loans.
These adjustments amount to 424 million euros as at 31 December 2020 (78 million euros as at 31 December 2019).

ADDITIONAL CRITERIA OF TRANSFER TO STAGE 2

In addition to the criteria applied at the individual level to classify deteriorated loans as Stage 2 under-performing loans, an additional analysis has been made on the loan portfolios for which a significant increase in credit risk has been observed since their granting. This analysis resulted in additional transfers to Stage 2 under-performing loans of loans granted to sectors particularly affected by the Covid-19 crisis.

These adjustments amount to 122 million euros as at 31 December 2020.

OVERVIEW

This table does not lay out the IAS 39 impairment related to financial instruments of insurance subsidiaries. This impairment is presented in the Note 4.3.

(In EUR m)	**31.12.2020**	**31.12.2019**
Impairment of financial assets at fair value through other comprehensive income	9	9
Impairment of financial assets at amortised cost	11,962	10,976
Due from banks at amortised cost	*31*	*24*
Customer loans at amortised cost	*11,601*	*10,728*
Securities at amortised cost	*42*	*9*
Other assets at amortised cost (1)	*288*	*215*
Total impairment of financial assets	**11,971**	**10,985**
Provisions on financing commitments	433	244
Provisions on guarantee commitments	495	396
Total credit risk provisions	**928**	**640**

(1) See Note 4.4.

1. IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN

(In EUR m)	**Amount as at 31.12.2019**	Allocations	Write-backs available	**Net impairment losses**	**Write-backs used**	**Curency and scope effects**	**Amount as at 31.12.2020**
Financial assets at fair value through other comprehensive income							
Impairment on performing outstandings (Stage 1)	1	1	(1)	-		-	1
Impairment on underperforming outstandings (Stage 2)	-	-	-	-		-	-
Impairment on doubtful outstandings (Stage 3)	8	1	(1)	-	-	-	8
Total	**9**	**2**	**(2)**	**-**	**-**	**-**	**9**

(In EUR m)	**Amount as at 31.12.2019**	Allocations	Write-backs available	**Net impairment losses**	**Write-backs used**	**Curency and scope effects**	**Amount as at 31.12.2020**
Financial assets measured at amortised cost							
Impairment on performing outstandings (Stage 1)	902	774	(560)	214		(38)	1,078
Impairment on underperforming outstandings (Stage 2)	1,042	1,912	(968)	944		(35)	1,951
Impairment on doubtful outstandings (Stage 3)	9,032	4,516	(2,723)	1,793	(1,691)	(201)	8,933
Total	**10,976**	**7,202**	**(4,251)**	**2,951**	**(1,691)**	**(274)**	**11,962**
o/w lease financing and similar agreements	***742***	***404***	***(158)***	***246***	***(80)***	***(20)***	***888***
Impairment on performing outstandings (Stage 1)	*90*	*60*	*(34)*	*26*		*(3)*	*113*
Impairment on underperforming outstandings (Stage 2)	*91*	*159*	*(35)*	*124*		*(5)*	*210*
Impairment on doubtful outstandings (Stage 3)	*561*	*185*	*(89)*	*96*	*(80)*	*(12)*	*565*

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

	Impairment on financial assets											
	at fair value through other comprehensive income				at amortised cost							Total
(In EUR m)	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	*o/w lease financing*	Stage 2	*o/w lease financing*	Stage 3	*o/w lease financing*	**Total**	
Amount as at 31.12.2019	1	-	8	**9**	902	90	1,042	91	9,032	561	**10,976**	**10,985**
Production and Acquisition [1]				**-**	329	31	119	12	161	6	**609**	**609**
Derecognition [2]				**-**	(146)	(6)	(112)	(2)	(1,380)	(46)	**(1,638)**	**(1,638)**
Transfer from stage 1 to stage 2 [3]				**-**	(95)	(9)	878	89			**783**	**783**
Transfer from stage 2 to stage 1 [3]				**-**	13	1	(171)	(13)			**(158)**	**(158)**
Transfer to stage 3 [3]				**-**	(9)	(1)	(114)	(7)	1,186	48	**1,063**	**1,063**
Transfer from stage 3 [3]				**-**			24	2	(87)	(4)	**(63)**	**(63)**
Allocations and Write-backs without stage transfer [3]				**-**	113	8	306	39	187	9	**606**	**606**
Currency effect				**-**	(28)	(1)	(19)	(1)	(199)	(9)	**(246)**	**(246)**
Scope effect				**-**							**-**	**-**
Other variations				**-**	(1)		(2)		33		**30**	**30**
Amount as at 31.12.2020	1	-	8	**9**	1,078	113	1,951	210	8,933	565	**11,962**	**11,971**

(1) The amounts of impairment presented in the line Production and Acquisition in Stage 2/Stage 3 could include originated contracts in Stage 1 reclassified in Stage 2/Stage 3 during the period.

(2) Including repayments, disposals and debt waivers.

(3) Amounts presented in transfers include variations due to amortisation. Transfers to Stage 3 correspond to outstanding amounts initially classified as Stage 1 which, during the period, were downgraded directly to Stage 3, or to Stage 2 and later to Stage 3.

2. CREDIT RISK PROVISIONS

BREAKDOWN

(In EUR m)	**Amount as at 31.12.2019**	Allocations	Write-backs available	**Net impairment losses**	**Currency and scope effects**	**Amount as at 31.12.2020**
Financing commitments						
Provisions on performing outstandings (Stage 1)	102	113	(93)	20	(3)	119
Provisions on underperforming outstandings (Stage 2)	105	255	(77)	178	(4)	279
Provisions on doubtful outstandings (Stage 3)	37	124	(173)	(49)	47	35
Total	**244**	**492**	**(343)**	**149**	**40**	**433**

Guarantee commitments						
Provisions on performing outstandings (Stage 1)	34	37	(25)	12	(2)	44
Provisions on underperforming outstandings (Stage 2)	80	103	(29)	74	(2)	152
Provisions on doubtful outstandings (Stage 3)	282	160	(90)	70	(53)	299
Total	**396**	**300**	**(144)**	**156**	**(57)**	**495**

VARIATIONS OF PROVISIONS ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

	Provisions								
	on financing commitments				**on guarantee commitments**				**Total**
(In EUR m)	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**	
Amount as at 31.12.2019	102	105	37	**244**	34	80	282	**396**	**640**
Production and Acquisition (1)	48	29	7	**84**	15	12	18	**45**	**129**
Derecognition (2)	(40)	(6)	(25)	**(71)**	(9)	(6)	(39)	**(54)**	**(125)**
Transfer from stage 1 to stage 2 (3)	(14)	143		**129**	(5)	40		**35**	**164**
Transfer from stage 2 to stage 1 (3)	1	(10)		**(9)**		(2)		**(2)**	**(11)**
Transfer to stage 3 (3)	(1)	(1)	6	**4**		(6)	26	**20**	**24**
Transfer from stage 3 (3)			(1)	**(1)**			(3)	**(3)**	**(4)**
Allocations and Write-backs without stage transfer (3)	25	22	11	**58**	10	35	22	**67**	**125**
Currency effect	(2)	(3)		**(5)**	(1)	(1)	(8)	**(10)**	**(15)**
Scope effect				**-**				**-**	**-**
Other variations				**-**			1	**1**	**1**
Amount as at 31.12.2020	119	279	35	**433**	44	152	299	**495**	**928**

(1) The amounts of impairment presented in the line Production and Acquisition in Stage 2/Stage 3 could include originated contracts in Stage 1 reclassified in Stage 2/Stage 3 during the period.

(2) Including repayments, disposals and debt waivers.

(3) Amounts presented in transfers include variations due to amortisation. Transfers to Stage 3 correspond to outstanding amounts initially classified as Stage 1 which, during the period, were downgraded directly to Stage 3, or to Stage 2 and later to Stage 3.

The increase in credit risk impairment and provisions in 2020 is mainly linked to:

- Transfer of loans to Stage 3 due to downgraded ratings (EUR 4.9 billion), which caused an increase in impairment charges and provisions of EUR 1.1 billion (including 26 % in the automotive sector and 30% in retail):
  - EUR 2.9 billion in outstanding amounts of which related depreciations and provisions amounted to EUR 804 million as at 31 December 2020. These contracts were classified in Stage 1 at 31 December 2019.
  - EUR 2 billion in outstanding amounts of which related depreciations and provisions amounted to EUR 414 million as at 31 December 2020. These contracts were classified in Stage 2 at 31 December 2019.
- Transfer of loans to Stage 2 due to downgraded ratings (EUR 56.3 billion) owing to the deteriorated economic environment and the adjustments in the models for calculating impairments and provisions for credit risk described above. This transfer caused an increase in impairment charges and provisions of EUR 947 million (79% on the corporate portfolio);
- Disposal of Stage 3 loans on the Retail Banking perimeter (EUR 539 million), which caused a decrease in impairment charges and provisions of EUR 428 million;
- Granting of state-guaranteed loans (EUR 18.6 billion) which caused an increase in impairment charges and provisions of EUR 80 million.

3. OUTSTANDING AMOUNTS FOR WHICH PROVISIONS CAN BE BOOKED

The reconciliation between accounting amounts and outstanding amounts is included in Note 10.

(In EUR m)	31.12.2020
Financial assets at fair value through other comprehensive income	**51,801**
Stage 1	51,792
Stage 2	-
Stage 3	9
Financial assets at amortised cost (1)	**709,020**
Stage 1	642,131
Stage 2	49,740
Stage 3	17,149
o/w lease financing	***30,151***
Stage 1	*24,214*
Stage 2	*4,490*
Stage 3	*1,447*
Financing commitments	**183,588**
Stage 1	161,757
Stage 2	21,488
Stage 3	343
Guarantee commitments	**53,851**
Stage 1	46,169
Stage 2	6,876
Stage 3	806
Total carrying amout	**998,260**

(1) Including Central Banks for EUR 165 837 million euros as at 31 December 2020.

4. 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 uncollectible 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 if the latter's fortune improve. In case of recoveries on an exposure previously written-off, such recoveries are recognised as Amounts recovered on irrecovrables loans on the year of collection.

(In EUR m)	**2020**	**2019**
Net allocation to impairment losses	(2,951)	(1,202)
On financial assets at fair value through other comprehensive income	-	*2*
On financial assets at amortised cost	*(2,951)*	*(1,204)*
Net allocations to provisions	(305)	12
On financing commitments	*(149)*	*47*
On guarantee commitments	*(156)*	*(35)*
Losses not covered on irrecoverable loans	(251)	(292)
Amounts recovered on irrecoverable loans	114	184
Income from guarantee not taken into account for the calculation of impairment	87	20
Total	**(3,306)**	**(1,278)**

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.

1. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	31.12.2020				
(In EUR m)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due from banks	53,380	53,394	-	38,373	15,021
Customer loans	448,761	450,923	-	153,933	296,990
Securities	15,635	15,767	4,807	9,022	1,938
Total	**517,776**	**520,084**	**4,807**	**201,328**	**313,949**

	31.12.2019				
(In EUR m)	**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**

2. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

(In EUR m)	31.12.2020 Carrying amount	Fair value	Level 1	Level 2	Level 3
Due to banks	135,571	135,608	239	132,513	2,856
Customer deposits	456,059	456,119	-	446,520	9,599
Debt securities issued	138,957	138,985	20,920	117,809	256
Subordinated debt	15,432	15,435	-	15,435	-
Total	**746,019**	**746,147**	**21,159**	**712,277**	**12,711**

(In EUR m)	31.12.2019 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**

3. VALUATION METHODS OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

LOANS, RECEIVABLES AND LEASE FINANCING AGREEMENTS

The fair value of loans, receivables and lease financing transactions for large corporates and banks is calculated, in the absence of an actively traded market for these loans, by discounting expected cash flows to present value based on the market rates (the benchmark maturity yield published by the Banque de France and the zero-coupon yield) prevailing on the balance sheet date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

The fair value of loans, receivables and lease financing transactions for retail banking customers, essentially comprised of individuals and small or medium-sized companies, is determined, in the absence of an actively traded market for these loans, by discounting the associated expected cash flows to present value at the market rates prevailing on the balance sheet date for similar types of loans and similar maturities.

For all floating-rate loans, receivables and lease financing transactions and fixed-rate loans with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value net of impairment, assuming there has been no significant change in credit spreads on the counterparties in question since they were recognised in the balance sheet.

DEBTS

The fair value of debts, in the absence of an actively traded market for these liabilities, is taken to be the same as the value of future cash flows discounted to present value at the market rates prevailing on the balance sheet date. When the debt is a listed instrument, its fair value is its market value.

When the debt is a listed instrument, its fair value is its market value.

For floating-rate deposits, demand deposits and borrowings with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value. Similarly, the individual fair value of demand deposit accounts is equal to their book value.

SECURITIES

Provided that the security is an instrument traded on an active market, its fair value is equal to the market price.

If no active market exists, the fair value of the securities is calculated by discounting estimated future 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 derivatives instruments 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, the 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 the securities measured at fair value through profit or loss and the 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 to equity, depending on the accounting classification of the securities in question.

1. COMMITMENTS

COMMITMENTS GRANTED

(In EUR m)	**31.12.2020**	**31.12.2019**
Loan commitments		
To banks	45,707	50,589
To customers	194,890	184,305
Issuance facilities	*83*	*83*
Confirmed credit lines	*185,061*	*166,168*
Others (1)	*9,746*	*18,054*
Guarantee commitments		
On behalf of banks	4,541	10,572
On behalf of customers (2)	59,297	42,248
Securities commitments		
Securities to be delivered	26,387	31,121

(1) This line includes, as from 31 December 2020, investment commitments in private equity funds granted by insurance activities for an amount of 2,271 million euros.

(2) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.

COMMITMENTS RECEIVED

(In EUR m)	31.12.2020	31.12.2019
Loan commitments		
From banks	78,577	84,990
Guarantee commitments		
From banks	114,035	110,395
Other commitments (1)	139,289	125,771
Securities commitments		
Securities to be received	28,148	30,874

(1) These commitments include, as at 31 December 2020, the guarantee granted by French government related to the State Guaranteed Loans (see Note 1.5).

2. FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSETS PLEDGED

(In EUR m)	31.12.2020	31.12.2019
Book value of assets pledged as security for liabilities * (1)	330,730	311,597
Book value of assets pledged as security for transactions in financial instruments (2)	62,308	56,891
Book value of assets pledged as security for off-balance sheet commitments	2,106	2,195
Total	**395,144**	**370,683**

** The value of the assets pledged as security for liabilities presented in 2019 for an amount of EUR 391,820 million has been corrected by EUR 80,223 million in order to take into account entries erroneously booked on securities made available to agents acting on behalf of Societe Generale.*

(1) Assets pledged as security for liabilities mainly include loans given as guarantees for liabilities (guarantees notably provided to the central banks).

(3) Assets pledged as security for transactions in financial instruments mainly include security deposit.

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EUR m)	31.12.2020	31.12.2019
Fair value of securities purchased under resale agreements	**119,374**	**111,818**

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term. Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

NOTE 3.11 - TRANSFERRED FINANCIAL ASSETS

ACCOUNTING PRINCIPLES

Transferred financial assets that are not derecognised include securities lending transactions and repurchase agreements as well as certain loans transferred to consolidated securitisation vehicles.

The tables below show securities lending and repurchase agreements that only concern securities recognised on the asset side of the balance sheet.

Securities involved in a repurchase agreement or securities lending transaction are held in their original position on the asset side of the Group's balance sheet. For repurchase agreements, the obligation to return the amounts deposited is recorded under Liabilities on the liabilities side of the balance sheet, with the exception of the 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 a 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. If 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 in the value of securities value (market risk). The underlying securities cannot simultaneously be used as collateral in other transactions.

1. TRANSFERRED FINANCIAL ASSETS NOT DERECOGNISED

REPURCHASE AGREEMENTS

	31.12.2020		31.12.2019	
(In EUR m)	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	23,375	18,827	23,691	20,486
Securities at fair value through other comprehensive income	12,410	9,913	13,057	10,476
Total	**35,785**	**28,740**	**36,748**	**30,962**

SECURITIES LENDING

(In EUR m)	31.12.2020 Carrying amount of transferred assets	31.12.2020 Carrying amount of associated liabilities	31.12.2019 Carrying amount of transferred assets	31.12.2019 Carrying amount of associated liabilities
Securities at fair value through profit or loss	11,067	-	13,297	54
Securities at fair value through other comprehensive income	170	-	132	-
Total	**11,237**	**-**	**13,429**	**54**

SECURITISATION ASSETS FOR WHICH THE COUNTERPARTIES TO THE ASSOCIATED LIABILITIES HAVE RECOURSE ONLY TO THE TRANSFERRED ASSETS

(In EUR m)	31.12.2020	31.12.2019 *
Customers loans		
Carrying amount of transferred assets	3,658	3,039
Carrying amount of associated liabilities	3,248	2,627
Fair value of transferred assets (A)	3,724	3,098
Fair value of associated liabilities (B)	3,263	2,637
Net position (A)-(B)	**461**	**461**

* *As at 31 December 2020, the Group restated the customer loan amounts of the previous period in order to include securitisation transactions that had not been presented in 2019. The impact of this change increased the carrying amount of the transferred assets by 1,410 million euros and the carrying amount of the associated liabilities by 1,082 million euros. The fair value of the transferred assets increased by 1,459 million euros and the fair value of the associated liabilities increased by 1,082 million euros.*

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.

2. TRANSFERRED FINANCIAL ASSETS PARTIALLY OR FULLY DERECOGNISED

As at 31 December 2020, 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 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

ACCOUNTING PRINCIPLES

A financial asset and a financial liability are offset and the net amount presented on the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in all circumstances, in both the normal course of business and in the event of default of one of the counterparties. In this respect, the Group recognises in its balance sheet the net amount of derivative financial instruments traded with certain clearing houses where they achieve net settlement through a daily cash margining process, or where their gross settlement system has features that eliminate or result in insignificant credit and liquidity risk, and that process receivables and payables in a single settlement process or cycle.

The following tables present the amounts of financial assets and financial liabilities set off on the Group's consolidated balance sheet. The gross outstanding amounts of these financial assets and financial liabilities are matched with the consolidated outstanding amounts presented in the balance sheet (net balance sheet amounts), after indicating the amounts set off on the balance sheet for these various instruments (amounts offset) and aggregating them with the outstanding amounts of other financial assets and financial liabilities not subject to a Master Netting Agreement or similar agreement (amounts of assets and liabilities not eligible for offsetting).

These tables also indicate the amounts which may be offset, as they are subject to a Master Netting Agreement or similar agreement, but whose characteristics make them ineligible for offsetting in the consolidated financial statements under IFRS. This information is provided in comparison with the accounting treatment applied under US GAAP. This affects in particular financial instruments that may only be offset in the event of the default, insolvency or bankruptcy of one of the counterparties, as well as instruments pledged by cash or securities collateral. These mainly include over-the-counter interest rate options, interest rate swaps and securities purchased/sold under resale/repurchase agreements.

Net positions resulting from these various offsettings are not intended to represent the Group's actual exposure to counterparty risk through these financial instruments, insofar as counterparty risk management uses other risk mitigation strategies in addition to netting and collateral agreements.

1. AT 31 DECEMBER 2020

ASSETS

(In EUR m)	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	Cash collateral received	Financial instruments received as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	40,978	286,686	(155,461)	172,203	(95,803)	(18,599)	-	57,801
Securities lent (see Notes 3.1 and 3.3)	7,496	3,746	-	11,242	(1,677)	(2)	(91)	9,472
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	47,044	172,751	(80,718)	139,077	(6,350)	(183)	(46,057)	86,487
Guarantee deposits pledged (see Note 4.4)	36,530	15,366	-	51,896	-	(15,366)	-	36,530
Other assets not subject to offsetting	1,087,534	-	-	1,087,534	-	-	-	1,087,534
Total	**1,219,582**	**478,549**	**(236,179)**	**1,461,952**	**(103,830)**	**(34,150)**	**(46,148)**	**1,277,824**

LIABILITIES

(In EUR m)	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	Cash collateral pledged	Financial instruments pledged as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	45,260	281,838	(155,461)	171,637	(95,803)	(15,366)	-	60,468
Amount payable on borrowed securities (see Note 3.1)	23,038	9,127	-	32,165	(1,677)	-	-	30,488
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	55,652	154,334	(80,718)	129,268	(6,350)	-	(38,886)	84,032
Guarantee deposits received (see Note 4.4)	36,955	18,784	-	55,739	-	(18,784)	-	36,955
Other liabilities not subject to offsetting	1,006,164	-	-	1,006,164	-	-	-	1,006,164
Total	**1,167,069**	**464,083**	**(236,179)**	**1,394,973**	**(103,830)**	**(34,150)**	**(38,886)**	**1,218,107**

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect.

2. AT 31 DECEMBER 2019

ASSETS

(In EUR m)	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 MNA: Cash collateral received	Impact of MNA: 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 *	991,825	-	-	991,825	-	-	-	991,825
Total	**1,104,617**	**428,840**	**(176,962)**	**1,356,495**	**(116,855)**	**(32,989)**	**(41,031)**	**1,165,620**

LIABILITIES

(In EUR m)	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 MNA: Cash collateral pledged	Impact of MNA: 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 *	935,381	-	-	935,381	-	-	-	935,381
Total	**1,079,866**	**385,021**	**(176,962)**	**1,287,925**	**(116,855)**	**(32,989)**	**(35,880)**	**1,102,201**

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

(1) *Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect.*

NOTE 3.13 - CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

(In EUR m)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2020
Due to central banks	1,489	-	-	-	1,489
Financial liabilities at fair value through profit or loss	277,326	29,605	34,655	48,661	390,247
Due to banks	57,384	9,140	67,829	1,218	135,571
Customer deposits	422,319	14,489	13,328	5,923	456,059
Debt securities issued	36,665	34,317	44,998	22,977	138,957
Subordinated debt	7	2	6,029	9,394	15,432
Other liabilities	76,148	2,218	4,549	2,022	84,937
Total liabilities	**871,338**	**89,771**	**171,388**	**90,195**	**1,222,692**
Loan commitment granted	101,327	31,814	93,488	13,968	240,597
Guarantee commitments granted	27,091	13,753	9,536	13,458	63,838
Total commitments granted	**128,418**	**45,567**	**103,024**	**27,426**	**304,435**

The flows presented in this note are based on contractual maturities. However, for certain elements of the balance sheet, assumptions could be applied.

When there is no contractual terms, as well as for trading financial instruments (e.g.: derivatives), maturities are presented in the first column (up to 3 months).

The guarantee commitments given are scheduled on the basis of the best possible estimate of disposal; if not available, they are presented in the first column (up to 3 months).

NOTE 4 - OTHER ACTIVITIES

NOTE 4.1 - FEE INCOME AND EXPENSE

ACCOUNTING PRINCIPLES

Fee income and Fee expense combine fees on services rendered and received, as well as fees on commitments, that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under Interest and similar income and Interest and similar expense (see Note 3.7).

Transactions with customers include the fees from retail customers from the Group retail banking activities (in particular credit card fees, account management fees or application fees outside the effective interest rate).

Sundry services provided include the fees from customers from the other Group activities (in particular, interchange fees, funds management fees or fees on insurance products sold within the network).

The Group recognises fee income or expense for an amount equivalent to the remuneration for the service provided and depending on the progress transferring control of these services:

- fees for ongoing services, such as some payment services, custody fees, or digital service subscriptions are recognised as income over the life of the service;
- fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties on payment incidents are recognised as income when the service is provided.

The amount equivalent to the remuneration for the service provided is composed of fixed and variable contractual compensation whether they are paid in kind or in cash, less any payments due to customers (for example, in case of promotional offers). The variable compensation (for example, discounts based on the provided services volume over a period of time or fees payable subject to the achievement of a performance target, etc.) are included in the amount equivalent to the remuneration for the service provided if and only if this compensation is highly probable not to be subsequently reduced significantly.

The possible mismatch between the payment date of the service provided and the date of execution of the service gives assets and liabilities depending on the type of contract and mismatch which are recognised under Other Assets and Other Liabilities (see Note 4.4):

- customer contracts generate trade receivables, accrued income or prepaid income;
- supplier contracts generate trade payables, accrued expenses or prepaid expenses.

In syndication deals, the effective interest rate for the share of the issuance retained on the Group's balance sheet is comparable to that applied to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees for services rendered is then recorded under Fee income at the end of the syndication period. Arrangement fees are recorded as income when the placement is legally complete.

(In EUR m)	2020 Income	2020 Expense	2020 Net	2019 Income	2019 Expense	2019 Net
Transactions with banks	**159**	**(108)**	**51**	**157**	**(149)**	**8**
Transactions with customers	**2,820**	**-**	**2,820**	**3,072**	**-**	**3,072**
Financial instruments operations	**2,208**	**(2,215)**	**(7)**	**2,261**	**(2,351)**	**(90)**
Securities transactions	503	(1,042)	(539)	523	(1,019)	(496)
Primary market transactions	203	-	203	126	-	126
Foreign exchange transactions and derivatives instruments	1,502	(1,173)	329	1,612	(1,332)	280
Loan and guarantee commitments	**795**	**(271)**	**524**	**772**	**(213)**	**559**
Various services	**2,547**	**(1,018)**	**1,529**	**2,806**	**(1,098)**	**1,708**
Asset management fees	613	-	613	610	-	610
Means of payment fees	795	-	795	914	-	914
Insurance product fees	260	-	260	241	-	241
Underwriting fees of UCITS	77	-	77	80	-	80
Other fees	802	(1,018)	(216)	961	(1,098)	(137)
Total	**8,529**	**(3,612)**	**4,917**	**9,068**	**(3,811)**	**5,257**

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; the latter corresponds to the non-cancellable lease term adjusted for any option to extend the contract that the lessee is reasonably certain to exercise and any early termination options that the lessee is reasonably certain not to exercise (see Note 8.4). 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 the income from invoices for maintenance services related to operating leases is to reflect, over the term of the service agreement, a constant margin between this income and the expenses incurred in providing the service.

Income and expenses, and capital gains or losses on investment properties and leased assets, as well as income and expense on maintenance services related to operating lease activities, are recorded under Income and expenses from other activities on the Real estate leasing and Equipment leasing lines.

These lines also include the losses incurred in the event of a decline in the unguaranteed residual value of finance-lease transactions, and the capital gains or losses on disposal related to unleased assets once the lease finance agreements are terminated.

The leases granted by the Group entities may include the maintenance service of 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.

	2020			2019		
(In EUR m)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Real estate development	65	(1)	64	96	-	96
Real estate leasing	37	(23)	14	48	(34)	14
Equipment leasing * (1)	10,933	(9,248)	1,685	10,889	(9,177)	1,712
Other activities *	436	(451)	(15)	596	(574)	22
Total	**11,471**	**(9,723)**	**1,748**	**11,629**	**(9,785)**	**1,844**

* *Amounts as at 31 December 2019 restated following the reclassification of expenses related to maintenance services associated with vehicle leasing activities from "Other activities" to "Equipment leasing".*

(1) *The amount recorded under this heading is mainly due to income and expenses related to long-term leasing and car fleet management businesses. Most of the Group's long-term lease agreements are 36-month to 48-month leases.*

NOTE 4.3 - INSURANCE ACTIVITIES

MAKING IT SIMPLE

Insurance activities (life insurance, personal protection and non-life insurance) add to the range of products included in the banking services offered to Group customers.

These activities are carried out by dedicated subsidiaries, subject to regulations specific to the insurance sector.

The rules for measuring and accounting for risks associated with insurance contracts are specific to the insurance sector.

DEFERRED APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES

The amendments to IFRS 17 and IFRS 4 published by IASB on 25 June 2020 as well as the regulation (EU) 2020/2097 published by the European commission on 15 December 2020 allow financial conglomerates falling within the scope of Directive 2002/87/EC to defer until 1 January 2023 the implementation of IFRS 9 by their entities belonging to the insurance sector.

The Group has therefore maintained the decision 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 maintained 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.

In accordance with the ANC recommendation of 2 June 2017 related to the consolidated statements of banking institutions with the international accounting standards, 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.

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

(In EUR m)	**31.12.2020**	**31.12.2019**
Underwriting reserves of insurance companies	142,106	140,155
Financial liabilities of insurance companies	4,020	4,104
Financial liabilities at fair value through profit or loss	*583*	*834*
Financial liabilities at fair value through profit or loss (fair value option)	*3,437*	*3,270*
Total	**146,126**	**144,259**

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In EUR m)	31.12.2020	31.12.2019
Life insurance underwriting reserves for unit-linked policies	35,794	32,611
Other life insurance underwriting reserves	92,620	94,714
Non-life insurance underwriting reserves	1,834	1,556
Deferred profit-sharing booked in liabilities	11,858	11,274
Total	**142,106**	**140,155**
Attributable to reinsurers	(749)	(750)
Underwriting reserves of insurance net of the share attributable to reinsurers	**141,357**	**139,405**

STATEMENT OF CHANGES IN UNDERWRITING RESERVES EXCLUDING DEFERRED PROFIT SHARING

(In EUR m)	Life insurance underwriting reserves for unit-linked policies	Other life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at 1 January 2020	**32,611**	**94,714**	**1,556**
Allocation to insurance reserves	1,695	(2,009)	140
Revaluation of unit-linked policies	653	-	-
Charges deducted from unit-linked policies	(210)	-	-
Transfers and allocation adjustments	859	(859)	-
New customers	-	-	-
Profit-sharing	179	972	-
Others	7	(198)	138
Reserves at 31 December 2020	**35,794**	**92,620**	**1,834**

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed as at 31 December 2020. This test assesses whether recognised insurance liabilities are adequate, using current estimates of future cash flows under insurance policies. The result of the test as at 31 December 2020 does not show any insufficiency of technical liabilities.

UNDERWRITING RESERVES OF INSURANCE COMPANIES BY REMAINING MATURITY

(In EUR m)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2020
Underwriting reserves of insurance companies	15,920	9,221	36,948	80,017	**142,106**

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 four 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 any assets that do not fall into one of the 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 profit or loss using the effective interest rate method while dividend income earned on equity securities is recorded 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 profit or loss 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 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 respectively presented in Note 8.4 and 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 OF INVESTMENTS IN INSURANCE ACTIVITIES

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 entity's 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 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.

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 for equity instruments and under Cost of risk for debt instruments.

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

(In EUR m)	**31.12.2020**	**31.12.2019**
Financial assets at fair value through profit or loss (trading portfolio)	291	268
Shares and other equity instruments	*51*	*37*
Trading derivatives	*240*	*231*
Financial assets at fair value through profit or loss (fair value option)	70,422	65,718
Bonds and other debt instruments	*32,178*	*31,719*
Shares and other equity instruments	*37,942*	*33,694*
Loans, receivables and repo transactions	*302*	*305*
Hedging derivatives	438	438
Available-for-sale financial assets	89,755	91,899
Debt instruments	*75,662*	*75,839*
Equity instruments	*14,093*	*16,060*
Due from banks (2)	5,301	5,867
Customer loans	76	92
Held-to-maturity financial assets	32	80
Real estate investments	539	576
Total investments of insurance activities (1) (2)	**166,854**	**164,938**

(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 897 million of current accounts as at 31 December 2020 vs. EUR 1,126 million as at 31 December 2019.

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).

	31.12.2020					
	Carrying amount			Fair value		
(In EUR m)	Basic instruments	Other instruments	**Total**	Basic instruments	Other instruments	**Total**
Financial assets at fair value through profit or loss	-	70,713	70,713	-	70,713	70,713
Hedging derivatives	-	438	438	-	438	438
Available-for-sale financial assets	72,253	17,502	89,755	72,253	17,502	89,755
Due from banks	2,398	2,903	5,301	2,602	2,997	5,599
Customer loans	76	-	76	76	-	76
Held-to-maturity financial assets	32	-	32	32	-	32
Total financial investments	**74,759**	**91,556**	**166,315**	**74,963**	**91,650**	**166,613**

	31.12.2019					
	Carrying amount			Fair value		
(In EUR m)	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**

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	31.12.2020			
(In EUR m)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss (trading portfolio)	51	237	3	291
Financial assets at fair value through profit or loss using the fair value option	60,997	9,064	361	70,422
Hedging derivatives	-	438	-	438
Available-for-sale financial assets	80,693	4,934	4,128	89,755
Total	**141,741**	**14,673**	**4,492**	**160,906**

(In EUR m)	31.12.2019			
	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	3,844	3,620	91,899
Total	**143,346**	**10,955**	**4,022**	**158,323**

* *Amounts restated, compared to the financial statements published for the year 2019, following the reclassification of assets held in private equity funds, from Level 2 to Level 3 of the fair value hierarchy.*

CHANGES IN AVAILABLE FOR SALE FINANCIAL ASSETS

(In EUR m)	2020
Balance as at 1 January	**91,899**
Acquisitions	9,342
Disposals / redemptions	(8,866)
Transfers to held-to-maturity financial assets	(8)
Change in scope and others (1)	(3,211)
Gains and losses on changes in fair value recognised directly in equity during the period	1,036
Net changes in impairment of debt instruments recorded in profit or loss	(2)
Impairment on equity instruments recognised in profit or loss	(277)
Translation differences	(158)
Balance as at 31 December	**89,755**

(1) Investment commitments in private equity funds, recorded against Miscellaneous payables – insurance, have been reversed to be presented among commitments granted (see Note 3.10).

The Covid-19 sanitary crisis has brought on an economic crisis which led the Group to recognise losses on available-for-sale equity instruments amounting to EUR 277 million over the year 2020. These impairments recognised in the income statement among Net income from insurance activities are mainly affecting UCITS shares and stocks that are in a prolonged situation of unrealised capital losses. Furthermore, the Group recognised, in the income statement among Cost of risk, impairments on available-for-sale debt instruments amounting to EUR 2 million over the year 2020.

These impairments are mostly offset in the income statement by reversals on the provisions for deferred profit-sharing as at 31 December 2020.

UNREALISED GAINS AND LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME

(In EUR m)	31.12.2020		
	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	**665**	**(22)**	**643**
On available-for-sale equity instruments	*1,968*	*(97)*	*1,871*
On available-for-sale debt instruments and assets reclassified as loans and receivables	*8,505*	*(163)*	*8,342*
Deferred profit-sharing	*(9,808)*	*238*	*(9,570)*

(In EUR m)	31.12.2019 Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	**556**	**(30)**	**526**
On available-for-sale equity instruments	*2,047*	*(75)*	*1,972*
On available-for-sale debt instruments and assets reclassified as loans and receivables	*7,921*	*(240)*	*7,681*
Deferred profit-sharing	*(9,412)*	*285*	*(9,127)*

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EUR m)	31.12.2020	31.12.2019
Fair value of securities purchased under resale agreements	**6**	**7**

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.

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 (after eliminating intercompany transactions):

– income and expense from insurance activities and associated investments on a separate line under Net Banking Income: Net income from insurance activities;

– funding costs of insurance activities recorded under Interest and similar expense;

– impairment debt instruments of insurance activities and the deferred profit-sharing recorded under Cost of risk.

(In EUR m)	**2020**	**2019**
Net premiums	10,970	14,188
Net income from investments	2,808	3,655
Cost of benefits (including changes in reserves) (1)	(11,377)	(15,736)
Other net technical income (expense)	(277)	(182)
Net income from insurance activities	**2,124**	**1,925**
Funding costs	(7)	(5)
Cost of risk	-	-
o/w impairment of debt instruments	*(2)*	-
o/w which deferred profit sharing	*2*	-

(1) o/w EUR -2,592 million in respect of deferred profit-sharing at 31 December 2020.

NET INCOME FROM INVESTMENTS

(In EUR m)	**2020**	**2019**
Dividend income on equity instruments	671	719
Interest income	1,790	1,912
On available-for-sale financial assets	*1,566*	*1,675*
On loans and receivables	*179*	*194*
Other net interest income	*45*	*43*
Net gains or losses on financial instruments at fair value through profit or loss	308	764
Net gains or losses on available-for-sale financial instruments	14	237
Capital gain or loss on sale of debt instruments	*34*	*141*
Capital gain or loss on sale of equity instruments	*257*	*187*
Impairment values on equity instruments	*(277)*	*(91)*
Net gains or losses on real estate investments	25	23
Total net income from investments	**2,808**	**3,655**

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.

	31.12.2020				
(In EUR m)	**Available-for-sale financial assets**	**Due from banks**	**Customer loans**	**Held-to-maturity financial assets**	**Total**
AAA	4,025	207	-	-	4,232
AA+ / AA / AA-	37,567	764	-	-	38,331
A+ / A / A-	14,819	499	-	-	15,318
BBB+ / BBB / BBB-	14,418	171	-	32	14,621
BB+ / BB / BB-	921	52	-	-	973
B+ / B / B-	30	-	-	-	30
CCC+ / CCC / CCC-	-	-	-	-	-
CC+ / CC / CC-	6	-	-	-	6
Lower than CC-	-	-	-	-	-
Without rating	467	705	76	-	1,248
Total before impairment	**72,253**	**2,398**	**76**	**32**	**74,759**
Impairment	-	-	-	-	-
Carrying amount	**72,253**	**2,398**	**76**	**32**	**74,759**

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

1. OTHER ASSETS

(In EUR m)	31.12.2020	31.12.2019
Guarantee deposits paid [(1)]	51,896	48,630
Settlement accounts on securities transactions	3,876	6,915
Prepaid expenses	1,019	1,084
Miscellaneous receivables [(2)]	9,193	10,065
Miscellaneous receivables - insurance	1,752	1,653
Gross amount	**67,736**	**68,347**
Impairments	(395)	(302)
Credit risk on operating lease receivables	*(187)*	*(145)*
Credit risk on assets acquired by adjudication	*(101)*	*(70)*
Other risks	*(107)*	*(87)*
Net amount	**67,341**	**68,045**

(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 914 million as of 31 December 2020.

2. OTHER LIABILITIES

(In EUR m)	31.12.2020	31.12.2019
Guarantee deposits received [(1)]	55,739	49,321
Settlement accounts on securities transactions	4,166	7,356
Expenses payable on employee benefits	2,022	2,364
Lease liability *	2,207	2,443
Deferred income	1,527	1,596
Miscellaneous payables [(2)]	12,690	13,194
Miscellaneous payables - insurance	6,586	8,980
Total	**84,937**	**85,254**

** The amount has been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

(1) Mainly relates to guarantee deposits received on financial instruments, their fair value is taken to be the same as their book value.

(2) Miscellaneous payables primarily include trade payables, fee expense and expense from other activities to be paid.

NOTE 5 - PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

MAKING IT SIMPLE

Employee benefits correspond to the compensation granted by the Group to its employees in exchange for work carried out during the annual reporting period.

All forms of compensation for work rendered are recorded in the expenses:

- whether it be paid to employees or to outside social security agencies;
- whether it be paid during the annual reporting period or to be paid by the Group in the future as entitlements to employees (pension plans, retirement benefits…);
- whether it be paid in cash or in Societe Generale shares (free share plans, stock options).

ACCOUNTING PRINCIPLES

Employee benefits are divided into four categories:

- Short-term employee benefits which are employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, such as fixed and variable compensation, annual leave, taxes and social security contributions, mandatory employer contributions and profit-sharing;
- Post-employment benefits, including defined contributions plans and defined benefit plans such as pension plans and retirement benefits;
- Others 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.

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.

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.

1. PERSONNEL EXPENSES

(In EUR m)	2020	2019
Employee compensation	(6,715)	(7,240)
Social security charges and payroll taxes	(1,594)	(1,660)
Net pension expenses - defined contribution plans	(728)	(759)
Net pension expenses - defined benefit plans	(76)	(10)
Employee profit-sharing and incentives	(176)	(286)
Total	**(9,289)**	**(9,955)**
Including net expenses from share-based payments	*(150)*	*(171)*

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 EUR m)	2020	2019
Short-term benefits	14.0	13.6
Post-employment benefits	0.6	0.7
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	2.5	3.0
Total	**17.1**	**17.4**

RELATED-PARTY TRANSACTIONS

The transactions with members of the Board of Directors, Chief Executive Officers and members of their families included in this note only comprise loans and guarantees outstanding at 31 December 2020 for a total amount of EUR 1.6 million. All other transactions with these individuals are insignificant.

TOTAL AMOUNTS PROVISIONED OR BOOKED BY THE SOCIETE GENERALE GROUP FOR THE PAYMENT OF PENSIONS AND OTHER BENEFITS

The total amount provisioned or booked by the Societe Generale Group at 31 December 2020 for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Ms Lebot and Mr. Aymerich, Mr. Cabannes, and the two staff-elected Directors) is EUR 12.7 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 Epargne Temps*) flexible working provisions, or long service awards.
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In EUR m)	**Provisions as at 31.12.2019**	Allocations	Write-backs available	**Net allocation**	**Write-backs used**	**Actuarial gains and losses**	**Currency and scope effects**	**Provisions as at 31.12.2020**
Post-employment benefits	**1,620**	83	(41)	**42**	(63)	125	37	**1,761**
Other long-term benefits	**440**	91	(35)	**56**	(43)	-	(11)	**442**
Termination benefits	**356**	191	(44)	**147**	(114)	-	(11)	**378**
Total	**2,416**	365	(120)	**245**	(220)	125	15	**2,581**

Societe Generale announced on 9 November 2020 several organisational adjustment projects to continue the in-depth adaptation of its businesses and functions and contribute to improving the Group's operational efficiency and structural profitability.

The first project deals with the adjustments disclosed on 3 August 2020 aiming at lowering the risk profile of the activities involving structured credit and equity products and impacting market activities and related support functions.

The second project includes organisational adjustments impacting the Securities business and some Group central functions to improve their operational efficiency and meet the specific challenges of their activities.

These two projects have required a restructuring provision of EUR 175 million including EUR 166 million booked under Staff expenses and EUR 9 million 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 re-measure the net defined benefit liability (or asset). These components are immediately and fully recognised in shareholder's equity among Unrealised or deferred gains and losses and they cannot be subsequently reclassified as income.

In the Group consolidated financial statements, these items that cannot be subsequently reclassified as income are displayed separately in the Statement of net income and unrealised or deferred gains 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, in Switzerland, in the United Kingdom and in 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. This allowance depends in particular on the beneficiary’s seniority within Societe Generale. 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*, this plan is closed to new employees and the rights of beneficiaries were frozen on 31 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 20 years, and the benefits of the last beneficiaries were frozen in 2015. The plan is managed by an independent institution (Trustee).

Similarly, in the United States, defined benefit plans were closed to new employees in 2015 and the vesting of new benefits was frozen.

RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

(In EUR m)	31.12.2020 France	United Kingdom	United States	Others	**Total**
A - Present value of defined benefit obligations	1,246	949	303	864	**3,362**
B - Fair value of plan assets	76	999	299	281	**1,655**
C - Fair value of separate assets	1,147	-	-	3	**1,150**
D - Change in asset ceiling	-	-	-	-	**-**
A - B - C + D = Net balance	**23**	**(50)**	**4**	**580**	**557**
On the liabilities side of the balance sheet	**1,170**	**-**	**4**	**587**	**1,761**
On the assets side [(1)] of the balance sheet	**1,147**	**50**	**-**	**6**	**1,204**

(1) o/w 1,150 million euros of separate assets recorded under Financial assets at fair value through profit or loss and 53 million euros linked to surplus assets under Other assets.

(In EUR m)	31.12.2019 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 963 million euros of separate assets recorded under Financial assets at fair value through profit or loss and 121 million euros linked to surplus assets under Other assets.

COMPONENTS OF THE COST OF DEFINED BENEFITS

(In EUR m)	2020	2019
Current service cost including social security contributions	81	79
Employee contributions	(5)	(5)
Past service cost/curtailments	(12)	(80)
Transfer via the expense	-	-
Net interest	4	8
A - Components recognised in income statement	**68**	**2**
Actuarial gains and losses on assets	(206)	(257)
Actuarial gains and losses due to changes in demographic assumptions	(15)	(2)
Actuarial gains and losses due to changes in economic and financial assumptions	259	295
Actuarial gains and losses due to experience	17	(32)
Change in asset ceiling	-	-
B - Components recognised in unrealised or deferred gains and losses	**55**	**4**
C = A + B Total components of the cost of defined benefits	**123**	**6**

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

(In EUR m)	2020	2019
Balance at 1 January	**3,221**	**3,029**
Current service cost including social security contributions	81	79
Past service cost/curtailments	(12)	(80)
Settlements	-	-
Net interest	42	57
Actuarial gains and losses due to changes in demographic assumptions	(15)	(2)
Actuarial gains and losses due to changes in economic and financial assumptions	259	295
Actuarial gains and losses due to experience	17	(32)
Foreign exchange adjustment	(82)	58
Benefit payments	(157)	(149)
Change in consolidation scope	1	(29)
Transfers and others	7	(6)
Balance at 31 December	**3,362**	**3,221**

CHANGES IN THE FAIR VALUE OF FUNDING ASSETS

(In EUR m)	Plan assets 2020	Plan assets 2019	Separate assets 2020	Separate assets 2019
Balance at 1 January	**1,723**	**1,534**	**963**	**902**
Interest expenses on assets	29	37	8	12
Actuarial gains and losses on assets (1)	134	164	72	93
Foreign exchange adjustment	(80)	58	-	-
Employee contributions	5	5	-	-
Employer contributions to plan assets	32	23	-	-
Benefit payments	(81)	(76)	-	(45)
Change in consolidation scope	-	(21)	-	-
Transfers and others	(107)	-	107	-
Change in asset ceiling	-	-	-	-
Balance at 31 December	**1,655**	**1,723**	**1,150**	**963**

GENERAL INFORMATION REGARDING FUNDING ASSETS (FOR ALL BENEFITS AND FUTURE CONTRIBUTIONS)

Funding assets include plan assets and separate assets.

Funding assets represent around 82% 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 96%, while they are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 75% bonds, 12% equities and 13% other investments. Directly held Societe Generale shares are not significant.

Funding assets excess is EUR 191 million.

Employer contributions to be paid to post-employment defined benefit plans for 2021 are estimated at EUR 16 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 EUR m)	2020	2019
Plan assets	164	201
Separate assets	80	106

MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2020	31.12.2019
Discount rate		
France	0.36%	0.82%
United-Kingdom	1.24%	2.00%
United-States	2.55%	3.19%
Others	0.44%	0.73%
Long-term inflation		
France	1.22%	1.28%
United-Kingdom	3.01%	2.92%
United-States	N/A	N/A
Others	1.20%	1.22%
Future salary increase		
France	1.47%	0.82%
United-Kingdom	N/A	N/A
United-States	N/A	N/A
Others	1.23%	1.20%
Average remaining working lifetime of employees (in years)		
France	8.45	9.24
United-Kingdom	4.17	5.17
United-States	7.85	7.87
Others	9.97	9.97
Duration (in years)		
France	13.94	13.79
United-Kingdom	16.84	16.28
United-States	16.17	15.28
Others	15.13	14.69

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)	**31.12.2020**	**31.12.2019**
Variation in discount rate	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	-7%	-7%
Variation in long-term inflation	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	5%	5%
Variation in future salary increase	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	1%	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 EUR m)	**2020**	**2019**
N+1	169	160
N+2	140	148
N+3	150	154
N+4	156	163
N+5	164	169
N+6 à N+10	798	851

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 the income statement 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

	31.12.2020			31.12.2019		
(In EUR m)	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	108	42	**150**	111	60	**171**

NOTE 6 - INCOME TAX

MAKING 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 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.

TAX UNCERTAINTIES

There may be uncertainty over the tax treatments applied by the Group. If it is probable that the tax Authority will not accept some tax treatments, these uncertainties shall be booked under Tax expenses/income by the counterpart of Provisions for tax adjustments recorded among Tax liabilities.

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.

1. BREAKDOWN OF THE TAX EXPENSE

(In EUR m)	2020	2019
Current taxes	(708)	(968)
Deferred taxes	(496)	(296)
Total	**(1,204)**	**(1,264)**

RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE

	2020		2019	
(In EUR m)	%	EUR m	%	EUR m
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses		**2,081**		**5,339**
Group effective tax rate	**57.87%**		**23.67%**	
Permanent differences	1.70%	35	2.51%	134
Differential on securities with tax exemption or taxed at reduced rate	(1.49)%	(31)	(2.74)%	(146)
Tax rate differential on profits taxed outside France	13.21%	275	9.13%	486
Changes in the measurement of deferred tax assets / liabilities (1)	(39.27)%	(817)	1.86%	100
Normal tax rate applicable to French companies (including 3.3% national contribution)	32.02%		34.43%	

(1) In 2020, this amount includes a 650 million euros reduction in deferred tax assets for the French tax group.

In compliance with the French tax provisions that define the ordinary corporate tax rate, the latter will be gradually lowered to reach 25% in 2022 according to the following trajectory for liable companies with a turnover equal to or greater than 250 million of euros (article 219 of the French tax code):

- for fiscal year opened from 1 January 2020 to 31 December 2020, an ordinary tax rate of 31%, plus the existing national contribution (*CSB*) of 3.3%;
- for fiscal year opened from 1 January 2021 to 31 December 2021, an ordinary tax rate of 27.5%, plus the existing national contribution (*CSB*) of 3.3%.

Deferred taxes on French companies are determined by applying the tax rate in effect as at the reversal of the temporary difference. Regarding the gradual reduction in French tax rate until 2022 (including *CSB*):

- for income taxed at the ordinary tax rate: the rate is 32.02% in 2020, 28.41% in 2021 and 25.83% from 2022;
- for long-term income exempted, subject to taxation of a portion of fees and expenses of 12%: the rate is 3.84% in 2020, 3.41% in 2021 and 3.10% from 2022.

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. This portion of fees and expenses is 12% of gross capital gains only if the company realises a net long-term capital gain.

Furthermore, under the parent-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to taxation of a portion of fees and expenses of 1% or 5% at the full statutory tax rate.

2. TAX ASSETS AND LIABILITIES

TAX ASSETS

(In EUR m)	**31.12.2020**	**31.12.2019**
Current tax assets	895	1,038
Deferred tax assets	4,106	4,741
o/w deferred tax assets on tax loss carry-forwards	*1,840*	*2,659*
o/w deferred tax assets on temporary differences	*2,266*	*2,082*
Total	**5,001**	**5,779**

TAX LIABILITIES

(In EUR m)	**31.12.2020**	**31.12.2019**
Current tax liabilities	440	602
Provisions for tax adjustments	90	101
Deferred tax liabilities	693	706
Total	**1,223**	**1,409**

The Group performs an annual review of its capacity to use its tax loss carryforwards, taking into account the tax system applicable to each tax entity (or tax group) concerned and a realistic forecast of its tax results. For this purpose, the tax results are determined based on the 2021-2025 projections of the performance of the businesses. Tax results also include accounting and tax restatements (including the reversal of the deferred tax assets and liabilities bases on temporary differences) applicable to the entities and jurisdictions concerned. These adjustments are determined on the basis of historical tax results and the Group's tax expertise. An extrapolation is performed from the year 2026 and over a reasonable timeframe depending on the nature of the activities carried out within each tax entity.

On principle, the appreciation of the macro-economic factors selected and the internal estimates used to determine the tax results involve risks and uncertainties about their materialization over the estimated timeframe for the absorption of losses. These risks and uncertainties are in particular related to possible changes in applicable tax rules (computation of the tax result, as well as rules for allocating tax loss carryforwards) or materialisation of the assumptions selected. These uncertainties are mitigated by stress tests on the budgetary and strategic assumptions.

As at 30 June 2020, the Group had carried out a specific review of tax loss carryforwards including the consequences and uncertainties generated by the Covid-19 crisis in the projections of tax results. These projections had shown a risk of partial non-recovery within the French tax group over a reasonable timeframe. As a result, deferred tax assets could no longer be recognized at the end of June for EUR 650 million.

As at 31 December 2020, updated projections confirm that all activated tax loss-carry forwards may be used against future taxable income. The EUR 650 million derecognition has been kept as of today, but should be reversed in the future, if the Group's projections improve.

3. DEFERRED TAX ASSETS RECOGNISED ON TAX LOSS CARRY-FORWARDS AND DEFERRED TAX ASSETS NOT RECOGNISED

As at 31 December 2020, 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 EUR m)	31.12.2020	Statutory time limit on carry-forwards	Expected recovery period
Total deferred tax assets relating to tax loss carry-forwards	1 840	**-**	**-**
o/w French tax group	*1 505*	*Unlimited (1)*	*9 years*
o/w US tax group	*285*	*20 years (2)*	*7 years*
others	*50*	-	-

(1) In accordance with the 2013 French Finance Act, the deduction of previous losses is limited to 1 million euros plus 50% of the fraction of the taxable income for the fiscal year exceeding this limit. The non-deductible portion of losses may be carried forward to the following fiscal years with no time limit and under the same conditions.

(2) Tax losses generated before 31 December 2011.

As at 31 December 2020, the main unrecognised deferred tax assets represent a total of EUR 1 126 million (compared to EUR 467 million as at 31 December 2019). They mostly concern the French tax group, with EUR 650 million (compared to a nil amount as at 31 December 2019), the US tax group, with EUR 305 million (compared to EUR 413 million as at 31 December 2019), SG Singapore with EUR 70 million (compared to EUR 35 million as at 31 December 2019) and SG de Banques en Guinée Equatoriale, with EUR 40 million (o/w EUR 9 million on tax loss carry-forwards and EUR 31 million on timing differences). These deferred tax assets may be recognised on the balance sheet depending on the probability that a future taxable income will allow their recovery.

With regard to the tax treatment of the loss caused by the actions of Jérôme Kerviel, Societe Generale considers that the judgment of the Versailles Court of Appeal of 23 September 2016 does not call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'Etat*) and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers that the related tax loss remains recoverable against the future taxable income.

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, Societe Generale group will not fail to assert its rights before the competent courts.

NOTE 7 - SHAREHOLDERS' EQUITY

MAKING 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 recognised in Retained earnings.

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).

1. ORDINARY SHARES AND CAPITAL RESERVES

(In EUR m)	31.12.2020	31.12.2019
Issued capital	1,067	1,067
Issuing premiums and capital reserves	21,465	21,417
Elimination of treasury stock	(199)	(515)
Total	**22,333**	**21,969**

ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	**31.12.2020**	**31.12.2019**
Ordinary shares	853,371,494	853,371,494
Including treasury stock with voting rights [(1)]	*4,512,000*	*3,706,880*
Including shares held by employees	*69,033,084*	*57,369,330*

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

As at 31 December 2020, 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.

2. TREASURY STOCK

As at 31 December 2020, the Group held 4,690,634 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 0.55% 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 199 million, including EUR 73 million in shares held for trading activities.

The change in treasury stock over 2020 breaks down as follows:

(In EUR m)	**Liquidity contract**	**Trading activities**	**Treasury stock and active management of shareholders' equity**	**Total**
Disposals net of purchases	-	303	13	**316**
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	(2)	(55)	**(57)**

3. EQUITY INSTRUMENTS ISSUED

PERPETUAL SUBORDINATED NOTES

Perpetual subordinated notes issued by the Group, with some discretionary features governing the payment of interest, are classified as equity.

As at 31 December 2020, perpetual subordinated notes issued by the Group and recognised under Group shareholders' equity in Other equity instruments totalled EUR 244 million, valued at historical rate.

Issuance Date	Amount in local currency at 31 December 2019	Repurchases and redemptions in 2020	Amount in local currency at 31 December 2020	Amount in millions of euros at historical rate	Remuneration
1 July 1985	EUR 62 M	-	EUR 62 M	62	BAR (Bond Average Rate) of -0.25% for the period from 1 June to 31 May before each due date
24 November 1986	USD 248 M	-	USD 248 M	182	Average 6-month Euro/Dollar deposit rates communicated by reference banks +0.075%

PERPETUAL DEEPLY SUBORDINATED NOTES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual deeply subordinated notes have been classified as equity and recognised under Other equity instruments.

As at 31 December 2020, perpetual deeply subordinated notes issued by the Group and recognised under Group shareholders' equity in Other equity instruments totalled EUR 9,051 million, valued at historical rate.

The change in the amount of perpetual deeply subordinated notes issued by the Group is explained by one issuance and one redemption at pair made over the year.

Issuance Date	Amount in local currency at 31 December 2019	Repurchases and redemptions in 2020	Amount in local currency at 31 December 2020	Amount in millions of euros at historical rate	Remuneration
18 December 2013	USD 1,750 M		USD 1,750 M	1,273	7.875%, from 18 December 2023, USD 5-year Mid Swap Rate +4.979%
25 June 2014	USD 1,500 M	USD 1,500 M	-	-	6%, from 27 January 2020, USD 5-year Mid Swap Rate +4.067%
7 April 2014	EUR 1,000 M		EUR 1,000 M	1,000	6.75%, from 7 April 2021, EUR 5-year Mid Swap Rate +5.538%
29 September 2015	USD 1,250 M		USD 1,250 M	1,111	8% from 29 September 2025, USD 5-year Mid Swap rate +5.873%
13 September 2016	USD 1,500 M		USD 1,500 M	1,335	7.375% from 13 September 2021, USD 5-year Mid Swap rate +6.238%
6 April 2018	USD 1,250 M		USD 1,250 M	1,035	6.750% from 6 April 2028, USD 5-year Mid Swap rate +3.929%
4 October 2018	USD 1,250 M		USD 1,250 M	1,105	7.375% from 4 October 2023, USD 5-year Mid Swap rate +4.302%
16 April 2019	SGD 750 M		SGD 750 M	490	6.125% from 16 April 2024, 5-year Mid Swap rate +4.207%
12 September 2019	AUD 700 M		AUD 700 M	439	4.875% from 12 September 2024, 5-year Mid Swap rate +4.036%
18 November 2020	-		USD 1,500 M	1,264	5.375% from 18 November 2030, USD 5-year Mid Swap rate +4.514%

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.

As at 31 December 2020, other equity instruments issued by the Group's subsidiaries and recognised under Non-controlling interests totalled EUR 800 million.

Issuance Date	Amount	Remuneration
18 December 2014 (step-up clause after 12 years)	EUR 800 M	4.125%, from 2026 5-year Mid-Swap rate + 4.150% annually

SUMMARY OF CHANGES IN EQUITY INSTRUMENTS ISSUED

Changes related to the perpetual subordinated notes and deeply subordinated notes included in Shareholder's equity, Group share are detailed below:

	2020			2019		
(In EUR m)	**Deeply subordinated notes**	**Perpetual subordinated notes**	**Total**	**Deeply subordinated notes**	**Perpetual subordinated notes**	**Total**
Remuneration paid booked under reserves	(618)	(3)	**(621)**	(717)	(7)	**(724)**
Changes in nominal values	162	-	**162**	23	-	**23**
Tax savings on remuneration payable to shareholders and recorded under profit or loss [(1)]	198	12	**210**	257	2	**259**
Issuance fees relating to subordinated notes	(7)	-	**(7)**	(4)	-	**(4)**

4. EFFECT OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

The effects of the changes in the scope of consolidation recorded in Equity, group share for EUR 80 million are mainly related to the revaluation of the debt linked to the put option on Non-controlling interests.

NOTE 7.2 - EARNINGS PER SHARE AND DIVIDENDS

ACCOUNTING PRINCIPLES

The earnings per share are measured by dividing the net income attributable to ordinary shareholders by the weighted average number of shares outstanding over the period, excluding treasury shares. The net earnings attributable to ordinary shareholders are adjusted for the preferred shareholders rights, such as holders of preferred shares, subordinated securities or deeply subordinated notes classified in equity. The diluted earnings per share take into account the potential dilution of shareholders' interests in the event where dilutive instruments (stock options or free share plans) are converted into ordinary shares. This dilutive effect is determined using the share buyback method.

1. EARNINGS PER SHARE

(In EUR m)	**2020**	**2019**
Net income, Group share	(258)	3,248
Attributable remuneration to subordinated and deeply subordinated notes	(604)	(708)
Issuance fees related and deeply subordinated notes	(7)	(4)
Net income attributable to ordinary shareholders	**(869)**	**2,536**
Weighted average number of ordinary shares outstanding (1)	850,384,674	829,901,725
Earnings per ordinary share (in euros)	**(1.02)**	**3.05**
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	850,384,674	829,901,725
Diluted earnings per ordinary share (in euros)	**(1.02)**	**3.05**

(1) Excluding treasury shares.

2. DIVIDENDS PAID

In accordance with the European Central Bank's recommendation of 27 March 2020 relative to dividends distribution policies during the Covid-19 crisis, Societe Generale did not pay dividends on its ordinary shares for the 2019 financial year.

	2020			**2019**		
(In EUR m)	**Group Share**	**Non-controlling interests**	**Total**	**Group Share**	**Non-controlling interests**	**Total**
Paid in shares	-	-	-	(889)	-	(889)
Paid in cash	-	(91)	(91)	(881)	(379)	(1,260)
TOTAL	**-**	**(91)**	**(91)**	**(1,770)**	**(379)**	**(2,149)**

NOTE 7.3 - UNREALISED OR DEFERRED GAINS AND LOSSES

BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES

	31.12.2020				
				o/w	
(In EUR m)	**Gross value**	**Tax**	**Net value**	**Net Group share**	**Non-controlling interests**
Translation differences	(2,587)	-	(2,587)	(2,425)	(162)
Revaluation of debt instruments at fair value through other comprehensive income	452	(90)	362	288	74
Revaluation of available-for-sale financial assets	642	(187)	455	453	2
Revaluation of hedging derivatives	184	13	197	201	(4)
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	***(1,309)***	***(264)***	***(1,573)***	***(1,483)***	***(90)***
Actuarial gains and losses on defined benefit plans (2)	(55)	16	(39)	(31)	(8)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss (3)	(396)	101	(295)	(294)	(1)
Revaluation of equity instruments at fair value through other comprehensive income	49	(3)	46	46	-
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	***(402)***	***114***	***(288)***	***(279)***	***(9)***
Total	**(1,711)**	**(150)**	**(1,861)**	**(1,762)**	**(99)**

	Changes 2019 - 2020				
				o/w	
(In EUR m)	**Gross value**	**Tax**	**Net value**	**Net Group share**	**Non-controlling interests**
Translation differences [(1)]	(1,776)	3	(1,773)	(1,672)	(101)
Revaluation of debt instruments at fair value through other comprehensive income	247	(46)	201	152	49
Revaluation of available-for-sale financial assets	117	(43)	74	70	4
Revaluation of hedging derivatives	154	(9)	145	145	-
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	***(1,258)***	***(95)***	***(1,353)***	***(1,305)***	***(48)***
Actuarial gains and losses on defined benefit plans [(2)]	(53)	18	(35)	(33)	(2)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss [(3)]	(79)	20	(59)	(53)	(6)
Revaluation of equity instruments at fair value through other comprehensive income	16	(1)	15	10	5
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	***(116)***	***37***	***(79)***	***(76)***	***(3)***
Total	**(1,374)**	**(58)**	**(1,432)**	**(1,381)**	**(51)**

	31.12.2019				
				o/w	
(In EUR m)	**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	525	(144)	381	383	(2)
Revaluation of hedging derivatives	30	22	52	56	(4)
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)
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	***(286)***	***77***	***(209)***	***(203)***	***(6)***
Total	**(337)**	**(92)**	**(429)**	**(381)**	**(48)**

(1) The variation in Group's translation differences of -1 672 million euros mainly related to the appreciation of euro against the US dollar (-1 206 million euros) and against the Russian ruble (-256 million euros).

(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 for the next financial year opening.

NOTE 8 - ADDITIONAL DISCLOSURES

NOTE 8.1 - SEGMENT REPORTING

1. DEFINITION OF SEGMENT REPORTING

The Group is managed on a matrix basis that takes into account its different business lines and the geographical breakdown of its activities. Segment reporting information is therefore presented under both criteria.

The Group includes in the results of each sub-division all operating income and expenses directly related to its activity. Income for each sub-division, except for the Corporate Centre, also includes the return on equity allocated to it, based on the estimated rate of return on Group equity. The return on the sub-division's book equity is then reallocated to the Corporate Centre. Transactions between sub-divisions are carried out under the same terms and conditions as those applying to non-Group customers.

The Group's core businesses are managed through three strategic pillars:

- French Retail Banking, which includes the domestic networks Societe Generale, Crédit du Nord and Boursorama;
- International Retail Banking & Financial Services, which consists of:
  - International Retail Banking, including consumer finance activities;
  - Financial Services to Corporates (operational vehicle leasing and fleet management, equipment and vendor finance);
  - Insurance activities.
- Global Banking and Investor Solutions which comprises:
  - Global Markets and Investors Services;
  - Financing and Advisory;
  - Asset and Wealth Management.

In addition to the strategic pillars, the Corporate Centre acts as the Group's central funding department. As such, it recognises the carrying cost of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's Asset and Liability Management (ALM) and income from the Group's management of its assets (management of its industrial and bank equity portfolio and of its real estate assets). Income or expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Centre.

Segment income take intra-Group transactions into account, while these transactions are eliminated from segment assets and liabilities.

The tax rate levied on each business line is based on the standard tax rate set at the start of the financial year, based on tax rates 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.

2. SEGMENT REPORTING BY DIVISION AND SUB-DIVISION

	2020										
	French Retail Banking	International Retail Banking and Financial Services				Global Banking and Investor Solutions				Corporate Centre [1]	Total Group Societe Generale
(In EUR m)		International Retail Banking	Financial Services to Corporates	Insurance	Total	Global Markets and Investors Services	Financing and Advisory	Asset and Wealth Management	Total		
Net banking income	7,315	4,902	1,735	887	7,524	4,164	2,546	903	7,613	(339)	22,113
Operating expenses [2]	(5,418)	(2,870)	(916)	(356)	(4,142)	(4,337)	(1,563)	(813)	(6,713)	(441)	(16,714)
Gross operating income	**1,897**	**2,032**	**819**	**531**	**3,382**	**(173)**	**983**	**90**	**900**	**(780)**	**5,399**
Cost of risk	(1,097)	(1,080)	(185)	-	(1,265)	(24)	(861)	(37)	(922)	(22)	(3,306)
Operating income	**800**	**952**	**634**	**531**	**2,117**	**(197)**	**122**	**53**	**(22)**	**(802)**	**2,093**
Net income from investments accounted for using the equity method	(1)	-	-	-	-	4	-	-	4	-	3
Net income / expense from other assets [4]	158	4	11	-	15	11	(3)	(8)	-	(185)	(12)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	(684)	(684)
Earnings before Tax	**957**	**956**	**645**	**531**	**2,132**	**(182)**	**119**	**45**	**(18)**	**(1,671)**	**1,400**
Income tax	(291)	(227)	(139)	(165)	(531)	40	69	(9)	100	(482)	(1,204)
Consolidated Net income	**666**	**729**	**506**	**366**	**1,601**	**(142)**	**188**	**36**	**82**	**(2,153)**	**196**
Non-controlling interests	-	198	96	3	297	23	-	2	25	132	454
Net income, Group share	**666**	**531**	**410**	**363**	**1,304**	**(165)**	**188**	**34**	**57**	**(2,285)**	**(258)**
Segment assets	**256,211**	**123,697**	**38,932**	**169,239**	**331,868**	**566,614**	**124,114**	**34,661**	**725,389**	**148,484**	**1,461,952**
Segment liabilities [3]	**264,228**	**90,784**	**13,351**	**154,736**	**258,871**	**684,293**	**47,161**	**21,324**	**752,778**	**119,096**	**1,394,973**

	2019										
	French Retail Banking	**International Retail Banking and Financial Services**				**Global Banking and Investor Solutions**				**Corporate Centre (1)**	**Total Group Societe Generale**
(In EUR m)		International Retail Banking (5)	Financial Services to Corporates	Insurance	Total (5)	Global Markets and Investors Services	Financing and Advisory	Asset and Wealth Management	Total		
Net banking income	7,746	5,592	1,872	909	8,373	5,210	2,547	947	8,704	(152)	24,671
Operating expenses (2)	(5,700)	(3,252)	(980)	(349)	(4,581)	(4,788)	(1,676)	(888)	(7,352)	(94)	(17,727)
Gross operating income	**2,046**	**2,340**	**892**	**560**	**3,792**	**422**	**871**	**59**	**1,352**	**(246)**	**6,944**
Cost of risk	(467)	(504)	(84)	-	(588)	(13)	(195)	2	(206)	(17)	(1,278)
Operating income	**1,579**	**1,836**	**808**	**560**	**3,204**	**409**	**676**	**61**	**1,146**	**(263)**	**5,666**
Net income from investments accounted for using the equity method	8	11	1	-	12	4	(1)	-	3	(152)	(129)
Net income / expense from other assets	58	3	-	-	3	4	-	2	6	(394)	(327)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	-	-
Earnings before Tax	**1,645**	**1,850**	**809**	**560**	**3,219**	**417**	**675**	**63**	**1,155**	**(809)**	**5,210**
Income tax	(514)	(410)	(176)	(174)	(760)	(89)	(70)	(15)	(174)	184	(1,264)
Consolidated Net income	**1,131**	**1,440**	**633**	**386**	**2,459**	**328**	**605**	**48**	**981**	**(625)**	**3,946**
Non-controlling interests	-	394	107	3	504	20	-	3	23	171	698
Net income, Group share	**1,131**	**1,046**	**526**	**383**	**1,955**	**308**	**605**	**45**	**958**	**(796)**	**3,248**
Segment assets*	**232,840**	**122,695**	**43,730**	**167,249**	**333,674**	**505,413**	**133,132**	**35,881**	**674,426**	**115,555**	**1,356,495**
Segment liabilities*(3)	**226,040**	**89,754**	**13,980**	**156,212**	**259,946**	**623,512**	**46,133**	**24,736**	**694,381**	**107,558**	**1,287,925**

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

(1) *Income and expenses, assets and liabilities not directly related to business line activities are recorded in the Corporate Centre income and balance sheet. The operating expenses include an income related to an operating tax adjustment of 241 million euros 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) *Segment liabilities correspond to debts (i.e. total liabilities excluding equity).*

(4) *In 2020 the Net income / expense from other assets items includes a capital gain of 153 million euros from the Group's property disposal result, recorded in French Retail Banking and relating to, as well as an expense amounting of -169 million euros recorded in Corporate Centre and corresponding to the impact of Group's subsidiaries disposal program (cf. Note 2.1).*

(5) *In 2019 the International Retail Banking & Financial Services division includes also -34 million euros of restructuring costs in operating expenses (and +11 million euros 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, 1,069 million euros.*

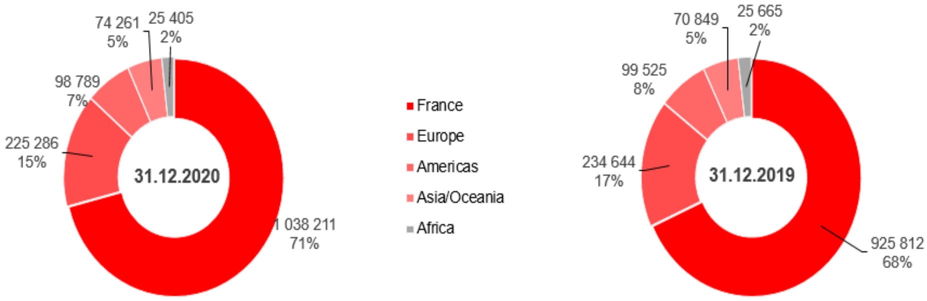
3. SEGMENT REPORTING BY GEOGRAPHICAL REGION

GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME (IN MILLIONS OF EUROS)

As at 31 December 2020, the amount of Net Banking Income was EUR 22,113 million compared to EUR 24,671 million at 31 December 2019.

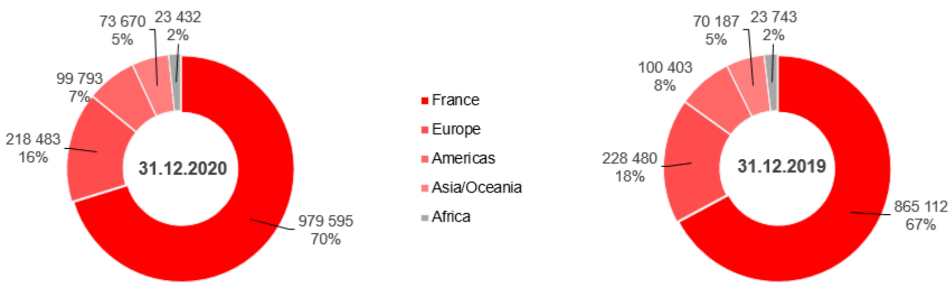
GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN MILLIONS OF EUROS)

ASSETS



As at 31 December 2020, the amount of assets was EUR 1,461,952 million compared to EUR 1,356,495 million at 31 December 2019 *.

LIABILITIES



As at 31 December 2020, the amount of liabilities (except shareholder equity) was EUR 1,394,973 million compared to EUR 1,287,925 million at 31 December 2019 *.

* *The amounts as at 31 December 2019 have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

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 in profit or loss at the start of the financial year. The company social solidarity contribution (C3S), based on income generated in previous financial year, is fully recognised in profit or loss at 1 January of the current financial year.

Other mainly includes building maintenance and other costs, travel and business expenses, and advertising expenses.

(In EUR m)	**2020**	**2019**
Rentals *	(307)	(308)
Taxes and levies	(1,071)	(887)
Data & telecom (excluding rentals)	(2,087)	(2,328)
Consulting fees	(1,121)	(1,370)
Other	(1,235)	(1,347)
Total	**(5,821)**	**(6,240)**

* *The amount has been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European regulatory framework designed to enhance financial stability was updated by the Directive 2014/59/UE of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive).

The European Regulation UE n°806/2014 of 15 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 2020, the Group's contributions to the SRF and the NRF were as follows:

- cash contributions (85%) for a total of EUR 470 million, of which EUR 435 million for the SRF and EUR 35 million for the NRF. These contributions are non-tax-deductible in France and have been recorded in the income statement in Other administrative expenses, among Taxes and levies;
- irrevocable payment commitments (15%) backed by a cash collateral for EUR 76 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.

OVERVIEW

(In EUR m)	**Provisions as at 31.12.2019**	Allocations	Write-backs available	**Net allocation**	**Write-backs used**	**Currency and others**	**Provisions as at 31.12.2020**
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	**640**	792	(487)	**305**	**-**	**(17)**	**928**
Provisions for employee benefits (see Note 5.2)	**2,416**	365	(120)	**245**	**(220)**	**140**	**2,581**
Provisions for mortgage savings plans and accounts commitments	**289**	73	(6)	**67**	**(1)**	**-**	**355**
Other provisions	**1,042**	150	(209)	**(59)**	**(44)**	**(28)**	**911**
Total	**4,387**	**1,380**	**(822)**	**558**	**(265)**	**95**	**4,775**

1. COMMITMENTS UNDER MORTGAGE SAVINGS AGREEMENTS

ACCOUNTING PRINCIPLES

In France, *Comptes d'épargne-logement* (CEL or mortgage savings accounts) and *Plans d'épargne-logement* (PEL or mortgage savings plans) are special savings schemes for individual customers which are governed by Law 65-554 of 10 July 1965. These products combine an initial deposit phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. The lending phase is subject to the prior existence of the savings phase and is therefore inseparable from it. The savings deposits collected and loans granted are measured at amortised cost.

These instruments create two types of commitments for the Group: the obligation to pay interest on customer savings for an indeterminate future period at an interest rate established at the inception of the mortgage savings agreement, and the obligation to subsequently lend to the customer at an interest rate also established at the inception of the savings agreement.

If it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Group, a provision is recorded on the liabilities side of the balance sheet. Any changes in these provisions are recognised as *Net banking income* under net interest income. These provisions only relate to commitments arising from PEL/CEL that are outstanding at the date of calculation.

Provisions are calculated for each generation of mortgage savings plans (PEL), with no netting between different PEL generations, and for all mortgage saving accounts (CEL) making up a single generation.

During the deposit phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observations of past customer behaviour.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable on the basis of deposits that are currently recognised in the balance sheet at the date of calculation and on the basis of historical observations of past customer behaviour.

A provision is recognised if the discounted value of expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated on the basis of interest rates available to individual customers for equivalent savings and loan products, with a similar estimated life and date of inception.

OUTSTANDING DEPOSITS IN PEL/CEL ACCOUNTS

(In EUR m)	31.12.2020	31.12.2019
PEL accounts	19,227	19,195
Less than 4 years old	*734*	*1,596*
Between 4 and 10 years old	*11,511*	*11,581*
More than 10 years old	*6,982*	*6,018*
CEL accounts	1,404	1,333
Total	**20,631**	**20,528**

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

(In EUR m)	31.12.2020	31.12.2019
Less than 4 years old	-	1
Between 4 and 10 years old	7	13
More than 10 years old	9	12
Total	**16**	**26**

PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In EUR m)	31.12.2019	Allocations	Write-backs	31.12.2020
PEL accounts	279	73	-	352
Less than 4 years old	*2*	*-*	-	*2*
Between 4 and 10 years old	*31*	*1*	-	*32*
More than 10 years old	*246*	*72*	-	*318*
CEL accounts	10	-	(7)	3
Total	**289**	**73**	**(7)**	**355**

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2020, 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 1,72% of total outstandings at 31 December 2020.

METHODS USED TO ESTABLISH PROVISION VALUATION INPUTS

The inputs used to estimate future customer behaviour are derived from historical observations of customer behaviour patterns over a long period (more than 10 years). The values of these inputs can be adjusted whenever changes are made to regulations that may undermine the effectiveness of past data as an indicator of future customer behaviour.

The values of the different market inputs used, notably interest rates and margins, are calculated on the basis of observable data and constitute a best estimate, at the date of valuation, of the future value of these items for the period in question, in line with the Retail Banking division’s policy of interest rate risk management.

The discount rates used are derived from the zero coupon swaps vs. Euribor yield curve at the valuation date, averaged over a 12 month period.

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".

PROJECT TO MERGE BANKING NETWORKS CREDIT DU NORD AND FRENCH RETAIL BANKING

On 7 December 2020, the Group announced its project to merge the Crédit du Nord and Societe Generale banking networks to form a new one (project VISION 2025).

As at 31 December 2020, the lending of this project has not resulted in any modification in the composition of Cash Generating Units (see Note 2.2). It has not yet been detailed and submitted to the social partners for comment and to the relevant authorities for approval. Consequently, no provision has been recognised in the financial statements as at 31 December 2020 for this project.

NOTE 8.4 - 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 profit or loss 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 cannot be qualified as a lease, since its purpose is the provision of a capacity and not an asset;
- A capacity portion of an asset is still an identified asset if it is physically distinct (e.g. a floor of a building). Conversely, a portion of the capacity or of an asset that is not physically distinct does not constitute an identified asset (e.g. the lease of co-working area within a unit with no pre-defined location inside that unit).

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.

Lease term = Non-cancellable period of the lease + Periods covered by an option to extend the lease* + Periods covered by an option to terminate the lease**

**   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, most property leases on premises occupied by branches are 9-year leases with an early-termination option at the end of 3 and 6-year term (leases referred to as “3/6/9”); at the end of the 9-year term, if no new agreement is signed, the initial lease is renewed by tacit agreement for a 5-year term. This 5-year term may be modified depending on the quality of the location, the completion of major investments, or the planned closure of a group of designated branches.

Changing the lease term

The term must be modified in case of a change of circumstances which lead the lessee to revise the exercise of the options included in the lease contract or in case of events which contractually oblige the lessee to exercise (or not) an option that had not been included (or is included) in the lease contract.

Following a change in the lease term, the lease obligation must be reassessed to reflect those changes by using a revised discount rate for the remaining estimated term of the contract.

Accounting treatment by the Group as a lessee

On the commencement date (on which the leased asset is made available for use), the lessee must record a lease liability on the liabilities side of the balance sheet and a right-of-use asset on the assets side of the balance sheet except for the exemptions described below.

In the income statement, the lessee must recognise an interest expense calculated on the lease liability under Net banking income and a depreciation of the right-of-use under Amortisation, depreciation and impairment of tangible and intangible fixed assets.

The rental payments will partly reduce the lease liability and partly remunerate this liability in the form of interest expense.

Exemptions and exclusions

The Group does not apply the new lease treatment to contracts with a term of less than one year (including renewal options), nor to contracts on low-value items by applying the exemption threshold of USD 5,000 as indicated in the standard’s Basis for Conclusions (the threshold should be measured against the replacement cost per unit of the leased asset).

Rental payment amounts

The payments to be considered for the measurement of the lease liability include fixed and variable rental payments based on an index (e.g. consumer price index or construction cost index), plus, where applicable, the funds that the lessee expects to pay the lessor for residual value guarantees, purchase options, or early termination penalties.

However, variable lease payments that are indexed on the use of the leased asset (indexed on revenue or mileage, for example) are excluded from the measurement of lease liability. This variable portion of the rental payments is recorded in the net income over time according to fluctuations in contractual indexes fluctuations.

Rental payments have to be considered based on their amount net of value-added tax. In addition, for building leases, occupancy taxes and property taxes passed on by lessors will be excluded from lease liabilities because their amount, as set by the competent public authorities, is variable.

Recognition of the lease liability

The liability initial amount is equal to the discounted value of the rental payments that will be payable over the lease period.

This lease liability is then measured at the amortised cost using the effective interest rate method: part of each rental payment will then be booked as interest expenses in the income statement, and part will be gradually deducted from the lease liability on the balance sheet.

After the commencement date, the amount of the lease liability may be adjusted if the lease is amended, the lease period is re-estimated, or to account for contractual changes in the rental payments related to the application of indices or rates.

As applicable, the lessee must also recognise a provision in its liabilities to cover the costs of restoring the leased asset that would be assumed when the lease ends.

Recognition of the right-of-use

On the availability date of the leased asset, the lessee must enter a right-of-use asset, on the assets side of the balance sheet, for an amount equal to the initial value of the lease liability, plus, as applicable, initial direct costs (e.g. issuance of an authenticated lease, registration fees, negotiation fees, front-end fee, leasehold right, lease premium, etc.), advance payments, and restoration costs.

This asset is then depreciated on a straight-line basis over the lease period that is applied for measuring the lease liability.

After the commencement date, the asset's value may be adjusted if the lease is amended, as it is the case for the lease liability.

Rights-of-use is 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 EUR m)	31.12.2019	Increases / allowances	Disposals / reversals	Other movements	31.12.2020
Intangible Assets					
Gross value	7,240	722	(73)	(175)	7,714
Amortisation and impairments	(4,877)	(540)	44	143	(5,230)
Tangible Assets (w/o assets under operating leases)					
Gross value	11,441	548	(359)	(297)	11,333
Depreciation and impairments	(6,351)	(593)	181	178	(6,585)
Assets under operating leases					
Gross value	28,576	8,742	(6,596)	(1,970)	28,752
Depreciation and impairments	(7,527)	(3,971)	2,529	1,029	(7,940)
Investment Property					
Gross value	33	1	(1)	-	33
Depreciation and impairments	(20)	(1)	-	-	(21)
Rights-of-use					
Gross value *	2,766	694	(949)	316	2,827
Amortisation and impairments *	(437)	(440)	111	(29)	(795)
Total	**30,844**	**5,162**	**(5,114)**	**(804)**	**30,088**

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In EUR m)	31.12.2020	31.12.2019
Payments due in less than five years	**23,745**	**20,206**
Payments due in less than one year	*5,366*	
Payments due from one to two years	*5,949*	
Payments due from two to three years	*6,971*	
Payments due from three to four years	*4,228*	
Payments due from four to five years	*1,231*	
Payments due in more than five years	107	120
Total	**23,852**	**20,326**

In 2020, the Group refined the collection of information on minimum payments receivable on operating lease assets. The 2019 year-on-year comparative data for payments less than five years is not available.

INFORMATIONS RELATIVE TO LEASES ON TANGIBLE ASSETS USED BY THE GROUP

Property Leases

Most of the leases (more than 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. In France, the majority of contracted property leases 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;
- 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 (less than 10%) are mainly computer equipment leases and a very small percentage of vehicle leases.

OVERVIEW TABLE OF LEASE TRANSACTION COSTS AND SUBLEASE INCOME

	31.12.2020			
(In EUR m)	**Real estate**	**IT**	**Others**	**Total**
Lease	(480)	(49)	(8)	(537)
Interest expenses on lease liabilities	*(43)*	*(1)*	*(0)*	*(44)*
Depreciation charge for right-of-use assets	*(394)*	*(42)*	*(4)*	*(440)*
Expense relating to short-term leases	*(35)*	-	*(3)*	*(38)*
Expense relating to leases of low-value assets	*(2)*	*(5)*	*(1)*	*(8)*
Expense relating to variable lease payments	*(6)*	*(1)*	-	*(7)*
Sublease income	14	-	-	14

	31.12.2019			
(In EUR m)	**Real estate**	**IT**	**Others**	**Total**
Lease	(522)	(33)	(11)	(566)
Interest expenses on lease liabilities	*(43)*	-	-	*(43)*
*Depreciation charge for right-of-use assets **	*(414)*	*(29)*	*(6)*	*(449)*
*Expense relating to short-term leases **	*(61)*	-	*(4)*	*(65)*
Expense relating to leases of low-value assets	*(3)*	*(4)*	*(1)*	*(8)*
Expense relating to variable lease payments	*(1)*	-	-	*(1)*
Sublease income	16	-	-	16

* *The amounts have been restated compared with the published financial statements for the year ended 31 December 2019 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 1.2).*

NOTE 8.5 - COMPANIES INCLUDED IN THE CONSOLIDATION SCOPE

Country			Activity	Method *	Group ownership interest at 31.12.2020	Group ownership interest at 31.12.2019	Group voting interest at 31.12.2020	Group voting interest at 31.12.2019
South Africa	*(1)*	SG JOHANNESBURG	Bank	FULL	100	100	100	100
Algeria								
		ALD AUTOMOTIVE ALGERIE SPA	Specialist Financing	FULL	79.81	79.81	99.99	99.99
		SOCIETE GENERALE ALGERIE	Bank	FULL	100	100	100	100
Germany								
		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	99.94	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
		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 G.M.B.H.	Specialist Financing	FULL	79.82	79.82	100	100
	(1)	LYXOR INTERNATIONAL ASSET MANAGEMENT GERMANY	Financial Company	FULL	100	100	100	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
		RED & BLACK AUTO GERMANY 6 UG	Financial Company	FULL	100	100	100	100
	(6)	RED & BLACK AUTO GERMANY N°7	Financial Company	FULL	100	0	100	0
		SG EQUIPMENT FINANCE GMBH	Specialist Financing	FULL	100	100	100	100
	(1)	SG FRANCFORT	Bank	FULL	100	100	100	100
		SOCIETE GENERALE EFFEKTEN GMBH	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	FULL	100	100	100	100
	(1)	SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100

	(1)	SOGESSUR DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
Australia								
		SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	FULL	100	100	100	100
	(1)	SOCIETE GENERALE SYDNEY BRANCH	Bank	FULL	100	100	100	100
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 SRL	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
		SG BRUXELLES	Bank	FULL	100	100	100	100
	(1)	SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE IMMOBEL	Financial Company	FULL	100	100	100	100
Benin								
		SOCIETE GENERALE BENIN	Bank	FULL	93.43	93.43	94.1	94.1
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
	(6)	ALD CORRETORA DE SEGUROS LTDA	Specialist Financing	FULL	79.82	0	100	0
		BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100	100
		SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100	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
	(2)	SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	0	100	0	100
Cameroon								
		SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08
Canada								
		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							
(4)	ALD FORTUNE AUTO LEASING & RENTING SHANGHAI CO. LTD	Specialist Financing	ESI	0	39.91	0	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							
	SOCIETE GENERALE CONGO	Bank	FULL	93.47	93.47	93.47	93.47
South Korea							
	SG SECURITIES KOREA CO, LTD	Broker	FULL	100	100	100	100
(1)	SG SEOUL	Bank	FULL	100	100	100	100
Côte d'Ivoire							
	SOCIETE GENERALE 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
(1) (4)	SG FINANS AS DANISH BRANCH	Specialist Financing	FULL	0	100	0	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
	SG EQUIPMENT FINANCE IBERIA, E.F.C, S.A.	Specialist Financing	FULL	100	100	100	100
	SOCGEN FINANCIACIONES IBERIA, S.L.	Bank	FULL	100	100	100	100
	SOCGEN INVERSIONES FINANCIERAS SA	Financial Company	FULL	100	100	100	100
(1)	SOCIETE GENERALE SUCCURSAL EN ESPANA	Bank	FULL	100	100	100	100
	SODEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
Estonia							
	ALD AUTOMOTIVE EESTI AS	Specialist Financing	FULL	59.87	59.87	75.01	75.01
United States of America							
	AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
(2)	CGI NORTH AMERICA INC.	Specialist Financing	FULL	0	99.78	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, LLC	Services	FULL	100	100	100	100
		SG AMERICAS SECURITIES HOLDINGS, LLC	Bank	FULL	100	100	100	100
		SG AMERICAS SECURITIES, LLC	Broker	FULL	100	100	100	100
		SG AMERICAS, INC.	Financial Company	FULL	100	100	100	100
		SG CONSTELLATION, INC.	Financial Company	FULL	100	100	100	100
		SG EQUIPMENT FINANCE USA CORP.	Specialist Financing	FULL	100	100	100	100
		SG MORTGAGE FINANCE CORP.	Financial Company	FULL	100	100	100	100
		SG MORTGAGE SECURITIES, LLC	Portfolio Management	FULL	100	100	100	100
		SG STRUCTURED PRODUCTS, INC.	Specialist Financing	FULL	100	100	100	100
		SGAIH, INC.	Financial Company	FULL	100	100	100	100
	(2)	SGB FINANCE NORTH AMERICA INC.	Specialist Financing	FULL	0	50.94	0	100
	(1)	SOCIETE GENERALE (NEW YORK)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE FINANCIAL CORPORATION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE INVESTMENT CORPORATION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE LIQUIDITY FUNDING, LLC	Financial Company	FULL	100	100	100	100
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 EQUILIBRE	Portfolio Management	FULL	87.1	87.1	87.1	87.1
		29 HAUSSMANN EURO RDT	Portfolio Management	FULL	58.1	58.1	58.1	58.1
	(6)	29 HAUSSMANN SELECTION EUROPE - K	Financial Company	FULL	45.23	0	45.23	0
		29 HAUSSMANN SELECTION MONDE	Portfolio Management	FULL	68.7	68.7	68.7	68.7
		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
		ALFORTVILLE BAIGNADE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		AMPERIM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6)	AMUNDI CREDIT EURO - P	Financial Company	FULL	57.43	0	57.43	0
		ANNEMASSE-ILOT BERNARD	Real Estate and Real Estate Financing	FULL	80	40	80	40
		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 RESERVE EUROPE	Financial Company	FULL	69.35	69.35	69.35	69.35
	BANQUE COURTOIS	Bank	FULL	100	100	100	100
	BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN	Bank	FULL	50	50	50	50
	BANQUE KOLB	Bank	FULL	99.97	99.97	99.97	99.97
	BANQUE LAYDERNIER	Bank	FULL	100	100	100	100
	BANQUE NUGER	Bank	FULL	100	100	100	100
	BANQUE POUYANNE	Bank	ESI	35	35	35	35
	BANQUE RHONE ALPES	Bank	FULL	99.99	99.99	99.99	99.99
	BANQUE TARNEAUD	Bank	FULL	100	100	100	100
	BAUME LOUBIERE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	BERLIOZ	Insurance	FULL	84.05	84.05	84.05	84.05
	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	100	100	100
	COMPAGNIE FINANCIERE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100	100
	COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)	Group Real Estate Management Company	FULL	100	100	100	100
	COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS	Specialist Financing	FULL	99.89	99.89	99.89	99.89
	CONTE	Group Real Estate Management Company	EJV	50	50	50	50
	CREDIT DU NORD	Bank	FULL	100	100	100	100
	DARWIN DIVERSIFIE 0-20	Portfolio Management	FULL	89.94	89.94	89.94	89.94
	DARWIN DIVERSIFIE 40-60	Portfolio Management	FULL	79.78	79.78	79.78	79.78
	DARWIN DIVERSIFIE 80-100	Portfolio Management	FULL	78.34	78.34	78.34	78.34
(5)	DESCARTES TRADING	Financial Company	FULL	0	100	0	100
	DISPONIS	Specialist Financing	FULL	99.99	99.99	100	100
	ESNI - COMPARTIMENT SG-CREDIT CLAIMS -1	Financial Company	FULL	100	100	100	100
	ETOILE CAPITAL	Financial Company	FULL	100	100	100	100
	ETOILE CLIQUET 90	Financial Company	FULL	73.52	73.52	73.52	73.52
	ETOILE MULTI GESTION EUROPE-C	Insurance	FULL	51.59	51.59	51.59	51.59

	ETOILE 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
	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 EURO STOXX 50 - D9	Financial Company	FULL	99.98	99.98	99.98	99.98
(3)	FEEDER LYXOR STOXX 50	Financial Company	FULL	0	100	0	100
	FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100
(5)	FINANCIERE PARCOURS	Specialist Financing	FULL	0	79.82	0	100
	FINANCIERE 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	49.49	49.49	49.49
	GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
	ILOT AB	Real Estate and Real Estate Financing	FULL	80	40	80	40
(2)	IMAPRIM AMENAGEMENT	Real Estate and Real Estate Financing	FULL	0	70	0	70
	IMMOBILIERE PROMEX	Real Estate and Real Estate Financing	ESI	35	35	35	35
	INVESTIR IMMOBILIER NORMANDIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	INVESTISSEMENT 81	Financial Company	FULL	100	100	100	100
	JSJ PROMOTION	Real Estate and Real Estate Financing	ESI	45	45	45	45
	KOLB INVESTISSEMENT	Financial Company	FULL	100	100	100	100
	LA CORBEILLERIE	Real Estate and Real Estate Financing	ESI	24	24	40	40

LA FONCIERE DE LA DEFENSE	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
LES ALLEES DE L'EUROPE	Real Estate and Real Estate Financing	ESI	34	34	34	34
LES CEDRES BLEUS	Real Estate and Real Estate Financing	ESI	40	40	40	40
LES JARDINS D'ALHAMBRA	Real Estate and Real Estate Financing	ESI	35	35	35	35
LES JARDINS DE L'ALCAZAR	Real Estate and Real Estate Financing	ESI	30	30	30	30
LES MESANGES	Real Estate and Real Estate Financing	FULL	55	55	55	55
LES TROIS LUCS 13012	Real Estate and Real Estate Financing	FULL	100	90.89	100	100
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	50	50	50
LYXOR ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
LYXOR GL OVERLAY F	Portfolio Management	FULL	87.27	87.27	87.27	87.27
LYXOR INTERMEDIATION	Broker	FULL	100	100	100	100
LYXOR INTERNATIONAL ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
LYXOR SKYFALL FUND	Insurance	FULL	88.98	88.98	88.98	88.98
MEDITERRANEE GRAND ARC	Real Estate and Real Estate Financing	EJV	50	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 REALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
ONYX	Group Real Estate Management Company	EJV	50	50	50	50
OPCI SOGECAPIMMO	Real Estate and Real Estate Financing	FULL	100	100	100	100
OPERA 72	Group Real Estate Management Company	FULL	99.99	99.99	100	100
ORADEA VIE	Insurance	FULL	100	100	100	100
ORPAVIMOB	Specialist Financing	FULL	100	100	100	100
PACTIMO	Real Estate and Real Estate Financing	FULL	100	86	100	86
PARCOURS	Specialist Financing	FULL	79.82	79.82	100	100
PARCOURS ANNECY	Specialist Financing	FULL	79.82	79.82	100	100
PARCOURS BORDEAUX	Specialist Financing	FULL	79.82	79.82	100	100
PARCOURS IMMOBILIER	Specialist Financing	FULL	79.82	79.82	100	100
PARCOURS NANTES	Specialist Financing	FULL	79.82	79.82	100	100

	PARCOURS STRASBOURG	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS TOURS	Specialist Financing	FULL	79.82	79.82	100	100
	PAREL	Services	FULL	100	100	100	100
	PHILIPS MEDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
(6)	PIERRE PATRIMOINE	Financial Company	FULL	100	0	100	0
	PRAGMA	Real Estate and Real Estate Financing	FULL	100	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 REALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	S.C.I. DU DOMAINE DE STONEHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SAGEMCOM LEASE	Specialist Financing	FULL	99.99	99.99	100	100
(2)	SAINT CLAIR	Real Estate and Real Estate Financing	EJV	0	50	0	50
	SAINTE-MARTHE ILOT C	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SAINTE-MARTHE ILOT D	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SAINT-MARTIN 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
(8)	SARL CS 72 - KERIADENN	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
	SARL D'AMENAGEMENT DU MARTINET	Real Estate and Real Estate Financing	EJV	50	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
(2)	SARL EKO BOUAYE	Real Estate and Real Estate Financing	ESI	0	35	0	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
(6)	SAS BF3 NOGENT THIERS	Real Estate and Real Estate Financing	ESI	20	0	20	0
(6)	SAS BONDUES - COEUR DE BOURG	Real Estate and Real Estate Financing	ESI	20	0	25	0
	SAS COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100

	SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	75	75	75	75
	SAS FOCH SULLY	Real Estate and Real Estate Financing	FULL	90	90	90	90
(2)	SAS LOIRE ATLANTIQUE TERTIAIRE	Real Estate and Real Estate Financing	EJV	0	50	0	50
	SAS MERIGNAC 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 AMENAGEMENT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS NORMANDIE RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS NOYALIS	Real Estate and Real Estate Financing	ESI	28	28	28	28
	SAS ODESSA DEVELOPPEMENT	Real Estate and Real Estate Financing	ESI	49	49	49	49
	SAS PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
(6)	SAS PAYSAGES	Real Estate and Real Estate Financing	FULL	51	0	51	0
	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	41	41	41
(6)	SAS SCENES DE VIE	Real Estate and Real Estate Financing	EJV	50	0	50	0
(6)	SAS SOAX PROMOTION	Real Estate and Real Estate Financing	FULL	51	0	51	0
	SAS SOGEBROWN POISSY	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SAS SOGEMYSJ	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SAS SOGEPROM TERTIAIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS SOJEPRIM	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SAS TIR A L'ARC AMENAGEMENT	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	51	51	51
(5)	SC ALICANTE 2000	Group Real Estate Management Company	FULL	0	100	0	100
(5)	SC CHASSAGNE 2000	Group Real Estate Management Company	FULL	0	100	0	100
	SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	FULL	60	51.6	60	60

(2)	SCCV 3 CHATEAUX	Real Estate and Real Estate Financing	EJV	0	43	0	50
	SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	ESI	49	49	49	49
(6)	SCCV BAC GALLIENI	Real Estate and Real Estate Financing	FULL	51	0	51	0
	SCCV BAHIA	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV BRON CARAVELLE	Real Estate and Real Estate Financing	EJV	50	50	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
(6)	SCCV CANNES JOURDAN	Real Estate and Real Estate Financing	EJV	50	0	50	0
	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
(6)	SCCV COMPIEGNE - RUE DE L'EPARGNE	Real Estate and Real Estate Financing	ESI	35	0	35	0
(2)	SCCV COURS CLEMENCEAU	Real Estate and Real Estate Financing	ESI	0	28	0	28
	SCCV CUGNAUX-LEO LAGRANGE	Real Estate and Real Estate Financing	EJV	50	43	50	50
(2)	SCCV EKO GREEN CITY	Real Estate and Real Estate Financing	ESI	0	35	0	35
(2)	SCCV EKO PARK OCEAN	Real Estate and Real Estate Financing	ESI	0	32.5	0	32.5
	SCCV EPRON - ZAC L'OREE DU GOLF	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV ETERVILLE ROUTE D'AUNAY	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV EURONANTES 1E	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV FAVERGES	Real Estate and Real Estate Financing	FULL	100	80	100	80
(2)	SCCV GAO	Real Estate and Real Estate Financing	ESI	0	32.5	0	32.5
	SCCV GIGNAC MOUSSELINE	Real Estate and Real Estate Financing	FULL	70	60.2	70	70
	SCCV GIVORS ROBICHON	Real Estate and Real Estate Financing	FULL	85	50	85	50

	SCCV HEROUVILLE ILOT A2	Real Estate and Real Estate Financing	ESI	33.33	33.33	33.33	33.33
	SCCV HOUSE PARK	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV JA LE HAVRE 22 COTY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV KYMA MERIGNAC	Real Estate and Real Estate Financing	ESI	30	30	30	30
(6)	SCCV LA BAULE - LES JARDINS D'ESCOUBLAC	Real Estate and Real Estate Financing	ESI	25	0	25	0
	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
(2)	SCCV LE COURTIL	Real Estate and Real Estate Financing	ESI	0	35	0	35
(2)	SCCV LE TEICH COEUR DE VILLE	Real Estate and Real Estate Financing	ESI	0	30	0	30
	SCCV LES ECRIVAINS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV LES PATIOS D'OR DE FLEURY LES AUBRAIS	Real Estate and Real Estate Financing	FULL	64	64	80	80
	SCCV LES SUCRES	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV LESQUIN PARC	Real Estate and Real Estate Financing	EJV	40	40	50	50
	SCCV LILLE - JEAN MACE	Real Estate and Real Estate Financing	ESI	26.72	26.72	33.4	33.4
	SCCV LOOS GAMBETTA	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV MARCQ PROJECTIM	Real Estate and Real Estate Financing	FULL	64	64	80	80
(6)	SCCV MARQUETTE CALMETTE	Real Estate and Real Estate Financing	EJV	40	0	50	0
	SCCV MEHUL	Real Estate and Real Estate Financing	FULL	70	60.2	70	70
	SCCV MERIGNAC 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	50	43	50	50
(6)	SCCV MONS EQUATION	Real Estate and Real Estate Financing	FULL	40	0	50	0
	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 BOISSIERE	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 OCEAN II	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV PRADES BLEU HORIZON	Real Estate and Real Estate Financing	EJV	50	43	50	50
	SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	FULL	51	51	51	51
(6)	SCCV QUAI NEUF BORDEAUX	Real Estate and Real Estate Financing	ESI	35	0	35	0
	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	70	60.2	70	70
(6)	SCCV SAINT JUST DAUDET	Real Estate and Real Estate Financing	FULL	80	0	80	0
	SCCV SAY	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV SENGHOR	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV SENSORIUM BUREAUX	Real Estate and Real Estate Financing	EJV	40	40	50	50
	SCCV SENSORIUM LOGEMENT	Real Estate and Real Estate Financing	EJV	40	40	50	50
	SCCV SOGAB ILE DE FRANCE	Real Estate and Real Estate Financing	FULL	80	80	80	80
	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	100	100	100
	SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	50	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	50	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
(6)	SCCV VILLENEUVE D'ASCQ-RUE DES TECHNIQUES	Real Estate and Real Estate Financing	EJV	40	0	50	0
	SCCV VILLEURBANNE TEMPO	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI 1134, AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	50	43	50	50
	SCI 637 ROUTE DE FRANS	Real Estate and Real Estate Financing	ESI	30	30	30	30

	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 RESIDENCES	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
(2)	SCI DREUX LA ROTULE NORD	Real Estate and Real Estate Financing	FULL	0	80	0	100
	SCI DU 84 RUE DU BAC	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI DU PARC SAINT ETIENNE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI ETAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50	50
(5)	SCI EUROPARC ST MARTIN DU TOUCH 2002	Real Estate and Real Estate Financing	FULL	0	100	0	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	100	93	100	100
	SCI LA MARQUEILLE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI L'ACTUEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI LAVOISIER	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCI LE DOMAINE DU PLESSIS	Real Estate and Real Estate Financing	ESI	20	20	20	20
	SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	EJV	40	40	40	40
	SCI LE MANOIR DE JEREMY	Real Estate and Real Estate Financing	ESI	40	40	40	40
(2)	SCI LE PARC DE BORDEROUGE	Real Estate and Real Estate Financing	FULL	0	60	0	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
	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

(2)	SCI LES RESIDENCES GENEVOISES	Real Estate and Real Estate Financing	FULL	0	90	0	90
	SCI LIEUSAINT RUE DE PARIS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI LINAS COEUR DE VILLE 1	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCI LOCMINE- LAMENNAIS	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI L'OREE DES LACS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCI MONTPELLIER JACQUES COEUR	Real Estate and Real Estate Financing	EJV	50	43	50	50
	SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI PROJECTIM MARCQ COEUR DE VILLE	Real Estate and Real Estate Financing	FULL	48	48	60	60
	SCI PRONY	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI QUINTEFEUILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI QUINTESSENCE-VALESCURE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI RESIDENCE DU DONJON	Real Estate and Real Estate Financing	EJV	40	40	40	40
	SCI RHIN ET MOSELLE 1	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RHIN ET MOSELLE 2	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RIVAPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RSS INVESTIMMO COTE BASQUE	Real Estate and Real Estate Financing	ESI	20	20	20	20
(2)	SCI SAINT JEAN	Real Estate and Real Estate Financing	ESI	0	40	0	40
	SCI SAINT OUEN L'AUMONE - L'OISE	Real Estate and Real Estate Financing	EJV	38	38	38	38
	SCI SAINT-DENIS WILSON	Real Estate and Real Estate Financing	FULL	60	60	60	60
	SCI SCS IMMOBILIER D'ENTREPRISES	Real Estate and Real Estate Financing	FULL	52.8	52.8	66	66
	SCI SOGECIP	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI SOGECTIM	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI SOGEPROM LYON RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
(2)	SCI STRASBOURG ETOILE THUMENAU	Real Estate and Real Estate Financing	ESI	0	35	0	35
(2)	SCI STRASBOURG ROUTE DE WASSELONNE	Real Estate and Real Estate Financing	ESI	0	35	0	35
	SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	FULL	80	80	80	80

	SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI VELRI	Group Real Estate Management Company	EJV	50	50	50	50
	SCI VILLA EMILIE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCI VITAL BOUHOT 16-22 NEUILLY SUR SEINE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	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
	SG ACTIONS EURO	Insurance	FULL	47.75	47.75	47.75	47.75
	SG ACTIONS EURO SELECTION	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
	SG ACTIONS US TECHNO	Insurance	FULL	85.08	85.08	85.08	85.08
	SG CAPITAL DEVELOPPEMENT	Portfolio Management	FULL	100	100	100	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
(3)	SG MONE TRESO-E	Insurance	FULL	0	98.62	0	98.62
(3)	SG MONETAIRE PLUS E	Financial Company	FULL	0	58.93	0	58.93
	SG OBLIG ETAT EURO-R	Insurance	FULL	79.94	79.94	79.94	79.94
	SG OBLIGATIONS	Insurance	FULL	82.92	82.92	82.92	82.92
	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'EVEQUE	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 COEUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SNC COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SNC D'AMENAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	SNC ISSY FORUM 11	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33

SNC NEUILLY ILE DE LA JATTE	Real Estate and Real Estate Financing	ESI	40	40	40	40
SNC PROMOSEINE	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
SOCIETE "LES PINSONS"	Real Estate and Real Estate Financing	EJV	50	50	50	50
SOCIETE ANONYME DE CREDIT A L'INDUSTRIE FRANCAISE (CALIF)	Bank	FULL	100	100	100	100
SOCIETE CIVILE IMMOBILIERE CAP THALASSA	Real Estate and Real Estate Financing	ESI	45	45	45	45
SOCIETE CIVILE IMMOBILIERE CAP VEYRE	Real Estate and Real Estate Financing	ESI	50	50	50	50
SOCIETE CIVILE IMMOBILIERE DE DIANE	Real Estate and Real Estate Financing	ESI	30	30	30	30
SOCIETE CIVILE IMMOBILIERE DE PIERLAS	Real Estate and Real Estate Financing	ESI	28	28	28	28
SOCIETE CIVILE IMMOBILIERE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
SOCIETE CIVILE IMMOBILIERE DOMAINE DURANDY	Real Estate and Real Estate Financing	ESI	25	25	25	25
SOCIETE CIVILE IMMOBILIERE ERICA	Real Estate and Real Estate Financing	ESI	30	30	30	30
SOCIETE CIVILE IMMOBILIERE ESTEREL TANNERON	Real Estate and Real Estate Financing	ESI	30	30	30	30
SOCIETE CIVILE IMMOBILIERE FONTENAY - ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50	50
SOCIETE CIVILE IMMOBILIERE GAMBETTA DEFENSE V	Real Estate and Real Estate Financing	ESI	20	20	20	20
SOCIETE CIVILE IMMOBILIERE LE BOTERO	Real Estate and Real Estate Financing	ESI	30	30	30	30
SOCIETE CIVILE IMMOBILIERE LES HAUTS DE L'ESTAQUE	Real Estate and Real Estate Financing	ESI	35	35	35	35
SOCIETE CIVILE IMMOBILIERE LES HAUTS DE SEPTEMES	Real Estate and Real Estate Financing	ESI	25	25	25	25
SOCIETE CIVILE IMMOBILIERE MIRECRAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
SOCIETE CIVILE IMMOBILIERE NAXOU	Real Estate and Real Estate Financing	FULL	100	100	100	100
SOCIETE CIVILE IMMOBILIERE TOULDI	Real Estate and Real Estate Financing	FULL	100	100	100	100
SOCIETE CIVILE IMMOBILIERE VERT COTEAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
SOCIETE DE BOURSE GILBERT DUPONT	Financial Company	FULL	100	100	100	100
SOCIETE DE LA RUE EDOUARD VII	Portfolio Management	FULL	99.91	99.91	99.91	99.91
SOCIETE DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	99.98	99.98	100	100
SOCIETE DU PARC D ACTIVITE DE LA VALENTINE	Real Estate and Real Estate Financing	ESI	30	30	30	30
SOCIETE EN NOM COLLECTIF PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
SOCIETE FINANCIERE D'ANALYSE ET DE GESTION	Financial Company	FULL	100	100	100	100
SOCIETE GENERALE	Bank	FULL	100	100	100	100

	SOCIETE GENERALE CAPITAL FINANCE	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100	100
(4)	SOCIETE GENERALE DE BANQUE AUX ANTILLES	Bank	FULL	0	100	0	100
	SOCIETE GENERALE FACTORING	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE PARTICIPATIONS INDUSTRIELLES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER "SOGEBAIL"	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE REAL ESTATE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE SCF	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE SFH	Specialist Financing	FULL	100	100	100	100
	SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100	100
	SOCIETE IMMOBILIERE URBI ET ORBI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE MARSEILLAISE DE CREDIT	Bank	FULL	100	100	100	100
	SOGE BEAUJOIRE	Group Real Estate Management Company	FULL	99.99	99.99	100	100
	SOGE PERIVAL I	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL II	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL III	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100	100
	SOGEACT.SELEC.MON.	Portfolio Management	FULL	99.78	99.78	99.78	99.78
	SOGECAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
	SOGECAP	Insurance	FULL	100	100	100	100
	SOGECAP - DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
	SOGECAP DIVERSIFIE 1	Portfolio Management	FULL	100	100	100	100
	SOGECAP EQUITY OVERLAY (FEEDER)	Insurance	FULL	100	100	100	100
	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
	(6)	SOGEPIERRE	Financial Company	FULL	100	0	100	0
		SOGEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ALPES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ENTREPRISES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM LYON	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM PARTENAIRES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM SUD REALISATIONS	Real Estate and Real Estate Financing	FULL	100	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	50	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
		URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100	100
		VALMINVEST	Group Real Estate Management Company	FULL	100	100	100	100
		VG PROMOTION	Real Estate and Real Estate Financing	ESI	35	35	35	35
	(6)	VIENNE BON ACCUEIL	Real Estate and Real Estate Financing	EJV	50	0	50	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							
	SOCIETE GENERALE GUINEE	Bank	FULL	57.94	57.94	57.94	57.94
Equatorial Guinea							
	SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE	Bank	FULL	52.44	52.44	57.23	57.23
Hong Kong							
	SG ASSET FINANCE (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
	SG CORPORATE FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
	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
(6)	SG LEASING (HONG KONG) LIMITED	Financial Company	FULL	100	0	100	0
	SG SECURITIES (HK) LIMITED	Broker	FULL	100	100	100	100
(8)	SG SECURITIES (HK) NOMINEES LTD	Broker	FULL	100	100	100	100
	SG SECURITIES ASIA INTERNATIONAL HOLDINGS LIMITED	Broker	FULL	100	100	100	100
(1) (6)	SGL ASIA HK	Real Estate and Real Estate Financing	FULL	100	0	100	0
	SOCIETE GENERALE ASIA LTD	Financial Company	FULL	100	100	100	100
	TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	FULL	100	100	100	100
(8)	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
	J D 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) LIMITED	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
	(3)	SOLENTIS INVESTMENT SOLUTIONS PCC	Financial Company	FULL	0	100	0	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
		KLEINWORT BENSON INTERNATIONAL TRUSTEES 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
British Virgin Islands								
	(2)	TSG HOLDINGS LTD	Services	FULL	0	100	0	100
	(2)	TSG MANAGEMENT LTD	Services	FULL	0	100	0	100
	(2)	TSG SERVICES LTD	Services	FULL	0	100	0	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	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
		IRIS II SPV DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
	(6)	IRIS SPV PLC SERIES SOGECAP	Real Estate and Real Estate Financing	FULL	100	0	100	0
		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
	(6)	NB SOG EMER EUR - I	Financial Company	FULL	100	0	100	0

	(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
		SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100
Latvia								
		ALD AUTOMOTIVE SIA	Specialist Financing	FULL	59.86	59.86	75	75
Lithuania								
		UAB ALD AUTOMOTIVE	Specialist Financing	FULL	59.86	59.86	75	75
Luxembourg								
	(3)	AF EMG MK HD CURR - CLASSE C - LU0907913460	Insurance	FULL	0	47.7	0	47.7
		ALD INTERNATIONAL SERVICES S.A.	Specialist Financing	FULL	79.82	79.82	100	100
		AXUS LUXEMBOURG SA	Specialist Financing	FULL	79.82	79.82	100	100
		BARTON CAPITAL SA	Financial Company	FULL	100	100	100	100
	(3)	CANDRIAM BONDS EURO HIGH YIELD - LU1010337324	Insurance	FULL	0	45.35	0	45.35
		CODEIS COMPARTIMENT A0084	Insurance	FULL	100	100	100	100
		CODEIS COMPARTIMENT A0076	Financial Company	FULL	100	100	100	100
		CODEIS SECURITIES S.A.	Financial Company	FULL	100	100	100	100
		COVALBA	Financial Company	FULL	100	100	100	100
		FIDELITY FUNDS EUR HY IQ - LU0954694930	Insurance	FULL	49.6	49.6	49.6	49.6
	(2)	G FINANCE LUXEMBOURG SA	Financial Company	FULL	0	100	0	100
	(6)	GOLDMAN SACHS 2 G EM M DBP ID	Financial Company	FULL	100	0	100	0

		IVEFI S.A.	Financial Company	FULL	100	100	100	100
	(2)	LX FINANZ S.A.R.L.	Financial Company	FULL	0	100	0	100
		LYXOR EURO 6M - CLASS SI	Insurance	FULL	64.37	64.37	64.37	64.37
		LYXOR FUNDS SOLUTIONS	Financial Company	FULL	100	100	100	100
		PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
		RED & BLACK AUTO LEASE GERMANY 2 S.A.	Financial Company	FULL	79.82	79.82	100	100
	(6)	RED & BLACK AUTO LEASE GERMANY S.A. N°7	Real Estate and Real Estate Financing	FULL	79.82	0	100	0
		SALINGER S.A.	Bank	FULL	100	100	100	100
		SG ISSUER	Financial Company	FULL	100	100	100	100
		SGBT ASSET BASED FUNDING SA	Financial Company	FULL	100	100	100	100
		SGBTCI	Financial Company	FULL	100	100	100	100
	(6)	SGL ASIA	Real Estate and Real Estate Financing	FULL	100	0	100	0
		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 LUXEMBOURG	Bank	FULL	100	100	100	100
	(6)	SOCIETE GENERALE LUXEMBOURG LEASING	Specialist Financing	FULL	100	0	100	0
		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
	(6)	SURYA INVESTMENTS S.A.	Specialist Financing	FULL	100	0	100	0
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	36.58	36.57	50	50
		ATHENA COURTAGE	Insurance	FULL	58.2	58.17	99.9	99.93
		FONCIMMO	Group Real Estate Management Company	FULL	57.62	57.58	100	100
		LA MAROCAINE VIE	Insurance	FULL	79.21	79.19	99.98	99.98
		SG MAROCAINE DE BANQUES	Bank	FULL	57.62	57.58	57.62	57.58
		SOCIETE D'EQUIPEMENT DOMESTIQUE ET MENAGER "EQDOM"	Specialist Financing	FULL	30.95	30.93	53.72	53.72
		SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.62	57.58	100	100
		SOCIETE GENERALE OFFSHORE	Financial Company	FULL	57.59	57.51	99.94	99.88
		SOGECAPITAL GESTION	Financial Company	FULL	57.59	57.54	99.94	99.94

		SOGECAPITAL PLACEMENT	Portfolio Management	FULL	57.59	57.56	99.94	99.96
	(8)	SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.62	57.58	100	100
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	100	100	100
Monaco								
	(1)	CREDIT DU NORD - MONACO	Bank	FULL	100	100	100	100
	(1)	SMC MONACO	Bank	FULL	100	100	100	100
		SOCIETE DE BANQUE MONACO	Bank	FULL	100	100	100	100
	(1)	SOCIETE GENERALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	100	100	100	100
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
	(4)	SG FINANS AS	Specialist Financing	FULL	0	100	0	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
		CAPEREA B.V.	Specialist Financing	FULL	100	100	100	100
		COPARER HOLDING	Group Real Estate Management Company	FULL	100	100	100	100
		HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
		HORDLE FINANCE B.V.	Financial Company	FULL	100	100	100	100
		MONTALIS INVESTMENT BV	Specialist Financing	FULL	100	100	100	100
	(1)	SG AMSTERDAM	Bank	FULL	100	100	100	100
		SG EQUIPMENT FINANCE BENELUX BV	Specialist Financing	FULL	100	100	100	100
		SOGELEASE B.V.	Specialist Financing	FULL	100	100	100	100
		SOGELEASE FILMS	Specialist Financing	FULL	100	100	100	100
		TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
Poland								
		ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	79.82	79.82	100	100
		SG EQUIPMENT LEASING POLSKA SP Z.O.O.	Specialist Financing	FULL	100	100	100	100

	(1)	SOCIETE GENERALE S.A. ODDZIAL W POLSCE	Bank	FULL	100	100	100	100
	(1)	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 BENS SA	Specialist Financing	FULL	79.82	79.82	100	100
Czech Republic								
		ALD AUTOMOTIVE S.R.O.	Specialist Financing	FULL	79.82	79.82	100	100
		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
		KB SMARTSOLUTIONS, S.R.O.	Bank	FULL	60.73	60.73	100	100
		KOMERCNI BANKA A.S.	Bank	FULL	60.73	60.73	60.73	60.73
		KOMERCNI POJISTOVNA A.S.	Insurance	FULL	80.76	80.76	100	100
		MODRA PYRAMIDA STAVEBNI SPORITELNA AS	Financial Company	FULL	60.73	60.73	100	100
		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
		WORLDLINE CZECH REPUBLIC S.R.O.	Services	ESI	0.61	0.61	40	40
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
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
(1)	BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
(1) (2)	DESCARTES TRADING LONDON BRANCH	Financial Company	FULL	0	100	0	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
	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
(2)	MAGPIE ROSE LIMITED	Bank	FULL	0	100	0	100
(2)	PICO WESTWOOD LIMITED	Bank	FULL	0	100	0	100
	ROBERT BENSON, LONSDALE & CO. (CANADA) LIMITED	Bank	FULL	100	100	100	100
(2)	SAINT MELROSE LIMITED	Bank	FULL	0	100	0	100
	SG (MARITIME) LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
	SG EQUIPMENT FINANCE (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG FINANCIAL SERVICES LIMITED	Financial Company	FULL	100	100	100	100
	SG HAMBROS (LONDON) NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	SG HAMBROS TRUST COMPANY LIMITED	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
(2)	SG LEASING (CENTRAL 1) LIMITED	Specialist Financing	FULL	0	100	0	100
	SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (GEMS) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (JUNE) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (MARCH) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (USD) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (UTILITIES) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING IX	Specialist Financing	FULL	100	100	100	100

	(1)	SG LONDRES	Bank	FULL	100	100	100	100
	(2)	SGFLD LIMITED	Financial Company	FULL	0	100	0	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
	(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	99.97	100	100
	(8)	CREDIT INSTITUTION OBYEDINYONNAYA RASCHOTNAYA SISTEMA	Financial Company	FULL	99.97	99.97	100	100
		LLC RUSFINANCE	Bank	FULL	99.97	99.97	100	100
		LLC RUSFINANCE BANK	Bank	FULL	99.97	99.97	100	100
		LLC TELSYCOM	Services	FULL	99.97	99.97	100	100
		PJSC ROSBANK	Bank	FULL	99.97	99.97	99.97	99.97
	(6)	RB CAPITAL ASSET MANAGEMENT LIMITED LIABILITY COMPANY	Real Estate and Real Estate Financing	FULL	99.97	0	100	0
		RB FACTORING LLC	Specialist Financing	FULL	99.97	99.97	100	100
		RB LEASING LLC	Specialist Financing	FULL	99.97	99.97	100	100
		RB SERVICE LLC	Group Real Estate Management Company	FULL	99.97	99.97	100	100
		RB SPECIALIZED DEPOSITARY LLC	Financial Company	FULL	99.97	99.97	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
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 SLOVAKIA	Bank	FULL	60.73	60.73	100	100
	(1)	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	FULL	80.33	80.33	100	100

Slovenia								
		ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	79.82	79.82	100	100
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
	(1) (4)	SG FINANS AS SWEDISH BRANCH	Specialist Financing	FULL	0	100	0	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
	(2)	ROSBANK (SWITZERLAND)	Bank	FULL	0	99.97	0	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	93.43	90.98	100	100
Tunisia								
		UNION INTERNATIONALE DE BANQUES	Bank	FULL	55.1	55.1	52.34	52.34
Turkey								
		ALD AUTOMOTIVE TURIZM TICARET ANONIM SIRKETI	Specialist Financing	FULL	79.82	79.82	100	100
	(1)	SG ISTANBUL	Bank	FULL	100	100	100	100
Ukraine								
		ALD AUTOMOTIVE UKRAINE LIMITED LIABILITY COMPANY	Specialist Financing	FULL	79.82	79.82	100	100

* *FULL: Full consolidation - JO: Joint Operation - EJV: Equity (Joint Venture) - ESI: Equity (significant influence) - EFS: Equity For Simplification (Entities controlled by the Group that are consolidated using the equity method for simplification because are not significant).*

(1) Branches

(2) Entities wound up

(3) Removal from the scope (loss of control or significant influence)

(4) Entities sold

(5) Merged

(6) Newly consolidated

(7) Including 30 funds

(8) Wind up in process

NOTE 8.6 - FEES PAID TO STATUTORY AUDITORS

The consolidated financial statements of Societe Generale Group are certified jointly by Ernst & Young et Autres, represented by M. Micha Missakian, on the one hand; and Deloitte et Associés, represented by Mr. Jean-Marc Mickeler, on the other hand.

On the proposal of the Board of Directors and following the recommendation of the Audit and Internal Control Committee of Societe Generale (CACI), the Annual General Meeting held on 23 May 2018 renewed the mandates of Ernst & Young et Autres and 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 ("*SACC*") of statutory auditors 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 EUR m excluded VAT)		**2020** (1)	**2019**	**2020** (2)	**2019**	**2020**	**2019**
Statutory audit, certification, examination of parent company and consolidated accounts	Issuer	5	4	8	7	13	11
	Fully consolidated subsidiaries	15	16	12	12	27	28
Sub-total Audit		**20**	**20**	**20**	**19**	**40**	**39**
Non-audit services (*SACC*)	Issuer	1	0	1	2	2	2
	Fully consolidated subsidiaries	1	1	1	1	2	2
Total		**22**	**21**	**22**	**22**	**44**	**43**

(1) Including Ernst and Young network: 12 million euros.

(2) Including Deloitte network: 10 million euros.

The non-audit services are 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 Engagements*), 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 0,5 million.

NOTE 9 - INFORMATION ON RISKS AND LITIGATION

Every quarter, the Group reviews in detail the disputes presenting a significant risk. These disputes may lead to the recording of a provision if it becomes probable or certain that the Group will incur an outflow of resources for the benefit of a third party without receiving at least the equivalent value in exchange. These provisions for litigations are classified among the Other provisions included in the Provisions item in the liabilities of the balance-sheet.

No detailed information can be disclosed on either the recording or the amount of a specific provision given that such disclosure would likely seriously prejudice the outcome of the disputes in question.

- On 24 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 in 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, on 23 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'Etat*) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on the 20 September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.

- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3 April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15 May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected Societe Generale's arguments relating to service of the claims issued against Goldas, which are therefore time-barred. On 18 December 2018, the Supreme Court refused permission to appeal to both 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.

- 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, sixteen cases have ended in favour of SGA, one case has ended against SGA and eight remain pending, six of which before the Supreme Court.

- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – Echange d'Images Chèques), which has contributed to the improvement of cheque payments security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.

  On 20 September 2010, after several years of investigation, the French competition authority ruled that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the Banque de France) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million and Crédit du Nord, its subsidiary, a fine of EUR 7 million. However, in its 23 February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except Banque de France, held that there was no competition law infringement, allowing the banks to recoup the fines paid. On 14 April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3 and 4 November 2016 by the Paris Court of Appeal before which the case was remanded. On 21 December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22 January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision. On 29 January 2020, the Supreme Court partially quashed the order the Paris Court of Appeal decision of 21 December 2017 and ordered the remand of the case to this same court of appeal but differently composed. On 13 March 2020, Societe Generale and Crédit du Nord therefore filed a new appeal before the Paris Court of Appeal against the decision of the French competition authority. The court proceeding is still pending.

- In August 2009, Societe Generale Private Banking (Switzerland), along with several other financial institutions, was named as a defendant in a putative class action that was ultimately transferred to the US District Court for the Northern District of Texas. The plaintiffs sought to represent a class of individuals who were customers of Stanford International Bank Ltd. (SIBL), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16 February 2009. The plaintiffs alleged that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants were responsible for those alleged losses. The plaintiffs further sought to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they were alleged to have been fraudulent transfers. The Official Stanford Investors Committee (OSIC) was permitted to intervene and filed a complaint against Societe Generale Private Banking (Switzerland) and the other defendants seeking similar relief.

  The motion by Societe Generale Private Banking (Switzerland) to dismiss these claims on grounds of lack of jurisdiction was denied by the court by order filed 5 June 2014. Societe Generale Private Banking (Switzerland) sought reconsideration of the Court's jurisdictional ruling, which the Court ultimately denied. On 21 April 2015, the Court permitted the substantial majority of the claims brought by the plaintiffs and the OSIC to proceed.

  On 7 November 2017, the District Court denied the plaintiffs' motion for class certification. The plaintiffs sought leave to appeal this decision, which the court of appeal denied on 20 April 2018. On 3 May 2019, several hundred individual plaintiffs filed motions to intervene in the pending OSIC action seeking recovery in their individual capacities for losses on their Stanford investments. The defendant financial institutions, including Societe Generale Private Banking (Switzerland), opposed these motions. By order of 18 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. The state court action was removed to federal court and is now pending in the Southern District of Texas.

On 22 December 2015, the OSIC filed a motion for partial summary judgment seeking return of a transfer of USD 95 million to Societe Generale Private Banking (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. By order dated 30 March 2020, the court denied OSIC's motion.

- Notwithstanding the agreements reached with the US authorities regarding certain London Interbank Offered Rates and the Euro Interbank Offered Rate ("the IBOR matter"), the Bank continues to defend civil proceedings in the United States (as described below) and has responded to information requests received from other authorities, including the Attorneys General of various States of the United States and the New York Department of Financial Services.

  In the United States, Societe Generale, along with other financial institutions, has been named as a defendant in putative class actions involving the setting of US Dollar Libor, Japanese Yen Libor, and Euribor rates and trading in instruments indexed to those rates. Societe Generale has also been named in several individual (non-class) actions concerning the US Dollar Libor rate. All of these actions are pending in the US District Court in Manhattan (the "District Court").

  As to US Dollar Libor, all claims against Societe Generale have been dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that are effectively stayed. Certain individual plaintiffs, whose claims were dismissed, filed motions for leave to amend their complaints to add or revive claims against Societe Generale, but those applications were denied by the District Court. The class plaintiffs and a number of individual plaintiffs have appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit.

  On 13 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 was finally approved by the District Court on 17 September 2020.

  As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products. On 1 April 2020, the Court of Appeals reversed the dismissal and reinstated the claims. Plaintiffs filed a second amended complaint on 24 August 2020, and defendants have again filed motions to dismiss. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange on 27 September 2019, plaintiff filed a motion for class certification. On 25 September 2020, the District Court granted defendants' motion for judgment on the pleadings and dismissed plaintiffs' claims. Plaintiffs have appealed.

  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, 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. By order dated 26 March 2020, the District Court dismissed the action. Plaintiffs have appealed that ruling. Defendants have moved to dismiss the appeal because the proposed class representatives are withdrawing from the action. A new proposed class representative is seeking to intervene as a plaintiff in the appeal.

- 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 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 was also filed. SG reached a settlement of USD 975,000 to resolve that proceeding. The settlement was finally approved by the Court on 19 November 2020. On 7 November 2018, a group of individual entities that elected to opt out of the main class action settlement filed a lawsuit against SG, SG Americas Securities, LLC and several other financial institutions. SG Americas Securities, LLC was dismissed by order dated 28 May 2020. Discovery is proceeding as to SG and the other remaining defendants.

- On 10 December 2012, the French Supreme Administrative Court (*Conseil d'Etat*) 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 28 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 has continued to assert its rights with the competent courts and the tax authorities, which it expects to be treated diligently and in accordance with the law. On 23 June 2020, the Administrative Court of Appeal of Versailles issued a ruling in favour of Societe Generale on our 2002 and 2003 Suez claims, followed by a mid-July enforcement in our favour. The judgment of Versailles held that the advance payment was not compatible with the Parent-Subsidiary Directive: the French Supreme Administrative Court, which had also received a request for a priority question of constitutionality, also pointed out that the advance payment was incompatible with Article 4 of the Parent-Subsidiary Directive but that a question should be referred to the ECJ for a preliminary ruling in order to ascertain this. It is therefore now appropriate to await the response of the Court of Luxembourg, which should not occur before the end of 2021.

- 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 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 inter alia to a fund administered by SGSS GmbH proprietary trading activities and transactions carried out on behalf of clients. The Group entities respond to the requests of the German authorities.

  SGSS GmbH was informed by the Bonn District Court on 19 June 2019 that criminal proceedings had been initiated against two individuals who were employed by a company having previously advised this fund, the latter being suspected by the German prosecutors to have been involved in potentially fraudulent CumEx transactions. On 19 August 2019, the Bonn District Court ordered SGSS GmbH to join these criminal proceedings as a “secondary party”. By order of 16 March 2020, the Bonn District Court, with consent of the Cologne Prosecutors, released SGSS GmbH as a secondary party immediately. In addition to being subject to investigations or criminal proceedings, SG Group entities may be exposed to claims by third parties, including German tax offices, and become party to legal disputes.

- In May 2019, SGAS was named, along with other financial institutions, as a defendant in a putative class action in the US alleging anticompetitive behaviour in the pricing of “agency bonds” issued by US Government Sponsored Enterprises (GSEs), including Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae). SGAS, along with several other defendants, filed a motion to dismiss on 13 June 2019 which was granted on 29 August 2019 as against SGAS and several other bank defendants. Plaintiffs filed an amended complaint on 9 September 2019, and a motion to dismiss this amended complaint was filed on 17 September 2019. That motion was denied on 15 October 2019. On 16 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. The class action settlement was finally approved by the court on 16 June 2020. SGAS also has been named in four separate individual opt-out litigations by the following plaintiffs: the State of Louisiana (filed September 2019), the City of Baton Rouge/East Baton Rouge Parish and related entities (October 2019), Louisiana Asset Management Pool (April 2020), and the City of New Orleans and related entities (September 2020). These suits also assert antitrust claims (and in some cases other related claims) against SGAS and multiple other bank defendants based on these plaintiffs’ purchases of GSE bonds. SGAS has also received a subpoena from the US Department of Justice (DOJ) in connection with its US agency bond business. SGAS is responding to these requests and is cooperating with the DOJ investigation.

- Societe Generale and certain of its subsidiaries are defendants in an action pending in the US Bankruptcy Court in Manhattan brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC (BLMIS). The action is similar to those brought by the BLMIS Trustee against numerous institutions and seeks recovery of amounts allegedly received by the SG entities indirectly from BLMIS through so-called “feeder funds” that were invested in BLMIS and from which the SG entities received redemptions. The suit alleges that the amounts that the SG entities received are avoidable and recoverable under the US Bankruptcy Code and New York state law. The BLMIS Trustee seeks to recover, in the aggregate, approximately USD 150 million from the SG entities. The SG entities are defending the action. In decisions dated 22 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 judgements and remanded for further proceedings. On 1 June 2020, the United States Supreme Court denied Defendant-Appellees’ petition for a writ of certiorari. The case will now be returned to the District Court for further proceedings.

- On 10 July 2019, Societe Generale was named as a defendant in a litigation filed in the US District Court in Miami by plaintiffs seeking to recover under the Cuban Liberty and Democracy Solidarity (*Libertad*) Act of 1996 (known as the Helms-Burton Act) for alleged losses stemming from the expropriation by the Cuban government in 1960 of Banco Nunez in which they are alleged to have held an interest. Plaintiff claims damages from Societe Generale under the terms of this statute. Plaintiff filed an amended complaint on 24 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. While the motion to dismiss was pending, plaintiffs filed an unopposed motion on 29 January 2020, to transfer the case to federal court in Manhattan, which the court granted on 30 January 2020. Plaintiffs filed a second amended complaint on 11 September 2020, and a motion to dismiss has been filed.

On 9 November 2020, Societe Generale was named in similar Helms Burton litigation filed in the US District Court in Manhattan by the purported owners (and successors) of Banco Pujol, a Cuban bank alleged to have been confiscated by the Cuban government in 1960.

- On 5 June 2020, a shareholder of Societe Generale filed a derivative action in New York State court against 39 current and former directors and officers of the Bank. The complaint alleges that a 2009 written agreement with US banking regulators required the Bank to implement and maintain an effective anti-money laundering compliance and transaction monitoring system. According to the complaint, the Bank failed to do so, leading to penalties and forfeitures imposed in November 2018 by a number of federal and New York state agencies and criminal authorities relating to US sanctions and anti-money laundering laws. The complaint makes claims for, among other things, breaches of duty related to these matters. This litigation is at an early procedural stage, and a motion to dismiss on a variety of grounds is expected.

- On 16 October 2020, Vestia brought proceedings against Societe Generale before the High Court of England regarding the conditions pursuant to which Vestia contracted derivative products with Societe Generale between 2008 and 2011. Vestia claims that these transactions were outside of its capacity and alleges they were induced by corruption. Vestia seeks to rescind the transactions and recover the amounts paid to Societe Generale pursuant to these transactions. On 8 January 2021, Societe Generale filed its Statement of Defence and Counterclaim.

- On 20 October 2020, Societe Generale Securities Australia Pty Ltd ("SGSAPL") was sentenced by the Local Court in Sydney on charges relating to breaches of client money obligations. SGSAPL was required to pay a total penalty of AUD 30,000 for facts which occurred over the period from December 2014 to February 2017 and which were self-declared to the Australian Securities and Investment Commission.

NOTE 10 - RISK MANAGEMENT LINKED WITH FINANCIAL INSTRUMENTS

This note presents the risks associated with financial instruments and the way in which the Group manages them.

NOTE 10.1 - RISK MANAGEMENT

Implementing a high-performance and efficient risk management structure is a critical undertaking for the group 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 Basel 3 Regulations (CRR/CRD).

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.

1. GOVERNANCE OF RISK MANAGEMENT

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 require so).

Within the Board of Directors, the Risk Committee 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 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 22 times in 2020, defines the Group's key priorities in terms of risk policies (credit, country, market and operational risks), within the framework of the risk appetite and the 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, country, 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 Finance and Risk Divisions, 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 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 the Finance Division and the Corporate Secretary);
- **the Compliance Committee** (COMCO) meets at least quarterly in order to define the Group's main guidelines and principles in terms of compliance;
- **the Digital Transformation Committee** (DTCO), in compliance with the Group strategy Committee's decisions, initiates and monitors the transformations of the information system and the related operational model which require, by their transverse nature or by the scale of the envisaged transformation, a decision by the General Management
- **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 comprehensiveness, 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 Corporate and Social Responsibility (CSR) including Environmental and Social 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.

2. 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 to establish 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 Business 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 **Expertise on Metrics and Reporting Department** is responsible for producing the regulatory reports of the Group;
- the **Shared Finance Services Department** oversees the shared services in the Finance Division with the support of its Paris teams and the oversight of Finance teams in Bucharest and Bangalore;
- 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 is responsible for defining and ensuring the consistency of the system for preventing and controlling the risk of non-compliance, as well as for coordinating the system intended to prevent, detect, assess and control reputational risk in the entire Group.

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;
- 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;

- 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.

3. INTEREST RATE BENCHMARKS REFORM

As part of the reform of interbank rates ("IBOR" rates), the Group is continuing its efforts towards the significant deadline of the end of 2021. The project structure that the Group has put in place under the leadership of the General Management (DGLE) pursues a dual objective: on the one hand, to prepare the Group to deal with "Risk Free Rates" and, on the other hand, to prepare the migration of the stock of operations in progress indexed on IBOR rates which will expire successively after 2021 and 2023.

In 2014, the Financial Stability Board considered, in its report on interbank rates, that uncertainty related to IBOR rates and their termination, if left unchecked, constituted systemic vulnerability and risk.

The Group assesses its own main risks as follows:

- governance and programme execution risk, which could lead to delays and lost opportunities, is monitored within the framework of the regular committee and arbitration bodies;
- risk of legal documentation that could lead to post-transition litigation is managed by the introduction of Fallback clauses in transactions depending on the availability of market standards and the support of external firms in the renegotiation of bilateral contracts;
- market risk with the creation of a basis risk between the rate curves associated with the different indices is the subject of close monitoring and supervision;
- operational risks in the execution of transaction migrations, depending on the willingness and preparedness of our customers, the volume of transactions to be migrated and their spread over time;
- risk of "conduct" associated with the announced end of LIBORs, managed in particular through specific group guidelines and broken down by entity. Training for teams and communications to clients (conferences, events, bilateral points, especially with less well-informed clients) are organised on the associated risks, the alternative solutions that could be deployed and the way in which they could be affected.

Financial assets and liabilities and derivatives impacted by the interest rate benchmarks reform:

(In EUR bn)		***Exposures as at 30 September 2020***		
		Remaining capital		Notional amounts [(1)]
Current benchmark interest rates	**New risk-free rates likely to replace current benchmark interest rates**	**Financial assets [(2)] (excluding derivatives) impacted by the reform**	**Financial liabilities [(3)] (excluding derivatives) impacted by the reform**	**Derivatives [(4)] impacted by the reform**
EURIBOR - Euro Interbank Offered Rate		106	6	3,463
EONIA - Euro OverNight Index Average	Euro Short-Term Rate (€STR)	4	16	495
LIBOR - London Interbank Offered Rate - USD	Secured Overnight Financing Rate (SOFR)	35	3	2,536
LIBOR - London Interbank Offered Rate - GBP	Reformed Sterling Overnight Index Average (SONIA)	4	0	568
LIBOR - London Interbank Offered Rate - CHF	Swiss Average Rate Overnight (SARON)	0	0	63
LIBOR - London Interbank Offered Rate - JPY	Tokyo OverNight Average (TONA)	0	1	641
LIBOR - London Interbank Offered Rate - EUR	Euro Short-Term Rate (€STR)	1	0	7
Total		**150**	**26**	**7,774**

(1) Notional amounts used in combination with a reference interest rate to calculate derivative cash flows.

(2) Of which accounts receivable, loans, securities received under repurchase agreements, debt securities bearing interest at variable rates.

(3) Of which deposits, borrowing, transaction of securities given in delivered reseal, debt issued in the form of securities bearing interest at variable rates.

(4) Of which firm instruments (swaps and futures) and conditional instruments.

NOTE 10.2 - CAPITAL MANAGEMENT AND ADEQUACY

1. THE REGULATORY FRAMEWORK

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.

Some amendments to the European regulatory legislation were adopted in May 2019 (CRR2/CRD5). Although several of the new amendments are already in force, most of the new provisions will enter into force in June 2021.

The new provisions include the following:

- NSFR: the text introduces regulatory requirements related to the NSFR ratio. A 100% ratio has to be met as of June 2021;
- Leverage ratio: a 3% minimum requirement to which an additional 50% buffer for systemic entities will be added from 2023;
- Counterparty derivatives risk: the "SA-CCR" Basel method replaces the current "CEM" method to calculate the prudential exposure to derivatives using the Standardised Approach (SA);
- Large exposures: the main change concerns the calculation of the regulatory limit (25%) on Tier 1 (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 has been 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%+risk-weighted capital buffers and 6% of the leverage exposure in 2019, the ratio increasing to 18%+weighted risk cushions and 6.75% leverage in 2022.

With regard to the implementation of the market risk reform (FRTB), after the publication of the first revised standard in January 2016 and of the consultation in March 2018 on this subject, the Basel Committee published in January 2019 its final text: BCBS457. In March 2020, the Basel Committee announced a one-year delay in the implementation of FRTB (1 January 2023 instead of 1 January 2022 as originally planned in the January 2019 text).

The European FRTB calendar would be as follows:

- Regarding reporting requirements:
  - In April 2020, EBA postponed the Standardised Approach (SA) from Q1 2021 to Q3 2021,
  - 2023 for the Internal Model Approach (IMA);
- The capital requirements for FRTB would then become mandatory at the end of 2023 at the earliest, or in 2024.

In December 2017, the Group of Central Bank Governors and Heads of Supervision (GHOS), the Basel Committee's oversight body, endorsed the regulatory reforms aiming to complete Basel 3. These new rules, which were to take effect from 2022, have been postponed to January 2023 with an overall output floor: the risk-weighted assets (RWA) will be floored to a percentage of the standard method (credit, market and operational). The output floor level will increase gradually, from 50% in 2023 to 72.5% in 2028. Nevertheless, these rules will have to be transposed into European law (CRR3/CRD6) to be applicable to the Group.

2. CAPITAL MANAGEMENT

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 and explains the evolution of the Group's capital ratios over time, taking into account any future regulatory constraints.

NOTE 10.3 - CREDIT AND COUNTERPARTY CREDIT RISK

DEFINITIONS

Credit 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. This risk includes the risk linked to securitisation activities and may be further amplified by individual, country and sector concentration risk.

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, as well as derivative contracts, cleared or not, whether they are processed in principal (house trades) or on behalf of third parties (agency activity).

1. GENERAL PRINCIPLES GOVERNING RISK-TAKING

The risk approval process is based on the following main principles:

- the analysis and the validation of the files fall respectively and independently 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, the effectiveness of which is regularly evaluated;
- a system of delegation of competence, largely based on the internal ratings of the counterparties, confers decision-making capacities to the risk units on the one hand and to the commercial monitoring sectors on the other hand.

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 among others 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.

2. HEDGING OF CREDIT RISK

2.1 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).

The guarantors are subject to an internal rating updated at least annually. Regarding collateral, regular revaluations are made on the basis of an estimated disposal value composed of the market value of the asset and a discount. The market value corresponds to the value at which the good should be exchanged on the date of the valuation under conditions of normal competition. It is preferably obtained on the basis of comparable assets, failing this by any other method deemed relevant (example: value in use). This value is subject to haircuts depending on the quality of the collateral and the liquidity conditions.

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 319 billion as at 31 December 2020 (compared with EUR 302 billion as at 31 December 2019), of which EUR 156 billion for retail customers and EUR 163 billion for other types of counterparties (compared with EUR 139 billion and EUR 163 billion as at 31 December 2019, respectively).

The outstanding loans covered by these guarantees and collateral correspond mainly to loans and receivables at amortised cost, which amounted to EUR 258 billion as at 31 December 2020, and to off-balance sheet commitments, which amounted to EUR 51 billion (compared with EUR 238 billion and EUR 57 billion as at 31 December 2019 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 4.3 billion as at 31 December 2020 (EUR 4.5 billion as at 31 December 2019), including EUR 1.7 billion on retail customers and EUR 2.6 billion on other types of counterparties (versus EUR 1.5 billion and EUR 3.0 billion as at 31 December 2019 respectively).

The amount of guarantees and collateral received for non-performing outstanding loans as at 31 December 2020 amounted to EUR 4.5 billion (compared with EUR 3.9 billion as at 31 December 2019), of which EUR 1.8 billion on retail customers and EUR 2.7 billion on other types of counterparties (compared with EUR 1.9 billion and EUR 2.0 billion respectively as at 31 December 2019). These amounts are capped at the amount of outstanding.

2.2 USE OF CREDIT DERIVATIVES TO MANAGE CORPORATE CONCENTRATION RISK

The Group may use credit derivatives, where applicable, in the management of the "Corporate" loan portfolio. They essentially make it possible to reduce individual, sectoral and geographic concentrations and to ensure active management of risks and allocated capital.

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 uses credit derivatives 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 were stable at EUR 2.5 billion in nominal terms and a corresponding fair value of EUR 7.3 million at the end of December 2020 (compared with EUR 2.5 billion nominal value and a corresponding fair value of EUR -16 million at the end of December 2019). New operations have mainly been performed to improve capital allocation (EUR 1.9 billion) and, to a lower extent, to reduce concentration risk (EUR 0.6 billion).

Over 2020, the credit default swaps (CDS) spreads of European Investment Grade issues (Itraxx index) were volatile, peaking at 151 bps at the end of March, followed by a downward trend (the index reached 50 bps at the end of December 2020). The overall sensitivity of the portfolio (Price Value of a Basis Point) is falling due to the reduction in the average maturity of the protections.

Most protection purchases (98% of outstanding amounts as at 31 December 2020) are made against European clearing houses, and all against counterparties with Investment Grade ratings (rating at least equal to BBB-).

Moreover, the amounts recognised as assets (EUR 1.3 billion as at 31 December 2020 versus EUR 2.4 billion as at 31 December 2019) and liabilities (EUR 1.4 billion as at 31 December 2020 versus EUR 2.0 billion as at 31 December 2019) correspond to the fair value of credit derivatives mainly held under a transaction activity.

2.3 CREDIT INSURANCE

The Group has been developing relationships with private insurers for 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.

3. RISK MEASUREMENT AND INTERNAL RATINGS

3.1 GENERAL FRAMEWORK OF THE INTERNAL APPROACH

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 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, backtesting and the validation of models. These procedures allow, among other things, to facilitate critical human judgement, 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 taken into account via the LGD level.

3.2 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.

The climate risk management system is further detailed in paragraph “Climate risk management” of the section entitled "Positive climate action: supporting a fair, environmental and inclusive transition" of the Universal Registration Document.

4. COUNTERPARTY CREDIT RISK

4.1 LIMITS SETTING AND MONITORING FRAMEWORK

GENERAL PRINCIPLES

Counterparty credit risk is framed through a set of limits that reflect the Group's appetite for risk. The limits set for each counterparty are proposed by the customer tracking sector and validated by the dedicated risk units. Individual limits are supplemented by stress test or nominal frameworks to capture the impact of certain risk factors that are more difficult to measure.

These limits are subject to annual or *ad hoc* reviews depending on the needs and changing market conditions.

A dedicated team within the Risk Department is in charge of production, reporting and controls on risk metrics, namely:

- ensuring the completeness and reliability of the risk calculation by taking into account all the transactions transmitted by the transaction processing department;
- producing daily certification and risk indicator analysis reports;
- controlling compliance with defined limits, at the frequency of metrics calculation, most often on a daily basis.

In addition, a specific monitoring and approval process is implemented for the most sensitive counterparties or the most complex categories of financial instruments.

GOVERNANCE

While not a substitute for CORISQ or for the Risk Committee of the Board of Directors (see the section on Risk management governance), the Counterparty Credit Risk Committee (CCRC) closely monitors counterparty credit risk and identifies emerging risk areas through specific analysis (focus). This committee, chaired by the Risk Department, brings together representatives from the Market Activities and the Global Banking and Advisory Business Units, but also departments which, within the risk management function, are in charge of tracking counterparty credit risks on market transactions and credit risk. The CCRC is called upon to comment on the changes in the frameworks within its jurisdiction.

REPLACEMENT RISK

The Group frames the risks of replacement by limits:

- established and allocated to each counterparty in terms of PFE (Potential Future Exposure);
- the amounts of which are determined by, among other things, the quality of credit and the type of counterparty, the nature and duration of the instruments concerned, the economic understanding of the transactions, and the contractual legal framework agreed.

CVA (CREDIT VALUATION ADJUSTMENT) RISK

In addition to the replacement risk, the CVA (Credit Valuation Adjustment) measures the adjustment of the value of the Group's derivatives and repos portfolio in order to take into account the credit quality of the Group's counterparties (see dedicated section).

Positions taken to cover the volatility of the CVA (credit, interest rate or equity instruments) are tracked as part of sensitivity or stress test limits. Scenarios representative of the market risks impacting the CVA (credit spreads, interest rates and exchange rates) are applied to carry out the stress test on CVA.

RISK ON CENTRAL COUNTERPARTIES (CCP)

The counterparty credit risk generated by the clearing of derivatives and repos by central counterparties is framed by specific limits on initial margins, both for the Group’s activities, as well as on behalf of third parties (client clearing), and on the Group’s contributions to CCP default funds (guarantee deposits).

In addition, a stress test limit is also defined to limit the impact related to the default of a major member of a CCP.

It should be noted that the EMIR (European Market Infrastructure Regulation) regulations in Europe and the DFA (Dodd-Frank Act) in the United States, by requiring that the most standardised over-the-counter transactions be compensated *via* clearing houses approved by the authorities and subject to prudential regulation, has led to increased exposure of financial institutions to these clearing houses.

4.2 MITIGATION OF COUNTERPARTY CREDIT RISK LINKED TO MARKET TRANSACTIONS

The Group uses various techniques to reduce this risk:

- the most systematic possible contracting of close-out netting agreements for over-the-counter (OTC) transactions;
- the collateralisation of market operations, either through clearing houses for eligible products (listed products and certain OTC products), or through a bilateral exchange mechanism for margin calls to cover current exposure (variation margins) but also future exposure (initial margins).

CANCELLATION-COMPENSATION AGREEMENTS

As early as possible, the Group sets up framework contracts (master agreements) with its counterparties, which provide for global termination-compensation clauses.

These clauses allow for the immediate termination (close out) of all transactions governed by these agreements when one of the parties defaults and on the other hand the settlement of a net amount reflecting the total value of the portfolio, after clearing (netting) of reciprocal debts and receivables at the current market value. This balance may be the subject of a guarantee or collateralisation.

In order to reduce any legal risk associated with documentation and to comply with key international standards, the Group prefers using framework contract models published by national or international professional associations such as International Swaps and Derivatives Association (ISDA), International Capital Market Association (ICMA), International Securities Lending Association (ISLA), French Banking Federation (FBF), etc.

These contracts establish a set of contractual elements generally recognised as standard and give way to the modification or addition of more specific clauses between the parties who signed the final contract. This standardisation reduces implementation time and secures operations. Clauses detailing counterparty credit risk mitigation techniques are reviewed and analysed by the Bank's legal services to ensure their applicability.

COLLATERALISATION

Most over-the-counter transactions are collateralised. There are two types of collateral exchanges to distinguish:

- Initial Margin (IM): an initial deposit to cover potential future exposure, i.e. the unfavourable change in the Mark-to-Market of positions in the time period between the last variation margin collection and the liquidation of positions as a result of the counterparty default. This initial deposit is kept by a third party [1] to ensure its immediate availability, even in the event of a default of the counterparty;
- Variation Margin (VM): collateral collected to cover current exposure from Mark-to-Market changes in positions, used as an approximation of the actual loss resulting from the failure of one of the counterparties.

The Group ensures a monitoring of collateral received and given both for the part covering the market value of the contracts (VM) and the risk of an unfavourable change in these market values in the event of default of the counterparty (IM). The collateral given and received used in derivative contracts consists mainly of cash or high-quality and liquid assets such as for example prime or high-grade sovereign bonds. Other marketable assets can be accepted on condition that their valuation is adjusted (through haircuts) to reflect the lower quality and/or lower degree of liquidity of the assets.

1 *Except for rest and clearing activities.*

Bilateral collateral exchange

The initial margin, historically little used apart with hedge fund counterparties, was generalised by EMIR and DFA regulations. The Group is now required to exchange initial margins and variation margins for uncompensated OTC derivatives transactions with a large number of its counterparties (its financial counterparties and certain non-financial counterparties above certain thresholds).

Clearing houses

EMIR and DFA regulations have also required that the most standard over-the-counter derivatives transactions be compensated through clearing houses. The Group thus compensates its own operations (principal activity), but also operates a client clearing activity (agency-type activity), which is subject to systematic margin calls to mitigate counterparty credit risk (customers posting daily to Societe Generale variation margins and initial margins, in order to cover current exposure and future exposure).

4.3 COUNTERPARTY CREDIT RISK MEASUREMENT

Replacement risk

The measure of replacement risk is based on an internal model that determines the Group's exposure profiles.

REGULATORY INDICATOR

Regarding the calculation of capital requirements for counterparty credit risk, the ECB, as part of the Targeted Review of Internal Models (TRIM), has renewed its approval for the use of the internal model described above to determine the Effective Expected Positive Exposure (EEPE) indicator.

For products not covered by the internal model as well as for entities in the Societe Generale group that have not been authorised by the supervisor to use the internal model, the Group uses the market price valuation method for derivatives [2] and the general financial security-based method for securities financing transactions (SFT).

The effects of compensation agreements and actual security are taken into account either by their simulation in the internal model, or by applying the clearing rules as defined in the market-price method or the one based on financial security, subtracting the value of the security.

These exposures are then weighted by rates resulting from the credit quality of the counterparty, leading to the Risk-Weighted Assets (RWA). These rates can be determined by the Standardised Approach or the advanced approach (IRBA).

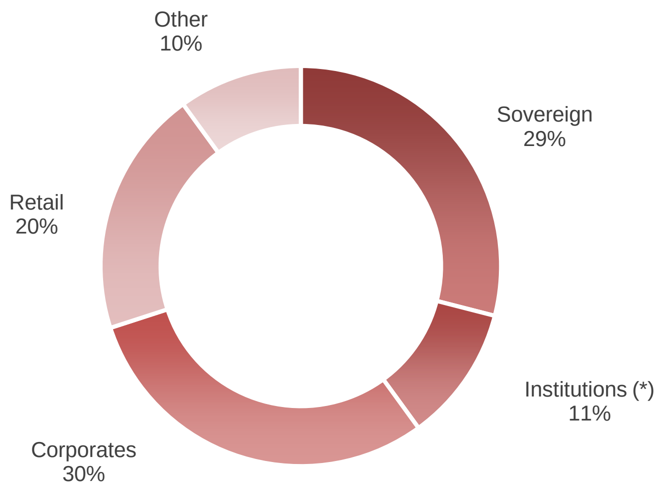
5. ANALYSIS OF THE CREDIT PORTFOLIO

In this section, the measurement used for credit exposures is the EAD – Exposure at Default (on- and off-balance sheet). Under the Standardised Approach, EAD is calculated net of collateral and provisions.

2 *In this method, the EAD (Exposure At Default) relating to the Bank's counterparty credit risk is determined by aggregating the positive market values of all transactions (replacement cost) supplemented by an add-on factor.*

CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AS AT 31 DECEMBER 2020

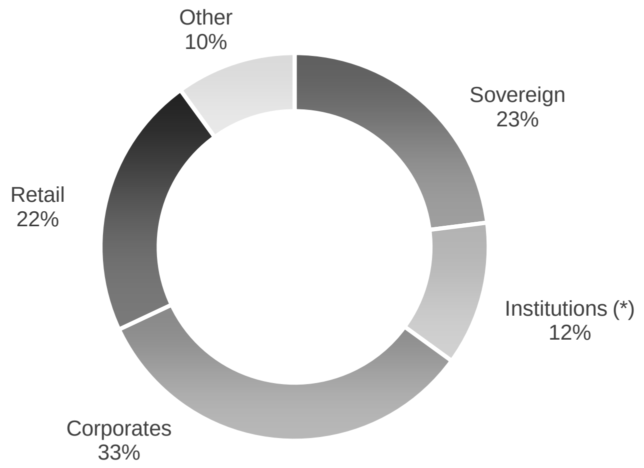
On- and off-balance sheet exposures (EUR 1,004 billion in EAD):



(*) Institutions: Basel classification of banks and public sector portfolios.

CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AS AT 31 DECEMBER 2019

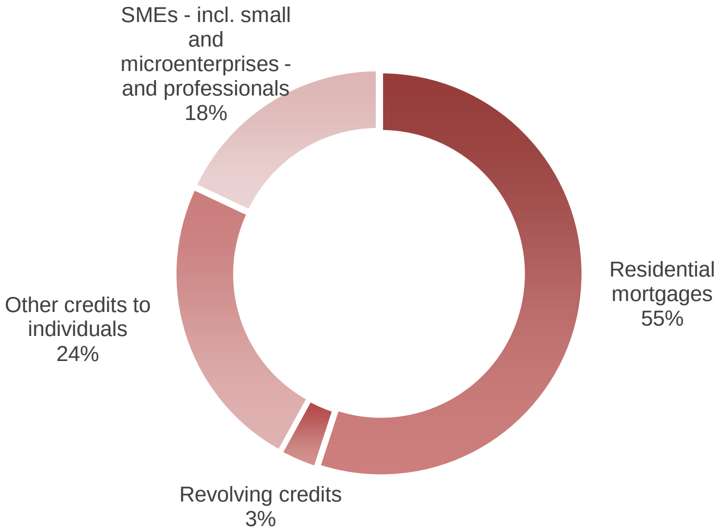
On- and off-balance sheet exposures (EUR 918 billion in EAD):



(*) Institutions: Basel classification of banks and public sector portfolios.

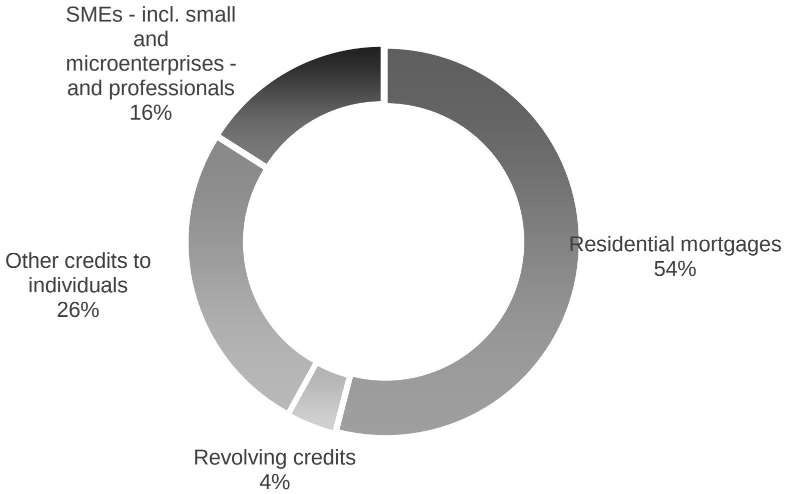
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE SUBCLASS (EAD) AS AT 31 DECEMBER 2020

On- and off-balance sheet exposures (EUR 202 billion in EAD):

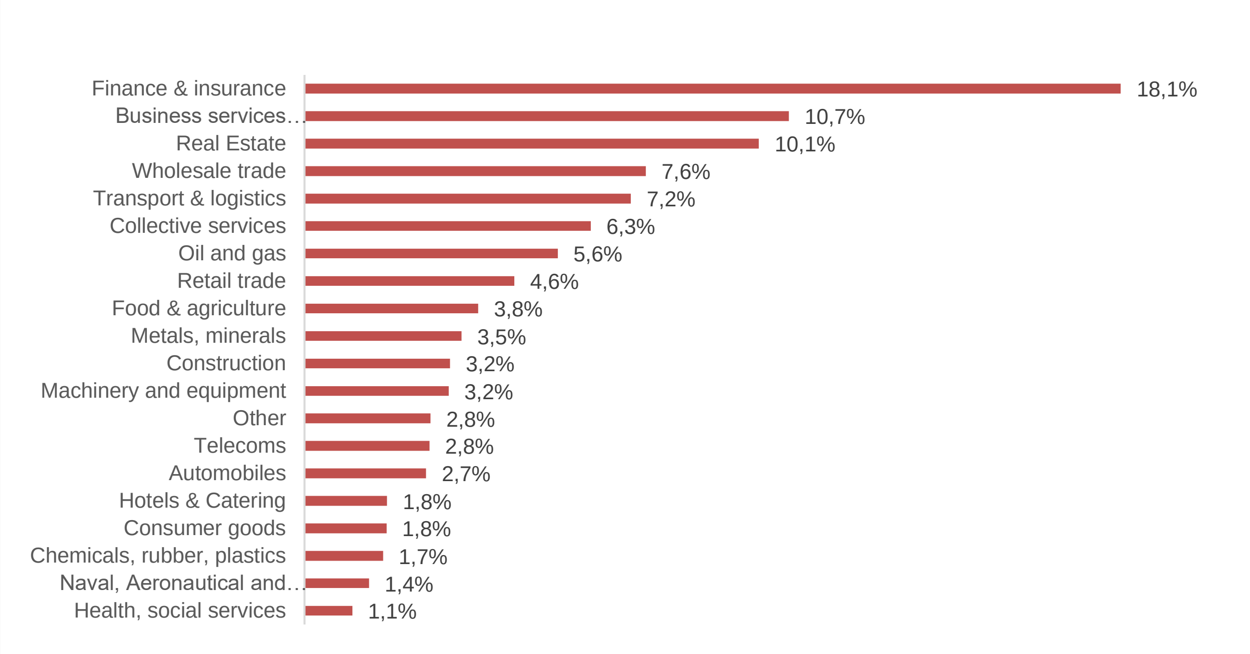


RETAIL CREDIT RISK EXPOSURE BY EXPOSURE SUBCLASS (EAD) AS AT 31 DECEMBER 2019

On- and off-balance sheet exposures (EUR 203 billion in EAD)



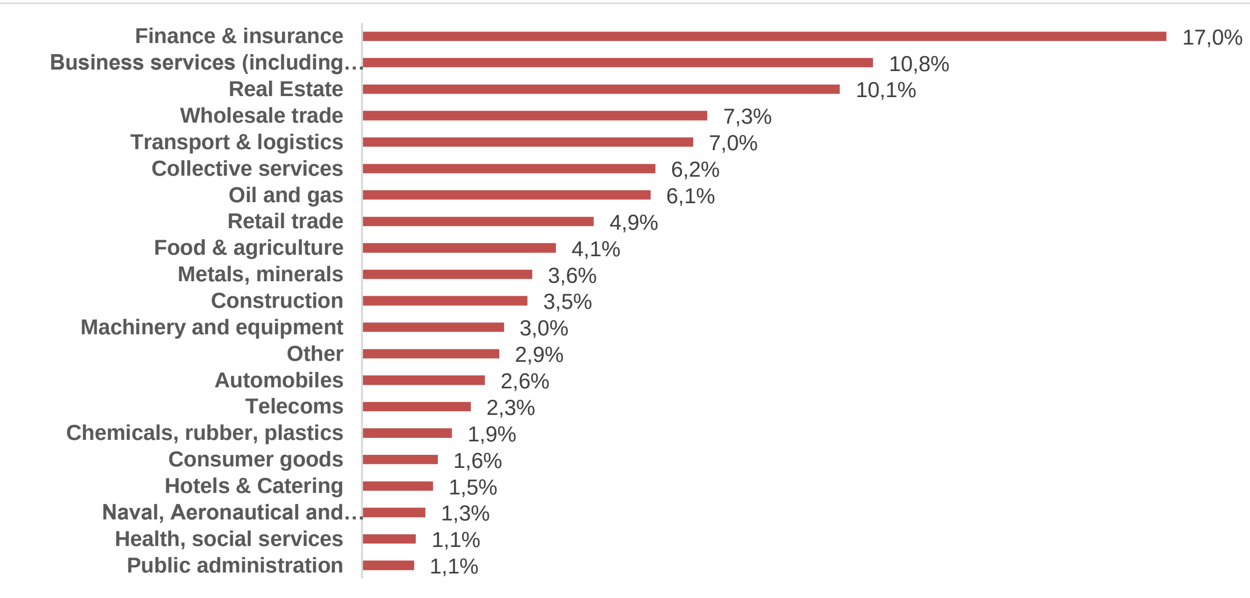
SECTOR BREAKDOWN OF GROUP CORPORATE EXPOSURE AS AT 31 DECEMBER 2020 (BASEL PORTFOLIO)



EAD of the Corporate portfolio is presented in accordance with the Basel rules (large corporates, including insurance companies, funds and hedge funds, SMEs, specialised financing, factoring businesses), based on the obligor's characteristics, before taking into account the substitution effect (credit risk scope: debtor, issuer and replacement risk).

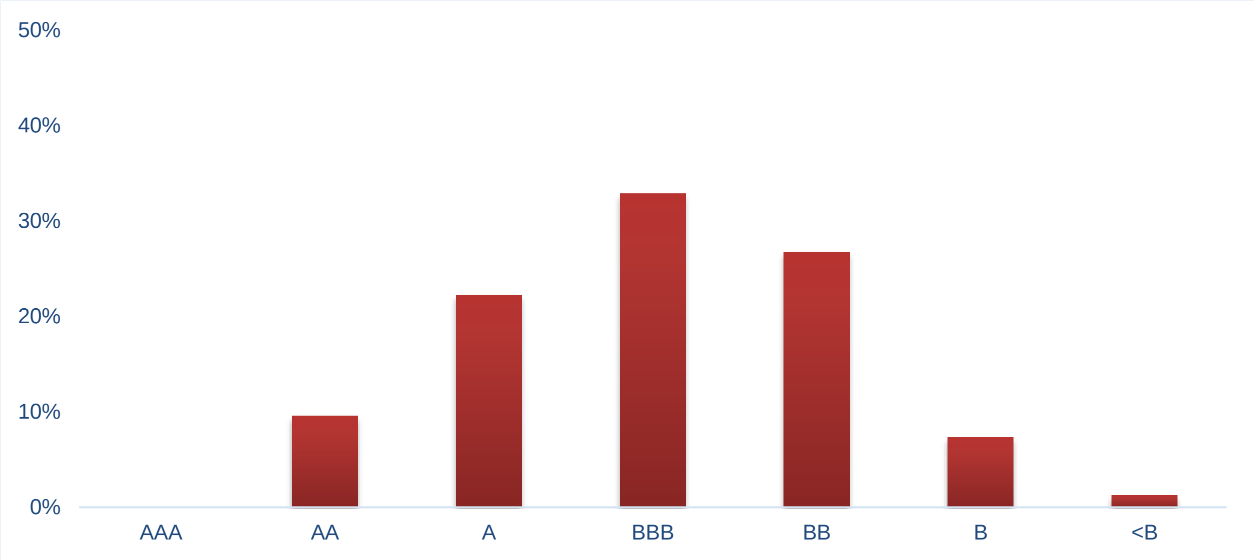
As at 31 December 2020, the Corporate portfolio amounted to EUR 339 billion (on- and off-balance sheet exposures measured in EAD). Three sectors accounted for more than 10% of the portfolio each (Finance and Insurance, Business services, Real Estate). The Group's exposure to its ten largest Corporate counterparties accounted for 6% of this portfolio.

SECTOR BREAKDOWN OF GROUP CORPORATE EXPOSURE AS AT 31 DECEMBER 2019 (BASEL PORTFOLIO)



CORPORATE AND BANK CLIENTS EXPOSURES

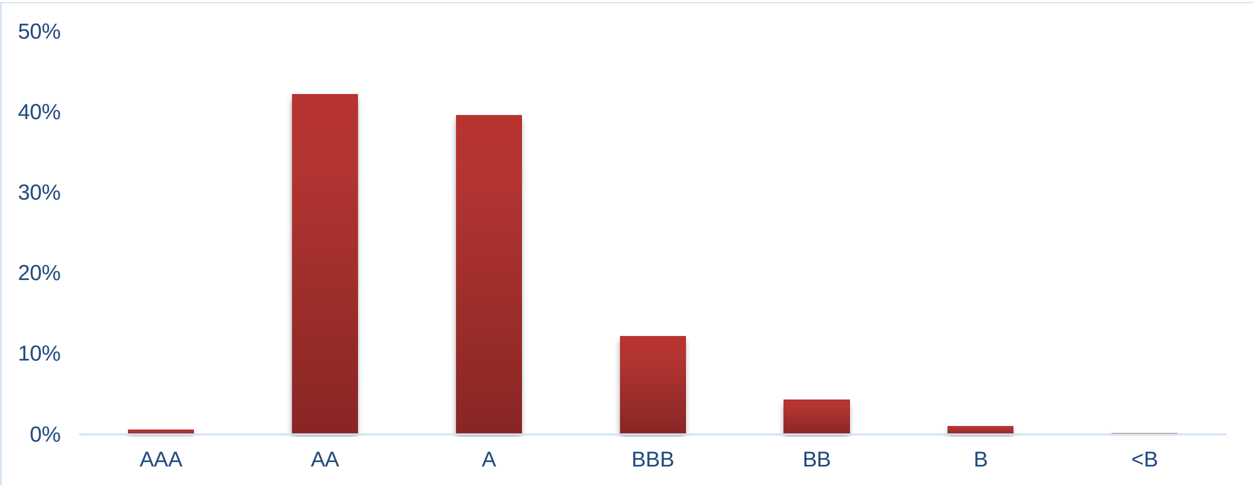
BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AS AT 31 DECEMBER 2020 (AS % OF EAD)



Regarding Corporate clients, the scope consists of performing loans recorded under the IRB approach (excluding prudential classification criteria, by weight, of specialised financing) over the entire Corporate clients portfolio, all divisions combined, and represents a EUR 264 billion EAD (out of a EUR 296 billion total EAD for the Corporate Basel portfolio, Standardised Approach 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 2020, the majority of the portfolio had an Investment Grade rating, i.e. counterparties with an S&P-equivalent internal rating higher than BBB- (65% of Corporate clients). Transactions with non-Investment Grade counterparties were very often backed by guarantees and collaterals in order to mitigate the risk incurred.

BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AS AT 31 DECEMBER 2020 (AS % OF EAD)

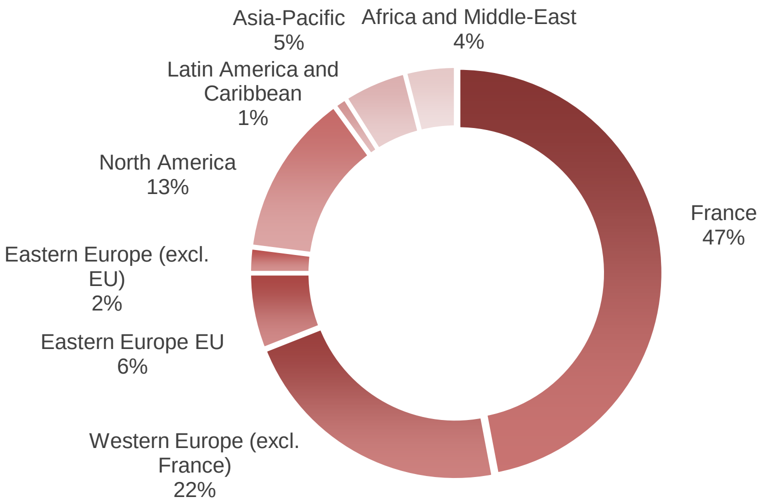


Regarding banking clients, the scope consists of performing loans recorded under the IRB approach over the entire banking clients portfolio, all divisions combined, and represents a EUR 62 billion EAD (out of a EUR 106 billion total EAD for the Bank Basel portfolio, Standardised Approach included). The 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 December 2020, exposure on banking clients was concentrated on Investment Grade counterparties (95% of the exposure) and in developed countries (90%).

GEOGRAPHICAL BREAKDOWN OF GROUP CREDIT RISK EXPOSURES AS AT 31 DECEMBER 2020 (ALL CLIENT TYPES INCLUDED)

On- and off-balance sheet exposures (EUR 1,004 billion in EAD)



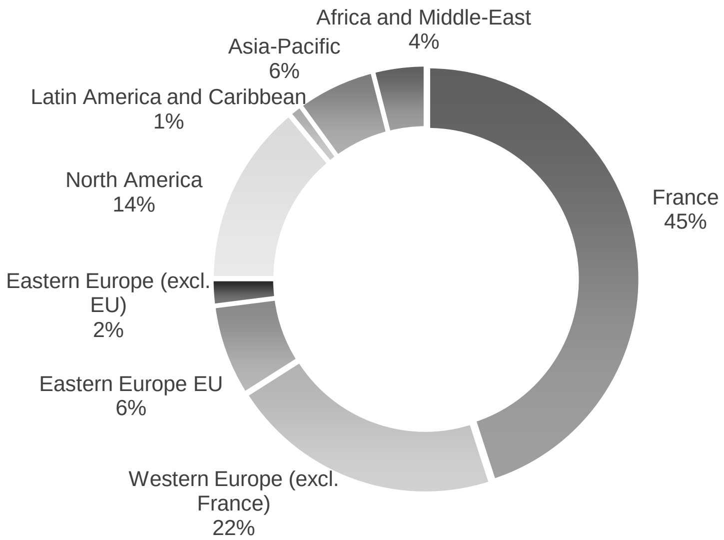
As at 31 December 2020, 90% of the Group's on- and off-balance sheet exposure was concentrated in the advanced economies [3].

Almost half of the overall amount of outstanding loans was towards French clients (32% exposure to the non-retail portfolio and 15% to the retail one).

[3] *As defined by the IMF in its World Economic Outlook document (October 2020).*

GEOGRAPHICAL BREAKDOWN OF GROUP CREDIT RISK EXPOSURES AS AT 31 DECEMBER 2019 (ALL CLIENT TYPES INCLUDED)

On- and off-balance sheet exposures (EUR 918 billion in EAD)



6. NEW DEFINITION OF DEFAULT

The objective of the European Banking Authority (EBA) published Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No. 575/2013, applicable from 1 January 2021, and Regulation (EU) 2018/1845 of the European Central Bank (ECB) in relation to the threshold for assessing the materiality of credit obligations past due, applicable from 31 December 2020 at the latest, is to harmonise the definition of default across the European Union, thus contributing to improving consistency in the way EU banks apply regulatory requirements to their capital positions.

In particular, they clarify all aspects relating to the application of the definition of default, including conditions for a return to non-defaulted status (introduction of a probation period), explicit criteria for classification of restructured loans as defaulted, and the introduction of materiality thresholds (an absolute one and a relative one) to identify past-due payments as defaulted.

The Group has been applying these new provisions to identify defaulted exposures from 6 July 2020 to the entities whose capital requirements are determined using the internal ratings-based approach.

The other entities, under the standardised approach, will implement these new provisions from 1 January 2021, date when the internal parameters used to calculate expected losses will be adjusted for the whole Group.

The preliminary assessments made by the Group show that the clarifications provided regarding the identification of defaulted loans remain consistent with the criteria used to assess whether Stage 3 exposures are doubtful according to IFRS 9 provisions on the recognition of expected credit losses (ECL). The Group considers that the changes brought about by the implementation of these new regulatory default provisions will have no material impact on its consolidated financial statements.

7. IMPAIRMENT

Impairment includes impairments of performing loans (Stages 1 and 2) and impairments of non-performing loans (Stage 3).

7.1 EXPOSURES CLASSIFIED IN STAGES

The classification methods are described in the accounting principles and in the specific Covid-19 paragraph of Note 3.8 to the consolidated financial statements featured in chapter 6 of the Universal Registration Document. These were adjusted in 2020 to take into account the context of health and economic crisis linked to Covid-19.

7.2 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 Approach).

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 methods for estimating credit losses were revised in 2020 to take into account the context of health and economic crisis linked to Covid-19. In particular, Note 1 to the consolidated financial statements in Chapter 6 describes the characteristics of the macroeconomic scenarios used and the specific Covid-19 paragraph of Note 3.8 to the consolidated financial statements specifies the model adjustments.

7.3 ANALYSIS OF GROSS OUTSTANDING AMOUNTS AND PROVISIONS FOR CREDIT RISK

The following tables detail the outstanding amounts (balance sheet and off-balance sheet) subject to impairment and provisions. The scope of these tables includes:

- securities (excluding securities received under repurchase agreements) and loans to customers and credit institutions and similar measured at amortised cost or at fair value through equity;
- deposits towards central banks;
- operating and finance lease;
- financing and guarantee commitments;
- guarantee deposits towards clearing houses.

Since 2020, outstanding amounts for which provisions can be booked have included:

- guarantee deposits towards clearing houses, booked in the Other assets line of the consolidated balance sheet. They amount to EUR 9 billion as at 31 December 2020;
- outstanding amounts relating to brokerage activities, formerly Newedge, outside France. These outstanding amounts amount to EUR 51 billion as at 31 December 2020.

Outstanding amounts for which provisions can be booked represent EUR 998 billion at 31 December 2020.

Outstanding amounts for which provisions can be booked and provisions by Basel portfolio

	31.12.2020							
	Oustanding amounts				Impairment and Provisions			
(In EUR m)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Sovereign	232,976	483	121	**233,580**	4	1	69	**74**
Institutions	113,467	969	69	**114,505**	10	71	17	**98**
Corporates	313,623	54,819	9,943	**378,385**	590	1,517	5,082	**7,189**
Retail	204,820	19,536	8,052	**232,408**	573	738	4,103	**5,414**
Others	36,964	2,297	121	**39,382**	65	55	4	**124**
Total	**901,850**	**78,104**	**18,306**	**998,260**	**1,242**	**2,382**	**9,275**	**12,899**

	31.12.2019							
	Oustanding amounts				Impairment and Provisions			
(In EUR m)	**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**

Geographical breakdown of outstanding amounts for which provisions can be booked and provisions

	31.12.2020							
	Oustanding amounts				Impairment and Provisions			
(In EUR m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	427,788	36,432	8,884	**473,104**	542	1,307	4,147	**5,996**
Western European countries (excl. France)	188,997	13,681	2,861	**205,539**	228	311	999	**1,538**
Eastern European countries EU	48,635	4,923	1,144	**54,702**	110	353	681	**1,144**
Eastern Europe excluding EU	20,046	3,163	425	**23,634**	110	40	355	**505**
North America	113,578	9,606	444	**123,628**	35	125	125	**285**
Latin America and Caribbean	8,518	1,902	262	**10,682**	10	23	80	**113**
Asia-Pacific	54,112	3,097	734	**57,943**	20	19	367	**406**
Africa and Middle East	40,176	5,300	3,552	**49,028**	187	204	2,521	**2,912**
Total	**901,850**	**78,104**	**18,306**	**998,260**	**1,242**	**2,382**	**9,275**	**12,899**

	31.12.2019							
	Oustanding amounts				Impairment and Provisions			
(In EUR m)	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 (excl.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**

Outstanding amounts for which provisions can be booked and provisions by rating of counterparty

	31.12.2020							
	Oustanding amounts				Impairment and Provisions			
(In EUR m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	75,967	-	-	**75,967**	-	-	-	**-**
2	175,096	2,172	-	**177,268**	1	1	-	**2**
3	81,909	5,634	-	**87,543**	9	8	-	**17**
4	120,509	10,280	-	**130,789**	61	36	-	**97**
5	91,511	16,012	-	**107,523**	200	275	-	**475**
6	20,084	15,877	-	**35,961**	143	667	-	**810**
7	1,692	4,327	-	**6,019**	30	267	-	**297**
Default (8, 9, 10)	-	-	9,655	**9,655**	-	-	4,694	**4,694**
Other method	335,082	23,802	8,651	**367,535**	798	1,128	4,581	**6,507**
Total	**901,850**	**78,104**	**18,306**	**998,260**	**1,242**	**2,382**	**9,275**	**12,899**

	31.12.2019							
	Oustanding amounts				Impairment and Provisions			
(In EUR m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	68,702	-	-	**68,702**	-	-	-	**-**
2	106,537	1	-	**106,538**	1	-	-	**1**
3	75,750	8	-	**75,758**	5	-	-	**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**

Credit risk exposures have increased by EUR 158 billion, rising from EUR 840 billion to EUR 998 billion, mainly due to the following:

- the increase in exposures to sovereigns (EUR +68 billion), notably linked to an increase in deposits towards the Central Bank in France;
- the increase in exposures to banks (EUR +66 billion), notably in Western Europe, Asia-Pacific and North America, due to the integration of outstanding amounts of the ex-Newedge brokerage activity (EUR +51 billion) and of the guarantee deposits towards clearing houses (EUR +9 billion);
- the increase in exposures to corporates (EUR +15 billion), in particular due to State-Guaranteed Loans (EUR +19 billion). A transfer from Stage 1 to Stage 2 of exposures to vulnerable sectors due to the impact of the health crisis is also worth noticing.

Impairments and provisions have increased by EUR 1.3 billion, rising from EUR 11.6 billion to EUR 12.9 billion. The description of the variation of impairments and provisions is presented in Note 3.8 to the consolidated financial statements of Chapter 6 of the Universal Registration Document.

Reconciliation between accounting outstanding amounts and outstanding amounts for which provisions can be booked

In EUR m		31.12.2020
Debt instruments at Fair Value through Other Comprehensive Income	Note 3.3	51,801
Securities at amortised cost	Note 3.5	15,635
Due from banks at amortised cost	Note 3.5	53,380
Due from central banks [1]		165,837
Customer loans at amortised cost	Note 3.5	448,761
Other assets [2]		51,533
Net value of accounting outstanding amounts (balance sheet)		**786,947**
Impairment of loans at amortised cost	Note 3.8	**11,861**
Gross value of accounting outstanding amounts (balance sheet)		**798,808**
Additional items included in the scope of outstanding amounts for which provisions can be booked		**237,438**
Financing and guarantee commitments (off-balance sheet)		*237,438*
Items excluded from the scope of outstanding amounts for which provisions can be booked [3]		**(37,986)**
Gross value of accounting outstanding amounts after retreatments		**998,260**
Gross value of outstanding amounts for which provisions can be booked		**998,260**

(1) Included in line "Cash, due from central banks".

(2) Of which mainly 51,896 million euros of guarantee deposits paid and 914 million euros of operating lease payment amounts (cf. Note 4.4).

(3) Exclusion of assets bearing a low or null level of credit risk, of which essentially securities borrowed under repurchase agreements and guarantee deposits paid in relation to losing positions on derivatives.

8. RESTRUCTURED DEBT

For the Societe Generale Group, "restructured" debt refers to loans with amounts, terms or financial conditions 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 one.
Restructured debt does not include commercial renegotiations involving customers for whom 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 amounts or accrued interests.
Any situation leading to debt restructuring entails classifying the considered customer in the Basel default category and classifying the loans themselves as impaired in the event of a loss of value greater than 1% of the original debt. The customers whose loans have been restructured are kept in the default category for as long as the Bank remains uncertain of their ability to meet their future commitments and for at least one year. In other cases, an analysis of the customer's situation makes it possible to estimate his ability to repay according to the new schedule. Otherwise, the customer is also transferred to Basel default.

Restructured debt totalled EUR 3.6 billion as at 31 December 2020.

NOTE 10.4 - MARKET RISK

DEFINITION

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.

1. ORGANISATION OF THE MARKET RISK MANAGEMENT

Although primary responsibility for managing risk exposure relies on 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 authorised 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 indicators used to monitor market risk;
- 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.

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.

2. MARKET RISK MONITORING PROCESS

The business development strategy of the Group for market activities is primarily focused on meeting client needs, 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:

- the Value at Risk (VaR) and Stressed Value at Risk (SVaR): these global indicators are used for market risk calculations for RWA and 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 historical 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 indicators such as concentration risk or holding period, maximum maturity, etc.

3. MARKET RISK MAIN MEASURES

STRESS TEST ASSESSMENT

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 estimates the losses linked to market risk, market/counterparty cross-risk, and dislocation and carry risk on exotic activities, 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 focuses solely on market risk, applying the same scenarios as the Global Stress Test and additional scenarios corresponding to different market conditions.

The various scenarios for those stress tests are reviewed by the Risk Division on a regular basis. These reviews are presented during dedicated biannual committees, chaired by the Market Risk Department and attended by economists and representatives of Societe Generale's trading activities. These committees 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.

These stress tests 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 is the main risk indicator used on this scope. It covers all the risks on market activities 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 components, 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 risks on exotic activities related to concentration effects and crowded trades;
- market/counterparty cross-risks arising 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 [4] 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. Following the last review of the scenarios at the end of 2020, it was decided to use for the calculation of the stress

4 Measurement of the impact on the Net Banking Income in case of shocks on all risk factors (refer to below description).

test three theoretical scenarios (generalised (i.e. financial crisis scenario), eurozone crisis, general decline in risk assets) and two historical scenarios focusing respectively on the period of early October 2008 and early March 2020;

- 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 situations 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.

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).

Two measurements are used:

- **the collateralised financing stress test:** this stress test focuses on collateralised 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 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.

THE MARKET STRESS TEST

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 11 scenarios [5] (4 historical and 7 hypothetical). The main principles are as follows:

- the scenario considered in the market stress test is the worst of the different scenarios defined;
- 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 analysed in order to define scenarios for potential variations in these main

5 *Including the ones used in the global stress tests on market activities.*

risk factors which, when applied to the Bank's trading positions, could generate significant losses. Accordingly, this approach makes it possible to determine the historical scenarios used for the calculation of the stress test. This set of scenarios is also the subject of regular reviews. In 2020, 2 new historical scenarios related to the Covid-19 crisis were integrated: a crisis scenario (marked by a decline in equity indices and an increase in credit spreads) as well as a rebound scenario (marked by an increase in equity indices and a decrease in credit spreads). Societe Generale is currently using 4 historical scenarios in the calculation of the stress test, which cover the periods from October to December 2008 and March 2020.

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 defined 7 hypothetical scenarios.

VALUE AT RISK 99% (VAR)

Methodology

The internal VaR model was introduced at the end of 1996 and has been approved by the French supervisor 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;

Market 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 being 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 Group level by the square root of 10. This methodology complies with regulatory requirements and has been reviewed and validated by the supervisor.

The VaR assessment is based on a model and a certain number of conventional assumptions, the main limits 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 limits 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 rate 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.

Backtesting

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 a 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, the 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[6] 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[7] includes only the change in book value related to changes in market parameters and excludes all other factors.

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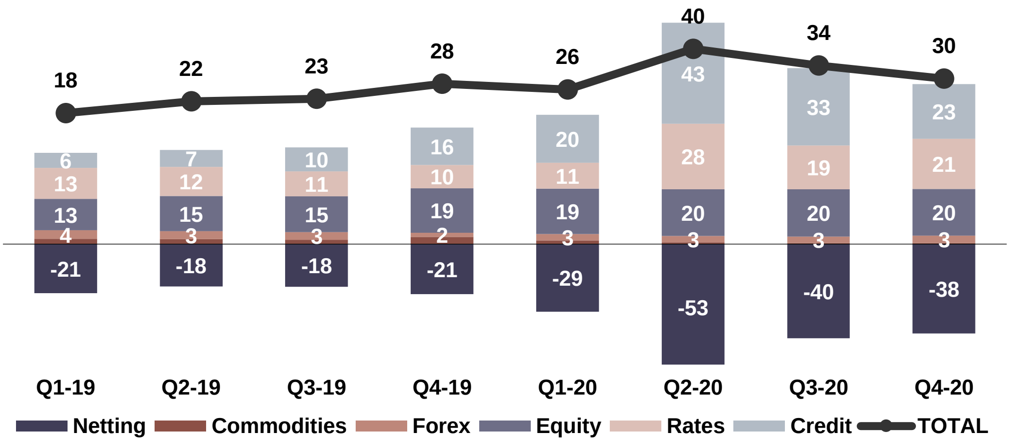
6 "Actual P&L" by agreement.

7 "Hypothetical P&L" by agreement.

BREAKDOWN BY RISK FACTOR OF TRADING VAR (1-DAY, 99%) – CHANGES IN QUARTERLY AVERAGE OVER THE 2019-2020 PERIOD (IN EURM)



The VaR was riskier in 2020 in average (EUR 33 million vs EUR 23 million in 2019) with contrasting trends:

- Over the first two months of the year, the VaR remained relatively stable at its 2019 year-end level;
- From the end of February and throughout the second quarter, the VaR increased sharply, with a high level of variability due to the financial crisis triggered by the Covid-19 epidemic. This increase is mainly attributable to the interest rate and credit scope, the equity scope - and notably the exotic products activities - being the main factor of volatility;
- The VaR then fell gradually to reach again pre-crisis values and dynamic at the end of the year.

STRESSED VAR (SVAR)

The internal Stressed VaR (SVaR) model was introduced at the end of 2011 and was approved by the Supervisor within the scope of the regulatory capital requirements on the same scope as the VaR.

The calculation method used for the 99% one-day SVaR is the same 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 supervisor[8], is based on a review of the historical 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 2020, 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.

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8 A complementary method was submitted to the supervisor 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.

The continuous backtesting performed on the 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 limits.

The relevance of the SVaR is regularly monitored and reviewed by the Risk Department in charge of the validation of internal models, as a 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 increased in average in 2020 (EUR 50 million vs EUR 38 million in 2019). Its evolution over the year was marked by three main stages:

- Over the first two months of the year, the SVaR remained at a low level, following on from 2019;
- In March, the SVaR increased significantly, with a high level of variability due to the financial crisis triggered by the Covid-19 epidemic. This increase was initially mainly attributable to the equity scope and mainly resulted from Fixed Income activities thereafter;
- The SVaR then fell gradually to reach again in July pre-crisis values and dynamic.

NOTE 10.5 - STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

DEFINITION

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 centre operations must therefore be matched in terms of interest rates and exchange rates as much as possible. At the 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 rates fluctuations.

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.

1.1 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.

1.2 THE ALM DEPARTMENT WITHIN THE GROUP FINANCE DIVISION

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) / 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.

1.3 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, this department:

- validates the methodological principles, feeding parameters and backtests of ALM models;
- requests and analyses proposals from Group Finance Division regarding the risk indicators definition, stress test scenarios and structural risk frameworks;
- ensures at the second level that the entities' frameworks, BUs'/SUs' frameworks and Group frameworks are respected and conducts a regular reviewing in coordination with the first-level control teams.

Finally, the Risk Department organises and chairs the Group model validation Committee and the Group ALM norms validation Committee.

1.4 The entities and BU/SU are responsible for ALM risk management

Each entity, each BU/SU, carries out first-level controls on structural risks and is responsible for regularly assessing risks incurred, producing the risk report and developing and implementing hedging options. Each entity, each BU/SU is required to comply with Group 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 central modelling teams of the Finance Department.

An ALM manager reporting to the Finance Department in each entity is responsible for monitoring these risks (first-level control). This manager is responsible for reporting ALM risks to the Group Finance Department. All entities have an ALM Committee responsible for 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.

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.

2.1 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 Committee set sensitivity limits (in terms of value and income) for the Group, the BUs/SUs and the entities respectively.

2.2 MEASUREMENT AND MONITORING OF STRUCTURAL INTEREST RATE RISK

Societe Generale 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 are applicable to the Group, the BUs/SUs and the various entities.

Assets and liabilities are analysed without a prior allocation of resources to uses. Maturities of outstanding amounts are determined by taking into account the contractual characteristics of the transactions, adjusted for the results of customer behaviour modelling (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 viewpoint: 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 hypotheses 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 to the consolidated financial statements.

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 outstanding and the amount of assets and liabilities outstanding 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 determined outstanding amount of items eligible to fair value hedge. The estimated outstanding 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 to fair value hedge on closing date, new production excluded, then the second stage is called the non-disappearance of the hedged item test and consists in 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 offset 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 as at 31 December 2020 is EUR 345 million (for an instantaneous and parallel increase in interest rates of 0.1%).

SENSITIVITY OF THE GROUP'S VALUE TO AN INTEREST RATE VARIATION OF +10 BPS

(In EUR m)	**Total**
Amount of sensitivity (31.12.2020)	345
Amount of sensitivity (31.12.2019)	(54)

3. STRUCTURAL EXCHANGE RATE RISK

Structural exchange rate risk, understood as resulting from all transactions that do not belong to the Trading Book, results from:

- exposures related to net investments abroad in foreign currencies, i.e. in subsidiaries and branches. FX positions generated by an imperfect hedge are valued through other comprehensive income;
- exposures related to activities made by entities in currencies that are not their reporting currency.

The Group's policy is to make the CET1 ratio insensitive to fluctuations in exchange rates against the euro. As such:

- Group entities are asked to individually hedge the results related to activities in currencies other than their reporting currency;
- The exposures related to net investments in foreign currencies and the associated net results are partially hedged at central level. A position in each foreign currency generating RWA is intentionally maintained open by the Finance department at the Group CET1 ratio targeted level. Hedges are realised using cash lending and borrowing, forward and swap instruments in the subsidiaries' currencies and accounted for as net investment hedges (see Note 3.2.2 Hedging derivatives in Chapter 6 of the Universal Registration Document).

For each currency, the difference between actual and target exposure is governed by limits validated by the Finance Committee and the Board of Directors.

NOTE 10.6 - LIQUIDITY RISK

DEFINITION

Liquidity risk is defined as the risk that the bank cannot meet its financial obligations. It is measured across different time horizons, under various assumptions (normal conditions and stressed scenarios). Funding risk is defined as the risk that the Group cannot maintain over time the appropriate amount of funding to support its assets and at a reasonable cost.

1. OBJECTIVES AND GUIDING PRINCIPLES

The liquidity and funding management set up at Societe Generale aims at ensuring that the Group can (i) fulfil its payment obligations at any moment in time, during normal course of business or under lasting financial stress conditions (management of liquidity risks) ; (ii) raise funding resources in a sustainable manner, at a competitive cost compared to peers (management of funding risks). Doing so, the liquidity and funding management set up ensures that both regulatory requirements and the risk appetite set by the Group are met.

To achieve these objectives, Societe Generale has adopted the following guiding principles:

- Mutualising resources, optimising costs and ensuring consistent risk management by centralising liquidity and funding management at the Corporate centre level, mainly in the name of the mother company (Societe Generale SA). For that purpose, Business Units have tight constraints in terms of the transformation position they can run, hence need to match their assets and liabilities by transacting with the Corporate centre, along a Funds Transfer Pricing mechanism. Assets or liabilities which do not have a set contractual maturity (e.g. sight deposits) have their maturity assessed along quantitative models or conventions proposed by the Finance Division and by the Business Units and validated by the Risk Division (see below);
- Planning for funding resources in consideration of both the business development objectives and the risk appetite set by the Board of Directors. See below the "Funding Plan" chapter in section 2;
- Ensuring that funding risks are mitigated through a proper diversification of funding resources in terms of currencies, investor pools, maturity buckets, liability format (e.g. benchmark bond issuance, with a split along various seniority levels, issuance in the form of structured notes, issuance in the form of unsecured and secured notes. In order to optimise funding costs, the majority of bond issuance is made in the name of the mother company. However, a degree of diversification is sought by leveraging the capacity of some subsidiaries to raise funds in a way which complements the mother company's funding, i.e. raising funds from local investors in local currencies;
- Ensuring that Societe Generale keeps liquid reserves in sufficient amount to comply with the survival horizon under stress set by the Board of Directors. Liquid reserves are in the form of cash held at central banks and highly liquid securities, split between the Banking Book (under the direct ownership of the Group Treasury Department) or the Trading Book (mainly within the Global Markets division, under a permanent control of the Group Treasury Department);
- Ensuring Societe Generale has readily available remediation options to face potential stress situations, through contingency plans aimed at detecting any stress signals at an early stage and defining in advance the crisis management setup.

2. THE GROUP'S PRINCIPLES AND APPROACH TO LIQUIDITY RISK MANAGEMENT

The key operational steps of liquidity and funding management are as follows:

- Risk identification is a process which is set out and documented by the Risk Division, in charge of establishing a mapping of liquidity risks. This process is conducted yearly with each Business Unit and within the Group Treasury Department, aimed at screening all material risks and checking their proper measurement and capturing the control framework. In addition, a Reverse Stress Testing process exists, which aims at identifying and quantifying the risk drivers which may weigh most on the liquidity profile under assumptions even more severe than used in the regular stress test metrics;

- Definition, implementation and periodic review of liquidity models and conventions used to assess the duration of assets and liabilities without a set contractual maturity and to assess the liquidity profile under stress. Liquidity models are managed along the overall Model Risk Management governance, also applicable to other risk factors (market, credit, operational), controlled by the Group Risk division;
- Yearly definition of the risk appetite for liquidity and funding risks, whereby the Board of Directors sets targets for key metrics, and related alert thresholds. Such risk appetite targets are then cascaded down per Business Units. The risk appetite is framed along the following metrics:
  - Key regulatory indicators (LCR, with a specific focus on the LCR in US dollar, and NSFR),
  - The footprint of the Group in Short-Term Wholesale funding markets,
  - The survival horizon under an adverse stress scenario, combining a severe market and systemic shock and an idiosyncratic shock. In addition to the main adverse scenario, Societe Generale also checks its survival horizon under an extreme stress scenario. For both scenarios, the idiosyncratic shock is characterised by one of its main consequences, which would be an immediate 3-notch downgrade of Societe Generale's long-term rating. In such adverse or extreme scenarios, the liquidity position of the Group is assessed over time, taking into account the negative impacts of the scenarios, such as deposit outflows, drawing by clients of the committed facilities provided by Societe Generale, increase in margin calls related to derivatives portfolios, etc. The survival horizon is the moment in time when the net liquidity position under such assumptions becomes negative,
  - The overall transformation position of the Group (proper matching of assets and liabilities, in tenors up to 5 years),
  - The amount of free collaterals providing an immediate access to central bank funding, in case of an emergency (only collaterals which do not contribute to the numerator of the LCR are considered, i.e. non-HQLA collaterals);
- Yearly budget process aimed at ensuring that the forward financial trajectory under baseline and stressed scenarios will fulfil the risk appetite targets set by the Board of Directors and at calibrating accordingly the funding plan. The budget's baseline scenario reflects the central assumptions for the macro-economic environment and the business strategy of the Group, while the stressed scenario is factoring both an adverse macro-economic environment and idiosyncratic issues;
- The funding plan comprises both the long-term funding programme, which frames the issuance of plain vanilla bonds and structured notes, and the plan to raise short-term funding resources in money markets;
- Maintenance by the Group Treasury Department of a Funds Transfer Pricing framework, aimed at making funding grids available at any time for Business Units to transact with the Corporate center to upstream their liquidity surplus or borrow cash so that they fund their activities within their transformation position limits;
- Production and broadcasting of periodic liquidity reports, at various frequencies (daily indicators, weekly indicators, monthly indicators), leveraging in most part on the central data repository, operated by a dedicated central production team. The net liquidity position under the combined (idiosyncratic and market/systemic) stress scenario is reassessed on a weekly basis and can be analysed along multiple axes (per product, Business Unit, currency, legal entity). Each key metric (LCR, NSFR, transformation positions, net liquidity position under combined stress) is reviewed formally on a monthly basis by the Group Finance and Risk divisions. Forecasts are made and revised weekly by the Strategic and Financial Steering Department and reviewed during a Weekly Liquidity Committee chaired by the Head of Group Treasury. This Weekly Liquidity Committee gives tactical instructions to Business Units, with the objective to adjust in permanence the liquidity and funding risk profile, within the financial targets and taking into account business requirements and market conditions;

- Preparation of a Contingency Funding Plan, which is updated yearly, and provides for: (i) a set of early warning indicators (e.g. market parameters or internal indicators); (ii) the operating model and governance to be adopted in case of an activation of a crisis management mode (and the interplay with other regimes, in particular Recovery management); (iii) the main remediation actions to be considered as part of the crisis management.

These various operational steps form overall the ILAAP (Internal Liquidity Adequacy Assessment Process) framework of Societe Generale.

In accordance with the ECB requirements, Societe Generale produces a yearly ILAAP package, which is endorsed by the Board of Directors (see below). This ILAAP package includes an adequacy self-assessment, in which key liquidity and funding risks are identified, quantified and analysed with both a backward and forward-looking perspective. The adequacy self-assessment also describes qualitatively the risk management setup (methods, processes, resources…).

3. GOVERNANCE

Based on the guiding principles and on the operational setup described above, the following bodies are involved in the control of liquidity and funding risks:

- the Board of Directors, which:
  - Sets yearly the level of liquidity risk tolerance as part of the Group's risk appetite, based on a set of key metrics, which includes both internal and regulatory metrics, in particular the period of time during which the Group can operate under stressed conditions ("survival horizon"),
  - Approves budget targets, including targets related to scarce resources such as liquidity usage and funding (definition of the funding plan),
  - Approves the yearly ILAAP package before sending to the ECB,
  - Reviews at least quarterly the Group's liquidity and funding situation: key liquidity metrics, including the pace of execution of the funding plan and the related cost of funds;
- General Management, which:
  - Allocates liquidity and funding targets to the various Business Units and the Group Treasury entity, upon proposal from the Group Finance division,
  - Defines and implements the liquidity and funding risk strategy, based on inputs from the Finance and Risk Divisions and the Business Units. In particular, the General Management chairs the Finance Committee, held every 6 weeks and attended by representatives from the Finance and Risk Divisions and Business Units, which is responsible for monitoring structural risks and managing scarce resources:
    - Validation and monitoring of the set of limits for structural risks, including liquidity risk,
    - Monitoring of budget targets and decisions in case of a deviation from the budget,
    - Definition of principles and methods related to liquidity risk management (e.g. definition of stress scenarios),
    - Assessment of any regulatory changes and their impacts;
- The Group Finance Division, which is responsible for the liquidity and funding risks as First Line of Defense, interacting closely with Business Units. Within the Group Finance Division, there are three main departments involved respectively in the preparation and implementation of decisions taken by the abovementioned bodies:
  - The Strategic and Financial Steering Department is responsible for framing and overseeing management of the Group's scarce resources, including liquidity, within the Group's risk appetite and budget targets,
  - The Group Treasury Department is in charge of all aspects of the operational management of liquidity and funding across the Group, including managing the liquidity position, executing the

funding plan, supervising and coordinating treasury functions, providing operational expertise in target setting, managing the liquidity reserves and the collateral used in funding transactions, managing the corporate centre,

  - The Asset and Liability Management Department is in charge of modelling and controlling structural risks, including liquidity risk alongside interest rate and foreign exchange risks in the Banking Book.

- Also sitting with the Group Finance Division, the Metrics Production Department runs the management information system regarding liquidity and funding risks across the Group. For liquidity metrics, the Group relies on a centralised system architecture, with all Business Units feeding a central data repository from which all metrics are produced, either regulatory metrics (e.g. the LCR or the NSFR) or metrics used for internal steering (e.g. stress test indicators);
- The ALM Risk Department, which leads the risk identification process, designs the structure and the calibration of the liquidity and funding risks control framework and monitors compliance with related thresholds and limits. It also validates liquidity models and conventions.