REGISTRATION DOCUMENT

2019

ANNUAL FINANCIAL REPORT 2018

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ABBREVIATIONS USED:

Millions of euros: EUR m / **Billions of euros:** EUR bn / **FTE:** Headcount in Full-Time Equivalents

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

REGISTRATION DOCUMENT

2019

ANNUAL FINANCIAL REPORT 2018

This Registration Document was filed with the Autorité des Marchés Financiers (AMF) on 11th March 2019, pursuant to Article 212-13 of the AMF General Regulation. It may be used to support a financial transaction if completed by a transaction note approved by the AMF.

This document was prepared by the issued and is the responsibility of its signatory.

1

KEY FIGURES AND PROFILE OF SOCIETE GENERALE

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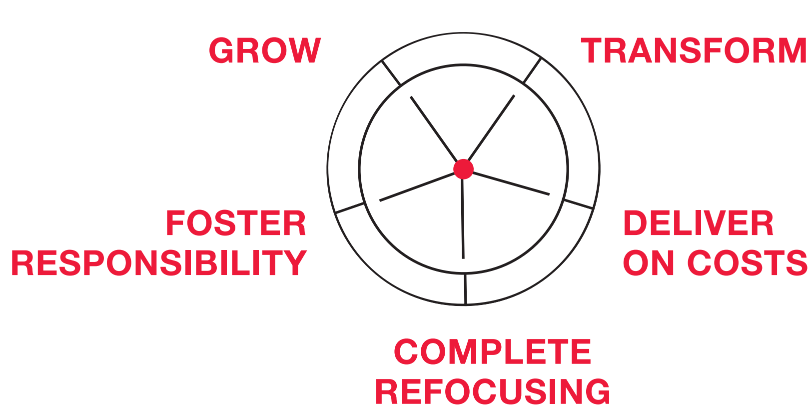
OUR AMBITIONS

2020 STRATEGIC PRIORITIES



OUR LONG-TERM COMMITMENT TO POSITIVE TRANSFORMATIONS

TRUSTED PARTNER

OPEN BANKING PLATFORM AND ARCHITECTURE

FULLY DIGITALISED BANK FOR A BETTER CUSTOMER EXPERIENCE

A WINNER IN THE RACE FOR LEADERSHIP IN EUROPE

GENERATE PROFITABLE AND SUSTAINABLE GROWTH, BASED ON A DIVERSIFIED AND INTEGRATED BANKING MODEL

OUR VALUES

TEAM SPIRIT
INNOVATION
RESPONSIBILITY
COMMITMENT

1.1 HISTORY

On 4th May 1864, Napoleon III signed Societe Generale's founding decree. Founded by a group of industrialists and financiers driven by the ideals of progress, the Bank's mission has always been "fostering business and industrial growth".

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

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

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

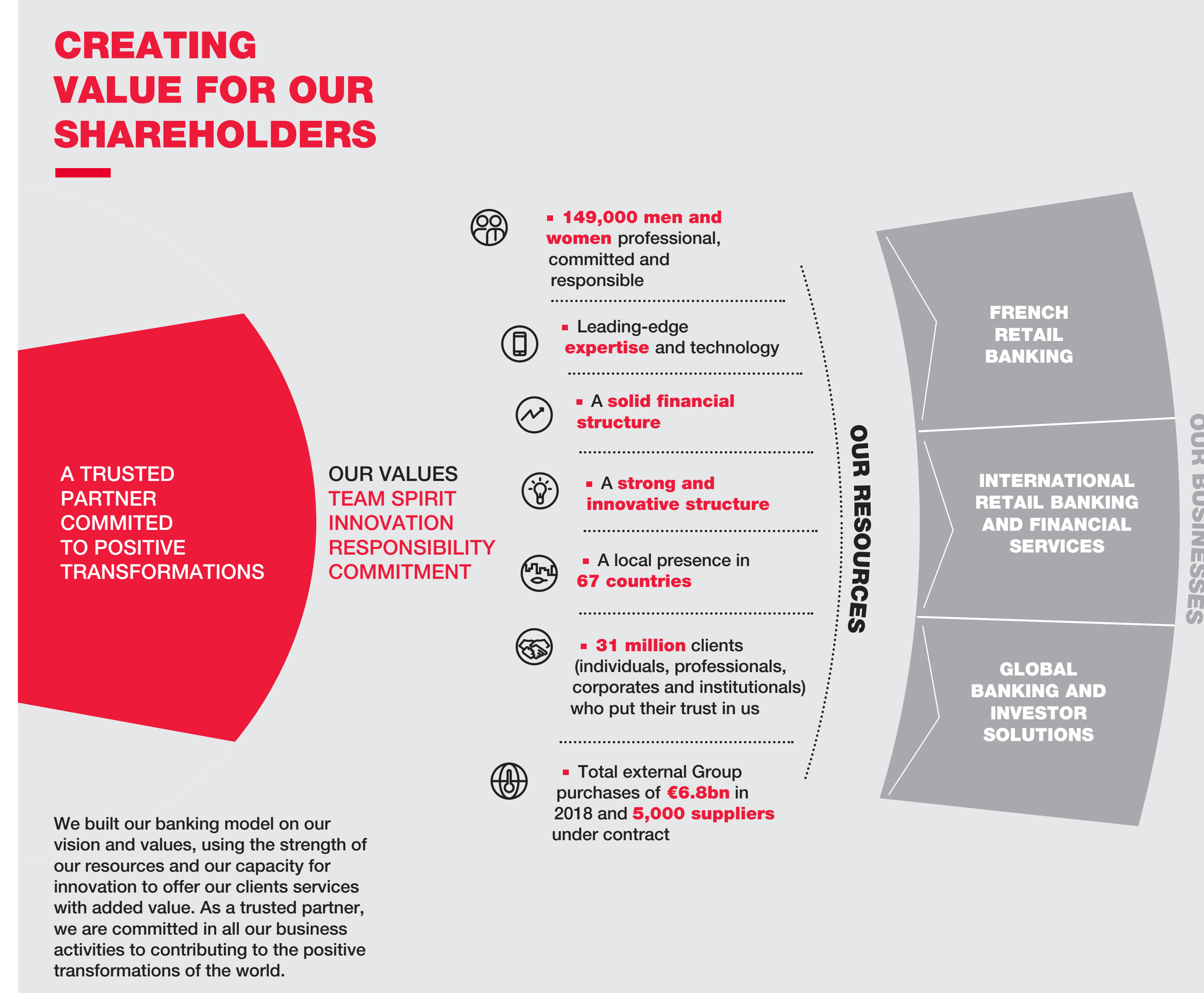
Societe Generale demonstrated its ability to adapt to a new environment by taking advantage of the banking reforms that followed the French Debré laws of 1966-1967. While continuing to support the businesses it partnered, the Group lost no time in focusing its business on individual clients. In this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

In June 1987, Societe Generale was privatised with a successful stock market launch and shares offered to Group staff. The Group developed a universal banking strategy, in particular through its Corporate and Investment Banking, to support the worldwide development of its customers. In France, it expanded its networks by founding Fimatex in 1995, which later became Boursorama, now a leading online bank, and by acquiring Crédit du Nord in 1997. Internationally, it established itself in Central and Eastern Europe through Komerční Banka in the Czech Republic and BRD in Romania, and in Russia with Rosbank, while consolidating its growth in Africa in Morocco, Côte d'Ivoire and Cameroon, among others. The Group has more than 149,000 members of staff[1] active in 67 countries. It continues its process of transformation by adopting a sustainable growth strategy driven by its core values of team spirit, innovation, responsibility and commitment. Firmly focused on the future by helping our clients bring their projects to life, Societe Generale has embraced with conviction the opportunities of the digital age to best anticipate the needs of its clients and members of staff, and embody the bank of the 21st century. Drawing on more than 150 years of expertise at the service of its clients and the development of the real economy, Societe Generale group aims to be a trusted partner, committed to the positive transformations of the world.

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

1.2 PROFILE OF SOCIETE GENERALE

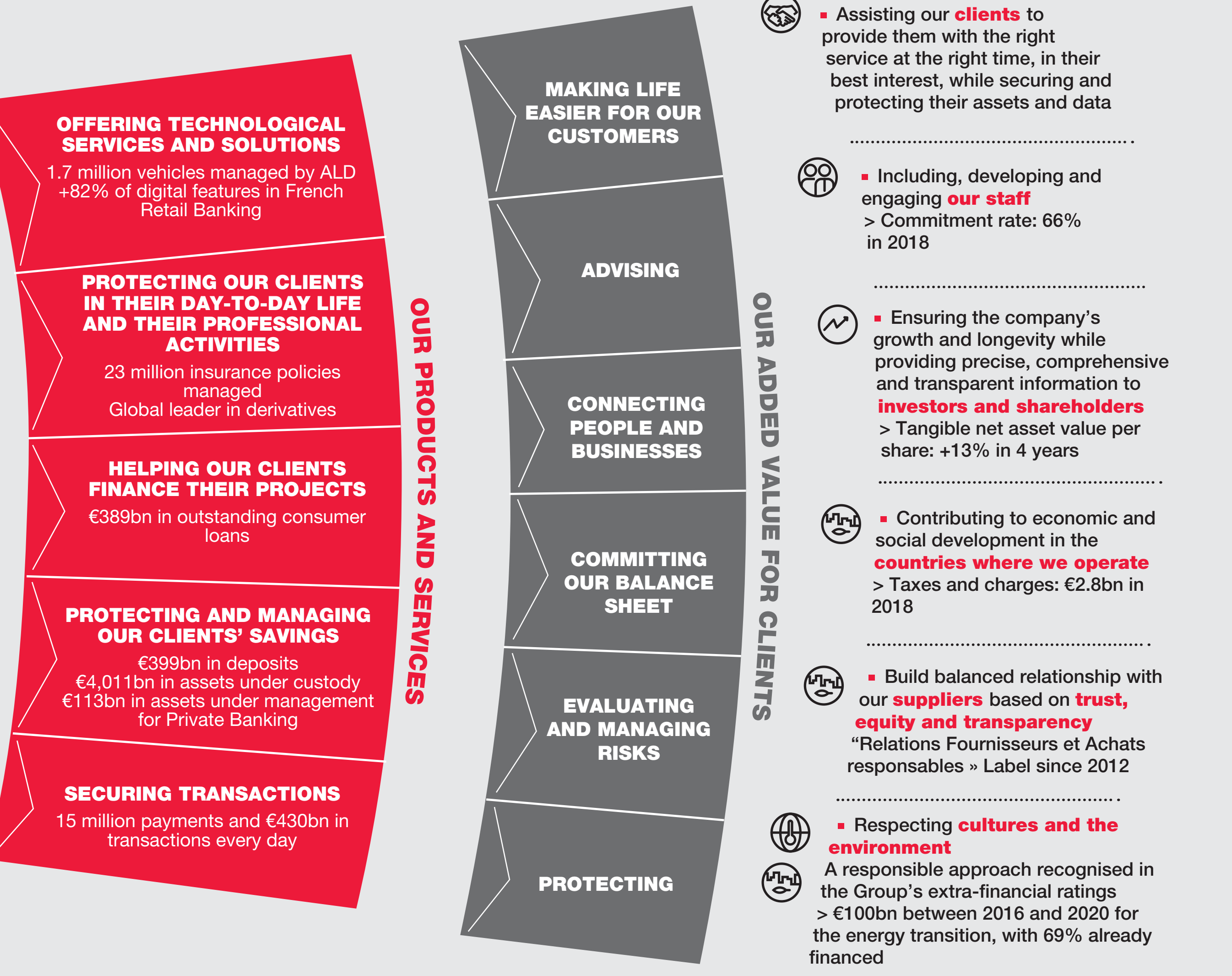
BUSINESS MODEL



Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of the world.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale employs over 149,000[1] members of staff in 67 countries and supports on a daily basis 31 million individual clients, businesses and institutional investors[2] around the world. The Group offers a wide range of advisory services and tailored financial solutions to secure transactions, protect and manage assets and savings, and help its clients finance their projects. Societe Generale seeks to protect them in both their day-to-day life and their professional activities, offering the innovative services and solutions they require. The Group's mission is to empower each and everyone who wants to have a positive impact on the future.

(1) Headcount at end of period excluding temporary staff.
(2) Excluding insurance policyholders



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

The Group is built on three complementary core businesses:

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

Additional information on the Group's organisation and key figures is provided below and on page 8.

The Group has an agile organisation based on 17 Business Units (business lines, regions) and 10 Service Units (support and control functions) to encourage innovation and synergies, and best meet the evolving requirements and behaviours of its clients. With the presentation of its strategic plan Transform to Grow in 2018, Societe Generale set itself five strategic and operational priorities for the next 3 years: grow; accelerate the transformation of its businesses, particularly in digital; maintain strict cost discipline; complete the refocusing of the Group; and foster a culture of responsibility at every level of the company. In a European banking sector undergoing radical industrial change, the Group enters a new phase of its development and transformation.

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

KEY FIGURES

Results *(in EUR m)*	**2018**	**2017**	**2016**	**2015**	**2014**
Net banking income	25,205	23,954	25,298	25,639	23,561
o.w. French Retail Banking	7,860	*8,131*	*8,403*	*8,550*	*8,275*
o.w. International Retail Banking and Financial Services	8,317	*8,070*	*7,572*	*7,329*	*7,456*
o.w. Global Banking and Investor Solutions	8,846	*8,887*	*9,309*	*9,442*	*8,726*
o.w. Corporate Centre	182	*(1,134)*	*14*	*318*	*(896)*
Gross operating income	7,274	6,116	8,481	8,746	7,545
Cost/income ratio (excluding the revaluation of own financial liabilities and DVA)	71.1%	74.3%	65.6%	67.7%	67.7%
Operating income	6,269	4,767	6,390	5,681	4,578
Group net income	3,864	2,806	3,874	4,001	2,692
Equity (in billions of euros)					
Group shareholders' equity	61.0	59.4	62.0	59.0	55.2
Total consolidated equity	65.8	64.0	66.0	62.7	58.8
ROE after tax	7.1%	4.9%	7.3%	7.9%	5.3%
Total Capital Ratio[(1)]	**16.5%**	**17.0%**	**17.9%**	**16.3%**	**14.3%**
Loans and deposits (in billions of euros)					
Customer loans	389	374	373	358	330
Customer deposits	399	394	397	360	328

(1) Figures based on CRR/CRD4 rules

Note : figures as publised for the respective financial years. Definitions and potential adjustments presented in methodological notes on pages 40 to 45.

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

TRANSFORM TO GROW

5 STRATEGIC PRIORITIES

GENERATE PROFITABLE AND RESPONSIBLE GROWTH

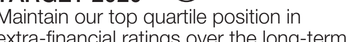
GROW

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

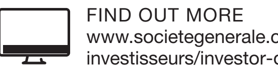
This growth, which will be achieved while maintaining strict discipline in risk management, will be generated by a series of ambitious commercial development initiatives, while adapting our system to the changing needs of our customers.

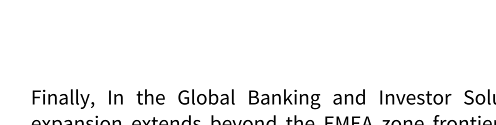
FOSTER A CULTURE OF RESPONSIBILITY

Bring the whole Group in line with the highest control and compliance standards in the banking sector, fully roll out the Culture & Conduct programme – sponsored by the Chief Executive Officer under the supervision of the Board of Directors – across all levels of the Bank and integrate our Corporate Social Responsibility commitments into our business development goals.



TARGET 2020
Maintain our top quartile position in extra-financial ratings over the long-term.





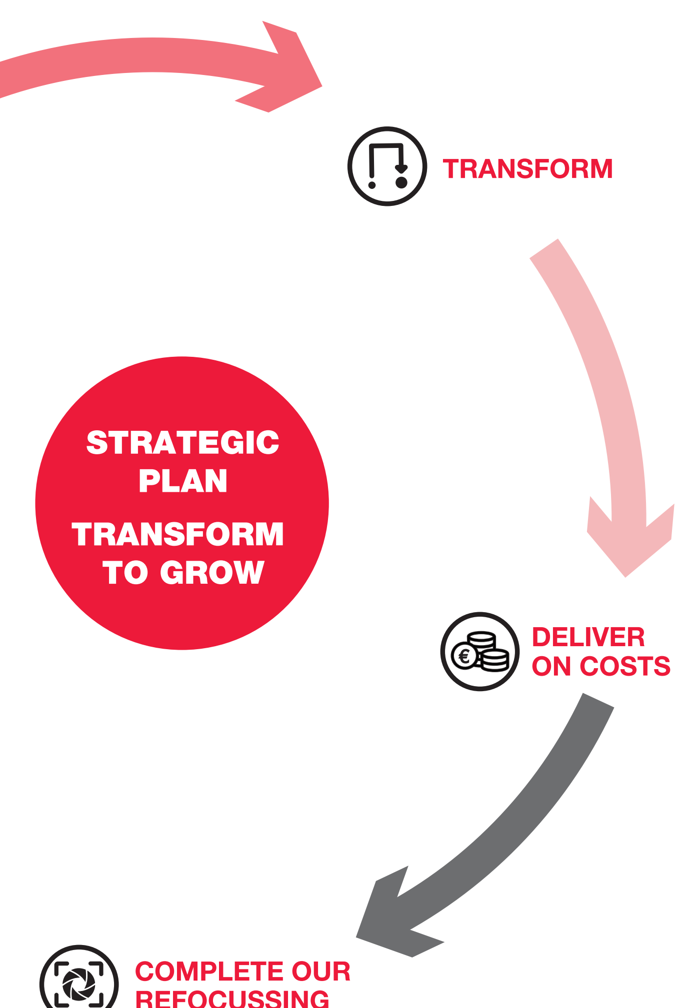
The Societe Generale Group has built a solid diversified banking model suited to the needs of its 31 million corporate, institutional and individual customers and structured around three complementary pillars enabling the Group to diversify risk and benefit from strong market positions:

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

In the Retail banking businesses, the Group is focusing its development in Europe, Russia and Africa where it has an historic presence, close understanding of markets and first-tier positions. As for Financial Services, Societe Generale can rely on its franchises which have leadership positions on the global level, notably in the long-term leasing businesses, car fleet management and equipment financing.

Finally, In the Global Banking and Investor Solutions businesses, expansion extends beyond the EMEA zone frontiers (Europe, Middle East, Africa) by capitalising in the United States and Asia on its product expertise and international network.

The Group aims to rely firstly on its capacity to develop leading-edge products in terms of innovation and digitalisation and to place the customer experience at the heart of its relations and make it a competitive advantage. Focused on Europe while being connected to the rest of the world, Societe Generale capitalises on its leadership positions carried by synergies dynamic between the businesses to create value for stakeholders. Furthermore, the Group's model is strongly geared towards business-to-business activities, which represent two-thirds of its income, whereas business-to-consumer activities, which represent one-third of its income, are firmly focused on professional, high net worth and mass affluent customers.



TRANSFORM

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

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

TARGET 2020

Automate 80% of the 25 principal French Retail Banking processes.

DELIVER ON COSTS

Pursue rigorous, disciplined cost management, primarily by automating processes and implementing a new €1.1 billion efficiency programme by 2020, while continuing to make the necessary investments to grow our businesses.

The Group is also implementing an additional €500m cost reduction programme for Global Banking and Investor Solutions.

TARGET 2020

Group ROTE between 9% and 10%.

COMPLETE OUR REFOCUSSING

Optimise the allocation of our capital by selling or closing business lines that have not reached critical mass and/or do not generate synergies. The programme is already underway, with announced disposals representing an effect of +37 basis points on the CET1 ratio.
The target is raised from 50 - 60 basis points to 80 - 90 basis points

TARGET 2020

Effect of +80 to 90 basis points on the CET1 ratio.

In 2018, Societe Generale made sound headway in the implementation of the *Transform to Grow* strategic plan. The Group is capitalising on its digitalised, solid, diversified model that is refocused and firmly focused on its clients to make a positive contribution to the worldwide transformations of our economies, notably the technological revolution, and economic, social and environmental transitions. *Transform to Grow* sets five strategic and operational priorities, which help generate profitable and responsible growth.

The Group's top priority is to sustain its growth and commercial development by focusing on customer satisfaction, quality of service, added value and innovation. The Group is accelerating its transformation, notably in the digital sphere, for all its businesses so as to improve the customer experience, operational efficiency and security. The Group was thus awarded first prize in the eCAC40 2018 Trophies (up one place on 2017), recognising the Group's deep transformation and ranking Societe Generale first among the most digitalised French banks and financial institutions.

Moreover, innovation is a key item in the Group's strategy, notably with the announcement of the creation of SG Ventures, aimed at structuring our investment approach in start-ups and innovation projects.

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

Factoring in a geopolitical context characterised by major uncertainties, an ongoing low rates climate in the euro zone, the relative performance of its businesses and clearer visibility on regulatory constraints, on 7th February 2019 the Group announced adaptation of its *Transform to grow* plan. This shift is aimed at a more selective allocation of capital, focusing on growing, high-margin businesses, combined with supplementary cost-cutting in Global Banking and Investor Solutions in particular. These measures will underpin the CET1 target of 12% in 2020.

The Group will seek to press on with rigorous and disciplined management of risk (maintained credit portfolio quality, ongoing efforts on operational risk, compliance and the risks culture, balance sheet strengthening) and capital allocation. In this respect, it intends to accelerate the refocusing of the portfolio of geographies and businesses.

Having dealt with its main litigation cases, the Group intends to continue to create a group-wide culture of responsibility, and will continue to underpin its internal control setup, especially in the Compliance function, so as to meet the highest standards in the banking industry. Moreover, Societe Generale will press on with the deployment of the Culture and Conduct programme, with a view to instilling rules of conduct and strong common values.

Finally, Corporate Social Responsibility (CSR) is part of the Group's DNA, with mobilisation of EUR 100bn out to 2020 to finance the energy transition (69% already achieved at the end of 2018). Moreover, in 2018 Societe Generale acquired Lumo, a pioneer platform in the participative funding of renewable energy projects.

French Retail Banking is one of the three pillars of the Group's diversified banking strategy

The Group is the third largest retail bank in France.

This activity has undertaken major transformations in its model based on the rapid development of customer behaviour and expectations, which are increasingly focused on personal attention with greater expertise and customisation.

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

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

Through the French Retail Banking division, the Group's ambition is to set the standard in terms of customer satisfaction. In so doing, the Group plans to increase customer loyalty, continue to win new individual and professional customers, and strengthen its positioning as a leading player among corporate, professional and high net worth customers.

Boursorama continued its very dynamic customer acquisition this year, reaching 1.7 million customers at the end of 2018.

The pillar aims to further accelerate the operational and relational transformation of its Societe Generale banners (continued streamlining of the branch network, creation of centres focused on professionals and business centres for companies, reduced number of back offices and specialisation of platforms, digitalisation of processes and customer experience) and Crédit du Nord, and dematerialisation of the offer with close to 50,000 electronic signatures per month.

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

- taking advantage of Private Banking expertise to meet the expectations of high net worth customers in the French networks;
- capturing the full potential of the integrated bank insurance model by anticipating changes in the life insurance market and taking advantage of the strong customer take-up potential regarding personal protection and non-life insurance;
- developing our activities among corporate and professional customers by providing strategic advice and comprehensive solutions;
- accelerating the growth of Boursorama, whose ambition is to exceed 2 million customers by end-2019.

International Retail Banking and Financial Services is the second pillar of the Group's diversified banking strategy

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

International Retail Banking activities are mainly located in regions outside the euro zone, which benefit (compared with the euro zone) from stronger growth potential and a much more favourable interest rate environment. The Group aims to continue to develop its international banking activities in western Europe, Russia and Africa, all areas in which the Group has established positions as a leader with renowned expertise:

- in central Europe, the Group's strategy is to focus its presence in markets where it enjoys leading positions with critical mass. In particular, the Group aims to become the first omnichannel bank in the Czech Republic, while recording high profitability. In Romania, the Group intends to consolidate its Top 3 franchise. The strategy in this region also involved a more streamlined system, with the divestments of subsidiaries in Bulgaria, Albania, Serbia, Poland, Moldavia, Macedonia and Montenegro.
- in Russia, the Group has continued to implement the transformation plan for Rosbank's retail banking activities and the development of corporate activities, confirming the return to profitability since 2017. The Group intends to become the leading non-domestic capital bank in the country with profitable growth focused on clients and based on digital transformation which materialised in 2018 in innovative fields such as the use of biometrics and the launch of 100% dematerialised offers;

- in Africa, the Group intends to take advantage of the continent's strong potential for economic growth and bank account penetration by building on its position as one of the three international banks most present in Africa (leading bank in Côte d'Ivoire, Guinea and Cameroon, second-largest bank in Senegal).

  As part of the launch of the programme *Grow With Africa* devised in partnership with many international and local players, Societe Generale has announced several sustainable growth initiatives in the service of positive transformations on the continent. The Group will thus place the focus on the multi-dimensional accompaniment of African SMEs, the funding of infrastructures and development of innovative financing solutions. The partnership announced on 18th January 2019 with ABSA is thus aimed at rolling out a unique pan-African bank service for large clients. A major player in local economies, the Group will press on with the development of populations by financial inclusion, notably by continued roll-out of its YUP quasi-bank initiative.

Financial Services and Insurance enjoy competitive positions with good profitability. ALD and Insurance also have dynamic growth potential. Moreover, all these businesses have committed to innovation programmes and operational model transformation.

- In Insurance, the Group will strive to accelerate (i) the roll-out of its bank insurance model across all retail banking markets and all segments (life insurance, personal protection and non-life insurance), and (ii) the implementation of its digital strategy, in particular to enhance the product range and customer experience, while diversifying its business models through a strategy of innovation and partnerships.
- In the long-term leasing and car fleet management businesses, the Group intends to underpin its leadership position (number one in Europe and number two in the world – ex captives and financial leasing companies), by developing new businesses and services in a mobility sector undergoing full mutation. In this perspective, after the floatation of ALD on Euronext Paris in 2017, ALD has continued to grasp growth opportunities in B2B (enterprise clients) and B2C (private clients) markets. In 2018, the development of the long-term leasing business to individuals thus accelerated, with over 100,000 vehicles at the end of 2018. Moreover, in 2018, ALD acquired Reflex Alquiler Flexible of Vehículos, a Spanish player specialised in flexible leasing.
- Lastly, in Vendor and Equipment Finance, the Group plans to build on its position as a leader in Europe and one of the first players worldwide in order to increase its revenues and improve profitability. The Group aims to become the global benchmark for vendors and customers by relying on an exemplary client-centric approach, innovation, product expertise and dedicated teams.

Societe Generale will also continue to encourage synergies between the pillar's businesses and with the rest of the Group: with Private Banking, with the regional Corporate and Investment Banking platforms, by developing its commercial banking services (trade finance, cash management, payment services and factoring).

Global Banking and Investor Solutions is the third pillar of the Group's diversified banking strategy

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

In the Financing and Advisory businesses, Societe Generale has a solid customer base worldwide, along with in-depth expertise in structured financing and asset financing, and strong positions in investment banking and corporate finance in Europe.

In Global Markets, the Group is a world leader in derivative products, with a leading position in equity derivatives, listed derivatives, structured products, and solid positions in flow solutions. The acquisition of Commerzbank's Equity Markets and Commodities businesses in 2018 consolidates the Group's leadership in equity derivatives and investment solutions.

To factor in economic and structural developments, the Global Banking and Investor Solutions business is adjusting its setup in Market Activities, which will be more focused on the leader and profitable franchises, in which it has a competitive edge.

Lastly, in terms of Asset and Wealth Management, the Group will rely on an open architecture and build on Lyxor's expertise and the development of passive management.

The Group is fully engaged to deliver its strategic plan

In line with its strategy of remaining closely focused on its customers' requirements, while ensuring compliance with the new, more demanding regulatory environment, the Group will continue to prioritise the optimised consumption of scarce resources (capital and liquidity), together with cost control and strict risk management.

Drawing on the quality of its assets, its balanced, diversified and customer-oriented model, and the transformation efforts undertaken over the past several years, the Group is fully engaged in the achievement of its strategic plan and is focusing on the achievement of its strategic plan and the following financial targets out to 2020:

- French Retail Banking RONE revised to 11.5% - 12.5%;
- Retail Banking and International Financial Services RONE raised to 17% - 18%;
- Global Banking and Investor Solutions RONE in a 11.5%-12.5% range;
- Group ROTE between 9% and 10%;
- CET1 ratio at 12%;
- Payout rate of 50% with a dividend per share of at least EUR 2.20.

1.3.1 RECENT DEVELOPMENTS AND OUTLOOK

The expansion underway since mid-2016 continues but has lost pace. Stimulated by budgetary expansion, the American economy has resisted Fed tightening and political uncertainty, but business in the euro zone and China has slowed more markedly. World growth is likely to amount to 3.7% in 2018, before slowing to 3.5% and 3.4% in 2019 and 2020 respectively according to SG Research.

The risks to global growth have ramped up owing to the high level of political uncertainty. The markets will continue to dwell on the negotiations between the US and China. The risk of new obstacles stemming from world trade tensions, no Brexit deal and euro zone policy, notably the European Parliament elections at the end of May, remains high. And this applies against the backdrop of high debt levels and unstable financial markets.

Conditions are becoming more difficult on world corporate bond markets, and equity markets volatility is increasing, in the US especially. 2019 is likely to be gradually impacted by the issue of how the authorities will cope with the next economic slowdown, against a backdrop of historically low interest rates, swollen central bank balance sheets and lofty public debt.

The American economy is underpinned by a substantial budgetary stimulus plan. Job growth is a key element. GDP is likely to slow sharply in 2020 with the waning impact of the stimulus plan in the second half of 2019 and monetary tightening.

Growth is slowing in the euro zone. The slowdown stems in part from the manufacturing sector against a backdrop of weaker global trade. Other uncertainties are the debt situation in Italy and the EU and the impact of protests in France on production and trade. Brexit uncertainty is also hindering investment decisions. That said, domestic demand is likely to remain relatively sound in Europe with an improving job market and rising purchasing power. Moreover, budgetary policy will have an expansionary tendency in France, Italy and Germany. Hence, overall, the domestic growth drivers in the euro zone should at least in part offset the slowing momentum for world trade.

The Chinese authorities have eased their monetary policy to avoid a new slowdown and are currently abandoning their efforts to cut debt.

Business seems to be losing pace in the approach to 2019 on emerging markets, undercut by the decline in world demand and by the tightening of world financial conditions. Emerging Asia remains the strongest growth region. Central and eastern Europe are also showing resilience in the face of the loss of pace in the euro zone.

In Russia, the economy should resist the impact of sanctions in the short term and the underlying financial situation is still sound. In Brazil, the new administration will have to undertake pension reforms, essential to correct the fiscal base.

In terms of shift in central bank monetary policies:

- the Federal Reserve is determined to scale down its balance sheet and is likely to raise rates in 2019. However, the recent increase in volatility on financial markets and the global revaluation of risk premiums could prompt the Fed to pause its monetary tightening.
- the ECB has confirmed that it will have put an end to its net asset purchases as of January 2019. It is unlikely to raise interest rates before the end of the summer 2019. The situation is unclear given the euro zone slowdown that has set in since the end of 2018.

On the regulatory level, last year was impacted by the substantial political agreements in the European Parliament and the Council in December 2018, regarding revision to the CRR2/CRD5 measures. This group of texts, which defines the prudential rules applicable to credit institutions and some investment players, transposes into European law the international standards adopted by the Basel committee (BCBS), defines the capital adequacy level and liquidity ratios that these institutions must maintain to better cope with the risks they face. At the European level, progress has been made to deepen the European and Monetary Union (EMU) with a series of decisions adopted at the Eurogroup meeting in December: (i) reinforcement of the role of the European Stability Mechanism (ESM), (ii) creation of a fiscal instrument specifically focused on the euro zone, and finally (iii) installation of a 'backstop' or 'safety net' for the Single Resolution Fund (SRF).

For 2019, the regulatory timetable is likely to loom large in the European legislative process with regard to the set of texts on sustainable finance (taxonomy, disclosures and benchmarks), in continuation of the third target for the Paris agreements (reorientation of financial flows towards decarbonised businesses), plus the revision to prudential rules applicable to investment companies (Investment Firms Review – IFR).

2019 will also be characterised by geopolitical uncertainty, in prolongation of a number of events over the last two years. In particular, the final phase of Brexit is now underway, as the UK will officially exit the European Union on 30th March, whereas the withdrawal agreement has yet to be validated by the UK Parliament, which is far from guaranteed, especially as the European Court of Justice has recognised that a member state, having indicated it intends to leave the EU, can 'unilaterally revoke' this notification.

The European elections in May 2019 will also be very important as they will open a new legislature, plus renewal of the European Commission. Increased instability in the European decision-making mechanism could emerge if euro sceptics gain ground during these elections. Note also that the current Chairman of the European Central Bank (ECB) will reach the end of his mandate in October 2019. The appointment of his successor will be of clear significance for the EU.

Against this backdrop, and to generate responsible and profitable growth, the Group's main priorities in 2019 will be to:

- growth via implementation of the Group's key revenues initiatives;
- accelerate transformation of all businesses and functions, notably for the French retail relationship model, and adapt the Global Markets strategy;
- deliver on costs (notably an additional EUR 500m cost reduction in Global Banking and Investor Solutions) and maintain strict control of risks and selective capital allocation;
- continue its refocusing, via the disposal or closure of businesses lacking critical size or not offering sufficient synergies, with a target raised from 50-60bp to 80-90bp of impact on the CET 1 ratio by the end of 2020;
- foster responsibility via ongoing deployment of the Culture & Conduct programme and further integration of the CSR strategy.

1.4 THE GROUP'S CORE BUSINESSES

KEY FIGURES FOR THE CORE BUSINESSES

	French Retail Banking			International Retail Banking and Financial Services			Global Banking and Investors Solutions		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Numer of employees *(in thousands)*[(1)]	36.0	38.3	38.8	73.3	72.6	72.6	22.8	20.8	20.5
Number of branches	2,742	2,869	2,990	3,191	3,377	3,583	n/s	n/s	n/s
Net banking income *(in EUR m)*	7,860	8,131	8,403	8,317	8,070	7,572	8,846	8,887	9,309
Group net income *(in EUR m)*	1,237	1,010	1,486	2,065	1,975	1,631	1,197	1,566	1,803
Gross loan book outstandings[(2)] *(in EUR bn)*	191.4	196.9	190.4	135.7	138.7	129.3	164.8	136.0	152.2
Net loan book outstandings[(3)] *(in EUR bn)*	186.0	191.4	184.8	110.2	115.1	107.8	163.8	134.6	149.3
Segment assets[(4)] *(in EUR bn)*	222.1	226.3	218.0	320.2	306.2	277.6	660.8	625.9	757.1
Average allocated capital(regulatory)[(5)] *(in EUR m)*	11,201	11,081	10,620	11,390	11,165	10,717	15,424	14,442	15,181

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

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

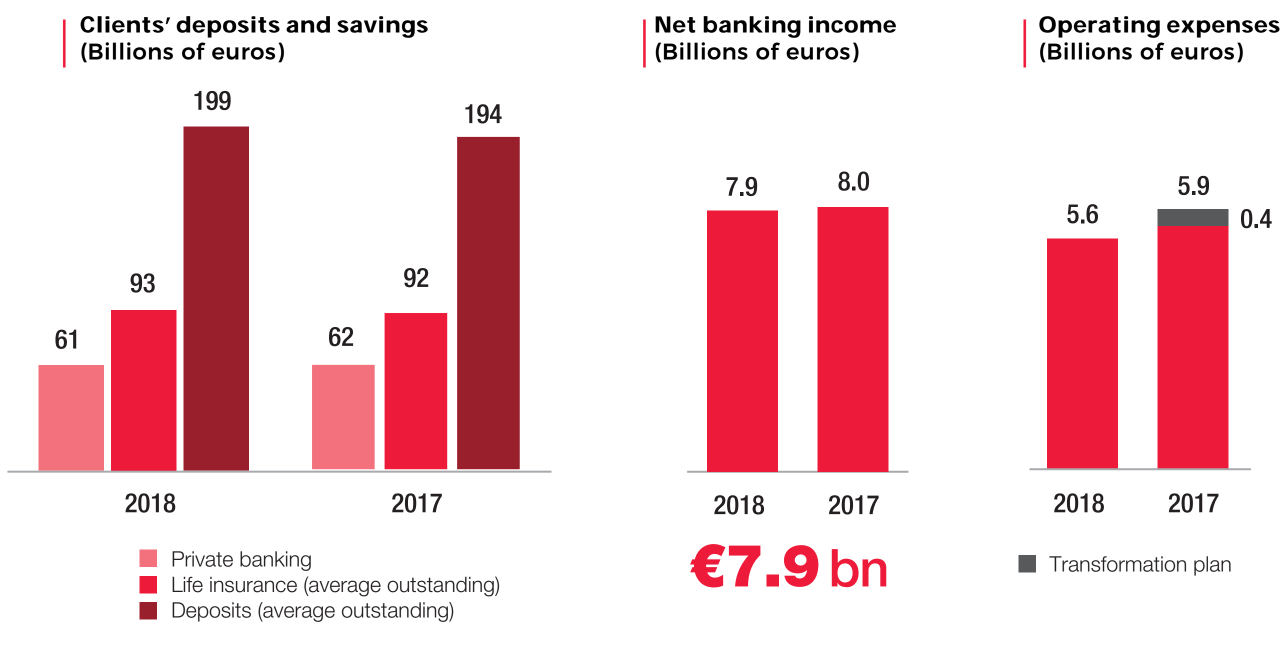
(3) Net book outstandings, excluding operating leases.

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

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

Datas as published in the respective financial year.

1.4.1 FRENCH RETAIL BANKING



36,000 members of staff

€186 bn in loan outstandings

€1.2 bn contribution to Group Net income (€1.1 bn in 2017)

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

Drawing on the expertise of its teams and an efficient multi-channel distribution system, including nearly 2,740 branches, the pooling of best practices, and the optimisation and digitalisation of processes, French Retail Banking combines the strengths of three complementary brands: Societe Generale, the renowned national bank; Crédit du Nord, a group of regional banks; and Boursorama Banque, a major online bank.

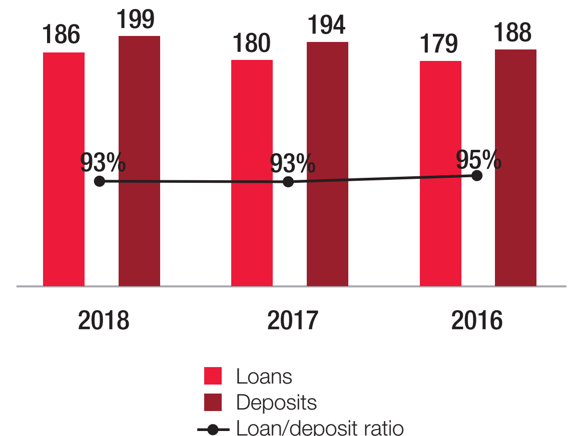
The Retail Banking networks are innovating to build the relationship-focused banking group of tomorrow. French Retail Banking excels in its:

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

French Retail Banking not only strives to improve customer satisfaction across all segments, but also to further develop value-added services and support businesses with their expansion in France and worldwide. It capitalises on synergies with the specialised business lines, particularly with Insurance, Private Banking, and Corporate and Investment Banking. For example, French Retail Banking distributes insurance products from Sogécap and Sogessur, subsidiaries operating within the International Retail Banking and Financial Services Division.

Life insurance outstandings amounted to EUR 93.2 billion at the end of 2018, compared with EUR 92.0 billion in 2017.

LOANS AND DEPOSITS (IN EUR BN)*



** Average quarterly outstandings.*

The networks continue to support the economy and help their customers finance their projects, with growth in average outstanding loans from EUR 180 billion in 2017 to EUR 186 billion in 2018. At the same time, and amid rife competition for savings inflows, dynamic deposit inflows led to a loan-to-deposit ratio of 93% in 2018 stable compared to 2017.

Societe Generale network

The Societe Generale network offers solutions tailored to the needs of its individual customers and nearly 450,000 professional customers, non-profit associations and business customers trusting it with their business, drawing on three major strengths:

- 1,906 branches located mainly in urban areas where a large portion of national wealth is concentrated;
- a full and diversified range of products and services, from savings vehicles to asset management solutions, including corporate finance and payment instruments;
- a comprehensive and innovative omnichannel system: Internet, mobile, telephone and service platforms.

TRANSFORMATION OF THE DISTRIBUTION PROGRAMME AND BACK OFFICE CENTRES

Societe Generale is continuing to implement its transformation plan in French Retail Banking by developing its distribution programme, specialising its back office centres, and automating and digitalising 80% of its front-to-back processes by 2020 in order to meet the fundamental changes in its customer requirements and to be the Bank that best reconciles human and digital expertise.

Customers are looking for more immediacy and service quality on a daily basis, along with access to strong expertise during important times of their lives. Within this framework, in 2018 Societe Generale continued to expand its range of digital services, in particular *via* its mobile application: additional alerts in case of significant events regarding their account, online management of debit card ceilings, stock exchange transactions, and more. The success of the website and mobile app is reflected in the growing number of connections which exceeded 1 billion in 2018. It is now possible to open an account and take out insurance and savings products remotely. In addition, customers can carry out the majority of their everyday transactions by calling the Customer relations centres which are open six days a week, until 10 p.m. on weekdays and 8 p.m. on Saturdays.

In 2018, the Bank equipped 170 additional branches with self-service areas, accessible seven days a week with extended opening hours (representing a total of 620 self-service areas at end-2018). The branch is becoming a place for more personalised interactions, where customers can benefit from expert advice, whether in person or remotely. In 2020, Societe Generale aims to rely on a network of nearly 1,700 branches (compared with 2,221 at end-2014, *i.e.* -23%) nationwide.

The back office centres will be concentrated on 14 sites by 2020 (*versus* 17 at end-2018) and will strengthen their specialisation. A major programme aimed at optimising and digitalising the processes is underway to meet new compliance requirements, promote a smoother customer pathway while ensuring customer satisfaction, and generate productivity gains.

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

Individual customer deposits amounted to EUR 91 billion in 2018, *versus* EUR 88 billion in 2017. Outstanding loans granted to individual customers came to EUR 78 billion in 2018, and are stable compared with 2017. Home loans accounted for 89% of this total.

With the launch of *Sobrio* at the start of 2018, Societe Generale has overhauled its everyday banking offering in order to simplify, streamline and secure customers' everyday banking experiences. This refined offering provides services with proven everyday utility which are immediately understandable and therefore more responsive to everyone's needs.

Societe Generale is developing a sales programme targeting high net worth customers through a partnership with Societe Generale Private Banking, which has 82 centres in France. This new programme must provide our high net worth customers with a high level of expertise, personal attention and responsiveness over time. This development involves the implementation of 750 new asset management advisers, a process which began in the final quarter of 2018 and should continue until the beginning of 2020. With annual growth of nearly 2% over the last five years, assets under management exceeded EUR 55 billion at the end of 2018.

Societe Generale has deployed its new sales programme for its 246,000 professional customers in order to better meet their specific requirements and their new expectations with a triple relationship-focused promise: more personal attention, expertise and simplicity.

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

Moreover, 103 areas dedicated to professionals were opened in 2018, the goal being to reach 150 by end-2019. These areas provide all the experts and services that professional customers need to manage the everyday challenges and development of their activity.

In addition, 620 self-service areas are available to customers enabling them to benefit from extended hours to deposit cheques or cash, withdraw currency, etc. There will be 950 such areas by end-2020.

In the corporate market, 2018 was marked by strong sales momentum. At end-2018, the Bank was serving more than 94,000 corporate customers (+2% compared with 2017).

As part of its commitment to support the economy, the Societe Generale network helps its customers finance their investment projects. Business customer deposits (professionals, corporates, non-profit associations and the public sector) in 2018 came to EUR 51 billion and loans at EUR 59 billion, compared with EUR 51 billion and EUR 58 billion respectively in 2017.

In the interest of developing ever closer relations with entrepreneurs, the sales programme of the Societe Generale network is specialised according to market, with the creation, by 2020, of around 30 Regional Business Centres, dedicated to business customers, public economic actors and social and institutional economic actors. Five Business Centres have already been opened in 2018.

Moreover, the Societe Generale network can rely on the Mid Cap Investment Banking (MCIB) platform. MCIB, the Corporate and Investment bank for French SMEs and mid-caps, works in partnership with Global Banking and Investor Solutions to support listed and unlisted mid-cap companies in their development (both internal and external) and transfers (disposals, capital restructuring). It offers them a broad range of integrated Corporate and Investment Banking services (advisory, bank or market financing, private equity). The MCIB team is made up of nearly 100 professionals based in Paris and in the six regional divisions of the Societe Generale network: Lille, Rennes, Strasbourg, Marseille, Lyon and Bordeaux. This platform complements the Private Banking offer specifically targeting entrepreneurs and rooted in personal attention and responsiveness.

Moreover, the "SG ENTREPRENEURS" programme combines strategic advice for business owners with complementary solutions through the expertise of Retail Banking, Corporate and Investment Banking, Private Banking and Real Estate Finance, grouped together in regional divisions. We are committed to being the preferred partner of business owners through a comprehensive package, Societe Generale Entrepreneurs, and to supporting them at key moments of their career path as entrepreneurs, both in terms of developing their business and from a private and wealth perspective.

In order to support the businesses of the new economy, Societe Generale launched a programme aimed at start-ups in 2017. This programme is structured around several aspects, including a partnership with Bpifrance in order to strengthen relations between our two networks, and the appointment of 150 advisers dedicated to start-ups nationwide. This programme was strengthened in 2018 with dedicated support from the Mid Cap Investment Banking (MCIB) platform with their expertise in raising capital.

Crédit du Nord Network

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

The different entities of the Crédit du Nord group enjoy a great deal of autonomy in the management of their activities, which is expressed in particular by rapid decision-making and responsiveness to the demands of their customers.

The strategy of the group's banks is structured around three key elements:

- being a leading player in terms of quality Customer relations;
- developing a high level of individual and collective professionalism;
- making the most advanced services and technologies available to their customers.

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

With a network of 836 branches, the Crédit du Nord group is on hand to serve more than 2 million individual customers, 218,000 professional customers and non-profit associations and 47,000 corporate and institutional customers.

On average in 2018, Crédit du Nord's outstanding deposits totalled EUR 43.6 billion (*vs.* 42.8 billion in 2017) and outstanding loans amounted to EUR 41.5 billion (*vs.* EUR 39.8 billion in 2017).

Boursorama

A wholly-owned subsidiary of Societe Generale, Boursorama, created in 1995, is a pioneer and leader in its three main activities in France: online banking, online brokerage and online financial information with *boursorama.com*, the leading portal for economic and stock market news.

With nearly 1,690,000 customers at end-2018, the acceleration of customer acquisition continues and allows Boursorama to advance by one year, its 2020 growth target of 2 million customers, which will be reached in 2019.

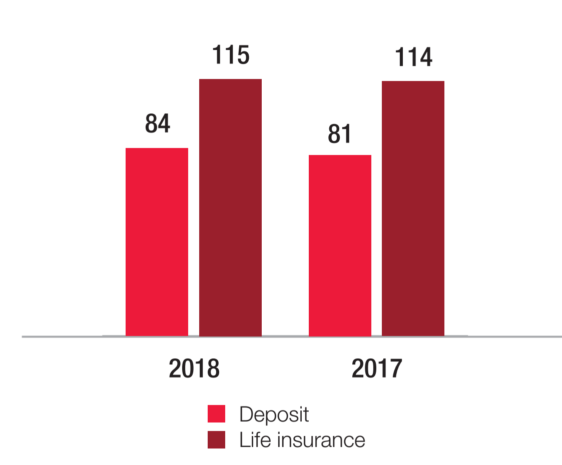
From the device of their choice, Boursorama customers can access a range of banking products and services that:

- is comprehensive (conventional banking products – debit card, savings accounts, mortgage loans, personal loans – and investment products such as UCITS and life insurance vehicles, including the full range of products for investing in the markets -equities, trackers, warrants, certificates, turbos, SRD – deferred settlement service –, CFDs, Forex);
- is innovative (customers can open an account online in just a few clicks, access Google Home, Wicount, exclusive money management tools available in their personal banking space, which also offers a free account consolidation and management service, including accounts held with other banks);
- offers low and transparent fees (Boursorama Banque was named "Least Expensive Bank in France" for the eleventh consecutive year (Le Monde ranking – Meilleurebanque.com – 10th January 2019);
- is available and safe (advisers available until 10 p.m., secure transactions, SMS alerts, etc.).

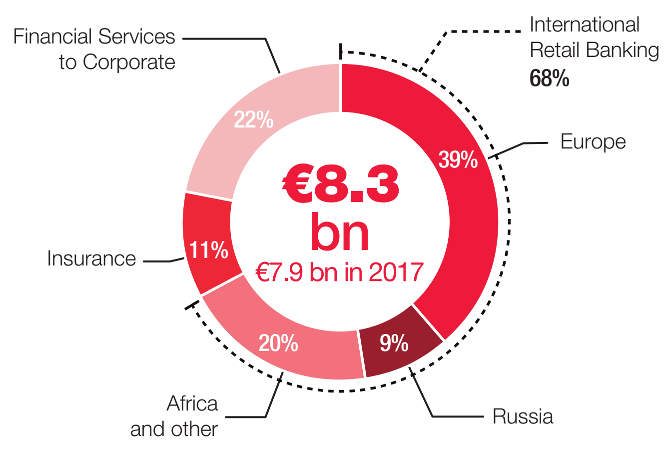
In 2018, Boursorama expanded its range of products and services by launching car insurance, car leasing, eco-responsible credit and mobile payment solutions (Apple Pay, Samsung Pay and Google Pay). The boursorama.com portal also offers a new design and new features to facilitate analyses and decision-making. Accordingly, individual investors and shareholders can place their orders more quickly and effectively. The application has also been overhauled to make it more user-friendly.

1.4.2 INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

OUR CUSTOMERS'S DEPOSITS AND SAVINGS (BILLIONS OF EUROS)



BREAKDOWN OF NET BANKING INCOME



73,000 members of staff

€110 bn in loan outstandings

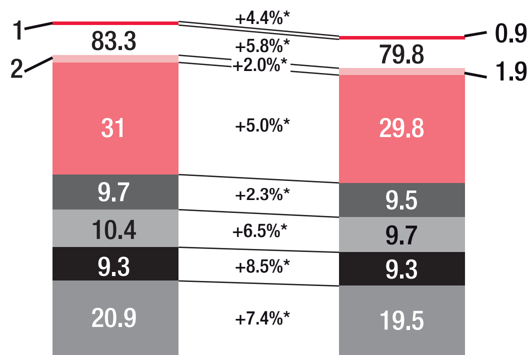
€2.1 bn contribution to Group Net income (€1.9 bn in 2017)

LOAN OUTSTANDING (IN EUR BN)

	Dec. 2018		Dec. 2017
o.w Equipment Finance*	17.9	+4.7%*	17.1
o.w Sub-total International Retail Banking	93.0	+6.4%*	88.6
Western Europe (Consumer finance)	20.1	+10.4%*	18.2
Czech Republic	24.6	+4.6%*	23.7
Romania	6.8	+4.0%*	6.5
Other Europe	11.2	+6.5%*	10.6
Russia	9.1	+6.2%*	9.4
Africa and other	21.2	+5.8%*	20.1

*Excluding Factoring

DEPOSIT OUTSTANDING (IN EUR BN)



Dec. 2018 Dec. 2017

- o.w Equipment Finance*
- o.w Sub-total International Retail Banking
- Western Europe (Consumer finance)
- Czech Republic
- Romania
- Other Europe
- Russia
- Africa and other

*Excluding Factoring

International Retail Banking and Financial Services (IBFS) combines:

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

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

With almost 73,000 employees[1] and commercial operations in 66 countries, IBFS is dedicated to offering a wide range of products and services to its clients (individuals, professionals and corporates).

Boasting a complementary range of expertise, IBFS enjoys solid and recognised positions in its different markets.

International Retail Banking

International Retail Banking combines the services of the international banking networks and consumer finance activities. These networks are forging ahead with their growth policy and currently hold leading positions in their various regions of operation, such as Europe, Russia, the Mediterranean Basin and Sub-Saharan Africa. They help finance the economies in their different regions of development. In this way, the Group will continue to support the development of its activities through these high-potential geographic regions.

EUROPE

The Group is established in **Western Europe** predominantly in consumer finance and car finance activities (in France, Germany and Italy). Outstanding loans grew by 10% in 2018 to EUR 20.1 billion, mainly due to the strong growth on car finance markets.

In **Czech Republic**, Komercni Banka (KB) is ranked third in terms of balance sheet size, with outstanding loans of EUR 24.6 billion, 364 branches and 8,022 employees (FTE) as of December 2018. KB, which was created in 1990 and became a subsidiary of Societe Generale in 2001, has developed its universal banking activities for individual customers and expanded its traditionally significant presence among corporate customers and municipalities. The KB group also offers a range of products intended for individual customers with ESSOX (consumer loans and car financing), Modra Pyramida (mortgage facilities), as well as a range developed in collaboration with Private Banking. In May 2018, it presented to analysts its strategic program “KB Change 2020”, aimed at adapting the Bank to the evolutions of the banking sector.

In **Romania**, BRD is the leading privately-owned banking network in the country, with 723 branches, and the No. 3 bank in terms of balance sheet size, with market share of approximately 13% in deposits and 12% in loans as of June 2018. The Societe Generale Group became BRD's main shareholder in 1999. The BRD group's activity is divided into three major business lines: Retail Banking (individual and professional customers, SMEs), Corporate and Investment Banking, and Consumer Finance with BRD Finance. The bank was awarded “Best Bank in Romania” by The Banker magazine. Outstanding loans and deposits totalled respectively EUR 6.8 billion and EUR 9.7 billion.

In 2018, Societe Generale announced the sales of its majority stake in 4 of its European subsidiaries (SG Express Bank in Bulgaria, SG Albania in Albany, Eurobank in Poland, SG Srbija in Serbia).

The Group is also established in Slovenia, Moldova[2], Montenegro[2] and Macedonia[2].

RUSSIA

The Group is developing its universal banking model and has established itself as the No. 2 banking group financed with foreign capital in Russia based on balance sheet size, with outstanding loans and deposits reaching respectively EUR 9.1 billion and EUR 9.3 billion at the end of 2018. Societe Generale operates in Russia through several banking entities covering the different individual and corporate customer markets: DeltaCredit is specialised in home loans, Rusfinance Bank in car & POS loans, and Rosbank is continuing to roll out a more “everyday banking”- oriented range of products and services.

Regarding its corporate customers, the Group continues to focus on financing and investment activities (in partnership with SG CIB), targeting Russian and multi-national large corporates in particular, while gradually expanding its target client base. At the same time, operational efficiency and risk reduction continue to be a primary focus.

Furthermore, the Group operates in Russia through other consolidated entities in the Insurance activity (Societe Generale Insurance) and in corporate financial services.

AFRICA, MEDITERRANEAN BASIN AND OVERSEAS FRANCE

Societe Generale reaffirmed its commitment for Africa within the strategic plan “Transform to Grow”, and its contribution the development of the banking and financial system through its operations in 19 countries. This commitment was greeted by Euromoney magazine which named Societe Generale “Best bank in Africa” at the 2018 Awards for excellence ceremony.

In the **Mediterranean Basin**, the Group is mainly present in Morocco (since 1913), Algeria (since 1999), and Tunisia (since 2002). Overall, this set-up covers 681 branches with more than 2 million customers. As at 31st December 2018, outstanding deposits came to EUR 9.9 billion and outstanding loans to EUR 11.0 billion.

In **Sub-Saharan Africa**, the Group intends to take advantage of the continent's strong potential for economic growth and bank account penetration by building on its presence in 16 countries with strong local positions, notably Côte d'Ivoire (No. 1 for loans and deposits), Senegal (No. 2 for loans and deposits) and Cameroon (No. 1 for loans and No. 2 for deposits). In 2018, the region experienced a considerable increase in outstanding loans to EUR 5.8 billion (+6%) and deposits to EUR 7.2 billion (+9%).

(1) Headcount at end of period excluding temporary staff.
(2) In 2019, SG announced the sales of its entities.

Besides the "Best bank in Africa" award, Euromoney granted Societe Generale Algérie and SGBCI (Côte d'Ivoire) the "Best bank" awards in their respective countries. Societe Generale was also granted by many other awards: "Best bank" and "Best investment bank" in Cameroon for the fourth consecutive year; "Best foreign bank", "Best investment bank" and "Best asset manager" in Morocco (EMEA Finance magazine); "Best bank" in Algeria, Benin, Côte d'Ivoire, Guinea and Cameroon, and "Best trade finance bank" in Algeria, Cameroon, Côte d'Ivoire and Tunisia (Global Finance).

To support the strategic stakes within the Group's "Transform to grow" program, the "Grow with Africa" initiative, launched in November 2018, aims to contribute collectively to the sustainable development of Africa. This initiative, which runs in partnership with local territories and actors as well as international experts, by establishing dialogue, listening and sharing innovative means and approaches, focuses on 4 areas of development: supporting the development of African SMEs, taking part in the infrastructure financing, offering services that promote people's development through financial inclusion, and developing innovative financing for renewable energies and agribusiness.

In **Overseas France**, the Group is established in Reunion and Mayotte, in the West Indies (Martinique, Guadeloupe), Guyana, French Polynesia and New Caledonia, where it has been present for more than 40 years. In these regions, Societe Generale offers the same services as available in mainland France for individual and corporate customers.

Insurance (Societe Generale Insurance)

Based on an integrated bank insurance model, Societe Generale Group's Insurance business covers the needs of individual, professional and corporate customers for life insurance investment solutions, personal protection and property and casualty insurance. The life and non-life insurance companies of Societe Generale Insurance offer the Group's networks, in France and abroad, a full range of insurance products and services: life insurance investment solutions, retirement savings, and personal protection, health, credit life, group life, property and casualty, and other insurance. Societe Generale Insurance is also diversifying its distribution models and developing partnership agreements with players outside the Group.

In 2018, Societe Generale Insurance forged ahead with the growth of its activities while enriching the services offered to policyholders. Furthermore, the diversification of Societe Generale Insurance's business mix picked up speed with the development of the share of unit-linked funds in life insurance investment solutions and the development of personal protection and property and casualty insurance. From the 1st of April 2017, the Group's Insurance business has integrated Antarius, the life insurance company dedicated to the Crédit du Nord networks.

At the end of 2018, Societe Generale Insurance's outstandings in life assurance investment solutions rose by + 1% to reach EUR 115 billion; the share of unit-linked outstandings amounted to 26%, stable compared with 2017. In personal protection and property and casualty insurance, revenue was up by 9% compared with 2017. In 2018, Societe Generale Insurance accelerated the digital transformation of its bank insurance model by favouring the development of innovative products to increase its clients' satisfaction. Thus, in property and casualty insurance, Societe Generale Insurance has rolled out in France, online sales with digital signature for the subscription of car insurance and property insurance policies for clients of the Societe Generale network, while in Russia, it has put forward a full online subscription programme for mortgage loan insurance distributed by DeltaCredit. In life insurance investment solutions, Societe Generale Insurance has rolled out Synoé, an innovative digitalised advisory management solution, in partnership with Societe Generale Private Banking France. Societe Generale Insurance has also continued to diversify its business model in synergy with other Group businesses such as ALD and Boursorama, but also with external partners in order to experiment with new markets and new offers.

Financial Services to Corporates

OPERATIONAL VEHICLE LEASING AND FLEET MANAGEMENT (ALD AUTOMOTIVE)

ALD Automotive offers mobility solutions centred on operational vehicle leasing and fleet management for businesses of all sizes in both local and international markets, as well as for private individuals. This activity combines the financial benefits of operational leasing with a complete range of high-quality services, including in particular maintenance, tyre management, fuel consumption, insurance and vehicle replacement.

ALD Automotive has the largest geographical coverage of any leasing company (43 countries), and manages more than 1.66 million vehicles. It has unique knowledge of emerging markets and has established partnerships with Wheels in North America, FleetPartners in Australia and New Zealand, Absa in South Africa, AutoCorp in Argentina, and Arrend Leasing in Central America. In 2018, the business holds the No. 1 position in Europe in multi-brand operational vehicle leasing and fleet management, and the second position worldwide.

A pioneer in mobility solutions, ALD Automotive is constantly innovating in order to provide the best support to its customers, fleet managers and drivers, with an offer tailored to their needs. This strategy was recognised once again in 2018: for the eleventh year in a row, ALD Automotive France won the "2019 Customer Service" award on the operational vehicle leasing market (BVA group –Viséo CI survey conducted from May to July 2018).

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

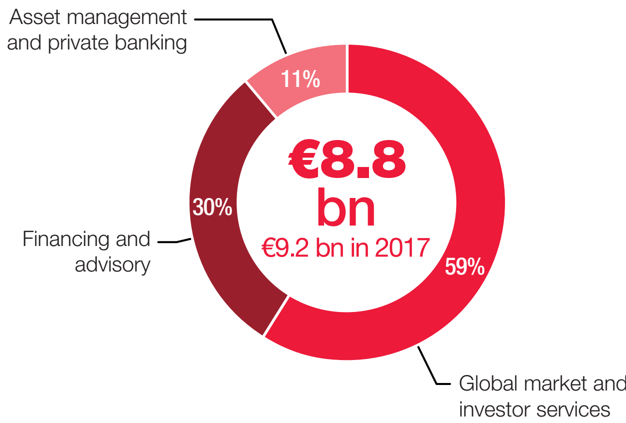
VENDOR AND EQUIPMENT FINANCE (SGEF)

Societe Generale Equipment Finance is specialised in vendor and professional equipment finance. This business is conducted through partnership agreements with vendors (professional equipment manufacturers and distributors), banking networks and also directly. Societe Generale Equipment Finance develops its expertise in three major sectors: transport, industrial equipment and high-tech.

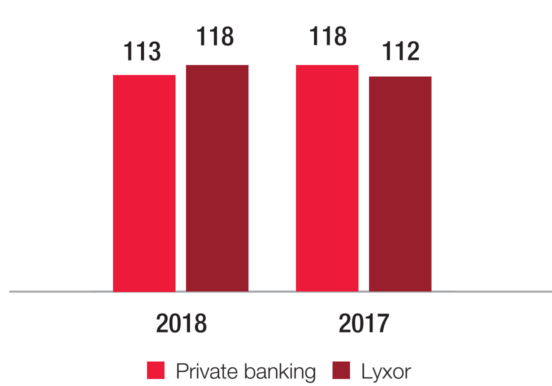
As a leading company in Europe, SGEF operates in 22 countries and manages a portfolio of EUR 18.7 billion in outstandings. It has a broadly diverse customer base, ranging from large international companies to SMEs, to which it offers a varied range of products (financial leasing, loans, leasing, purchase of receivables, etc.) and services (insurance, truck leasing with services).

Regularly recognised by the leasing industry, Societe Generale Equipment Finance was named "European Lessor of the Year" at the Leasing Life Awards held on 15th November 2018 in Tallinn.

1.4.3 GLOBAL BANKING AND INVESTOR SOLUTIONS



Assets under Management
(Billions of euros)



22,000
members of staff

€164 bn
in loan outstandings

€1.2 bn
contribution to Group Net income (€1.6 bn in 2017)

€4,011 bn
in asset under custody (global leader in derivatives, 2nd custodian in Europe)

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

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

GBIS employs around 22,000 people located in 45 countries, and has operations[(1)] in more than 70 countries. It has extensive European coverage and representative offices in Central and Eastern Europe, the Middle East, Africa, the Americas and the Asia-Pacific region.

GBIS experts offer their issuers (large corporates, financial institutions, sovereigns and the public sector) strategic advice on their development as well as market access to finance this development and hedge their risks. They also offer services for investors managing savings according to set risk/return targets. Whether they are asset managers, pension funds, family offices, hedge funds, sovereign funds, public agencies, private banks, insurance companies or distributors, the Bank provides comprehensive access to the equities and fixed income, credit, currencies and commodities markets along with a range of unique cross-asset solutions and advisory services, drawing on leading, research expertise. This offering is completed by a full range of investor services.

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

Against a backdrop of growing disintermediation, and given the new regulations, SG is continuing its repositioning process focused on enhancing distribution capacities and streamlining operations that do not generate significant synergies.

Global Markets and Investor Services

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

In 2018, Societe Generale was awarded the prestigious title of "Global Best Derivatives Bank" (Global Finance Global Bank Award 2018), "Structured Products House of the year" (Risk Awards 2019) and "Most Innovative Investment Bank for Risk Management" (The Banker Awards 2018) for the excellence of its products and services. Global Capital also named Societe Generale "Corporate Solutions Provider of the Year".

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

To assist its customers in today's web of increasingly interconnected financial markets, experts (financial engineers, salespeople, traders and specialist advisors) use SG Markets, a unique integrated platform to offer bespoke solutions designed to meet the specific needs and risks of each customer.

FIXED INCOME, CURRENCIES AND COMMODITIES

Fixed income, currencies and commodities (FICC) activities cover a comprehensive range of products and services ensuring the liquidity, pricing and hedging of risks related to the fixed income, credit, forex and commodity activities of SG clients.

- Fixed income, currencies and credit: teams based in London, Paris, Madrid and Milan, as well as the United States and the Asia-Pacific region, offer a wide range of flow and derivative products. Covering a variety of underlyings (forex products, private and sovereign bonds, emerging or very liquid markets, cash or derivatives), they provide their customers with high-quality research, solutions specific to asset and liability management, risk management and revenue optimisation requirements, and are also recognised on a regular basis[(1)]. In 2018, SG was also named "Most Innovative Investment Bank" for FICC Trading" by The Banker for the second consecutive year, and recognised as a Best FX Provider 2019 (Global Finance Awards) in several categories ("Best FX Execution Algorithms, Best Bank for FX Trading Technology, Best FX Provider in CEE, and Best FX Provider for Corporates").
- Commodities: with more than 20 years of experience, the Societe Generale Group is a major player on the energy and metals markets, and has developed an agricultural commodities offer targeting producers. Societe General works alongside businesses and institutional investors, providing them with hedging and investment solutions. In commodities, the Bank holds the leading position in the Risk & Energy Risk Commodity 2018 Rankings in several categories[(2)].

EQUITIES AND PRIME SERVICES

Thanks to its historic presence on all of the world's major primary and secondary equity markets and its longstanding tradition of innovation, Societe Generale is a leader in a comprehensive range of varied solutions covering all cash, derivative and equity research activities. The Equity Department is one of the Group's areas of excellence. For several years, its expertise has been recognised by the industry and its clients. Accordingly, Societe Generale was named "Equity Derivatives House of the Year" (Risk Awards 2018) and "Best House Equities" (Structured Retail Products – SRP).

Societe Generale announced in 2018 the acquisition of Equity Markets and Commodities (EMC) activities at Commerzbank, a European leader in the design, distribution and maintenance of the structured products and flow products markets, as well as asset management solutions. With a cutting-edge platform, Commerzbank enjoys leading franchises in diversified and complementary segments. The activities concerned are based in Frankfurt, London, Hong Kong, Paris, Luxembourg and Zurich. Commerzbank's equity brokerage and commodities hedging activities are excluded from the scope of the transaction.

The Prime Services Department was created in 2015 following the Group purchase in May 2014 of Credit Agricole's 50% stake in Newedge.

This business combines clearing activities, prime brokerage and electronic and semi-electronic execution services.

Prime Services offers a range of expertise and offers global access to a complete cross-asset service in cash and derivative instruments. The department provides its customers with a single point of access to 130 financial markets and execution venues worldwide, and a state-of-the-art *Follow the Sun* service making it possible to meet the needs of customers at all times. This approach was repeatedly praised by the industry in 2018, notably with the title "Highly Commended EMEA" awarded by International Securities Finance Survey 2018 as well as "Best FCM Overall" and "Best Capital Introduction Service" awarded by CTA Intelligence US Services Awards.

Moreover, Societe Generale's research simplifies the interpretation of market trends, which are subsequently used to develop market strategies, and are regularly acknowledged[(3)].

SECURITIES SERVICES

Security Services (SGSS) activities offer a comprehensive range of cutting-edge services following the latest trends in the financial markets as well as regulatory changes, including the following:

- the market-leading clearing service range;
- custody and depository bank activities, covering all asset classes;
- fund administration services for managers of complex financial products;
- issuer services, comprising primarily the administration of stock option plans, employee shareholding, etc.;
- liquidity management services (cash and securities);
- transfer agent activities, providing a full range of services, from support to fund distribution.

With EUR 4,011 billion in assets under custody at end-December 2018 (*versus* EUR 3,904 billion at 31st December 2017), SGSS ranks second among European custodians. It also offers custodian services to more than 3,500 mutual funds and provides valuation services for more than 4,100 mutual funds totalling EUR 609 billion in assets under management in Europe.

In 2018, Societe Generale was awarded "Client clearing broker of the year" and "Transfer agent of the year" by Global Investor Awards.

Financing and Advisory

Financing and Advisory manages and develops global relations with strategic Corporate and Investment Banking Clients, mergers & acquisitions, advisory services, other corporate finance advisory services, and finance activities (structured financing, fund-raising (debt or equity), financial engineering and hedging solutions for issuers) as well as the services of Global Transaction and Payment Services.

(1) Best House Interest Rates, Best House Credit and Best House FX by SRP Europe 2017; #1 CEE Foreign exchange for Corporates by Euromoney FX Exchange 2018.
(2) #1 Best Overall Dealers (# Oil Dealers, #1 Energy Dealers, # Base Metals Dealers, # Natural Gas Dealers) and #1 Best Overall Research.
(3) #1 Global Strategy, #1 Multi Asset Research, #1 Index Analysis and #1 Quantitative Research in Europe by Extel.

The Coverage and Investment Banking teams offer their customers, which include businesses, financial institutions and the public sector, an integrated, comprehensive and tailored approach based on:

- extensive strategic advisory services, covering mergers and acquisitions and IPO structuring, as well as the secondary offering of shares. Societe Generale holds a leading position in the equity capital and equity-related markets, and also in euro-denominated issues for corporate and financial institutions[1]. This division received several awards in 2018, notably that of "Europe Investment-Grade Corporate Bond House of the Year" at the IFR Awards 2018; "ECM Bank of the Year in France and the Benelux" by Global Finance, and "Best Financial Advisor in Spain" by Merger Market;
- access to optimised fund-raising solutions through the joint venture with the Global Finance and Retail Banking teams.

The Global Finance teams rely on global expertise and sector knowledge to provide issuers with a comprehensive offering and integrated solutions in three key areas: fund-raising, structured financing and strategic hedging of interest rate, foreign exchange, inflation and commodity risks.

The fund-raising (debt) solutions offered by the Group are made possible by its ability to offer issuers access to all of the global markets and to create innovative strategic financing and acquisition or LBO financing solutions.

The business offers its customers its world-renowned structured financing expertise in many sectors and businesses: natural resources, energy, international commerce and assets – where Societe Generale was named "Global Advisor of the Year" (PFI Awards 2018) and "Best Financing Bank in the CEE" by Euromoney.

The GTPS (Global Transaction & Payment Services) teams are aimed at economic and financial actors, in particular, domestic and international financial institutions, medium and large companies with international and multinational activities, who want support with flow (banking, commercial, corporate) and/or payments management.

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

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

The expertise of the Global transaction Banking teams is regularly rewarded: in 2018, Flmetrix awarded them "Distinguished Provider of Transaction Banking Services" for correspondent banking, Greenwich Associates named them "Trade Finance Leader" for large companies in France, Global Finance named them "Best International Commercial Bank in France, Western Europe and Emerging Markets" and EMEA Finance awarded them "Best Cash Management Services" and "Best Cash Management Services in EMEA" and "Best Factoring Services in EMEA and Europe".

Asset Management and Private Banking

This business unit encompasses Asset Management (Lyxor Asset Management) and Private Banking, which operates under the Societe Generale Private Banking brand.

Societe Generale Private Banking

Societe Generale Private Banking is a major player in wealth management and offers wealth management services to a domestic and international clientele, drawing on the expertise of its specialist teams in wealth engineering, investment and financing solutions, in accordance with the Tax Code of Conduct as approved by the Board of Directors.

Since January 2014 and in collaboration with the French Retail Banking Division, Societe Generale Private Banking has extensively developed its relationship banking model in France, extending its offering to all individual clients with more than EUR 500,000 in their books. These clients are able to benefit from a service combining increased proximity based on 80 regional franchises and the know-how of Private Banking's teams of experts.

Societe Generale Private Banking's offer is available in 16 countries. As part of the 2016-2020 strategic plan, "Transform to Grow", Societe Generale announced in 2018 the sale of its private banking activities in Belgium after entering into an agreement with the bank ABN AMRO.

In 2018, the success of Societe Generale Private Banking's strategy was recognised and the Bank was named "Private Banking – Best Credit Provider" (WealthBriefing Swiss Awards). It was also awarded the title of "Best Private Bank for Succession Planning" by PMW/The Banker.

At end-2018, Private Banking's outstanding assets under management totalled EUR 113 billion.

LYXOR ASSET MANAGEMENT

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

Thanks to its tradition of engineering and research, and building on an agile combination of passive, active and alternative management styles, Lyxor covers the whole liquidity spectrum and adapts to clients' needs whatever their financial constraints by offering the best combination of long-term performance and rigorous risk management.

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

Lyxor pioneered the asset management industry with the creation of the first alternative managed accounts platform in 1998, and the European ETF market with the first ETF on the CAC 40 index in 2001. Lyxor is now positioned as the third leading European ETF provider with 9.7%[2]. The business was rewarded several times in 2018 including with the title of "Best ETF Provider" by WealthBriefing European Awards and "Leading UCITS Manager Selection" by The Hedge Fund Journal.

At end-2018, from ETFs to multi management, Lyxor's assets under management and advisory totalled EUR 118 billion.

(1) #2 All EMEA Euro Corporate Bonds, #3 All Euro Bonds par IFR.
(2) Source: ETFGI, ranking by total assets under management at end-December 2017.

2

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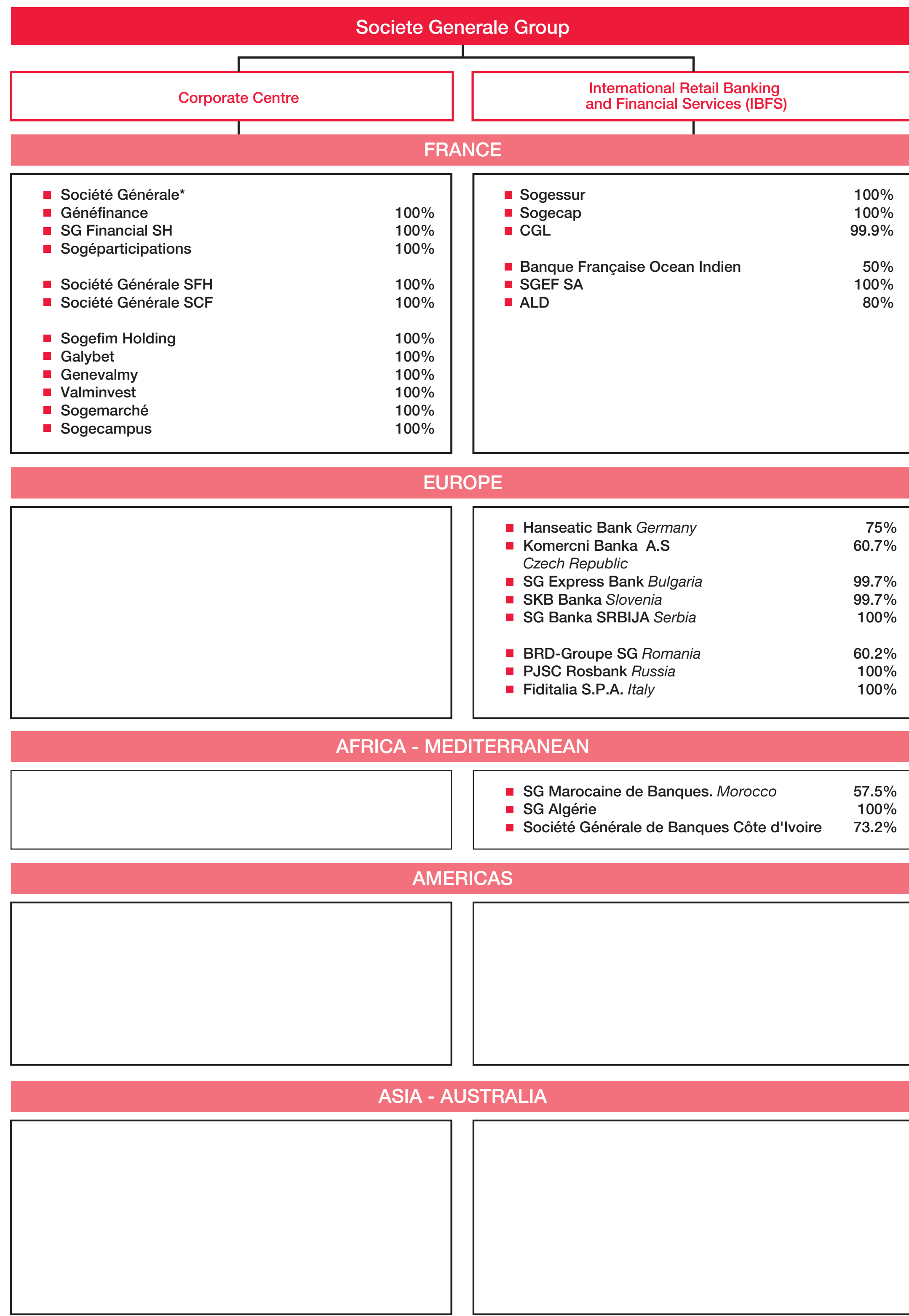
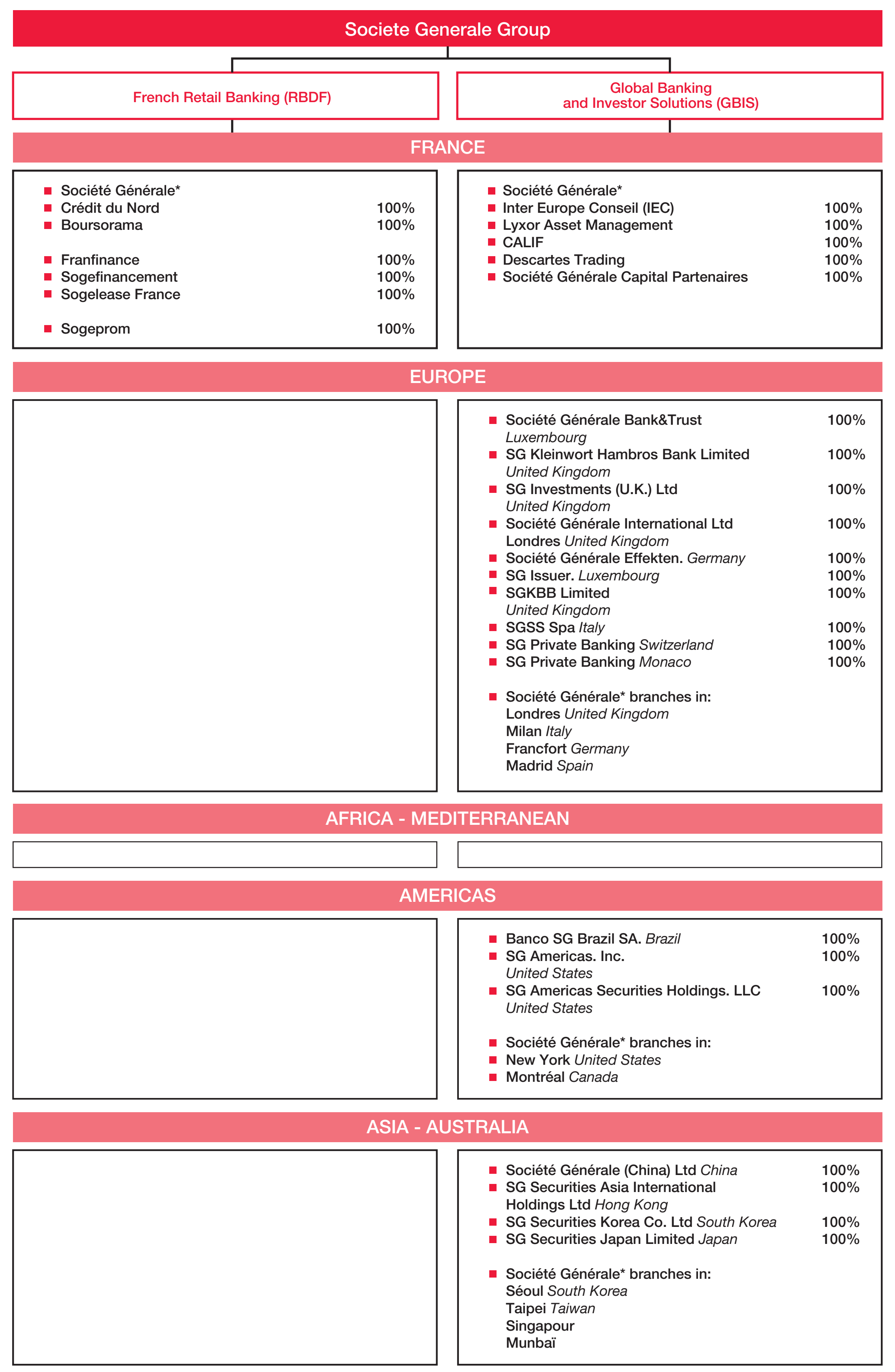
2.1 SOCIETE GENERALE GROUP MAIN ACTIVITIES



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


Societe Generale Group
French Retail Banking (RBDF)
Global Banking and Investor Solutions (GBIS)
FRANCE
Société Générale*
Crédit du Nord 100%
Boursorama 100%
Franfinance 100%
Sogefinancement 100%
Sogelease France 100%
Sogeprom 100%
Société Générale*
Inter Europe Conseil (IEC) 100%
Lyxor Asset Management 100%
CALIF 100%
Descartes Trading 100%
Société Générale Capital Partenaires 100%
EUROPE
Société Générale Bank&Trust Luxembourg 100%
SG Kleinwort Hambros Bank Limited United Kingdom 100%
SG Investments (U.K.) Ltd United Kingdom 100%
Société Générale International Ltd Londres United Kingdom 100%
Société Générale Effekten. Germany 100%
SG Issuer. Luxembourg 100%
SGKBB Limited United Kingdom 100%
SGSS Spa Italy 100%
SG Private Banking Switzerland 100%
SG Private Banking Monaco 100%
Société Générale* branches in:
Londres United Kingdom
Milan Italy
Francfort Germany
Madrid Spain
AFRICA - MEDITERRANEAN
AMERICAS
Banco SG Brazil SA. Brazil 100%
SG Americas. Inc. United States 100%
SG Americas Securities Holdings. LLC United States 100%
Société Générale* branches in:
New York United States
Montréal Canada
ASIA - AUSTRALIA
Société Générale (China) Ltd China 100%
SG Securities Asia International Holdings Ltd Hong Kong 100%
SG Securities Korea Co. Ltd South Korea 100%
SG Securities Japan Limited Japan 100%
Société Générale* branches in:
Séoul South Korea
Taipei Taiwan
Singapour
Munbaï

2.2 GROUP ACTIVITY AND RESULTS

Definitions and details of methods used are provided on pages 40 and following.

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

The reconciliation of reported and underlying data is provided on page 41.

2.2.1 ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

(In EUR m)	2018	2017		Change
Net banking income	**25,205**	**23,954**	**+5.2%**	**+6.4%***
Operating expenses	(17,931)	(17,838)	+0.5%	+1.6%*
Gross operating income	**7,274**	**6,116**	**+18,9%**	**+20.8%***
Net cost of risk	(1,005)	(1,349)	-25.5%	-23.4%*
Operating income	6,269	4,767	+31.5%	+33.2%*
Net income from companies accounted for by the equity method	56	92	n/s	
Net profits or losses from other assets	(208)	278	n/s	
Impairment losses on goodwill	0	1	n/s	
Income tax	(1,561)	(1,708)	-8.6%	-8.0%
Net income	4,556	3,430		
o.w. noncontrolling interests	692	624		
Group net income	**3,864**	**2,806**	**+37.7%**	**+42.7%**
Cost-to-income ratio	71.1%	74.5%		
Average allocated capital	48,138	48,087		
ROTE	**8.8%**	**5.7%**		

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

Net banking income

Book net banking income totalled EUR 25,205 million in 2018, up 5.2% compared to 2017 (EUR 23,954 million).

In 2017, net banking income included several exceptional items, i.e. the impact of the settlement agreement with the LIA (EUR -963 million) and the adjustment of hedging costs in French Retail Banking (EUR -88 million). When restated for these items and noneconomic items, underlying net banking income came to EUR 25,062 million in 2017.

Underlying net banking income grew by 0.6% in 2018.

- In 2018, French Retail Banking's net banking income, excluding PEL/CEL provision, declined -1.8% vs. 2017, in line with the Group's expectations. French Retail Banking continued with its transformation and developed its growth drivers in an environment still characterised by low interest rates.
- International Retail Banking & Financial Services' revenues were significantly higher (+5.1%, +6.6%*), impacted by the robust commercial dynamism across all businesses and geographical regions. Accordingly, International Retail Banking revenues increased by +6.3% (+9.1%*), Insurance revenues by +6.6% (+4.9%*) and Financial Services to Corporates' revenues by +1% (+0.2%*).
- Global Banking & Investor Solutions' net banking income fell -3.6%. Financing & Advisory revenues were +7.1% (+8.6%*) higher due to the healthy commercial momentum. In contrast, the revenues of Global Markets and Investor Services were -8.3% (-6.6%*) lower than in 2017 in a challenging market environment.

In accordance with IFRS 9, the variation in the revaluation of the Group's own financial liabilities is no longer recognised in profit or loss for the period. Consequently, in 2018, the Group no longer restates its earnings for noneconomic items.

Operating expenses

Underlying operating expenses amounted to EUR -17,595 million in 2018, representing a contained increase of 2% compared to 2017 (EUR -17,243 million). In Q2 18 and Q3 18, the provision for disputes was the subject of a total additional allocation of EUR -336 million. Note that 2017 underlying operating expenses included a EUR 60 million restructuring provision write-back. In 2017, three exceptional expenses were recognised in operating expenses: an exceptional expense related to the acceleration in the adaptation of French Retail Banking networks amounting to EUR -390 million, an expense related to the receipt of a tax rectification proposal following a tax control by the French authorities regarding various operating taxes amounting to EUR -145 million and a charge related to the consequences of the judgement of the Paris Court of Appeal of 21st December 2017 confirming the fine regarding the dematerialisation of cheque processing amounting to EUR -60 million.

The increase in operating expenses is in line with the full-year target in French Retail Banking and reflects cost control in Global Banking & Investor Solutions. Efforts to support growth in International Retail Banking & Financial Services resulted in a positive jaws effect between revenue growth and the increase in costs.

In 2018, the Group reached agreements on the litigation issues with the US authorities relating to the Libor and to economic sanctions and anti-money laundering, and with the US and French authorities on Libya. These agreements provided for commitments by the Group with respect to these authorities and the payment of fines, which correspond to the provisions booked for this purpose.

The balance of the provision for disputes was EUR 0.3 billion at 31st December 2018.

Gross operating income

Book gross operating income totalled EUR 7,274 million in 2018 (vs. EUR 6,116 million in 2017) and underlying gross operating income EUR 7,610 million (vs. EUR 7,819 million in 2017).

Cost of risk[1]

The net cost of risk amounted to EUR -1,005 million in 2018, 25.5% lower than in 2017 (EUR -1,349 million). The underlying net cost of risk was 5.9% higher.

The Group's commercial cost of risk amounted to 21 basis points in 2018, very slightly higher than in 2017 (19 basis points), at the bottom end of the expected range (between 20 and 25 basis points).

In French Retail Banking, the commercial cost of risk amounted to 26 basis points (30 basis points in 2017) due to a selective origination policy.

International Retail Banking & Financial Services' cost of risk stood at a still low level of 30 basis points (vs. 29 basis points in 2017) due to further provision write-backs in the Czech Republic and Romania.

Global Banking & Investor Solutions' cost of risk amounted to 6 basis points, an increase compared to the historically low level of -1 basis point in 2017.

The Group expects a cost of risk of between 25 and 30 basis points in 2019.

The gros doubtful outstanding ratio stood at 3.6% at end-December 2018 (vs. 4.4% at end-December 2017). The Group's gross coverage ratio for doubtful outstanding stood at 54%[2] at end-December 2018 (stable vs. 30th September 2018).

Operating income

Book operating income totalled EUR 6,269 million in 2018, 31.5% higher than in 2017. Underlying operating income came to EUR 6,605 million (vs. EUR 6,870 million in 2017).

Net profits or losses from other assets

Net profits or losses from other assets include primarily the capital loss recognised under IFRS 5 in respect of disposals currently being finalised by the Group amounting to EUR -268 million in 2018 (EUR -241 million in Q4 18), with EUR -202 million corresponding to the disposals already announced (Societe Generale Albania, Societe Generale Serbia, Mobiasbanca Societe Generale in Moldavia) and Societe Generale's stake in La Banque Postale Financement.

Net income

(In EUR m)	2018	2017
Reported Group net income	3,864	2,806
Underlying Group net income[1]	4,468	4,491

(In %)	2018	2017
ROTE (reported)	8.8%	5.7%
Underlying ROTE[1]	9.7%	9.6%

(1) Adjusted for noneconomic items (in 2017) and exceptional items.

Earnings per share amounts to EUR 4.24 in 2018 (EUR 2.98 in 2017)[3].

(1) 2018 figures are based on IFRS 9, 2017 figures are based on IAS 39, figures restated for the transfer of Global Transaction and Payment Services from French Retail Banking to Global Banking & Investor Solutions.

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

(3) Excluding noneconomic and exceptional items (gross EPS of EUR 2.92 in 2017).

2.3 ACTIVITY AND RESULTS OF THE CORE BUSINESSES

2.3.1 RESULTS BY CORE BUSINESS

	French Retail Banking		International Retail Banking and Financial Services		Global Banking and Investor Solutions		Corporate Centre		Group	
(In EUR m)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net banking income	**7,860**	**8,014**	**8,317**	**7,914**	**8,846**	**9,173**	**182**	**(1,147)**	**25,205**	**23,954**
Operating expenses	(5,629)	(5,939)	(4,526)	(4,404)	(7,241)	(7,121)	(535)	(374)	(17,931)	(17,836)
Gross operating income	**2,231**	**2,075**	**3,791**	**3,510**	**1,605**	**2,052**	**(353)**	**(1,521)**	**7,274**	**6,116**
Net cost of risk	(489)	(547)	(404)	(400)	(93)	(2)	(19)	(400)	(1,005)	(1,349)
Operating income	**1,742**	**1,528**	**3,387**	**3,110**	**1,512**	**2,050**	**(372)**	**(1,921)**	**6,269**	**4,767**
Net income from companies accounted for by the equity method	28	33	15	41	6	1	7	17	56	92
Net profits or losses from other assets	74	9	8	36	(16)	(4)	(274)	237	(208)	278
Impairment losses on goodwill	-	-	-	1	-	-	-	-	-	1
Income tax	(607)	(511)	(841)	(820)	(281)	(429)	168	52	(1,561)	(1,708)
Net income	1,237	1,570	2,569	2,368	1,221	1,618	(471)	(1,615)	4,556	3,430
o.w. noncontrolling interests	-	-	504	429	24	25	164	170	692	624
Group net income	**1,237**	**1,059**	**2,065**	**1,939**	**1,197**	**1,593**	**(635)**	**(1,785)**	**3,864**	**2,806**
Cost-to-income ratio	71.6%	74.1%	54.4%	55.6%	81.9%	77.6%			71.1%	74.5%
Average allocated capital	**11,201**	**11,027**	**11,390**	**11,137**	**15,425**	**14,996**	**10,097**	**10,927**	**48,138**	**48,087**
RONE (businesses)/ROTE (Group)	**11.0%**	**9.6%**	**18.1%**	**17.4%**	**7.8%**	**10.6%**			**8.8%**	**5.7%**

The figures given for 2017 correspond to the new quarterly series published on 6th April 2018

2.3.2 FRENCH RETAIL BANKING

(In EUR m)	2018	2017	Change
Net banking income	**7,860**	**8,014**	**-1.9%**
Operating expenses	(5,629)	(5,939)	-5.2%
Gross operating income	**2,231**	**2,075**	**+7.5%**
Net cost of risk	(489)	(547)	-10.6%
Operating income	**1,742**	**1,528**	**+14.0%**
Net income from companies accounted for by the equity method	28	33	-15.2%
Net profits or losses from other assets	74	9	x8.2
Impairment losses on goodwill	0	0	n/s
Income tax	(607)	(511)	+18.8%
Net income	1,237	1,059	+16.8%
o.w. noncontrolling interests	0	0	n/s
Group net income	**1,237**	**1,059**	**+16.8%**
Cost-to-income ratio	71.6%	74.1%	
Average allocated capital	11,201	11,027	

French Retail Banking enjoyed a solid commercial momentum and delivered a resilient financial performance in 2018, against the backdrop of persistently low interest rates and the transformation of the French networks.

Activity and net banking income

French Retail Banking's three brands, Societe Generale, Crédit du Nord and Boursorama, pursued their commercial expansion, particularly for their growth drivers.

With nearly 460,000 new clients in 2018, Boursorama set a new client on boarding record (+45% vs. 2017) and consolidated its position as the leading online bank in France with nearly 1.7 million clients at end-December 2018.

At the same time, the Societe Generale and Crédit du Nord networks strengthened their franchises on the Group's target customers.

Supported by a solid private banking platform, French Retail Banking continued to expand its mass affluent and wealthy client base (up +3% at end-December 2018 vs. end-December 2017) and recorded net inflow of EUR 3.3 billion in 2018. This robust performance was masked by a challenging market environment, resulting in assets under management declining -1.2% vs. end-December 2017, to EUR 61 billion (including Crédit du Nord) at end-December 2018.

Bancassurance enjoyed buoyant activity, with net inflow of EUR 1,730 million. In 2018, outstanding amounted to EUR 92.3 billion, up +1.3% vs. 2017, with the unit-linked share accounting for 24%.

In the Business customer segment, French Retail Banking continued with the roll out of its regional business centres, with five units at end-December, thereby strengthening its expertise in this segment where the number of customers increased 1% in 2018.

In the case of Professional customers, Societe Generale now has eight new "Pro Corners" (spaces pro) with 103 "corners" dedicated to professionals rolled out in branches, as at end-December 2018. The number of professional customers in French Retail Banking grew by nearly 1% in 2018.

In a low interest rate environment, the Group confirmed its selective origination strategy.

Housing loan production totalled EUR 18.7 billion in 2018. Consumer loan production remained dynamic with an increase of +12.7% in 2018. Outstanding loans to individuals totalled EUR 109.9 billion and rose +3.0% vs. 2017.

Corporate investment loan production was very robust, up +12.4% in 2018 to EUR 14.2 billion). Accordingly, average investment loan outstanding rose +3.9% vs. 2017.

Overall, average loan outstanding rose +3.3% vs. 2017 to EUR 185.7 billion. Average outstanding balance sheet deposits came to EUR 199.4 billion in 2018, up +2.9% vs. 2017, underpinned by sight deposits (+8.4%). As a result, the average loan/deposit ratio stood at 93.2% in 2018 (vs. 92.8% in 2017).

French Retail Banking posted net banking income (after neutralising the impact of PEL/CEL provisions) of EUR 7,838 million, down -1.8% over 12 months, in line with Group expectations (decline of between -1% and -2% in 2018).

The healthy fee momentum (+1.4% in 2018), particularly for service commissions (+2.6% in 2018) was more than masked by the fall in net interest income adversely affected by the low interest rate environment (decline of -5.4% in 2018).

Operating expenses

French Retail Banking's underlying operating expenses totalled EUR 5,629 million, up +2.6% vs. 2017 (restated for exceptionals recognised in Q4 17), in line with the expected increase in underlying operating expenses of less than 3% for the year. This increase reflects the acceleration of investments in the digital transformation process and the development of growth drivers.

As part of its transformation plan, the Group notably closed more than 100 branches over twelve months, thereby achieving between 2016 and 2018 nearly 60% of its 2020 target (-500 branches).

At the same time, the Group continued to digitalise the banking networks, with the ongoing dematerialisation of the offering.

The cost to income ratio stood at 71.6% in 2018.

Operating income

In 2018, the net cost of risk declined by -10.6% vs. 2017. Operating income came to EUR 1,742 million in 2018 (EUR 1,528 million in 2017).

Contribution to Group net income

French Retail Banking's contribution to Group net income amounted to EUR 1,237 million (vs. EUR 1,059 million in 2017) with resilient profitability of 10.9% restated for the PEL/CEL provision (13.0%[1] in 2017).

(1) Adjusted for noneconomic items, exceptional items and effect of the linearisation of IFRIC 21.

2.3.3 INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

(In EUR m)	2018	2017		Change
Net banking income	**8,317**	**7,914**	**+5.1%**	**+6.6%***
Operating expenses	(4,526)	(4,404)	+2.8%	+4.7%*
Gross operating income	**3,791**	**3,510**	**+8.0%**	**+8.9%***
Net cost of risk	(404)	(400)	+1.0%	+10.3%*
Operating income	**3,387**	**3,110**	**+8.9%**	**+8.7%***
Net income from companies accounted for by the equity method	15	41	-63.4%	-45.1%*
Net profits or losses from other assets	8	36	-77.8%	-78.4%*
Impairment losses on goodwill	0	1	n/s	n/s
Income tax	(841)	(820)	+2.6%	+2.3%*
Net income	2,569	2,368	+8.5%	+8.9%*
o.w. noncontrolling interests	504	429	+17.5%	+7.4%*
Group net income	**2,065**	**1,939**	**+6.5%**	**+9.3%***
Cost-to-income ration	54.4%	55.6%		
Average allocated capital	11,390	11,137		

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

The division's net banking income totalled EUR 8,317 million in 2018, up +5.1% vs. 2017, driven by an excellent commercial momentum in all regions and businesses. Operating expenses remained under control, amounting over the same period to EUR -4,526 million (+2.8%), resulting in a positive jaws effect despite a EUR 60 million restructuring provision write-back in 2017. Gross operating income totalled EUR 3,791 million in 2018 (+8.0%).

The net cost of risk remained at a low level of EUR 404 million in 2018. It included provision write-backs in the Czech Republic and Romania as well as the receipt of an insurance payout in Romania in 2017 and Q1 18. The virtual stability of the net cost of risk (+1%) reflects rigorous risk management. The contribution to Group net income totalled EUR 2,065 million in 2018, a record level (up +6.5% vs. 2017).

Underlying RONE stood at 18.1% in 2018 (17.4% in 2017) and 19.0% in Q4 18 (vs. 15.6% in Q4 17).

International Retail Banking

(In EUR m)	2018	2017		Change
Net banking income	**5,608**	**5,278**	**+6.3%**	**+9.1%***
Operating expenses	(3,238)	(3,171)	+2.1%	+5.0%*
Gross operating income	**2,370**	**2,107**	**+12.5%**	**+15.2%***
Net cost of risk	(335)	(349)	-4.0%	+5.9%*
Operating income	**2,035**	**1,758**	**+15.8%**	**+16.9%***
Net income from companies accounted for by the equity method	14	26	-46.2%	
Net profits or losses from other assets	7	36	-80.6%	
Impairment losses on goodwill	0	1	n/s	
Income tax	(474)	(418)	+13.4%	
Net income	1,582	1,403	+12.8%	
o.w. noncontrolling interests	395	361	+9.4%	
Group net income	**1,187**	**1,042**	**+13.9%**	**+15.2%***
Cost-to-income ration	57.7%	60.1%		
Average allocated capital	6,926	6,734	+2.8%	

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

International Retail Banking's outstanding loans rose +5.0% (+6.4%*) vs. Q4 17 to EUR 93 billion at end-December 2018, with uniform growth across the three regions. Deposit inflow also remained dynamic. Outstanding deposits totalled EUR 83.3 billion at end-December 2018, up +4.4% (+5.8%*) year-on-year.

International Retail Banking revenues were +6.3% (+9.1%*) higher than in 2017 at EUR 5,608 million, while operating expenses were up +2.1% (+5.0%*) at EUR -3,238 million. Gross operating income came to EUR 2,370 million, up +12.5% (+15.2%*) vs. 2017. International Retail Banking's contribution to Group net income amounted to a record level of EUR 1,187 million in 2018 (+13.9% vs. 2017).

In Western Europe, outstanding loans were up +10.4% vs. Q4 17, at EUR 20.1 billion. Car financing remained particularly buoyant over the period. Revenues totalled EUR 836 million in 2018, up +9.7% vs. 2017, while operating expenses were 3.5% higher. Consequently, gross operating income was 15.6% higher in 2018. The contribution to Group net income came to EUR 242 million, up +16.3% vs. 2017.

In the Czech Republic, the Group delivered a solid commercial performance in 2018: outstanding loans rose +3.9% (+4.6%*) and outstanding deposits increased +4.2% (+5.0%*). Revenues were higher (+7.2%, +4.4%*) and amounted to EUR 1,119 million in 2018, driven by a positive volume effect, combined with a rise in rates. Over the same period, operating expenses were +4.2% (+1.8%*) higher at EUR -594 million, including in particular a EUR 11.5 million restructuring provision in Q2 18. There was a net write-back in the net cost of risk of EUR 23 million compared with a net write-back of EUR 11 million in 2017. Against this backdrop, the contribution to Group net income came to EUR 266 million, up +4.7% compared to 2017 when the first quarter benefited from a capital gain on a property disposal following the sale of the historic headquarters.

In Romania, outstanding loans totalled EUR 6.8 billion at end-December 2018, up +3.9% (+4.0%*) vs. end-December 2017. Over the same period, deposits amounted to EUR 9.7 billion, up +2.2% (+2.3%*). Against a backdrop of rising interest rates, net banking income climbed +9.5% (+11.6%*) in 2018. Operating expenses were down -1.2% (+0.5%*) with, in particular, a reduction in the contribution to deposit guarantee and resolution funds and after a 2017 impacted by investments in the network's transformation. There was a net write-back in the net cost of risk of EUR 56 million in 2018 compared with a net write-back of EUR 86 million in 2017. The contribution to Group net income was EUR 149 million, up 9.6% vs. 2017.

In other European countries, outstanding loans were up +6.0% (+6.5%*) and outstanding deposits were up +6.6% (+6.5%*) in 2018. Revenues increased +5.9% (+10.5%*) in 2018, while operating expenses were +11.1% (+17.1%*) higher than in 2017 given the EUR 60 million restructuring provision write-back in 2017. The net cost of risk remained under control, resulting in a significant decline of -57.1% (-43.1%*) compared to 2017. The contribution to Group net income totalled EUR 181 million (vs. EUR 147 million in 2017).

In Russia, there was further confirmation of commerciale expansion in the individual customer segment. Outstanding loans were up +6.2%* at constant exchange rates (-3.8% at current exchange rates) in 2018. Outstanding deposits increased +8.5%* at constant exchange rates (-0.5% at current exchange rates) benefiting from the surplus liquidity in the market. Net banking income for SG Russia[1] came to EUR 815 million in 2018, up +9.1%* (-3.2% at current exchange rates). Operating expenses were up +5.5%* (-5.4% at current exchange rates). The net cost of risk increased by EUR 19 million at constant exchange rates and remained at a generally low level. SG Russia made a positive contribution to Group net income of EUR 144 million vs. EUR 147 million in 2017.

In Africa and the other regions where the Group operates, commercial activity was generally healthy in both Sub-Saharan Africa and the Mediterranean Basin. Outstanding loans rose +5.6% (+5.8%*) in 2018 to EUR 21.2 billion. Outstanding deposits were also up +7.3% (+7.4%*) at EUR 20.9 billion. Net banking income totalled EUR 1,641 million in 2018, an increase of +7.1% (+10.3%*) compared to 2017. Over the same period, operating expenses rose +2.4% (+4.6%*). The contribution to Group net income came to EUR 237 million in 2018, up +27.4% vs. 2017.

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

Insurance

(In EUR m)	2018	2017	Change	
Net banking income	**887**	**832**	**+6.6%**	**+4.9%***
Operating expenses	(333)	(308)	+8.1%	+7.1%*
Gross operating income	**554**	**524**	**+5.7%**	**+3.6%***
Net cost of risk	0	0	n/s	n/s
Operating income	**554**	**524**	**+5.7%**	**+3.6%***
Net income from companies accounted for by the equity method	0	(1)	n/s	
Net profits or losses from other assets	0	0	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(183)	(178)	+2.8%	
Net income	371	345	+7.5%	
o.w. noncontrolling interests	3	2	+50.0%	
Group net income	**368**	**343**	**+7.3%**	**+5.1%***
Cost-to-income ration	37.5%	37.0%		
Average allocated capital	1,825	1,809	+0.9%	

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

The life insurance savings business saw outstanding increase +1.1%* in 2018 in a challenging market environment. The share of unit-linked products in outstanding was stable at end-December 2018 compared to 2017, at 26%.

There was further growth in Personal Protection insurance (premiums up +7.5%* vs. 2017). Likewise, Property/Casualty insurance continued to enjoy strong growth (premiums up +9.8%* vs. 2017). International activity was particularly dynamic.

The Insurance business posted a good financial performance in 2018, with net banking income increasing +6.6% to EUR 887 million (+4.9%*) and the cost to income ratio remaining at a low level (37.5%). The contribution to Group net income was 7.3% higher at EUR 368 million in 2018.

Financial Services to Corporates

(In EUR m)	2018	2017		Change
Net banking income	**1,822**	**1,804**	**+1.0%**	**+0.2%***
Operating expenses	(955)	(925)	+3.2%	+2.9%*
Gross operating income	**867**	**879**	**-1.4%**	**-2.7%***
Net cost of risk	(69)	(51)	+35.3%	+38.1%*
Operating income	**798**	**828**	**-3.6%**	**-5.2%***
Net income from companies accounted for by the equity method	1	16	-93.8%	
Net profits or losses from other assets	1	0	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(184)	(224)	-17.9%	
Net income	616	620	-0,6%	
o.w. noncontrolling interests	106	66	+60.6%	
Group net income	**510**	**554**	**-7.9%**	**+0.6%***
Cost-to-income ration	52.4%	51.3%		
Average allocated capital	2,639	2,595	+1.7%	

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

Financial Services to Corporates maintained a good commercial momentum in 2018.

Operational Vehicle Leasing and Fleet Management experienced a substantial increase in its vehicle fleet (+10.1% vs. 2017) to 1.663 million vehicles at end-December 2018, driven by the strategy of ramping up distribution channels.

Equipment Finance's outstanding loans were up +4.5% (+4.7%*) in 2018 vs. 2017 at EUR 17.9 billion (excluding factoring).

Financial Services to Corporates' net banking income rose +1.0% in 2018 to EUR 1,822 million (+0.2%*), with ALD's revenues impacted by a reduction in the average residual value of used vehicles sold. Operating expenses increased +3.2% (+2.9%*) compared to 2017 and amounted to EUR -955 million. The net cost of risk amounted to EUR 69 million, an increase of EUR 18 million compared to 2017. The contribution to Group net income was EUR 510 million in 2018, down -7.9% compared to 2017, reflecting primarily the consolidation of ALD for around 80% since its stock market flotation.

2.3.4 GLOBAL BANKING & INVESTOR SOLUTIONS

(In EUR m)	2018	2017		Change
Net banking income	**8,846**	**9,173**	**-3.6%**	**-2.1%***
Operating expenses	(7,241)	(7,121)	+1.7%	+3.2%*
Gross operating income	**1,605**	**2,052**	**-21.8%**	**-20.3%***
Net cost of risk	(93)	(2)	n/s	n/s
Operating income	**1,512**	**2,050**	**-26.2%**	**-25.0%***
Net income from companies accounted for by the equity method	6	1	n/s	
Net profits or losses from other assets	(16)	(4)	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(281)	(429)	-34.5%	
Net income	1,221	1,618	-24.5%	
o.w. noncontrolling interests	24	25	-4.0%	
Group net income	**1,197**	**1,593**	**-24.9%**	**-23.6%***
Cost-to-income ration	81.9%	77.6%		
Average allocated capital	15,425	14,996	+2.9%	

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

Global Banking & Investor Solutions posted net banking income of EUR 8,846 million in 2018, down -3.6% compared to 2017, in an unfavourable market environment and despite the healthy momentum in Financing & Advisory.

Global Banking & Investor Solutions' operating expenses were up +1.7% compared to 2017 and amounted to EUR 7,241 million, reflecting cost control and investment in the growth of Financing activities and Global Transaction Banking.

Gross operating income came to EUR 1,605 million in 2018, down -21.8% compared to 2017.

The net cost of risk amounted to EUR -93 million in 2018 (compared to a very low net cost of risk in 2017 of EUR -2 million due to provision write-backs).

Global Banking & Investor Solutions' operating income totalled EUR 1,512 million in 2018, -26.2% lower than in 2017.

The pillar's contribution to Group net income came to EUR 1,197 million in 2018, a decrease of -24.9%.

The pillar's RONE stood at 7.8% in 2018.

Global Markets & Investor Services

(In EUR m)	2018	2017		
Net banking income	**5,207**	**5,678**	**-8.3%**	**-6.6%***
Operating expenses	(4,521)	(4,434)	+2.0%	+3.3%*
Gross operating income	**686**	**1,244**	**-44.9%**	**-42.9%***
Net cost of risk	(21)	(34)	-38.2%	-35.2%*
Operating income	**665**	**1,210**	**-45.0%**	**-43.1%***
Net income from companies accounted for by the equity method	8	5	+60.0%	
Net profits or losses from other assets	(1)	0	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(172)	(322)	-46.6%	
Net income	500	893	-44.0%	
o.w. noncontrolling interests	19	21	-9.5%	
Group net income	**481**	**872**	**-44.8%**	**-42.9%***
Cost-to-income ration	86.8%	78.1%		
Average allocated capital	8,259	8,317	-0.7%	

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

Global Markets & Investor Services' revenues were down -8.3% in 2018, in an unfavourable market environment, impacted by political tensions in Europe and the trade war between the United States and China. However, performances remained resilient in the United States and Asia.

At EUR 1,975 million, the revenues of **Fixed Income, Currencies & Commodities** were down -16.8% in 2018 compared to 2017. Despite resilient commercial activity, Rate activities were hit by an unfavourable environment. Credit was impacted by widening spreads in line with previous quarters. At the same time, commodities put in a good performance.

Equities and Prime Services posted net banking income of EUR 2,498 million in 2018, down -4.4% vs. 2017, impacted by a declining equity market. Management of structured product portfolios was affected by sharp market movements in the first and fourth quarters. Prime Services continued to turn in a good performance while cash equities remained resilient, with an increase in trading volumes.

The Equity Derivatives franchise was once again voted "Structured Products House of the Year" by Risk Awards.

Securities Services' assets under custody amounted to EUR 4,011 billion at end-December 2018, up +2.8% vs. end-December 2017. Over the same period, assets under administration were down -6.5% at EUR 609 billion. Revenues rose +6.2% in 2018 compared to 2017, to EUR 734 million. This sharp rise reflects the continued healthy commercial momentum.

Financing & Advisory

(In EUR m)	2018	2017		Change
Net banking income	**2,673**	**2,495**	**+7.1%**	**+8.6%***
Operating expenses	(1,815)	(1,767)	+2.7%	+5.0%*
Gross operating income	**858**	**728**	**+17.9%**	**+17.1%***
Net cost of risk	(53)	30	n/s	n/s
Operating income	**805**	**758**	**+6.2%**	**+5.4%***
Net income from companies accounted for by the equity method	(1)	(4)	+75.0%	
Net profits or losses from other assets	(1)	(4)	+75.0%	
Impairment losses on goodwill	(101)	(84)	+20.2%	
Income tax	-	-		
Net income	702	666	+5.4%	
o.w. noncontrolling interests	2	2	+0.0%	
Group net income	**700**	**664**	**+5.4%**	**+4.8%***
Cost-to-income ration	67.9%	70.8%		
Average allocated capital	6,007	5,581	+7.6%	

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

FInancing & Advisory's revenues totalled EUR 2,673 million in 2018, +7.1% higher than in 2017. 2018 was a record year, driven by the successful implementation of the businesses' different initiatives.

Asset Financing (especially aircraft, shipping and real estate) continued to benefit from a good level of origination activity and commissions. The Natural Resources Division enjoyed a healthy momentum in energy project financing. The Asset Backed Products platform saw further expansion.

Global Transaction Banking and Payment Service earnings were significantly higher over the year, with good commercial activity in Cash Management and Correspondent Banking despite the low interest rate environment.

Asset and Wealth Management

(In EUR m)	2018	2017		Change
Net banking income	**966**	**1,000**	**-3.4%**	**-2.8%***
Operating expenses	(905)	(920)	-1.6%	-0.9%*
Gross operating income	**61**	**80**	**-23.8%**	**-24.9%***
Net cost of risk	(19)	2	n/s	n/s
Operating income	**42**	**82**	**-48.8%**	**-49.5%***
Net income from companies accounted for by the equity method	(1)	0	n/s	
Net profits or losses from other assets	(14)	0	n/s	
Impairment losses on goodwill	0	0	n/s	
Income tax	(8)	(23)	-65.2%	
Net income	19	59	-67.8%	
o.w. noncontrolling interests	3	2	+50.0%	
Group net income	**16**	**57**	**-71.9%**	**-72.3%***
Cost-to-income ratio	93.7%	92.0%		
Average allocated capital	1,158	1,098	+5.5%	

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

The net banking income of the **Asset and Wealth Management** business line totalled EUR 966 million in 2018, down -3.4% compared to 2017, with revenues remaining resilient in a low interest rate environment.

Private Banking's assets under management totalled EUR 113 billion at end-December 2018, -4% lower than in December 2017, impacted by the decline in the markets. 2018 net banking income was -4.2% lower than in 2017 at EUR 756 million, impacted by the decline in international activities in 2018.

Lyxor's assets under management came to EUR 118 billion at end-December 2018, +5.4% higher than in December 2017. Revenues totalled EUR 191 million in 2018, the same level as 2017 revenues. Good inflow offset margin pressure in ETF activity. Lyxor's ETF market share in Europe stood at 9.7% in 2018.

2.3.5 CORPORATE CENTRE

(In EUR m)	2018	2017	Change
Net banking income	**182**	**(1,147)**	**-115.9%**
Operating expenses	(535)	(374)	+43.0%
Gross operating income	**(353)**	**(1,521)**	**n/s**
Net cost of risk	(19)	(400)	-95.3%
Operating income	**(372)**	**(1,921)**	**-80.6%**
Net income from companies accounted for by the equity method	7	17	-58.8%
Net profits or losses from other assets	(274)	237	n/s
Impairment losses on goodwill	0	0	n/s
Income tax	168	52	n/s
Net income	(471)	(1,615)	+70.9%
o.w. noncontrolling interests	164	170	-3.5%
Group net income	**(635)**	**(1,785)**	**+64.4%**

The Corporate Centre includes:

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

The revaluation of the Group's own financial liabilities is no longer recognised in profit or loss for the period due to the implementation of IFRS 9 as from 1st January 2018. Consequently, earnings are no longer restated for this noneconomic item.

The Corporate Centre's net banking income totalled EUR 182 million in 2018 vs. EUR -1,094[1] million in 2017.

Operating expenses totalled EUR -535 million in 2018 vs. EUR -374 million in 2017. They included an allocation to the provision for disputes of EUR -336 million in 2018.

In 2018, the Group reached agreements on the litigation issues with the US and European authorities putting an end to their enquiries relating to Libor and to some transactions with Libyan counterparties, and with some US authorities putting an end to their enquiries regarding economic sanctions and anti-money laundering. As part of these agreements, the Group agreed to pay these different authorities penalties in an amount totalling approximately USD 2.7 billion. Concomitantly, the provision recorded in the Group accounts for public law litigation was subject to write-backs and its balance therefore came to EUR 0.3 billion at 31st December 2018.

In 2018, gross operating income totalled EUR -353 million vs. EUR -1,468[1] million in 2017. Gross operating income came to EUR -288 million in 2018 excluding the impact of exceptional items and after restatement of the Euroclear capital gain.

The net cost of risk amounted to EUR -19 million in 2018 vs. EUR -400 million in 2017, which included a net additional allocation of EUR -400 million to the provision for disputes.

Net profits or losses from other assets include primarily the capital loss recognised under IFRS 5 in respect of disposals currently being finalised by the Group amounting to EUR -268 million in 2018, with EUR -202 million corresponding to disposals already announced (Societe Generale Albania, Societe Generale Serbia, Mobiasbanca Societe Generale in Moldavia) and Societe Generale's stake in La Banque Postale Financement.

The Corporate Centre's contribution to Group net income was EUR -635 million in 2018 vs. EUR -1,746[1] million in 2017.

(1) Excluding non-economic items.

2.3.6 DEFINITIONS AND METHODOLOGY, ALTERNATIVE PERFORMANCE MEASURES

Framework

The financial information presented in respect of the financial year ending 31st December 2018 has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date.

Capital allocation

In 2018, the allocation of normative capital to the businesses on the basis of their capital consumption was determined in accordance with CRR rules (11% of their risk-weighted assets, supplemented by the consumption of Common Equity Tier 1 capital chargeable to each business, after taking into account noncontrolling interests and the adjustment of capital consumption related to the insurance activities). This capital allocation rule therefore applies to the Group's three pillars (French Retail Banking, International Retail Banking and Financial Services, and Global Banking and Investor Solutions) and allows an evaluation of capital consumption by activity as well as their level of profitability on an autonomous and uniform basis, taking into account the Group's regulatory constraints.

Net banking income

Net banking income (NBI) for each Business Division includes:

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

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

Operating expenses

Operating expenses for the Business Divisions correspond to the information reported in Note 8.1 to the Group's consolidated financial statements as at 31st December 2018 (see p. 416) and include their direct expenses, their management overheads, and a share of the head-office expenses, which are in principle almost fully redistributed between the Business Divisions. The Corporate Centre only books costs relating to its own activity, along with certain technical adjustments.

Cost-to-income ratio

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

IFRIC 21 Adjustment

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, *i.e.* a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed. By applying the IFRIC 21 adjustment, the expense – previously recognised progressively if the obligating event occurs over a period of time – is now recognised once in its entirety.

Underlying indicators

The Group may be required to provide underlying indicators for a clearer understanding of its actual performance. Underlying data is obtained from reported data by restating the latter to take into account noneconomic items (for years prior to 2018), exceptional items and the IFRIC 21 adjustment. Several indicators may be provided in this respect: all income statement amounts (for example, net banking income, operating expenses, net cost of risk, net profits or losses from other assets, Group net income), profitability indicators (ROE, RONE, ROTE), earnings per share, cost-to-income ratio, etc.

Noneconomic items correspond to the revaluation of the Group's own financial liabilities and the debt value adjustment on derivative instruments (DVA). Due to the application of IFRS 9 on 1st January 2018, the revaluation of debt relating to own credit risk is no longer accounted for in the income for the period. Consequently, the income is therefore no longer restated for this noneconomic element.

The Group may need to adjust the components of its results (the exceptional elements) for an easier understanding of its actual performance.

In particular, for French Retail Banking, the Group reports net banking income excluding PEL/CEL (cost-to-income ratio, gross operating income and operating income), *i.e.* adjusted for the provisions covering the risk associated with commitments specific to regulated savings.

These items, together with the underlyings derived from reported data, are indicated in the table below.

(In EUR m)	2018	2017	Change	
Net banking income	**25,205**	**23,954**	**+5.2%**	
(-)Revaluation of own financial liabilities*		(53)		Corporate Centre
(-)DVA*		(4)		Corporate Centre
(-)Adjustment of hedging costs**		(88)		French Retail Banking
(-)LIA settlement**		(963)		Corporate Centre
Underlying net banking income	**25,205**	**25,062**	**+0.6%**	
Operating expenses(1)	**(17,931)**	**(17,838)**	**+0.5%**	
(+)IFRIC 21 linearisation				
(-)Adaptation of French retail network**		(390)		French Retail Banking
(-)French tax audit/EIC**		(205)		Corporate Centre/French Retail Banking
(-)Provision for disputes**	(336)			Corporate Centre
Underlying Operating expenses	**(17,595)**	**(17,243)**	**+2.0%**	
Net cost of risk	**(1,005)**	**(1,349)**	**-25.5%**	
(-)Provision for disputes**		(800)		Corporate Centre
(-)LIA settlement**		400		Corporate Centre
Underlying Net Cost of Risk	**(1,005)**	**(949)**	**+5.9%**	
Net profit or losses from other assets	**(208)**	**278**	**n/s**	
(-)IFRS 5 effect on Group refocussing plan	(268)			Corporate Centre
(-)Change in consolidation method of Antarius**		203		Corporate Centre
(-)SG Fortune disposal**		73		Corporate Centre
Underlying Net profits or losses from other assets	**60**	**2**	**n/s**	
Group net income	**3,864**	**2,806**	**+37.7%**	
Effect in Group net income of above restatements***	(604)	(1,685)		
Underlying Group net income	**4,468**	**4,491**	**-0.5%**	

* *Noneconomic items.*
** *Exceptional items.*
*** *Including the effect of changes in tax laws in France and the United States in 2017.*
(1) *Reflects the sum total of the following items in the financial statements: Personnel expenses + Other operating expenses + Amortisation, depreciation and impairment of tangible and intangible fixed assets.*

Cost of risk

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

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

		2018	2017
French Retail Banking	Net Cost of Risk	489	546
	Gross loan Outstanding	186,782	182,058
	Cost of risk in bp	**26**	**30**
International Retail Banking and Financial Services	Net Cost of Risk	404	366
	Gross loan Outstanding	134,306	125,948
	Cost of risk in bp	**30**	**29**
Global Banking and Investor Solutions	Net Cost of Risk	93	5
	Gross loan Outstanding	152,923	155,130
	Cost of risk in bp	**6**	**0**
Societe Generale Group	Net Cost of Risk	1,005	918
	Gross loan Outstanding	481,608	470,968
	Cost of risk in bp	**21**	**19**

The gross coverage ratio for doubtful outstanding

"Doubtful outstanding" are outstanding that are in default within the meaning of the regulations.

The gross doubtful outstanding ratio calculates the doubtful outstanding recognised in the balance sheet with respect to gross loan outstanding.

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

Net income/expense from other assets

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

Impairment losses on goodwill

Impairment losses on goodwill are booked by the Business Division to which the corresponding activity is attached.

Income tax

The Group's tax position is managed centrally.

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

ROE, ROTE

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

It excludes:

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

It deducts:

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

For the ROTE, the following are also excluded:

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

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

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

RONE

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

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

(In EUR m) **End of period**	**2018**	**2017**
Shareholders' equity Group share	**61,026**	**59,373**
Deeply subordinated notes	(9,330)	(8,520)
Undated subordinated notes	(278)	(269)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(14)	(165)
OCI excluding conversion reserves	(312)	(1,031)
Dividend provision	(1,764)	(1,762)
ROE equity end-of-period	49,328	47,626
Average ROE equity	48,138	48,087
Average Goodwill	(5,019)	(4,924)
Average Intangible Assets	(2,065)	(1,831)
Average ROTE equity	41,054	41,332
Group net Income (a)	**3,864**	**2,806**
Underlying Group net income (b)	**4,468**	**4,491**
Interest, net of tax on deeply subordinated notes and undated subordinated notes (c)	*(462)*	*(466)*
Cancellation of goodwill impairment (d)	*198*	*0*
Corrected Group net Income (e) = (a)+(c)+(d)	**3,600**	**2,340**
Corrected Underlying Group net Income (f)=(b)+(c)	**4,006**	**4,025**
Average ROTE equity (g)	**41,054**	**41,332**
ROTE [quarter: (4*e/g), 12M: (e/g)]	8.8%	5.7%
Average ROTE equity (underlying) (h)	**41,345**	**41,803**
Underlying ROTE [quarter: (4*f/h), 12M: (f/h)]	9.7%	9.6%

RONE CALCULATION: AVERAGE CAPITAL ALLOCATED TO CORE BUSINESSES (IN EUR M)

	2018	**2017**
French Retail Banking	11,201	11,027
International Retail Banking and Financial Services	11,390	11,137
Global Banking and Investor Solutions	15,424	14,996

Earnings per share

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

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

a) trading shares held by the Group; and

b) shares held under the liquidity contract.

The Group also reports its adjusted earnings per share, *i.e.* corrected for the impact of noneconomic items (revaluation of own financial liabilities) and DVA (Debit Valuation Adjustment), as well as its underlying earnings per share, *i.e.* also corrected for exceptional items and the IFRIC 21 adjustment.

Average number of shares (thousands)	2018	2017
Existing shares	**807,918**	**807,754**
Deductions		
Shares allocated to cover stock option plans and free shares awarded to staff	5,335	4,961
Other own shares and treasury shares	842	2,198
Number of shares used to calculate EPS**	**801,741**	**800,596**
Group net Income	**3,864**	**2,806**
Interest, net of tax on deeply subordinated notes and undated subordinated notes	(462)	(466)
Capital gain net of tax on partial buybacks	-	0
Adjusted Group net income	**3,402**	**2,340**
EPS (in EUR)	**4.24**	**2.92**
Underlying EPS* (in EUR)	**5.00**	**5.03**

* *Adjusted for non-economic items (for 2017) and exceptional items.*

** *The number of shares considered is the number of ordinary shares outstanding at 31st December 2018, excluding treasury shares and buybacks, but including the trading shares held by the Group.*

Net Asset, Net Tangible Asset Value

Net assets comprise Group shareholders' equity, excluding:

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

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

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

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

End of period	2018	2017
Shareholders' equity Group share	**61,026**	**59,373**
Deeply subordinated notes	(9,330)	(8,520)
Undated subordinated notes	(278)	(269)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(14)	(165)
Book value of own shares in trading portfolio	423	223
Net Asset Value	**51,827**	**50,642**
Goodwill	(4,860)	(5,154)
Intangible Asset	(2,224)	(1,940)
Net Tangible Asset Value	**44,743**	**43,548**
Number of shares used to calculate NAPS*	**801,942**	**801,067**
Net Asset Value per Share	**64.6**	**63.2**
Net Tangible Asset Value per Share	**55.8**	**54.4**

* *The number of shares considered is the number of ordinary shares outstanding at 31st December 2018, excluding treasury shares and buybacks, but including the trading shares held by the Group. In accordance with IAS33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transactions.*

Prudential capital and solvency ratios

The Societe Generale Group's Common Equity Tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules.

The fully-loaded solvency ratios are presented *pro forma* for current earnings, net of dividends, for the current financial year, unless specified otherwise.

When there is reference to phased-in ratios, these include the earnings for the current financial year, unless specified otherwise.

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

2.4 SIGNIFICANT NEW PRODUCTS OR SERVICES

Business Division		New product or service
French Retail Banking	**Apple Pay** (Societe Generale/Credit du Nord/Boursorama)	Provision of the Apple Pay free mobile payment solution for contactless in-store purchases using an iPhone or an Apple Watch. This service is available for debit card holders.
	iPad cash till solution for restaurateurs (March 2018, Societe Generale)	iPad cash till solution for restaurateurs: In partnership with Verifone (electronic payment terminal manufacturer), Societe Generale provides restaurateurs with an iPad cash till solution that automatically links to EPTs. The solution was developed with the aim of digitising their business (booking, inventory and order management) and complying with the anti-fraud Finance Act in force since January 2018.
	Enryption option for Company Cards (April 2018, Societe Generale)	Dynamic encryption for company cards (Gold and Classic) based on a cryptogram that changes every hour, thereby securing online purchases.
	NEW GSM/ALLIAGE GESTION PAGE (April 2018, Societe Generale)	NEW GSM/ALLIAGE GESTION PAGE on the website, mobile site and app, reserved for clients with a delegated portfolio management mandate, a service under which clients call on industry professionals to manage the assets comprising their securities portfolios or life insurance contract portfolios. Clients can go online to consult performances, asset allocation, portfolio management reports and investment strategy.
	Sobrio (April 2018, Societe Generale)	Bundled services including a payment card, “Mon Assurance au Quotidien” insurance, a monthly statement, overdraft/card limit warning notifications and exemption from account management fees. Sobrio also offers access to exclusive services (account and document agregation) and discounts.
	"Mon Compte en Bref" (Account highlights) (April 2018, Societe Generale)	Service including a weekly statement delivered by text, containing the account balance and current account activity as well as overdraft/card limit warning notifications.
	SG FORMULE EVOLUTION No. 6 and No. 7 (April and July 2018, Societe Generale)	SG FORMULE EVOLUTION No. 6 and No. 7 allow Societe Generale customers to invest in the European stock markets and help finance the real economy. Net invested capital is protected at maturity against a market decline of up to a 40%, and customers receive an annual coupon of 3% in the event of a market decline of up to -15%. Societe Generale has undertaken to match the amount of SG FORMULE EVOLUTION No. 6 and No. 7 subscriptions, during the entire holding period, with Positive Impact financial assets for SMEs on its balance sheet.
	SCI SOGEPIERRE (June 2018, Societe Generale)	SCI SOGEPIERRE. New real estate vehicle available under Sogecap life insurance and endowment contracts. Allows Societe Generale customers to diversify their savings by investing in a unit-linked vehicle invested in commercial and residential real estate, while tapping into real estate market upside potential.
	"Paylib entre amis" (Secure mobile payments among friends) (July 2018, Societe Generale)	A new service added to the Paylib package, allowing individuals to transfer funds to other individuals, within a limit of €500 and without exchanging IBANs between the sender and beneficiary. Only the beneficiary’s mobile number is required. This service is exclusively available via the SG app ("Appli").
	Remote medical consultation and hearing care network (September 2018, Societe Generale)	Customers can consult a GP or specialist online or by phone under the Supplementary Health Insurance package, in partership with MédecinDirect. Development of hearing care networks: partnership with Carte Blanche aimed at optimising costs and improving purchase prices for customers, providing customers with personalised assistance, and facilitating access to hearing aids and financial coverage.

Business Division		New product or service
French Retail Banking	**Selfcare cards** (July 2018, Societe Generale)	Selfcare service available allowing a client to independtly declare a trip abroad from the customer site, the App or the Mobile site, thereby limiting the risk the card being blocked during withdrawal and payment transactions.
	Savings diagnostic tool (September 2018, Societe Generale)	A new tool offering a structured "advisory" service designed to assist and guide customers over the long term, build a personalised savings strategy, and help establish then diversify their savings in accordance with their objectives.
	Insurance (October 2018, Societe Generale)	New insurance offer for corporates and non-profits, protecting the assets of CEOs and directors in the event that their personal liability is incurred.
	Forex simulator (Sogecash Net) (November 2018, Societe Generale)	New service: "Forex simulator". This service is available for all Sogecash Net customers. In just a few clicks, customers obtain the applicable exchange rate and an estimate of the EURequivalent amount of their international credit transfer orders.
	CGA AVENIR + (Launched January 2018, Societe Generale)	CGA AVENIR +: replacing CGA Avenir, CGA AVENIR + is a factoring solution, (cash disbursement of up to €200k), €25k CEO security deposit. Faster and easier interactive PDF.
	CEO liability insurance (November 2018, Societe Generale)	CEO liability insurance is a new policy designed to protect a CEO's personal assets in the event of an individual claim (mismanagement, failure to observe laws and regulations, failure to observe by-laws).
	Etoile Euro Actions 03/2024 (Marketing from 16 January to 2 March, Crédit du Nord)	Structured fund eligible for investment and diversification of PEAs (personal equity plans): performance indexed to the performance of the euro zone equity markets, offering capital protection against market declines, up to a certain level. Maximum investment period: six years.
	Etoile France Top 80 03/2028 (Marketing from 16 January to 16 March, Crédit du Nord)	Structured EMTN aimed at generating yield and diversifying life insurance vehicles: performance indexed to the performance of the French equity markets, offering capital protection against market declines, up to a certain leel. Maximum minvestment period: 10 years.
	Dynamic encryption card (April 2018, Crédit du Nord)	Dynamic encryption card: the cryptogram on the back of the card is a screen. The 3-digit code changes every hour to enhance the security of online purchases and combat fraud.
	Etoile Euro Actions 06/2024 (Marketing from 3rd April to 1st June, Crédit du Nord)	Structured fund eligible for investment and diversification of PEAs (personal equity plans): performance indexed to the performance of the euro zone equity markets, offering capital protection against market declines, up to a certain level. Maximum investment period: 6 years.
	FCPR 123Corporate (Marketing from 24th May to 13th September, Crédit du Nord)	Diversification vehicle for informed investors. 123Corporate is invested in French unlisted SMEs operating commercial properties in the accommodation industry (hotels, long-term healthcare facilities (*EHPAD*), retirement homes, pharmacies, etc.)
	"Notre offre de gestion financière" (CdN fund management range) (June 2018, Crédit du Nord)	"Notre offre de gestion financière" website: a new website showcasing Crédit du Nord Group's fund management offer, replacing the old SICAV/FCP website – New user interface and Responsive Web Design.
	FCPI InnovAlto and FIP ExtendAM Objectif France (Marketing from 25 September to 14 December, Crédit du Nord)	Diverification vehicles for informed investors. The funds are invested in European or French unlisted SMEs, and entitle their investors to an income tax reduction. Investment period: around 10 years.
	(Marketing 25 September 2018, Crédit du Nord)	Consumer loans taken out online via electronic signature, simplifying the credit approval process. Crédit du Nord customers can now sign their consumer loan agreement online in just a few minutes. A quick and easy solution that can be used remotely or face-to-face on the customer's personal device, and is available on the websites, mobile sites and apps of Crédit du Nord Group banks.

Business Division		New product or service
French Retail Banking	**SIMPLEBO partnership** (Announced in November 2018, Crédit du Nord)	Website without a payment platform established for professional customers.
	Espace Flux - Exalog white-label software (Marketing since end-2018, Crédit du Nord)	Espace Flux – Exalog white-label software: ■ customers can centralise all their bank accounts from our website; ■ they can receive, view and download bank statements for all accounts; ■ transactions and documents: transactions entered online (SEPA credit transfers, international credit transfers and SEPA direct debits), documents imported (SEPA, CFONB and ISO 20022 formats).
	Carapass (January 2018, Boursorama)	Carapass: customised auto insurance for occasionnal drivers (pay-as-you-drive, with mileage tracked using an installed device or telematics), developed in partnership with SG insurance
	Wicount (February 2018, Boursorama)	Wicount: budget coach offering a “Savings Diagnostic Analysis” (“Diagnostic épargne”): the coash analyses the breakdown of the customer’s financial assets (including savings with other banks) and gives tailored advice – based on the customer’s financial position and income – on how to optimise these savings.
	Google Home (June 2018, Boursorama)	Boursorama is the first bank in France to offer its customers the option of using Google Assistant for daily bank account management purposes. Boursorama customers can use voice commands to have Google Assistant check their account balance and recent transactions and make secure payments to third-party accounts.
	Electronic delivery of debit card pin codes (September 2018, Boursorama)	Debit card pin codes are no longer delivered to Boursorama Banque customers by mail. Instead, the codes are posted to their online account, making the process faster and more secure for the customer.
	Auto leasing (October 2018, Boursorama)	Boursorama launched the first full-online operational leasing offer for its customers (via Boursoshop), in partnership with ALD Automotive.
	Samsung Pay (November 2018, Boursorama)	Boursorama Banque is the first online bank in France to offer Samsung Pay to its customers, a fast, easy-to-use and secure way to pay for in-store purchases without having to use a physical debit card.
	Google Pay (December 2018, Boursorama)	Boursorama Banque expanded its range to include Google Pay in December 2018, becoming the first French bank to offer all three top global mobile payment solutions.
	Eco-responsible loans (December 2018, Boursorama)	Boursorama Banque now has a range of full-online eco-responsible loans, automatically eligible for a 5% reduction in the applicable lending rate (eco-responsible loans receive a 5% reduction in the APR in force), for the completion of projects with a positive impact on the environment (amounts ranging from €5,000 to €50,000, terms from 12 to 72 months).

Business Unit		New product or service
International Retail Banking and Financial Services	**AUKAPAY** (July 2018, KB – Czech Rep) (International Retail Banking)	In cooperation with AUKA, the Norwegian number one in mobile payments, a team of Komerční Banka experts from Payment Services, Marketing, and Information Technology is testing AUKAPAY. It is a pilot version of AUKA's payment application custom tailored for the Czech subsidiary's clientele. The application enables its users to pay each other simply based on contact, without knowing the number of the beneficiary's account. Payments to merchants for goods are equally convenient; you can even order your goods in advance, pay for them, and then collect them without waiting. The full version of the application from AUKA is capable of doing much more, including invoice payments, the up of standing orders, etc.
	VISA transactions control (June 2018, Hanseatic Bank – Germany) (International Retail Banking)	Visa and Hanseatic Bank have partnered up to give consumers better control over their spending. The updated version of the Hanseatic Bank app has integrated Visa Transaction Controls APIs for credit card transactions. With this innovative feature, customers can block or unblock their card themselves, as long as there is no suspected fraud or outstanding payment.
	Moja Banka (June 2018; OBSG – Macedonia) (International Retail Banking)	OBSG now presents its newest application, called Moja Banka – the "mobile bank", open to all clients of the bank who already use its e-bank services.
	Account aggregation (October 2018, BRD – Romania) (International Retail Banking)	BRD clients can now have access to their various banks accounts on one application (the BRD one).
	KAYAMB by BFC (July 2018, BFCOI – La Réunion) (International Retail Banking)	Multi-channel package dedicated to over 25-year-old people who need minimum banking services, want a low-cost offer, without overdraft or credit, and already use multi-channel or are willing to think about it.
	La Maison des PME (SME House) (November 2018, SGBS – Senegal) (International Retail Banking)	A multi-dimensional approach to support the needs of SME managers: Societe Generale brings together in a single space local and international players (ADPME, Réseau Entreprendre, AFD-Proparco, Investors & Partners, Bpifrance, the Bureau de Mise à Niveau (Upgrading Office) and APIX) to cooperate and remove the main obstacles to the creation and development of companies - by providing accounting, technical or legal expertise, advice, training, monitoring or awareness on environmental and social issues, and by studying financing solutions at all stages of the company's life cycle.
	Synoé (November 2018, Sogecap – France) (Financial Services to Corporates and Insurance)	Launch of a digital offer of investment advices, allowing a dynamic and reactive management of investments realized within life insurance contracts, from any devices (smartphone, tablet and computer).
	Offer for executives liabilities (November 2018, Sogessur – France) (Financial Services to Corporates and Insurance)	A complete coverage to help SME's executives to protect their own assets in case of any personal liabilities concurrent with a fault in the exercise of their responsibilities.
	Estate facility for beneficiary (July 2018, Sogecap – France) (Financial Services to Corporates and Insurance)	Beneficiaries, clients or not of Societe Generale, have access to a dedicated web site in order to follow the latest situation of their files, upload needed documents and to consult guides for the constitution of their file.
	Online subscription of credit life Insurance (September 2018, Societe Generale Insurance – Russia) (Financial Services to Corporates and Insurance)	Clients of Delta Credit can realized a subscription demand for a credit life insurance and filled an online medical questionnaire 24/7.
	ALD Switch (February 2018, ALD Automotive France) (Financial Services to Corporates and Insurance)	Combining flexibility and sustainability, ALD Switch is a modular leasing solution that lets clients benefit from an electric vehicle, but allows switching to a petrol/hybrid vehicle whenever necessary (up to 60 days per year).

Business Unit		New product or service
International Retail Banking and Financial Services	**Leasing Auto** (October 2018, ALD Automotive France) (Financial Services to Corporates and Insurance)	Boursorama launched a fully digital full service leasing offering for its clients in partnership with ALD Automotive. Available in the Boursoshop, via the "Leasing Auto avec Boursorama Banque" platform developed by ALD Automotive, Boursorama provides clients with a fully digital offering to subscribe and manage their contract for full services leasing.
	Update of MOI ALD web-portal of ALD (September 2018, ALD Automotive Russia) (Financial Services to Corporates and Insurance)	ALD Automotive updated design and functionality of MOI ALD web-portal: more convenient format of the reports, new sections with useful information.
	Apple PAY for Visa cardholders (December 2018, Rosbank) (International Retail Banking)	Rosbank Visa cardholders got the opportunity to use Apple Pay, an easy, secure and personal payment tool that makes complete changes in the sphere of mobile payments by offering speed and convenience.
	Automated investment service SmartInvest (October 2018, Rosbank) (Financial Services to Corporates and Insurance)	Rosbank and FinEx developed a joint automated investment service called SmartInvest. It will help to choose investment assets, to forecast the expected profitability and it will manage the whole investment portfolio. The service is available not only for Rosbank clients, but also for the private investors that are interested in smart investments of their savings.
	New digital service of POS-loans approval (October 2018, Rusfinance Bank) (International Retail Banking)	Rusfinance Bank presented new online lending opportunities: approval of POS loans based on a short online application posted on store websites. A new digital service reduces the time for processing a loan to buy goods to a few minutes.
Global Banking and Investor Solutions	**SGI Credit Compression Indices Europe/Global/North America** (January 2018, Global Markets)	SGI launched on January 2018 three Credit Compression Indices: a European, a Global and a North American version following the same methodology. These indices aim to capture the risk premium between High Yield and Investment Grade credit markets by taking long credit position in High Yield and short position in Investment Grade CDS replicated by indices.
	Lyxor ESG Trend Leader ETFs (February 2018, Lyxor)	The world's first broad ESG based ETFs that consider not only the current ESG scores, but whether the scores are improving or falling. Lyxor's range of 4 new ESG ETFs provide investors with access to the ESG leaders striving to stay ahead in their sector. Investors can choose from World, EMU, US or Emerging exposures.
	NAV Validation 2.0 One Click Anywhere Anytime (February 2018, Societe Generale Securities Services)	Digitalization of the relationship process with Asset managers to make their daily life easier. The new application allows Asset Managers to validate their fund's Net Asset Value (NAV) on a daily basis using their smartphone, tablet or PC, with three basic principles: in a single click + anywhere + anytime. The main benefits are the greater mobility & responsiveness for Asset Managers: the possibility to validate all SGSS clients' funds before cut off with a single click, without necessarily need to be at the office and the additional functionalities as performance graphics.
	Lyxor Core ETF range (March 2018, Lyxor)	Lyxor's new Core ETF range covers all the main equity and fixed income building blocks. With TERs from as little as 0.04%, Lyxor now provides Europe's lowest cost Core range. And to keep it simple for investors, we have used physical replication and do not use Securities Lending.

Business Unit		New product or service
Global Banking and Investor Solutions	**Charitable Structured Product** (April 2018, Private Banking)	In April 2018, Societe Generale Private Banking ("SGPB") launched the first structured product with a charitable component, Cristal Solidarité. Designed to meet clients' philanthropic appetite, the product subscription commits Societe Generale to donate to 3 associations. This donation relies on two mechanisms: (i) An initial gift at launching proportional on the nominal subscribed and (ii) A conditional gift at maturity depending on Equity Market performance. In Q2, Cristal Solidarité was subscribed over EUR 170m and SGPB launched in Q3 a new charitable autocall: Solidarys (in offer at the moment).
	SGI VRR US Index – Vol Roll on Rates Ticker: SGBVVRRU (April 2018, Global Markets)	SG launched the VRR US Index on April 2018 offering investors a positive systematic carry, a long position on USD rates volatility but rates neutral. The Index offers a combination of diversification features vs traditional and Risk Premia portfolios: a positive carry, a low correlation to traditional asset classes and Risk Premia in a normal regime, and a risk-off profile in stressed scenario. Such profile is achieved through a long 1y forward USD rates volatility trade position by buying 3 ATMf Straddles every week, unwound to cash in the convergence of forward volatility to spot volatility.
	New Cash Management Fund Lyxor Euro 6M (July 2018, Lyxor)	In an environment of low interest rates and normalisation of the ECB monetary policy, Lyxor has launched in July 2018 the Lyxor Euro 6M Fund (the "Fund"), a new cash management solution for treasurers and institutional investors. The Fund is an alternative to money market funds and relies on a short term, liquid fixed income strategy which predominantly invests in Euro-denominated sovereign debt and corporate bonds rated at least BBB-. It combines quantitative and qualitative strategies, incorporating both data crunching and fundamental analysis for decision making. Above all, Lyxor has developed a scientific approach to liquidity analysis that we believe give us better insights. Developed in partnership with Euroclear, our 'E-data liquidity' tool monitors the liquidity of more than 40,000 European bonds. We combine this liquidity information advantage with active management of credit and interest rate risk.
	EMTN immo CTO & EMTN immo ASV (July 2018, Private Banking)	Distribution of an EMTN Immobilier whose management company is a partner of Societe Generale Private Banking with BP1 and BP2 clients (natural and legal persons) for CTO subscriptions and for subscriptions via life insurance and capitalization contracts of all Private Banking partner insurers who referenced the product. The objective of EMTN Real Estate is a leverage effect (x2) on the real estate sector. This structured product with unsecured capital is a real innovation on the market and makes it possible to propose a real estate offer with a debt obligation.
	SGI Commodity Dynamic Alpha Index (September 2018, Global Markets)	The Index aims to replicate a long position using a smart roll methodology rebalancing daily via the SGI Commodity Dynamic Curve Carry Index (<SGCOCOC2>), and a short position in the Benchmark (Bloomberg Commodities Index). Each day, for each commodity, the Index observes the universe of available contracts (from the 1st nearby to the contract that expires less than 9 months from current day). The Index selects the contract with the highest potential carry: the highest roll-up & the lowest roll-down.

Business Unit		New product or service
Global Banking and Investor Solutions	**Automated drafting of portfolio management commentaries – Analytics & Reporting** (October 2018, Societe Generale Securities Services)	Addventa Fintech exclusive partnership for automated drafting of portfolio management commentaries based on artificial intelligence solutions. SGSS and the Fintech Addventa have signed an exclusive partnership to launch a service for automated drafting of portfolio management commentaries based on artificial intelligence solutions. Management companies, who are SGSS clients, will benefit from an automated and instant drafting of performance commentaries for their financial investment portfolios which cover a given time period, selected by the client, in different languages, in a clear and consistent style. This service relies on the performance and risk analysis reporting tool of SGSS, and also on Addventa's artificial intelligence solutions.
	SGI – Vol on Rates (October 2018, Global Markets)	Following the success of our VRR strategy, SG announced on October 2018 the extension of our Rates Long Vol range with new strategies based on Spot volatility: the SGI Vol on Rates (VR) Suite. The SGI VR strategies are a range of market access indices aiming to track the spot vol for a specific point of the vol surface. The first indices launched focus on the EUR 10y20y and USD 10y20y Spot Vol. They provide an efficient tool to express the view that rates volatility will pick up from its current historical lows, as can be expected from the end of the QE and the shift in the supply and demand dynamics (Formosa issuance collapse, return of MBS hedgers).
	SGI ESF Eurozone Selection ex Controversial Activities & Practices Index (October 2018, Global Markets)	SGI launched on October 2018 a new ESG index aiming to selects a basket of eurozone stocks excluding those with controversial activities or don't respect the UN SDG. An additional ESF filter is done according to the rating from Vigeo-Eiris based on 38 criteria.
	SGI Bond Carry G6 Index (November 2018, Global Markets)	The SGI Bond Carry G6 is aiming to provide exposure to a cross sectional duration neutral carry strategy. The strategy takes a long position on the 10-year bond futures with the highest carry (adjusted by their duration), and a short position on the ones with the lowest carry. The Strategy offers a unique combination of diversification features vs traditional and Risk Premia portfolios: ■ a persistent positive carry; ■ a minimal duration risk; ■ a low correlation to equity and Risk Premia.

2.5 ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

ASSETS

(in EUR bn)	31.12.2018	01.01.2018
Cash, due from central banks	96.6	114.4
Financial assets at fair value through profit or loss	365.6	369.1
Hedging derivatives	11.9	12.7
Financial assets at fair value through other comprehensive income	50.0	50.5
Securities at amortised cost	12.0	11.6
Due from banks at amortised cost	60.6	53.7
Customer loans at amortised cost	447.2	417.4
Revaluation differences on portfolios hedged against interest rate risk	0.3	0.7
Investments of insurance companies	146.8	147.6
Tax assets	5.8	6.3
Other assets	67.4	60.4
Non-current assets held for sale	13.5	-
Investments accounted for using the equity method	0.2	0.7
Tangible and intangible fixed assets	26.8	24.2
Goodwill	4.7	5.0
TOTAL	**1,309.4**	**1,274.2**

LIABILITIES

(in EUR bn)	31.12.2018	01.01.2018
Due to central banks	5.7	5.6
Financial liabilities at fair value through profit or loss*	363.1	368.6
Hedging derivatives	6.0	6.1
Due to banks	94.7	88.6
Customer deposits	416.8	410.6
Debt securities issued	116.3	103.2
Revaluation differences on portfolios hedged against interest rate risk	5.3	6.0
Tax liabilities	1.2	1.6
Other liabilities	76.6	69.1
Non-current liabilities held for sale	10.5	-
Insurance contract related liabilities	129.5	131.7
Provisions	4.6	6.3
Subordinated debt	13.3	13.6
Shareholder's equity	61.0	58.4
Non-controlling interests	4.8	4.5
TOTAL	**1,309.4**	**1,274.2**

The impacts of the first-time application of IFRS9 are presented in Note 1 of the notes to the consolidated financial statements in paragraph 4, “First-time application of IFRS9”.

2.5.1 MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

There are no major changes in the scope of consolidation at 31st December 2018, compared with the scope applicable at 31st December 2017.

2.5.2 CHANGES IN MAJOR CONSOLIDATED BALANCE SHEET ITEMS

Cash, due from central banks (EUR 96.6 billion at 31st December 2018) decreased by EUR 17.8 billion (-15.6%) compared to 1st January 2018.

Financial assets and liabilities at fair value through profit or loss, decreased by EUR 3.5 billion (-0.9%) and EUR 5.5 billion (-1.5%) respectively, compared to 1st January 2018.

The decrease in financial assets and liabilities at fair value through profit or loss is mainly attributable to the decline in market value of interest rate instruments, partially offset by the rise in our trading portfolio activities mainly related to securities purchased/sold under resale agreements and to shares and other equity instruments sold short.

Debt securities issued increased by EUR 13.1 billion (+12.7%) compared to 1st January 2018 mainly due to the growth of interbank certificates and negotiable debt instruments.

Customer loans, including securities purchased under resale agreements recognised at amortised cost, increased by EUR 29.8 billion (+7.1%) compared to 1st January 2018, mainly attributable to a rise in other customer loans (short-term, equipment, housing and export loans).

Customer deposits, including securities sold under repurchase agreements recognised at amortised cost, increased by EUR 6.2 billion (+1.5%) compared to 1st January 2018 mainly due to the increase in demand, deposits and current accounts partially offset by a decrease of term deposits.

Due from banks, including securities purchased under resale agreements recognised at amortised cost, increased by EUR 7.0 billion (+13.1%) relative to 1st January 2018, explained by the growth of deposits, loans and current accounts.

Due to banks, including securities sold under repurchase agreements recognised at amortised cost, increased by EUR 6.1 billion (+6.9%) compared to 1st January 2018 mainly due to the increase of term deposits and borrowings.

Other assets and liabilities, are increased by EUR 7.0 billion (+11.6%) and EUR 7.5 billion (+10.9%) respectively compared to 1st January 2018 due to a rise in guarantee deposits.

Non-current assets and liabilities held for sale, are increased by EUR 13.5 billion (+100.0%) and EUR 10.5 billion (+100.0%) respectively compared to 1st January 2018.

Group shareholders' equity amounted to EUR 61.0 billion at 31st December 2018 versus EUR 58.4 billion at 1st January 2018. This variation was attributable primarily to the following items:

- Net income group share for the financial year at 31st December 2018: EUR +3.9 billion;
- Dividend payment: EUR -2.1 billion;
- Issue of two deeply subordinated notes in USD: EUR +2.1 billion;
- Refund of two deeply subordinated notes in GBP and in USD: EUR -1.6 billion;

After taking into account non-controlling interests (EUR 4.8 billion), Group shareholders' equity came to EUR 65.8 billion at 31st December 2018.

2.6 FINANCIAL POLICY

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

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

2.6.1 GROUP SHAREHOLDERS' EQUITY

Group shareholders' equity totalled EUR 61.0 billion at 31st December 2018. Net asset value per share was EUR 64.63 and net tangible asset value per share was EUR 55.79 using the new methodology disclosed in Chapter 2 of this Registration Document, on page 45. Book capital includes EUR 9.3 billion in deeply subordinated notes and EUR 0.3 billion in perpetual subordinated notes.

At 31st December 2018, Societe Generale possessed, directly or indirectly, 6.1 million Societe Generale shares, representing 0.76% of the capital (excluding shares held for trading purposes). In 2018, the Group acquired 3.2 million Societe Generale shares under the liquidity contract concluded on 22nd August 2011 with an external investment services provider. Over this period, Societe Generale also transferred 3.1 million Societe Generale shares *via* the liquidity contract.

The information concerning the Group's capital and shareholding structure is available in Chapter 7 of this Registration Document, page 535 and following.

2.6.2 SOLVENCY RATIOS

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

Moreover, the Group ensures that its Total Capital Ratio (Common Equity Tier 1 + hybrid securities recognised in additional Tier 1 and Tier 2) offers a sufficient safety buffer for unsecured senior lenders, in particular with a view to implementing resolution rules.

The Common Equity Tier 1 ratio stood at 10.9%[(1)] at 31st December 2018, versus 11.4% at 31st December 2017. At 31st December 2018, the Group's phased-in Common Equity Tier 1 ratio amounted to 11.0% compared to 11.6% at end-December 2017.

The leverage ratio, calculated according to the CRR/CRD4 rules integrating the Delegated Act of October 2014, reached 4.2% as at 31st December 2018. It was thus in line with the projected progression, under which a target ratio level of 4-4.5% had been set.

The Tier 1 ratio is 13.4% and the Total Capital Ratio amounted to 16.5% at end-2018, above the regulatory requirements.

The projected TLAC (Total Loss-Absorbing Capacity) RWA was 22.6% and the TLAC leverage ratio was 7% at end-2018. The Group plans to comply with the future TLAC regulatory requirements (TLAC RWA of 19.5% and TLAC leverage ratio of 6% from 1st January 2019), thanks in particular to the issuance of non-preferred senior instruments.

French Act No. 2016-1691 of 9th December 2016, published in the French Official Journal (Journal Officiel) issue 0287 of 10th December 2016, modified the creditor hierarchy that applies in cases of compulsory liquidation of French credit institutions, by introducing a new category of debt securities intended to cover liquidation losses, positioned after subordinated instruments and before preferred debt instruments. Contracts for issues falling into this new category will have to include a specific indication of this ranking in the creditors' hierarchy. The new category allows for the issuance of TLAC and MREL eligible securities.

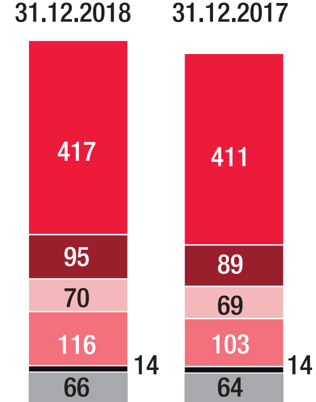
Further details on the regulatory framework governing TLAC and MREL are provided in Chapter 4.1, "Risk factors".

Detailed information on capital management, together with the regulatory framework, is provided in Chapter 4 of this Registration Document, pages 178 and following.

(1) 11.2% with the effect of the option of a dividend payment in shares subject to approval by the Combined General Meeting on May 21st, 2019, taking into account the assumption of a 50% subscription rate for the dividend in shares.

2.6.3 GROUP DEBT POLICY[(1)]

FUNDING STRUCTURE



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

The Group's funding structure is broken down as follows:

- total equity including undated subordinated notes (representing EUR 9.7 billion as of 31st December 2018 and EUR 8.9 billion as of 31st December 2017);
- debt securities issued by the Group, of which:
  - dated subordinated debt (EUR 13.7 billion at end-2018 and EUR 14.1 billion at end-2017),
  - long-term vanilla senior non-preferred debt (EUR 13.4 billion at end-2018 and EUR 6.6 billion at end-2017),
  - long-term vanilla senior preferred debt (EUR 27.9 billion at end-2018 and EUR 26.1 billion at end-2017),
  - covered bonds issued through the following vehicles: SGSCF (EUR 5.7 billion at end-2018 and EUR 7.1 billion at end-2017); SGSFH (EUR 13.3 billion at end-2018 and EUR 10.3 billion at end-2017); and CRH (EUR 5.9 billion at end-2018 and EUR 6.0 billion at end-2017),
  - securitisations and other secured debt issues (EUR 3.1 billion at end-2018 and EUR 3.5 billion at end-2017),
  - conduits (EUR 10.6 billion at end-2018 and EUR 9.5 billion at end-2017),
  - financial liabilities reported at fair value through P&L, including debt securities issued reported in the trading book, and debt securities issued measured using the fair value option through P&L;
- amounts due to customers, in particular deposits.

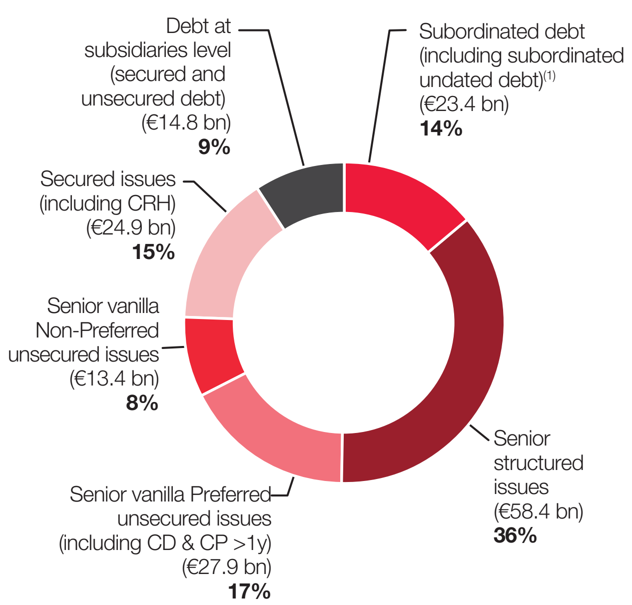
(1) Additional information about the Group liquidity risk management is available in Chapter 4 of this Registration Document, on pages 232 and following, and in Note 7.4 to the consolidated financial statements on page 510.

These resources also include funding via securities lending/borrowing transactions and securities sold under repurchase agreements measured at fair value through P&L totalling EUR 150.2 billion at 31st December 2018, versus EUR 140.6 billion at 31st December 2017 (see Note 3.1 of the consolidated financial statements), which are not included in this graph. **The Societe Generale Group's debt policy** is designed not only to ensure financing for the growth of the businesses' commercial activities and debt renewal, but also to maintain repayment schedules that are compatible with the Group's ability to access the market and its future growth.

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

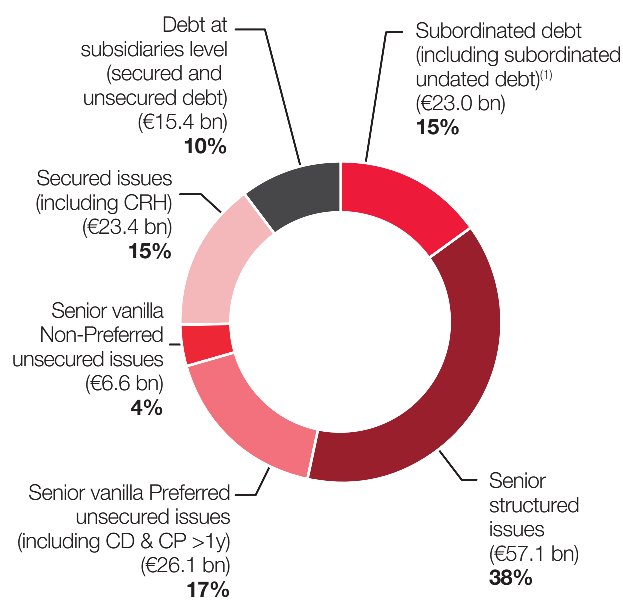
- firstly, maintaining an active policy of diversifying the Societe Generale Group's sources of refinancing in order to guarantee its stability;
- secondly, adopting a Group refinancing structure that consistently matches the maturities of its assets and liabilities.

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



** Group short-term debt totalled EUR 46.4 billion as of 31st December 2018, of which EUR 10.6 billion issued by conduits.*
(1) Of which EUR 9.7 billion accounted as "other equity instruments" (see consolidated financial statements, changes in shareholders' equity).

GROUP LONG-TERM DEBT AT 31ST DECEMBER 2017: EUR 151.5 BN*



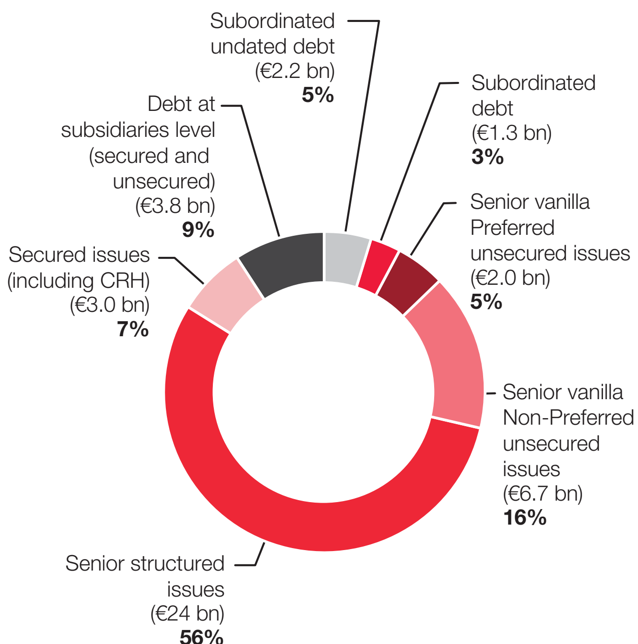
** Group short-term debt totalled EUR 43.6 billion as of 31st December 2017, of which EUR 9.5 billion issued by conduits.*
(1) Of which EUR 8.9 billion accounted as "other equity instruments" (see consolidated financial statements, changes in shareholders' equity)

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

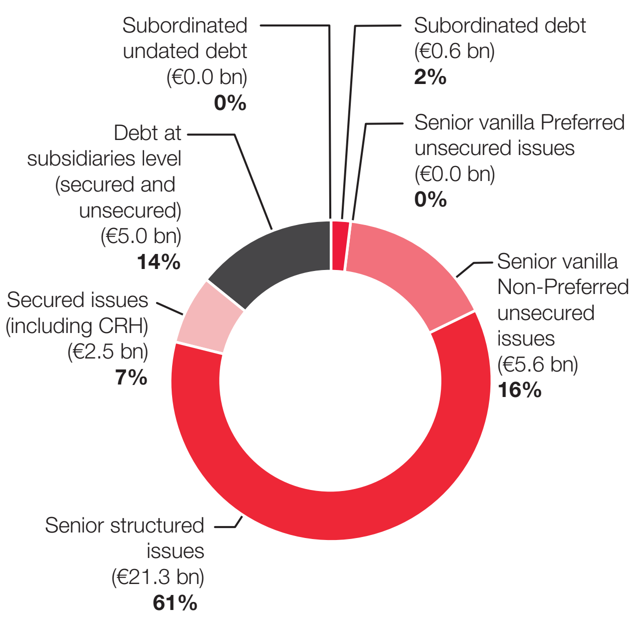
At end-2018, the liquidity raised under the 2018 financing programme amounted to EUR 43.0 billion in senior and subordinated debt. The liquidity raised at the parent company level amounted to EUR 39.2 billion at 31st December 2018.

Refinancing sources broke down as EUR 6.7 billion in senior vanilla non-preferred unsecured issues, EUR 2.0 billion in senior vanilla preferred unsecured issues, EUR 24.0 billion in senior structured issues, EUR 3.0 billion in secured issues (SG SFH), EUR 1.3 billion in subordinated Tier 2 debt and EUR 2.2 billion in subordinated undated debt. At the subsidiary level, EUR 3.8 billion had been raised at 31st December 2018.

2018 FINANCING PROGRAMME: EUR 43.0 BN



2017 FINANCING PROGRAMME: EUR 35.0 BN



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

The table below summarises Societe Generale's counterparty ratings and senior long-term and short-term ratings as at 31st December 2017:

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

Over the course of financial year 2018, Moody's upgraded the long-term senior preferred rating (to A1), in light of the improved protection of seniorpreferred debt within the capital structure. S&P changed to "Positive" the outlook on the long-term rating, reflecting higher loss-absorbing capacity.DBRS changed to "Positive" the outlook on the long-term rating in light of the reinforced Societe Generale's risk profile.

2.7 MAJOR INVESTMENTS AND DISPOSALS

The Group maintained a targeted acquisition and disposal policy in 2018, in line with its strategy focused on its core businesses and the management of scarce resources.

Business division	Description of investments
2018	
International Retail Banking and Financial Services	Acquisition of a stake by CGI in Reezocar, a French start-up specialising in the sale of used cars to private individuals.
International Retail Banking and Financial Services	Acquisition of Reflex (flexible rental of vehicles in Spain).
Global Banking and Investor Solutions	Acquisition of Lumo (pioneering renewable energy crowdfunding platform).
2017	
International Retail Banking and Financial Services	Acquisition of BBVA Autorenting (long-term vehicle rental in Spain) and Merrion Fleet (long-term vehicle rental in Ireland).
International Retail Banking and Financial Services	Acquisition of 50% and exclusive control of Antarius (Insurance).
2016	
International Retail Banking and Financial Services	Acquisition of the Parcours Group (long-term vehicle rental in France).
Global Banking and Investor Solutions	Acquisition of the Kleinwort Benson Group (private banking in the United Kingdom and Channel Islands).

Business division	Description of disposals
2018	
Corporate Centre	Disposal of the 2.05% stake in Euroclear.
2017	
International Retail Banking and Financial Services	Disposal of 20% of ALD at the time of the company's stock market listing.
International Retail Banking and Financial Services	Disposal of Splitska Banka in Croatia.
Global Banking and Investor Solutions	Disposal of the entire stake in Fortune (49%) in China.
French Retail Banking	Disposal of Onvista in Germany.
2016	
International Retail Banking and Financial Services	Disposal of 93.6% of Bank Republic in Georgia.
Corporate Centre	Disposal of the Group's stake in Visa Europe.
Corporate Centre	Disposal of the 8.6% stake in Axway.

2.8 PENDING ACQUISITIONS AND MAJOR CONTRACTS

2.8.1 FINANCING OF THE MAIN ONGOING INVESTMENTS

The investments currently underway will be financed using the Group's usual sources of funding.

2.8.2 PENDING ACQUISITIONS

On 3rd July 2018 the Group announced that it had entered into an agreement with Commerzbank with a view to acquiring its "Equity Capital Markets and Commodities" business. This agreement became final on 8th November 2018. The integration of the teams and the transfer of the trading books and associated balance sheet has begun and will take place over the course of 2019.

The Group announced on 1st March 2019 that an agreement has been signed with the Stern Group for the acquisition of Stern Lease by ALD in the Netherlands. The transaction will be finalised in the coming months.

2.8.3 ONGOING DISPOSALS

On 2nd August 2018 the Group announced that it had signed an agreement concerning the sale of its entire stake in SG Albania, in Albania, to the OTP Bank Group. This transaction is expected to be finalised after the waiver by the minority shareholders of SG Albania of their pre-emptive right and subject to completion of the necessary antitrust and regulatory authorisations.

On 5th November 2018 the Group announced that it had reached an agreement on the sale of its Polish retail banking subsidiary Euro Bank to Bank Millennium. The transaction is expected to be finalised during the first half of 2019, subject to authorisation from the competent banking and competition authorities.

On the same date, the Group announced that it had signed an agreement to sell Societe Generale Serbia to OTP Bank. The finalisation of the transaction is subject to authorisation from the National Bank of Serbia and competent competition authorities. It is expected in the coming months.

On 18th January 2019 the Group announced that it had signed an agreement for the sale to Absa of custody, depository and clearing activities carried out by Societe Generale in South Africa. The transaction is subject to the approval of the competent authorities and should be finalised in 2019.

On 6th February 2019 the Group also announced that it had reached an agreement for the sale of its majority stake in Mobiasbanka Societe Generale in Moldova to the OTP Bank Group. The transaction is expected to be finalized in the coming months, after authorisation from local banking, competition and market authorities.

The Group also reached an agreement on 27th February 2019 for the sale of its majority stake in Societe Generale Montenegro to the OTP Bank Group. This transaction is expected to be finalised in the coming months, following approval from the competent authorities.

Finally, on 28th February 2019 the Group signed an agreement for the disposal of its majority stake in Ohridska Banka Societe Generale in Macedonia to the Erste Group. The transaction is expected to be finalised in the coming months, following approval from the competent authorities.

2.9 PROPERTY AND EQUIPMENT

The gross book value of Societe Generale Group's tangible operating fixed assets amounted to EUR 37.8 billion at 31st December 2018. This figure comprises land and buildings (EUR 5.5 billion), assets leased by specialised financing companies (EUR 26.8 billion) and other tangible assets (EUR 5.5 billion). The gross book value of the Group's investment property amounted to EUR 0.04 billion at 31st December 2018.

The net book value of tangible operating assets and investment property amounted to EUR 24.5 billion, representing 1.9% of the consolidated balance sheet at 31st December 2018. Due to the nature of Societe Generale's activities, property and equipment are not material at Group level.

2.10 POST-CLOSING EVENTS

On 15th January 2019, the Group finalised the sale of the entire stake in SG Express Bank, in Bulgaria, to OTP.

On 14th February 2019, the Group finalised, via Boursorama, the sale of the Boursorama stake in Self Trade Bank S.AU., its Spanish subsidiary, to Warburg Pincus.

On 28th February 2019, the Group finalised the sale of its stake in SG Private Banking Belgique to ABN-AMRO.

Finally, on 1st March 2019, finalised the sale of its 35% stake in La Banque Postale Financement to La Banque Postale.

On 31st January 2019, the Group finalised the acquisition of Treezor, the pioneer platform of Bank-as-a Service in France.

2.11 INFORMATION ABOUT GEOGRAPHIC LOCATIONS AND ACTIVITIES AS AT DECEMBER 31, 2018

The article L.511-45 of the Monetary and Financial Code modified by Order No. 2014-158 of 20th February, 2014, require credit institutions to communicate information about the locations and activities of their entitites included in their consolidation scope, in each State or territory.

Societe Generale publishes below the information relative to staff and the financial information by countries or territories.

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

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subventions*
South Africa	94	15	5	(2)	0	(1)	-
Albania	420	28	8	(1)	(0)	(0)	-
Algeria	1,555	179	104	(26)	0	(13)	-
Germany	3,142	809	234	(58)	(17)	(23)	-
Australia	24	14	1	(2)	0	(0)	-
Austria	71	13	3	(1)	(0)	(1)	-
Belgium	470	116	37	(4)	(2)	(15)	-
Benin	258	20	(13)	(0)	1	(1)	-
Bermuda[(1)]	-	11	11	-	-	-	-
Brazil	349	72	21	(10)	7	(4)	-
Bulgaria	1,506	143	68	(5)	(2)	(12)	-
Burkina Faso	306	43	11	(2)	(1)	(1)	-
Cameroon	646	104	47	(17)	(1)	(2)	-
Canada	82	35	11	(4)	(0)	(1)	-
China	396	60	18	-	(2)	(7)	-
South Korea	114	145	85	(25)	(0)	(4)	-
Cote d'Ivoire	1,292	188	82	(15)	(3)	(7)	-
Croatia	42	7	4	(1)	0	(0)	-
Curacao[(2)]	-	0	0	(0)	-	-	-
Denmark	179	71	39	(9)	0	(5)	-
United Arab Emirates	39	5	(5)	-	-	(0)	-
Spain	799	279	144	(32)	(9)	(1)	-
Estonia	14	2	1	(0)	-	(0)	-
United States	2,627	1,356	288	4	43	(10)	-
Finland	104	49	33	(5)	(2)	-	-
France	57,639	11,678	694	(227)	(292)	(1,104)	-

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subventions*
Ghana	579	77	18	(9)	2	(2)	-
Gibraltar	42	13	0	-	0	(0)	-
Greece	42	6	3	(1)	(0)	(0)	-
Guernsey	163	50	2	-	-	-	-
Guinea	315	45	21	(8)	0	(1)	-
Equatorial Guinea	294	40	(8)	(5)	7	(0)	-
Hong Kong	1,140	760	410	(60)	0	(0)	-
Hungary	113	13	6	(2)	0	(0)	-
Isle of Man	-	-	-	-	-	-	-
Cayman Islands[3]	-	-	-	-	-	-	-
British Virgin Islands	-	-	-	-	-	-	-
India[4]	7,199	92	94	(40)	2	(14)	-
Ireland	179	70	49	(5)	(1)	(0)	-
Italy	2,127	730	256	(10)	(7)	(21)	-
Japan	277	195	56	(16)	6	(14)	-
Jersey	234	52	2	(1)	1	(5)	-
Latvia	16	3	1	0	(0)	(0)	-
Lebanon	-	-	18	-	-	-	-
Lithuania	14	3	2	(0)	0	(0)	-
Luxembourg	1,455	714	405	(45)	(7)	(29)	-
Macedonia	389	28	12	(1)	0	(1)	-
Madagascar	906	56	29	(6)	0	(1)	-
Malta	-	-	-	-	-	-	-
Morocco	3,982	470	178	(53)	(12)	(30)	-
Mauritius	-	(0)	(0)	-	-	-	-
Mexico	132	14	5	(2)	(0)	(1)	-
Moldova	734	38	22	(1)	0	(1)	-
Monaco	386	119	32	(13)	-	(0)	-
Montenegro	290	28	12	(1)	0	(3)	-
Norway	334	119	63	(17)	1	-	-
New Caledonia	305	78	36	(17)	1	(2)	-
Netherlands	213	95	56	(23)	0	(2)	-
Poland	2,950	241	41	(16)	(0)	(13)	-
French Polynesia	273	45	26	(14)	(1)	(1)	-
Portugal	109	18	9	(2)	0	-	-
Czech Republic	8,470	1,287	734	(119)	(17)	(67)	-
Romania	9,223	673	407	(61)	(5)	(12)	-
United Kingdom	3,646	1,660	494	(77)	(12)	(19)	-
Russian Federation	15,436	867	280	(46)	(16)	(30)	-
Senegal	970	99	29	(8)	2	(8)	-

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subventions*
Serbia	1,330	135	73	(11)	(1)	(6)	-
Singapore	240	156	38	(3)	0	(0)	-
Slovakia	94	26	18	(4)	1	(0)	-
Slovenia	871	124	73	(14)	0	(8)	-
Sweden	190	77	42	(15)	6	(1)	-
Switzerland	588	239	58	(16)	(3)	(2)	-
Taiwan	47	27	8	(2)	(0)	(2)	-
Chad	218	25	9	(1)	(3)	(1)	-
Thailand	4	2	0	(0)	-	-	-
Togo	39	6	(2)	(0)	(0)	(0)	-
Tunisia	1,352	117	54	(21)	(2)	(8)	-
Turkey	118	18	9	3	(19)	(1)	-
Ukraine	56	11	9	(4)	1	(0)	-
TOTAL	**140,250**	**25,205**	**6,117**	**(1,204)**	**(357)**	**(1,518)**	**-**

* ***Staff***: *Full-time equivalent (FTE) as at closing date. Staff members of entities accounted for by the equity method and removed during the year are excluded.*

NBI: *Net banking income by territorial contribution to the consolidated statement, in millions of euros, before elimination of intragroup reciprocal transactions. Net income from companies accounted for by the equity method is directly recorded in the earnings before tax, there is no contribution from them.*

Earning before tax: *Earning before tax by territorial contribution to the consolidation statement before elimination of intragroup reciprocal transactions.*

Corporate taxes: Such as presented in the consolidated statement in accordance with the IFRS standards and by distinguishing the current taxes of the deferred taxes.

Corporate taxes: *Such as presented in the consolidated statement in accordance with the IFRS standards and by distinguishing the current taxes of the deferred taxes.*

Other taxes *: Other taxes include among others payroll taxes, the C3S and CET taxes and local taxes. The data arise from the consolidated reporting and from management report.*

Public subsidies received: *Non-matching or non-refundable subsidies granted by a public entity on a one-off or renewable basis to complete a clearly defined project.*

(1) Income from the entity located in Bermuda is taxed in France.

(2) Income from the entity located in Curacao is taxed in France

(3) Income from entities located in Cayman Islands is taxed in the United States, United Kingdom and Japan.

(4) Most of the staff located in India is assigned to a shared services center, the re-invoicing income of which is recorded in general and administrative expenses and not in NBI.

3

CORPORATE GOVERNANCE

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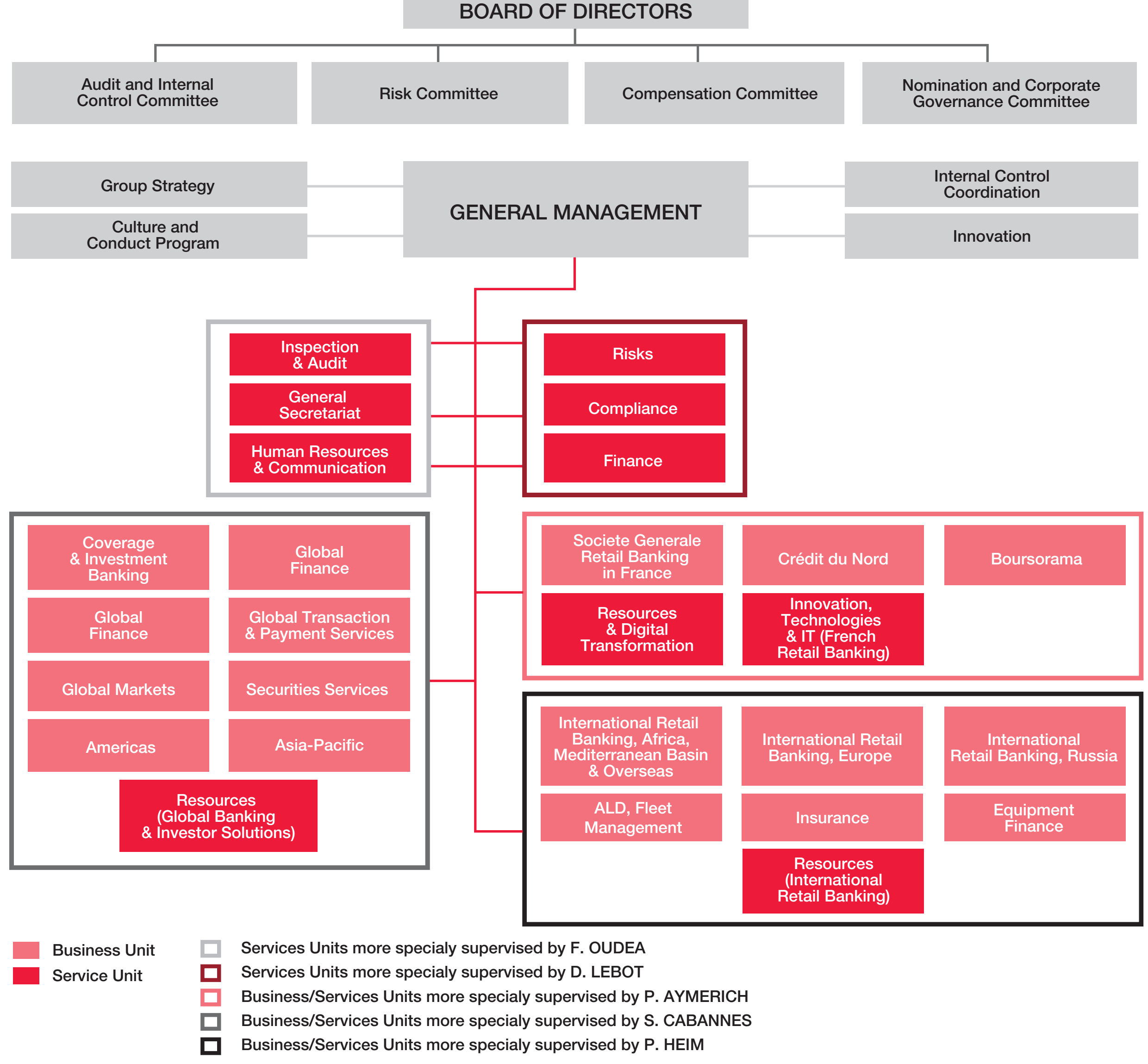
3.1 BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

3.1.1 GOVERNANCE

Presentation of the organisation

(AS AT 1st JANUARY 2019)



The composition of the Board of Directors is presented on pages 68 and following of this report on corporate governance. The internal rules of the Board of Directors, defining its powers, are provided in Chapter 7 of this Registration Document, on pages 547 and following. The Board's work is presented on pages 83 and 84.

The composition of the General Management and Management Committee is presented in the respective sections of this report (see pages 92 and 96).

The role of the Supervision Committees is described on page 95.

The Chairman and the different Board of Directors' Committees, their powers, along with their activity reports, are presented on pages 82 and following, in particular:

- role of the Chairman and the report on his activities, page 82;
- Audit and Internal Control Committee, page 86;
- Risk Committee, page 87;
- Compensation Committee, page 88;
- Nomination and Corporate Governance Committee, page 90.

Organisation of the governance

On 15th January 2015, the Board of Directors decided that the offices of Chairman and Chief Executive Officer would be separated following the General Meeting of 19th May 2015. At that date, Lorenzo Bini Smaghi became Chairman of the Board of Directors, and Frédéric Oudéa remained Chief Executive Officer. On 3rd May 2018, the Board of Directors decided to propose the renewal of the term of office of Frédéric Oudéa as Chief Executive Officer, for a further four-year term, at the time of the renewal of his term of office as Director in May 2019. Lorenzo Bini Smaghi was reappointed as Chairman of the Board of Directors on 23rd May 2018.

Frédéric Oudéa is assisted by four Deputy Chief Executive Officers.

Statement on the corporate governance regime

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

The operation of the Board of Directors and its Committees is governed by internal rules (hereinafter the "Internal Rules"), updated on 1st August 2018. The Internal Rules and the Company's By-laws are included in the Registration Document (see Chapter 7).

3.1.2 BOARD OF DIREGICTORS

(AS AT 1ST JANUARY 2019)

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

>90%
Proportion of independent Directors

42.9%
Representation of women(1)

8
Number of nationalities(2)

57.5 years
Average age

5 years
Average duration of presence to the Board

13
Number of meetings in 2018

93%
Average attendance in 2018

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

As at 1st January 2019, the Board of Directors comprised twelve Directors appointed by the General Meeting and two Directors representing the employees. A representative of the Social and Economic Committee attends meetings of the Board of Directors, without voting rights.

The duration of the term of office of Directors appointed by the General Meeting is four years. The expiry of these terms of office is staggered, enabling the renewal or appointment of between two and five Directors every year. Ana-Maria Llopis Rivas, whose term of office was to expire in 2019, requested that her term of office be ended during the 2018 General Meeting for personal reasons.

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

Ten Directors are members of one or several Board of Directors' Committees.

Presentation of the Board of Directors

COMPOSITION OF THE BOARD OF DIRECTORS

Directors	Gender	Age(1)	Nationality	Initial year of appointment	End of term of office (GM)	Number of years on the Board(2)	Independent Director	Member of a Board Committee	Number of terms of offices held in listed companies	Number of shares
Lorenzo BINI SMAGHI Chairman of the Board of Directors	M	62	Italian	2014	2022	5	Yes	-	2	2,000
Frédéric OUDÉA Chief Executive Officer	M	55	French	2009	2019	10	No	-	2	177,314 2,185(7)
William CONNELLY	M	60	French	2017	2021	2	Yes	CR(3) CONOM(4)	2	2,000
Jérôme CONTAMINE	M	61	French	2018	2022	1	Yes	CACI(5)	1	1,000
Diane CÔTÉ	F	55	Canadian	2018	2022	1	Yes	CACI(5)	1	1,000
Kyra HAZOU	F	62	British/ American	2011	2019	8	Yes	CACI(5) CR(3)	1	1,000
France HOUSSAYE(8)	F	51	French	2009	2021	10	No	COREM(6)	1	
David LEROUX(8)	M	40	French	2018	2021	1	No	-	1	
Jean-Bernard LÉVY	M	63	French	2009	2021	10	Yes	Chairman of the COREM(6) CONOM(4)	3	1,000
Gérard MESTRALLET	M	69	French	2015	2019	4	Yes	Chairman of the CONOM(4) COREM(6)	1	1,200
Juan Maria NIN GENOVA	M	65	Spanish	2016	2020	3	Yes	CR(3) COREM(6)	1	1,500
Nathalie RACHOU	F	61	French	2008	2020	11	Yes	Chairman of the CR(3) CONOM(4)	3	2,048
Lubomira ROCHET	F	41	French/ Bulgarian	2017	2021	2	Yes	-	1	600
Alexandra SCHAAPVELD	F	60	Dutch	2013	2021	6	Yes	Chairman of the CACI(5) CR(3)	3	1,000

(1) Age as at 1st January 2019.
(2) As at the date of the next General Meeting, to be held on 21st May 2019.
(3) Risk Committee.
(4) Nomination and Corporate Governance Committee.
(5) Audit and Internal Control Committee.
(6) Compensation Committee.
(7) Through "Societe Generale Actionnariat (Fonds E)".
(8) Directors representing the employees.

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

Directors	GM 2019	GM 2020	GM 2021	GM 2022
Lorenzo BINI SMAGHI				x
Frédéric OUDÉA	x			
William CONNELLY			x	
Jérôme CONTAMINE				x
Diane CÔTÉ				x
Kyra HAZOU	x			
Jean-Bernard LÉVY			x	
Gérard MESTRALLET	x			
Juan Maria NIN GENOVA		x		
Nathalie RACHOU		x		
Lubomira ROCHET			x	
Alexandra SCHAAPVELD			x	

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

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2018

Board of Directors

Directors	Departure	Appointment	Renewal
Lorenzo BINI SMAGHI			23rd May 2018
Robert CASTAIGNE	23rd May 2018		
Jérôme CONTAMINE		23rd May 2018	
Diane CÔTÉ		23rd May 2018	
France HOUSSAYE			23rd May 2018
Béatrice LEPAGNOL	23rd May 2018		
David LEROUX		23rd May 2018	
Ana-Maria LLOPIS RIVAS	23rd May 2018		

Audit and Internal Control Committee

Directors	Departure	Appointment
Robert CASTAIGNE	23rd May 2018	
Jérôme CONTAMINE		24th May 2018
Diane CÔTÉ		24th May 2018
Nathalie RACHOU	23rd May 2018	

Nomination and Corporate Governance Committee

Directors	Departure	Appointment
Robert CASTAIGNE	23rd May 2018	
William CONNELLY		24th May 2018
Ana-Maria LLOPIS RIVAS	23rd May 2018	
Nathalie RACHOU		24th May 2018

Compensation Committee

Directors	Renewal
France HOUSSAYE	24th May 2018

The composition of the Risk Committee and the Compensation Committee is unchanged.

DIVERSITY AND COMPLEMENTARITY OF THE BOARD COMPOSITION

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

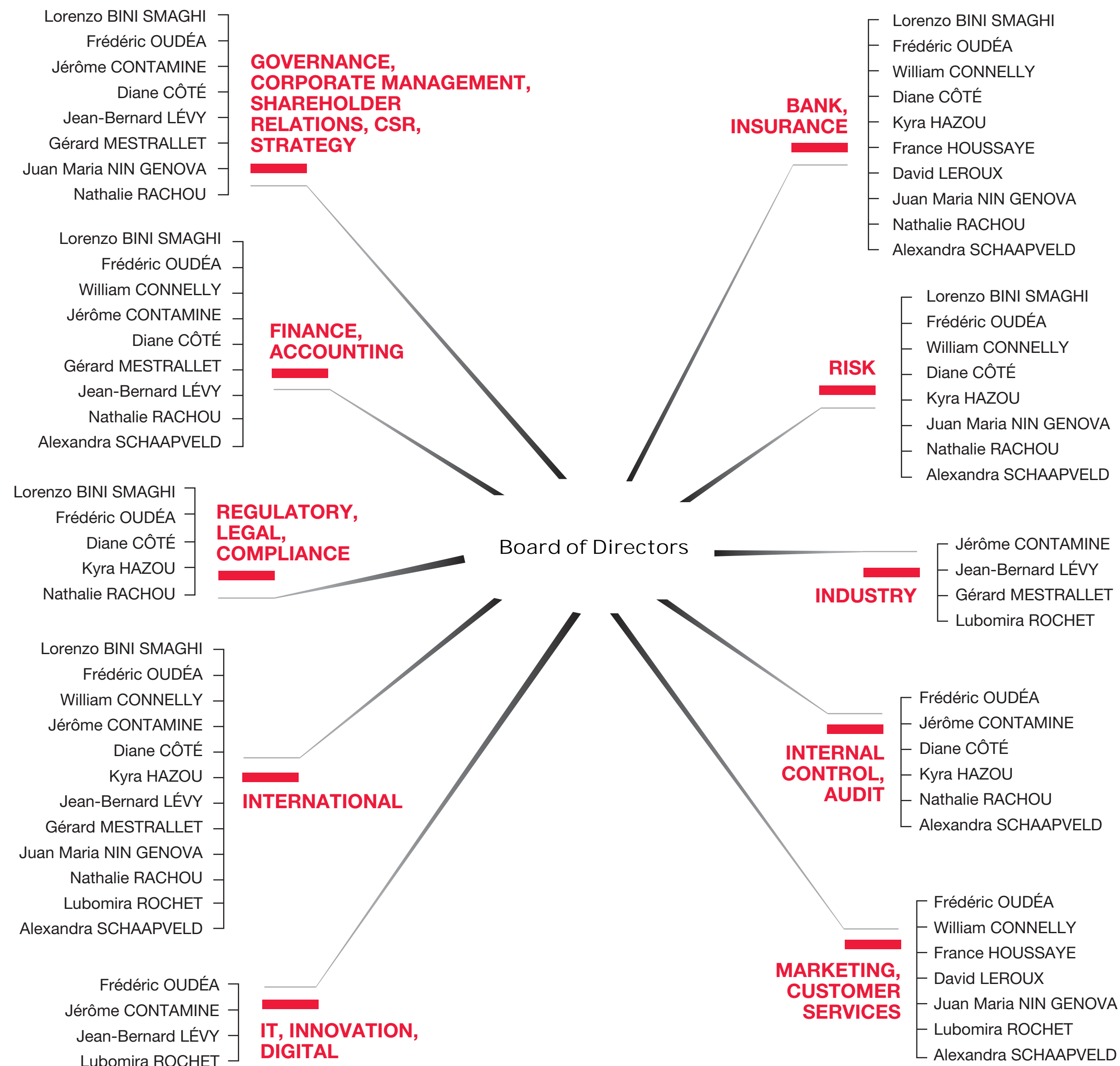
Experienced and complementary Directors

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

Directors' expertise

The table below summarises the Directors' main areas of expertise and experience. Their biographies can be found in this report, pages 74 to 81.

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



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

As at 1st January 2019, the Board of Directors comprised six women and eight men, i.e. 42.9% women or 41.6% if the two Directors representing the employees are excluded from the calculation, in accordance with the provisions of the law dated 27th January 2011.

The Board of Directors ensures a balanced representation of men and women among the twelve members appointed by the General Meeting of Shareholders. In 2018, one man and one woman were appointed to the Board of Directors by the General Meeting.

It also ensures a balanced representation of men and women both for the chairmanship of the Committees and for their composition. As of 1st January 2019, two out of four Committees are chaired by women and each Committee has at least one person of a different gender.

Age and seniority of the Directors

The average age of Directors is 57.5 years:

- two Directors are less than 50 years old;
- three Directors are between 50 and 60 years old;
- seven Directors are between 60 and 65 years old;
- two Directors are between 65 and 70 years old.

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

The average seniority of the Board of Directors will be of five years at the date of the next General Meeting. This duration compares with a duration for the board member terms of office of four years and the Board of Directors' practice to factor in the independence aspect (not to be a board member for over 12 years).

Composition suited to the Group's international dimension

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

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

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

OVER 90% OF INDEPENDENT DIRECTORS

In accordance with the AFEP-MEDEF Code, and based on the report of its Nomination and Corporate Governance Committee, the Board of Directors conducted an examination of the situation of each of its members as at 1st January 2019 in view of the independence criteria defined in the aforementioned report.

It checked the status of the business relationships existing between the Directors or the companies they manage and Societe Generale or its subsidiaries. This concerns both client and supplier relationships.

In particular, it examined the banking and advisory relations between the Group and the companies in which its Directors are also executive officers, in order to assess whether these relations were of such significance and nature as to possibly affect the Directors' independence of judgement. This analysis is based on a multi-criteria review integrating several parameters (the company's overall debt and liquidity, the ratio of bank debt to overall debt, the amount of Societe Generale's commitments and the significance of these commitments compared to the total bank debt, advisory offices held, and other commercial relations).

This examination was conducted in particular with respect to Jean-Bernard Lévy, Chairman and Chief Executive Officer of EDF, Gérard Mestrallet, Chairman of SUEZ, William Connelly, Chairman of the Supervisory Board of Aegon N.V. and Lorenzo Bini Smaghi, Chairman of Italgas.

In the four cases, the Committee observed that the economic, financial and other relations between the Directors, the groups they manage or chair and Societe Generale were not of such a nature as to alter the examination as to their independence conducted in early 2018. Societe Generale's role in financing the debt of their groups appeared to be compatible with the Committee's assessment criteria (less than 5%). They are therefore considered independent.

Following these analyses, only three Directors are considered not independent: Frédéric Oudéa and the two Directors representing the employees.

As at 1st January 2019, 11 out of 14 Directors were independent, i.e. 91.6% of the members of the Board of Directors, using the AFEP-MEDEF Code's calculation rule that excludes employee representatives.

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

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

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

NB. ✓ represents a satisfied independence criterion and × represents an unmet independence criterion.

(1) The Chairman receives neither variable compensation, nor attendance fees, nor securities, nor any compensation contingent on the performance of Societe Generale or the Group.

(2) In a company that the company consolidates, the parent company of the company or a company consolidated by that parent company.

DILIGENT DIRECTORS

In 2018, Lorenzo Bini Smaghi chaired all Board of Directors meetings.

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

- 93% for the Board of Directors (94% in 2017);
- 90% for the Audit and Internal Control Committee (CACI) (93% in 2017);
- 98% for the Risk Committee (CR) (96% in 2017);
- 82% for the Nomination and Corporate Governance Committee (CONOM) (86% in 2017) and;
- 97% for the Compensation Committee (COREM) (96% in 2017).

	Board of Directors		CACI		CR		CONOM		COREM	
Attendance in 2018	**Number of meetings**	**Attendance rate**	**Number of meetings**	**Attendance rate**	**Number of meetings**	**Attendance rate**	**Number of meetings**	**Attendance rate**	**Number of meetings**	**Attendance rate**
Lorenzo BINI SMAGHI	13	100%								
Frédéric OUDÉA	13	100%								
Robert CASTAIGNE[1]	6	86%	3	50%			5	100%		
William CONNELLY[2]	13	100%			9	90%	2	100%		
Jérôme CONTAMINE[3]	6	100%	4	100%						
Diane CÔTÉ[3]	5	83%	4	100%						
Kyra HAZOU	13	100%	10	100%	10	100%				
France HOUSSAYE	13	100%							8	100%
Béatrice LEPAGNOL[1]	7	100%								
David LEROUX[4]	6	100%								
Jean-Bernard LÉVY	12	92%					7	100%	8	100%
Ana-Maria LLOPIS RIVAS[1]	2	29%					0	0%		
Gérard MESTRALLET	12	92%					7	100%	8	100%
Juan Maria NIN GENOVA	13	100%			10	100%			7	88%
Nathalie RACHOU[5]	13	100%	6	100%	10	100%	2	100%		
Lubomira ROCHET	10	77%								
Alexandra SCHAAPVELD	12	92%	9	90%	10	100%				
Number of meetings held in 2018	13		10		10		7		8	
Average attendance rate (%)	**93%**		**90%**		**98%**		**82%**		**97%**	

(1) Until 23rd May 2018.

(2) Member of CONOM as from 24th May 2018.

(3) As from 23rd May 2018 and member of CACI as from 24th May 2018.

(4) As from 23rd May 2018.

(5) Member of CACI until 23rd May 2018 and member of CONOM as from 24th May 2018.

DIRECTORS BOUND BY STRINGENT ETHICS RULES

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

The regulations relating to insider trading

EXTRACT FROM ARTICLE 4 OF THE INTERNAL RULES:

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

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

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

The management of conflict of interest

ARTICLE 14 OF THE INTERNAL RULES:

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

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

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

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

14.5 Each Director shall make a sworn statement as to the existence or otherwise of the situations referred to in 14.1 and 14.3: i) upon taking up his/her office, ii) each year in response to the request made by the Secretary of the Board of Directors upon the preparation of the Registration Document, iii) at any time if the Secretary of the Board of Directors requests it and iv) within 10 working days following the occurrence of any event that renders the previous statement made by him/her in whole or in part inaccurate.

In 2018, no conflict of interest situation was reported to the Board of Directors.

DIRECTORS REQUIRED TO HOLD A SIGNIFICANT NUMBER OF SOCIETE GENERALE SHARES

Directors appointed by the General Meeting must hold a minimum of 600 shares after six months of office and 1,000 shares after one year, in accordance with the provisions of Article 16 of the Internal Rules. As at 31st December 2018, all Directors comply with these rules. The Chairman of the Board of Directors holds 2,000 Societe Generale shares. Each Director shall refrain from hedging his/her shares.

The Chief Executive Officers are bound by specific obligations (see p. 134 – Societe Generale share ownership and holding obligations).

Presentation of the Board of Directors' members

Date of birth:
29th November 1956
Nationality: Italian
Year of first appointment: 2014
Term of office expires in: 2022
Holds 2,000 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Lorenzo BINI SMAGHI

Chairman of the Board of Directors
Independent Director

Biography

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

Other offices held currently

In foreign listed companies

- *Chairman of the Board of Directors*:
  Italgas (Italy) (since 2016).

In foreign unlisted companies

- *Director*:
  TAGES Holding (Italy) (since 2014).

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

- *Chairman of the Board of Directors*:
  SNAM (Italy) (from 2012 to 2016),
  ChiantiBanca (Italy) (from 2016 to 2017).
- *Director*:
  Morgan Stanley (United Kingdom)
  (from 2013 to 2014).

Date of birth:
3rd July 1963
Nationality: French
Year of first appointment: 2009
Term of office expires in: 2019
Holds: 177,314 shares
2,185 shares through Société Générale Actionnariat (Fonds E)
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Frédéric OUDÉA

Chief Executive Officer

Biography

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

Other offices held currently

In French listed companies

- *Director*:
  Capgemini (since May 2018).

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

None.

Date of birth:
3rd February 1958
Nationality: French
Year of first appointment: 2017
Term of office expires in: 2021
Holds 2,000 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

William CONNELLY

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

Biography

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

Other offices held currently

In foreign listed companies

- *Chairman of the Supervisory Board*:
  Aegon N.V. (Netherlands) (since May 2017).

In foreign non-listed companies

- *Director:*
  Self Bank (Spain) since 14th February 2017).

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

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

Date of birth:
23rd November 1957
Nationality: French
Year of first appointment: 2018
Term of office expires in: 2022
Holds 1,000 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Jérôme CONTAMINE

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

Biography

Graduated of the *École polytechnique*, of *ENSAE* and the *École nationale d'administration*. After 4 years as an auditor of the *Cour des Comptes*, he performed various functions for Total. From 2000 to 2009, Chief Financial Officer of Veolia Environnement. Director of Valeo from 2006 to 2017. From 2009 to 2018, Chief Financial Officer of Sanofi.

Other offices held currently

None.

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

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

** Sanofi Group*

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

Diane CÔTÉ

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

Biography

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

Other offices held currently

None.

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

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

Date of birth:
13th December 1956
Nationality: American/British
Year of first appointment: 2011
Term of office expires in: 2019
Holds 1,000 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Kyra HAZOU

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

Biography

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

Other offices held currently

None.

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

None.

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

Jean-Bernard LÉVY

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

Biography

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

Other offices held currently

In French listed companies:

- *Chairman and Chief Executive Officer*: EDF* (since 2014).

In French unlisted companies:

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

In foreign listed companies:

- *Chairman of the Board of Directors*: Edison S.p.A* (Italy) (since 2014).

In foreign unlisted companies:

- *Director*: EDF Energy Holdings* (United Kingdom) (since 2017).

** EDF Group*

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

- *Chairman and Chief Executive Officer*: Thalès (from 2012 to 2014).
- *Chairman of the Supervisory Board*: Viroxis (from 2007 to 2014).
- *Chairman of the Board of Directors*: JBL Consulting & Investment SAS (from 2012 to 2014), EDF Energy Holdings* (United Kingdom) (from 2015 to 2017).
- *Director*: Vinci (from 2007 to 2015), DCNS (from 2013 to 2014).

Date of birth:
1st April 1949
Nationality: French
Year of first appointment: 2015
Term of office expires in: 2019
Holds 1,200 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Gérard MESTRALLET

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

Biography

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

Other offices held currently

In French listed companies:
- *Chairman of the Board of Directors*: SUEZ* (since 2008 and until May 2019).

In foreign listed companies:
- *Director:*

Saudi Electricity (Saudi Arabia) (since January 2018).

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

- *Chairman of the Board of Directors*: ENGIE* (from 2016 to May 2018).
- *Chairman of the Board of Directors and Chief Executive Officer*: ENGIE* (from 2008 to 2016).
- *Chairman of the Board of Directors*: Electrabel* (Belgium) (from 2010 to 2016), ENGIE Energy Management Trading* (Belgium) (from 2010 to 2016), ENGIE *Énergie Services** (from 2005 to 2016), GDF SUEZ *Rassembleurs d'Énergies* S.A.S* (from 2011 to 2014), GDF SUEZ Belgium* (Belgium) (from 2010 to 2014).
- *Vice-Chairman of the Board of Directors*: Aguas de Barcelona (Spain) (from 2010 to 2015).
- *Director*: International Power* (United Kingdom) (from 2011 to 2016), Saint-Gobain (from 1995 to 2015), Pargesa Holding SA (Switzerland) (from 1998 to 2014).
- *Member of the Supervisory Board*: Siemens AG (Germany) (from 2013 to January 2018).

** ENGIE Group*

Date of birth:
10th March 1953
Nationality: Spanish
Year of first appointment: 2016
Term of office expires in: 2020
Holds 1,500 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Juan Maria NIN GENOVA

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

Biography

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

Other offices held currently

In foreign unlisted companies:

- *Director*:
  Grupo de Empresas Azvi S.L.* (Spain) (since 2015), Azora Gestion* (Spain) (since October 2018), Azora Capital S.L.* (Spain) (since 2014).

** Grupo de Empresas Azvi, S.L*

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

- *Chairman of the Board of Directors*:
  VidaCaixa Assurances (Spain) (2014), SegurCaixa Holding SA (from 2007 to 2014).
- *Vice-Chairman of the Board of Directors* and *Deputy Advisor*:
  Caixabank SA (Spain) (from 2011 to 2014).
- *Member of the Supervisory Board*:
  ERSTE Group Bank AG (Austria) (from 2009 to 2014), Grupo Financiero Inbursa (Mexico) (from 2008 to 2014), Banco BPI (Portugal) (from 2008 to 2014).
- *Director*:
  DIA Group SA (Spain) (from 2015 to June 2018), Naturhouse (Spain) (from 2014 to 2016), Grupo Indukern* (Spain) (from 2014 to 2016), Gas Natural (Spain) (from 2008 to 2015), Repsol SA (Spain) (from 2007 to 2015).

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

Nathalie RACHOU

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

Biography

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

Other offices held currently

In French listed companies:

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

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

- *Director*:
  Laird PLC (United Kingdom) (since 2016).
- *Managing Director*:
  Topiary Finance (United Kingdom) (from 1999 to 2014).

Date of birth:
8th May 1977
Nationality: French/Bulgarian
Year of first appointment: 2017
Term of office expires in: 2021
Holds 600 shares
Professional address:
Tours Société Générale,
75886 Paris Cedex 18

Lubomira ROCHET

Chief Digital Officer of the L'Oréal Group
Independent Director

Biography

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

Other offices held currently

In foreign unlisted companies:

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

* *L'Oréal Group*

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

None.

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

Alexandra SCHAAPVELD

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

Biography

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

Other offices held currently

In French listed companies:

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

In foreign listed companies:

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

In foreign unlisted companies:

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

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

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

* *Foundation*

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

France HOUSSAYE

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

Biography

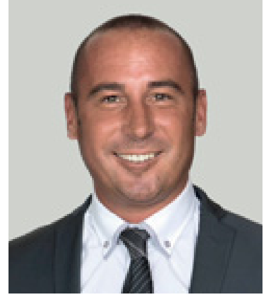
Societe Generale employee since 1989.

Other offices held currently

None.

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

None.



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

David LEROUX

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

Biography

Societe Generale employee since 2001.

Other offices held currently

None.

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

None.

The Chairman of the Board of Directors

ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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

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

ARTICLE 5 OF THE INTERNAL RULES:

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

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

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

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

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

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

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

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

REPORT ON THE ACTIVITIES OF THE CHAIRMAN OF THE BOARD OF DIRECTORS FOR 2018

In 2018, the Chairman of the Board devoted at least three days per week to the Group.

He chaired all the Board meetings and the executive session. The executive session focused on the assessment of the General Management.

He also attended the meetings of almost all the Committees. He met Directors individually, notably with regard to the assessment of the Board of Directors' performance, including the individual assessment of Directors. He oversaw, with the Chairman of the Nomination and Corporate Governance Committee, the procedures for the recruitment of new Directors. He also met the Group's main senior executives (heads of business lines or functions). He visited certain offices, in Asia as well as within the French retail banking network and at Boursorama. On several occasions, the Chairman met with banking regulators in Europe. He participated in the annual meetings of the IMF, and held several meetings with the ECB. The Chairman also participated in numerous public events both within and outside Europe, where he spoke on a range of themes (macro-economy and banking regulations in particular). The Chairman also expressed his views on several occasions in the media, and met with clients, investors and shareholders. As part of the preparation for the General Meeting, he held meetings with the main shareholders and proxies. Lastly, the Chairman participated in a roadshow in New York, Boston, London and San Francisco in order to present the Group's governance system to investors.

Board of Directors' expertise

The Internal Rules of Societe Generale's Board of Directors define its organisation and operating procedures. They were updated in May and August 2018.

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

The Board of Directors intervenes in particular on the following subjects (see pp. 547 and 548, Article 1 of the Internal Rules):

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

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

Functioning of the Board of Directors

The Internal Rules govern the functioning of the Board of Directors (see Article 6 of the Internal Rules, p. 549). The latter is convened by the Chairman, by any means, or at the request of one-third of the Directors. It meets at least eight times a year, in particular to approve the annual and consolidated annual accounts.

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

The Board of Directors' work

In 2018, the Board held 13 meetings, of which the average duration was two hours and a half. The Directors' attendance rate averaged 93% per meeting (94% in 2017). Outside of these meetings, the Board of Directors held several conference calls on topics of current interest.

In 2017, the Group was reorganized into Business Units and Service Units. Following this reorganization, the Board of Directors, during its meeting in September 2018, ensured that the objectives of simplification and better responsibility within the Group were met.

As every year, the Board of Directors prepared the annual, half-yearly and quarterly accounts and reviewed the budget. It deliberated upon the disposals/acquisitions carried out in 2018.

During 2018, the Board continued to monitor the Group's liquidity profile and capital trajectory in light of regulatory requirements. Similarly, at each meeting, it monitored the developments in major ongoing disputes. The Board of Directors was regularly informed of the development of the discussions with the American authorities in the context of the agreements relating to the disputes on Libyan cases, the benchmarks submissions and the Office of Foreign Assets Control (OFAC) sanctions. It also monitored the exchanges with the Department Financial Services (DFS) on the consent order relating to the American anti-money laundering rules. The settlements were expressly approved at two dedicated meetings of the Board of Directors which the lawyers of the Bank attended to ensure that these settlements complied with the Company's interests. It provided a steady follow-up of the remediation plans.

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

In 2018, the main topics addressed were the following:

- annual strategic plan;
- evolution of the Culture & Conduct program within the Group;
- customers of the Corporate and Investment Bank;
- Retail Banking (in France and Europe);
- Private Banking;
- CSR (corporate social responsibility) policy;
- innovation;
- information systems and IT security;
- customer satisfaction;
- compliance;
- human resources;
- the Group's image;
- resolution and recovery plans;
- SGSS (Societe Generale Securities Services);
- Brexit;
- Compliance with Volcker rule.

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

The Board assessed the performance of the Chief Executive Officers and set their compensation as well as that of the Chairman. It resolved upon performance share plans.

It also discussed the policy pursued with respect to professional and salary equality.

Lastly, it reviewed the amount and allocation of attendance fees (see p. 91). Indeed, the tasks of the Board of Directors have increased, particularly following the implementation of the US Risk Committee. This Committee is an outgrowth of the Risk Committee. When it meets, it includes the members of the Audit and Internal Control Committee, unless otherwise decided by the Board of Directors for reasons of availability of the members of the Audit and Internal Control Committee. Diane Côté, member of the Audit and Internal Control Committee, is exempted from the participation to the US Risk Committee work. The US Risk Committee meets at least four times a year but in practice, it met twelve times in 2018. The Board of Directors proposed to the General Meeting that accepted it an increase of the attendance fees of EUR 200,000 distributed between the members of the US Risk Committee.

The Board of Directors determined and prepared the resolutions to be submitted to the Annual General Meeting and in particular the ones relating to the renewal of Directors' terms of office or the appointment of new Directors.

Each year, the Board conducts a review of its operation. The conclusions of this review in 2018 are indicated in the assessment section of this report (see p. 91).

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

In May 2018, Lorenzo Bini Smaghi was renewed in his duties as Chairman of the Board of Directors. The Board of Directors also decided to propose the renewal of the term of office of Frédéric Oudéa as Chief Executive Officer, for a further four-year term, at the time of the renewal of his term of office as Director in May 2019. It appointed Diony Lebot, Philippe Aymerich and Philippe Heim as a Deputy Chief Executive Officers, set their compensation and adopted the post-employment commitments concerning them.

In January 2019, the Board of Directors carried out the annual review of related-party agreements and commitments entered into and authorised during previous financial years and which continued during the 2018 financial year. This covered the 'non-compete clause' agreements and 'severance pay' commitments subject to performance conditions for which Frédéric Oudéa and Séverin Cabannes are the beneficiaries and the 'pension' commitment for which Séverin Cabannes is the beneficiary. This also concerns the regulated 'pension' and 'severance pay' commitments subject to performance conditions and the regulated 'non-compete clause' agreements authorised by the Board of Directors on 3rd May 2018 in favour of Philippe Aymerich, Philippe Heim and Dinoy Lebot, appointed Deputy Chief Executive Officers as of 14th May 2018. These new agreements and commitments will be submitted to the approval of the General Meeting dated 21st May 2019.

In addition, without being executed, the following ended in financial year 2018, in the wake of the resignation of Didier Valet and the non-voluntary departure of Bernardo Sanchez Incera: the 'non-compete clause' agreement and 'severance pay' commitment subject to performance conditions for which Didier Valet was the beneficiary and the 'pension' commitments for which Bernardo Sanchez Incera and Didier Valet were the beneficiaries. The following also came to an end in financial year 2018, with execution, following the non-voluntary departure of Bernardo Sanchez Incera: the 'non-compete clause' agreement and 'severance pay' commitment subject to performance conditions for which Bernardo Sanchez Incera was the beneficiary (see pages 109, 121 and 123).

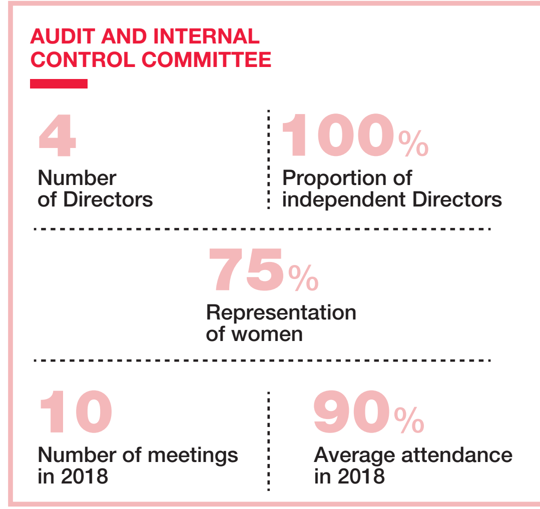
Moreover, on 6th February 2019, in the belief that the pension commitments are still justified, the Board amended their regime with effect from 1st January 2019. It also decided to amend the 'non-compete clause' agreements and the 'severance pay' commitments for which the Chief Executive Officers and Deputy Chief Executive Officers are the beneficiaries so as to make them more demanding. These amended commitments and agreements as well as their renewal will be submitted to the approval of the General Meeting dated 21st May 2019 (see pages 103 and 104).

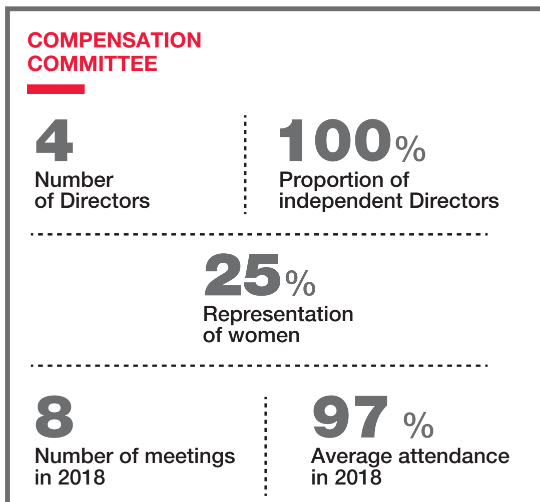
Furthermore, it was noted that no new related-party agreements were entered into in 2018, directly or indirectly, between, on the one hand, the Chief Executive Officer or the Chairman of the Board of Directors, a Deputy Chief Executive Officer, a Director or a shareholder holding more than 10% of Societe Generale's voting rights, and, on the other hand, a French or foreign subsidiary in which Societe Generale holds, directly or indirectly, more than half of the share capital. Pursuant to the law, ordinary agreements entered into under normal conditions are excluded from this assessment.

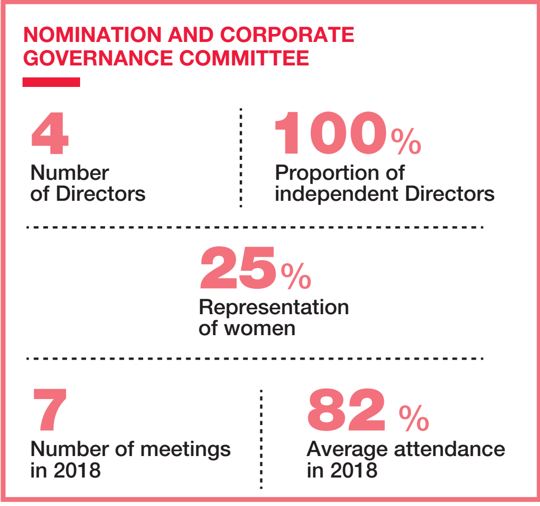
THE BOARD OF DIRECTORS' COMMITTEES

The Board of Directors was assisted by four Committees in 2018:

- the Audit and Internal Control Committee;
- the Risk Committee;
- the Compensation Committee;
- the Nomination and Corporate Governance Committee.







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

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

Since 2018, the Risk Committee is extended to include the members of the Audit and Internal Control Committee when it acts as US Risk Committee. The composition of the latter is thus as follows: Ms. Rachou (Chair), Ms. Schappveld and Ms. Hazou and Mssrs. Connelly, Contamine and Nin Genova. The Board has dispensed Ms. Côté from attending, in application of Article 11 of the Internal Rules.

The Chairmen of the Risk Committee and the Audit and Internal Control Committee meet with the ECB and the Fed at least once a year to provide an overview on the activity of the Committees.

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

AUDIT AND INTERNAL CONTROL COMMITTEE

As at 31st December 2018, the Committee comprised four independent Directors: Ms. Côté, Ms. Hazou and Ms. Schaapveld and Mr. Contamine. It is chaired by Ms. Schaapveld.

All its members are particularly qualified in the financial and accounting fields, and in the analysis of internal control, as they hold or have held positions as bankers or as bank Chief Financial Officers, auditors, or chief legal officers.

ARTICLE 10 OF THE INTERNAL RULES:

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

10.2 In particular, it is responsible for:

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

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

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

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

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

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

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

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

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

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

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

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

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

Audit and Internal Control Committee Activity Report for 2018

The Committee met 10 times in 2018, with an attendance rate of 90% (93% in 2017).

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

At each account closing period, the Committee interviewed the Statutory Auditors without the presence of management, before hearing the presentation of the accounts given by the Finance Division. One of the Chief Executive Officers attended some of the meetings dedicated to each account closing, and discussed the highlights of the quarter with the Committee.

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

It reviewed the Annual Report on internal control.

The Committee devoted several agenda items to matters relating to internal control and the monitoring of remediation plans (anti-money laundering in the United States etc.). The Committee regularly reviewed the work performed by the General Inspection Department and the Internal Control Division. It was informed of significant compliance incidents.

Board members, except for Diane Côté, participated in the works of the US Risk Committee which serves as a Risks Committee and follows the audit of the American businesses.

It reviewed the schedule for the General Inspection Department and audits, and the follow-up procedures for audit recommendations. It reviewed the activities of the subsidiaries' audit committees within the framework of the rules that the Group has determined in this area.

It examined the Group's draft replies to the follow-up letters from the ACPR, as well as on replies to the ECB or to foreign regulators. It is responsible for regular monitoring of implementation of the ECB's recommendations.

The main topics addressed during the year were as follows:

- American tax reform impact;
- permanent control;
- IFRS 9 and IFRS 16;
- compliance with Volcker rule;
- GTPS (Global Transaction & Payment Services);
- Newedge;
- review of the Statutory Auditors;
- reports of suspicious transactions;
- sanctions and embargos;
- absorption of SGSS Italie by Societe Generale;
- claims;
- customer protection;
- SACC (Services other than the certification of the accounts made by the Statutory Auditors)
- satisfaction survey;
- KYC (know your customer).

The Committee travelled to the *Société Marseillaise de Crédit* (SMC). It also travelled in Asia (Hong Kong and Tokyo) as well as to New York. During its visits, the Committee ensured the proper functioning of internal control within the bank. It also met the supervision authorities.

It discussed the audit programme and the budget for the Statutory Auditors' fees for 2018. It defined and implemented new regulations relating to the approval of services other than the certification of the accounts entrusted to the Statutory Auditors. It also issued a recommendation to the Board of Directors for the selection of the Statutory Auditors.

RISK COMMITTEE

As at 31st December 2018, the Risk Committee comprised five independent Directors: Ms. Hazou, Ms. Rachou, Ms. Schaapveld, Mr. Connelly and Mr. Nin Genova. It is chaired by Ms. Rachou.

All its members are particularly qualified in the financial and accounting fields, and in risk analysis, as they hold or have held positions as bankers or as bank Chief Financial Officers, auditors, or chief legal officers.

ARTICLE 11 OF THE INTERNAL RULES:

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

11.2 In particular, it is responsible for:

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

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

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

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

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

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

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

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

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

j) reviewing the enterprise risk management related to the Company's operations in the United States. When acting as US Risk Committee, the Risk Committee is composed of its members and those of the Audit and Internal Control Committee. However, following a decision of the Board of Directors, the members of the Audit and Internal Control Committee, other than its Chairman, may be exempted from participating if they are not members of the Risk Committee[1].

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

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

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

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

(1) In accordance with the requirements of the U.S. Federal Reserve's Enhanced Prudential Standards Rules, the Risk Committee holds quarterly meetings to review the Company's operations in the United States. The Risk Committee's obligations in this regard include the review of the enterprise risk management related to the Company's operations in the United States. As such, the Risk Committee must:
a) receive regular reports from the US-based Chief Risk Officer of the Company;
b) review the risk management system for the Company's combined operations in the United States; and
c) review the Company's liquidity risk in the United States.

Risk Committee Activity Report for 2018

The Risk Committee met 10 times during the year. The attendance rate for its members was 98% (96% in 2017).

At each meeting, the Chief Risk Officer reports to the Risk Committee on changes in the risk environment and highlights. The Committee examines the documents relating to risk appetite and prepares the decisions on the ICAAP and ILAAP. It examined the following topics:

- corporate insurance risks;
- Culture & Conduct;
- liquidity remediation;
- Brexit;
- model risks;
- non-performing loan;
- compliance function assessment;
- ALM (Asset and liability management) and structural risks;
- private bank;
- regulatory projects;
- LYXOR;
- GDPR (General Data Protection Regulation);
- CSR (Corporate Social Responsibility);
- litigation management;
- internal audit assessment;
- Risk Appetite Statement (RAS) et Risk Appetite Framework (RAF);
- information systems and cybersecurity risks;
- risk function assessment;
- stress tests EBA (European Banking Authority);
- tax management;
- stress tests framework;
- financing structure;
- compensation policy;
- relationship with APTP;
- BCBS 239.

In 2018, it devoted several agenda items to matters relating to IT security and information systems. It was informed of the main disputes, including tax disputes. It reviewed the organisation of the Risk Division. It also conducted a review of the Compliance Division. It examined risk areas specific to regulatory projects (MiFID II etc.). It also prepared the Board's work on recovery and resolution plans. It gave the Compensation Committee its opinion on the taking into account of risks in the compensation for regulated employees (market professionals and others).

It examined the risks related to specialised financial services and those related to offshoring. The Risk Committee, together with the Audit and Internal Control Committee, travelled to Marseille to manage the risks in relation to the *Société Marseillaise de Crédit* (SMC) activity. It also travelled in Asia (Hong Kong and Tokyo) as well as to New York to examine deeply the risk management system.

As US Risk Committee, the Risk Committee held quarterly meetings to validate the risk appetite of US operations. It also perfomed the other tasks provided for by US regulations (supervision of liquidity risk, validation of risk policies, etc.). It followed up on the remediation requested by the Fed in terms of risk monitoring. The Committee received specific training on its responsibilities as US Risk Committee. In total, it met 12 times.

COMPENSATION COMMITTEE

As at 31st December 2018, the Compensation Committee comprised four Directors, including three independent Directors (Mr. Lévy, Mr. Mestrallet and Mr. Nin Genova) and one employee (Ms. Houssaye). It is chaired by Mr. Lévy, an independent Director.

Its members have the skills required to assess the compensation policies and practices, including with regard to the Group's risk management.

ARTICLE 12 OF THE INTERNAL RULES:

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

12.2 It conducts an annual review of:

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

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

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

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

12.6 In particular, the Committee:

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

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

(1) For the calculation of the rate of independents within the committees, the AFEP-MEDEF Code does not take employees into account.

Compensation Committee Activity Report for 2018

The Compensation Committee met eight times during the financial year. The attendance rate for its members was 97% (96% in 2017).

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

The main topics addressed during the year were as follows:

- guidance on compensation policy;
- compensation policy of GBIS (Global Banking & Investor Solutions);
- regulated employees;
- supplementary incentive payment;
- compliance of the compensation policy;
- structure of deferred compensation;
- employment conditions of the new Chief Executive Officers;
- quantitative and qualitative 2018 objectives;
- departure conditions of Didier Valet and Bernardo Sanchez Incera;
- 2017 compensation of company officers;
- compensation of the Chairman of the Board of Directors;
- compensation chapter of this Report on corporate governance and annual report on compensation policies;
- allocation of performance shares.

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

The Committee prepared the appraisals of the Chief Executive Officers. It recommended annual targets for them to the Board.

In accordance with the CRD4 Directive and its transposition into French law, the Compensation Committee ensured that the Group's compensation policies comply not only with regulations, but also with the enterprise risk management policy and equity targets.

The Committee reviewed the principles of the compensation policy applicable within the Group, in particular concerning employees whose activities have a significant impact on the Group's risk profile, in accordance with the new regulations in force. It devoted several meetings to this examination and to ensuring that the structure proposed for regulated employees complies with the new and particularly complex rules. It particularly ensured that the compensation policy effectively takes into account the risks generated by the activities and that employees comply with risk management policies and professional standards. The Risk Committee gave its opinion in this regard and one member sits on both Committees (Mr. Nin Genova). The Committee also relied on work by external and internal control bodies. Lastly, it reviewed the annual report on compensation. The compensation policy is described in detail on pages 98 and following.

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

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

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

As at 31st December 2018, the Nomination and Corporate Governance Committee comprised four independent Directors: Ms. Rachou, Mr. Connelly, Mr. Lévy and Mr. Mestrallet. It is chaired by Mr. Mestrallet.

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

ARTICLE 13 OF THE INTERNAL RULES:

13.1 The Nomination and Corporate Governance Committee:

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

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

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

Nomination and Corporate Governance Committee Activity Report for 2018

The Nomination and Corporate Governance Committee held seven meetings in 2018. The attendance rate was 82% (86% in 2017).

During 2018, the Chief Executive Officer was involved in the Nomination and Corporate Governance Committee work, including in terms of succession plans.

The Committee prepared the resolutions for the General Meeting. It examined the proposed updates of the Internal Rules of the Board of Directors. It prepared the appointments of the new Directors and submitted the selection to the Board, with the help of an outside firm. To this end, it defined selection criteria and ensured the balanced composition of the Board. Each candidate met with one or more members of the Committee.

For the appointments of Jérôme Contamine and Diane Côté, the Nomination and Corporate Governance Committee relied on research from an outside firm. These appointments correspond to the projects defined, both in terms of skills (strengthening of financial expertise and risks), gender balance and the balance between France and international.

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

In 2018, the Nomination and Corporate Governance Committee had to prepare the succession of two Deputy Chief Executive Officers, Didier Valet and Bernardo Sanchez Incera. It relied on the orientations set out in the succession plans which correspond both in an internal and external research. After finding that the external researches were unsuccessful, the Nomination and Corporate Governance Committee examined the internal solutions proposed by the General Management. It proposed to the Board of Directors which approved it a scheme with four Deputy Chief Executive Officers which ensures continuity and prepares the future. On this occasion, the Nomination and Corporate Governance Committee suggested to the Board of Directors which approved it to take a public position in favour of the renewal of Frédéric Oudéa as Chief Executive Officer in 2019.

The Nomination and Corporate Governance Committee also proposed to the Board of Directors the rules to be applicable for the Deputy Chief Executive Officers appointed in May 2018 pursuant to the related-party agreements and commitments on post-employment remuneration. The Board of Directors decided to apply to them the general principles of conditions of employment and compensation in force for the Deputy Chief Executive Officers whose terms of office had ceased.

The Chairman of the Committee, together with the Chairman of the Board, oversaw the procedure for appraisal of the Board (see below p. 91). The appraisal questionnaire was validated by the Committee.

The Nomination and Corporate Governance Committee has also defined the allocation of attendance fees to better take into account the time spent on US risks.

In addition, the succession plans of the Business Units and Services Units were presented to the Nomination and Corporate Governance Committee and it prepared the plans of the General Management whose to be renewed in 2019.

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

Appraisal of the Board of Directors and its members

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

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

For 2018, the Board decided to rely on an appraisal conducted by the Chairman of the Board of Directors and the Chairman of the Nomination and Corporate Governance Committee. This appraisal focused on the collective operation of the Board as well as on the individual evaluation of each Director. This appraisal was based on an interview guide validated by the Nomination and Corporate Governance Committee. For the individual appraisals, each Director was asked to give his/her viewpoint on the contribution of each of the other Directors. This individual appraisal also includes the Chairman of the Board of the Directors and the dialogue between the Chairman and the Directors.

The assessment process consisted in (i) a presentation to the Nomination and Corporate Governance Committee and the Board of Directors (in July/August 2018), (ii) interviews with the Chairman of the Board of Directors and the Chairman of the Nomination and Corporate Governance Committee (in September/October 2018), (iii) a review of the summary of the appraisals by the Committee (in December 2018) which was followed by a discussion on this subject by the Board of Directors (in January 2019).

The results of the individual appraisals were discussed with each of the Directors by the Chairman of the Board of Directors.

The collective appraisal was discussed at the Board of Directors' meeting on 11th January 2019. Overall, the Directors expressed their satisfaction with the Board's drive and performance, pointing to consistent improvements.

The overall assessment about the Board of Directors remains extremely positive. In addition to comments on the need for shorter files and summarising more clearly the decisions to be made, the Board of Directors wishes to be able to devote more time to the strategy and activities of the core businesses. In particular, the impact of new technologies and IT risks should be strengthened.

The composition of the Board of Directors is considered very positively. The importance of diversity and experiences is emphasised, in particular on technological subjects and the management of large groups.

The debates on CSR, the culture and the conduct have been much appreciated and will need to be dealt with in depth. The interactions with the Chairman and with the General Management are considered as excellent.

Litigations management and their follow-up at the Board of Directors level were well appreciated.

The procedure followed for the succession of the Deputy Chief Executive Officers was considered very positively.

Training

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

Following the Board of Directors' appraisal for 2017, the training of the Board was strengthened on:

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

Attendance fees paid to the Company's Directors

The annual amount of the attendance fees was set at EUR 1,700,000 by the General Meeting of 23rd May 2018. The whole of this amount was used in respect of the 2018 financial year.

The rules governing the allocation of attendance fees between Directors are determined by Article 15 of the Internal Rules (see Chapter 7).

Since 2018, the amount of allocated attendance fees is reduced by a sum equal to EUR 200,000 to be distributed between the members of the Risk Committee and the members of the Audit and Internal Control Committee gathered as the US Risk Committee. Diane Côté, member of the Audit and Internal Control Committee, is exempted from participating in the work of the US Risk Committee. This amount is distributed in equal portions, except for the Chairman of the Risk Committee who has two portions. The balance is then reduced by a lump sum of EUR 130,000 distributed between the Chairman of the Audit and Internal Control Committee and the Chairman of the Risk Committee.

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

Additional fixed portions are allocated:

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

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

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

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

3.1.3 GENERAL MANAGEMENT

(AS AT 1ST JANUARY 2019)

Organisation of the General Management

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

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

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

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

Article 1 of the Internal Rules (see Chapter 7, p. 547) defines the cases in which prior approval by the Board of Directors is required (strategic investment projects in excess of a specific amount, etc.).

Diversity policy of the General Management

The diversity policy is presented annually by the General Management. With respect to the General Management, it is composed of five members including a woman since May 2018. This rate of 20% is similar to that observed within the Group Management Committee.

The Group has signed various charters on non-discrimination, in particular men/women. The Board of Directors examines each year a report on the progress carried out on all of these subjects in France and abroad. The Group has set future goals for promoting women and international profiles.

Presentation of the members of General Management

Date of birth:
3rd July 1963
Nationality: French
Holds:
177,314 shares
2,185 shares through Société Générale Actionnariat (Fonds E)

Frédéric OUDÉA

Chief Executive Officer

Biography

See p. 74.

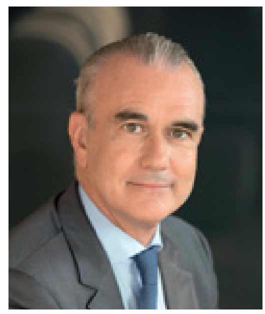
Other offices held currently

In French listed companies

- *Director*:
  Capgemini (since May 2018).

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

None.



Date of birth:
12th August 1965
Nationality: French
Holds:
10,352 shares
7,693 shares through Société Générale Actionnariat (Fonds E)

Philippe AYMERICH

Deputy Chief Executive Officer

Biography

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

Other offices held currently

In French listed companies

- *Chairman of the Board of Directors*: Boursorama* (since May 2018), Crédit du Nord* (since May 2018).
- *Director*: Franfinance* (since 2014).

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

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

** Societe Generale Group*

Date of birth:
21st July 1958
Nationality: French
Holds 80,769 shares

Séverin CABANNES

Deputy Chief Executive Officer

Biography

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

Other offices held currently

None.

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

- *Director*: Crédit du Nord* (from 2007 to 2016), Amundi Group* (from 2009 to 2015).
- *Member of the Supervisory Board*: Steria Sca Group (from 2007 to 2014).

** Societe Generale Group*

Date of birth:
3rd April 1968
Nationality: French
Holds:
8,026 shares
2,815 shares through Société Générale Actionnariat (Fonds E)

Philippe HEIM

Deputy Chief Executive Officer

Biography

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

Other offices held currently

In French unlisted companies

- *Director*:
  Inter Europe Conseil* (since 2013), Sogecap* (since May 2018)

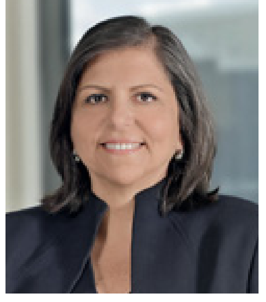
In foreign listed companies

- *Director*:
  BRD – Group Societe Generale SA* (Romania) (since June 2018).
- *Member of the Supervisory Board*:
  PJSC Rosbank* (Russia) (since June 2018).

** Societe Generale Group*

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

None.



Date of birth:
15th July 1962
Nationality: French
Holds:
4,048 shares
2,160 shares through Société Générale Actionnariat (Fonds E)

Diony LEBOT

Deputy Chief Executive Officer

Biography

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

Other offices held currently

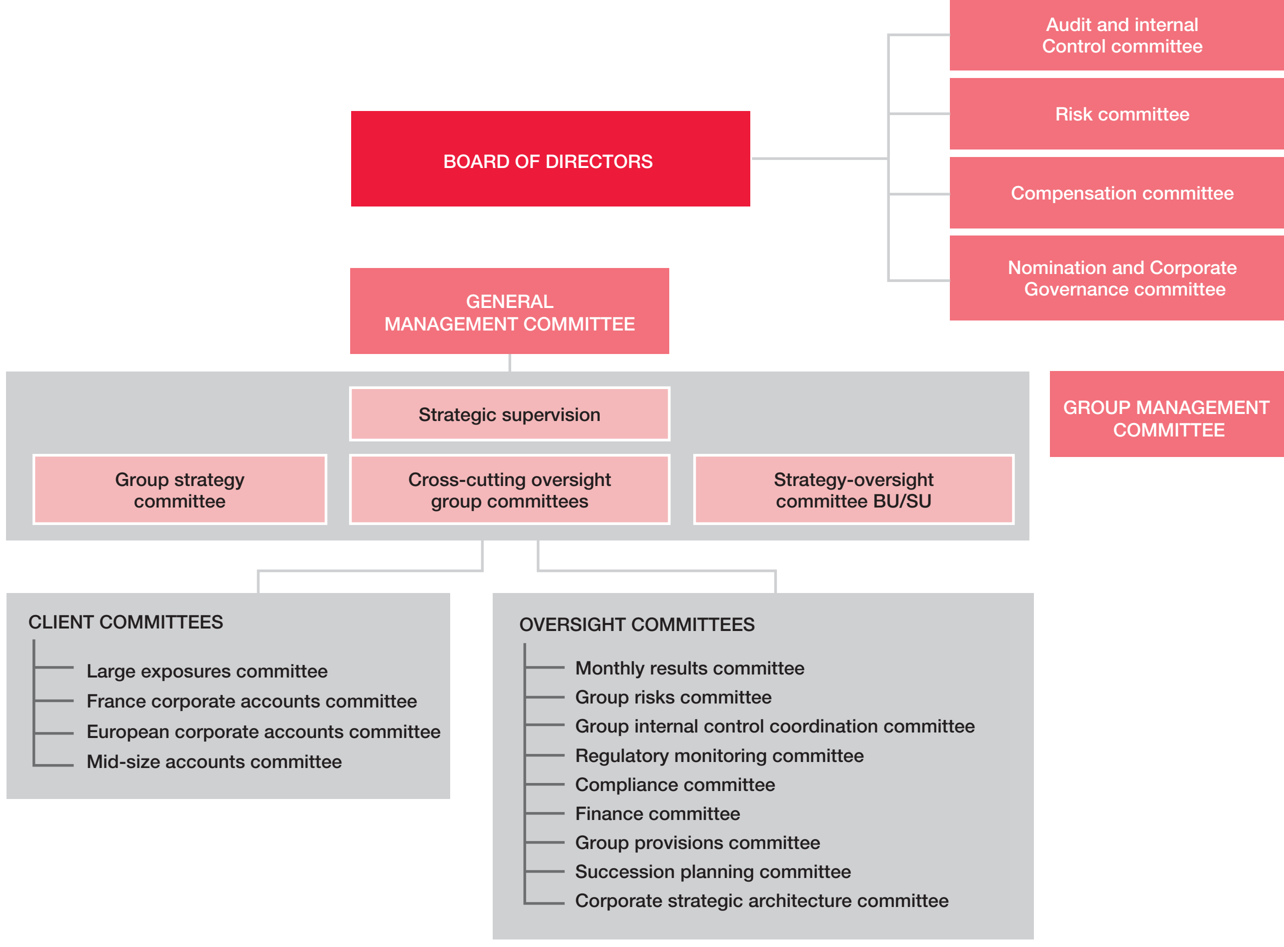
None.

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

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

** Societe Generale Group*

3.1.4 GOVERNANCE BODIES



General Management Committee

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

Reporting to the Chief Executive Officer, the Committee submits the Group's overall strategy to the Board of Directors and oversees its implementation.

Group Strategy Committee

Comprising the Chief Executive Officer, Deputy Chief Executive Officers, some Heads of Business Unit and Service Unit, and the Head of Strategy, the Group Strategic Committee meets on a bimonthly basis.

Reporting to the Chief Executive Officer, the Committee is responsible for the implementation of Group strategy.

Strategic Management Committee of the Business Units and Service Units

Comprising the General Management, the Head of the Business Unit or Service Unit in question, the Head of Strategy, and the Heads of some Business Units and Service Units, the Strategic Management Committee of the Business Units and Service Units meets at least once a year for each Business Unit and Service Unit. Committee meetings are dedicated to the strategic management of the Business Unit or Service Unit in question.

Group Management Committee

(As at 7th February 2019)

Comprising around 60 executives appointed by the Chief Executive Officer and belonging to the Service Units and Business Units, the Group Management Committee meets at least once per quarter.

The Group Management Committee is a body for communicating and debating strategy and issues of general interest to the Group.

The proportion of women within the Group Management Committee stands at 23% in 2018 (see the section 'Focus on the actions deployed in France at Societe Generale Group SA' in chapter 5 of this Registration Document, on page 258).

Name	Main function within the Societe Generale Group
Frédéric OUDÉA	Chief Executive Officer
Diony LEBOT	Deputy Chief Executive Officer
Philippe AYMERICH	Deputy Chief Executive Officer
Séverin CABANNES	Deputy Chief Executive Officer
Philippe HEIM	Deputy Chief Executive Officer
David ABITBOL(1)	Global Head of Societe Generale Securities Services
Philippe AMESTOY	Head of Operations and Transformation in Retail Banking activities in France
Hervé AUDREN de KERDREL	Deputy Group Head of Compliance
Pascal AUGÉ(1)	Head of Global Transaction and Payment Services
Cécile BARTENIEFF(1)	Chief Operating Officer at Global Banking and Investor Solutions
François BLOCH	Chief Executive Officer of BRD
Alain BOZZI	Head of Group Internal Control Coordination
Gilles BRIATTA(1)	Group General Secretary
Claire CALMEJANE	Group Chief Innovation Officer
Pavel ČEJKA(1)	Chief Operating Officer at International Banking and Financial Services
Antoine CREUX	Chief Security Officer
Thierry D'ARGENT(1)	Head of Coverage and Investment Banking
Bruno DELAS(1)	Chief Operating Officer of the French Networks
Marie-Christine DUCHOLET	Head of Clients for Retail Banking activities in France
Claire DUMAS	Deputy Chief Financial Officer
Ian FISHER	Head of the Culture & Conduct Programme
Patrick FOLLÉA(1)	Head of Societe Generale Private Banking, LYXOR supervisor
Jean-Marc GIRAUD(1)	Head of Inspection and Audit Division
Carlos GONCALVES	Head of Global Technology Services
Donato GONZALEZ-SANCHEZ	Head of Corporate & Investment Banking, Private Banking, Asset Management, Securities Services and Group Country Head for Spain and Portugal
Laurent GOUTARD(1)	Head of Societe Generale Retail Banking in France
Jean-François GRÉGOIRE(1)	Head of Global Markets
Benoît GRISONI(1)	Chief Executive Officer of Boursorama
Éric GROVEN	Head of the Real Estate Division in Retail Banking activities in France
Caroline GUILLAUMIN(1)	Group Head of Human Resources and Group Head of Communication
Didier HAUGUEL(1)	Group Country Head for Russia
Édouard-Malo HENRY(1)	Group Head of Compliance
Alvaro HUETE	Deputy Head of Global Finance and Head of GLFI for the United Kingdom
Arnaud JACQUEMIN	CEO of Societe Generale Bank & Trust and Group Country Head for Luxembourg
Jochen JEHMLICH(1)	Head of the Equipment Finance businesses and CEO of GEFA Bank
Jan JUCHELKA	Chairman of the Board and CEO of Komerční Banka and Group Country Head for the Czech Republic and Slovakia

Name	Main function within the Societe Generale Group
William KADOUCH-CHASSAING[1]	Chief Financial Officer
Jean-Louis KLEIN	Deputy Chief Executive Officer for Crédit du Nord
Slawomir KRUPA[1]	Chief Executive Officer for Societe Generale Americas
Christophe LEBLANC[1]	Group Head of Corporate Resources and Digital Transformation
Véronique LOCTIN	Head of Corporate Accounts for Societe Generale Retail Banking in France
Xavier LOFFICIAL	Deputy Chief Financial Officer of the Group
Michala MARCUSSEN	Group Chief Economist and Head of Economic and Sectorial Research
Anne MARION-BOUCHACOURT	Group Country Head for Switzerland et CEO of SG Zurich
Mike MASTERSON[1]	Chief Executive Officer of ALD Automotive
Laetitia MAUREL	Group Deputy Head of Communication
Alexandre MAYMAT[1]	Head of the Africa/Asia/Mediterranean Basin & Overseas region, International Banking and Financial Services
Jean-François MAZAUD	Head of Group transformation
Françoise MERCADAL-DELASALLES[1]	Chief Executive Officer of Crédit du Nord
Hikaru OGATA[1]	Chief Executive Officer of Societe Generale Asia Pacific
Pierre PALMIERI[1]	Head of Global Finance
Jean-Luc PARER	Advisor to the Deputy Chief Executive Officer
Philippe PERRET[1]	Head of the Insurance businesses
Ilya POLYAKOV	Chief Executive Officer and Chairman of Rosbank's Management Board
Sylvie PRÉA	Director of Corporate Social Responsibility
Sébastien PROTO	Head of Group Strategy
Sylvie RÉMOND[1]	Group Chief Risk Officer
Sadia RICKE	Group Country Head for the United Kingdom and Head of Coverage and Investment Banking in the United Kingdom
Grégoire SIMON-BARBOUX	Deputy Group Chief Risk Officer
Giovanni-Luca SOMA[1]	Head of the Europe region, International Banking and Financial Services Division
Guido ZOELLER	Group Country Head for Germany and Head of Societe Generale Corporate & Investment Banking activities in Germany

(1) Head of a Business Unit or Service Unit.

Gender diversity in the 10% of positions with higher responsibility

35% of women hold positions in the 10% of positions with higher responsibility of the company (last levels of banking classification in France – see also the section "Focus on the actions deployed in France at Societe Generale Group SA", in chapter 5 of this Registration Document, on page 258).

3.1.5 REMUNERATION OF GROUP SENIOR MANAGEMENT

Policy governing remuneration of Chief Executive Officers for 2019 subject to shareholders' approval

The policy governing the remuneration of the Chief Executive Officers, presented below, was defined by the Board of Directors on 6th February 2019 following the recommendations of the Compensation Committee. It is intended to apply in case of renewal of the periods of office of the Chief Executive Officer and the Deputy Chief Executive Officers on 21st May 2019.

The main developments compared with the remuneration policy approved the General Meeting on 23rd May 2018 concern modification of the criteria used to define the quantitative portion of the annual variable remuneration, modification to performance criteria applicable to long-term incentives and the shift in pension regimes for the Deputy CEOs.

During its work, the Compensation Committee relied on studies conducted by the independent firm of Willis Towers Watson. These studies are based on the CAC 40 as well as a panel of comparable European banks providing a benchmark, and enable an assessment of:

- the competitiveness of the overall remuneration of the Chief Executive Officers compared with a panel of peers;
- Societe Generale's results as compared to the criteria defined by the Group to assess the Chief Executive Officers' performance; and
- the correlation between the Chief Executive Officers' performance and their remuneration.

In accordance with Article L. 225-37-2 of the French Commercial Code, this policy is subject to the approval of the General Meeting. If it is rejected, then the remuneration policy approved by the General Meeting of 23rd May 2018 will remain in effect.

Variable (annual variable remuneration and long-term incentives) or exceptional components of remuneration cannot be paid until they have been approved by the General Meeting.

REMUNERATION PRINCIPLES

The remuneration policy for the Chief Executive Officers aims to ensure that the Company's top-level positions attract the most promising candidates and to cultivate motivation and loyalty on a lasting basis, whilst also ensuring appropriate compliance and risk management. It is also designed to recognise the long-term implementation of the Group's strategy in the interests of its shareholders, clients and staff, in accordance with the principles laid down by the Group's Code of Conduct.

The policy takes into account the completeness of the remuneration components and any other benefits granted when performing an overall assessment of the Chief Executive Officers' compensation. It ensures that these different elements are balanced, in the general interest of the Group. In accordance with the "pay for performance" principle, non-financial aspects are taken into account in addition to financial performance criteria when determining variable remuneration; such non-financial aspects include in particular elements related to corporate social responsibility and compliance with the Group's leadership model. For the purposes of variable remuneration, performance is assessed on an annual and multi-annual basis, taking into account both Societe Generale's intrinsic performance and its performance as compared to its market and competition.

Furthermore, the Chief Executive Officers' remuneration complies with:

- the CRD4 Directive of 26th June 2013, the aim of which is to impose remuneration policies and practices compatible with effective risk management. CRD4 has been transposed into national law and its principles in terms of remuneration have been in effect since 1st January 2014;
- the French Commercial Code; and
- the recommendations of the Afep-Medef Code.

REMUNERATION OF THE NON-EXECUTIVE CHAIRMAN

Lorenzo Bini Smaghi's fixed annual remuneration is set at EUR 925,000 for the duration of his mandate, as decided by the Board of Directors on 7th February 2018 and as voted at the AGM on 23rd May 2018.

Mr. Bini Smaghi does not receive attendance fees.

To guarantee total independence in fulfilling his mandate, he receives neither variable compensation, nor securities, nor any compensation contingent on the performance of Societe Generale or the Group.

He is provided with Company accommodation for the performance of his duties in Paris.

REMUNERATION OF GENERAL MANAGEMENT

Balanced remuneration taking into account the expectations of the various stakeholders

The remuneration of Chief Executive Officers is broken down into three components:

- **fixed remuneration (FR)** rewards experience and responsibilities and takes into account market practices. It accounts for a significant proportion of overall remuneration;
- **annual variable remuneration (AVR)** rewards performances achieved during the year and the contribution of Chief Executive Officers to the success of the Societe Generale Group;
- **long-term incentives (LTIs)** aim to strengthen the association between Chief Executive Officers and shareholders' interests, and to provide the former with an incentive to deliver long-term performance. Vesting of LTIs is subject to a condition of presence and is based on the Group's performance as measured against internal and external criteria.

Pursuant to CRD4, and further to the authorisation granted by the General Meeting in May 2014, variable compensation (*i.e.* annual variable remuneration plus long-term incentives) is capped at 200% of fixed remuneration(1).

Furthermore, Chief Executive Officers who receive remuneration in the form of shares or share equivalents are prohibited from implementing hedging or insurance strategies over the vesting and holding periods.

Fixed remuneration

In line with the recommendations of the Afep-Medef Code, fixed remuneration is only reviewed at relatively long intervals.

The annual fixed remuneration of Frédéric Oudéa, Chief Executive Officer, amounts to EUR 1,300,000 since the Board of Directors' resolution dated 31st July 2014 of inclusion in his fixed remuneration the EUR 300,000 compensation which was granted as a counterparty to the loss of his rights to the Group's complementary pension regimes. The preceding revision took place with effect as of 1st January 2011.

The annual fixed remuneration of Séverin Cabannes, Deputy Chief Executive Officer, amounts to EUR 800,000, unchanged since the Board of Directors' resolution on 31st July 2014.

The annual fixed remuneration of Philippe Aymerich, Philippe Heim and Diony Lebot, appointed Deputy Chief Executive Officers on 3rd May 2018 with effect as of 14th May 2018, were set at the same level as that of Séverin Cabannes, *i.e.* at EUR 800,000, by the Board of Directors on 3rd May 2018 in compliance with the applicable remuneration policy.

These fixed remunerations were approved at the AGM on 23rd May 2018.

Following the recommendation of the Compensation Committee Board of Directors meeting on 6th February decided to leave the fixed remuneration for all the Chief Executive Officers unchanged.

Any modification to their fixed remuneration decided by the Board will be subject to General Meeting approval prior to implementation.

Annual variable remuneration

GENERAL PRINCIPLES

The Board of Directors defines the evaluation criteria for the Chief Executive Officers' annual variable remuneration each year in respect of the previous year.

Annual variable remuneration is 60% based on quantitative criteria, and 40% on qualitative criteria, thus combining an evaluation of the Group's financial performance with an assessment of managerial skills, in line with the Group's strategy and leadership model.

60%	40%
Quantitative criteria based on annual financial performance. Indicators and target achievement levels are set in advance by the Board of Directors, primarily based on the budget targets for the Group and the businesses within each Chief Executive Officer's scope of supervision.	**Qualitative criteria** based essentially on the achievement of key targets in relation to the Group's strategy, operational efficiency and risk management, as well as the CSR policy.

Quantitative portion

For Frédéric Oudéa and Diony Lebot, the quantitative portion is measured according to the achievement of Group targets. For Philippe Aymerich, Séverin Cabannes and Philippe Heim the quantative criteria bear on equal terms on the Group scope and their scope of specific responsibility.

The Board of Directors on 6th February 2019, on proposition of the Compensation Committee, decided to change some criteria so as to better align the remuneration policy for the Chief Executive Officers with the strategic targets and the Group's risk appetite.

The quantative criteria for the Group were earnings per share, gross operating income and the cost/income ratio, with an equal weighting for each indicator. On 6th February 2019, the Board of Directors decided to replace the first two objectives by Return on Tangible Equity (ROTE) and by the Core Tier 1 ratio. Each indicator is still equally weighted.

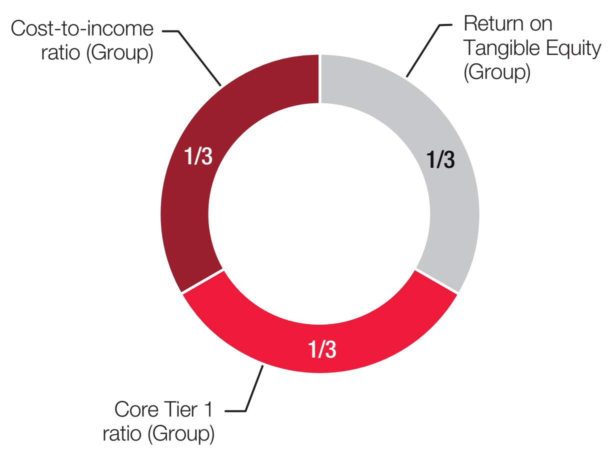
The quantative criteria for the specific scopes of responsibility were gross operating income, earnings before tax and the cost-to-income ratio for the scope of supervision, with each indicator equally weighted.

(1) After application of the discount rate of the variable remuneration in instruments diferred for 5 years or more, as provided for article L. 511-79 of the Monetary and Financial code.

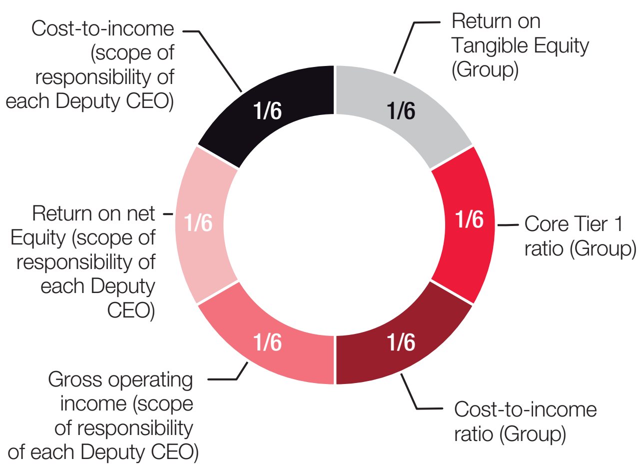
For the scope of specific responsibility, the Board of Directors, has decided to replace the criterion of earnings before tax as used previously by a return on net equity (RONE) criterion specific to the scope of responsibility of each Deputy Chief Executive Officer. Each indicator is still equally weighted. These indicators reflect targets in terms of operational efficiency and risk management for the relevant scope of responsibility, and value creation for shareholders. Comprising both financial and operational elements, these indicators are directly linked to the Group's strategy and are based on compliance with a predefined budget. They include no item regarded as exceptional by the Board of Directors.

Achievement of the budgetary target equates to an achievement rate of 80%.

FRÉDÉRIC OUDÉA AND DIONY LEBOT



PHILIPPE AYMERICH, SÉVERIN CABANNES AND PHILIPPE HEIM



Qualitative portion

Each year, the Board of Directors sets between six and ten qualitative targets for the next financial year. Most of these targets are collective, reflecting the team spirit that is essential within General Management. Targets specific to each Chief Executive Officer are also set, according to their respective areas of responsibility.

These targets, defined in line with the Group's leadership model, are based on a number of main areas, including:

- implementation of the Group and businesses strategy, with a specific focus on cost control and the management of scarce resources;
- operational efficiency and risk management, notably on the reinforcement of regulatory obligations (KYC, internal control, remediations);
- reinforcement of innovation capacity;
- achievement of corporate social responsibility targets, reflected in particular by Societe Generale's positioning objective in the extra-financial ratings.

Among the targets specific to the scopes of supervision:

- deployment of the Group's Culture and Conduct programme;
- management of Human Resources: succession plans, managerial commitment and social dialogue;
- ongoing transformation of the retail bank networks in France and the development of Boursorama;
- execution of the efficiency program in IT stream;
- implementation of the GBIS and IBFS strategy.

These targets are assessed on the basis of key questions defined *ab initio* by the Board of Directors. The achievement rate may extend from 0 to 100% of the maximum qualitative portion.

VESTING AND PAYMENT OF ANNUAL VARIABLE REMUNERATION

With a view to strengthening the correlation between remuneration and the Group's risk appetite targets, whilst promoting alignment with shareholders' interests, and in accordance with the CRD4 Directive, vesting of at least 60% of the annual variable remuneration is deferred for three years, *pro rata*. This concerns both cash payments and shares or share equivalents granted subject to the achievement of long-term targets in terms of Group profitability and equity; the amount thereof is reduced if the targets are not met. A six-month holding period applies after each definitive vesting date.

The amount of the variable portion granted in shares or share equivalents is converted based on a share price determined each year by the Board of Directors in March, corresponding to the trade-weighted average based on the last 20 trading days prior to the Board meeting. The portion of annual variable remuneration granted as share equivalents gives rise to the payment of an amount equivalent to the dividend payment, where applicable, throughout the compulsory holding period. No dividends are paid during the vesting period.

Furthermore, if the Board observes that a decision taken by the Chief Executive Officers has particularly significant consequences for the Company's results or image, it may decide not only to reconsider payment of the deferred annual variable remuneration in full or in part (malus clause), but also to recover, for each award, all or part of the sums already distributed over a five-year period (clawback clause).

Lastly, vesting of the deferred annual variable remuneration is also subject to a condition of presence throughout the term of office concerned. The exceptions to this requirement are as follows: retirement, death, disability, incapacity to carry out duties or termination for reasons of a strategic divergence with the Board of Directors.

After expiry of the term of office concerned, the condition of presence no longer applies. However, if the Board observes, after the departure of the Chief Executive Officer, that a decision taken during his term of office has particularly significant consequences for the Company's results or image, it may decide to reconsider payment of the deferred annual variable remuneration in full or in part.

CAP

In compliance with the Afep-Medef Code, since 1st September 2014, annual variable remuneration has been capped at 135% of annual fixed remuneration for the Chief Executive Officer and at 115% for the Deputy Chief Executive Officers.

Long-term incentives

GENERAL PRINCIPLES

In order to implicate the Chief Executive Officers in the Company's long-term progress and to align their interests with those of the shareholders, since 2012 they have been awarded long-term incentives, consisting of shares or share equivalents.

In order to comply with the recommendations of the Afep-Medef Code, the Board of Directors decides each year, during the meeting approving the financial statements from the previous year, on any award of Societe Generale shares or share equivalents to the Chief Executive Officers; the fair value of any such award upon granting is proportional to other compensation elements and is set in line with practices from previous years. Such fair value is set on the basis of the share closing price on the day before the Board meeting.

Furthermore, Chief Executive Officers cannot be awarded long-term incentives upon leaving office.

VESTING AND PAYMENT OF LONG-TERM INCENTIVES

As in previous years, the plan is as follows:

- granting of shares or share equivalents in two instalments, with vesting periods of four and six years, followed by a one-year holding period, thus increasing the indexing periods to five and seven years respectively;
- definitive vesting subject to a condition of presence throughout the vesting periods, as well as a performance condition.

The Board of Directors meeting on 6th February 2019, on the proposal of the Remunerations Committee, decided to adjust the performance conditions applying to the long-term incentives of the Chief Executive Officers. The Board founded its decision on its determination to better align the remuneration of the CEOs with the Group's commitments in terms of Corporate Social and Environmental Responsibility and to make it more demanding in respect of the 'Pay for performance' principle.

Vesting of the long-term incentives will thus be a function:

- for 80% the condition of relative performance for the Societe Generale share measured by the increase in the Total Shareholder Return (TSR) compared with that for the TSR of 11 comparable European banks over the entire acquisition periods. Hence the total attribution would only be received if the Societe Generale TSR is located in the higher quartile of the sample; for a performance slightly over the median, the acquisition rate would equate to 50% of the total attributed number; finally, no share or share equivalent would be acquired in case of performance below the median, whilst an acquisition of 25% for the 7, 8 and 9 rank applied previously[1];
- for 20% to the relative CSR conditions of which 10% to respect the Group's commitments in terms of financing of the energy transition and 10% to the Group's positioning within the main extra-financial ratings (RobecoSAM, Sustainalytics and MSCI).

Regarding the energy transition financing criterion linked to the financing of the energy mix, the acquisition would be 100% if the target is achieved in 2023. If the target is not met, there will be no vesting. The target will be defined in 2019 and validated by the Board of Directors.

Regarding the criterion founded on the external extra-financial ratings, the vesting rate will rate will be defined as follows:

- 100% vesting if the three criteria are verified over the 3-year following the grant year (*i.e.* for the grant in 2020 for 2019, the positionings/ratings 2021, 2022 and 2023);
- 2/3 vesting if on average at least two criteria are verified over the 3-year observation period following the grant year;
- 1/3 vesting if on average at least one criterion is verified over the 3-year observation period following the grant year.

For the three extra-financial ratings applied, the criterion is verified if the following expected level is achieved:

- RobecoSAM: be in the first quartile;
- Sustainalytics: be in the first quartile;
- MSCI: Rating >= BBB.

For the ratings subject to revaluations during the year, the rating applied is the one used during the annual reviews. As the extra-financial ratings sector shifts, the panel of the three ratings applied may be subject to modification on appropriate justification.

- If the Group is not profitable in the year preceding the definitive vesting of long-term incentives, no payment will be made, regardless of the performance of the Societe Generale share and Group CSR;
- any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares will be awarded, or payments made based on the performance observed and assessed by the Board of Directors.

Finally, the beneficiaries of the long-term incentives are also subject to a so-called 'malus' clause. Hence, if the Board observes that a decision made by the Chief Executive Officers has substantial consequences on Group results or its image, it may decide on total or partial revocation of the payment of the long-term incentives.

(1) The complete vesting chart is shown page 102.

The complete vesting chart is shown below subject to the relative performance of the Societe Generale share:

SG Rank	Ranks 1*, 2 and 3	Rank 4	Rank 5	Rank 6	Ranks 7, 8, 9, 10, 11 and 12
As a % of the max. number granted	100%	83.3%	66.7%	50%	0%

* *Highest rank in the sample.*

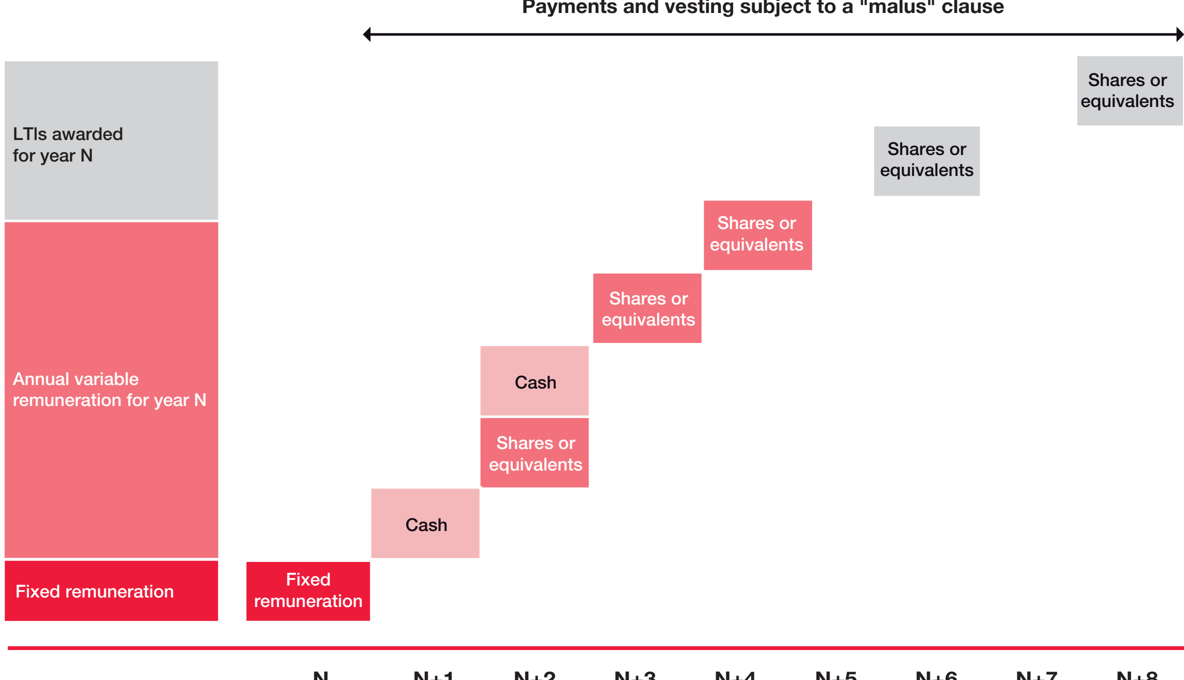
CAP

In accordance with the Afep-Medef Code, the Board of Directors decided, on 6th February 2019, to maintain the cap, at a level identical to the annual variable remuneration, of the total amount awarded for the long-term incentives in IFRS value. Hence, the amount awarded is limited to 135% of the fixed annual remuneration of Frédéric Oudéa and to 115% of the fixed annual remuneration of the Chief Executive Officers.

This provision applies in addition to the cap on the definitive vesting value of shares or the payment value of share equivalents. Indeed, these values are capped at an amount corresponding to a multiple of the book value per share of the Societe Generale Group as at 31st December in the year in respect of which the long-term incentives are granted.

In all events, in accordance with applicable regulations, the variable component awarded (i.e. annual variable remuneration and long-term incentives) must not exceed two times the fixed remuneration.

TOTAL REMUNERATION - PAYMENT OR SHARE DELIVERY TIMELINE



POST-EMPLOYMENT BENEFITS: PENSION, SEVERANCE PAY, NON-COMPETE CLAUSE

Pension

As Frédéric Oudéa terminated his employment contract by resigning when he was appointed Chairman and Chief Executive Officer in 2009, he no longer enjoys the right to any supplementary pension from Societe Generale.

SUPPLEMENTARY PENSION ALLOCATION PLAN

Séverin Cabannes[(1)] retains the benefit of the supplementary pension allocation plan for senior managers that applied to him as an employee prior to his appointment as Chief Executive Officer. At the time of the appointment of Philippe Aymerich, Philippe Heim and Diony Lebot[(2)], as Deputy Chief Executives on 3rd May 2018 with effect as of 14th May 2018, the Board of Directors authorised related-party agreements permitting the supplementary plan, introduced in 1991 and satisfying the requirements of Article L. 137-11 of the French Social Security Code, that provides senior executives appointed as from this date and "outside classification" with a supplementary pension as from the date on which they claim their French Social Security pension. Their total pension thus amounts to the product of the following:

- the average, over the last ten years of their career, of the proportion of their fixed remuneration exceeding "Tranche B" of the AGIRC pension plus variable remuneration of up to 5% of their fixed remuneration;
- the rate equal to the number of years of professional service at Societe Generale divided by 60, corresponding to a potential acquisition of annuity rights of 1.67% a year (it being noted that the years of service taken into account are capped at 42).

The AGIRC "Tranche C" pension acquired in respect of their career at Societe Generale is deducted from this total pension. The supplementary amount covered by Societe Generale is increased for beneficiaries who have raised three or more children, as well as for those who retire after the legal retirement age set by French Social Security. It may not be less than one-third of the full-rate service value of the AGIRC "Tranche B" points acquired by the beneficiary since gaining "Outside Classification" status.

This regime was revised[(3)] on 17th January 2019, with effect as of 1st January 2019, and the potential future rights were frozen at 31st December 2018 based on seniority and the AGIRC "Tranches B and C" points observed at this date, and the average, over the three last financial years, of the fixed remuneration exceeding the AGIRC "Tranche B", increased by the variable remuneration within the limit of 5% of the fixed remuneration.

Only the minimum rights, formerly defined as a third of the AGIRC "Tranche B" points acquired since the appointment in the Societe Generale "Outside Classification" category, have been retained as of 1st January 2019, in the form of annual rights equal to 0.4% of the portion of gross annual remuneration at between one and four annual French Social Security ceilings.

The amount of rights acquired at the time of pension uptake will consist of the sum of rights frozen at 31st December 2018 and the new rights built up as of 1st January 2019. Liquidation will be conditional on achievement of career within Societe Generale.

Each year, as of 1st January 2019, potential annuity rights are calculated according to projected length of service and fixed remuneretion at retirement, based on recognised actuarial principles. They are prefinanced with an insurance company.

The rights are subject to the employee being employed by the Company upon claiming their pension.

As required by law, the annual increase in supplementary pension benefits conditional upon the beneficiary completing his/her career within the Company is subject, as from his/her appointment, is subject to the following performance condition: potential annuity rights for any given year will only be awarded in full if at least 80% of the variable remuneration performance conditions for that year are met. For performance levels of 50% or below, there will be no increase in the annuities. For an achievement rate of between 80% and 50%, the benefits awarded for the year will be calculated on a straight-line basis.

ADDITIONAL DEFINED CONTRIBUTION PENSION PLAN

In the wake of the revision to the complementary allocation regime for "Outside Classification" executives on 31st December 2018, and notably the suppression of the differential portion of this regime beyond four French Social Security annual ceilings, a defined-contribution pension plan (Art. 82) has been implemented for Management Committee members, including Deputy CEOs[(4)], with effect from 1st January 2019.

This regime slates the payment of a yearly contribution by the Company on an individual Art. 82 pension account opened in the name of the eligible beneficiary, on the portion of his/her fixed remuneration exceeding 4 French Social Security annual ceilings. The acquired rights will be paid at the earliest at the effective date of the liquidation of the general old age pension regime.

The Company rate has been set at 8%.

In accordance with the law, the yearly contributions will only be paid in their totality if at least 80% of the performance conditions of the variable remuneration of this same year are met. For a performance of 50% and beyond, no contribution will be paid. For an achievement rate of between 80% and 50%, the benefits awarded for the year will be calculated on a straight-line basis.

VALMY PENSION SAVINGS SCHEME (FORMERLY IP VALMY SCHEME)

Philippe Aymerich, Séverin Cabannes, Philippe Heim and Diony Lebot also remain entitled to the supplementary defined-contribution pension plan that they had as employees prior to their appointment as Chief Executive Officers.

This defined-contribution plan, established in line with Article 83 of the French General Tax Code, was implemented in 1995 and amended on 1st January 2018 (and is now called *Épargne Retraite Valmy*, *i.e.* Valmy pension savings scheme). Membership is compulsory for all employees with more than six months' seniority within the Company and allows beneficiaries to save for their retirement, with benefits being paid in the form of life annuities upon retirement. Contributions correspond to 2% of the employee's remuneration, capped at twice the annual French Social Security cap, 1.5% of which is paid by the Company (*i.e.* EUR 1,216 based on the annual French Social Security ceiling in 2019). The plan is now insured with Sogécap (as opposed to the insurance company Valmy, as previously).

(1) Related-party commitments with Mr. Cabannes approved by General Meeting of 19th May 2009.
(2) Related-party commitments with Mssrs. Aymerich, Heim and Ms. Lebot, authorised by the Board of Directors on 3rd May 2018, will be submitted to the vote at the AGM on 21st May 2019.
(3) The modified 'pension' related-party commitments modified for all Deputy CEOs, authorised by the Board of Directors on 6th February, will also be submitted to the vote at the AGM on 21st May 2019.
(4) The modified 'pension' related-party commitments modified for all Deputy CEOs, authorised by the Board of Directors on 6th February, will also be submitted to the vote at the AGM on 21st May 2019.

Severance pay

Since 2017, the rules governing the Chief Executive Officer's or Deputy Chief Executive Officers' departure from the Group upon termination of their duties have been harmonised. The rules were defined in light of market practices and are compliant with the Afep-Medef Code.

NON-COMPETE CLAUSE

The Chief Executive Officers (Frédéric Oudéa, Philippe Aymerich, Séverin Cabannes, Philippe Heim and Diony Lebot[(1)]) have signed a non-compete clause in favour of Societe Generale, valid for a period of six months as from the date on which their duties as Chief Executive Officer end, in accordance with standard practice for financial institutions. The clause prohibits them from accepting a position at the same level with either a listed credit institution in Europe (defined as the European Economic Area, including the United Kingdom) or an unlisted credit institution in France. In exchange, they may continue to receive their gross fixed monthly salary.

The Board of Directors alone can waive such clause, within fifteen days as from the date on which the term of office of the Chief Executive Officer in question ends. In such a case, the Chief Executive Officer will no longer be bound by any commitment, and no sums will be payable to him in such respect.

In the event of breach of the non-compete clause, the Chief Executive Officer in question will be required to immediately pay a penalty equal to six months' fixed salary. Societe Generale will in such a case be released from its obligation to pay any financial compensation and may, furthermore, demand the refund of any financial compensation as may have already been paid since the breach.

In the wake of the update to the Afep-Medef Code in June 2018, which in particular states a tighter framework for non-compete clauses, the Board of Directors decided on 6th February 2019, and on recommendation of the Compensation Committee, to renew with modification, to render them more demanding, the corresponding clauses of the CEOs with effect as of the end of the post-AGM Board meeting on 21st May 2019[(2)]. In particular, they will be modified to respect the principle of non-payment of the clause in case of departure within six months before claiming the pension or beyond 65 years of age in line with article 23.4 of the amended Afet-Medef code.

SEVERANCE PAY

In accordance with the recommendations of the Afep-Medef Code, Frédéric Oudéa gave up his employment contract upon his appointment to the position of Chairman and Chief Executive Officer in 2009. He thus forfeited his entitlement to the benefits and guarantees which he would have enjoyed as an employee with close to 15 years of service.

The Chief Executive Officers (Frédéric Oudéa, Philippe Aymerich, Séverin Cabannes, Philippe Heim and Diony Lebot)[(3)] enjoy a severance pay clause in respect of their CEO terms of office.

The Board of Directors decided on 6th February 2019, and on recommendation of the Compensation Committee, to renew with modification, to render them more demanding, the corresponding clauses of the CEOs with effect as of the end of the post-AGM Board meeting on 21st May 2019[(4)]:

In particular, the following points are adjusted:

- no severance pay will be due to a Chief Executive Officer leaving within six months before claiming his French Social Security pension, or in case of the possibility to make use of rights to the full-rate Social Security pension in the sense of article 24.5.1 of the revised Afep-Medef Code;
- the text of the clause is modified in order to recall that any decision in terms of severance pay is subject to examination by the Board of Directors of the situation of the Company and the performance of each CEO in order to justify that neither the Company, nor the CEO are in a situation of failure, in line with article 24.5.1 of the revised Afep-Medef Code;
- the drafting of the clause is also modified to ensure that the rule whereby the pay is only due in case of non-voluntary departure from the Group, motivated as such by the Board of Directors, is explicit. It is indicated that no pay is due in case of resignation other than when recognised as non-voluntary by the Board of Directors or of non-renewal of the term of office at the initiative of the CEO or in case of serious misconduct.

The other characteristics of the severance pay for the CEOs are as follows:

- payment will be contingent upon an overall achievement rate for the annual variable remuneration targets of at least 60% on average over the three years preceding the end of the Chief Executive Officer's term of office (or over the duration of the term of office if it is under three years);
- the severance pay will be two years of fixed remuneration, thus respecting the recommendation of the Afep-Medef Code which is two years of fixed and variable remuneration.

In no circumstances may the combined severance pay and non-compete payment exceed the cap recommended in the Afep-Medef Code (*i.e.* two years' fixed and variable annual remuneration plus, if applicable, any other severance pay provided for under the employment contract, especially as stipulated under a collective agreement).

(1) Related-party agreements with Messrs. Oudéa and Cabannes approved by the General Meeting on 23rd May 2017. Related-party agreements with Mr. Aymerich, Mr. Heim and Ms. Lebot, approved by the General Meeting of 3rd May2018, will be subject to specific resolutions voted by shareholders at the General Meeting of 21st May 2019.

(2) The renewal with modification of the 'non-compete' clause related-party agreements for all the CEOs, authorised by the Board of Directors on 6th February 2019, will also be put to the vote at the AGM on 21st May 2019.

(3) Related-party commitments with Mssrs. Oudéa and Cabannes approved by the AGM on 23rd May 2017. The commitments with Mssrs. Aymerich, Heim and Ms. Lebot, authorised by the Board of Directors on 3rd May 2018, will be subject to AGM approval on 21st May 2019.

(4) The renewal with modification of the 'severance pay' related-party commitments for the CEOs, authorised by the Board of Directors on 6th February 2019, will also be put to the vote at the AGM on 21st May 2019.

OTHER BENEFITS OF CHIEF EXECUTIVE OFFICERS

The Chief Executive Officers have their own company car, available to them for private as well as professional use, and insurance providing the same cover in terms of health and death/invalidity benefits as for employees.

Exceptional variable remuneration

Societe Generale does not generally award exceptional variable remuneration to its Chief Executive Officers. However, in light of the new legislation requiring prior approval of all aspects of the remuneration policy, the Board of Directors would like to reserve the right to pay additional variable remuneration if warranted in certain highly specific situations, for example due to the impact on the Company, or the commitment demanded and challenges involved. Such remuneration would need to be justified, and would be set in accordance with the general principles of the Afep-Medef Code on remuneration, as well as with the recommendations of the French Financial Markets Authority (AMF).

It would be paid on the same terms as the annual variable remuneration, *i.e.* partially deferred for a period of three years, and subject to the same conditions in terms of vesting.

In any case, in compliance with inforce regulation, the variable component (*i.e.* the annual variable remuneration, the long-term incentives, and any exceptional variable remuneration) would be capped at 200% of the fixed component.

APPOINTMENT OF A NEW CHIEF EXECUTIVE OFFICER

As a rule, the remuneration components and structure described in this remuneration policy will also apply to any new Chief Executive Officer appointed whilst said policy remains in effect, according to his responsibilities and professional experience. The same principle will also apply to all other benefits granted to Chief Executive Officers (supplementary pension plan, insurance, etc.).

The Board of Directors is therefore responsible for setting the new Chief Executive Officer's fixed salary in light of these elements, in line with the salary of existing Chief Executive Officers and the practices of comparable European financial institutions.

Lastly, any new Chief Executive Officer selected from outside the Societe Generale Group may be awarded a hiring bonus designed to act as compensation, if appropriate, for the remuneration forfeited in leaving his previous employer. This remuneration would vest on a deferred basis, and would be conditional upon the satisfaction of performance conditions similar to those applicable to the Chief Executive Officers' deferred variable remuneration.

Remuneration of Chief Executive Officers for the 2018 financial year

The remuneration of Chief Executive Officers for 2018 complies with the compensation policy approved by the General Meeting of 23rd May 2018.

The remuneration policy approved by the AGM on 23rd May 2018 applies to Philippe Aymerich, Philippe Heim and Diony Lebot appointed Deputy CEOs on 3rd May 2018 with effect from 14th May 2018.

In accordance with Article L. 225-100 of the French Commercial Code, the variable (*i.e.* annual variable remuneration and long-term incentives) and exceptional components of this remuneration cannot be paid until they have been approved by the General Meeting to be held on 21st May 2019.

REMUNERATION OF THE NON-EXECUTIVE CHAIRMAN

When Mr. Bini Smaghi's term of office as Chairman of the Board was renewed, his fixed remuneration was raised from EUR 850,000 to EUR 925,000 per year as of 23rd May 2018, for the duration of his new term of office lasting four years.

He receives neither variable remuneration, nor attendance fees, nor securities, nor compensation contingent on the performance of Societe Generale or the Group.

He is provided with Company accommodation for the performance of his duties in Paris.

REMUNERATION OF GENERAL MANAGEMENT

The policy governing remuneration of Chief Executive Officers ensures a balanced remuneration considering the expectations of the various stakeholders (see p. 98 to 105).

Fixed remuneration

The Chief Executive Officers' fixed remuneration remained unchanged over financial year 2018. It amounted to EUR 1,300,000 for the Chief Executive Officer and EUR 800,000 for the Deputy Chief Executive Officers. This remuneration is *pro rata* for Mr. Aymerich, Mr. Heim and Ms. Lebot whose term of office as Deputy CEO started on 14th May 2018, and for Mr. Valet and Mr. Sanchez Incera whose term of office ended respectively on 14th March 2018 and 14th May 2018.

Annual variable remuneration in respect of financial year 2018

CRITERIA FOR DETERMINING AND EVALUATING PERFORMANCE FOR 2018

On 14th March 2018 and 3rd May 2018, the Board of Directors defined the evaluation criteria for the Chief Executive Officers' annual variable remuneration in respect of financial year 2018. In accordance with the compensation policy approved by the General Meeting of 23th May 2018, these criteria are as follows:

Quantitative portion

For Frédéric Oudéa and Diony Lebot, the quantitative portion is measured according to the achievement of Group targets in terms of earnings per share, gross operating income and cost-to-income ratio, each indicator being equally weighted. For Philippe Aymerich, Séverin Cabannes and Philippe Heim, the economic criteria concern both the Group as a whole and their specific area of responsibility, as detailed on page 100.

These indicators reflect targets for operational efficiency and risk management over the relevant scope of responsibility, and value creation for the shareholders. Comprising both financial and operational elements, these indicators are directly linked to the Group's strategy and are based on compliance with a predefined budget. They do not include any items regarded as exceptional by the Board of Directors.

Meeting the budgetary target equates to an 80% achievement rate.

At its meeting on 6th February 2019 the Board of Directors recorded the following achievement rates:

- Frédéric Oudéa: 72.6% of quantitative targets achieved;
- Philippe Aymerich: 76.9% of quantitative targets achieved;
- Séverin Cabannes: 54.4% of quantitative targets achieved. As of 14th May 2018, Séverin Cabannes, hitherto in charge of the Group's control and resources functions, has headed the Global Banking and Investor Solutions businesses. As a result, his performance to 14th May 2018 is based solely on the Group scope, and, as of the 14th May 2018, on the scope of the Group and the businesses under his supervision. The overall achievement rate mirrors this weighting;
- Philippe Heim 81.0% of quantitative targets achieved;
- Diony Lebot: 72.6% of quantitative targets achieved.

Qualitative portion

The Board of Directors also set qualitative targets at its meetings on 14th March and 3rd May 2018. These are based on targets pertaining to the first year of the 'Transform to Grow' financial and strategic plan for the Group and the businesses, operational efficiency, risk control and regulatory compliance, ongoing Group transformation, continued progress in terms of customer satisfaction, redefinition of the strategy in respect of corporate social responsibility (CSR), improvements in the Group's capacity to innovate. In addition, specific individual targets, such as implementation of the Culture & Conduct programme, transformation of the French networks and regulatory compliance.

These targets are assessed on the basis of key questions defined *ab initio* by the Board of Directors. The achievement rate may extend from 0 to 100%.

In light of these targets for 2018, the Board of Directors, at its meeting of 6th February 2019 and based on the Compensation Committee's recommendation, set the following achievement rates:

- Frédéric Oudéa: 69.4% of qualitative targets achieved;
- Philippe Aymerich: 67.2% of qualitative targets achieved;
- Séverin Cabannes: 61.1% of qualitative targets achieved;
- Philippe Heim: 67.1% of qualitative targets achieved;
- Diony Lebot: 60.7% of qualitative targets achieved.

The Board of Directors has factored in the following points in particular: the long-term strategic ambition of accompanying Group clients in their positive transformations, benefiting from the diversified business model and operating in synergies, is confirmed. However, economic, financial and regulatory prospects, dimmer than initially slated 15 months ago, prompt modifications to the implementation of the Group's strategic plan. The savings slated in the efficiency plan have been achieved and the Group has shown sound control of risks. At the same time, the Group has made headway with several other aspects of the road map, notably with the digitilisation of businesses. Agreements have been reached with the American authorities on the outstanding litigation and remediation measures are underway alongside the deployment of the Culture & Conduct programme. The transformation of the networks is advancing as expected. Client satisfaction has increased even if some specific points need attention. With regard to CSR, the Group is well placed in the extra-financial indices and ratings and confirms its ambitions in 'positive impact' finance. The level of employee commitment varies widely according to geographies and businesses, and the impact of the transformations.

Target achievement rates:

		Quantitative targets								
		Group scope			Scope of responsibility of Deputy CEOs			Total quantitative targets	Qualitative targets	Overall achievement rate for 2018 targets
		EPS	GOI	C/I ratio	GOI	C/I ratio	EBT			
	Weight	20%	20%	20%	-	-	-	60%	40%	
F. Oudéa	**Achievement rate**	15.7%	13.5%	14.4%	-	-	-	43.5%	27.8%	**71.3%**
	Weight	10%	10%	10%	10%	10%	10%	60%	40%	
Ph. Aymerich	**Achievement rate**	7.8%	6.7%	7.2%	7.7%	7.9%	8.8%	46.1%	26.9%	**73.0%**
	Weight	20%	20%	20%	-	-	-	60%	40%	
S. Cabannes(1) 01.01.2018-14.05.2018	**Achievement rate**	15.7%	13.5%	14.4%	-	-	-	43.5%		
	Weight	10%	10%	10%	-	-	-	60%	40%	
S. Cabannes(1) 14.05.2018-31.12.2018	**Achievement rate**	7.8%	6.7%	7.2%	0.0%	4.4%	0.0%	26.2%		**57.1%**
	Weight	10%	10%	10%	10%	10%	10%	60%	40%	
Ph. Heim	**Achievement rate**	7.8%	6.7%	7.2%	8.4%	8.4%	10.0%	48.6%	26.8%	**75.4%**
	Weight	20%	20%	20%	-	-	-	60%	40%	
D. Lebot	**Achievement rate**	15.7%	13.5%	14.4%	-	-	-	43.5%	24.3%	**67.8%**

Note: Percentages rounded to the nearest full number for the purposes of this chart.
EPS: Earnings per share.
GOI: Gross operating income.
EBT: Earnings before tax.
C/I ratio: Cost-to-income ratio.

(1) *As of 14th May 2018, Séverin Cabannes, hitherto in charge of the control and resources functions of the Group, took up the supervision of the Global Banking and Investor Solutions businesses. As a result, his performance till 14th May 2018 is assessed on the Group scope alone and, as of 14th May 2018, on the Group scope and businesses under supervision.*
The overall achievement rate given in the table reflects this weighting.

The **Chief Executive Officer**'s annual variable remuneration thus amounted to EUR 1,251,151, corresponding to an overall achievement rate of 71.3%.

The annual variable remuneration awarded to Mr. Aymerich, Mr. Heim and Ms. Lebot for their Deputy CEO functions has been calculated *pro rata,* these having started their terms of office as of 14th May 2018.

The **Deputy Chief Executive Officers**' annual variable remuneration amounts to:

- EUR 423,105 for Philippe Aymerich, equating to an overall achievement rate of 73.0%;
- EUR 524,924 for Séverin Cabannes, equating to an overall achievement rate of 57.1%;
- EUR 437,300 for Philippe Heim, equating to an overall achievement rate of 75.4%;
- EUR 393,030 for Diony Lebot, equating to an overall achievement rate of 67.8%.

For each Deputy Chief Executive Officer the amount of annual variable remuneration equates to the maximum amount of annual variable remuneration (135% of the fixed remuneration for the CEO and 115% of the fixed remuneration for the Deputy CEOs) adjusted *pro rata* if need be, multiplied by the overall achievement rate of objectives.

Note that the Board of Directors on 14th March 2018 and 3rd May 2018 decided that no variable remuneration has been awarded for 2018 to Mr. Valet or Mr. Sanchez Incera or whose terms of office as Deputy CEOs came to an end on respectively 14th March 2018 and 14th May 2018.

DETAILS ON THE ANNUAL VARIABLE REMUNERATION FOR FRÉDÉRIC OUDÉA AND SÉVERIN CABANNES OWING TO THE AGREEMENTS REACHED WITH THE AMERICAN AUTHORITIES IN 2018

In the wake of the agreements reached with the American authorities on litigation cases in 2018, Frédéric Oudéa and Séverin Cabannes have offered to cede part of their annual variable remuneration awarded by the Board of Directors. This proposal was accepted by the Board on 6th February 2019.

The proposed cut to variable remuneration amounts to 15% for Mr. Oudéa and 7.5% for Mr. Cabannes.

Following this concession, Frédéric Oudéa's variable remuneration is down 19% on 2017 (-27% on 2016) and for Séverin Cabannes it is down 28% on 2017 (-35% on 2016).

The table below gives the detail of the annual variable remuneration for the Chief Executive Officers

RECORD OF FIXED AND ANNUAL VARIABLE REMUNERATION AWARDED TO CHIEF EXECUTIVE OFFICERS

	Reminder of 2016 fixed + annual variable remuneration			Reminder of 2017 fixed + annual variable remuneration			Fixed remuneration + variable remuneration yearly 2018		
(In EUR)	Fixed rem.	Annual variable rem.	Total rem.	Fixed rem.	Annual variable rem.	Total rem.	Fixed rem.	Annual variable rem.	Total rem.
Mr. Oudéa	1,300,000	1,450,262	2,750,262	1,300,000	1,305,720	2,605,720	1,300,000	1,063,478	**2,363,478**
Mr. Aymerich(1)	NA	NA	NA	NA	NA	NA	504,000	423,105	**927,105**
Mr. Cabannes	800,000	744,630	1,544,630	800,000	672,998	1,472,998	800,000	485,555	**1,285,555**
Mr. Heim(1)	NA	NA	NA	NA	NA	NA	504,000	437,300	**941,300**
Ms. Lebot(1)	NA	NA	NA	NA	NA	NA	504,000	393,030	**897,030**
Mr. Sanchez Incera(2)	800,000	761,466	1,561,466	800,000	702,438	1,502,438	295,556	0	**295,556**
Mr. Valet(3)	NA	NA	NA	800,000	260,544	1,451,360	164,444	0	**164,444**

Note: Gross amounts in EUR, as calculated at grant date.
(1) The terms of office of Mr. Aymerich, Mr. Heim and Ms. Lebot, as Deputy Chief Executive Officers started on 14th May 2018.
(2) Mr. Sanchez Incera's term of office as Deputy Chief Executive Officer ended on 14th May 2018.
(3) Mr. Valet's term of office as Deputy Chief Executive Officer ended on 14th March 2018.

Frédéric Oudéa's remuneration for 2018 (defined as the sum of his fixed remuneration in 2008 and his annual variable remuneration in 2018), which amounts to EUR 2.4 million, represents 41 times the average gross remuneration for a Societe Generale SA France employee (46 times in 2017).

Long-term incentives for the 2018 financial year

In accordance with the compensation policy approved by the General Meeting of 23rd May 2018, the long-term incentive plan which the Chief Executive Officers have enjoyed since 2012 has been renewed. It aims to implicate the Chief Executive Officers in the Company's long-term progress and to align their interests with those of shareholders.

In addition to the existing cap upon vesting, which has applied for a number of years, a cap has also been introduced on the granting of long-term incentives. Such cap has been set at the same level as for the annual variable remuneration. Frédéric Oudéa's long-term incentives are therefore capped at 135% of his annual fixed remuneration. For the Deputy Chief Executive Officers, the cap is 115% of their annual fixed remuneration.

In all events, in accordance with applicable regulations, the variable component awarded (*i.e.* annual variable remuneration plus long-term incentives) must not exceed two times the fixed remuneration.

On this basis, and in line with previous years, the Board of Directors, at its meeting of 6th February 2019, decided to implement, for financial year 2018 and subject to the approval of the General Meeting of 21st May 2019 pursuant to Article L. 225-100 of the French Commercial Code an incentives plan, as follows:

- grant value unchanged over time, expressed in accordance with IFRS. The corresponding number of shares has been calculated on the basis of the Societe Generale share's book value as at 5th February 2019;
- shares granted in two instalments, with vesting periods of four and six years, followed by a one-year holding period, thus increasing the total indexing periods to five and seven years;
- definitive vesting subject to a condition of presence throughout the vesting periods, as well as a performance condition. Vesting depends on the relative performance of the Societe Generale share as measured by the increase in Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. Thus, the entirety of the award will only vest if Societe Generale's TSR is in the upper quartile of the sample; if it is slightly above the median value, the vesting rate will be 50% of the total number of shares or share equivalents granted; no shares or share equivalents will vest if the TSR performance is too low.

The complete vesting chart is shown below:

SG Rank	Ranks 1*, 2 and 3	Rank 4	Rank 5	Rank 6	Ranks 7, 8 and 9	Ranks 10, 11 and 12
In % of the number maximum awarded	100%	83.3%	66.7%	50%	25%	0%

* *The highest rank in the sample.*

The 2019 peer sample comprises the following financial institutions: Barclays, BBVA, BNP Paribas, Crédit Agricole, Crédit Suisse, Deutsche Bank, Intesa Sanpaolo, Nordea, Santander, UBS and Unicredit.

The final payment value for the shares will be limited to EUR 77 per share, *i.e.* approximately 1.2 times the book value per Societe Generale Group share at 31st December 2017.

If the Group is not profitable (as measured by Group net income, excluding strictly accounting-related impacts associated with the revaluation of own debt and the Debt Value Adjustment) in the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of the performance of the Societe Generale share.

Any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors. Lastly, the beneficiaries of long-term incentives are also subject to a "malus" clause. Thus, if the Board observes behaviour or actions that are not in line with Societe Generale's expectations, as defined in particular in the Group's Code of Conduct, or risk-taking that exceeds the level deemed acceptable by Societe Generale, it may decide to withhold payment of the long-term incentives in full or in part.

In line with inforce regulation, the variable component awarded (*i.e.* the annual variable remuneration and the long-term incentives) cannot exceed the regulatory ceiling equating to two times the fixed remuneration[1].

As the relationship between the variable component awarded (before inclusion of the reduction in variable remuneration proposed by Frédéric Oudéa and Séverin Cabannes and accepted by the Board) and the fixed remuneration for 2018 shows an overshoot for the regulatory ratio for the CEO and Deputy CEOs, on 6th February 2019 the Board of Directors applied the cap rule for the variable component at 200% of the fixed remuneration, by reducing the number of shares awarded as part of the long-term incentives in order to respect this ratio.

The table below indicates the number of shares or share equivalents granted to each Chief Executive Officer under the plan with respect to 2018, and their book value, after adjustment by the Board of Directors:

			Long-term incentives awarded for 2018 (after adjustment by the Board of Directors)	
	Attributable amount in book value (IFRS)(1)	Maximum number of attributable shares	Amount in book value (IFRS)(1)	Maximum number granted
Frédéric Oudéa	EUR 850,000	93,705	**EUR 636,936**	**70,217**
Philippe Aymerich(2)	EUR 359,100	39,588	**EUR 268,501**	**29,600**
Séverin Cabannes	EUR 570,000	62,838	**EUR 477,246**	**52,612**
Philippe Heim(2)	EUR 359,100	39,588	**EUR 263,560**	**29,055**
Diony Lebot(2)	EUR 359,100	39,588	**EUR 278,970**	**30,754**

(1) Based on the share price on the day preceding the Board of Directors' meeting of 6th February 2019, at which the allocation of the LTIs was determined.
(2) Long-term profit sharing awarded to Ms. Lebot, Mr. Aymerich and Mr. Heim for their Deputy CEO functions has been calculated pro rata, these having taken up their term of office as of 14th May 2018.

No long-term profit sharing has been awarded for 2018 to Mr. Sanchez Incera and Mr. Valet, whose terms of office as deputy CEOs ended on 14th May 2018 and 14th March 2018 respectively.

(1) After application of the discount rate of the variable remuneration in instruments diferred for 5 years or more, as provided for article L. 511-79 of the Monetary and Financial code.

POST-EMPLOYMENT BENEFITS: PENSION, SEVERANCE PAY, NON-COMPETE CLAUSE

Details of these benefits are given in the charts on pages 110 to 123.

In line with the rules applying to Societe Generale Chief Executive Officers since 2017, on 3rd May 2018 the Board of Directors authorised the related-party commitments relating to the benefits of Philippe Aymerich, Philippe Heim and Diony Lebot[(1)]. For financial year 2018 the annual increase in the pension commitment rights is subject to a performance condition, the overall performance of Philippe Aymerich, Philippe Heim and Diony Lebot, amounting respectively to 73.0%, 75.4% and 67.8%, the acquisition of potential rights has been 76.7%, 84.7% and 59.3%.

At its meeting of 14th March 2018, the Board of Directors noted the resignation of Didier Valet as Deputy Chief Executive Officer. Following the advice of the Nomination and Corporate Governance Committee and as proposed by the Remuneration Committee, it examined the consequences to draw from this resignation on his remuneration and on the related-party agreement and commitments binding him to the Company. The Board of Directors has considered that none of the agreement and commitments authorised by the Board of Directors on 13th January and 8th February 2017, and approved by the AGM on 23rd May 2018, was found to apply. Hence, Mr. Didier Valet has not received severance pay and non-compete clause indemnities for concluding his term of office as Deputy Chief Executive Officer. Enjoyment of the supplementary pension allocation regime being dependent on presence in the Company at the time of pension uptake, Didier Valet has lost the benefit of this pension.

At its meeting on 3rd May 2018, the Board of Directors noted the departure of Bernardo Sanchez Incera as Deputy Chief Executive Officer. Following the advice of the Nomination and Corporate Governance Committee and as proposed by the Remuneration Committee, it examined the consequences to draw from this departure on his remuneration and on the related-party agreement and commitments binding him to the Company. The Board of Directors has considered that his departure was non-voluntary, linked to strategic divergence on the conditions of supervision of the retail bank and disagreement on the change in scope of his supervision. Hence, the related-party agreement and commitments, non-compete clause (six months of fixed remuneration) and severance pay (two years of fixed remuneration) authorised by the Board of Directors on 8th February 2017 and approved by the AGM on 23rd May 2017, have been applied. Bernardo Sanchez Incera thus received EUR 400,000 for the non-compete clause and EUR 1,600,000 in severance pay. These accumulated amounts fall within the limit of two years of fixed and variable remuneration recommended by the Afep-Medef Code and applied by the Societe Generale.

The benefit of the supplementary pension allocation being dependent on presence in the Company at the time of pension uptake Bernard Sanchez Incera has lost the benefit of this pension.

Total remuneration and benefits of any kind paid or granted for financial year 2018 to Chief Executive Officers and subject to shareholders' approval

TABLE 1

Lorenzo BINI SMAGHI, Chairman of the Board of Directors
Remuneration compliant with the policy approved by the General Meeting of 23rd May 2018

Remuneration components paid or granted for financial year 2018	Amount or book value put to a vote	Description
Fixed remuneration	EUR 895,208	Fixed gross remuneration paid in 2018. Lorenzo Bini Smaghi's fixed remuneration, by decision of the Board of Directors on 7th February 2018, was raised from EUR 850,000 to EUR 925,000 as of 23rd May 2018 for the duration of his term of office of 4 years.
Annual variable remuneration	N/A	Lorenzo Bini Smaghi does not receive any variable remuneration.
Attendance fees	N/A	Lorenzo Bini Smaghi does not receive any attendance fees.
Value of benefits in kind	EUR 53,533	He is provided with Company accommodation for the performance of his duties in Paris.

(1) The related-party agreements and conventions with Philippe Aymerich, Philippe Heim and Diony Lebot, authorised by the Board of Directors on 3rd May 2018, will be subject to AGM approval on 21st May 2019.

TABLE 2

Frédéric OUDÉA, Chief Executive Officer
Remuneration compliant with the policy approved by the General Meeting of 23rd May 2018

Remuneration components paid or granted for financial year 2018	Amount or book value put to a vote	Description
Fixed remuneration	EUR 1,300,000	Gross fixed remuneration paid in 2018, unchanged since the Board of Director's decision of 31st July 2014 (confirmed in May 2015 when the functions of Chairman of the Board and Chief Executive Officer were separated).
Annual variable remuneration		Frédéric Oudéa benefits from annual variable remuneration broken down into two sub-components: 60% based on financial targets and 40% on qualitative targets. These elements are described on page 105 of the 2019 Registration Document. This annual variable remuneration is capped at 135% of fixed remuneration.
o.w. annual variable remuneration payable in 2019	EUR 212,696 (nominal amount)	**Evaluation of 2018 performance** – Given the quantitative and qualitative criteria defined by the Board of Directors in March 2018 and the achievement rates observed in financial year 2018, Mr. Oudéa's annual variable remuneration was set at EUR 1,121,151[(1)]. This corresponds to an overall target achievement rate of 71.3% of his maximum annual variable remuneration (see p. 106 of the 2019 Registration Document). In the wake of the agreements reached with the American authorities on litigation cases in 2018, Frédéric Oudéa offered to cede part of his annual variable remuneration awarded by the Board of Directors. This proposal was accepted by the Board of Directors on 6th February 2019. The proposed reduction in variable remuneration amounts to 15% and Mr. Oudéa's annual variable remuneration amounts after this concession to EUR 1,063,478**.** In compliance with the CRD4 Directive, applicable to credit institutions and Article L. 225-100 of the French Commercial Code, **the payment conditions for annual variable remuneration are as follows:**
o.w. annual variable remuneration payable in subsequent years	EUR 850,782 (nominal amount)	• Payment of the full annual variable remuneration in respect of 2018 is subject to approval by the General Meeting of 21st May 2019; • 40% of this variable remuneration, is conditional upon approval by the General Meeting of 21st May 2019. Half of this is converted into Societe Generale share equivalents subject to a one-year holding period; • 60% of the annual variable remuneration is conditional and subject to achievement of the Group's profitability targets and equity capital levels assessed over financial years 2019, 2020 and 2021. It is converted for two thirds in Societe Generale shares half of which are disposable in 2.5 years and half in 3.5 years.
Multi-annual variable remuneration	N/A	Frédéric Oudéa does not receive any multi-annual variable remuneration.
Exceptional compensation	N/A	Frédéric Oudéa does not receive any exceptional compensation.
Value of options granted during the financial year	N/A	Frédéric Oudéa has not been awarded any stock options since 2009.
Value of shares or share equivalents granted under the long-term incentive plan in respect of the financial year	EUR 636,936 (Value according to IFRS 2 at 5th February 2019) This amount corresponds to an award of 70,217 shares	Since 2012, the Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to implicate them more closely in the Company's long-term progress and to align their interests with those of the shareholders. In line with inforce regulation, the variable component awarded (*i.e.* the annual variable remuneration and the long-term incentives) cannot exceed the regulatory ceiling equating to two times the fixed remuneration. As the relationship between the variable component awarded (before reduction in the variable remuneration proposed by Mr. Oudéa and accepted by the Board of Directors) and the fixed remuneration for 2018 shows an overshoot for the regulatory ratio, on 6th February 2019 the Board of Directors applied the cap rule for the variable component at two times the fixed remuneration and reduces the number of shares awarded as part of the long-term incentives in order to respect this ratio, from 93,705 attributable shares to 70,217 shares awarded. The details of the plan granted in respect of 2018 by the Board of Directors at its meeting of 6th February 2019 are as follows: • cap on grants, identical to the cap on annual variable remuneration; • an award of 70,217 shares granted in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; • payment of the long-term incentives in respect of 2018 is conditional upon approval by the General Meeting of 21st May 2019, in accordance with Article L. 225-100 of the French Commercial Code; • definitive vesting subject to presence and performance conditions. The performance condition is measured by the increase in Societe Generale's Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. The vesting rate will thus depend on SG's ranking: rank 1 to 3, 100% vesting; rank 4: 83.3%; rank 5: 66.7%; rank 6, 50%; ranks 7, 8 and 9: 25%; and ranks 10, 11 and 12: 0%; • if the Group is not profitable (as measured by Group net income, excluding strictly accounting-related impacts associated with the revaluation of own debt and the Debt Value Adjustment) in the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of the performance of the Societe Generale share; • any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors; • lastly, the Board of Directors decided to cap the final vesting value at EUR 77 per share, *i.e.* approximately 1.2 times the book value per share of the Societe Generale Group at 31st December 2017. The award is granted pursuant to the 25th resolution of the General Meeting of 23rd May 2018 and represents less than 0.01% of the capital.
Attendance fees	N/A	
Value of benefits in kind	EUR 5,147	Frédéric Oudéa is provided with a company car.

(1) Nominal amount decided by the Board of Directors on 6th February 2019.

For information, remuneration components that have been put to a shareholder vote in accordance with the procedure governing related-party agreements or commitments	Amounts or book value put to a vote	Description
Severance pay	No amount due in respect of the financial year	The features of the severance pay, constituting a related-party commitment authorised by the Board meeting of 8th February 2017 and approved by the General Meeting of 23rd May 2017 (5th resolution), are as follows: • payment will only be due in the event of a non-voluntary departure from the Group, justified as such by the Board of Directors. No payment will be due in the event of serious misconduct, resignation or non-renewal of the Chief Executive Officer's appointment for reasons attributable to the latter; • payment will be contingent upon an overall achievement rate for the annual variable remuneration targets of at least 60% on average over the three years preceding the end of the Chief Executive Officer's term of office; • no severance pay will be due to a Chief Executive Officer leaving within six months before claiming his French Social Security pension, entitling him to claim the supplementary senior managers' pension; • the pay will be two years of fixed remuneration, thus respecting the recommendation of the Afep-Medef Code which is two years of annual fixed and variable remuneration. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the Afep-Medef Code (*i.e.* two years' fixed and variable annual remuneration).
Non-compete clause	No amount due in respect of the financial year	Frédéric Oudéa is bound by a non-compete clause, constituting a related-party agreement authorised by the Board meeting of 8th February 2017 and approved by the General Meeting of 23rd May 2017 (5th resolution). For a duration of six months as from the date of expiry or termination of his term of office as Chief Executive Officer, such clause prohibits him from accepting a position at the same level with either a listed credit institution in Europe (defined as the European Economic Area, including the United Kingdom) or an unlisted credit institution in France. In exchange, he may continue to receive his fixed salary. The Board of Directors alone can waive such clause, up until the date on which the term of office of the Chief Executive Officer in question ends. In such a case, the Chief Executive Officer will no longer be bound by any commitment, and no sums will be payable to him in such respect. In the event of breach of the non-compete, the Chief Executive Officer in question will be required to immediately pay a sum equal to six months' fixed salary. Societe Generale will in such a case be released from its obligation to pay any financial compensation and may, furthermore, demand the refund of any financial compensation as may have already been paid since the breach. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the AFEP-MEDEF Code (*i.e.* two years' fixed and variable annual remuneration).
Supplementary pension plan	N/A	Frédéric Oudéa does not have any supplementary pension plan.

TABLE 3

Philippe AYMERICH, Deputy Chief Executive Officer as of 14th May 2018
Remuneration compliant with the policy approved by the General Meeting of 23rd May 2018

Remuneration components paid or granted for financial year 2018	Amount or book value put to a vote	Description
Fixed remuneration	EUR 504,000	The gross fixed remuneration, set by the Board of Directors on 3rd May 2018 at the time of the appointment of Philippe Aymerich, with effect from 14th May 2018, as Deputy Chief Executive Officer amounts to EUR 800,000. This is *pro rata* of the gross fixed remuneration paid in 2018 to Philippe Aymerich as Deputy Chief Executive Officer started in 14th May 2018.
Annual variable remuneration		Philippe Aymerich benefits from annual variable remuneration determined as a function at 60% of budgetary financial targets and 40% of qualitative targets. The items are described on page 105 of the 2019 Registration Document. The cap to this annual variable remuneration is 115% of the fixed remuneration.
o.w. annual variable remuneration payable in 2019	EUR 84,621 (nominal amount)	**Evaluation of 2018 performance -** Given the quantitative and qualitative criteria defined by the Board of Directors on 14th March 2018 and 3rd May 2018 and the achievement rates observed in financial year 2018, annual variable remuneration has been set at EUR 423,105(1). This equates to an overall achievement rate of these targets of 73.0% of his maximum annual variable remuneration (see page 106 of the 2019 Registration Document). The amount of variable remuneration awarded to Mr. Aymerich as Deputy CEO in 2018 has been calculated *pro rata*, as he commenced his term of office on 14th May 2018. In accordance with CRD4, applicable to credit institutions, and Article L. 225-100 of the French Commercial Code, **the payment conditions for annual variable remuneration** are as follows:
o.w. annual variable remuneration payable in subsequent years	EUR 338,484 (nominal amount)	• payment of the full annual variable remuneration in respect of 2018 is subject to approval by the General Meeting of 21st May 2019; • 40% of this variable remuneration, is conditional upon approval by the General Meeting of 21st May 2019. Half of this is converted into Societe Generale share equivalents subject to a one-year holding period; • 60% of the annual variable remuneration is conditional and subject to achievement of the Group's profitability targets and equity capital levels assessed over financial years 2019, 2020 and 2021. It is converted for two thirds in Societe Generale shares half of which are disposable in 2.5 years and half in 3.5 years.
Multi-annual variable remuneration	N/A	Philippe Aymerich does not receive any multi-annual variable remuneration.
Exceptional compensation	N/A	Philippe Aymerich does not receive any exceptional compensation.
Value of options granted during the financial year	N/A	Philippe Aymerich does not receive any stock-options.
Value of shares or share equivalents granted under the long-term incentive plan in respect of the financial year	EUR 268,501 (Value according to IFRS 2 at 5th February 2019) This amount corresponds to an award of 29,600 shares	The Deputy Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to implicate them more closely in the Company's long-term progress and to align their interests with those of the shareholders. In line with inforce regulation, the variable component awarded (*i.e.* the annual variable remuneration and the long-term incentives) cannot exceed the regulatory ceiling equating to two times the fixed remuneration. As the relationship between the variable component awarded and the fixed remuneration for 2018 for Mr. Aymerich shows an overshoot for the regulatory ratio, on 6th February 2019 the Board of Directors applied the cap rule for the variable component at two times the fixed remuneration and reduces the number of shares awarded as part of the long-term incentives in order to respect this ratio, from 39,588 attributable shares to 29,600 shares awarded. The details of the plan granted in respect of 2018 by the Board of Directors at its meeting of 6th February 2019 are: • cap on grants, identical to the cap on annual variable remuneration; • an award of 29,600 shares granted in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; • payment of the long-term incentives in respect of 2018 is conditional upon approval by the General Meeting of 21st May 2019, in accordance with Article L. 225-100 of the French Commercial Code; • definitive vesting subject to presence and performance conditions. The performance condition is measured by the increase in Societe Generale's Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. The vesting rate will thus depend on SG's ranking: rank 1 to 3, 100% vesting; rank 4: 83.3%; rank 5: 66.7%; rank 6, 50%; ranks 7, 8 and 9: 25%; and ranks 10, 11 and 12: 0%; • if the Group is not profitable (as measured by Group net income, excluding strictly accounting-related impacts associated with the revaluation of own debt and the Debt Value Adjustment) in the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of the performance of the Societe Generale share; • any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors; • lastly, the Board of Directors decided to cap the final vesting value to EUR 77 per share, *i.e.* approximately 1.2 times the book value per share of the Societe Generale Group at 31st December 2017. The award is granted pursuant to the 25th resolution of the General Meeting of 23rd May 2018, and represents less than 0.01% of the capital. The long-term incentives awarded to Mr. Aymerich owing to these Deputy CEO functions in 2018 have been calculated *pro rata*, as he commenced his term of office on 14th May 2018.
Attendance fees	N/A	Philippe Aymerich did not receive any attendance fees in 2018
Value of benefits in kind	EUR 5,189	Philippe Aymerich is provided with a company car.

(1) Nominal amount decided by the Board of Directors on 6th February 2019.

For information, remuneration components that have been put to a shareholder vote in accordance with the procedure governing related-party agreements or commitments	Amounts or book value put to a vote	Description
Severance pay	No amount due in respect of the financial year	The features of the severance pay, constituting a related-party commitment authorised by the Board meeting of 3rd May 2018 and subject to approval by the General Meeting of 21st May 2019, are as follows: • payment will only be due in the event of a non-voluntary departure from the Group, justified as such by the Board of Directors. No payment will be due in the event of serious misconduct, resignation or non-renewal of the Chief Executive Officer's appointment for reasons attributable to the latter; • payment will be contingent upon an overall achievement rate for the annual variable remuneration targets of at least 60% on average over the three years preceding the end of the Chief Executive Officer's term of office; • no severance pay will be due to a Chief Executive Officer leaving within six months before claiming his French Social Security pension, entitling him to claim the supplementary senior managers' pension; • the pay will be two years of fixed remuneration, thus respecting the recommendation of the Afep-Medef Code which is two years of annual fixed and variable remuneration. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the Afep-Medef Code (*i.e.* two years' fixed and variable annual remuneration, including, if need be, any other severance pay that would be linked to the employment contract (notably as stipulated under a collective agreement).
Non-compete clause	No amount due in respect of the financial year	Philippe Aymerich is bound by a non-compete clause, constituting a related-party agreement authorised by the Board meeting of 3rd May 2018 and subject to approval by the General Meeting of 21st May 2019. For a six-month period as of the expiry date or termination of his term of office as a Chief Executive Officer, this clause prohibits him from accepting a position at the same level with either a listed credit institution in Europe (defined as the European Economic Area, including the United Kingdom) or an unlisted credit institution in France. In exchange, he may continue to receive his fixed remuneration. The Board of Directors alone can waive such clause, up until the date on which the term of office of the Chief Executive Officer in question ends. In such a case, the Chief Executive Officer will no longer be bound by any commitment, and no sums will be payable to him in such respect. In the event of breach of the non-compete, the Chief Executive Officer in question will be required to immediately pay a sum equal to six months' fixed salary. Societe Generale will in such a case be released from its obligation to pay any financial compensation and may, furthermore, demand the refund of any financial compensation as may have already been paid since the breach. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the AFEP-MEDEF Code (i.e. two years' fixed and variable annual remuneration).
Supplementary pension plan	No amount due in respect of the financial year	Philippe Aymerich still benefits from the complementary pension allocation scheme for top management that applied as an employee before his appointment as Deputy Chief Executive Officer. This additional regime, put in place in 1991, and in line with article L. 137-11 of the French Social Security Code, awards beneficiaries a yearly allocation paid by Societe Generale, as described on p. 103. As indicated on p. 103, the rights equating to the differential portion of the regime were frozen at 31st December 2018, and only the rights calculated on the portion of the remuneration between 1 and 4 annual Social Security ceilings remain after 1st January 2019. For example, based on retirement at 62 years of age and his annual fixed salary, the potential rights opened for Mr. Aymerich, at 31st December 2018 for this allocation, represent, independently of the achievement conditions for commitments, a yearly income estimated at EUR 143 k (*i.e.* 15.4% of his reference remuneration as defined by the Afep-Medef Code), including EUR 139 k for rights frozen at 31st December 2018. The annual increase in pension commitment rights is subject to a performance condition. For FY 2018, with the overall performance of Mr. Aymerich amounting to 73.0%, the acquisition of potential pension rights has been 76.7% In line with the procedure relating to related-party agreements, this commitment was authorised by the Board on 3rd May 2018 subject to approval at the General Meeting on 21st May 2019. Mr. Aymerich also benefits from the defined benefits supplementary pension plan that applied as an employee before his appointment as a Chief Executive Officer. This defined-contribution plan, established in line with Article 83 of the French General Tax Code, was implemented in 1995 and amended on 1st January 2018 (and is now called *Épargne Retraite Valmy*, *i.e.* Valmy pension savings scheme). Membership is compulsory for all employees with more than six months' seniority within the Company and allows beneficiaries to save for their retirement, with benefits being paid in the form of life annuities upon retirement. Contributions correspond to 2% of the employee's remuneration, capped at twice the annual French Social Security ceiling, 1.5% of which is paid by the Company (*i.e.* EUR 1,192 based on the 2018 French Social Security annual ceiling). The plan is now insured with Sogécap (as opposed to the insurance company Valmy, as previously).

TABLE 4

Séverin CABANNES, Deputy Chief Executive Officer
Remuneration compliant with the policy approved by the General Meeting of 23rd May 2018

Remuneration components paid or granted for financial year 2018	Amount or book value put to a vote	Description
Fixed remuneration	EUR 800,000	Gross fixed remuneration paid in 2018, unchanged since the Board of Directors' decision of 31st July 2014.
Annual variable remuneration		Séverin Cabannes benefits from annual variable remuneration broken down into two sub-components: 60% based on financial targets and 40% on qualitative targets. These elements are described on page 105 of the 2019 Registration Document. This annual variable remuneration is capped at 115% of fixed remuneration.
o.w. annual variable remuneration payable in 2019	EUR 97,111 (nominal amount)	**Evaluation of 2018 performance** – Given the quantitative and qualitative criteria defined by the Board of Directors in March 2018 and the achievement rates observed in financial year 2018, Mr. Cabannes' annual variable remuneration was set at EUR 524,924(1). This corresponds to an overall target achievement rate of 57.1% of his maximum annual variable remuneration (see p. 106 of the 2019 Registration Document). In the wake of the agreements reached with the American authorities on litigation cases in 2018, Séverin Cabannes offered to cede part of his annual variable remuneration awarded by the Board of Directors. This proposal was accepted by the Board of Directors on 6th February 2019. The proposed reduction in variable remuneration amounts to 7.5% and Séverin Cabannes' annual variable remuneration amounts after this concession to EUR 485,555. In accordance with CRD4, applicable to credit institutions, and Article L. 225-100 of the French Commercial Code, the **payment conditions for annual variable remuneration are as follows:**
o.w. annual variable remuneration payable in subsequent years	EUR 388,444 (nominal amount)	• Payment of the full annual variable remuneration in respect of 2018 is subject to approval by the General Meeting of 21st May 2019; • 40% of this variable remuneration, is conditional upon approval by the General Meeting of 21st May 2019. Half of this is converted into Societe Generale share equivalents subject to a one-year holding period; • 60% of annual variable remuneration is conditional upon achievement of Group profitability and Core Tier 1 targets as determined for financial years 2019, 2020 and 2021. Two-thirds of this is converted into Societe Generale shares half of which are disposable in 2.5 years and half in 3.5 years.
Multi-annual variable remuneration	N/A	Séverin Cabannes does not receive any multi-annual variable remuneration.
Exceptional compensation	N/A	Séverin Cabannes does not receive any exceptional compensation.
Value of options granted during the financial year	N/A	Séverin Cabannes has not been awarded any stock options since 2009.
Value of shares or share equivalents granted under the long-term incentive plan in respect of the financial year	EUR 477,246 (Value according to IFRS 2 at 5th February 2019) This amount corresponds to an award of 52,612 shares	Since 2012, the Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to implicate them more closely in the Company's long-term progress and to align their interests with those of the shareholders. In line with inforce regulation, the variable component awarded (*i.e.* the annual variable remuneration and the long-term incentives) cannot exceed the regulatory ceiling equating to two times the fixed remuneration. As the relationship between the variable component awarded and the fixed remuneration for 2018 for Mr. Cabannes shows an overshoot for the regulatory ratio, on 6th February 2019 the Board of Directors applied the cap rule for the variable component at two times the fixed remuneration and reduces the number of shares awarded as part of the long-term incentives in order to respect this ratio, from 62,838 attributable shares to 52,612 shares awarded. The details of the plan granted in respect of 2018 by the Board of Directors at its meeting of 6th February 2019 are as follows: • cap on grants, identical to the cap on annual variable remuneration; • an award of 52,612 shares granted in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; • payment of the long-term incentives in respect of 2018 is conditional upon approval by the General Meeting of 21st May 2019, in accordance with Article L. 225-100 of the French Commercial Code; • definitive vesting subject to presence and performance conditions. The performance condition is measured by the increase in Societe Generale's Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. The vesting rate will thus depend on SG's ranking: rank 1 to 3, 100% vesting; rank 4: 83.3%; rank 5: 66.7%; rank 6, 50%; ranks 7, 8 and 9: 25%; and ranks 10, 11 and 12: 0%; • if the Group is not profitable (as measured by Group net income, excluding strictly accounting-related impacts associated with the revaluation of own debt and the Debt Value Adjustment) in the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of the performance of the Societe Generale share; • any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors; • lastly, the Board of Directors decided to cap the final vesting value to EUR 77 per share, *i.e.* approximately 1.2 times the book value per share of the Societe Generale Group at 31st December 2017. The award is granted pursuant to the 25th resolution of the General Meeting of 23rd May 2018 and represents less than 0.01% of the capital.
Attendance fees	N/A	Séverin Cabannes did not receive any attendance fees in 2018.
Value of benefits in kind	EUR 5,147	Séverin Cabannes is provided with a company car.

(1) Nominal value as decided by the Board of Directors on 6 February 2019.

For information, remuneration components that have been put to a shareholder vote in accordance with the procedure governing related-party agreements or commitments	Amounts or book value put to a vote	Description
Severance pay	No amount due in respect of the financial year	The features of the severance pay, constituting a related-party commitment authorised by the Board meeting of 8th February 2017 and approved by the General Meeting of 23rd May 2017 (6th resolution), are as follows: • payment will only be due in the event of a non-voluntary departure from the Group, justified as such by the Board of Directors. No payment will be due in the event of serious misconduct, resignation or non-renewal of the Chief Executive Officer's appointment for reasons attributable to the latter; • payment will be contingent upon an overall achievement rate for the annual variable remuneration targets of at least 60% on average over the three years preceding the end of the Chief Executive Officer's term of office; • no severance pay will be due to a Chief Executive Officer leaving within six months before claiming his French Social Security pension, entitling him to claim the supplementary senior managers' pension; • the payment will amount to two years' fixed salary, thus complying with the recommendation in the Afep-Medef Code, *i.e.* two years' fixed and variable annual remuneration. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the Afep-Medef Code (*i.e.* two years' fixed and variable annual remuneration plus, if applicable, any other severance pay provided for under the employment contract, especially as stipulated under a collective agreement).
Non-compete clause	No amount due in respect of the financial year	Séverin Cabannes is bound by a non-compete clause, constituting a related-party agreement authorised by the Board meeting of 8th February 2017 and approved by the General Meeting of 23rd May 2017 (6th resolution). For a duration of six months as from the date of expiry or termination of his term of office as Chief Executive Officer, such clause prohibits him from accepting a position at the same level with either a listed credit institution in Europe (defined as the European Economic Area, including the United Kingdom) or an unlisted credit institution in France. In exchange, he may continue to receive his fixed salary. The Board of Directors alone can waive such clause, up until the date on which the term of office of the Chief Executive Officer in question ends. In such a case, the Chief Executive Officer will no longer be bound by any commitment, and no sums will be payable to him in such respect. In the event of breach of the non-compete, the Chief Executive Officer in question will be required to immediately pay a sum equal to six months' fixed salary. Societe Generale will in such a case be released from its obligation to pay any financial compensation and may, furthermore, demand the refund of any financial compensation as may have already been paid since the breach. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the AFEP-MEDEF Code (i.e. two years' fixed and variable annual remuneration).
Supplementary pension plan	No amount due in respect of the financial year	Séverin Cabannes still benefits from the complementary pension allocation scheme for top management that applied as an employee before his appointment as Deputy Chief Executive Officer. This additional regime, put in place in 1991, and in line with article L. 137-11 of the French Social Security Code, awards beneficiaries a yearly allocation paid by Societe Generale, as described on p. 103. As indicated on p. 103, the rights equating to the differential portion of the regime were frozen at 31st December 2018, and only the rights calculated on the portion of the remuneration between 1 and 4 annual Social Security ceilings remain after 1st January 2019. For example, based on retirement at 62 years of age and his annual fixed salary, the potential rights opened for Mr. Cabannes, at 31st December 2018 for this allocation, represent, independently of the achievement conditions for commitments, a yearly income estimated at EUR 151 k (*i.e.* 11.7% of his reference remuneration as defined by the Afep-Medef Code), including EUR 150 k for rights frozen at 31st December 2018. In line with the procedure relating to related-party agreements, this commitment was authorised by the Board on 12th May 2008 subject to approval at the General Meeting on 19th May 2009 (7th resolution). Mr. Cabannes also benefits from the defined benefits supplementary pension plan that applied as an employee before his appointment as a Chief Executive Officer. This defined-contribution plan, established in line with Article 83 of the French General Tax Code, was implemented in 1995 and amended on 1st January 2018 (and is now called *Épargne Retraite Valmy*, *i.e.* Valmy pension savings scheme). Membership is compulsory for all employees with more than six months' seniority within the Company and allows beneficiaries to save for their retirement, with benefits being paid in the form of life annuities upon retirement. Contributions correspond to 2% of the employee's remuneration, capped at twice the annual French Social Security ceiling, 1.5% of which is paid by the Company (*i.e.* EUR 1,192 based on the the 2018 French social security annual ceiling) . The plan is now insured with Sogécap (as opposed to the insurance company Valmy, as previously).

TABLE 5

Philippe HEIM, Deputy Chief Executive Officer as of 14th May 2018
Remuneration compliant with the policy approved by the General Meeting of 23rd May 2018

Remuneration components paid or granted for financial year 2018	Amount or book value put to a vote	Description
Fixed remuneration	EUR 504,000	The gross fixed remuneration, set by the Board of Directors on 3rd May 2018 at the time of the appointment of Philippe Heim, with effect from 14th May 2018, as Deputy Chief Executive Officer amounts to EUR 800,000. This is *pro rata* of the gross fixed remuneration paid in 2018 to Philippe Heim as Deputy Chief Executive Officer that started on 14th May 2018.
Annual variable remuneration		Philippe Heim benefits from annual variable remuneration determined as a function at 60% of budgetary financial targets and 40% of qualitative targets. The items are described on page 105 of the 2019 Registration Document. The cap on this annual variable remuneration is 115% of the fixed remuneration.
o.w. annual variable remuneration payable in 2018	EUR 87,460 (nominal amount)	**Evaluation of 2018 performance** – Given the quantitative and qualitative criteria defined by the Board of Directors on 14th March 2018 and 3rd May 2018 and the achievement rates observed in financial year 2018 to EUR 437,300(1). This corresponds to an overall target achievement rate of 75.4% of his annual variable remuneration maximum (see page 106 of the 2019 Reference Document). The amount of variable remuneration awarded to Mr. Heim as Deputy Chief Executive Officer in 2018 has been calculated *pro rata*, as he commenced his term of office on 14th May 2018. In accordance with CRD4, applicable to credit institutions, and Article L. 225-100 of the French Commercial Code, the **payment conditions for annual variable remuneration** are as follows:
o.w. annual variable remuneration payable in subsequent years	EUR 349,840 (nominal amount)	■ Payment of the full annual variable remuneration in respect of 2018 is subject to approval by the General Meeting of 21st May 2019; ■ 40% of this variable remuneration, is conditional upon approval by the General Meeting of 21st May 2019. Half of this is converted into Societe Generale share equivalents subject to a one-year holding period; ■ 60% of the variable remuneration yearly is conditional and subject to achievement of the Group's profitability targets and the level of equity capital assessed over financial years 2019, 2020 and 2021. It is converted for two thirds in Societe Generale shares half of which are disposable in 2.5 years and half in 3.5 years.
Multi-annual variable remuneration	N/A	Philippe Heim does not receive any multi-annual variable remuneration.
Exceptional compensation	N/A	Philippe Heim does not receive any exceptional compensation.
Value of options granted during the financial year	N/A	Philippe Heim does not receive any stock-options.
Valuation of shares or share equivalents awarded as part of the long-term incentive plan for the year	EUR 263,560 (Valuation according to IFRS 2 in date of the 5th February 2019) This amount equates to an award of 29,055 shares	The Deputy Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to implicate them more closely in the Company's long-term progress and to align their interests with those of the shareholders. In line with inforce regulation, the variable component awarded (*i.e.* the annual variable remuneration and the long-term incentives) cannot exceed the regulatory ceiling equating to two times the fixed remuneration. As the relationship between the variable component awarded and the fixed remuneration for 2018 for Mr. Heim shows an overshoot for the regulatory ratio, on 6th February 2019 the Board of Directors applied the cap rule for the variable component at two times the fixed remuneration and reduces the number of shares awarded as part of the long-term incentives in order to respect this ratio, from 39,588 attributable shares to 29,055 shares awarded. The details of the plan granted in respect of 2018 by the Board of Directors at its meeting of 6th February 2019 are: ■ cap on grants, identical to the cap on annual variable remuneration; ■ an award of 29,095 shares granted in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; ■ payment of the long-term incentives in respect of 2018 is conditional upon approval by the General Meeting of 21st May 2019, in accordance with Article L. 225-100 of the French Commercial Code; ■ definitive vesting subject to presence and performance conditions. The performance condition is measured by the increase in Societe Generale's Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. The vesting rate will thus depend on SG's ranking: rank 1 to 3, 100% vesting; rank 4: 83.3%; rank 5: 66.7%; rank 6, 50%; ranks 7, 8 and 9: 25%; and ranks 10, 11 and 12: 0%; ■ if the Group is not profitable (as measured by Group net income, excluding strictly accounting-related impacts associated with the revaluation of own debt and the Debt Value Adjustment) in the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of the performance of the Societe Generale share; ■ any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors; ■ lastly, the Board of Directors decided to cap the final vesting value to EUR 78 per share, *i.e.* approximately 1.2 times the book value per share of the Societe Generale Group at 31st December 2017. The award is granted pursuant to the 25th resolution of the General Meeting of 23rd May 2018 and represents less than 0.01% of the capital. The long-term incentives awarded to Mr. Heim owing to these Deputy CEO functions in 2018 have been calculated *pro rata*, as he commenced his term of office on 14th May 2018.
Attendance fees	N/A	Philippe Heim did not receive any attendance fees in 2018.
Value of benefits in kind	EUR 3,033	Philippe Heim is provided with a company car.

(1) Nominal amount decided by the Board of Directors on 6th February 2019.

For information, remuneration components that have been put to a shareholder vote in accordance with the procedure governing related-party agreements or commitments	Amounts or book value put to a vote	Description
Severance pay	No amount due in respect of the financial year	The features of the severance pay, constituting a related-party commitment authorised by the General Meeting Board meeting of 3rd May 2018 and subject to approval by the General Meeting of 21st May 2019, are as follows: • payment will only be due in the event of a non-voluntary departure from the Group, justified as such by the Board of Directors. No payment will be due in the event of serious misconduct, resignation or non-renewal of the Chief Executive Officer's appointment for reasons attributable to the latter; • payment will be contingent upon an overall achievement rate for the annual variable remuneration targets of at least 60% on average over the three years preceding the end of the Chief Executive Officer's term of office; • no severance pay will be due to a Chief Executive Officer leaving within six months before claiming his French Social Security pension, entitling him to claim the supplementary senior managers' pension; • the payment will amount to two years' fixed salary, thus complying with the recommendation in the Afep-Medef Code, *i.e.* two years' fixed and variable annual remuneration. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the Afep-Medef Code (*i.e.* two years' fixed and variable annual remuneration plus, if applicable, any other severance pay provided for under the employment contract, especially as stipulated under a collective agreement).
Non-compete clause	No amount due in respect of the financial year	Philippe Heim is bound by a non-compete clause, constituting a related-party agreement authorised by the Board meeting of 3rd May 2018 and subject to approval by the General Meeting of 21st May 2019. For a duration of six months as from the date of expiry or termination of his term of office as Chief Executive Officer, such clause prohibits him from accepting a position at the same level with either a listed credit institution in Europe (defined as the European Economic Area, including the United Kingdom) or an unlisted credit institution in France. In exchange, he may continue to receive his fixed salary. The Board of Directors alone can waive such clause, up until the date on which the term of office of the Chief Executive Officer in question ends. In such a case, the Chief Executive Officer will no longer be bound by any commitment, and no sums will be payable to him in such respect. In the event of breach of the non-compete, the Chief Executive Officer in question will be required to immediately pay a sum equal to six months' fixed salary. Societe Generale will in such a case be released from its obligation to pay any financial compensation and may, furthermore, demand the refund of any financial compensation as may have already been paid since the breach. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the AFEP-MEDEF Code (i.e. two years' fixed and variable annual remuneration).
Supplementary pension plan	No amount due in respect of the financial year	Mr. Heim still benefits from the complementary pension allocation scheme for top management that applied as an employee before his appointment as Deputy Chief Executive Officer. This additional regime, put in place in 1991, and in line with article L. 137-11 of the French Social Security Code, awards beneficiaries a yearly allocation paid by Societe Generale, as described on p. 103. As indicated on p. 103, the rights equating to the differential portion of the regime were frozen at 31st December 2018, and only the rights calculated on the portion of the remuneration between 1 and 4 annual Social Security ceilings remain after 1st January 2019. For example, based on retirement at 62 years of age and his annual fixed salary, the potential rights opened for Mr. Heim, at 31st December 2018 for this allocation, represent, independently of the achievement conditions for commitments, a yearly income estimated at EUR 55 k (*i.e.* 5.8% of his reference remuneration as defined by the Afep-Medef Code), including EUR 50 k for rights frozen at 31st December 2018. The annual increase in pension commitment rights is subject to a performance condition. For FY 2018, with the overall performance of Mr. Heim amounting to 75.4%, the acquisition of potential pension rights has been 84.7%. In line with the procedure relating to related-party agreements, this commitment was authorised by the Board on 3rd May 2018 subject to approval at the General Meeting on 21st May 2019. Mr. Heim also benefits from the defined benefits supplementary pension plan that applied as an employee before his appointment as a Chief Executive Officer. This defined-contribution plan, established in line with Article 83 of the French General Tax Code, was implemented in 1995 and amended on 1st January 2018 (and is now called *Épargne Retraite Valmy*, *i.e.* Valmy pension savings scheme). Membership is compulsory for all employees with more than six months' seniority within the Company and allows beneficiaries to save for their retirement, with benefits being paid in the form of life annuities upon retirement. Contributions correspond to 2% of the employee's remuneration, capped at twice the annual French Social Security ceiling, 1.5% of which is paid by the company (*i.e.* EUR 1,192 based on the 2018 French social security annual ceiling) . The plan is now insured with Sogécap (as opposed to the insurance company Valmy, as previously).

TABLE 6

Diony LEBOT, Deputy Chief Executive Officer as of 14th May 2018
Remuneration compliant with the policy approved by the General Meeting of 23rd May 2018

Remuneration components paid or granted for financial year 2018	Amount or book value put to a vote	Description
Fixed remuneration	EUR 504,000	The gross fixed remuneration, set by the Board of Directors on 3rd May 2018 at the time of the appointment of Diony Lebot, with effect from 14th May 2018, as Deputy Chief Executive Officer amounts to EUR 800,000. This is *prorata* for the gross fixed remuneration paid in 2018 to Diony Lebot as Deputy Chief Executive Officer started in 14th May 2018.
Annual variable remuneration		Diony Lebot benefits from annual variable remuneration determined as a function at 60% of budgetary financial targets and 40% of qualitative targets. The items are described on page 105 of the 2019 Registration Document. The cap to this annual variable remuneration is 115% of the fixed remuneration.
o.w. annual variable remuneration payable in 2018	EUR 78,606 (nominal amount)	**Evaluation of 2018 performance** – Given the quantitative and qualitative criteria defined by the Board of Directors on 14th March 2018 and 3rd May 2018 and the achievement rates observed in financial year 2018, annual variable remuneration has been set at EUR 393,030(1). This equates to an overall achievement rate of these targets of 67.8% of her maximum annual variable remuneration (see page 106 of the 2019 Registration Document). The amount of variable remuneration awarded to Ms. Lebot as Deputy CEO in 2018 has been calculated *pro rata*, as she commenced her term of office on 14th May 2018. In accordance with CRD4, applicable to credit institutions, and Article L. 225-100 of the French Commercial Code, the **payment conditions for annual variable remuneration** are as follows:
o.w. annual variable remuneration payable in subsequent years	EUR 314,424 (nominal amount)	• Payment of the full annual variable remuneration in respect of 2018 is subject to approval by the General Meeting of 21st May 2019; • 40% of this variable remuneration, is conditional upon approval by the General Meeting of 21st May 2019. Half of this is converted into Societe Generale share equivalents subject to a one-year holding period; • 60% of the annual variable remuneration is conditional and subject to achievement of the Group's profitability targets and equity capital levels assessed over financial years 2019, 2020 and 2021. It is converted for two thirds in Societe Generale shares half of which are disposable in 2.5 years and half in 3.5 years.
Multi-annual variable remuneration	N/A	Diony Lebot does not receive any multi-annual variable remuneration.
Exceptional compensation	N/A	Diony Lebot does not receive any exceptional compensation.
Value of options granted during the financial year	N/A	Diony Lebot does not receive any stock-options.
Value of shares or share equivalents granted under the long-term incentive plan in respect of the financial year	EUR 278,970 (Value according to IFRS 2 at 5th February 2019) This amount corresponds to an award of 30,754 shares	The Deputy Chief Executive Officers have been eligible for a long-term incentive plan consisting of shares or share equivalents in order to implicate them more closely in the Company's long-term progress and to align their interests with those of the shareholders. In line with inforce regulation, the variable component awarded (*i.e.* the annual variable remuneration and the long-term incentives) cannot exceed the regulatory ceiling equating to two times the fixed remuneration. As the relationship between the variable component awarded and the fixed remuneration for 2018 for Ms. Lebot shows an overshoot for the regulatory ratio, on 6th February 2019 the Board of Directors applied the cap rule for the variable component at two times the fixed remuneration and reduces the number of shares awarded as part of the long-term incentives in order to respect this ratio, from 39,588 attributable shares to 30,754 shares awarded. The details of the plan granted in respect of 2018 by the Board of Directors at its meeting of 6th February 2019 are as follows: • cap on grants, identical to the cap on annual variable remuneration; • an award of 30,754 shares granted in two instalments, with vesting periods of four and six years followed by a one-year holding period after vesting, thus increasing the indexing periods to five and seven years; • payment of the long-term incentives in respect of 2018 is conditional upon approval by the General Meeting of 21st May 2019, in accordance with Article L. 225-100 of the French Commercial Code; • definitive vesting subject to presence and performance conditions. The performance condition is measured by the increase in Societe Generale's Total Shareholder Return (TSR) compared to that of 11 European peers over the entirety of the vesting periods. The vesting rate will thus depend on SG's ranking: rank 1 to 3, 100% vesting; rank 4: 83.3%; rank 5: 66.7%; rank 6, 50%; ranks 7, 8 and 9: 25%; and ranks 10, 11 and 12: 0%; • if the Group is not profitable (as measured by Group net income, excluding strictly accounting-related impacts associated with the revaluation of own debt and the Debt Value Adjustment) in the year preceding the definitive vesting of long-term incentives, no payment will be due, regardless of the performance of the Societe Generale share; • any departure will result in cancellation of the payment under the plan, unless the Chief Executive Officer in question is retiring or leaving the Group due to changes in its structure or organisation, in which case the shares or payments will be awarded based on the performance observed and assessed by the Board of Directors; • lastly, the Board of Directors decided to cap the final vesting value to EUR 77 per share, *i.e.* approximately 1.2 times the book value per share of the Societe Generale Group at 31st December 2017. The award is granted pursuant to the 25th resolution of the General Meeting of 23rd May 2018 and represents less than 0.01% of the capital. The long-term incentives awarded to Ms. Lebot owing to these Deputy CEO functions in 2018 have been calculated *pro rata*, as she commenced her term of office on 14th May 2018.
Attendance fees	N/A	Diony Lebot did not receive any no attendance fees in 2018
Value of benefits in kind	EUR 5,910	Diony Lebot is provided with a company car.

(1) Nominal amount decided by the Board of Directors on 6th February 2019.

For information, remuneration components that have been put to a shareholder vote in accordance with the procedure governing related-party agreements or commitments	Amounts or book value put to a vote	Description
Severance pay	No amount due in respect of the financial year	The features of the severance pay, constituting a related-party commitment authorised by the General Meeting of 3rd May 2019 and subject to approval at the General Meeting of 21st May 2019, are as follows: • payment will only be due in the event of a non-voluntary departure from the Group, justified as such by the Board of Directors. No payment will be due in the event of serious misconduct, resignation or non-renewal of the Chief Executive Officer's appointment for reasons attributable to the latter; • payment will be contingent upon an overall achievement rate for the annual variable remuneration targets of at least 60% on average over the three years preceding the end of the Chief Executive Officer's term of office; • no severance pay will be due to a Chief Executive Officer leaving within six months before claiming his/her French Social Security pension, entitling him/her to claim the supplementary senior managers' pension; • the pay will be two years of fixed remuneration, thus respecting the recommendation of the Afep-Medef Code which is two years of annual fixed and variable remuneration. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the Afep-Medef Code (*i.e.* two years' fixed and variable annual remuneration, including, if need be, any other severance pay linked to the employment contract (notably the collective layoff indemnity).
Non-compete clause	No amount due in respect of the financial year	Diony Lebot is bound by a non-compete clause, constituting a related-party agreement authorised by the Board meeting of 3rd May 2018 and subjecto to approval by the General Meeting of 21st May 2019. For a six-month period as of the expiry date or termination of her term of office as a Chief Executive Officer, this clause prohibits her from accepting a position at the same level with either a listed credit institution in Europe (defined as the European Economic Area, including the United Kingdom) or an unlisted credit institution in France. In exchange, she may continue to receive her fixed remuneration. The Board of Directors alone can waive such clause, up until the date on which the term of office of the Chief Executive Officer in question ends. In such a case, the Chief Executive Officer will no longer be bound by any commitment, and no sums will be payable to her in such respect. In the event of breach of the non-compete, the Chief Executive Officer in question will be required to immediately pay a sum equal to six months' fixed salary. Societe Generale will in such a case be released from its obligation to pay any financial compensation and may, furthermore, demand the refund of any financial compensation as may have already been paid since the breach. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the AFEP-MEDEF Code (i.e. two years' fixed and variable annual remuneration).
Supplementary pension plan	N/A	Diony Lebot still benefits from the complementary pension allocation scheme for top management that applied as an employee before her appointment as Deputy Chief Executive Officer. This additional regime, put in place in 1991, and in line with article L. 137-11 of the French Social Security Code, awards beneficiaries a yearly allocation paid by Societe Generale, as described on p. 103. As indicated on p. 103, the rights equating to the differential portion of the regime were frozen at 31st December 2018, and only the rights calculated on the portion of the remuneration between 1 and 4 annual Social Security ceilings remain after 1st January 2019. For example, based on retirement at 62 years of age and her annual fixed salary, the potential rights opened for Ms. Lebot, at 31st December 2018 for this allocation, represent, independently of the achievement conditions for commitments, a yearly income estimated at EUR 169 k (*i.e.* 18.8% of her reference remuneration as defined by the Afep-Medef Code), including EUR 167 k for rights frozen at 31st December 2018. The annual increase in pension commitment rights is subject to a performance condition. For FY 2018, with the overall performance of Ms. Lebot amounting to 67.8%, the acquisition of potential pension rights has been 59.3%. In line with the procedure relating to related-party agreements, this commitment was authorised by the Board on 3rd May 2018 subject to approval at the General Meeting on 21st May 2019. Ms. Lebot also benefits from the defined-contribution supplementary pension plan that applied as an employee before her appointment as a Chief Executive Officer. This defined-contribution plan, established in line with Article 83 of the French General Tax Code, was implemented in 1995 and amended on 1st January 2018 (and is now called *Épargne Retraite Valmy*, *i.e.* Valmy pension savings scheme). Membership is compulsory for all employees with more than six months' seniority within the Company and allows beneficiaries to save for their retirement, with benefits being paid in the form of life annuities upon retirement. Contributions correspond to 2% of the employee's remuneration, capped at twice the annual French Social Security ceiling, 1.5% of which is paid by the Company (*i.e.* EUR 1,192 based on the 2018 French social security annual ceiling). The plan is now insured with Sogécap (as opposed to the insurance company Valmy, as previously).

TABLE 7

Bernardo SANCHEZ INCERA, Deputy Chief Executive Officer till 14th May 2018
Remuneration compliant with the policy approved by the General Meeting of 23rd May 2018

Remuneration components paid or granted for financial year 2018	Amount or book value put to a vote	Description
Fixed remuneration	EUR 295,556	The gross fixed remuneration gross, *i.e.* EUR 800,000, remained unchanged since the Board's decision on 31st July 2014. This is *pro rata* of the gross fixed remuneration paid in 2018 to Bernardo Sanchez Incera for his mandate as Deputy Chief Executive Officer that ended on 14th May 2018, following his departure, viewed as non-voluntary by the Board of Directors on 3rd May 2018.
Annual variable remuneration	N/A	As Bernardo Sanchez Incera's term of office as Deputy Chief Executive Officer ended on 14th May 2018, following his departure, viewed as non-voluntary by the Board of Directors on 3rd May 2018, he does not receive any annual variable remuneration.
Multi-annual variable remuneration	N/A	Bernardo Sanchez Incera does not receive any multi-annual variable remuneration.
Exceptional compensation	N/A	Bernardo Sanchez Incera does not receive any exceptional remuneration.
Value of options granted during the financial year	N/A	Bernardo Sanchez Incera has not been granted any stock-options since 2010.
Value of shares or share equivalents granted under the long-term incentive plan in respect of the financial year	No amount due in respect of the financial year	As Bernardo Sanchez Incera's term of office as Deputy CEO ended on 14th May 2018, following his departure, viewed as non-voluntary by the Board of Directors on 3rd May 2018, he does not receive any remuneration in terms of long-term incentives for the year.
Attendance fees	EUR 3,000	The attendance fees paid by the other Group companies are deducted from the amount of variable remuneration paid to the Deputy CEOs.
Value of benefits in kind	EUR 3,957	Bernardo Sanchez Incera is provided with a company car.

For information, remuneration components that have been put to a shareholder vote in accordance with the procedure governing related-party agreements or commitments	Amounts or book value put to a vote	Description
Severance pay	EUR 1,600,000	**Characteristics** The features of the severance pay, constituting a related-party commitment authorised by the Board meeting of 8th February 2017 and approved by the General Meeting of 23rd May 2017 (7th resolution), are as follows: • payment will only be due in the event of a non-voluntary departure from the Group, justified as such by the Board of Directors. No payment will be due in the event of serious misconduct, resignation or non-renewal of the Chief Executive Officer's appointment for reasons attributable to the latter; • payment will be contingent upon an overall achievement rate for the annual variable remuneration targets of at least 60% on average over the three years preceding the end of the Chief Executive Officer's term of office; • no severance pay will be due to a Chief Executive Officer leaving within six months before claiming his French Social Security pension, entitling him to claim the supplementary senior managers' pension; • the payment will amount to two years' fixed salary, thus complying with the recommendation in the Afep-Medef Code, *i.e.* two years' fixed and variable annual remuneration. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the Afep-Medef Code (*i.e.* two years' fixed and variable annual remuneration plus, if applicable, any other severance pay provided for under the employment contract, especially as stipulated under a collective agreement). **Application** The Board of Directors on 3rd May 2018 noted Bernardo Sanchez Incera's departure from his term of office as Deputy Chief Executive Officer and viewed this departure as non-voluntary. Hence, the related-party agreement and commitments (non-compete clause: 6 months of fixed remuneration and severance pay: 2 years of fixed remuneration), authorised by the Board of Directors on 8th February 2017 and approved by the shareholder assembly on 23rd May 2017 have been applied. Bernardo Sanchez Incera received EUR 1,600,000 in severance pay. This cumulative amount of severance pay and the non-compete clause remains below the recommended limit of 24 months' fixed plus variable annual remuneration, as stipulated in the Afep-Medef Code.
Non-compete clause	EUR 400,000	**Characteristics** Bernardo Sanchez Incera is bound by a non-compete clause, constituting a related-party agreement authorised by the Board meeting of 8th February 2017 and approved by the General Meeting of 23rd May 2017 (7th resolution). For a duration of six months as from the termination of his term of office as Chief Executive Officer, such clause prohibits him from accepting a position at the same level with either a listed credit institution in Europe (defined as the European Economic Area, including the United Kingdom) or an unlisted credit institution in France. In exchange, he may continue to receive his fixed salary. The Board of Directors alone can waive such clause, up until the date on which the term of office of the Chief Executive Officer in question ended. In such a case, the Chief Executive Officer would no longer be bound by any commitment, and no sums would be payable to him in such respect. In the event of breach of the non-compete, the Chief Executive Officer in question will be required to immediately pay a sum equal to six months' fixed salary. Societe Generale will in such a case be released from its obligation to pay any financial compensation and might, furthermore, have demanded the refund of any financial compensation as may have already been paid since the breach. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the AFEP-MEDEF Code (i.e. two years' fixed and variable annual remuneration). **Application** The Board of Directors on 3rd May 2018 noted Bernardo Sanchez Incera's departure from his term of office as Deputy Chief Executive Officer and viewed this departure as non-voluntary. Hence, the related-party agreement and commitments (non-compete clause: 6 months of fixed remuneration and severance pay: 2 years of fixed remuneration), authorised by the Board of Directors on 8th February 2017 and approved by the shareholder assembly on 23rd May 2017 have been applied. Bernardo Sanchez Incera received EUR 400,000 for the non-compete clause. The cumulative amount of the severance pay and non-compete clause enters into the limit of two years of annual fixed and variable remuneration recommended by the Afep-Medef Code and applied by Societe Generale.
Supplementary pension plan	No amount due in respect of the financial year	Bernardo Sanchez Incera retained the benefit of the supplementary pension allocation plan for senior managers that applied to him as an employee prior to his appointment as Chief Executive Officer. This supplementary plan, introduced in 1991 and satisfying the provisions of Article L. 137-11 of the French Social Security Code, provided beneficiaries with an annual pension, covered by Societe Generale, as described on p. 103. This allowance depends in particular on the beneficiary's length of service within Societe Generale and the proportion of his fixed compensation exceeding "Tranche B" of the AGIRC pension. In accordance with the procedure for related-party agreements, this commitment was authorised by the Board of Directors on 12th January 2010 and approved by the General Meeting on 25th May 2010 (8th resolution). As the benefit of the supplementary pension allocation regime was conditional on presence in the Company at the time of the pension uptake, Bernardo Sanchez Incera lost the benefit of this pension following his departure. Mr. Sanchez Incera also remained entitled to the supplementary defined-contribution pension plan that he had as an employee prior to his appointment as Chief Executive Officer. This defined-contribution plan, established in line with Article 83 of the French General Tax Code, was implemented in 1995 and amended on 1st January 2018 (and is now called *Épargne Retraite Valmy*, *i.e.* Valmy pension savings scheme). Membership is compulsory for all employees with at least six months' seniority within the Company and allows beneficiaries to save for their retirement, with benefits being paid in the form of life annuities upon retirement. Contributions correspond to 2% of the employee's remuneration, capped at twice the annual French Social Security ceiling, 1.5% of which is paid by the Company (*i.e.* EUR 1,192 based on the 2018 French social security annual ceiling). The plan is now insured with Sogécap (as opposed to the insurance company Valmy, as previously). The rights built up are still valid but no further contribution is paid by Societe Generale following Mr Sanchez Incera's departure.

TABLE 8

Didier VALET, Deputy Chief Executive Officer till 14th March 2018
Remuneration compliant with the policy approved by the General Meeting of 23rd May 2017

Remuneration components paid or granted for financial year 2018	Amount or book value put to a vote	Description
Fixed remuneration	EUR 164,444	The gross fixed remuneration, set by the Board of Directors on 13th January 2017 at the time of Didier Valet's appointment, with effect from 16th January 2017, as Deputy Chief Executive Officer amounts to EUR 800,000. This is *pro rata* of the gross fixed remuneration paid to Didier Valet until the expiry of his term of office on 14th March 2018 following his resignation as Deputy Chief Executive Officer.
Annual variable remuneration	No amount due in respect of the financial year	As Didier Valet resigned as Deputy Chief Executive Officer on 14th May 2018, he does not receive any annual variable remuneration
Multi-annual remuneration	N/A	Didier Valet does not receive any multi-annual variable remuneration.
Exceptional remuneration	N/A	Didier Valet does not receive any exceptional compensation.
Value of stock options awarded in respect of the financial year	N/A	Didier Valet does not receive any stock options.
Value of shares or share equivalents granted under the long-term incentive plan in respect of the financial year	No amount due in respect of the financial year	As Didier Valet resigned as Deputy CEO on 14th March 2018, he does not receive any remuneration in terms of long-term incentives for the year.
Attendance fees	N/A	Didier Valet did not receive any attendance fees in 2018.
Value of benefits in kind	EUR 1,750	Didier Valet is provided with a company car.

For information, remuneration components that have been put to a shareholder vote in accordance with the procedure governing related-party agreements or commitments	Amounts or book value put to a vote	Description
Severance pay	No amount due in respect of the financial year	**Characteristics** The features of the severance pay, constituting a related-party commitment authorised by the Board meeting of 8th February 2017 and approved by the General Meeting of 23rd May 2017 (8th resolution), are as follows: • payment will only be due in the event of a non-voluntary departure from the Group, justified as such by the Board of Directors. No payment will be due in the event of serious misconduct, resignation or non-renewal of the Chief Executive Officer's appointment for reasons attributable to the latter; • payment will be contingent upon an overall achievement rate for the annual variable remuneration targets of at least 60% on average over the three years preceding the end of the Chief Executive Officer's term of office; • no severance pay will be due to a Chief Executive Officer leaving within six months before claiming his French Social Security pension, entitling him to claim the supplementary senior managers' pension; • the payment will amount to two years' fixed salary, thus complying with the recommendation in the Afep-Medef Code, *i.e.* two years' fixed and variable annual remuneration. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the Afep-Medef Code (*i.e.* two years' fixed and variable annual remuneration plus, if applicable, any other severance pay provided for under the employment contract, especially as stipulated under a collective agreement). **Application** The Board of Directors on 14th March 2018 noted Didier Valet's resignation as Deputy Chief Executive Officer and considered that none of the related-party agreement and commitments authorised by the Board of Directors of 13th January and 8th February 2017 and approved by the General Meeting on 23rd May 2017 were found to apply. Didier Valet thus received no severance play for resigning from his term of office.
Non-compete clause	No amount due in respect of the financial year	**Characteristics** Didier Valet is bound by a non-compete clause, constituting a related-party agreement authorised by the Board meeting of 8th February 2017 and approved by the General Meeting of 23rd May 2017 (8th resolution). For a duration of six months as from the date of expiry or termination of his term of office as Chief Executive Officer, such clause prohibits him from accepting a position at the same level with either a listed credit institution in Europe (defined as the European Economic Area, including the United Kingdom) or an unlisted credit institution in France. In exchange, he could continue to receive his fixed salary. The Board of Directors alone would have been able to waive such clause, up until the date on which the term of office of the Chief Executive Officer in question ended. In such a case, the Chief Executive Officer would no longer be bound by any commitment, and no sums would be payable to him in such respect. Any breach of the non-compete by the Chief Executive Officer in question would have required him to immediately pay a sum equal to six months' fixed salary. Societe Generale would in such a case have been released from its obligation to pay any financial compensation and, furthermore, could have demanded the refund of any financial compensation as may have already been paid since the breach. In no circumstances may the severance pay and non-compete payment combined exceed the cap recommended in the AFEP-MEDEF Code (i.e. two years' fixed and variable annual remuneration). **Application** The Board of Directors on 14th March 2018 noted Didier Valet's resignation as Deputy Chief Executive Officer and considered that none of the related-party agreement and commitments authorised by the Board of Directors of 13th January and 8th February 2017 and approved by the General Meeting on 23rd May 2017 were found to apply. Didier Valet thus received no severance pay for resigning from his term of office.
Supplementary pension plan	No amount due in respect of the financial year	Didier Valet retained the benefit of the supplementary pension allocation plan for senior managers that applied to him as an employee prior to his appointment as Chief Executive Officer. This supplementary plan, introduced in 1991 and satisfying the provisions of Article L. 137-11 of the French Social Security Code, provides beneficiaries with an annual pension, covered by Societe Generale, as described on p. 103. This allowance depends in particular on the beneficiary's length of service within Societe Generale and the proportion of his fixed compensation exceeding "Tranche B" of the AGIRC pension. In accordance with the procedure for related-party agreements, this commitment was authorised by the Board of Directors on 13th January 2017 and approved by the General Meeting on 23rd May 2017 (8th resolution). As the benefit of the supplementary pension allocation regime was conditional on presence in the Company at the time of the pension uptake, Didier Valet lost the benefit of this pension following his resignation. Didier Valet also remained entitled to the supplementary defined-contribution pension plan that he had as an employee prior to his appointment as Chief Executive Officer. This defined-contribution plan, established in line with Article 83 of the French General Tax Code, was implemented in 1995 and amended on 1st January 2018 (and is now called *Épargne Retraite Valmy*, *i.e.* Valmy pension savings scheme). Membership is compulsory for all employees with at least six months' seniority within the Company and allows beneficiaries to save for their retirement, with benefits being paid in the form of life annuities upon retirement. Contributions correspond to 2% of the employee's remuneration, capped at twice the annual French Social Security ceiling, 1.5% of which is paid by the Company (*i.e.* EUR 1,192 based on the 2018 French social security annual ceiling). The plan is now insured with Sogécap (as opposed to the insurance company Valmy, as previously). The rights built up are still valid but no further contribution is paid by Societe Generale following Mr Valet's resignation.

Standard tables in accordance with AMF recommendations

TABLE 1

SUMMARY OF REMUNERATION AND STOCK OPTIONS, SHARES AND SHARE EQUIVALENTS ALLOCATED TO EACH CHIEF EXECUTIVE OFFICER(1)

(In EUR)	Financial year 2017	Financial year 2018
Lorenzo BINI SMAGHI, Chairman of the Board of Directors		
Remuneration due for the financial year (detailed in Table 2)	903,400	948,741
Value of options granted in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year	0	0
TOTAL	**903,400**	**948,741**
Frédéric OUDÉA, Chief Executive Officer		
Remuneration due for the financial year (detailed in Table 2)	2,611,645	2,368,626
Value of options granted in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year(2)	850,000	636,936
TOTAL	**3,461,645**	**3,005,562**
Philippe AYMERICH, Deputy Chief Executive Officer as of 14th May 2018(3)		
Remuneration due for the financial year (detailed in Table 2)	N/A	1,195,335
Value of options granted in respect of the financial year (detailed in Table 4)	N/A	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year(2)	N/A	268,501
TOTAL		**1,463,836**
Séverin CABANNES, Deputy Chief Executive Officer		
Remuneration due for the financial year (detailed in Table 2)	1,479,409	1,290,702
Value of options granted in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year(2)	570,000	477,246
TOTAL	**2,049,409**	**1,767,948**
Philippe HEIM, Deputy Chief Executive Officer as of 14th May 2018(3)		
Remuneration due for the financial year (detailed in Table 2)	N/A	1,324,027
Value of options granted in respect of the financial year (detailed in Table 4)	N/A	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year(2)	N/A	263,560
TOTAL		**1,587,587**
Diony LEBOT, Deputy Chief Executive Officer until 14th May 2018(3)		
Remuneration due for the financial year (detailed in Table 2)	N/A	1,428,550
Value of options granted in respect of the financial year (detailed in Table 4)	N/A	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year(2)	N/A	278,970
TOTAL		**1,707,076**
Bernardo SANCHEZ INCERA, Deputy Chief Executive Officer until 14th May 2018(4)		
Remuneration due for the financial year (detailed in Table 2)	1,509,617	299,513
Value of options granted in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year(2)	570,000	0
TOTAL	**2,079,617**	**299,513**
Didier VALET, Deputy Chief Executive Officer until 14th March 2018(5)		
Remuneration due for the financial year (detailed in Table 2)	1,476,348	166,194
Value of options granted in respect of the financial year (detailed in Table 4)	0	0
Value of shares or share equivalents granted under a long-term incentive plan in respect of the financial year(2)	570,000	0
TOTAL	**2,046,348**	**166,194**

(1) The remuneration items are expressed in euros, on a gross base before tax.
(2) This measure is detailed in the chapter focused on the remuneration of the CEOs on pages 107 and following.
(3) The terms of office of Mr. Aymerich, Mr. Heim and Ms. Lebot, as Deputy Chief Executive Officers began on 14th May 2018.
The amounts include the portion of the remuneration awarded to Mr. Aymerich, Mr. Heim and Ms. Lebot for their former functions for the period from 1st January to 14th May 2018.
(4) Mr. Sanchez Incera's term of office as Deputy Chief Executive Officer ended on 14th May 2018 following his departure.
(5) Mr. Valet's term of office as Deputy Chief Executive Officer ended on 14th March 2018 following his resignation.

TABLE 2

SUMMARY OF THE REMUNERATION OF EACH CHIEF EXECUTIVE OFFICER(1)

	Financial year 2017		Financial year 2018	
(In EUR)	**Amounts paid**	**Amounts due for the financial year**	**Amounts paid**	**Amounts due for the financial year**
Lorenzo BINI SMAGHI, Chairman				
■ fixed remuneration	850,000	850,000	895,208	895,208
■ non-deferred annual variable remuneration	0	0	0	0
■ deferred annual variable remuneration	0	0	0	0
■ exceptional compensation	0	0	0	0
■ attendance fees	0	0	0	0
■ benefits in kind(2)	53,400	53,400	53,533	53,533
TOTAL	**903,400**	**903,400**	**948,741**	**948,741**
Frédéric OUDÉA, Chief Executive Officer				
■ fixed remuneration	1,300,000	1,300,000	1,300,000	1,300,000
■ non-deferred annual variable remuneration(3)	290,052	261,144	261,144	212,696
■ deferred annual variable remuneration(3)	1,257,655	1,044,576	1,181,670(5)	850,782
■ exceptional compensation	0	0	0	0
■ attendance fees	0	0	0	0
■ benefits in kind(4)	5,925	5,925	5,147	5,147
TOTAL	**2,853,632**	**2,611,645**	**2,747,961**	**2,368,625**
Philippe AYMERICH, Deputy Chief Executive Officer as of 14th May 2018(3)				
■ fixed remuneration	N/A	N/A	504,000	504,000
■ non-deferred annual variable remuneration(3)	N/A	N/A	0	84,621
■ deferred annual variable remuneration(3)	N/A	N/A	0	338,484
■ other remuneration paid(6)	N/A	N/A	524,537	263 041
■ exceptional remuneration	N/A	N/A	0	0
■ attendance fees	N/A	N/A	0	0
■ benefits in kind(4)	N/A	N/A	5,189	5,189
TOTAL			**1,033,726**	**1,195,335**
Séverin CABANNES, Deputy Chief Executive Officer				
■ fixed remuneration	800,000	800,000	800,000	800,000
■ non-deferred annual variable remuneration(3)	145,592	134,600	134,600	97,111
■ deferred annual variable remuneration(3)	633,302(5)	538,398	604,755(5)	388,444
■ exceptional remuneration	0	0	0	0
■ attendance fees	3,333	0	0	0
■ benefits in kind(4)	6,411	6,411	5,147	5,147
TOTAL	**1,588,638**	**1,479,409**	**1,544,502**	**1,290,702**
Philippe HEIM, Deputy Chief Executive Officer as of 14th May 2018(3)				
■ fixed remuneration	N/A	N/A	504,000	504,000
■ non-deferred annual variable remuneration(3)	N/A	N/A	0	87,460
■ deferred annual variable remuneration(3)	N/A	N/A	0	349,840
■ other remuneration paid(6)	N/A	N/A	630,206	379,694
■ exceptional remuneration	N/A	N/A	0	0
■ attendance fees	N/A	N/A	0	0
■ benefits in kind (4)	N/A	N/A	3,033	3,033
TOTAL			**1,137,683**	**1,324,027**

(1) Remuneration expressed in EUR, gross, before tax. The long-term incentives received by Chief Executive Officers are detailed in Tables 1 and 7.
(2) Provision of Company accommodation.
(3) The criteria used to calculate and pay annual variable remuneration are detailed in the chapter on the remuneration of Chief Executive Officers. It is recalled that payment of 50% of the vested proportion is deferred.
(4) Provision of a company car.
(5) See table below for a detailed breakdown of the amounts paid.
(6) The terms of office of Mr. Aymerich, Mr. Heim and Ms. Lebot as Deputy Chief Executive Officers began on 14th May 2018.
The amounts reported in "other remuneration paid" equate to the items of fixed and variable remunerations awarded for their previous functions.

	Financial year 2017		Financial year 2018	
(In EUR)	Amounts paid	Amounts due for the financial year	Amounts paid	Amounts due for the financial year
Diony LEBOT, Deputy Chief Executive Officer as of 14th May 2018(3)				
■ fixed remuneration	N/A	N/A	504,000	504,000
■ non-deferred annual variable remuneration(3)	N/A	N/A	0	78,606
■ deferred annual variable remuneration(3)	N/A	N/A	0	314,424
■ other remuneration paid(6)	N/A	N/A	740,890	525,166
■ exceptional remuneration	N/A	N/A	0	0
■ attendance fees	N/A	N/A	0	0
■ benefits in kind (4)	N/A	N/A	5,910	5,910
TOTAL			**1,250,800**	**1,428,106**

(1) Remuneration expressed in EUR, gross, before tax. The long-term incentives received by Chief Executive Officers are detailed in Tables 1 and 7.
(2) Provision of Company accommodation.
(3) The criteria used to calculate and pay annual variable remuneration are detailed in the chapter on the remuneration of Chief Executive Officers. It is recalled that payment of 50% of the vested proportion is deferred.
(4) Provision of a company car.
(5) See table below for a detailed breakdown of the amounts paid.
(6) The terms of office of Mr. Aymerich, Mr. Heim and Ms. Lebot as Deputy Chief Executive Officers began on 14th May 2018.
The amounts reported in "other remuneration paid" equate to the items of fixed and variable remunerations awarded for their previous functions.

SUMMARY OF REMUNERATION ALLOCATED TO BERNARDO SANCHEZ INCERA AND DIDIER VALET(1)

	Financial year 2017		Financial year 2018	
(In EUR)	Amounts paid	Amounts due for the financial year	Amounts paid	Amounts due for the financial year
Bernardo SANCHEZ INCERA, Deputy Chief Executive Officer until 14th May 2018(2)				
■ fixed remuneration	800,000	800,000	295,556	295,556
■ non-deferred annual variable remuneration(3)	117,955	140,488	137,488	0
■ deferred annual variable remuneration(3)	626,579	561,950	615,948(5)	0
■ exceptional remuneration	0	0	0	0
■ attendance fees	34,338	0	3,000	0
■ benefits in kind(4)	7,179	7,179	3,957	3,957
TOTAL	**1,586,051**	**1,509,617**	**1,055,949**	**299,513**
Didier VALET, Deputy Chief Executive Officer until 14th March 2018				
■ fixed remuneration	766,667	766,667	164,444	164,444
■ non-deferred annual variable remuneration(3)	0	130,272	130,272	0
■ deferred annual variable remuneration(3)	0	521,088	0	0
■ other remuneration paid(6)	2,410,423	53,750	0	0
■ exceptional remuneration	0	0	0	0
■ attendance fees	0	0	0	0
■ benefits in kind(4)	4,571	4,571	1,750	1,750
TOTAL	**3,181,661**	**1,476,348**	**296,466**	**166,194**

(1) The remuneration items are expressed in euros, on a gross pre-tax base. The long-term incentives received by the CEOs are detailed in tables 1 and 7.
(2) Mr. Sanchez Incera's term of office as Deputy Chief Executive Officer ended on 14th May 2018 following his departure .
(3) The application criteria on which the annual variable remuneration has been calculated and paid are detailed in the chapter on the remuneration of the CEOs. It is reiterated that the portion acquired includes a deferred payment to the tune of 50%.
(4) Provision of a company car.
(5) Refer to the table below for the detail of the sums paid.
(6) Didier Valet's term of office as Deputy Chief Executive Officer began on 16th January 2017 and ended on 14th March 2018 following his resignation. The amounts reported in "other remuneration paid" equate to the items of fixed and variable remuneration awarded for his salaried functions prior to his term of office of Deputy Chief Executive Officer.

BREAKDOWN OF DEFERRED ANNUAL VARIABLE REMUNERATION PAID IN 2018 TO THE CHIEF EXECUTIVE OFFICERS

(In EUR)	2014[1]	2015[2]	2016[3]	2016[4]	Total paid in 2018
Performance condition applicable and status of condition	Core Tier 1 > 8% at 31.12.2017 and 2017 Group net income > 0 Condition met	Core Tier 1 > 9.75% at 31.12.2017 and 2017 Group net income > 0 Condition met	N/A	Core Tier 1 > 7.75% at 31.12.2017 and 2017 Group net income > 0 Condition met	
Mr. OUDÉA	180,307	395,139	316,172	290,052	1,181,670
Mr. AYMERICH[5]	N/A	N/A	N/A	N/A	289,996
Mr. CABANNES	102,626	190,863	162,340	148,926	604,755
Mr. HEIM[5]	N/A	N/A	N/A	N/A	340,956
Ms. LEBOT[5]	N/A	N/A	N/A	N/A	385,724
Mr. SANCHEZ INCERA[6]	94,003	203,658	165,994	152,293	615,948
Mr. VALET[7]	N/A	N/A	N/A	N/A	N/A

(1) Third instalment of the non-vested portion of the annual variable remuneration for financial year 2014 indexed against the Societe Generale share price.
(2) Value of shares received in March 2018 for the second instalment of the unvested portion of the annual varisable remuneration awarded for financial year 2015.
(3) Vested portion indexed on the Societe Generale share price of the annual variable remuneration for financial year 2016.
(4) First instalment of the unvested portion of the annual variable remuneration for financial year 2016, granted in cash and not indexed.
(5) The terms of office of Mr. Aymerich, Mr. Heim and Ms. Lebot as Deputy Chief Executive Officers began on 14th May 2018. The reported amounts equate to the deferred annual variable remuneration paid in 2018 for their previous functions.
(6) The term of office of Mr. Sanchez Incera as Deputy Chief Executive Officer ended on 14th May 2018. The board of Directors noted the breach of term of office, considered that this breach was justified by strategic divergence on the conditions of supervision of the retail bank in the Group and to disagreement on change to his scope of supervision and decided to lift the presence condition applicable to the acquisition of the deferred variable remuneration for 2017 and prior years, the other conditions remaining applicable.
(7) Didier Valet's term of office as Deputy Chief Executive Officer commenced on 16th January 2017 and ended on 14th March 2018 following his resignation. No deferred annual variable remuneration has been paid in 2018 for his Deputy Chief Executive Officer functions. The amount of annual variable deferred remuneration paid in 2018 for his salaried functions prior to his term of office as Deputy Chief Executive Officer amounts to EUR 851,349.

TABLE 3

TABLE OF ATTENDANCE FEES AND OTHER REMUNERATION RECEIVED BY NON-EXECUTIVE DIRECTORS

	Fees received in 2017		Fees received in 2018		Fees/Remuneration	
(In EUR) Non-executive Directors	Balance for financial year 2016	Interim payment for financial year 2017	Balance for financial year 2017	Interim payment for financial year 2018	In respect of financial year 2017	In respect of financial year 2018*
BINI SMAGHI Lorenzo						
Attendance fees	-	-	-	-	-	-
Other remuneration	-	-	-	-	-	-
CASTAIGNE Robert						
Attendance fees	72,023	48,820	78,235	54,451	127,055	64,850
Other remuneration	-	-	-	-	-	-
CICUREL Michel						
Attendance fees	8,047	-	-	-	-	-
Other remuneration	-	-	-	-	-	-
CONNELLY William						
Attendance fees	-	-	55,828	52,773	55,828	139,201
Other remuneration	-	-	-	-	-	-
CONTAMINE Jérôme						
Attendance fees[1]	-	-	-	-	-	72,172
Other remuneration	-	-	-	-	-	
COTE Diane						
Attendance fees[1]	-	-	-	-	-	52,365
Other remuneration	-	-	-	-	-	
DALIBARD Barbara						
Attendance fees	44,043	29,796	3,945	-	33,741	-
Other remuneration	-	-	-	-	-	-

(In EUR) Non-executive Directors	Fees received in 2017		Fees received in 2018		Fees/Remuneration	
	Balance for financial year 2016	Interim payment for financial year 2017	Balance for financial year 2017	Interim payment for financial year 2018	In respect of financial year 2017	In respect of financial year 2018*
DELABRIÈRE Yann						
Attendance fees	10,204	-	-	-	-	-
Other remuneration	-	-	-	-	-	-
HAZOU Kyra						
Attendance fees	67,103	50,250	77,541	65,662	127,791	166,048
Other remuneration	-	-	-	-	-	-
HOUSSAYE France						
Attendance fees(2)	63,975	41,749	61,197	38,490	102,946	97,581
Societe Generale salary	-	-	-	-	52,356	52,400
LEPAGNOL Béatrice						
Attendance fees(3)	51,680	29,796	46,946	28,691	76,742	33,845
Societe Generale salary	-	-	-	-	38,031	40,351
LEROUX David						
Attendance fees(2)	-	-	-	-	-	40,721
Societe Generale salary	-	-	-	-	-	37,885
LEVY Jean-Bernard						
Attendance fees	77,086	50,333	74,005	55,351	124,338	133,649
Other remuneration	-	-	-	-	-	-
LLOPIS RIVAS Ana-Maria						
Attendance fees	57,416	39,645	54,812	20,304	94,457	21,700
Other remuneration	-	-	-	-	-	-
MESTRALLET Gérard						
Attendance fees	79,036	48,229	70,450	55,351	118,679	133,649
Other remuneration	-	-	-	-	-	-
NIN GENOVA Juan Maria						
Attendance fees	42,543	53,029	82,516	62,572	135,545	155,179
Other remuneration	-	-	-	-	-	-
RACHOU Nathalie						
Attendance fees	126,173	84,300	129,883	110,797	214,183	274,077
Other remuneration	-	-	-	-	-	-
ROMAN Emmanuel						
Attendance fees	33,263	-	-	-	-	-
Other remuneration	-	-	-	-	-	-
ROCHET Lubomira						
Attendance fees	-	-	40,171	25,336	40,171	67,279
Other remuneration	-	-	-	-	-	-
SCHAAPVELD Alexandra						
Attendance fees	126,173	84,300	124,224	96,248	208,524	247,684
Other remuneration	-	-	-	-	-	-
TOTAL (ATTENDANCE FEES)					**1,460,000**	**1,700,000**

The balance of the attendance fees for financial year 2017 was paid to Board members at the end of January 2018.
(1) No interim payment for new Directors.
(2) Paid to Societe Generale trade union SNB.
(3) Paid to Societe Generale trade union CFDT.

TABLE 4

SHARE PURCHASE OR SUBSCRIPTION OPTIONS AWARDED DURING THE FINANCIAL YEAR TO EACH CHIEF EXECUTIVE OFFICER BY THE ISSUER AND BY ANY GROUP COMPANY

The Board of Directors did not award any options in 2018.

TABLE 5

SHARE PURCHASE OR SUBSCRIPTION OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH CHIEF EXECUTIVE OFFICER

The last option plan expired in 2017.

TABLE 6

SHARES GRANTED TO EACH CHIEF EXECUTIVE OFFICER

Societe Generale performance shares granted during the financial year to each Chief Executive Officer by the issuer and by any Group company.

(In EUR)	Grant date	Reasons for granting	Number of shares granted during the year	Value of the shares based on the method used in the consolidated financial statements	Date of assessment of performance condition	Date of availability	Performance conditions
Mr. BINI SMAGHI	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. OUDÉA[1]	14.03.2018	Payment of the annual variable remuneration due in respect of financial year 2017	5,656	228,446	31.03.2020	01.10.2020	yes[2]
			5,656	218,265	31.03.2021	01.10.2021	yes[2]
		Long-term incentives due in respect of financial year 2017	17,580	464,112	31.03.2022	01.04.2023	yes[2]
			17,580	429,479	29.03.2024	31.03.2025	yes[2]
Mr. AYMERICH[3]	14.03.2018	Payment of the annual variable remuneration due in respect of financial year 2017	1,407	54,296	31.03.2021	01.10.2021	yes
		Long-term incentives due in respect of financial year 2017	1,408	55,151	31.03.2023	01.10.2023	yes
Mr. CABANNES[1]	14.03.2018	Payment of the annual variable remuneration due in respect of financial year 2017	2,915	117,737	31.03.2020	01.10.2020	yes[2]
			2,915	112,490	31.03.2021	01.10.2021	yes[2]
		Long-term incentives due in respect of financial year 2017	11,789	311,230	31.03.2022	01.04.2023	yes[2]
			11,789	288,005	29.03.2024	31.03.2025	yes[2]
Mr. HEIM[3]	14.03.2018	Payment of the annual variable remuneration due in respect of financial year 2017	1,663	64,175	31.03.2021	01.10.2021	yes
		Long-term incentives due in respect of financial year 2017	3,327	130,319	31.03.2023	01.10.2023	yes
Ms. LEBOT[3]	14.03.2018	Payment of the annual variable remuneration due in respect of financial year 2017	2,425	93,581	31.03.2021	01.10.2021	yes
		Long-term incentives due in respect of financial year 2017	4,852	190,053	31.03.2023	01.10.2023	yes
Mr. SANCHEZ INCERA[1][4]	14.03.2018	Payment of the annual variable remuneration due in respect of financial year 2017	3,042	122,866	31.03.2020	01.10.2020	yes[2]
			3,043	117,429	31.03.2021	01.10.2021	yes[2]
		Long-term incentives due in respect of financial year 2017	11,789	311,230	31.03.2022	01.04.2023	yes[2]
			11,789	288,005	29.03.2024	31.03.2025	yes[2]
Mr. VALET[1][5]	14.03.2018	Payment of the annual variable remuneration due in respect of financial year 2017	0	N/A	N/A	N/A	N/A
			0	N/A	N/A	N/A	N/A
		Long-term incentives due in respect of financial year 2017	0	N/A	N/A	N/A	N/A
			0	N/A	N/A	N/A	N/A

(1) The amounts of variable remuneration and long-term incentives were set at the Board meeting of 7th February 2018. The corresponding performance shares were awarded at the Board meeting of 14th March 2018.

(2) Vesting of the annual variable remuneration is subject to two conditions: Group profitability and equity. Vesting of the long-term incentives is subject to two conditions: profitability and relative TSR as compared to a panel of peers. The performance conditions are further detailed in the 2018 Registration Document on pages 102 and 103.

(3) The terms of office of Mr. Aymerich, Mr. Heim and Ms. Lebot as Deputy Chief Executive Officers began on 14th May 2018.
The reported amounts equate to the deferred annual variable remuneration paid for their previous functions.

(4) The term of office of Mr. Sanchez Incera as Deputy Chief Executive Officer ended on 14th May 2018. The Board of Directors noted the breach of term of office, considered that this breach was justified by strategic divergence on the conditions of supervision of the retail bank in the Group and to disagreement on change to his scope of supervision and decided to lift the presence condition applicable to the acquisition of the deferred variable remuneration for 2017 and prior years, the other conditions remaining applicable. Moreover, the Board of Directors considering that the departure from the Group was motivated by reasons linked to a shift in the organisation of top management decided to lift the condition of presence for the acquisition of the long term incentives for 2017 and prior years, the other conditions remaining applicable.

(5) Mr. Valet's term of office as Deputy Chief Executive Officer began on 16th January 2017 and ended on 14th March 2018 followng his resignation. The unvested annual variable remuneration and the long term incentives being subject to a condition of presence, no amount of unvested annual variable remuneration or long term incentives have been maintained for his functions as Deputy Chief Executive Officer.

TABLE 7

SHARES RECEIVED DURING THE FINANCIAL YEAR BY EACH CHIEF EXECUTIVE OFFICER

	Grant date	Number of shares received during the financial year
Mr. BINI SMAGHI	N/A	N/A
Mr. OUDÉA	06.05.2013	31,238[1]
	18.05.2016	8,956[2]
Mr. AYMERICH	N/A	0
Mr. CABANNES	06.05.2013	20,825[1]
	18.05.2016	4,326[2]
Mr. HEIM	N/A	0
Ms. LEBOT	N/A	0
Mr. SANCHEZ INCERA[3]	06.05.2013	20,825[1]
	18.05.2016	4,616[2]
Mr. VALET[4]	N/A	N/A

(1) Under the long-term incentive plan awarded in 2013 in respect of 2012. Such shares in 2018 correspond to the delivery in 2018 of the second instalment of the LTIs granted by the Board of Directors on 6th May 2013, the vesting of which in March 2017 was entirely subject to the relative performance of the Societe Generale share in relation to its peers. The share performance assessed in early 2017 placed Societe Generale in fourth place in the sample (i.e. vesting of 83.3% of the maximum number granted).

(2) Deferred annual variable remuneration granted in 2016 in respect of financial year 2015 (indicated in Table 2).

(3) The term of office of Mr. Sanchez Incera as Deputy Chief Executive Officer ended on 14th May 2018. The Board of Directors noted the breach of term of office, considered that this breach was justified by strategic divergence on the conditions of supervision of the retail bank in the Group and to disagreement on change to his scope of supervision and decided to lift the presence condition applicable to the acquisition of the deferred variable remuneration for 2017 and prior years, the other conditions remaining applicable. Moreover, the Board of Directors considering that the departure from the Group was motivated by reasons linked to a shift in the organisation of top management decided to lift the condition of presence for the acquisition of the long term incentives for 2017 and prior years, the other conditions remaining applicable.

(4) Didier Valet's term of office as Deputy Chief Executive Officer commenced on 16th January 2017 and ended on 14th March 2018 following his resignation. He received no shares in 2018 as part of the variable remuneration or long-term incentives plans.

Note: Shares from the share buyback programme.

SHARE EQUIVALENTS RECEIVED DURING THE FINANCIAL YEAR BY EACH CHIEF EXECUTIVE OFFICER

	Grant date	Number of share equivalents vested over the financial year	Amount paid *(In EUR)*
Mr. BINI SMAGHI	N/A	N/A	N/A
Mr. OUDÉA[1]	31.03.2015	4,684	180,307
	31.03.2017	6,577	316,172
Mr. AYMERICH[2]	31.03.2015	1,477	56,856
	31.03.2018	2,869	110,440
Mr. CABANNES[1]	31.03.2015	2,666	102,626
	31.03.2017	3,377	162,340
Mr. HEIM[2]	31.03.2015	1,579	60,782
	31.03.2018	3,205	123,374
Ms. LEBOT[2]	31.03.2015	1,974	75,988
	31.03.2018	3,682	141,736
Mr. SANCHEZ INCERA[1][3]	31.03.2015	2,442	94,003
	31.03.2017	3,453	165,994
Mr. VALET[4]	N/A	N/A	N/A

(1) Share equivalents received as deferred annual variable remuneration granted in 2015 in respect of financial year 2014, and in 2017 in respect of financial year 2016 (indicated in Table 2), the vesting of which was entirely subject to two conditions: Group profitability and equity in 2017.

(2) The terms of office of Mr. Aymerich, Mr. Heim and Ms. Lebot as Deputy Chief Executive Officers began on 14th May 2018.
The reported amounts equate to the deferred annual variable remuneration paid for their previous functions.

(3) The term of office of Mr. Sanchez Incera as Deputy Chief Executive Officer ended on 14th May 2018. The Board of Directors noted the breach of term of office, considered that this breach was justified by strategic divergence on the conditions of supervision of the retail bank in the Group and to disagreement on change to his scope of supervision and decided to lift the presence condition applicable to the acquisition of the deferred variable remuneration for 2017 and prior years, the other conditions remaining applicable. Moreover, the Board of Directors considering that the departure from the Group was motivated by reasons linked to a shift in the organisation of top management decided to lift the condition of presence for the acquisition of the long term incentives for 2017 and prior years, the other conditions remaining applicable.

(4) Didier Valet's term of office as Deputy Chief Executive Officer commenced on 16th January 2017 and ended on 14th March 2018 following his resignation. In 2018, Mr. Valet received EUR 311,649 equating to 8,069 share equivalent awarded on 31.03.2015 for his salaried functions prior to his term of office as Deputy Chief Executive Officer.

TABLE 8

RECORD OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS AWARDED

The last option plan expired in 2017.

TABLE 9

SHARE SUBSCRIPTION OR PURCHASE OPTIONS AWARDED TO THE TOP TEN EMPLOYEES (NON-EXECUTIVE OFFICERS) AND OPTIONS EXERCISED BY THESE EMPLOYEES

No options plan implemented by Societe Generale in 2018.

The last option plan expired in 2017.

AUDITED I TABLE 10

RECORD OF PERFORMANCE SHARES AWARDED INFORMATION ON PERFORMANCE SHARES AWARDED

Date of General Meeting	**18.05.2016**	**18.05.2016**	**18.05.2016**	**20.05.2014**	**22.05.2012**
Date of Board meeting	14.03.2018	15.03.2017	18.05.2016	12.03.2015	13.03.2014
Total number of shares granted	1,677,279	1,796,759	2,478,926	1,233,505	1,010,775
o.w. number granted to Chief Executive Officers[1]	105,543	121,506	140,769		
Mr. BINI SMAGHI	N/A	N/A	N/A	N/A	N/A
Mr. OUDÉA	46,472	45,871	62,900	-	-
Mr. AYMERICH[2]	2,815	2,857	3,626	-	-
Mr. CABANNES	29,408	28,694	38,644	-	-
Mr. HEIM[2]	4,990	5,224	7,290	-	-
Ms. LEBOT[2]	7,277	5,986	4,860	-	-
Mr. SANCHEZ INCERA[3]	29,663	28,846	39,225	-	-
Mr. VALET[4]	0	18,095	24,942	-	-
Total number of beneficiaries	6,016	6,710	6,495	6,733	6,082
				31.03.2017[5]	31.03.2016[5]
Vesting date	see table below	see table below	see table below	31.03.2019[6]	31.03.2018[6]
Holding period end date	see table below	see table below	see table below	31.03.2019[5]	31.03.2018[5]
Performance conditions[5]	yes	yes	yes	yes	yes
				36.4[5]	37.8[5]
Fair value (In EUR)[6]	see table below	see table below	see table below	34.9[6]	38.1[6]
Number of shares vested at 31.12.2018	64	452	488,812	780,198	941,961
Total number of cancelled or lapsed shares	76,454	103,760	180,279	91,502	68,814
Performance shares outstanding at year-end	1,600,761	1,692,547	1,809,835	361,805	0

(1) For the Chief Executive Officers, see also Tables 6 and 7 of the 2019 Registration Document.

(2) The terms of office of Ms. Lebot, Mr. Aymerich and Mr. Heim as Deputy Chief Executive Officers began on 14th May 2018. The reported amounts equate to the deferred annual variable remuneration paid in 2018 for their previous functions.

(3) The term of office of Mr. Sanchez Incera as Deputy Chief Executive Officer ended on 14th May 2018. The Board of Directors noted the breach of term of office, considered that this breach was justified by strategic divergence on the conditions of supervision of the retail bank in the Group and to disagreement on change to his scope of supervision and decided to lift the presence condition applicable to the acquisition of the deferred variable remuneration for 2017 and prior years, the other conditions remaining applicable. Moreover, the Board of Directors considering that the departure from the Group was motivated by reasons linked to a shift in the organisation of top management decided to lift the condition of presence for the acquisition of the long term incentives for 2017 and prior years, the other conditions remaining applicable. The shares in the table equate to awards maintained in this framework.

(4) Mr. Valet's term of office as Deputy Chief Executive Officer began on 16th January 2017 and ended on 14th March 2018. The awards by virtue of the Board's decision of 15.03.2017 and 18.05.2016 equate to the awards for his previous functions.

(5) French tax residents.

(6) French tax non-residents.

(7) The applicable performance conditions are described in Chapter 5, "Employee share plans".

(8) Perfomance shares are valued at their market value, taking into account a discount of non-transferability. ▲

SUMMARY OF THE 2016 PERFORMANCE SHARES PLAN(1)

Date of General Meeting				**18.05.2016**
Date of Board meeting				18.05.2016
Total number of shares granted				2,478,926
Vesting date	29.03.2018 (1st tranche) 29.03.2019 (2nd tranche)	29.03.2019	31.03.2020 (1st tranche) 31.03.2022 (2nd tranche)	31.03.2021
Holding period end date	30.09.2018 30.09.2019	N/A	01.04.2021 01.04.2023	02.10.2021
Fair value (In EUR)(2)	30.18 (1st tranche) 28.92 (2nd tranche)	29.55	22.07 (1st tranche) 21.17 (2nd tranche)	32.76

(1) Under the annual employee LTI plan and awards in the context of the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers and Executive Committee members).
(2) The performance shares are valued at their market value, taking into account a discount of non-transferability.

SUMMARY OF THE 2017 PERFORMANCE SHARES PLAN(1)

Date of General Meeting				**18.05.2016**
Date of Board meeting				15.03.2017
Total number of shares granted				1,796,759
Vesting date	29.03.2019 (1st tranche) 31.03.2020 (2nd tranche)	31.03.2020	31.03.2021 (1st tranche) 31.03.2023 (2nd tranche)	31.03.2022
Holding period end date	30.09.2019 02.10.2020	N/A	01.04.2022 01.04.2024	02.10.2022
Fair value (In EUR)(2)	42.17 (1st tranche) 40.33 (2nd tranche)	41.05	27.22 (1st tranche) 26.34 (2nd tranche)	43.75

(1) Under the annual employee LTI plan and awards in the context of the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers and Executive Committee members).
(2) The performance shares are valued at their market value, taking into account a discount of non-transferability.

SUMMARY OF THE 2018 PERFORMANCE SHARES PLAN(1)

Date of General Meeting				**18.05.2016**
Date of Board meeting				14.03.2018
Total number of shares granted				1,677,279
Vesting date	31.03.2020 (1st tranche) 31.03.2021 (2nd tranche)	31.03.2021	31.03.2022 (1st tranche) 29.03.2024 (2nd tranche)	31.03.2023
Holding period end date	01.10.2020 01.10.2021	N/A	01.04.2023 31.03.2025	01.10.2023
Fair value (In EUR)(2)	40.39 (1st tranche) 38.59 (2nd tranche)	39.18	26.40 (1st tranche) 24.43 (2nd tranche)	39.17

(1) Under the annual employee LTI plan and awards in the context of the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers and Executive Committee members).
(2) The performance shares are valued at their market value, taking into account a discount of non-transferability.

TABLE 11

POSITION OF CHIEF EXECUTIVE OFFICERS IN 2018

	Term of office		Employment contract(1)(5)		Supplementary pension plan(2)		Compensation or benefits due or likely to become due as a result of leaving office or changing position(3)		Compensation relating to a non-compete clause(4)	
	start	end	yes	no	yes	no	yes	no	yes	no
Mr. BINI SMAGHI, Chairman of the Board of Directors	2015(6)	2022		X		X		X		X
Mr. OUDÉA Chief Executive Officer	2008(7)	2019		X		X	X		X	
Mr. AYMERICH, Deputy Chief Executive Officer	2018(8)	2019	X		X		X		X	
Mr. CABANNES, Deputy Chief Executive Officer	2008	2019	X		X		X		X	
Mr. HEIM, Deputy Chief Executive Officer	2018(8)	2019	X		X		X		X	
Ms. LEBOT, Deputy Chief Executive Officer	2018(8)	2019	X		X		X		X	
Mr. SANCHEZ INCERA(9), Deputy Chief Executive Officer	2010	2018	X		X(9)		X(9)		X(9)	
Mr. VALET(10) Deputy Chief Executive Officer	2017	2018	X		X(10)		X(10)		X(10)	

(1) According to the recommendations of the Afep-Medef Code, only the following may not hold an employment contract during their term of office: the Chairman of the Board of Directors, the Chairman and Chief Executive Officer, and the Chief Executive Officer in companies with a Board of Directors.

(2) Details of supplementary pension plans can be found in the tables p. 110-123.

(3) Details of the compensation or benefits due or likely to become due to Chief Executive Officers as a result of leaving office or changing position are provided on p. 103 and 104 and in the tables on p. 110 to 123.

(4) Details of non-compete clauses for the Chief Executive Officers are provided p. 104 and in the tables p. 110 to 123.

(5) The employment contracts of Mr. Aymerich, Mr. Cabannes, Mr. Heim, Ms. Lebot, Mr. Sanchez Incera and Mr. Valet have been suspended for the duration of their respective terms of office.

(6) Mr Bini Smaghi was appointed Chairman of the Board on 19th May 2015. His mandate was renewed on 23rd May 2018.

(7) Mr. Oudéa was appointed Chief Executive Officer in May 2008, then Chairman and Chief Executive Officer in May 2009, and Chief Executive Officer on 19th May 2015.

(8) Mr. Aymerich, Mr. Heim and Ms. Lebot, were appointed Deputy Chief Executive Officers as of 14th May 2018.

(9) Bernardo Sanchez Incera's term of office as Deputy Chief Executive Officer ended on 14th May 2018, following his departure. When it met on 3rd May, the Board of Directors, noting Mr. Sanchez Incera's departure, regarded this departure as non-voluntary. Hence, the related-party agreement and commitments for the non-compete clause (6 months of fixed remuneration) and severance pay (2 years of fixed remuneration) authorised by the Board of Directors on 8th February 2017 and approved by the AGM on 23rd May 2017 have been applied. Mr. Bernardo Sanchez Incera thus received EUR 400,000 for the non-compete clause and EUR 1,600,000 in severance pay. These two amounts are within the limit of 2 years of remuneration recommended by the AFEP-MEDEF code and applied by Societe Generale. Moreover, on 3rd May 2018, the Board of Directors examined the consequences of Mr Bernardo Sanchez Incera's departure on his remuneration. The Board considered that this departure was justified by strategic divergence on conditions of supervision in the Group retail bank and disagreement on the change in supervision of his scope and decided to lift the condition of presence for acquisiton of the deferred variable remuneration for 2017 and prior years, the other conditions remainaing applicable. Moreover, the Board of Directors considering that the departure from the Group was motivated by reasons linked to a shift in the organisation of top management decided to lift the condition of presence for the acquisition of the long term incentives for 2017 and prior years, the other conditions remaining applicable. Following the end to Mr. Sanchez Incera's term of office as Deputy Executive Officer, his employment contract, suspended for the duration of his term of office, became legally valid again. Mr. Sanchez Incera's employment contract ended on 14th August 2018. During the period following his departure as Deputy CEO, Mr Sanchez Incera's received remuneration paid for his employment contract totalling EUR 193,177.

(10) Mr. Valet resigned as Deputy Chief Executive Officer as of 14th March 2018. At its meeting on 14th March 2018, the Board of Directors, taking note of this resignation, considered that none of the commitments and agreement authorised by the board meetings of 13th January and 8th February 2017 and approved by the AGM on 23rd May 2017, was found to apply. Hence Mr. Valet did not receive severance pay or non-compete indemnities in view of his resignation. Following the end to Mr. Valet's term of office as Deputy Executive Officer, his employment contract, suspended for the duration of his term of office, became legally valid again. Mr. Valet's employment contract ended on 15th June 2018. In 2018, Mr. Valet received remuneration for his employment contract totalling EUR 3,715,696, including variable remuneration for his salaried functions prior to his period of office as Deputy CEO of EUR 851,349, the fixed items for Mr. Valet's employment contract for the period following his resignation as Deputy CEO, EUR 353,971, the amounts for severance pay, EUR 1,865,374 and the non-compete clause stipulated in his employment contract, EUR 645,002. The total amount paid for severance pay and the non-compete clause falls within the limit of two years of annual fixed and variable remuneration recommeded by the AFEP-MEDEF code and applied by Societe Generale.

Societe Generale share ownership and holding obligations

Since 2002, in line with the AMF's recommendations and in order to align the Chief Executive Officers' interests with those of the Company, the Chief Executive Officers have been required to hold a certain minimum number of Societe Generale shares. On 7th March 2011, the Board of Directors thus defined the following obligations:

- 80,000 shares for the Chief Executive Officer;
- 40,000 shares for the Deputy Chief Executive Officers.

These shareholding obligations were all satisfied in 2016.

On 15th March 2016, the Board of Directors decided to increase the minimum shareholding thresholds as follows:

- 90,000 shares for the Chief Executive Officer;
- 45,000 shares for the Deputy Chief Executive Officers.

Chief Executive Officers who are also former employees may hold shares either directly or indirectly through the Company savings plan.

This minimum shareholding requirement is already satisfied for Frédéric Oudéa and Séverin Cabannes. For Philippe Aymerich, Philippe Heim and Diony Lebot, this minimum requirement must be satisfied after five years in office. Pending satisfaction of the requirement, the Chief Executive Officer must retain 50% of vested shares granted through Societe Generale share plans and all shares resulting from the exercise of stock options, after deducting the cost of exercising said options and the corresponding social security charges and taxes.

The minimum level of ownership will be re-examined by the Board when the terms of office of the CEOs are renewed.

In addition, and in accordance with the law, Chief Executive Officers are required to hold a certain percentage of vested shares granted through Societe Generale share plans or resulting from the exercise of stock options in a registered account until the end of their term of office. For shares, this percentage was reduced by the Board of Directors at its meeting of 15th March 2017 to 5% of vested shares for allocations in respect of 2017 and the following years, in view of (i) the regulatory requirement for a significant proportion of the variable remuneration to be awarded in shares, and (ii) compliance with the minimum holding levels. For stock options, the percentage is set at 40% of the gains made upon exercising the options, net of tax and any other mandatory deductions and less any capital gains used to finance the acquisition of these shares.

The Chief Executive Officers are therefore required to hold a significant number of shares. They are prohibited from hedging their shares or options throughout the vesting and holding periods.

Each year, the Chief Executive Officers must provide the Board of Directors with all necessary information enabling the latter to ascertain that these obligations have been met in full.

In their statements to the Board, the Chief Executive Officers confirmed that they have not hedged their Societe Generale shares or "Societe Generale Actionnariat (Fonds E)" shares and undertook not to do so in the future.

Remuneration of the other members of the Management Committee who are not Chief Executive Officers

The new Group organisation led to elimination of the Executive Committee in 2018. The group is now organised in 27 Business Units and Service Units. A Management Committee comprising sixty or so managers appointed by the CEO, including the 27 heads of the 17 Business Units (businesses, regions) and 10 Service Units (support and control functions) was set up.

Remuneration for this committee complies with the CRD4 directive. It is set by top management and consists of two portions:

- fixed remuneration, determined according to each member's responsibilities and taking into account market practices;
- annual variable remuneration, dependent on achievement of pre-determined and individual targets. The collective targets are common to all members of the Management Committee and represent a substantial portion of the total annual variable remuneration. They reflect the Group's collective performance and are determined in coherence with those of the CEOs.

3.1.6 ADDITIONAL INFORMATION

Specific conditions relating to shareholders' participation in the General Meeting

The By-laws (see Chapter 7) define the conditions for shareholders' participation in the General Meeting.

Under Article 14 of the Company's By-laws, General Meetings are convened and deliberate in accordance with the conditions set forth by the laws and regulations in force. They meet at the registered office or in any other place in metropolitan France indicated in the convening notice. Such meetings are chaired by the Chairman of the Board of Directors or, failing this, by a Director appointed for this purpose by the Chairman of the Board of Directors.

Regardless of the number of shares held, any shareholder whose shares are registered under the terms and at a date set by decree, has the right, upon proof of their identity and status as a shareholder, to participate in the General Meetings. A shareholder may, in accordance with the laws and regulations in force, personally attend the General Meetings, vote remotely or appoint a proxy. The intermediary registered on behalf of shareholders may participate in the General Meetings, under the conditions set forth by the provisions of the laws and regulations in force.

In order for the ballots to be counted, they must be received by the Company at least two days before the General Meeting is held, unless a shorter period is specified in the convening notice or required by the regulations in force.

Shareholders may participate in General Meetings by videoconference or any other means of telecommunication, when provided for in the convening notice and subject to the conditions defined therein.

The General Meeting may be publicly broadcast by means of electronic communication subject to the approval of and under the terms set by the Board of Directors. Notice will be given in the notice of meeting and/or the convening notice.

In all General Meetings, the voting right attached to shares with a right of usufruct is exercised by the usufructuary.

Any shareholder may participate in the General Meeting online under the conditions indicated in the notice of meeting published in the *Bulletin des Annonces Légales Obligatoires* (French Mandatory Legal Announcements Gazette).

Information required by Article L. 225-37-5 of the French Commercial Code

Within the framework of the provisions of Article L. 225-37-5 of the French Commercial Code, Societe Generale must disclose and, where applicable, explain the following items when they are likely to have an impact in case of a public tender or exchange offer.

To the best of its knowledge, Societe Generale does not have any specific measures likely to have an impact in case of a public tender or exchange offer. However, the information required by Article L. 225-37-5 of the French Commercial Code is listed below as it has been included in the Registration Document to meet other obligations:

1. Share capital structure: this information appears in Chapter 7, "Share, share capital and legal information", section 7.2, "Information on share capital", under the heading "Breakdown of capital and voting rights over 3 years".
2. Statutory restrictions on the exercise of voting rights and share transfers: this information appears in chapter 7, "Share, share capital and legal information", section 7.4, "By-laws", more specifically in Articles 6 and 14.
3. Direct or indirect holdings in the share capital of which Societe Generale is aware pursuant to Articles L. 233-7 and L. 233-12 of the French Commercial Code: this information appears in chapter 7, "Share, share capital and legal information", section 7.2, "Information on share capital", under the heading "Breakdown of capital and voting rights over 3 years".
4. The list of holders of any securities bearing special control rights and the description of these: not applicable since the cancellation of the preference shares on 23rd December 2009.
5. Control mechanisms provided for under a potential employee share ownership plan, when the control rights are not exercised by the latter: this information appears in Chapter 5, "Corporate Social Responsibility", section 5.2, "A corporate culture and employees focused on clients", under the heading "Employee savings plans and employee share ownership".
6. Shareholder agreements of which Societe Generale is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights: not concerned.
7. Rules applicable to the appointment and replacement of members of the Board of Directors as well as to the amendment of the Company's By-laws: this information appears in Chapter 7, "Share, share capital and legal information", section 7.4, "By-laws", more specifically in Articles 7 and 14.
8. Powers of the Board of Directors regarding share issuances or buybacks: the delegations granted by the General Meeting to the Board of Directors in this respect appear in this Chapter 3, in this section 3.1, under this heading, in the subsection "List of outstanding delegations and their use in 2018 and early 2019 (up to 6th February 2019)" and the information about share buybacks appears in Chapter 7, "Share, share capital and legal information", section 7.2 "Information on share capital", under the heading "Share buybacks".
9. Agreements entered into by Societe Generale that are amended or terminated in case of a change of control of Societe Generale, unless this disclosure would, except in cases where disclosure is a legal obligation, seriously undermine its interests: not concerned.
10. Agreements providing for compensation for members of the Board of Directors or employees if they resign or are dismissed without real and serious grounds, or if their employment is terminated due to a public tender or exchange offer: this information appears in this Chapter 3, in this section 3.1, under the heading "Remuneration of Group senior management" for the Directors. For the employees: not concerned.

LIST OF OUTSTANDING DELEGATIONS AND THEIR USE IN 2018 AND EARLY 2019 (UP TO 6TH FEBRUARY 2019)

Type of authorisation	Purpose of the authorisation granted to the Board of Directors	Validity of the delegation
Share buybacks	To buy Societe Generale shares	**Granted by:** AGM of 23rd May 2017, 18th resolution **For a period of:** 18 months **Start date:** 24th May 2017 **Early termination:** 23rd May 2018
		Granted by: AGM of 23rd May 2018, 19th resolution **For a period of:** 18 months **Start date:** 24th May 2018 **Expiry date:** 23rd November 2019
Capital increase	To increase the share capital with pre-emptive subscription rights through the issuance of ordinary shares and/or securities giving access to the share capital	**Granted by:** AGM of 18th May 2016, 14th resolution **For a period of:** 26 months **Early termination:** 23rd May 2018
		Granted by: AGM of 23rd May 2018, 20th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
	To increase the share capital through the incorporation of reserves, profits or premiums or any other item that may be incorporated to the share capital	**Granted by:** AGM of 18th May 2016, 14th resolution **For a period of:** 26 months **Early termination:** 23rd May 2018
		Granted by: AGM of 23rd May 2018, 20th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
	To increase the share capital with cancellation of pre-emptive subscription rights through the issuance of ordinary shares and/or securities giving access to the share capital	**Granted by:** AGM of 18th May 2016, 15th resolution **For a period of:** 26 months **Early termination:** 23rd May 2018
		Granted by: AGM of 23rd May 2018, 21st resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
	To increase the share capital in order to remunerate contributions in kind consisting of equity securities or securities giving access to the share capital	**Granted by:** AGM of 18th May 2016, 16th resolution **For a period of:** 26 months **Early termination:** 23rd May 2018
		Granted by: AGM of 23rd May 2018, 22nd resolution **For a period of**: 26 months **Expiry date:** 23rd July 2020
Issuance of subordinated bonds	Issuance of contingent convertible bonds with cancellation of pre-emptive subscription rights	**Granted by:** AGM of 18th May 2016, 17th resolution **For a period of**: 26 months **Early termination:** 23rd May 2018
		Granted by: AGM of 23rd May 2018, 23rd resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020

Limit	Use in 2018	Use in 2019 (up to 6th February)
5% of the share capital at the completion date of the purchases	Excluding the liquidity agreement: none. On 23rd May 2018, 98,000 shares were recorded in the liquidity agreement's account.	Not applicable
5% of the share capital at the completion date of the purchases	Excluding the liquidity agreement: none. On 31st December 2018, 130,000 shares were recorded in the liquidity agreement's account. (see details on p. 537 of the 2019 Registration Document)	Excluding the liquidity agreement: none. On 6th February 2019, 135,625 shares were recorded in the liquidity agreement's account.
Nominal EUR 403 million for shares, i.e. 39.99% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards those set forth in resolutions 15 to 20 of the AGM of 18th May 2016* Nominal EUR 6 billion for debt securities giving access to the share capital *Note: this limit counts towards those set forth in resolutions 15 to 18 of the AGM of 18th May 2016*	None	Not applicable
Nominal EUR 333.200 million for shares, i.e. 32.99% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards those set forth in resolutions 21 to 26 of the AGM of 23rd May 2018* Nominal EUR 6 billion for debt securities giving access to the share capital *Note: this limit counts towards those set forth in resolutions 21 to 24 of the AGM of 23rd May 2018*	None	None
Nominal EUR 550 million	None	Not applicable
Nominal EUR 550 million	None	None
Nominal EUR 100.779 million for shares, i.e. 10% of the share capital at the date on which the authorisation was granted Nominal EUR 6 billion for debt securities giving access to the share capital *Note: these limits count towards those set forth in resolution 14, and include those set forth in resolutions 16 and 17 of the AGM of 18th May 2016*	None	Not applicable
Nominal EUR 100.980 million for shares, i.e. 10% of the share capital at the date on which the authorisation was granted Nominal EUR 6 billion for debt securities giving access to the share capital *Note: these limits count towards those set forth in resolution 20, and include those set forth in resolutions 22 and 23 of the AGM of 23rd May 2018*	None	None
10% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards those set forth in resolutions 14 and 15 of the AGM of 18th May 2016*	None	Not applicable
10% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards those set forth in resolutions 20 and 21 of the AGM of 23rd May 2018*	None	None
10% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards those set forth in resolutions 14 and 15 of the AGM of 18th May 2016*	None	Not applicable
10% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards those set forth in resolutions 20 and 21 of the AGM of 23rd May 2018*	None	None

Type of authorisation	Purpose of the authorisation granted to the Board of Directors	Validity of the delegation
Capital increase in favour of employees	To increase the share capital through the issuance of ordinary shares or securities giving access to the share capital reserved for members of a Societe Generale company or Group savings plan	**Granted by:** AGM of 18th May 2016, 18th resolution **For a period of:** 26 months **Early termination:** 23rd May 2018
		Granted by: AGM of 23rd May 2018, 24th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
Allocation of free shares	To allocate free shares, existing or to be issued, to regulated persons and assimilated	**Granted by:** AGM of 18th May 2016, 19th resolution **For a period of:** 26 months **Early termination:** 23rd May 2018
		Granted by: AGM of 23rd May 2018, 25th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
	To allocate free shares, existing or to be issued, to employees other than the regulated persons and assimilated	**Granted by:** AGM of 18th May 2016, 20th resolution **For a period of:** 26 months **Early termination:** 23rd May 2018
		Granted by: AGM of 23rd May 2018, 26th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020
Cancellation of shares	To cancel shares purchased as part of share buyback programmes	**Granted by:** AGM of 18th May 2016, 21st resolution **For a period of:** 26 months **Early termination:** 23rd May 2018
		Granted by: AGM of 23rd May 2018, 27th resolution **For a period of:** 26 months **Expiry date:** 23rd July 2020

Limit	Use in 2018	Use in 2019 (up to 6th February)
1% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards the limit set forth in resolution 14 of the AGM of 18th May 2016*	None	Not applicable
1.5% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards the limit set forth in resolution 20* of the AGM of 23rd May 2018	None	Transaction of which the principle was decided by the Board on 6th February 2019 for a nominal amount of EUR 15,148,000 and for which the CEO received a delegation.
1.4% of the share capital at the date on which the authorisation was granted including a maximum of 0.5% of the share capital with a 2-year vesting period for the payment of the deferred variable compensation *Note: this limit counts towards the limit set forth in resolution 14 of the AGM of 18th May 2016* 0.1% of the share capital for the Chief Executive Officers *Note: this limit counts towards the 1.4% and 0.5% limits set forth in resolution 19 of the AGM of 18th May 2016*	On 23rd May 2018, allocation of 828,000 shares, i.e. 0.10% of the share capital at the date of allocation.	Not applicable
1.4% of the share capital at the date on which the authorisation was granted including a maximum of 0.5% of the share capital with a 2-year vesting period for the payment of the deferred variable compensation *Note: this limit counts towards the limit set forth in resolution 20 of the AGM of 23rd May 2018* 0.1% of the share capital for the Chief Executive Officers *Note: this limit counts towards the 1.4% and 0.5% limits set forth in resolution 25 of the AGM of 23rd May 2018*	None	None
0.6% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards the limit set forth in resolution 14 of the AGM of 18th May 2016*	On 23rd May 2018, allocation of 862,000 shares, i.e. 0.11% of the share capital at the date of allocation.	Not applicable
0.6% of the share capital at the date on which the authorisation was granted *Note: this limit counts towards the limit set forth in resolution 20 of the AGM of 23rd May 2018*	None	None
5% of the total number of shares per 24-month period	None	Not applicable
5% of the total number of shares per 24-month period	None	None

Additional information about the Chief Executive Officer, the Deputy Chief Executive Officers and the members of the Board of Directors

ABSENCE OF CONFLICTS OF INTEREST

To the best of the Board of Directors' knowledge:

- there are no potential conflicts of interest between the duties of the Chief Executive Officer, the Deputy Chief Executive Officers and the members of the Board of Directors towards Societe Generale and any other obligations or private interests. If necessary, Article 14 of the Board of Directors' Internal Rules governs conflicts of interest for Directors;
- no arrangements or agreements have been entered into with a shareholder, customer, supplier or other party pursuant to which one of the aforementioned persons has been selected;
- there is no family relationship between the aforementioned persons;
- no restriction other than statutory restrictions shall be accepted by any of the aforementioned persons with regard to the disposal of their stake in Societe Generale's share capital.

ABSENCE OF CONVICTIONS

To the best of the Board of Directors' knowledge:

- no conviction for fraud has been handed down over the past five years against the Chief Executive Officer, any Deputy Chief Executive Officer or any current member of the Board of Directors;
- neither the Chief Executive Officer, nor any Deputy Chief Executive Officer, nor any current member of the Board of Directors has been involved (as a member of the Board of Directors, Management Board or Supervisory Board, or as a manager) in any bankruptcy, receivership or liquidation proceedings over the past five years;
- neither the Chief Executive Officer, nor any Deputy Chief Executive Officer, nor any current member of the Board of Directors, has been the object of any criminal charges and/or official public sanction from state or regulatory authorities;
- neither the Chief Executive Officer, nor any Deputy Chief Executive Officer, nor any current member of the Board of Directors has been prohibited by a court from acting as a member of an administrative, management or supervisory body of an issuer or from taking part in the management or conduct of an issuer's business over the past five years.

3.2 STATUTORY AUDITORS' REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

DELOITTE & ASSOCIÉS
6, place de la Pyramide
92908 Paris-La Défense Cedex

SOCIÉTÉ GÉNÉRALE
Société Anonyme
17, cours Valmy
92972 Paris-La Défense

Shareholders' Meeting held to approve the financial statements for the year ended 31st December 2018

This is a translation into English of the Statutory Auditors' report on related-party agreements and commitments that is issued in the French language. This translation is provided solely for the convenience of English-speaking readers. This report on related-party agreements and commitments should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders' Meeting of Societe Generale,

In our capacity as Statutory Auditors of your Company, we hereby report on certain related-party agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying why they benefit the Company, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (Code de commerce), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorised and concluded during the year

In accordance with Article L. 225-40 of the French Commercial Code, we were notified of the following agreements and commitments signed during the year and previously authorised by your Board of Directors.

WITH MESSRS. PHILIPPE AYMERICH, PHILIPPE HEIM AND MRS. DIONY LEBOT, DEPUTY CHIEF EXECUTIVE OFFICERS OF YOUR COMPANY

a) Nature and purpose

Non-compete clauses in favour of Messrs. Philippe Aymerich, Philippe Heim and Mrs. Diony Lebot.

TERMS AND CONDITIONS

This clause was authorised by your Board of Directors on 3rd May 2018 with effect from 14th May 2018.

Provided that they are not employed in a similar position for a six-month period following the termination of their terms of office, in a listed bank in Europe or in a non-listed bank in France, Messrs. Philippe Aymerich, Philippe Heim and Mrs. Mme Diony Lebot will be entitled, during this period, to termination benefits to be paid on a monthly basis, equal to their basic fixed compensation as Deputy Chief Executive Officers. The Company however reserves the right to waive this clause.

REASONS JUSTIFYING WHY THE AGREEMENTS ARE IN THE COMPANY'S INTEREST

Your Board of Directors justified these agreements as follows: they include the identical post-employment benefits granted to all Société Générale deputy chief executive officers since 2017.

b) Nature and purpose

Termination benefits in favour of Messrs. Philippe Aymerich, Philippe Heim and Mrs. Diony Lebot.

TERMS AND CONDITIONS

These benefits were authorised by your Board of Directors on 3rd May 2018 with effect from 14th May 2018.

They include the following features:

- Termination benefits will only be due in the event of forced departure from the Group and justified as such by the Board of Directors, thereby excluding resignation, non-renewal of the term of office at the initiative of Messrs. Philippe Aymerich, Philippe Heim and Mrs. Diony Lebot or gross negligence.
- Payment of the termination benefits will be subject to reaching an overall achievement rate of the targets for the variable portion of the annual compensation of at least 60% on average over the last three fiscal years preceding the termination of the term of office.
- No termination benefits will be owed in the event of departure within six months preceding the settlement of the Social Security pension entailing the right to benefit from the supplementary pension allocation for senior executives.
- The amount of the termination benefits will be two years of basic fixed compensation and may not exceed the ceiling recommended by the AFEP-MEDEF Code of two years of basic fixed and variable compensation.

REASONS JUSTIFYING WHY THE COMMITMENTS ARE IN THE COMPANY'S INTEREST

Your Board of Directors justified these agreements as follows: they include identical post-employment benefits granted to all Société Générale deputy chief executive officers since 2017.

c) Nature and purpose

Pension commitments in favour of Messrs. Philippe Aymerich, Philippe Heim and Mrs. Diony Lebot.

TERMS AND CONDITIONS

These commitments were authorised by your Board of Directors on 3rd May 2018 with effect from 14th May 2018.

Pursuant to these commitments, Messrs. Philippe Aymerich, Philippe Heim and Mrs. Diony Lebot retain the rights to the supplementary pension plan for senior executives which applied to them as employees before their appointment as corporate officer, the annual vesting of the contingent rights being, as from the implementation of their terms of office, subject to performance conditions. Accordingly, the rights to potential annuity payments in respect of one year will only be fully vested if at least 80% of the performance conditions of the variable compensation of this same year are satisfied. For a performance of 50% and below, no increase in the annuity will be applied. For an achievement rate of between 80% and 50%, the calculation of the vesting of rights with respect to the year will be calculated on a straight-line basis.

REASONS JUSTIFYING WHY THE COMMITMENTS ARE IN THE COMPANY'S INTEREST

The Board of Directors justified these agreements as follows: they include identical post-employment benefits granted to all Société Générale deputy chief executive officers since 2017.

Agreements and commitments authorised since the year-end

We have been advised of the following agreements and commitments, authorised since the year-end, that were previously approved by the Board of Directors on 6th February 2019.

WITH MESSRS. PHILIPPE AYMERICH, PHILIPPE HEIM, SÉVERIN CABANNES AND MRS. DIONY LEBOT, DEPUTY CHIEF EXECUTIVE OFFICERS AD MR. FRÉDÉRIC OUDÉA, CHIEF EXECUTIVE OFFICER OF YOUR COMPANY

a) Nature and purpose

Non-compete clauses in favour of Messrs. Frédéric Oudéa, Philippe Aymerich, Philippe Heim, Séverin Cabannes and Mrs. Diony Lebot.

TERMS AND CONDITIONS

This clause was authorised by your Board of Directors on 3rd May 2018 with effect from 14th May 2018 in favour of Messrs. Philippe Aymerich, Philippe Heim and Mrs. Diony Lebot, and on 8th February 2017 in favour of Messrs. Frédéric Oudéa and Séverin Cabannes.

They will be modified following the Board of Directors' meeting of 21st May 2019 which will take place after the Shareholders' Meeting.

The Board of Directors may unilaterally waive its implementation, in the 15 days following the termination of duties. In this case, the beneficiary is released from any commitment and no amount will be owed to him/her in this respect.

Any violation of the non-compete obligation will lead to the immediate payment of an amount equal to six-months of basic fixed gross compensation by the beneficiary. Société Générale is released from its obligation to pay the aforementioned financial consideration and can, furthermore, demand that the financial consideration already paid since the reported violation of the obligation be returned.

No amount will be owed pursuant to the clause in the event of departure within the 6 months preceding the pension settlement beyond the age of 65.

The aggregate amount of the termination benefits and the non-compete clause may not exceed the ceiling recommended by the AFEP-MEDEF Code of two years of annual basic fixed and variable compensation.

REASONS JUSTIFYING THAT THE AGREEMENTS ARE IN THE COMPANY'S INTEREST

The Board of Directors justified these agreements as follows: the purpose of the modifications which took place in February 2019 is to integrate the changes made to Article 23.4 of the revised AFEP-MEDEF Code.

b) Nature and purpose

Termination benefits in favour of Messrs. Frédéric Oudéa, Philippe Aymerich, Philippe Heim, Séverin Cabannes and Mrs. Diony Lebot.

TERMS AND CONDITIONS

These benefits were authorised by your Board of Directors on 3rd May 2018 with effect from 14th May 2018 in favour of Messrs. Philippe

Aymerich, Philippe Heim and Mrs. Diony Lebot, and on 8th February 2017 in favour of Mr. Frédéric Oudéa and Mr. Séverin Cabannes.

They will be modified following the Board of Directors' meeting of 21st May 2019 which will take place after the Shareholders' Meeting.

In particular, the Chief Executive Officer and the Deputy Chief Executive Officers will not be able to qualify for termination benefits in the event of departure 6 months preceding the pension settlement or the possibility at the time of departure to qualify for a full pension within the meaning of the Social Security definition in accordance with Article 24.5.1 of the revised AFEP-MEDEF Code.

The text of the clause is also modified to explain the rule according to which the termination benefits will be owed in the event of forced departure from the Group, justified as such by the Board of Directors. It is specified that no termination benefits will be owed in the event of resignation other than noted as being forced by the Board of Directors or non-renewal of the term of office at the initiative of the corporate officer or gross negligence.

Payment of termination benefits remains subject to reaching an overall achievement rate of the targets for the variable portion of annual compensation of at least 60% on average over the last three fiscal years preceding the termination of the term of office (or the duration of the term of office if less than 3 years).

The amount of termination benefits is two years' fixed annual compensation.

In no event may the aggregate amount of the termination benefits and the non-compete clause exceed the ceiling recommended by the AFEP-MEDEF Code of two years of basic annual fixed and variable compensation, including, if applicable, any other termination benefits related to the employment agreement (notably severance pay under the collective bargaining agreement).

REASONS JUSTIFYING THAT THE AGREEMENTS ARE IN THE COMPANY'S INTEREST

The Board of Directors justified these agreements as follows: the purpose of the modifications which took place in February 2019 is to integrate the changes made to Article 24.5.1 of the revised AFEP-MEDEF Code and the termination benefits in favour of Messrs. Frédéric Oudéa, Philippe Aymerich, Philippe Heim, Séverin Cabannes and Mrs. Diony Lebot are modified to make them more exact and comply with these changes.

c) Nature and purpose

Supplementary pension for senior executives in favour of Messrs. Philippe Aymerich, Philippe Heim, Séverin Cabannes and Mrs. Diony Lebot.

TERMS AND CONDITIONS

This commitment was authorised by your Board of Directors on 12th May 2008 and approved by the Shareholders' Meeting of 19th May 2009 for Mr. Séverin Cabannes and authorised by your Board of Directors on 3rd May 2018 for Messrs. Philippe Aymerich, Philippe Heim and Mrs. Diony Lebot.

It was modified by the Board of Directors on 6th February 2019 with effect from 1st January 2019 and will be renewed under identical terms and conditions at the Board meeting which will take place after the Shareholders' Meeting of 21st May 2019.

The defined benefit plan for senior executives, the rights to which remain subordinated to the corporate officer's presence in the Company at the time of his/her pension settlement, is modified to control the costs and risks related to Group defined benefit plans.

This modification is applicable to all senior executives with effect from 31st December 2018.

The incremental part of the plan, which concerned notably corporate officers, was frozen as of 31 December 2018 and this part will no longer generate any more rights for the future. The settlement of frozen rights will remain subordinated to the pension settlement in the Company.

The supplementary part which applies to all senior executives is maintained. Rights are frozen as of 31st December 2018 and the formula is modified for the future but without the loss of any rights to take into account changes in the pension situation in France. For the future, the annual vesting represents 0.4% of compensation received between 1 and 4 times the annual Social Security ceiling (0.4% of compensation included between 40,524 euros and 162,096 euros, i.e. 486 euros of annual annuity per year of activity) which is well below the vesting provided for previously under the incremental plan.

In accordance with the law, the contingent rights in respect of one year will only be fully vested if at least 80% of the performance conditions of the variable compensation of the same year are satisfied. For a performance of 50% and below, no increase in the annuity will be applied. For an achievement rate of between 80% and 50%, the calculation of the vesting of rights with respect to the year will be calculated on a straight-line basis.

REASONS JUSTIFYING THAT THE COMMITMENTS ARE IN THE COMPANY'S INTEREST

The Board justified these commitments as follows: the purpose of the modifications authorised by the Board of Directors on 6th February 2019, with effect from 1st January 2019, was to reduce the charges to be paid by the Company with respect to supplementary pension plans.

d) Nature and purpose

Supplementary defined contribution plan for the Executive Committee in favour of Messrs. Philippe Aymerich, Philippe Heim, Séverin Cabannes and Mrs. Diony Lebot.

TERMS AND CONDITIONS

It was authorised by the Board on 6th February 2019 with effect from 1st January 2019 and will be renewed under identical terms and conditions at the Board meeting which will take place after the Shareholders' Meeting of 21st May 2019.

Following the revision of the complementary pension allocation on 31st December 2018, a supplementary defined contribution plan (Article 82) was set up for members of the Executive Committee and the Deputy Executive Chief Officers effective 1st January 2019.

This plan provides for the payment of an annual contribution by the Company to an individual account. The Company rate was set at 8% of fixed compensation exceeding 4 times the annual Social Security ceiling. For fixed compensation of 800,000 euros, this represents a gross contribution of 51,032 euros. This contribution will be taxable at the time of payment and the beneficiary at the time of his/her retirement will be able to choose between a lump sum amount or an annuity.

In accordance with the law, the contributions in respect of one year will only be fully paid if at least 80% of the performance conditions of the variable compensation of the same year are satisfied. For a performance of 50% and below, no increase in the annuity will be applied. For an achievement rate of between 80% and 50%, the calculation of the vesting of rights with respect to the year will be calculated on a straight-line basis.

REASONS JUSTIFYING THAT THE COMMITMENTS ARE IN THE COMPANY'S INTEREST

The Board justified these commitments as follows: the purpose of the modifications authorised by the Board of Directors on 6th February 2019, with effect from 1st January 2019, was to reduce the charges to be paid by the Company with respect to supplementary pension plans.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved in previous years

A) WITH CONTINUING EFFECT DURING THE YEAR

In accordance with Article R. 225-30 of the French Commercial Code, we have been advised that the following agreements and commitments already approved by the Shareholders' Meeting during previous years, continued during the year.

WITH MR. DIDIER VALET, DEPUTY CHIEF EXECUTIVE OFFICER

a) Nature and purpose

Pension commitment in favour of Mr. Didier Valet.

TERMS AND CONDITIONS

This pension commitment was authorised by your Board of Directors on 13th January 2017 with effect from 16th January 2017.

Following Mr. Didier Valet's resignation from his duties as Deputy Chief Executive Officer, the Board of Directors' meeting of 14th March 2018 considered that this agreement authorized by the Board of Directors in 2017 was no longer applicable.

Mr. Didier Valet therefore lost his rights to the supplementary pension plan which was subject to his presence in the Company at the time when the settlement of his pension took place.

b) Nature and purpose

Non-compete clause in favour of Mr. Didier Valet.

TERMS AND CONDITIONS

This clause was authorised by your Board of Directors on 8th February 2017.

Following Mr. Didier Valet's resignation from his duties as Deputy Chief Executive Officer, the Board of Directors' meeting of 14th March 2018 considered that this agreement authorized by the Board of Directors in 2017 was no longer applicable.

Mr. Didier Valet will not receive any benefits under the non-compete clause in respect of his resignation from his term of office.

c) Nature and purpose

Termination benefits in favour of Mr. Didier Valet.

TERMS AND CONDITIONS

These termination benefits were authorised by your Board of Directors on 8th February 2017.

Following Mr. Didier Valet's resignation from his duties as Deputy Chief Executive Officer, the Board of Directors' meeting of 14th March 2018 considered that this agreement authorized by the Board of Directors in 2017 was no longer applicable.

Mr. Didier Valet will not receive any termination benefits in respect of his resignation from his term of office.

WITH MR. BERNARDO SANCHEZ INCERA, DEPUTY CHIEF EXECUTIVE OFFICER

a) Nature and purpose

Non-compete clause in favour of Mr. Bernardo Sanchez Incera.

TERMS AND CONDITIONS

This clause was authorised by the Board of Directors on 8th February 2017.

The Board of Directors' meeting of 3rd May 2018 duly noted Mr. Bernardo Sanchez Incera's resignation from his duties as Deputy Chief Executive Officer and considered this resignation to be forced. As a result, the non-compete clause (six months of fixed compensation) was applied.

Mr. Bernardo Sanchez Incera received 400,000 euros in respect of this non-compete clause.

b) Nature and purpose

Termination benefits in favour of Mr. Bernardo Sanchez Incera.

TERMS AND CONDITIONS

These termination benefits were authorised by your Board of Directors on 8th February 2017.

The Board of Directors' meeting of 3rd May 2018 duly noted Mr. Bernardo Sanchez Incera's resignation from his duties as Deputy Chief Executive Officer and considered this resignation to be forced. As a result, the termination benefits (two years of fixed compensation) were applied.

Mr. Bernardo Sanchez Incera received 1,600,000 euros in respect of termination benefits.

c) Nature and purpose

Pension commitment in favour of Mr. Bernardo Sanchez Incera.

TERMS AND CONDITIONS

The Board of Directors' meeting of 3rd May 2018 duly noted Mr. Bernardo Sanchez Incera's resignation from his duties as Deputy Chief Executive Officer.

Mr. Bernardo Sanchez Incera lost his rights to the supplementary pension allocation, authorised by the Board of Directors' meeting of 12th January 2010 and approved by the Shareholders' Meeting of 25th May 2010.

B) WITHOUT EFFECT DURING THE YEAR

In addition, we have been informed of the continuation of the following agreements and commitments, previously approved by the Shareholders' Meetings of prior years, which had no effect during the year.

WITH MR. FRÉDÉRIC OUDÉA, CHIEF EXECUTIVE OFFICER

a) Nature and purpose

Non-compete clause in favour of Mr. Frédéric Oudéa.

TERMS

This non-compete clause was authorized by your Board of Directors on 8th February 2017.

Provided that he is not employed in a similar position for a six-month period following the termination of his term of office, in a listed bank in Europe or in a non-listed bank in France, Mr. Frédéric Oudéa will be entitled, during the same period, to benefits to be paid on a monthly basis, equal to his basic fixed compensation as Chief Executive Officer. The Company however reserves the right to waive this clause.

b) Nature and purpose

Termination benefits in favour of Mr. Frédéric Oudéa.

TERMS

These termination benefits were authorized by your Board of Directors on 8th February 2017.

They include the following features:

- Termination benefits will only be due in the event of forced departure from the Group and justified as such by the Board of Directors, thereby excluding resignation, non-renewal of the term of office at the initiative of Mr. Frédéric Oudéa or gross negligence.
- Payment of the termination benefits will be subject to reaching an overall achievement rate of the targets for the variable portion of his annual compensation of at least 60% on average over the last three fiscal years preceding the termination of his term of office.
- No termination benefits will be owed in the event of departure within the six months preceding the settlement of the Social Security pension entailing the right to benefit from the supplementary pension allocation for senior executives.
- The amount of the termination benefits will be two years of basic fixed compensation and may not exceed the ceiling recommended by the AFEP-MEDEF Corporate Governance Code of two years of basic fixed and variable compensation.

Furthermore, the shares or equity equivalents allocated as part of the long-term incentive plan of Mr. Frédéric Oudéa and still being vested will be lost in the event of his departure from the Group, as the presence condition would no longer be satisfied. For a departure related to retirement or to an evolution in the Group's structure or its organisation, shares would be retained, or the payments would be made after having taken into consideration the performance observed and assessed by the Board of Directors.

WITH MR. SÉVERIN CABANNES, DEPUTY CHIEF EXECUTIVE OFFICER

a) Nature and purpose

Pension commitment in favour of Mr. Séverin Cabannes.

TERMS AND CONDITIONS

This commitment was authorized by your Board of Directors on 12th May 2008 and approved by your Shareholders' Meeting on 19th May 2009.

Pursuant to this commitment, Mr. Séverin Cabannes retains the rights to the supplementary pension plan for senior executives which applied to him as an employee before his appointment as a corporate officer. This additional plan, set up in 1991, grants to its beneficiaries, as of the settlement date of their Social Security pension, an overall pension equal to the product of the following:

- • the average, over the last ten years of their career, of the proportion of basic fixed compensation exceeding the AGIRC (French executives' retirement fund) "B Tranche" increased by a variable portion limited to 5% of the basic fixed compensation;
- • the rate equal to the ratio between the number of years of professional service within your Company and 60.

The AGIRC "C Tranche" pension vested in respect of his professional services within your Company is deducted from this total. The additional allocation to be paid by your Company is increased for beneficiaries who have brought up at least three children, as well as for those retiring after the legal retirement age for settlement of the Social Security pension. It may not be less than a third of the full-rate service value of AGIRC "B Tranche" points vested by the manager since his appointment to the "Senior group executives" category of your Company.

The rights are subordinated to the presence of the employee in the Company at the time when the settlement of his pension takes place.

b) Nature and purpose

Termination benefits in favour of Mr. Séverin Cabannes.

TERMS AND CONDITIONS

This commitment was authorized by your Board of Directors on 8th February 2017.

It includes the following features:

- Termination benefits will only be due in the event of a forced departure from the Group and justified as such by the Board of Directors, thereby excluding resignation, non-renewal of the term of office at the initiative of Mr. Séverin Cabannes or gross negligence.
- Payment of the termination benefits will be subject to reaching an overall achievement rate of the targets for the variable portion of his annual compensation of at least 60% on average over the last three fiscal years preceding the termination of his term of office.
- No termination benefits will be owed in the event of departure within the six months preceding the settlement of the Social Security pension entailing the right to benefit from the supplementary pension allocation for senior executives.
- The amount of the termination benefits will be two years of basic fixed compensation and may not exceed the ceiling recommended by the AFEP-MEDEF Corporate Governance Code of two years of basic fixed and variable compensation.

Furthermore, the shares or equity equivalents allocated as part of the long-term incentive plan of Mr. Séverin Cabannes and still being vested would be lost in the event of their departure from the Group, as the presence condition would no longer be satisfied. For a departure related to retirement or to an evolution in the Group's structure or its organisation, shares would be retained, or the payments would be made after having taken into consideration the performance observed and assessed by the Board of Directors.

c) Nature and purpose

Non-compete clause in favour of Mr. Séverin Cabannes.

TERMS AND CONDITIONS

This non-compete clause was authorized by your Board of Directors on 8th February 2017.

Provided that he is not employed in a similar position for a six-month period following the termination of his term of office, in a listed bank in Europe, or in a non-listed bank in France, Mr. Séverin Cabannes will be entitled, during the same period, to termination benefits to be paid on a monthly basis, equal to his basic fixed compensation as Deputy Chief Executive Officer. The Company however reserves the right to waive this clause.

Paris-La Défense, March 8, 2019

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	DELOITTE & ASSOCIÉS
Micha MISSAKIAN	Jean-Marc MICKELER

4

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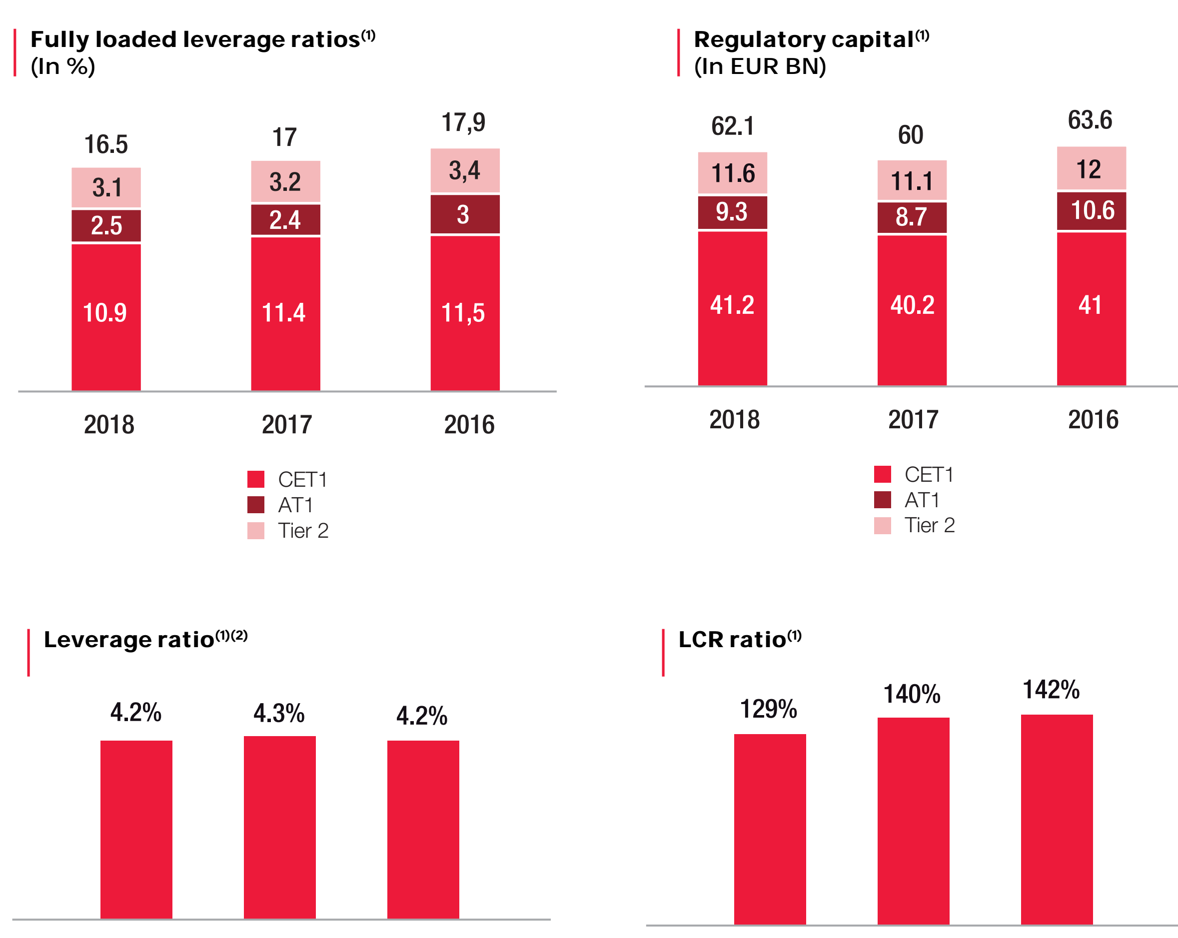
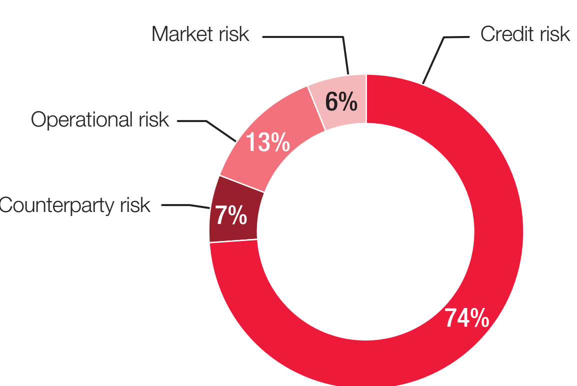
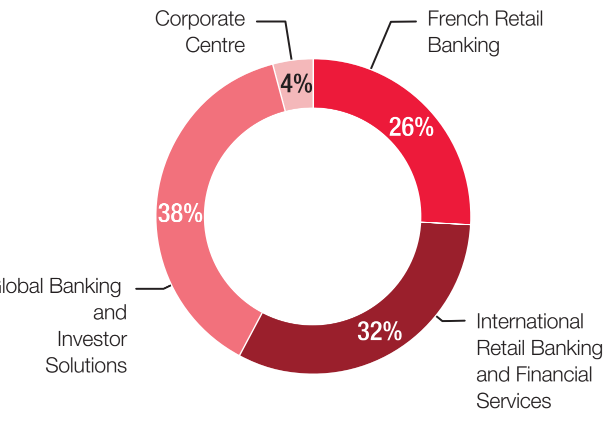
KEY FIGURES





Distribution of RWA by Pillar
(RWA at end 2018: EUR 376 bn
RWA at end 2017: EUR 353 bn)



(1) Disclosed ratios are fully loaded, calculated according to CRR/CRD4 rules published on 26th June 2013, including the Danish compromise for insurance.
(2) Fully loaded ratio calculated according to CRR rules published in October 2014 (Delegated Act)

This section includes information on the risk management linked to financial instruments, and information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union.

Some of this information forms an integral part of the notes to the consolidated financial statements and is covered by the opinion of the Statutory Auditors on the consolidated financial statements. This information is indicated with the note "Audited I", (the symbol ▲ indicates the end of the audited part).

The Societe Generale Group is subject to oversight by supervisory authorities and to regulations on capital requirements applicable to credit institutions and investment firms (Regulation (EU) No. 575/2013 of 26th June 2013).

Within the framework of the Third Pillar of the Basel Accord, a detailed and standardised statement is included in the "Risk Report for the purposes of improving published financial disclosures" (Pillar 3 Report and cross-reference table).

All the information regarding the Pillar 3 Report and the prudential disclosures is available on the *www.societegenerale.com* website, under Investors, Registration Document and Pillar 3.

TYPES OF RISKS

Audited I The Group's risk management framework involves the following main categories:

- **Credit and counterparty risk:** risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by individual, country and sector concentration risk.
- **Market risk:** risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, the price of securities (equity, bonds), commodities, derivatives and other assets.
- **Operational risk:** risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events. They include:
  - **Non-compliance risk (including legal and tax risks):** risk of court-ordered, administrative or disciplinary sanctions, material financial loss or reputational harm, due to failure to comply with the provisions governing the banking and financial activities, whether these are of a legislative or regulatory nature, national or European, directly applicable, or are professional and ethical standards, or instructions of the effective leaders, in particular pursuant to the guidelines of the supervisory organ,
  - **Reputational risk:** risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Group's ability to maintain or engage in business relationships and to sustain access to sources of financing;
  - **Misconduct risk:** risk resulting from actions (or inactions), or behaviour of the Bank or its employees, which is inconsistent with the Group's Code of Conduct, which may lead to adverse consequences for our stakeholders, or place the Bank's sustainability or reputation at risk;
  - **IT and Information Systems Security risk** (cybercrime, service failure, etc.)
- **Model risk:** the risk of losses due to decisions reached based on results of internal modelling due to errors in development, implementation or use of these models.
- **Structural risk:** risk of losses in interest margin or banking book value if interest rates, exchange rates. This risk is related to the commercial and own activities of the bank, it includes the distortion of the structural difference between assets and liabilities related to pension obligations, as well as the risk related to longer terms of future payments.
- **Liquidity and funding risk:** liquidity risk is defined as the inability of the Group to meet its financial obligations at a reasonable cost. Funding risk is defined as the risk of the Group being unable to finance the development of its activities in line with its commercial objectives and at a competitive cost.
- **Strategic/business risk:** risk resulting from the Group's inability to execute its strategy and to implement its business plan for reasons that are not attributable to the other risks in this list; for instance, the non-occurrence of the macroeconomic scenarios that were used to construct the business plan, or a sales performance below expectations.
- **Risk of reduction in the value of equity holdings in certain companies:** reduction in the value of our equity investments.
- **Risk related to insurance activities:** through its insurance subsidiaries, the Group is also exposed to a variety of risks linked to this business. In addition to balance sheet management risks (interest rate, valuation, counterparty and exchange rate risk), these risks include premium pricing risk, mortality risk and the risk of an increase in claims.
- **Risk related to specialised finance activities:** through its specialised financial services activities, mainly in its operational vehicle leasing subsidiary, the Group is exposed to residual value risk (when the net resale value of an asset at the end of the lease is less than estimated).

In addition, **risks associated with climate change**, both physical (increased frequency of extreme weather events) and transition-related (new carbon regulations), have been identified as factors that could aggravate the Group's existing risks. ▲

4.1 RISK FACTORS

4.1.1 RISK RELATED TO THE MACROECONOMIC, MARKET AND REGULATORY ENVIRONMENTS

1. **The global economy and financial markets continue to display high levels of uncertainty, which may materially and adversely affect the Group's business, financial position and results of operations.**

   As part of a global financial institution, the Group's businesses are sensitive to changes in financial markets and economic conditions generally in Europe, the United States and elsewhere around the world. The Group could face a significant deterioration in market and economic conditions resulting from, in particular, crises affecting capital or credit markets, liquidity constraints, regional or global recessions, sharp fluctuations in commodity prices (notably oil), currency exchange rates or interest rates, inflation or deflation, sovereign or private debt rating downgrades, restructuring or defaults, or adverse geopolitical events (including acts of terrorism and military conflicts). Such events, which may develop quickly and thus potentially may not be anticipated and hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the Group's financial position, cost of risk and results of operations.

   Consequently, financial markets have in recent years experienced significant disruptions as a result of concerns regarding the sovereign debt of various Eurozone countries and uncertainty relating to the pace of US monetary policy tightening, as well as fears related to a slowdown of the economy in China. The level of interest rates observed in recent years, particularly in the Eurozone, has affected and could continue to affect the net interest margin and therefore the results of operations of the Group's retail banking activities.

   A long period of low interest rates in the Eurozone and the United States, driven by accommodating monetary policies, has led to an increased risk appetite of some participants in the banking and financial system. This could result in excessive risk-taking, with a loosening of credit approval requirements, lower risk premiums compared to their historical average and high valuation levels of certain assets. This situation increases the risk of financial disruption related to the conduct of monetary policy, in the event that an unexpected rise in inflation and the tightening of monetary policy in the United States and the Eurozone lead to a poorly-controlled rise in interest rates. Furthermore, the environment of abundant liquidity that has been at the origin of the upturn in credit growth in the Eurozone and particularly in France could lead to additional regulatory measures from the supervisory authorities in order to limit the granting of credit or to further protect banks against a financial cycle downturn. In this scenario, the Group could be affected by a sudden revaluation of risks on the capital and credit markets and the decline in value and liquidity in certain asset markets. In addition, in a context of sharply rising public and private indebtedness in recent years in certain developed and emerging countries, a rapid rise in interest rates could affect exchange rates, the ability of some borrowers to meet their financial obligations and, more generally, adversely impact the prospects for economic growth.

   Furthermore, the increase or accumulation of geopolitical or political risks is another source of uncertainty which could impact economic activity and credit demand, while increasing the volatility of financial markets. The implementation of strong protectionist measures (or threats thereof), notably under the influence of US policy, could affect the strength of international trade in goods and services and have repercussions on the economic environment in which the Group operates, which could have a material adverse effect on the Group's businesses, financial position and results of operations.

2. **The Group's results may be adversely affected by regional market exposures.**

   The Group's results are significantly exposed to economic, financial and political conditions in the principal markets in which it operates (namely France, Europe and the United States). In France, the Group's principal market, recovery in growth and low interest rates have fostered an upturn in the housing market, but a relapse of activity in this area could have a material adverse impact on the Group's business, resulting in decreased demand for loans, higher rates of non-performing loans and decreased asset values.

   Given its geographical diversification, the Group operates in emerging markets, in particular in Russia and other Central and Eastern European countries, as well as in Africa. A significant adverse change in the political, macroeconomic or financial environment of these countries could have a material adverse effect on the Group's results and financial position. It is likely that uncertainties, and thus the related risks, will persist in relation to these markets. These uncertainties may arise from the evolution of oil prices, which may affect the financial health of producing countries, the evolution of the sanctions regime towards Russia, and the twin deficits in Romania whose correction could be imposed by the markets with an impact on growth and on the exchange rate. Capital markets and securities trading activities in emerging markets may be more volatile than those in developed markets and may also be vulnerable to certain specific risks, such as political instability and currency volatility.

   As a result of geopolitical and political tensions, the United States, the European Union and other countries and international organisations imposed several rounds of sanctions on Russian individuals and corporates in March 2014, and which were strengthened in 2018. The sanctions have adversely impacted the value of the rouble, as well as financing conditions and economic activity in Russia. There is a risk of further adverse developments in the event of increased geopolitical tensions and/or additional sanctions from Western countries and/or Russia, as well as in the event of a further drop in oil prices.

In the Eurozone, the economic and financial situation could be affected by adverse economic developments in one or more Member States. In particular, in Italy, the combination of a high level of public debt, low growth and a banking sector still affected by a significant proportion of outstanding non-performing loans, increases the risk of tightening of financing conditions. Excessive tensions could then cause contagion in the peripheral countries of the Eurozone and adversely impact the regional economy and, ultimately, the stability of the monetary zone. This could lead the ECB to further loosen monetary conditions through unconventional policies in order to avoid a systemic crisis, which could have an adverse effect on the results of some of the Group's activities.

3. **Brexit and its impact on financial markets and the economic environment could have an adverse impact on the Group's activities and results of operations.**

The terms of the United Kingdom's withdrawal agreement from the European Union have yet to be approved by the British Parliament and negotiations are ongoing, increasing the probability of a “no-deal” Brexit. This in turn will have an impact on the possibility of a transition period up to 31 December 2020, and the nature of future relations between the United Kingdom and the European Union remains unclear.

In anticipation of Brexit, the Group has established a central scenario of a hard Brexit and has taken steps to adapt its activities, governance and operating structure in the United Kingdom in order to reduce as much as possible the negative impact on its activities and customers. Nevertheless, according to the scenarios that have been considered, the withdrawal of the United Kingdom from the European Union is likely to cause considerable disruption to the economy and the European and global financial markets. These disruptions could have repercussions on the Group's business and results, as well as on the regulatory framework governing some of its activities.

4. **Increased competition, by both banking and non-banking actors, is likely to have an adverse effect on the Group’s businesses and results, both in its domestic French market and internationally.**

All of the Group’s activities are subject to intense competition on the global and local markets in which it operates, whether from banking or non-banking actors. As such, the Group is exposed to the risk of not being able to maintain or develop its market share in its various activities. This competition may also lead to pressure on margins, which is detrimental to the profitability of the Group’s activities.

In France and in the other main markets in which the Group operates, the presence of major domestic banking and financial actors, as well as new market participants (such as online banking and financial services providers), has increased competition for virtually all products and services proposed by the Group. Driven by new market participants such as "fintechs", new services that are automated, scalable and based on new technologies are developing rapidly and are fundamentally changing the relationship between consumers and financial service providers, as well as the function of traditional retail bank networks. The Group's strategy for addressing these challenges, particularly in terms of developing digital technologies, could, if it proves ineffective or poorly executed, lead to a weakened competitive position.

Consolidation in the financial services industry could result in the Group’s remaining competitors benefiting from greater capital, resources and the ability to offer a broader range of products and services. In addition, competition is increasing with the emergence of non-banking actors that, in some cases, may benefit from a regulatory framework that is more flexible and, in particular, less demanding in terms of equity capital requirements.

5. **The Group is subject to an extensive supervisory and regulatory framework in each of the countries in which it operates. Changes in this regulatory framework could have a significant effect on the Group’s businesses, position and costs, as well as on the financial and economic environment in which it operates.**

General regulatory framework

The Group is subject to extensive regulation and supervision in all jurisdictions in which it operates. The rules applicable to banks seek principally to limit their risk exposure, preserve their stability and financial solidity and protect clients, depositors, creditors and investors. Compliance with these regulations requires significant resources. Non-compliance could lead to fines, damage to the Group’s reputation, forced suspension of its operations or the withdrawal of operating licences.

This regulatory framework is characterised by its evolving nature and increasing complexity, which increases uncertainty about the future impacts on the Group's business and profitability. Since the onset of the financial crisis, a variety of measures have been proposed, discussed and adopted by numerous national and international legislative and regulatory bodies, as well as other entities. Some of these measures have already been implemented, while others are still under discussion. It therefore remains difficult to accurately estimate the future effects or, in some cases, the likely consequences of these measures for the Group.

The Basel 3 regulations adopted by the Basel Committee in 2010 constitute the international regulatory framework for strengthening capital and liquidity requirements with the goal of promoting a more resilient banking sector. In 2017, the Group of Central Bank Governors and Heads of Supervision (GHOS), which monitors the Basel Committee on Banking Supervision, adopted the current Basel 3 regulatory reforms undertaken in 2009. These new regulations increase the regulatory capital requirements to which banks in general, and the Group in particular, are subject, including constraints on internal models for Internal Ratings-Based (IRB) credit risk, the redesign of the Fundamental Review of the Trading Book (FRTB) models and the disappearance of the internal model for operational risk, replaced by a Standard approach. These new regulations should apply from 2022 together with a global output floor: the banking Risk-Weighted Assets (RWA) will be subject to a floor corresponding to a percentage of the Standardised Approach method (credit, market and operational). The output floor level will increase progressively from 50% in 2022 to 72.5% in 2027. Nonetheless, these regulations will not apply to the Group before their implementation into European Union law (CRR3/CRD6).

The timetable for effective applicability of these regulations to the Group is likely to change depending on the final transposition of the Basel Committee's regulations into European law. Despite the measures taken by the Group to adapt its activities to new regulations and thus reduce their adverse impact, the completion of the Basel 3 regulatory framework is likely to increase the capital requirements applicable to some of the Group’s activities and thus reduce return on equity.

Furthermore, the European Union adopted a rule requiring banks to make a prudential deduction on Non-Performing Loans (NPLs) after a certain period of time on the balance sheet, once these loans have been provisioned at a level below the level set by the legislator.

French and European laws and regulations

The Group applies the Basel 3 regulations implemented in the European Union through the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD). These European regulations are and will continue to be amended to reflect the changes in the Basel 3 regulatory framework.

The MREL ratio (“Minimum Requirement for own funds and Eligible Liabilities”) is defined in the European Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive “BRDD”) and has been transposed into French law (ordinance No. 2015-1024 dated 20 August 2015, ratified by Act No. 2016-1691 dated 9 December 2017 (the “Ordinance”)) and entered into force in January 2016. The MREL ratio is a minimum requirement for own funds and eligible liabilities that are available to absorb losses and recapitalise the bank according to the conditions stated in the BRRD. This requirement is calculated as the minimal amount of own funds and eligible liabilities expressed as a percentage of the institution’s total liabilities and own funds.

The Ordinance amended the provisions of the French Monetary and Financial Code (Code monétaire et financier) and requires credit institutions that are subject to direct supervision by the ECB (which is the case of Societe Generale) to prepare and communicate a preventive recovery plan to the ECB describing the recovery measures to address a material deterioration in their financial situation.

These reforms on recovery and resolution could have a significant impact on the way in which the Group operates its activities.

The TLAC (“Total Loss Absorbing Capacity”) ratio was developed by the FSB at the request of the G20 and finalised in November 2015. The new international standard applies to G-SIB systemic institutions. TLAC-eligible instruments must notably be subordinated (structurally, contractually or statutorily) to senior non-preferred debt. However, EU banks will be allowed to include a limited amount of senior preferred debt (2.5% of RWA in 2019, 3.5% of RWA in 2022), subject to regulatory approval. In order to reduce the risk of contagion, G-SIBs will be required to deduct exposures to eligible TLAC instruments and liabilities issued by other G-SIBs from the numerator of their own TLAC position. The rules introduce two types of denominator (risk-weighted assets (RWA) or leverage exposure) and impose a minimum ratio in both scenarios. The BRRD, which defines the MREL, is being revised in order to converge this ratio with the TLAC.

The MREL and TLAC requirements involve similar risks. They constrain the structure of liabilities and require the use of subordinated debt markets, which have an impact on cost and potentially on financing capacity.

Furthermore, negotiations within the European Union on the CRR2/CRD5 regulatory package are progressing, with a political agreement signed on 4 December 2018 and an expected publication of the regulations in the first half of 2019.

The new proposals address the following:

- Net Stable Funding Ratio (NSFR): new Basel provisions;
- Leverage ratio: the minimal requirement of 3% will be inserted in the CRR;
- Standardised Approach Counterparty Credit Risk (SA-CCR): SA-CCR is the Basel method that replaces the current “CEM” method to determine the prudential exposure on derivatives under a Standardised Approach;
- Large exposures: the main change pertains to the calculation of the regulatory limit (25%) on the Tier 1 (instead of the total of own funds), as well as the introduction of a specific limit for exposures between systemic institutions (15%);
- TLAC/MREL;
- market risks – Fundamental Review of the Trading Book (FRTB): the Basel Committee published in January 2019 its final BCBS 457 text on FRTB, which confirms in particular its implementation timetable and recommends application as of 1 January 2022. The CRR2 regulation draft introduces a publication requirement (2021 for the Standard Approach and 2023 for the Internal Model Approach (IMA)), which will only become a capital requirement in the context of the future CRR3 regulation, which is expected around 2023.

This new regulatory framework will potentially have an impact on capital requirements, cost of funding and other activities that will have to adapt to these new constraints. Nevertheless, the extent of this impact remains uncertain at this stage.

The EMIR (European Market Infrastructure Regulation) and the Dodd Frank Act aim, among other things, to promote the widespread use of clearing through clearing houses for so-called "standard" market transactions, and for non-standard transactions, to subject them to obligatory bilateral variation margin exchange in order to cover current exposure, and beyond certain OTC derivative position thresholds, to obligatory bilateral initial margin exchange in order to cover future exposure.

In 2017, the European Commission published two regulation proposals amending EMIR, which, once implemented, could have an impact on the Group's activities and results of operations:

- the first proposed change (commonly known as “EMIR 2.2”) concerns the strengthening of the European Union authorities’ supervisory power over central counterparties of a third country. Negotiations at the European Union level are currently in the tripartite phase between the Commission, Parliament and the Council. In the event of significant risks to the financial stability of European Union Member States posed by a central counterparty of a third country, European Union authorities could ultimately require such central counterparties to become established and authorised in the European Union within a maximum period of two years (“Localisation Policy”). While the complete ramifications of the Localisation Policy remain uncertain, particularly in the Brexit context, it could, if implemented, generate operational risks and result in additional costs, negatively impacting the results of the Group;
- the second proposal, commonly known as “EMIR Refit”, aims in particular to reduce the clearing obligation for certain categories of counterparties and to reduce reporting requirements. The final version was adopted at the end of February 2019, and should be published in the Official Journal by June 2019. In particular, it includes an exemption from the clearing obligation for small financial counterparties and from the variable margin obligation for physically settled forward foreign exchange contracts and foreign exchange swaps.

The implementation of transparency and accountability regulations is still ongoing, notably within the framework of the Dodd Frank Act in the United States (described in further detail below) and EMIR in Europe.

In addition to changes in regulatory provisions, the ECB has undertaken important initiatives to strengthen internal models for calculating capital requirements and their comparability. This concerns the strategy for deploying internal models on entities currently using a standard approach, harmonizing the internal definition of default, the launch in 2017 of a three-year program to review internal models (TRIM or Targeted Review of Internal Models), and the valuation of illiquid assets on the balance sheet. The impact of these measures is still uncertain. In particular, the TRIM program launched in 2017, to which the Group is subject along with other banks under the ECB's supervision, has not yet been completed and could result in increases in capital requirements as well as in the costs associated with adapting internal systems and processes.

The entry into force in 2018 of the European General Data Protection Regulation (GDPR) increases non-compliance risk due to the large volume of personal data that the Group processes in the normal course of its businesses, particularly in retail banking.

In addition, the Group is subject to complex tax rules in the countries in which it operates. Changes in applicable tax rules, uncertainty regarding the interpretation of such changes or their impact on the Group may have a material adverse effect on the Group's business, results and financial position.

US laws and regulations

The US Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") provides a general framework of important financial regulation reforms in order to enhance banking supervision and regulation and contribute to financial stability. The Dodd-Frank Act contains new measures enhancing systemic risk oversight, prudential norms for banks, provisions regarding the orderly resolution of systemically-important financial institutions, regulation of over-the-counter derivatives and consumer and investor protection, as well as regulating the ability of banking organisations and their affiliates in relation to proprietary trading activities and certain transactions involving hedge funds and private equity funds.

The Dodd-Frank Act and other similar post-financial-crisis regulations implemented in the US have increased compliance costs, restricted activities and resulted in greater prudential supervision as well as an increased risk of the introduction of additional measures that may negatively affect banks. The Dodd-Frank Act has also provided the US market regulators, mainly the CFTC and the SEC, with enhanced regulatory and jurisdictional authority over Societe Generale, and subjected the Group to additional control and monitoring measures.

The new US Presidential administration has expressed different policy goals, which could alter these provisions but without substantially amending the Dodd-Frank Act.

Although certain rules and regulations are still in draft form, or yet to be proposed, the majority of the rules relevant to the Group have already been finalised and have resulted or will result in additional costs as well as the imposition of restrictions on certain activities of the Group. The new policies and any proposed new regulations or legislation, once adopted, could affect the activities of the Group and the value and liquidity of securities issued by Societe Generale.

As an international bank, handling transactions with "US persons", denominated in US dollars, or involving US financial institutions, the Group is subject to US laws and regulations relating in particular to compliance with economic sanctions, the fight against corruption, and market abuses. In 2018, the Group entered into several agreements with US authorities notably in order to suspend for three years the criminal proceedings initiated for violating the above-mentioned US laws and regulations. Under these agreements, the Group has undertaken to implement, through a dedicated programme and organisation, corrective actions to address identified deficiencies, the cost of which may be significant. In the event of a new failure to comply with relevant US laws and regulations, or a breach of the Group's commitments under these agreements, the Group could be exposed to the risk of (i) administrative sanctions, including fines, suspension of access to US markets, or even withdrawals of banking licences, (ii) reactivation of the criminal proceedings risk, and (iii) damage to its reputation.

6. **The Group may generate lower revenues from brokerage and other commission- and fee-based businesses during market downturns.**

During the market downturn since 2018, the Group experienced a decline in the volume of transactions executed for its clients, resulting in lower revenues from this activity. There is no guarantee that the Group will not experience a similar trend in future market downturns, which may occur periodically and unexpectedly. Furthermore, changes in applicable regulations could also impact the volume of transactions that the Group executes for its clients, resulting in lower revenues from these activities. In addition, because the fees that the Group charges for managing its clients' portfolios are in many cases based on the value or performance of the portfolios in question, a market downturn reducing the value of its clients' portfolios or increasing the amount of withdrawals could reduce the revenues the Group generates from its Asset Management, custodial and Private Banking businesses, which would have a material adverse effect on the Group's financial position and results of operations.

4.1.2 CREDIT RISKS

7. **The Group is exposed to counterparty and concentration risks, which may have a material adverse effect on the Group's business, results of operations and financial position.**

   The Group is exposed to credit risk with respect to numerous counterparties in the ordinary course of its trading, lending, issuing and deposit-taking, clearing, settlement and other activities. These counterparties include, among others, institutional clients, brokers and dealers, commercial and investment banks, corporates, clearing houses, hedge funds, and sovereign states. The Group may realise losses if a counterparty defaults on its obligations, if the Group encounters legal or other difficulties in enforcing its collateral or/and if the value of the collateral is not sufficient to fully recover the exposure.

   Many of the Group's hedging and other risk management strategies also involve transactions with financial services counterparties. Any default or insolvency on the part of these counterparties may impair the effectiveness of the Group's hedging and other risk management strategies.

   Following the financial crisis, regulators have encouraged or imposed the mandatory netting of certain financial instruments formerly traded over-the-counter, which has increased the exposure of the Group and other financial market participants to the clearing houses: the default of any one of them or of one of their members could affect the financial markets and could have negative consequences for the Group.

   Consequently, the default of one or more significant counterparties of the Group could have a material adverse effect on the Group's cost of risk, results of operations and financial position.

   This risk is increased if exposures are concentrated on a particular counterparty, borrower or issuer (including sovereign issuers), or on a particular country or industry. The devices and methods the Group uses to ensure the diversification of its credit and counterparty risks may prove insufficient or defective in preventing the concentration of credit risk. Such a concentration of risk could result in losses for the Group, even when economic and market conditions are generally favourable for its competitors, and may have a material adverse impact on the Group's business, results of operations and financial position.

8. **The financial soundness and conduct of other financial institutions and market participants could adversely affect the Group.**

   The Group's ability to engage in funding, investment and derivative transactions could be adversely affected by the soundness of other financial institutions or market participants. Financial services institutions are interrelated as a result of trading, clearing, counterparty, funding and other relationships. As a result, defaults by, or even rumours or questions about, one or more financial services institutions, or a loss of confidence in the financial services industry generally, may result in market-wide liquidity scarcity and could lead to further losses or defaults. The Group has exposure to many counterparties in the financial industry, directly and indirectly, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients with which it regularly executes transactions. It should be noted that the number of cleared transactions is increasing and will continue to do so, thereby increasing our exposure to clearing houses while reducing our bilateral positions. Many of these transactions expose the Group to credit risk in the event of default by counterparties or clients and may have a material adverse impact on the Group's business, results of operations and financial position.

9. **The Group's results of operations and financial position could be adversely affected by a late or insufficient provisioning of credit exposures.**

   The Group regularly records provisions for loan losses in connection with its lending activities in order to anticipate the occurrence of losses and moderate the volatility of its results. The amount of loan loss provisions is based on the most accurate assessment to date of the recoverability of the debts in question. This assessment relies on an analysis of the current and prospective situation of the borrower as well as an analysis of the value and recoverability of the debt, taking into account any security interests. In some cases (loans to individual customers), the provisioning method may call for the use of statistical models based on the analysis of loss and recovery historical data.

   The Group could be required to substantially increase its provisions for loan losses, following an increase in defaults or a re-evaluation of recovery prospects. A significant increase in loan loss provisions, or the occurrence of loan losses in excess of its provisions, could have a material adverse effect on Group's cost of risk, results of operations and financial position.

   Since 1st January 2018, the Group has been recording provisions on performing loans under the IFRS9 accounting standard. This assessment is based on statistical models for assessing probabilities of default and potential losses in the event of default, which take into account a prospective analysis based on macroeconomic scenarios. The Group's cost of risk could be negatively impacted by a proven or anticipated deterioration in the quality of the outstanding loan portfolios or macroeconomic prospects. In addition, IFRS 9 accounting standard principles and provisioning models could be pro-cyclical in the event of a sharp and sudden deterioration in the environment or result in enhanced volatility in the event of fluctuations in the economic prospects. This could lead to a significant and/or not fully anticipated change in the cost of risk and therefore in the Group's results.

4.1.3 MARKET AND STRUCTURAL RISKS

10. **The volatility of the financial markets may cause the Group to suffer significant losses on its trading and investment activities.**

    The volatility of the financial markets could adversely affect the Group's trading and investment positions in the debt, currency, commodity and equity markets, as well as its positions in private equity, property and other investments. In particular:

    - significant volatility over a long period of time could lead to corrections on risky assets and generate losses for the Group;
    - a sudden change in the volatility regime could make it difficult or more costly to hedge certain structured products and thus increase the risk of loss for the Group.

    Severe market disruptions and high market volatility have occurred in recent years and may occur again in the future, which could result in significant losses for the Group's capital markets activities. Such losses may extend to a broad range of trading and hedging products, including swaps, forward and future contracts, options and structured products.

    In the event that a low-volatility environment emerges, reflecting a generally optimistic sentiment in the markets and/or the presence of systematic volatility sellers, increased risks of correction may also develop, particularly if the main market participants have similar positions on certain products. Such corrections could result in significant losses for the Group's market activities.

    The volatility of the financial markets makes it difficult to predict trends and implement effective trading strategies; it also increases risk of losses from net long positions when prices decline and, conversely, from net short positions when prices rise. Such losses could have a material adverse effect on the Group's results of operations and financial position.

11. **Changes in interest rates may adversely affect the Group's Banking and Asset Management businesses.**

    The Group generates a significant part of its income through net interest margin and as such remains highly exposed to interest rate fluctuations as well as to changes in the yield curve, particularly in retail banking activities. The Group's results are influenced by changes in interest rates in Europe and in the other markets in which it operates. In Europe in particular, a protracted environment of low or even negative interest rates has affected and could continue to significantly affect retail banking income, notably in France.

12. **Fluctuations in exchange rates could adversely affect the Group's results.**

    The Group's main operating currency is the euro. However, a significant portion of the Group's business is carried out in currencies other than the euro, such as the US dollar, the British pound sterling, the Japanese yen, the Czech koruna, the Romanian leu and the Russian rouble. The Group is exposed to exchange rate movements to the extent that its revenues and expenses, as well as its assets and liabilities, are recorded in different currencies. Because the Group publishes its consolidated financial statements in euros, which is the currency of most of its liabilities, it is also subject to conversion risk in the preparation of its financial statements. Exchange rate fluctuations of these currencies against the euro may also adversely affect the Group's consolidated results, financial position and cash flows. Exchange rate fluctuations may also affect the value (denominated in euros) of the Group's investments in its subsidiaries outside the Eurozone.

13. **The protracted decline of financial markets or reduced liquidity in such markets may make it harder to sell assets or manoeuvre trade positions and could lead to material losses for certain activities of the Group.**

    In many of the Group's businesses, and in particular market activities, refinancing and asset management, a protracted financial market decline (due to tightened financing conditions, a global economic slowdown, a trade war, etc.), particularly in asset prices, could reduce the level of activity in the markets involved or reduce their liquidity. These developments could lead to material losses if the Group is not able to close out deteriorating positions in a timely way or adjust the hedge of its positions. This is especially true for the assets the Group holds for which the markets are relatively illiquid by nature, particularly those where a majority of participants have market positions in the same direction. Assets that are not traded on regulated markets or other public trading platforms, such as derivatives contracts between banks, are valued based on the Group's internal models rather than on their market value. Monitoring or anticipating the deterioration of prices of assets like these is difficult, and could lead to losses that the Group did not anticipate which could have a material adverse effect on the Group's results of operations and financial position.

    Furthermore, a long-term environment of low interest rates and accommodative monetary policy could change the behaviour of certain participants in the financial markets and lead them to take on additional risk, resulting in lengthened maturities, greater product complexity, the emergence of new market practices, etc. Such a context could reduce the liquidity of the financial markets in stress periods and increase the risk of dislocation or a flash crash, which could lead to losses or the impairment of assets owned by the Group.

14. **The Group's hedging strategies may not prevent all risk of losses.**

    The Group is exposed to a risk of loss in the event of the ineffectiveness of a hedging strategy used, particularly on market activities. These hedging strategies use models that include assumptions about the evolution of market parameters and their correlation, partly inferred from historical data.

    These models could be inappropriate in certain market environments, leading to an ineffective hedging strategy and causing potential loss.

4.1.4 OPERATIONAL RISK

15. **Operational failure, termination or capacity constraints affecting institutions the Group does business with, or failure or breach of the Group's information technology systems, could result in losses and damages to the reputation of the Group.**

The Group relies heavily on communication and information systems to conduct its business. Any failure, dysfunction, interruption or breach in security of these systems, even if only brief and temporary, could result in significant disruptions to the Group's business. Despite the Group's backup solutions, such incidents could result in significant costs related to information retrieval and verification, loss of revenue, loss of customers, litigations with counterparties or customers and ultimately damage to the Group's reputation. This could also have a material adverse effect on the Group's businesses, results of operations and financial position, and could result in litigation.

An increasing number of companies, including financial institutions, has experienced intrusion attempts or even breaches of their information technology security, some of which have involved sophisticated and targeted attacks on their computer networks and resulted in loss, theft or disclosure of confidential data. Because the techniques used to obtain unauthorised access, disable or degrade service or sabotage information systems change frequently, and often are not recognised until launched against a target, the Group may be unable to anticipate these techniques or to implement effective countermeasures in a timely manner. Similarly, technical internal and external fraud is fluid and protean, and closely follows the technological evolution of financial activities and customer behaviour, leading fraudsters to regularly develop new attack techniques. Such actions could result in operational losses and could have a material adverse effect on the Group's business, results of operations and financial position.

Furthermore, the Group is exposed to the risk of operational failure, termination or capacity constraints of third parties, including clients, financial intermediaries that it uses to facilitate cash settlement or securities transactions (such as clearing agents and houses and exchanges), and other market participants. An increasing number of derivative transactions are now required to be cleared on exchanges, or will be in the near future, which has increased the Group's exposure to these risks, and could affect its ability to find adequate and cost-effective alternatives.

The interconnectivity of multiple financial institutions with clearing agents and houses and exchanges, and the increased concentration of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could materially impact the Group's ability to conduct business and could therefore result in losses. Industry concentration, whether among market participants or financial intermediaries, can exacerbate these risks, as disparate complex systems need to be integrated, often on an accelerated basis.

As the Group becomes more interconnected with its clients, it also faces the risk of operational failure with respect to its clients' information technology and communication systems. Any failure, termination or operating incident could adversely affect its ability to effect transactions, provide customer service, manage its exposure to risk or expand its businesses, or could result in financial losses, liability towards its clients, impairment of its liquidity, disruption of its businesses, regulatory intervention or reputational damage.

16. **The Group may incur losses as a result of unforeseen or catastrophic events, including terrorist attacks or natural disasters.**

The occurrence of unforeseen or catastrophic events, including terrorist attacks, natural disasters or a widespread health crisis (or concerns over the possibility of such crisis) or major social movements, could create economic and financial disruptions or lead to operational difficulties (including travel limitations or relocation of affected employees) that could impair the Group's ability to manage its businesses and also expose its insurance activities to significant losses and increased costs (such as re-insurance premiums), which could have a material adverse effect on the Group's business, results of operations and financial position.

17. **The Group is exposed to legal risks that could negatively affect its financial position or results of operations.**

The Group and some of its former and current representatives may be involved in various types of litigation, including civil, administrative, fiscal, criminal and arbitration proceedings. The large majority of such proceedings arise from transactions or events that occur in the Group's ordinary course of business. There has been an increase in client, depositor, creditor and investor litigation and regulatory proceedings against intermediaries such as banks and investment advisors in recent years, in part due to the challenging market environment. This has increased the risk, for the Group, of losses or reputational harm deriving from litigation and other proceedings. Such proceedings or regulatory enforcement actions could also lead to civil, administrative, tax or criminal penalties that could adversely affect the Group's business, financial position and results of operations.

In preparing the Group's financial statements, the Group makes estimates regarding the outcome of civil, administrative, fiscal, criminal and arbitration proceedings in which it is involved, and records a provision when losses with respect to such matters are probable and can be reasonably estimated. It is inherently difficult to predict the outcome of litigation and proceedings involving the Group's businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, cases where claims for damages are of unspecified or indeterminate amounts, or cases involving unprecedented legal claims. Should such estimates prove inaccurate or should the provisions set aside by the Group to cover such risks prove inadequate, the Group's financial position or results of operations could be adversely affected.

For a description of the most significant ongoing proceedings, see section "Compliance risk, litigation".

18. **Reputational damage could harm the Group's competitive position.**

    The Group's reputation for financial strength and integrity is critical to its ability to foster loyalty and develop its relationships with customers and other counterparties. Its reputation could be harmed by events attributable to it, flaws in its control measures, non-compliance with its commitments (notably environmental or social) or strategic decisions (business activities, risk appetite, etc.), as well as by events and actions of others outside its control. Negative comments concerning the Group, whether legitimate or not, could have adverse effects on its business, its competitive position, the value of its issued securities or its access to financing.

    In particular, the Group's reputation could be adversely affected by a weakness in its internal control measures (operational risk, regulatory risk, credit risk, market risk, etc.) or following misconduct by employees such as with respect to clients (non-compliance with consumer protection rules) or by issues affecting market integrity (market abuse and conflicts of interest). The Group's reputation could also be affected by external fraud or information leaks, by the financing of an industry that is subject to media exposure, or by an transaction that is considered not to comply with an environmental or social commitment. Similarly, reputational issues could also result from a lack of transparency, communication errors or a restatement of, or corrections to, its financial results. The impact of such events, which could potentially result in litigation, can vary depending on the context and whether they become the focus of extensive media reports. Reputational damage could translate into a loss of business or investor confidence or a loss of the Group's clients (and prospects) which could have a material adverse effect on the Group's results of operations and financial position or on its ability to attract and retain employees.

4.1.5 MODEL RISKS

19. **The Group's risk management system, based notably on models, may not be effective and may expose the Group to unidentified or unanticipated risks, which could lead to significant losses.**

    The Group deploys significant resources to identify, measure and control its risks and implements various techniques to manage its risk profile.

    Nevertheless, these risk management techniques, which are often based on models, may not be appropriate for certain risks that would not be properly integrated into the historical data and hypothetical scenarios used to set up these models.

4.1.6 FUNDING RISKS

20. **A number of exceptional measures taken by governments, central banks and regulators could have a material adverse effect on the Group's business, results of operations and financial position.**

    For several years now, central banks have taken measures to facilitate financial institutions' access to liquidity, in particular by lowering interest rates to historic lows. Various central banks have substantially increased the amount and duration of liquidity provided to banks. They have relaxed collateral requirements and, in some cases, have implemented "non-conventional" measures to inject substantial liquidity into the financial system, including direct market purchases of government bonds, corporate bonds, and mortgage-backed securities.

    In the United States, the Fed has been raising its key interest rate since December 2015, along with implementing a policy of reducing its balance sheet (quantitative tightening). The market is now focusing on the pace of these rate increases and the potential monetary policy in response to the chosen budgetary policy of the US Presidential administration of Donald Trump that could lead the economy to stagflation. New tariffs and/or sanctions remain the main risks today.

    Such changes in monetary policy, and concerns about their potential impact, could increase volatility in the financial markets and push US interest rates significantly higher. Given the uncertainty of the strength of global and US economic growth, such changes could have a significant adverse effect on the Group's business, financial position and results of operations.

    In the Eurozone, the ECB ended its net asset-buying programme in December 2018 but has made it clear that it plans to maintain its balance sheet at constant size "for a prolonged period" after completion of the net asset purchases (by reinvesting the amounts received as the securities it holds reach maturity). The ECB now appears to have less leeway in the event of a resurgence of financial tension in certain Eurozone member states. In the extreme case of a restructuring of a Eurozone Member State's sovereign debt, cross-border capital flows restrictions could be implemented.

    The fragmentation of the European financial markets is now partly "hidden" by the ECB's policy. The lack of significant progress on the Banking Union and the Capital Markets Union leaves the Eurozone in a situation of potential vulnerability.

    A more politically fragmented world and the risks of exceptional counterproductive measures could have a material adverse effect on the Group's business, financial position and results of operations.

21. **The Group's dependence on its access to financing and its liquidity constraints may have a material adverse effect on the Group's business, financial position and results of operations.**

For the proper conduct of its activities, the Group depends on access to financing and other sources of liquidity. If the Group is unable to access secured or unsecured debt markets on terms it considers acceptable or if it experiences unforeseen outflows of cash or collateral, including material decreases in customer deposits, its liquidity could be impaired. In addition, if the Group is unable to maintain a satisfactory level of customer deposits collection, it may be forced to turn to more expensive funding sources, which would reduce the Group's net interest margin and results.

The Group is exposed to the risk of an increase in credit spreads. The Group's medium- and long-term financing cost is directly linked to the level of credit spreads which can fluctuate depending on the general market conditions. These spreads can also be affected by an adverse change in France's sovereign debt rating or the Group's external ratings by rating agencies.

The Group's ratings by rating agencies are based in particular on their review of factors such as the Group's governance, strategy, quality and diversity of earnings sources, capital adequacy, quality of the balance sheet structure, risk management and risk appetite. Therefore, a deterioration in any of the above factors may lead to a ratings downgrade for the Group. The Group's credit ratings can have a significant impact on the Group's access to funding, increase its financing costs and reduce its ability to carry out certain types of transactions or activities with customers. This could also require the Group to provide additional collateral to certain counterparties, which would have a negative impact on liquidity.

Lenders have the right to accelerate debt repayment for some of the Group's debts upon the occurrence of certain events, including the Group's failure to obtain the necessary collateral following a downgrade of its credit rating below a certain threshold, and other events of default set out in the terms of such indebtedness. If the relevant lenders declare all amounts outstanding due and payable as a result of a default, the Group may be unable to find sufficient alternative financing on acceptable terms, and the Group's assets might not be sufficient to repay its outstanding indebtedness in full.

Consequently, access to financing and liquidity constraints may have a material adverse effect on the Group's business, financial position, results of operations and ability to meet its obligations to its counterparties.

4.1.7 STRATEGIC AND BUSINESS RISKS

22. **Risks related to the implementation of the Group's strategic plan.**

The Group's new strategic and financial plan for 2017-2020 includes a number of strategic objectives, in particular a plan to accelerate the digital transformation of its model,the streamlining of its French Retail Banking network, the strengthening of its internal control function and the embedding of a culture of corporate responsibility. It also includes a certain number of financial objectives related to net income, costs, return on equity and regulatory ratios.

This strategic plan is based on a number of assumptions, in particular relating to the macroeconomic environment and the development of activities. Failure to achieve these objectives or the occurrence of unexpected events could compromise the achievement of the strategic plan and have a material adverse effect on the Group's business, results of operations and financial position.

23. **To prepare its consolidated financial statements in accordance with IFRS as adopted by the European Union, the Group relies on assumptions and estimates which, if incorrect, could have a significant adverse impact on its financial statements.**

When applying the IFRS accounting principles disclosed in the Financial Information (Chapter 6 of this Registration Document) and for the purpose of preparing the Group's consolidated financial statements, Group Management makes assumptions and estimates that may have an impact on figures recorded in the income statement or within the profits and losses recorded directly in equity, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the consolidated financial statements.

In order to make these assumptions and estimates, Group Management exercises its judgement and uses information available at the date of preparation of the consolidated financial statements. By nature, valuations based on estimates involve risks and uncertainties relating to their occurrence in the future. Actual future results may therefore differ from these estimates, which could have a material adverse effect on the Group's financial statements.

The use of estimates concerns mainly the following valuations:

- fair value on the balance sheet of financial instruments that are not listed on an active market, as well as fair value of financial instruments as presented in the notes to the financial statements;
- the amount of impairment of financial assets, tangible or intangible fixed assets and goodwill;
- evaluation of the accounting treatment of derivative hedging instruments and measuring the efficiency of the related hedging relationships;
- provisions recognised under liabilities (including provisions for litigation in a complex legal context and provisions for employee benefits), technical provisions of insurance companies, and deferred profit-sharing;
- the amount of deferred tax assets recognised in the balance sheet;
- the evaluation of control for determining the scope of consolidated entities, in particular for structured entities;
- initial value of goodwill determined for each business combination;
- in the event of the loss of control over a consolidated subsidiary, the fair value of the stake potentially retained by the Group in such entity, where applicable.

24. **If the Group makes an acquisition, it may be unable to manage the integration process in a cost-effective manner or achieve the expected benefits.**

The Group conducts in-depth analyses of the companies or activities it plans to acquire, but the due diligence procedures prior to the acquisition may not be fully exhaustive. As a result, certain acquired businesses may include undesirable assets or expose the Group to increased or unanticipated risks.

The analysis of acquisition value is based on a series of assumptions related to the earnings prospects of the acquired companies or activities, the economic environment in which they operate or the expected revenue or costs synergies to be achieved with the rest of the Group. These assumptions may not be realised. In some cases, integration initiatives in matters of commercial activities, IT or human resources may prove more difficult to implement than anticipated or require more management time and resources than expected. Similarly, the Group may experience higher integration costs and lower savings or earn lower revenues than expected. The pace and degree of synergy building is also uncertain and could have a material adverse effect on the Group's business, results of operations and financial position.

As part of its business portfolio strategy, the Group may sell activities or subsidiaries to deploy its resources in the Group’s other activities that have a better prospect of profitability or synergy. When concluded, these sales may result in the recording of capital losses or other losses and may therefore have an adverse impact on the Group's results of operations.

25. **The Group’s inability to attract and retain qualified employees, as well as significant changes in the regulatory framework related to human resources management processes and compensation, may adversely affect its performance.**

The inability to attract and retain highly-qualified employees, a high rate of turnover or the departure of strategic employees could expose the Group to a loss in its know-how as well as a deterioration in the quality of services provided (particularly in regions where labour markets are highly competitive for qualified personnel). In order to attract and retain highly-qualified employees, endowed with the skills - sometimes new - necessary for the successful development of its activities, the Group must therefore offer career paths, training and development opportunities, and compensation levels in line with market practices. The Group's inability to achieve its human resources objectives, including due to external factors, could negatively affect its commercial and operational performance and therefore its results of operations.

Furthermore, the European financial industry is subject to stringent regulation of employee compensation, including rules for certain types of compensation (fixed, variable, incentive-based, deferred payments, etc.), which may constrain the Group in its ability to attract and retain qualified employees. In particular, this is the case with the CRD4 Directive, which has applied since 2014 to banks in the European Economic Area and establishes a ceiling on the variable component of compensation in relation to the fixed component for the regulated population.

Other regulatory changes, particularly the General Data Protection Regulation and regulations related to customer protection (European Directives (i) on Markets in Financial Instruments and (ii) on Insurance Distribution and their associated texts, known as “MIF II” and “IDD” respectively), which entered into force in 2018, include requirements on operational processes for human resources management and on employee compensation, imposing compliance obligations on the Group and costs related to the adaptation of its operational model.

4.2 RISK MANAGEMENT ORGANISATION

4.2.1 RISK APPETITE

Risk appetite is defined as the level of risk that the Group is prepared to accept to achieve its strategic goals.

Principles governing risk appetite

Societe Generale seeks sustainable development based on a diversified and balanced banking model with a strong European anchor and a targeted global presence in selected areas of strong business expertise; the Group also strives to maintain long-term relationships with its clients built on the confidence it has earned and to meet the expectations of all of its stakeholders.

This results in:

- an organisation with 17 Business Units offering various products and services to clients in different locations;
- a balanced capital allocation between activities;
- a geographically balanced model: about 75% of revenues are generated in developed countries and 25% in developing countries. In Retail Banking, the Group focuses its development on Europe and Africa, where it enjoys a historic presence, extensive knowledge of the markets and prominent positions. As regards Global Banking and Investor Solutions, outside the Europe and Africa zones, the Group targets those activities in which it can rely on international expertise;
- a targeted growth policy, promoting areas of existing expertise, high-quality client franchise, and the search for synergy gains within the Group’s diversified banking model;
- the incorporation of social responsibility issues and environmental concerns at the heart of its strategy and its relationships with stakeholders, specifically with a non-financial target rating;
- vigilance as regards its reputation, which it considers a high-value asset which must be protected.

A strong financial profile

Societe Generale seeks to achieve sustainable profitability, relying on a robust financial profile consistent with its diversified banking model, by:

- targeting profitable and resilient business development;
- maintaining a target rating allowing access to financial resources at a cost consistent with the development of the Group’s businesses and its competitive positioning;
- calibrating its capital and hybrid debt targets to ensure:
  - satisfaction of minimum regulatory requirements on CET1 ratio in the baseline scenario, with a security buffer;
  - coverage of one year of “internal capital requirement” using available CET capital;
  - a sufficient level of creditor protection consistent with the Group’s goals with respect to rating and regulatory ratios such as TLAC (“Total Loss Absorbing Capacity”), MREL (“Minimum Required Eligible Liabilities”), and the leverage ratio.
- ensuring resilience in its liabilities, calibrated by taking into account a survival horizon in a liquidity stress ratio, compliance with LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) regulatory ratios and the level of dependence on short-term fundings;
- controlling financial leverage.

The Group’s goal with respect to its shareholders is to generate adequate profitability relative to the risks incurred. Therefore, the risk/reward ratio is taken into consideration in measuring and managing profitability, as well as in product and service pricing.

Credit and counterparty risks (including concentration effects)

When it assumes credit risk, the Group focuses on medium- and long-term client relationships, targeting both clients with which the bank has an established relationship of trust and prospects representing profitable business development potential over the mid-term.

In a credit transaction, risk acceptability is based, first and foremost, on the borrower’s ability to meet its commitments. Security interests are sought to reduce the risk of loss in the event of a counterparty defaulting on its obligations, but may not, except in exceptional cases, constitute the sole justification for taking the risk.

The Group seeks to diversify risk by controlling concentration risk and maintaining a policy of spreading risk by sharing it with other financial partners.

Counterparty ratings are a key criterion of the credit policy and serve as the basis for the credit approval authority grid used in both the commercial and risk functions. The rating framework relies on internal models. Special attention is paid to timely updating of ratings (which, in any event, are subject to annual review).

To closely monitor portfolio quality, the Group has established thresholds using a series of credit portfolio quality indicators which are monitored quarterly by the CORISQ (Risk Committee) and by the Risk Committee of the Board of Directors.

The Group seeks to maintain exposure to country risks which reflect its strategic selections in terms of its foreign operations and limit the most risky country concentrations.

The Group sets up specific credit policies for sectors or types of credit transactions which have a specific or intrinsically higher concentration risk or risk profile. This system is complemented by a framework through portfolio limits.

Market risks

The Group’s market activities are carried out in the context of a business development strategy primarily focused on meeting client requirements with a full range of products and solutions.

The market risk is strictly managed through a set of limits for several indicators (such as stress tests, Value at Risk (VaR) and stressed Value at Risk (SVaR), “sensitivity” and “nominal” indicators).

Regular reviewing of these limits ensures that they closely reflect any changes in market conditions.

Within these limits, the Global Stress Test of market activities and the Market Stress Test limits play a pivotal role in determining the Group’s market risk appetite ; in fact, these indicators cover all operations and the main market risk factors as well as risks associated with a severe market crisis which helps limit the total amount of risk and takes account of any diversification effects.

Proprietary trading transactions are segregated within a dedicated subsidiary (Descartes Trading) and are subject to a limited risk appetite.

Operational risks (including reputation and compliance risk)

The Group has no appetite for operational risk but is prepared to assume a potential loss of approximately 1% of recurring revenue.

The Group is required to strictly comply with all laws and regulations which govern its activities in all countries in which it operates, and has a policy of implementing international best practices in order to achieve this. The Group entities must also comply with local regulatory requirements when imposing obligations that are additional to those set out in Group policies. In the event that these requirements are contradictory, these entities must comply with the most restrictive obligations, unless this is contradictory to local legal or regulatory requirements. The Group strives, in particular, to:

- gather intelligence about its customers by implementing appropriate KYC measures;
- work with clients and partners whose practices comply with international rules and standards on anti-money laundering and terrorism financing;
- work with clients and complete transactions in accordance with rules related to international embargos and financial penalties;
- offer products and advisory services and work with partners in accordance with regulations governing, in particular, client protection;
- implement the necessary measures and conduct transactions showing respect for the integrity of the markets;
- implement an anti-corruption policy and deploy an anti-corruption mechanism, prevent and manage conflicts of interest, and ensure its employees behave responsibly in compliance with the Code of Conduct;
- uphold its commitments regarding fiscal transparency;
- protect the data of its clients and employees;
- foster compliance values among its employees. It guarantees their right to whistleblow.

The Group has defined values and principles of conduct which apply to all of its employees:

- it emphasises employee loyalty towards clients and the integrity of their practices;
- it develops a strong culture that guides employee behaviour in such a manner as to conduct business ethically and responsibly. This culture is spread through values (team spirit, innovation, responsibility, commitment), a Code of Conduct and a leadership model which defines the conduct and skills expected of employees in respect of each Group value;
- it ensures that they are implemented and complied with through, in particular, alignment of the HR processes (recruitment, performance evaluations, promotion, compensation, disciplinary procedures, etc.) with these values and principles of conduct.

Controlling reputation risk is based first on prevention. With respect to its reputation, Société Générale is extremely careful. The prevention and detection of reputation risk are integrated into all of the Group's operational practices. This vigilance is part of the Group's sustainable and responsible development strategy.

Misconduct risk results from actions (or inactions) of the bank or its employees inconsistent with the Group’s Code of Conduct, which may lead to adverse consequences for our stakeholders, or place the bank’s sustainability or reputation at risk.

In addition to the risks cited above, the Group is exposed to other operational risks inherent in its business: execution errors, internal and external fraud, IT system failures, malicious acts against IT systems, loss of operational resources, commercial disputes, failure to comply with tax obligations, etc. The Group has established a goal to control these risks using:

- environmental analysis of operational risk and a “weak signals” detection system;
- the deployment of secure procedures for processing data, special prevention mechanisms and an internal control system. In addition, a framework has been designed to ensure business continuity in crisis situations;
- implementation of key risk monitoring and control indicators (KRI);
- promotion of a solid “risk culture” with respect to operational risks throughout the Group;
- the expectation that its critical service providers will provide a level of resiliency and information security equivalent to its own.

Structural interest rate and exchange Risks, Risks on Pension/Long-Service Obligations

The Group measures and strictly controls structural risks. The mechanism to control interest rate risk, foreign exchange risk and the risk on pension/long-service obligations is based on sensitivity or stress limits which are broken down within the various businesses (entities and business lines).

Liquidity Risk and Funding Risk

The Group assesses the solidity of its liquidity profile based on three complementary elements:

- controlling liquidity risk. The Group assesses the liquidity risk over various time horizons, including intraday, taking into account market access restriction risk;
- controlling funding risk. The capacity to raise funding is assessed over a three-year horizon;
- complying with regulatory obligations (LCR and NSFR).

The solidity of the liquidity profile is assessed within the Group's prudential scope, taking into account the liquidity situation in major foreign currencies.

The Group's larger entities, in particular those which are subject to local regulatory obligations governing liquidity, also assess and specifically monitor their liquidity profile in conjunction with the Group.

The liquidity and funding risks framework is determined within the Group's ILAAP (Internal Liquidity Adequacy Assessment Process).

4.2.2 RISK APPETITE – GENERAL FRAMEWORK

The risk appetite is determined at Group level and is allocated operationally to the businesses and subsidiaries; it is monitored as described in the "Risk Appetite Framework", which is summarised below.

Governance

The Board of Directors approves, every year, the Group Risk Appetite proposed by General Management (the Group Risk Appetite Statement) and the Group Risk Appetite Framework. The Risk Division and the Finance and Development Division define the Group's risk appetite and provide monitoring and second-level control of its implementation, together with the Group Compliance Division. The Internal Audit Division annually reviews the effectiveness of the Risk Appetite Framework.

Determination and allocation of the risk appetite

Risk appetite is developed and allocated based on:

- regular identification and assessment of all material risks to which the Group is exposed; this exercise relies on prospective measurement tools (stress tests);
- a previsional assessment of the Group's profitability and solvency under a baseline scenario and a stressed scenario, over a horizon of at least three years, selected to construct the strategic and financial plan;
- an allocation of the risk appetite within the Group, down to the appropriate level, taking into account the risk/profitability profile of the business lines and their growth prospects.

The Group's risk appetite is formalised in a document ("Risk Appetite Statement") that determines the general guidelines, policies, targets, limits and thresholds governing the Group's risk appetite. This document is reviewed annually.

Every year, upstream from the budget process, the Finance Division, together with the Risk Division, submits Group-level targets to General Management. Such targets are subsequently submitted for the approval of the Board of Directors.

These targets are designed to ensure:

- compliance, with a sufficient safety margin, with the regulatory obligations to which the Group is subject (in particular, minimum regulatory solvency, leverage and liquidity ratios), pre-empting the implementation of new regulations where possible;
- sufficient resistance to stress scenarios by means of a safety margin (stress normalised by regulators or defined through an internal Group process).

Risk appetite in relation to the major risks to which the Group is exposed is regulated by limits and thresholds. These metrics support the Group in achieving its financial targets and guide the Group's profitability profile.

Allocation of risk appetite within the organisation

The allocation of risk appetite within the organisation is based on the strategic and financial plan and risk management frameworks.

Based on the Finance Division's proposal, the financial targets defined at the Group level are broken down into budget allocation targets at the business level as part of the budget and the strategic and financial plan.

Once the budget process has been completed and after validation by General Management, the Group submits the budgetary trajectories in the baseline scenario and in the stressed scenario to the Board of Directors, verifying that the financial targets initially proposed have been met; if not, the Board of Directors may either approve new targets or request that the trajectories be changed.

Likewise, over and above the financial targets, and based on the proposal from the Finance and Risk Divisions, the limits and thresholds defined at Group level are allocated operationally between the business units and businesses, which are then responsible for allocating them downstream and monitoring within their scope.

The Group's main subsidiaries define their risk appetite, allocate metrics within their organisation and implement an appropriate risk appetite framework. The Corporate Divisions and their functions ensure consistency with the Group risk appetite. Subsidiaries' risk appetites are validated by their Board of Directors.

4.2.3 RISK MANAGEMENT

Audited I Implementing a high-performance and efficient risk management structure is a critical undertaking for Societe Generale in all businesses, markets and regions in which it operates, as is maintaining a balance between strong awareness of risks and promoting innovation. The Group's risk management, supervised at the highest level, is compliant with the regulations in force, in particular the Order of 3rd November 2014 relating to the internal control of companies in the banking sector, payment services and investment services subject to the control of the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) and European regulations CRR/CRD4. ▲ (See Board's Expertise, p. 82.)

BOARDS OF DIRECTORS

AUDIT AND INTERNAL CONTROL COMITTEE	RISK COMITTEE	COMPENSATION COMITTEE	NOMINATION AND CORPORATE GOVERNANCE COMITTEE

GENERAL MANAGEMENT

STRATEGIC SUPERVISION COMITTEES		
GROUP STRATEGY COMITTEE Implements the Group's strategy	SUPERVISION COMITTEE	STRATEGY OVERSIGHT COMITTEE Reviews markets and clients activities, transformation and innovation projects, **HR and mid-term financial projections and targets**

OPERATIONAL SUPERVISION COMITTEES				
GROUP RISKS COMITTEE (CORISQ) Supervises guidelines governing risks, in particular the management of different risks credit, country, market and operational risks	FINANCE COMITTEE (COFI) **Defines the Group's financial strategy** and ensures the monitoring of scare resources, their allocation and the review of structural risks at Group level **and for significant** entities	GROUP INTERNAL CONTROL COORDINATION COMITTEE (CCCIG) Responslble for the design, consistancy and effectiveness of the Group's overal internal control	COMPLIANCE COMITTEE (COM-CO) **Defines** compliance principles at Group level	CORPORATE STRATEGIC ARCHITECTURE COMITTEE (CSAE) **Defines the company's** architecture in term of data and reference data bases, operational processes and IT systems. Ensures the consistency of Group projectswith the target architecture

Audited I The main objectives of the Group's risk management strategy are:

- to contribute to the development of the Group's businesses and profitability by defining the Group's risk appetite in conjunction with the Finance Division and the business divisions;
- to contribute to the Group's sustainability by establishing a risk management and monitoring system;
- to reconcile the independence of the risk management system (with respect to the businesses) with close collaboration with the core businesses, which have primary responsibility for the transactions they initiate. ▲

Governance of risk management

Audited I Two main high-level bodies govern Group risk management: the Board of Directors and General Management.

General Management presents the main aspects of, and notable changes to, the Group's risk management strategy to the Board of Directors at least once a year (more often if circumstances so require).

Within the Board of Directors, the Risk Committee (see Art. 11 of the Internal rules of the Board of Directors, p. 551) advises the Board of Directors on overall strategy and the appetite regarding all kinds of risks, both current and future, and assists the Board when it verifies the implementation of this strategy.

The Board of Directors' Audit and Internal Control Committee (see Art. 10 of the Internal Rules of the Board of Directors, p. 550) 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 19 times in 2018, defines the Group's key priorities in terms of risk, within the framework of the risk appetite and financial targets set by the Group Strategy Committee, and monitors compliance in this respect. Subject to the powers attributed to the Board of Directors, the CORISQ, based on proposals from the Risk Division, takes the main decisions relating to the management of various risks (credit risks, country risks, market and operational risks). The Group also has a Large Exposures Committee, which is responsible for approving the sales and marketing strategy and risk-taking with regard to major client groups;
- **the Finance Committee** (COFI) is responsible for setting out the Group's financial strategy and for managing scarce resources (capital, liquidity, balance sheet, tax capacity) in the context of the Group's risk appetite. It validates the Group's management and structural risk monitoring mechanism and reviews changes in those risks and in significant entities (limits and consumption). It periodically assesses the consumption of scarce resources. It examines ILAAP and ICAAP documents, the budget, the Preventive Recovery Plan, and the Corporate Centre and re-invoicing budget. Lastly, it covers issues of the Group's taxation (managed jointly by the Group Finance Division and the Corporate Secretary);
- the **Compliance Committee** (COMCO) meets quarterly in order to define the Group's main guidelines and principles in terms of compliance. The Head of Compliance presents the main events having occurred over the period, an update on the compliance system, the main regulatory developments and the state of progress on projects;
- the **Corporate Strategic Architecture Committee** (CSAE) defines the Company's architecture from the standpoint of data and reference systems, operational processes and information systems, and ensures the consistency of the Group's projects with the architecture set out;
- the **Group Internal Control Coordination Committee** (CCCIG) is responsible for the overall architecture of the Group's internal control system: for evaluating its efficiency, consistency and coprehensiveness, for taking corrective actions and for monitoring their implementation.

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 responsibilities of **the Risk Division** are to contribute to the development of the Group's businesses and profitability by defining the Group's risk appetite (broken down by business) under the aegis of General Management and in collaboration with the Finance Division and the business divisions, and to establish a risk management and monitoring system as a second line of defence.

  In performing its work, the Risk Division reconciles independence from the businesses with a close working relationship with the core businesses, 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;
  - conducts and validates transactions and limits proposed by business managers;
  - defines or validates the architecture of the risk information system and ensures its suitability to business requirements.

- **The Finance Division** is aligned across the new organisation of the Group, divided into 17 Business Units (BU) and 10 Service Units (SU). It is organised according to three levels of supervision, each attached to a Chief Financial Officer:
  - French Retail Banking, and International Retail Banking and Financial Services,
  - Global Banking and Investor Solutions,
  - Cross-business functions, bringing together all the areas of expertise that are key to the operations of the Finance Division.

  It also carries out extensive accounting and finance controls. As such:

  - The **Group Accounting Department** is responsible for coordinating the mechanism used to draw up the Group's consolidated financial statements,
  - The **Experts on Metrics and Reporting Department** is responsible for producing the regulatory reports of the Group,

- The **Mutualised Accounting and Regulatory Activities Department** within the **Pooled Operations Division** is responsible for accounting, regulatory and tax production and coordinating the continuous improvement and management of processes for entities within its scope (o.w. Societe Generale SA),
- The **Finance Control Department** is responsible for the second-level permanent control system over all of the Finance Processes
- The missions of the **Group Asset and Liability Management Department**, the **Balance Sheet and Global Treasury Department**, and the **Group Strategic Financial Management Department** are detailed in the "Structural and liquidity risks" section on page 153 of this report.

The other cross-business functions provide various tasks for the Finance Division, in particular with the Finance Division of the Group Service Units, Group Investor Relations and Financial Communication , Human Resources and the Corporate Secretary.

- The **Finance Departments of the Business Units and Service Units**, which report hierarchically to the Group Finance Division, ensure that the financial statements are prepared correctly at the local level and control the quality of the information in the financial reports (accounting, management control, regulations, etc.).
- The **Group Compliance Division**, which has been reporting to General Management since 1st June 2017, ensures that the Group's banking and investment activities are compliant with all laws, regulations and ethical principles applicable to them. It also ensures the prevention of reputational risk.
- The **Corporate Secretary** includes the **Group Legal Department**, which notably monitors the security and legal compliance of the Group's activities, relying where applicable on the legal departments of subsidiaries and branches, the **Group Tax Department**, which ensures compliance with tax laws in France and abroad, the **Group Corporate Social Responsibility Department**, which is responsible for defining and proposing a CSR (Corporate Social Responsibility) policy for the Group and the **Group Security Department**, which manages the security of the Group in cooperation with the Corporate Resources and Digital Transformation Service Unit with regard to information systems security, and the **Group's central administration services**, and, when necessary, supports the Secretary of the Board of Directors.
- The **Human Resources and Communication Division** monitors the implementation of compensation policies, amongst other things.
- The **Corporate Resources and Innovation Division** is specifically responsible for defining information system security policies.
- The **Group Internal Audit Division** is in charge of internal audits, under the authority of the Head of Group Internal Audit. ▲

In performing their missions, the Risk Division, Compliance Division and Information System Security Department rely on functions in the core businesses and Corporate Divisions, formed by representatives who report to them directly or functionally.

According to the latest voluntary census (31st December 2018) with respect to full-time equivalent (FTE) employees:

- the Group Risk function had 6,089 FTE employees (including 1,773 FTE employees within the Group Risk Division);
- the Compliance function had approximately 3,164 FTE employees;
- the Information System Security function had approximately 474 FTE employees.

Characteristics by risk

STRUCTURAL INTEREST RATE, EXCHANGE RATE AND LIQUIDITY RISKS

Structural interest rate and exchange rate risk are managed by the Asset and Liability Management Department of the Group Finance Division. This department defines the normative principles and modelling methods (validated by an ad hoc committee chaired by the Risk Division) applicable to all entities. It also develops monitoring indicators and global stress test scenarios for the different types of structural risk. Lastly, the ALM Department checks that the Group's business lines and entities comply with the framework applicable to them.

The second line of defence tasks, focused on the validation of the Group's ALM models and the resulting risk monitoring, are carried out by the Market Risk Department of the Group Risk Division, within a dedicated ALM Risk Monitoring Department. This Department validates ALM modelling principles as well as model calibrations and backtesting. It also analyses the proposals of the Finance Division pertaining to the definition of ALM risk indicators, stress test scenarios and the associated risk framework. As the second line of defence, the ALM Risk Department also ensures that the risk limits and thresholds of entities, Business Units / Service Units, the Group are respected and conducts a periodical review of the ALM risk framework in coordination with the first-level control teams.

Each entity, each Business Unit/Service Unit, 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 Business Unit / Service Unit, is required to comply with Group standards and to adhere to the limits assigned to it.

Given that liquidity is a scarce resource, the Group's objective is:

- to finance its activities at the best possible rates under normal conditions, while maintaining adequate buffers to cover outflows in periods of liquidity stress;
- to ensure the stability of the financing for its activities by managing its dependency on market funding and financing stability in line with the timing of its financing needs;
- to maintain its short-term and long-term ratings near the Group's targets.

The scope of the Group's short- and long-term financing plan, which supplements customer deposits, is conservative, with reduced concentration in the short-term while ensuring diversification in terms of products and regions.

The Finance Division's Strategic Financial Management Department is responsible for managing scarce resources in accordance with regulatory requirements and the Group's risk appetite and budgetary targets.

The Finance Division's Balance Sheet and Global Treasury Management Department is responsible for managing the Group's balance sheet and liquidity, in particular by implementing financing plans and contingency funding plans in the event of a liquidity crisis.

CREDIT RISKS

Audited I The risk approval process is based on three core principles:

- for each customer or customer group, the analysis and validation of credit agreements is primarily the responsibility of a designated business line within the Group (customer care area) and then a unit of the risk management function. In order to ensure a consistent approach to the Group's risk taking, this business line and this unit of risk examine all requests for authorisation relating to a particular customer or group of customers. This business line and this unit of risk must be independent of each other;

- the use of the internal ratings of the counterparties. These ratings are proposed by the business lines and validated by the Risk function. The process of granting and monitoring credit risk is different depending on the nature of the counterparties. For private and professional clients (called "retail"), credit decisions are subject to the fulfillment of award criteria defined in the credit policies and verified using scoring tools used under the control of the Risk Department. In particular, credit risk policies specify the conditions under which limits are set, as well as the processes applicable in the event of exceeding these limits. The approval process for corporate counterparties, financial institutions and sovereigns relies on in-depth knowledge of the client and a good understanding of the purpose of the operations;
- the system of delegation of authority, which relies heavily on the internal rating of counterparties and gives the business lines responsibility for all credit decisions, for which they assume, where applicable, the expense of provisions and losses.

In terms of governance, the Risk Division submits recommendations to the Group Risk Committee (CORISQ) on limits which it deems appropriate for certain countries, geographic regions, sectors, products or types of customers in order to reduce risks with strong correlations. The allocation of limits is also subject to final approval by CORISQ. Major concentration risks are analysed on a regular basis for the entire Group.

Together with the core businesses, the Risk Division has defined a control and monitoring system based on the credit risk policy. This policy is reviewed on a regular basis by the Board of Directors' Risk Committee. ▲

Within the Risk Division, credit risk supervision is organised by business division. The Market Risk Department defines the methods for evaluation of counterparty risk and is in charge of the credit risk supervision on hedge fund counterparts.

Each of these departments is responsible for:

- setting or proposing global and individual credit limits by client, client group or transaction type;
- authorising transactions submitted by the sales departments in line with the delegation system in place;
- validating credit scores or internal client rating criteria;
- monitoring large exposures, specific credit portfolios and compromised counterparties;
- approving specific and general provisioning policies.

In addition, a specific department performs comprehensive portfolio analyses and provides the associated reports, including those for the supervisory authorities. A monthly report on the Risk Division's activity is presented to the Risk Committee and the Board of Directors' Risk Committee, and specific analyses are submitted to General Management.

MARKET RISKS

Audited I Although primary responsibility for managing risk exposure lies with the front office managers, the supervision system comes under the Market Risk Department of the Risk Division, which is independent from the businesses.

This department:

- checks the existence of an effective market risks monitoring system 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 methods for evaluating market risk;
- approves the valuation models used to calculate risk and results;
- defines methodologies for calculating provisions for market risk (reserves and adjustments to earnings) and additional valuation adjustments (AVA);
- computes and certifies on a daily basis, market risk indicators and P&L resulting from market activities, based on formal and secure procedures, then reports and analyses these indicators;
- monitors on a daily basis the limits set for each activity;
- defines the methods for determining the parameters used for the calculation of risks and results, validates sources to be used for these parameters.

In order to perform its tasks, this department also defines the architecture and the functionalities of the information system used to produce the risk and P&L indicators for market transactions, and ensures it meets the needs of the different businesses and of the Market Risk Department. ▲

In addition, this department also contributes to the detection of possible rogue trading operations through a monitoring mechanism based on alert levels (on gross nominal value of positions for example) applied to all instruments and desks.

In terms of governance, market risk oversight is provided by various committees at different levels of the Group:

- the risks related to market activities are reviewed during the Market Risk Committee (MRC) led by the Market Risk Department and chaired by the Risk Division and by the Global Markets Division. This committee provides information on risk levels for the main risk indicators as well as for some specific activities pointed out depending on market or business driven events. It also provides an opinion on the market risk framework changes falling under the remit of the Risk Division and Global Markets Division;
- the Risk Committee (CORISQ) is regularly informed of Group-level market risks. Moreover, upon a proposal from the Market Risk Division, it validates the main choices with regard to market risk measurement, as well as the key developments on the architecture and implementation of the market risk framework at Group level;
- the Risk Committee of the Board of Directors is informed of the Group's major market risks; in addition, it issues a recommendation on the most substantial proposed changes in terms of market risk measurement and framework (after prior approval by the CORISQ); this recommendation is then referred to the Board of Directors for a decision.
- accounting valuation matters are addressed in two valuation committees, both attended by representatives of the Global Markets Division, the Market Risk department and the Finance Division: the Global Valuation Committee which discusses and approves financial instrument valuation methodologies (model refinements, reserve methodologies, parameter marking methods, etc.) and the Global Valuation Review Committee, which reviews changes in reserves, valuation adjustment figures, and related accounting impacts.

- the topics related to Prudent Valuation are dealt with during methodological committees and validation committees, organised quarterly, and both attended by representatives of the Global Markets Division, the Market Risk department and the Finance Division.

In addition to these Committees, detailed and summary market risk reports, produced on a daily, weekly, monthly or quarterly basis, either related to various Group levels or geographic areas, are sent to the relevant business line and risk function managers.

RISK QUANTIFICATION PROCEDURES AND METHODOLOGIES

The Group has been authorised by its supervisory authorities:

- for credit risk, to use the internal ratings-based approach (IRB method) for most of its exposures to credit risk.

  Currently, the standard approach is used for certain selected activities and exposures. They have a limited impact on the Group's regulatory capital. The system for monitoring rating models is operational, in accordance with applicable regulations. This system is described in detail further on in this Registration Document; for these exposures covered by the standard approach, Societe Generale mainly uses the external ratings assigned by Standard & Poor's, Moody's and Fitch Ratings.
- for market risk, to use internal models (VaR – Value at Risk, Stressed VaR, IRC – Incremental Risk Charge, and CRM – Comprehensive Risk Measure).

  These models cover almost all of the transactions involved. Only some transactions are still calculated using the standard method.
- for counterparty risk on market transactions, to use the internal model since 2013 to calculate the EEPE (Effective Expected Positive Exposure) indicator.

  Exposure at Default (EAD) counterparty risk has been calculated on the basis of this indicator since June 2012 for "simple" products and since December 2013 for more complex derivative products. For Group entities where the internal model has been approved, the internal model covers 98% of derivative and repo transactions. The Group uses the marked-to-market valuation method for the rest of these transactions.
- for operational risks, to use the Advanced Measurement Approach (AMA).

Lastly, its information systems are regularly upgraded to accommodate changes in the products processed and the associated risk management techniques, both locally (within the banking entities) and centrally (Risk Division).

OPERATIONAL RISKS

The Operational Risk Department within the Group's Risk Division provides the second line of defence relating to the Group's operational risks.

In particular, the Operational Risk Department :

- conducts a critical examination of the management of operational risks (including fraud risk, risks related to information systems and information security, and risks related to business continuity and crisis management) of the BU/SUs;
- sets regulations and procedures for operational risk systems and production of cross Group analyses ;
- produces risk and oversight indicators for operational risk frameworks

To cover the whole Group, the Operational Risk Department has a central team supported by regional hubs. The regional hubs report back to the central team, providing all elements necessary for a consolidated overview of the Bank's risk profile that is holistic, prospective and valid for both internal oversight purposes and regulatory reporting.

The regional hubs are responsible for implementing Operational Risk Division's missions in accordance with the demands of their local regulators.

The Operational Risk Department communicates with the first line of defence through a network of operational risk correspondents in each core business/activity of the BU/SUs. BU/SUs are responsible as first line of defence for applying the framework and putting in place controls that ensure risks are identified, analysed, measured, monitored, managed, reported and contained with the limits set by the Group-defined risk appetite.

Regarding specifically those risks that are related to information systems and Group information security, and risks related to business continuity and crisis management, the Operational Risk Department defines the norms jointly and respectively with the Head of Group Information Systems Security and the Head of Group Business Continuity Management.

Risk related to security of property and people

In May 2018, the Group Security Department was created to bring global security, with the aim of placing Societe Generale at the height of security standards.

This Department is in charge of defining a global and prospective vision of security to protect people, property, the tangible and intangible assets of the Group, coordinating the planning of actions allowing, in all circumstances, the maintenance of the bank's vital activities, and contributing, as appropriate, to crisis management.

To this end, the main missions of this Division are as follows:

- define a global vision of security at Group level;

- identify the security threats and risks facing the Group (current and prospective vision) as well as the Group's weaknesses in the face of these threats;
- develop and disseminate Group policies and mechanisms to deal with security crises;
- organise and implement the Group's security management and crisis management system;
- coordinate relations with national, European and international public security authorities in the field of security;
- develop and coordinate business intelligence;
- contribute to the fight against fraud;
- strengthen the security culture in the Group (training, communication, etc.).

The Group Security Department acts as the first line of defense on security matters.

Risks related to information security and information systems

Information is a strategic asset for Société Générale. Whether on paper, digital or exchanged orally, the use and access to information must be in compliance with regulations and laws. It must be manipulated by the only people who need to know, in order to avoid any leakage of information or illegitimate access that could expose the bank, its customers and employees to undesirable consequences.

The Group Security Department, housed at the General Secretariat level, defines the Group's information security policy and is responsible for coordinating the management, watch and communication mechanisms relating to the security of the Group’s information. This framework can be grouped into five broad categories: identify, protect, detect, respond, recover.

These systems are implemented within each BU/SU to reduce the residual risks related to information security, in coordination with the General Secretariat.

With regard to IT systems, the Head of IT Security and IT Operational Risk is housed at the Corporate Resources and Digital Transformation Division. Under the functional authority of the Director of Group Security, he proposes the strategy to protect digital information and animates the community of the security of the information systems. The information systems security framework is aligned with the market standards (NIST, ISO 27002), and implemented in each BU/SU.

At the operational level, the Group relies on a CERT (Computer Emergency Response Team) unit in charge of incident management, security watch and the fight against cybercrime. This team uses multiple sources of information and monitoring, both internal and external.

Given the increasing number and sophistication of digital attacks, the risk of cybercrime is becoming increasingly significant for players in the banking industry. Société Générale places it at the heart of its concerns in order to protect its customers, data and information systems. It is addressed in a cooperative way by the information systems security and operational risks teams and is monitored by the General Management within the framework of an information systems security master plan.

Thus, to support the “Transform to grow” Group strategic plan, an information systems security master plan is structured around five major axes guiding the 2020 actions:

- security for the bank's customers: enhancing the secure digital experience and strengthening our customers' cyber security culture;
- the protection of key assets: continue security actions closer to the data and securing the most sensitive applications;
- continued reinforcement of the Group's detection and reaction capabilities;
- developing the agility and trust zones of our IT systems and processes to facilitate internal and partner exchanges;
- developing the expertise of the SSI sector by creating a Cyber Institute, raising awareness and supporting employees.

A central team at the Resources and Digital Transformation department is responsible for managing and monitoring IT operational risks. The main missions of the team are:

- identifying and evaluating the major IT risks for the Group, including extreme risk scenarios (eg. cyber-attack, failure of a provider), to enable the bank to improve its knowledge of its risks, be better prepared for extreme risk scenarios and better align their investments with their IT risks;
- providing elements enabling the bank's management to steer risks, in particular via Key Risk Indicators (KRIs). These are communicated to Société Générale's Risk Committee and to the Risk Committee of the Board of Directors. They are reviewed regularly to stay aligned with the IT and security strategy and their objectives;
- more generally, ensuring the quality and reliability of all devices addressing IT operational risks. Particular attention is paid to the permanent control system for its IT risks, which is based on the definition of normative IT and security controls and the support of the Group in the deployment of managerial supervision on this subject. In 2018 a new version of the SI / SSI normative controls was developed to reinforce alignment with international standards (ISO 27002 and COBIT V5).

The management of all these risks is based on operational risk systems and the second line of defense is provided by the Risk Department.

MODEL RISKS

A “Model Risk Management” (MRM) Department was created within the Risk Division in 2017 to strengthen the second line of defence and the supervision of risk modelling. This department is responsible for supervising the model risk function and validating certain models that were previously validated in other departments. The Department is mainly responsible for:

- governing model risk management at Group level: this includes maintaining the standards and procedures required to ensure models are well managed and comply with regulations, as well as producing reports on the model risks incurred by the Group for General Management, the Board of Directors and the banking supervisory authorities;
- managing the Model Risk Management programme, including the improvement of model risk management via three lines of defence;
- supervising entities in charge of validating Group models in an independent manner, including valuation models for market positions and ALM models;
- validating internal models within its scope in an independent manner, in particular regulatory internal models, decision-making models and IFRS 9 accounting models. The MRM Department may perform any due diligence required by regulations in order to prepare independent reviews of all aspects of the models (design strength, implementation, usage, historical data, monitoring of models including backtesting). The scope of the models to be independently reviewed may be gradually expanded in line with the trajectory defined by the MRM programme.

NON-COMPLIANCE RISKS

The non-compliance risk prevention setup is based on shared responsibility between the operational entities and the Group Compliance function:

- The functional entities (BU/SU) must incorporate in their daily activities, compliance with laws and regulations, rules of professional best practice and with the internal rules of the Group;
- The Compliance function ensures several missions:
  - defining and implementing the overall normative framework, including the drafting, in collaboration with the Legal Department, of the procedures aimed at ensuring compliance with the laws and regulations applying to the banking and financial activities plus the conduct norms set by top management
  - adapting and implementing this normative framework in its scope of hierarchical authority or controlling its implementation on the scope under functional supervision (Group subsidiaries);
  - ensuring awareness of group staff on non-compliance risks and reinforcing the compliance culture within the Group;
  - ensuring the efficiency of the resources put in place, whether in terms of human resources or tools;
  - advising and assisting operational entities (first line of defence) on the different challenges linked to compliance;
  - undertaking the supervision and the level 2 control of the setup including the independent assessment of the non-compliance risk management on entities/activities having a major impact on the Group's risk profile and on the individual level concerning regulated staff, in line with regulations, notably CRD 4;
  - consolidating and following the significant events in all entities, notably via Group steering tools, and informing General Management and the Board of Directors, and, in coordination with the Legal Department, ensuring the follow-up of relations with the banking and regulatory supervisors.

The Compliance function was reorganised on 1st January 2018, directly reporting to General Management, thus becoming an independent managerial function in its own right. It ensures management of non-compliance and reputational risk follow-up. It keeps an eye on the consistency of the Group's non-compliance risk prevention setup, its efficiency and the development of appropriate relationships with bank supervisors and regulators.

The Head of Compliance participates in top management meetings. The funnelling of information is ensured via presentations to top management and during committees focused on compliance.

The Compliance function has implemented a clear organisation based on:

- teams focused on each business line;
- central teams focused on the oversight of risks and controls plus key transverse activities such as training and digital transformation.

It is organised around eight main non-compliance risks grouped in two broad categories, financial security, on the one hand, and regulatory risks, on the other, as detailed in chapter 4.9.

Risk and remuneration policy

Since the end of 2010, in accordance with the regulatory framework as defined by European directive CRD3, Societe Generale has implemented a specific governance for the determination of variable remuneration. Beyond financial markets professionals, the rules introduced by this directive apply to all persons whose activity is likely to have a substantial impact on the risk profile of the establishment which employs them, including those exercising control functions.

According to the principles approved by the Board of Directors as proposed by the Remuneration Committee, the remuneration mechanisms and processes for the identified population not only factor in the financial results of the undertaken operations, but also the way in which this result is generated: control and management of all risks and respect of compliance rules. For their part, control function employees are remunerated independently of the results of the operations that they control and as a function of criteria specific to their activity.

The variable remuneration harbours a non-deferred portion and a portion deferred over three years prorata temporis and under conditions of presence, performance and malus. At least 50% of this remuneration is paid in the form of shares or share equivalents. These payment modalities are aimed at aligning the remuneration on performances and the company risks horizon. The Risk division and the Compliance division participate in the definition and implementation of this policy.

The Risk division and the Compliance division participate in the definition and implementation of this policy.

The regulatory framework defined in European directive CRD4 applies since 1st January 2014 and does not modify the rules on the determination of the variable remuneration of persons whose activity is likely to have an impact on the group's risk profile and control function employees. Hence the principles and the governance mentioned above continue to apply within the group.

Moreover, Societe Generale has implemented a setup and specific governance aimed at the population of trading mandate holders, to ensure that the remuneration policy factors in the demands of the Law on the separation and regulation of banking activities of 26th July 2013 and the Volcker Rule.

Reputational risk

Each quarter, the Compliance division, and based on information from the Business Units and Service / Central management units (notably the Head of HR and communication, the Legal department, the CSR division and Data protection division) drafts an overview of the reputational risk communicated quarterly to the Risks committee and the Board of Directors.

Moreover, chief compliance officers dedicated to Business Units take part in the various organisations (new product committees, ad hoc committees, etc.) organised to validate the new types of operations, products, projects or customers and formulate a written opinion as to their assessment of the level of risk of the targeted initiative and notably the reputational risk.

4.2.4 RISK MAPPING FRAMEWORK AND STRESS TESTS

Group risk mapping framework

The risk map is an annual overview of the Group's risk identification process. Risk identification contributes to the overall assessment of the Group's risk profile, and is used in various tasks such as the Internal Capital Adequacy Assessment Process (ICAAP). Prepared by the Risk Division under the authority of General Management, the risk map is presented annually to the Board of Directors' Risk Committee.

The aim of this approach is to estimate potential material losses for the main types of risk to which the Group is exposed, including credit, market, operational and structural risks. The risk map matches potential losses to hypothetical scenarios within defined scopes. The assessment combines expert analysis and various estimated statistical approaches using historical data.

Stress tests

Stress tests or crisis simulations are used to assess the potential impact of a downturn in activity on the behaviour of a portfolio, activity or entity.

At Societe Generale, stress stests are used to help identify, assess and manage risk, and to evaluate the Group's capital adequacy with regard to risks. Accordingly, they are an important indicator of the Group's resilience and that of its activities and portfolios, and a core component in the definition of its risk appetite.

Stress tests are based on extreme but plausible hypothetical or historical economic scenarios. These scenarios are translated into impacts on the Group's activities, taking into account potential countermeasures and systematically combining quantitative methods with an expert assessment (risk, finance or business lines).

Stress tests may also rely on sensitivity analyses (single-factor or multi-factor risk).

As such, the stress test framework in place includes:

- an annual global stress test exercise, incorporated into the budget process (Strategic and Financial Plan) to ensure that the Group's profile is in line with its risk exposure tolerance in the event of an adverse scenario and to quantify the extent of deterioration in the profitability of the BUs under such a scenario. It is also incorporated into the ICAAP (Internal Capital Adequacy Assessment Process).;
- specific stress tests by risk or portfolio type:
  - Credit risk stress tests complement the comprehensive analysis with a more granular approach, thereby helping to clarify the establishment of risk appetite for an array of portfolios, an activity, etc. They are also used to refine the identification, measurement and operational oversight of this risk;
  - Stress tests of capital market activities are based on historical and hypothetical scenarios and apply to the whole Group. They are supplemented by special risk exposure stress tests based on a number of risk factors (interest rate, equities, etc.) or activities (emerging markets, etc.). A stress test limit is defined for these different risk measurements;
  - Stress tests give a picture of exposure of the value and the interest margin of the banking portfolio to structural interest rate risk. The Group sets limits on these exposures in scenarios of yield curve changes and shifts (steepening and flattening);
  - A stress test of employee benefits involves simulating the impacts of variations in market risk factors (inflation, interest rates, etc.) on the Group's net position (dedicated investments less the corresponding employee benefits). A stress test indicator is established on that indicator;
  - Liquidity stress tests; the survival horizon of one of these stresses is identified as a financial target;
  - The operational risk assessment under stress uses scenario analyses and loss modelling to calibrate the Group's capital need for operational risk purposes and allows a better understanding of the exposure to operational losses, including the exposure to unusual and severe losses which are not present historically;
  - Insurance stress tests support the process of defining risk appetite for the ASSU Business Unit, which relies on minimum profitability objectives and an SCR coverage ratio under the benchmark scenario and under a stress scenario. Furthermore, ASSU also uses the results of its stress tests to develop its hedging policy, the allocation of its assets and its dividend distribution policy.
- reverse stress tests, for both Risk Appetite and the Recovery Plan. The impact of these stress tests is defined in principle, typically using a solvency ratio or liquidity indicator disruption point (reflecting a serious threat to the bank). The hypothetical scenarios leading to this disruption point are then recreated to determine whether new vulnerabilities appear.

Along with the internal stress test exercises, the Group is part of a selection of European banks that participate in the large-scale international stress tests supervised by the European Banking Authority and European Central Bank.

DEFINITION OF "CORE" AND "STRESSED" ECONOMIC SCENARIOS

Core scenario

It is developed on the basis of a series of observed factors, including the recent economic situation and trends in economic policy (budgetary, monetary, exchange rate policy). Based on these observed factors, economists determine the most likely trajectory for the economic and financial variables over a given time frame.

Stressed scenario

The stress scenario is intended to simulate a loss of business (based on real GDP figures) deviating from the core scenario, on a scale similar to that observed during a past "baseline" recession chosen for its severity. It is a systematic stress scenario, meaning it is constant in scale from one period to the next, whatever the trajectory forecast by the core scenario, as long as the baseline recession remains constant. The stress scenario is also generic, in that its triggering event is not specified. The impact of the stress scenario on the other economic and financial variables is determined by measuring its deviation from the core scenario.

4.3 INTERNAL CONTROL FRAMEWORK

4.3.1 INTERNAL CONTROL

Internal control is part of a strict regulatory framework applicable to all banking institutions.

In France, the conditions for conducting internal controls in banking institutions are defined in the Order of 3rd November 2014. This Order, which applies to all credit institutions and investment companies, defines the concept of internal control, together with a number of specific requirements relating to the assessment and management of the various risks inherent in the activities of the companies in question, and the procedures under which the supervisory body must assess and evaluate how the internal control is carried out.

The Basel Committee has defined four principles – independence, universality, impartiality, and sufficient resources – which must form the basis of internal control carried out by credit institutions.

The Board of Directors ensures that Societe Generale has a solid governance system and a clear organisation ensuring:

- a well-defined, transparent and coherent sharing of responsibilities;
- effective procedures for the detection, management, monitoring and reporting of risks to which the Company could be exposed.

The Audit and Internal Control Committee (CACI) is a CA Committee that is specifically responsible for preparing the decisions of the CA in in the area of internal control supervision.

As such, General Management reports to it on the internal control of the Group. It monitors the implementation of remediation plans when it considers the risk level to be justified.

Within the Societe Generale Group, these principles are applied primarily through directives, one of which establishes the general framework for the Group's internal control, and another of which constitutes the Group Audit Charter, while the others relate to the management of credit risks, market risks, operational risks, structural interest rate, exchange rate and liquidity risks, compliance control and reputational risk control.

Control is based on a **body of standards and procedures**.

All Societe Generale Group activities are governed by rules and procedures covered by a set of documents referred to collectively as the "Normative Documentation". This documentation includes all documents:

- setting forth rules for action and behaviour applicable to Group staff;
- defining the structures of the businesses and the sharing of roles and responsibilities;
- describing the management rules and internal procedures specific to each business and activity.

The Normative Documentation primarily includes:

- directives, which define the governance of the Societe Generale Group, the structures and duties of its core businesses and Corporate Divisions, as well as the operating principles of the cross-business systems and processes (Codes of Conduct, Charters, etc.);
- guidelines, which set out the operating framework of an activity and the management principles and rules applicable to products and services rendered, and also define internal procedures.

The Normative Documentation has force of law within the Group. It falls under the responsibility of the Group Corporate Secretary.

In addition to the Normative Documentation, operating procedures specific to each Group activity are applied. The rules and procedures in force are designed to follow basic rules of internal control, such as:

- segregation of functions;
- immediate, irrevocable recording of all transactions;
- reconciliation of information from various sources.

Multiple and evolving by nature, risks are present in all business processes. Risk management and control systems are therefore key to the Bank's ability to meet its targets.

The internal control system is represented by all methods which ensure that the operations carried out and the organisation and procedures implemented comply with:

- legal and regulatory provisions;
- professional and ethical practices;
- the internal rules and guidelines defined by the company's executive body.

In particular, internal control aims to:

- prevent malfunctions;
- assess the risks involved, and exercise sufficient control to ensure they are managed;
- ensure the adequacy and effectiveness of internal processes, particularly those which help safeguard assets;
- detect irregularities;
- guarantee the reliability, integrity and availability of financial and management information;
- check the quality of information and communication systems.

The internal control system is based on **five basic principles**:

- the comprehensive scope of the controls, which cover all risk types and apply to all the Group's entities;
- the individual responsibility of each employee and each manager in managing the risks they take or supervise, and in overseeing the operations they handle or for which they are responsible;
- the responsibility of functions, in line with their expertise and independence, in defining normative controls and, for three of them, exercising second-level permanent control;
- the proportionality of the controls to the magnitude of the risks involved;
- the independence of internal auditing.

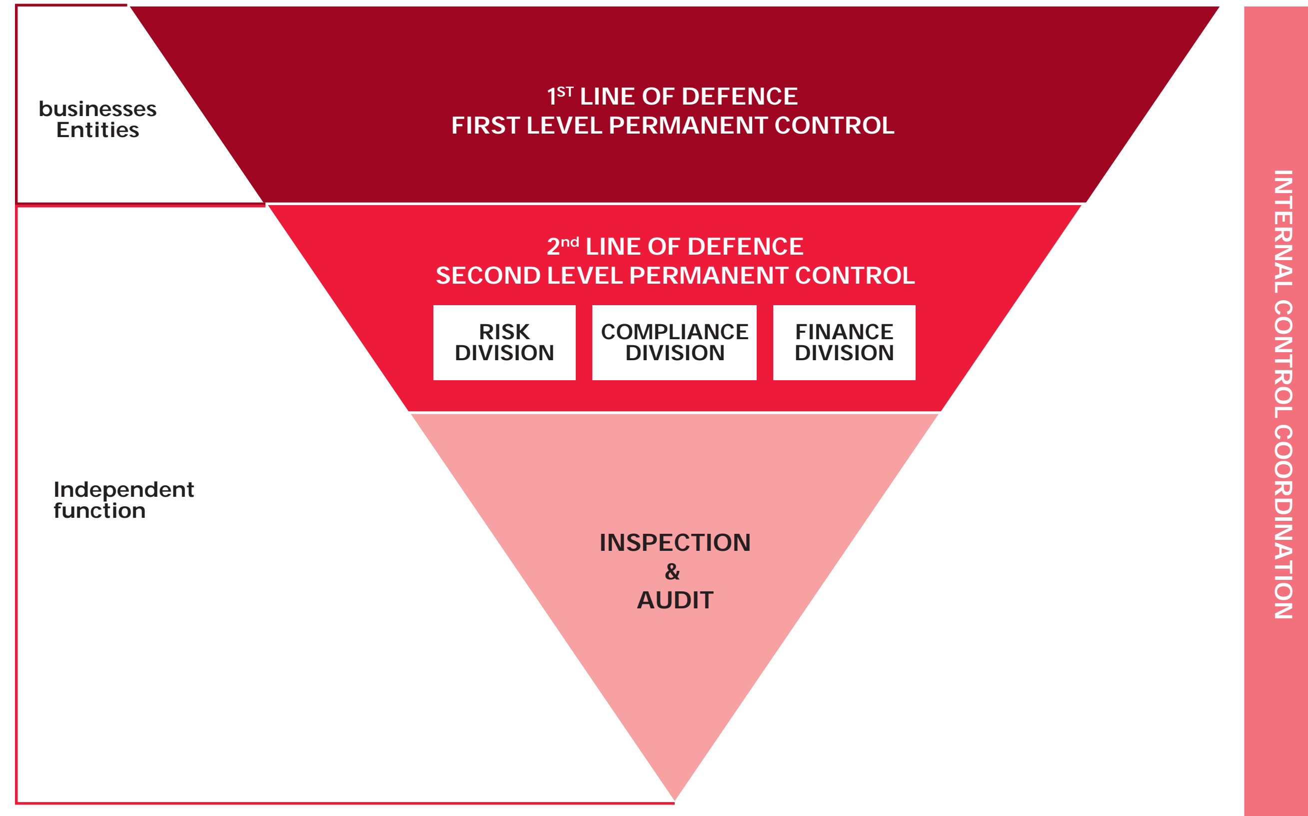
The internal control system is organised according to the “**three lines of defence**” model in accordance with the texts of the Basel Committee:

- the **first line of defence** comprises all Group employees and operational management, both within the businesses and in corporate divisions (in the latter case, with respect to their own operations).

  Operational management is responsible for risks, their prevention and their management – by putting in place first-level permanent control measures, among other things – as well as for implementing corrective or remedial actions in response to any failures identified by controls and/or process steering.
- the **second line of defence** is provided by the compliance, finance and risk functions.

  Within the internal control framework, these functions are tasked with continuously verifying that the security and management of risks affecting operations are ensured, under the responsibility of operational management, through the effective application of established standards, defined procedures, methods and controls as instructed.

  Accordingly, these functions must provide the necessary expertise to define, within their respective fields, the controls and other means of risk management to be implemented by the first line of defence, and to ensure that they are effectively implemented; they conduct second-level permanent control over all of the Group’s risks, employing the controls they have established, where appropriate with other expert functions (e.g. sourcing, legal, tax, human resources, information system security, etc.) and by the businesses.
- the **third line of defence** is provided by the Internal Audit Division, which encompasses the Internal Audit and General Inspection functions. This division carries out internal audits that are strictly independent of the business lines and the permanent control function.
- **internal control coordination**, under the responsibility of a Deputy Chief Executive Officer, is also provided at Group level and is rolled out in each core business and Corporate Division.



A Deputy Chief Executive Officer is responsible for ensuring the overall consistency and effectiveness of the internal control system. This Deputy Chief Executive Officer also chairs the Group Internal Control Coordination Committee (Group ICCC), which comprises the Chief Risk Officer, the Chief Financial Officer, the Group Chief Compliance Officer, the Group Chief Information Officer, the Head of Group Internal Audit, and the Head of Internal Control Coordination.

The Group Internal Control Coordination Committee met eight times in 2018. It addressed the following issues:

- Group Compliance Division review;
- Review of the implementation and the effectiveness of the first level control for the three core businesses (French Retail Banking, International Retail Banking and Financial Services, and Global Banking and Investor Solutions);
- Finance Division (DFIN) review;
- Risk Division review;
- Review of the implementation and the effectiveness of the first level control for Corporate Secretariat and Human Resources and Communication Service Unit (HRCO-COMM).
- Cybercrime
- Transversal review of the internal control framework roll-out

The structure implemented at Group level to coordinate the actions of participants in internal control is rolled out in all business divisions and Corporate Divisions. All of the Group's business divisions and Corporate Divisions have an Internal Control Coordination Committee. Chaired by the Head of the business division or Corporate Division, these Committees bring together the competent Heads of Internal Audit and Permanent Control for the business division or Corporate Division in question, as well as the Head of Group Internal Control Coordination and the Heads of the Group-level control functions.

Permanent control system

The Group's permanent control system comprises:

- **first-level permanent control**, under the responsibility of the businesses, which aims to ensure, at the operational level, the security, quality, regularity and validity of transactions completed;
- **second-level permanent control**, independent from the businesses, comes under three Corporate Divisions (Compliance, Risk and Finance Division).

General management initiated in 2018 a program of transformation of the permanent control of the Group, which is under its direct supervision. Through a set of actions affecting the standards, the methods, the tools and the procedures, the training, etc., this program aims at strengthening the culture of control and at optimizing the risk control, so contributing to improve the quality and the reliability of services provided to our customers and partners. It is planned to end at the end of 2020.

FIRST-LEVEL PERMANENT CONTROL

First-level permanent control consists of:

- **risk prevention systems:** controls performed on a regular and continuous basis by the businesses or via automated systems when transactions are processed. They comprise a risk prevention framework: security rules and controls – automated or not – forming part of the processing of transactions, or controls included in operational procedures;
- **controls performed by managers:** line managers check the correct functioning of all systems under their responsibility. In this respect, they are required to regularly apply formalised procedures to ensure the employees comply with rules and procedures and that the first-level controls are carried out effectively.

  The line managers may rely on controls carried out by dedicated teams, for example (i) on the most sensitive processes requiring stricter or industrialised controls, or to avoid self-controlling practices (e.g. the establishment of customer relations in retail banking), and/or (ii) where the pooling of control tasks improves productivity.

  Whatever the choice of organisation, managers retain oversight of the processes carried out by the teams that report to them; they are responsible for their production quality and for correcting identified anomalies.

  A "first-level permanent control coordination" function is set up in each business line. It is responsible for the design and reporting of controls, as well as awareness-raising and training of employees with respect to control issues.

SECOND-LEVEL PERMANENT CONTROL

Second-level permanent control is one of the missions of the second line of defence. It involves ensuring the security and risk management of operations at all times, under the responsibility of operational management, through the effective application of established standards, defined procedures, methods and controls, as instructed.

Second-level control has two parts:

- assessment of the architecture of the first-level control framework by process/risk, comprising verification of the definition and efficient conduct of first-level controls, particularly examining the results of first-level controls in terms of quantitative and qualitative aspects, notably as regards the rates of realisation, level of anomaly, etc. This review also makes it possible to check the effectiveness and relevance of control implementation based on key controls and risk type, remedial action plans ;
- review of the control execution quality and anomaly corrections. The purpose of this work is to verify:
  - the quality of control execution in terms of time, compliance with procedures, operating methods and the appropriateness of samples (representativeness, selection method), frequency of execution and formal documentation;
  - the quality of follow-up of anomalies identified: appropriateness of the solution provided, efficiency of operational implementation, reaction time proportionate to the risk identified, etc.

These reviews and checks form the basis for an opinion on (i) the effectiveness of first-level controls, (ii) the quality of their implementation, (iii) their appropriateness, notably in risk-prevention and response to control objectives defined in the library of normative controls, (iv) the definition of their implementation in practice, (v) the appropriateness of remedial plans to correct anomalies and the quality of follow-up, so arriving at a conclusion as to the effectiveness of first-level controls.

These controls are performed centrally by the RISQ/CTL, CPLE/CTL and DFIN/CTL teams and locally by the second-level control teams within the BU/SUs or entities.

Internal audit

Reporting to the Group Head of Inspection and Audit, the Inspection and Audit Service Unit (IGAD) is the Group's third line of defence.

The IGAD Service Unit comprises General Inspection (IGAD/INS), Internal Audit departments (IGAD/AUD) and a support function (IGAD/COO). To fulfil its mandate, the Group's IGAD Service Unit has adequate resources from a qualitative and quantitative point of view. The Group's Inspection and Audit Service Unit has about 1,200 employees.

The General Inspection works with the Group Chief Executive Officer, with whom it has regular meetings. The Group Head of Inspection and Audit meets regularly with the Chairman of the Board of Directors. The Audit and Internal Control Committee and the Risk Committee refer to the Group Head of Inspection and Audit on their initiative or at his request on any subject. The Group Head of Inspection and Audit participates in the Internal Control Committee and the Risk Committee meetings. Moreover, there are regular bilateral meetings between the Group Head of Inspection and Audit and the chairmen of these Committees.

The Inspection and Audit Service Unit, exercising its internal audit role, forms the third line of defence, strictly independent of the businesses and permanent control.

This is defined in line with IAA (Institute of Internal Auditors) standards as an independent and objective activity that reassures the Group on the level of control over operations, offers advice to improve such operations and helps create added value. Via this mandate, the Inspection and Audit Service Unit helps the Group meet its objectives by systematically and methodologically assessing its risk management, control and corporate governance processes by making proposals to underpin their efficiency.

The Inspection and Audit Service Unit exercises a key role in the Group's risk management set-up and can evaluate all the component parts.

As part of this mandate, the Inspection and Audit Service Unit assesses the quality of risk management within the audited scope, the appropriateness and efficacy of the permanent control set-up and management's sensitivity to risks and respect of expected rules of conduct and professional practice.

Beyond its internal audit role, General Inspection has an overall mandate such that it may undertake any type of analysis or research mission, be involved in the evaluation of strategic projects or intervene on specific subjects as requested by General Management. The General Inspection also supervises the roll-out of data-analysis initiatives within the scope of Inspection and Audit activities. This mission is ensured via a dedicated data-lab (INS/DAT), under the responsibility of an Inspection Managing Director ('*Inspecteur principal*'). The General Inspection also supervises and coordinates the Service Unit's relationship with regulators as third line of defence.

To fulfil IGAD's mandate, Inspection and Audit teams work together on annual risk assessment to define the intervention plan for the upcoming year. IGAD teams regularly work together on joint assignments. They issue recommendations to correct flaws identified in risk management and generally improve operations and risk management within the Group. IGAD teams are subsequently in charge of monitoring the effective implementation of these recommendations.

IGAD has six distinct audit departments aligned with the Group organisation. The Audit departments, placed under the supervision of a head of internal Audit each have the responsibility for a scope of activity. A matrix organisation allows coverage of the main cross-business issues at the Group level. In France, the internal Audit teams are hierarchically linked to the Inspection unit. Abroad, the internal Audit teams have a strong functional link (control over hiring, audit plans, missions and their follow-up) with IGAD top management. The six Audit departments are:

- French Retail Banking Audit handles the audit of Retail Banking activities in France (BDDF Business Unit), the audit of the Boursorama and GTPS Business Units as well as the audit of the Group's activities in French Overseas territories;
- Crédit du Nord inspection is in charge of the internal audit of Crédit du Nord and its subsidiaries (CDN Business Unit);
- Audit for Europe, Russia, Africa - International Retail Banking and Financial Services is responsible for auditing the EURO, AFMO, RUSS, ALDA, SGEF and ASSU Business Units and the IRBS Service Unit;
- Global Banking and Investor Solutions Audit is responsible, on a worldwide basis, for auditing the MARK, GLFI, SGSS, WAAM, CORI, AMER and ASIA Business Units and the GBS Service Unit. This department also audits the Group's Shared Service Centres (SG EBS and SG GSC);
- Group Information Systems Audit is responsible for auditing all IT functions within the RESG, GBS and IRBS Service Units and for auditing the ITM Service Unit;
- The IT audit teams are organised as a global function with strong expertise on IT security and the ability to interact with all teams within IGAD;
- Group functions audit is responsible for auditing the RISQ, DFIN, CPLE, SEGL and DRHG/COMM Service Units, as well as the Purchasing (ACHA) and Real estate (IMM) functions of the RESG Service Unit. Model audit teams are based within that department and may work in close cooperation with other Audit and Inspection teams.

Besides being responsible for the internal audit of the divisions falling within their scope, these teams also provide expertise and coordination in support of the work performed by other audit teams in the areas applicable to them, in particular on issues related to Risk, Compliance and Finance.

4.3.2 CONTROL OF THE PRODUCTION AND PUBLICATION OF FINANCIAL MANAGMENT INFORMATION

The players involved

There are many participants in the production of financial data:

- the **Board of Directors**, and more specifically its Audit and Internal Control Committee, has the task of examining the draft financial statements which are to be submitted to the Board, as well as verifying the conditions under which they were prepared and ensuring not only the relevance but also the consistency of the accounting principles and methods applied. There has been a strengthening of the Audit and Internal Control Committee's role in the follow-up of the process of elaboration of the financial information in accordance with the audit reform. It also approves the Group's financial communication. The Statutory Auditors meet with the Audit and Internal Control Committee during the course of their assignment;
- the **Group Finance Division** gathers all accounting and management data compiled by the subsidiaries and the Business Units/Services Units in a series of standardised reports. It consolidates and verifies this information so that it can be used in the overall management of the Group and disclosed to third parties (supervisory bodies, investors, etc.).

The **Group Finance Division** also has a team in charge of the preparation of the Group regulatory reports.

- the **Finance Divisions of subsidiaries and Business Units/Services Units** carry out certification of the accounting data and entries booked by the back offices and of the management data submitted by the front offices. They are accountable for the financial statements and regulatory information required at the local level and submit reports (accounting data, finance control, regulatory reports, etc.) to the Group Finance Division. They can perform these activities on their own or else delegate their tasks to Shared Service Centres operating in finance and placed under Group Finance Division governance.
- the **Risk Division** consolidates the risk monitoring data from the Group's Business Units/Services Units and subsidiaries in order to control credit, market and operational risks. This information is used in Group communications to the Group's governing bodies and to third parties. Furthermore, in collaboration with the Group Finance Division, the responsibility of certain closing processes, notably the production of solvency ratios;
- the **back offices** are responsible for all support functions to front offices and ensure contractual settlements and deliveries. Among other responsibilities, they check that financial transactions are economically justified, book transactions and manage means of payment.

Beyond consolidating accounting and financial information as described above, the Group Finance Division is charged with significant control responsibilities:

- monitoring the financial aspects of the Group's capital transactions and its financial structure;
- managing its assets and liabilities, and consequently defining, managing and controlling the Group's financial position and structural risks;
- ensuring that the regulatory financial ratios are respected;
- defining accounting standards, frameworks, principles and procedures for the Group, and ensuring that they are observed;
- verifying the accuracy of all financial and accounting data published by the Group.

Accounting and regulatory standards

Local financial statements are drawn up in accordance with local accounting standards, and the consolidated Group financial statements are prepared in accordance with the standards defined by the Group Finance Division, which are based on IFRS as adopted by the European Union.

The applicable standards on solvency and liquidity, promulgated by the Basel Committee, were translated into European law by a directive (CRD 4) and a regulation (CRR) were enforced on January 1st, 2014. Since January 1st, 2014, several delegated acts and acts of execution specified the CRD4 / CRR. The Societe Generale group identified as the " financial conglomerate " is subjected to an additional supervision.

The Group Finance Division has dedicated teams that monitor the applicable normative regulations and draft new internal standards to comply with any changes in the accounting and regulatory framework.

Procedures for producing financial and accounting data

Each entity within the Group prepares its own accounting and management statements on a monthly basis. This information is then consolidated each month at the Group level and published for the markets on a quarterly basis. Data reported are subject to analytical reviews and consistency checks performed by Finance Divisions or, by delegation under their responsibility, by Shared Service Centres operating in finance, and sent to the Group Finance Division. The Group Finance Division transmits the consolidated financial statements, management reports and regulatory statements to General Management and any interested third parties.

In practice, procedures have been tailored to the growing complexity of products and regulations. Moreover, specific action plans for adaptation can be implemented where necessary.

Internal control procedures governing the production of financial and accounting data

Accounting data are compiled independently of the front offices and the sales teams.

The quality and objectivity of the accounting and management data are insured by the separation of sales functions and all the functions of operational processing and follow-up of the operations: back offices and middle offices integrated into Resources Division and team in charge of result production integrated into Finance Division. These teams carry out a series of controls defined by Group procedures on financial and accounting data, in particular:

- daily verification of the economic justification of all information reported;
- reconciliation, within the specified deadlines, of accounting and management data, using specific procedures;

- on market activities, reconciliation between the accounting result (produced by Finance Division) and the economic result (produced by an expert' department dedicated within the Resource Division).

Given the increasing complexity of the Group's financial activities and organisation, staff training and IT tools are regularly upgraded to ensure that the production and verification of accounting and management data are effective and reliable.

SCOPE OF CONTROL

In practice, the internal control procedures implemented in the Group's businesses are designed to guarantee the quality of financial and accounting information, and notably to:

- ensure that the transactions entered in the Group's accounts are exhaustive and accurate;
- validate the valuation methods used for certain transactions;
- ensure that transactions are correctly assigned to the corresponding fiscal period and recorded in the accounts in accordance with the applicable accounting regulations, and that the accounting aggregates used to prepare the Group financial statements are compliant with the regulations in force;
- ensure the inclusion of all entities that must be consolidated in accordance with Group regulations;
- check that the operational risks associated with the production and transmission of accounting data through the IT system are correctly controlled, that the necessary adjustments are accurately performed, that the reconciliation of accounting and management data is satisfactory, and that the flows of cash payments and other items generated by transactions are exhaustive and adequate.

CONTROL BY THE FINANCE DEPARTMENTS

The Finance Department of each subsidiary verifies the accuracy and consistency of the financial statements with respect to the relevant accounting frameworks (local standards and IFRS for subsidiaries, as well as French standards for branches). It performs checks to guarantee the accuracy of the information disclosed.

The data received for consolidation from each subsidiary are drawn from corporate accounting data by the subsidiaries, after they have been locally brought into compliance with Group accounting principles.

Each subsidiary must be able to explain the transition from the company financial statements to the financial statements reported through the consolidation tool.

The Finance Departments of Business Units/Services Units have a dedicated department to management and financial monitoring.

CONTROL BY THE SHARED SERVICE CENTRES OPERATING IN FINANCE

Shared Service Centres operating in finance perform first-level controls, as necessary to ensure the reliability of the accounting, tax and regulatory information, on the financial statements they produce in accordance with French and IFRS standards:

- data quality and consistency checks (equity, securities, foreign exchange, financial aggregates from the balance sheet and income statement, deviations from standards);
- justification and certification of the financial statements under their responsibility;
- intercompany reconciliation of the financial statements;
- regulatory statement checks;
- verification of evidence of tax charges and balances (current, deferred and duties).

These controls are declared within the managerial supervision and Group accounting certification processes.

The Shared Services Centres have also implemented a process monitoring approach, which consists in:

- monitoring the teams' work and progress according to the various milestones in order to ensure smooth operations, anticipate any delays and prioritise tasks;
- communication of incidents affecting the preparation of the financial statements, in order to warn, coordinate and monitor the corrective action plans;
- key indicators: monitoring deadlines and the quality of accounting, regulatory and tax reports; manual entries; internal/intercompany/cash gaps;
- follow-up of action plans.

These controls allow the Shared Services Centres to provide all necessary information to the Finance Departments of Business Units/Services Units and the Group Finance and Accounting Division.

SUPERVISION BY THE GROUP FINANCE DIVISION

Once the financial statements produced by the entities have been restated according to Group standards, they are entered into a central database and processed to produce the consolidated statements.

The department in charge of consolidation checks that the consolidation scope is compliant with the applicable accounting standards and performs multiple verifications on data received for consolidation. These verifications include:

- confirmation that the data collected are properly aggregated;
- verification of recurring and non-recurring consolidation entries;
- exhaustive treatment of critical points in the consolidation process;
- treatment of any residual differences in reciprocal or intercompany statements.

Ultimately, this department ensures that the overall consolidation process has been conducted properly by performing analytical reviews of the summary data and verifying the consistency of the main aggregates of the financial statements. Changes in shareholders' equity, goodwill, provisions and any deferred taxes consolidated in the fiscal year are also analysed.

This department is also in charge of managing and coordinating the system in order to certify first-level key controls on a quarterly basis.

The Group Finance Division has also a dedicated team responsible for second-level permanent control with respect to all Finance processes, independent of the production teams. Its mission consists to ensure effectiveness, quality and relevance of the first-level control system; by an evaluation of this system with processes or activities reviews, testings of controls and the follow-up of quarterly certification.

Accounting audit system

CONTROLS BY ALL OPERATIONAL STAFF INVOLVED IN THE PRODUCTION OF ACCOUNTING, FINANCIAL AND MANAGEMENT DATA

The operational staff monitor their activity via a permanent supervision process, under the direct responsibility of their management teams, repeatedly verifying the quality of the controls carried out on accounting data and the associated accounting treatment.

CONTROLS THROUGH AUDITS AND SPECIALISED AUDIT TEAMS OF THE INTERNAL AUDIT DIVISION

As part of their assignments, audit teams verify the quality of the control environment contributing to the quality of the accounting and management data produced by the audited entities. They check a certain number of accounts and assess the reconciliations between accounting and management data, as well as the quality of the permanent supervision procedures for the production and control of accounting data. They also assess the performance of IT tools and the accuracy of manual processing.

The team in charge of auditing the Corporate Divisions is also responsible for auditing the Group Finance Division. Placed under the responsibility of a dedicated business correspondent, the team coordinates and monitors all audits related to accounting and financial matters on a Group-wide basis. The team provides expertise in identifying the Group's main accounting risks and carries out audits to verify the adequate application of accounting standards in areas deemed to be the most significant for the accuracy of the Group's accounting information. The team also organises training sessions and develops methodologies to help share expertise in the auditing of accounting risks.

Based on their audit findings, these teams issue recommendations to the parties involved in the production and control of accounting, financial and management data in order to improve this process through more specific initiatives targeted towards particular entities or activities.

CONTROLS CARRIED OUT BY THE GENERAL INSPECTION DEPARTMENT

The Group's General Inspection teams typically perform accounting audits as part of their assignments, and thus check the quality of the controls carried out by the persons involved in producing accounting, financial and management data.

PRESENTATIVE RECOVERY PLAN AND DATA COLLECTION FOR RESOLUTION

The recovery plan and data collection for resolution plan arise from a European regulatory requirement adopted in 2014 (Bank Recovery and Resolution Directive).

Prepared by the Bank, the Group's recovery plan strengthens its resilience by describing as a preventative measure the provisions that would allow it to face a major crisis independently. The plan includes all the elements necessary for the effective management of a severe financial crisis: vigilance and warning system, crisis management plan, crisis communication, and a list of recovery options which, depending on the case, would restore a healthy financial situation. Societe Generale's recovery plan is assessed by the European Central Bank.

The data collection prepared by Societe Generale for the development of the resolution plan includes the information required by the resolution authority (the Single Resolution Board for Societe Generale) to enable it to maintain the resolution plan. It must include strategies and actions that could be undertaken should the Bank default, in order to protect critical functions (essential to the economy), starting for example with deposits and means of payment, while also safeguarding the value of the Group's various components as far as possible, and limiting the final losses borne by investors and shareholders.

Strictly confidential, the recovery plan, the data collection and the resolution plan are regularly supplemented to reflect changes in applicable regulations and new recommandations of authorities.

4.4 CAPITAL MANAGEMENT AND ADEQUACY

4.4.1 THE REGULATORY FRAMEWORK

Audited I Since January 2014, Societe Generale has been applying the new Basel 3 Regulation implemented in the European Union *via* a directive (CRD4) and a regulation (CRR). Some of the provisions will become effective over a period continuing until at least 2019.

The general framework defined by Basel 3 is structured around three pillars:

- Pillar 1 sets the minimum solvency requirements and defines the rules that banks must use to measure risks and calculate the related capital requirements, according to standard or more advanced methods;
- Pillar 2 concerns the discretionary supervision implemented by the competent authority, which allows them – based on a constant dialogue with supervised credit institutions – to assess the adequacy of capital requirements as calculated under Pillar 1, and to calibrate additional capital requirements taking into account all the risks to which these institutions are exposed;
- Pillar 3 encourages market discipline by developing a set of qualitative or quantitative disclosure requirements which will allow market participants to better assess a given institution's capital, risk exposure, risk assessment processes and, accordingly, capital adequacy.

In terms of capital, the main new measures introduced to strengthen banks' solvency were as follows:

- the complete revision and harmonisation of the definition of capital, in particular with the amendment of the deduction rules, the definition of a standardised Common Equity Tier 1 (or CET1) ratio, and new Tier 1 capital eligibility criteria for hybrid securities;
- new capital requirements for the counterparty risk of market transactions, to factor in the risk of a change in CVA (Credit Value Adjustment) and to hedge exposures on the central counterparties (CCP);
- the set-up of capital buffers that can be mobilised to absorb losses in case of difficulties. The new rules require banks to create a conservation buffer and a countercyclical buffer to preserve their solvency in the event of adverse conditions. Moreover, an additional buffer is required for systemically important banks. As such, the Societe Generale Group, as a global systemically important bank (G-SIB), has had its Common Equity Tier 1 ratio requirement increased by an additional 1%. Requirements related to capital buffers gradually entered into force as from 1st January 2016, for full application by January 2019;
- the set-up of restrictions on distributions, relating to dividends, AT1 instruments and variable remuneration;
- in addition to these measures, there will be measures to contain the size and, consequently, the use of excessive leverage. To this end, the Basel Committee has defined a leverage ratio, for which the definitive regulations were published in January 2014, and included in the Commission's Delegated Regulation (EU) 2015/62. The leverage ratio compares the bank's Tier 1 capital to the balance sheet and off-balance sheet items, with restatements for derivatives and pensions. Banks have been required to publish this ratio since 2015.

In December 2017, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), endorsed the ongoing Basel 3 regulatory reforms, implemented in 2009. These new rules will take effect from 2022 with an overall output floor: the RWA of the bank will be floored to a percentage of the standard method (credit, market and operational). The output floor level will increase gradually, from 50% in 2022 to 72.5% in 2027. Nevertheless, these rules will have to be transposed into European law (CRR3/CRD6) to be applicable to the Group.

Furthermore, on 23rd November 2016 the Commission published its draft CRR2/CRD5 text. Most of the provisions will enter into force two years after the CRR2 becomes effective. Depending on the Trilogue, this may not happen before 2021 at the earliest. The final provisions will only be known following the European legislative procedure.

The new provisions concern the following:

- NSFR: new Basel provisions on the stable funding ratio;
- Leverage ratio: the 3% minimum requirement will be included in the CRR;
- Counterparty derivatives risk (SA-CCR): the SA-CCR method is the Basel method replacing the current "CEM" method to calculate the prudential exposure to derivatives using the standardised approach;
- Large exposures: the main change concerns the calculation of the Tier 1 regulatory limit (25%, instead of total capital), as well as the introduction of a cross-specific limit on systemic institutions (15%).

With regards to the implementation of market risk reform (FRTB), after the publication in January 2016 of the first revised standard and of Consultation in March 2018 on this subject, the Basel Committee published in January 2019 its final text: BCBS457. According to its previous publications, the Basel Committee confirms its implementation schedule (which does not challenge the European Union calendar below, with an entry into force no later than 1 January 2022).

As a reminder, in Europe, the CRR 2 calendar will apply as follows:

- First, the FRTB reform will come into force as a disclosure requirement (2021 for the Standard approach and 2023 for the IMA),

- FRTB's own funds requirements will then become mandatory in the CRR3 package (not before 2023).▲

At the end of 2017, the European Central Bank has confirmed the level of additional capital requirements in respect of Pillar 2 (P2R or "Pillar 2 Requirement"), effective as from 1st January 2018. This level was set at 1.50% for Societe Generale.

At the beginning of 2019, the ECB has increased the Pillar 2 requirement by +25pb bringing it to 1.75% effective as from 1st March 2019.

Detailed information on the G-SIB requirements and other prudential information is available on the Group's website, *www.societegenerale.com*, under "Registration Document" and "Pillar 3".

Throughout 2018, the Societe Generale Group complied with the minimum ratio requirements applicable to its activities.

4.4.2 SCOPE OF APPLICATION – PRUDENTIAL SCOPE

The Group's prudential reporting scope includes all fully consolidated entities, with the exception of insurance entities, which are subject to separate capital supervision.

All of the Group's regulated entities comply with their prudential commitments on an individual basis.

Non-regulated entities outside of the scope of consolidation are subject to periodic reviews, at least annually. Any differences with respect to legal capital requirements are adequately provisioned in the Group's consolidated financial statements.

The following table provides the main differences between the accounting scope (consolidated Group) and the prudential scope (Banking Regulation requirements).

TABLE 1: DIFFERENCE BETWEEN ACCOUNTING SCOPE AND PRUDENTIAL REPORTING SCOPE

Type of entity	Accounting treatment	Prudential treatment under CRR/CRD4
Entities with a finance activity	Full consolidation	Capital requirement based on the subsidiary's activities
Entities with an Insurance activity	Full consolidation	Weighted equity value
Holdings, joint ventures with a finance activity by nature	Equity method	Weighted equity value

The following table provides a reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope. The amounts presented are accounting data and not a measure of risk-weighted assets, EAD or prudential capital. Prudential filters related to entities and holdings not associated with an insurance activity are grouped together on account of their non-material weight (< 0.2%).

TABLE 2: RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AND THE PRUDENTIAL ACCOUNTING BALANCE SHEET

ASSETS at 31.12.2018 *(In EUR m)*	**Consolidated balance sheet**	**Prudential restatements linked to insurance (1)**	**Prudential restatements linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Cash, due from banks	96,585	0	0	96,585
Financial assets at fair value through profit or loss	365,550	9,736	0	375,286
Hedging derivatives	11,899	32	0	11,931
Financial assets at fair value through other comprehensive income	50,026	0	0	50,026
Securities at amortised cost	12,026	0	0	12,026
Due from banks at amortised cost	60,588	0	150	60,738
of which subordinated loans to credit institutions	91	0	0	91
Customer loans at amortised cost	447,229	1,539	213	448,981
Revaluation differences on portfilios hedged against interest rate risk	338	0	0	338
Investment of insurance activities	146,768	(146,768)	0	0
Tax assets	5,819	(143)	0	5,676
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	2,895	0	(816)	2,079
of which deferred tax assets arising from temporary differences	1,858	0	762	2,620
Other assets	67,446	(2,396)	56	65,106
of which defined-benefit pension fund assets	76	0	0	76
Non-current assets held for sale	13,502	3	0	13,505
Investments accounted for using the equity method	249	3,569	(68)	3,750
Tangible and intangible assets	26,751	(152)	0	26,599
of which intangible assets exclusive of leasing rights	2,198	0	(132)	2,066
Goodwill	4,652	(325)	0	4,327
TOTAL ASSETS	**1,309,428**	**(134,905)**	**351**	**1,174,874**

* *Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions related to its entities.*

LIABILITIES at 31.12.2018 *(In EUR m)*	**Consolidated balance sheet**	**Prudential restatements linked to insurance (1)**	**Prudential restatements linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Due to central bank	5,721	0	0	5,721
Financial liabilities at fair value through profit or loss	363,083	2,472	0	365,555
Hedging derivatives	5,993	8	0	6,001
Due to banks	116,339	1,757	0	118,096
Customer deposits	94,706	(2,966)	(30)	91,710
Debt securities issued	416,818	1,529	40	418,387
Revaluation differences on portfolios hedged against interest rate risk	5,257	0	0	5,257
Tax liabilities	1,157	(333)	0	824
Other Liabilities	76,629	(6,996)	341	69,974
Non-current liabilities held for sale	10,454	58	0	10,512
Liabilities related to insurance activities contracts	129,543	(129,543)	0	0
Provisions	4,605	(12)	0	4,593
Subordinated debts	13,314	139	0	13,453
of which redeemable subordinated notes including revaluation differences on hedging items	12,730	139	0	12,869
TOTAL DEBTS	**1,243,619**	**(133,887)**	**351**	**1,110,083**
Equity, Group share	61,026	(203)	0	60,823
of which capital and related reserves	19,995	0	0	19,995
of which other capital instruments	9,109	0	0	9,109
of which retained earnings	3,448	0	0	3,448
of which accumulated other comprehensive income (including gains and losses accounted directly in equity)	24,610	(203)	0	24,407
of which net income	3,864	0	0	3,864
Minority interests	4,783	(815)	0	3,968
TOTAL EQUITY	**65,809**	**(1,018)**	**0**	**64,791**
TOTAL LIABILITIES	**1,309,428**	**(134,905)**	**351**	**1,174,874**

(1) *Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions related to its entities.*

ASSETS at 01.01.2018 *(In EUR m)*	**Consolidated balance sheet**	**Prudential restatements linked to insurance (1)**	**Prudential restatements linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Cash, due from banks	114,404	0	0	114,404
Financial assets at fair value through profit or loss	369,112	7,733	0	376,845
Hedging derivatives	12,718	21	0	12,739
Financial assets at fair value through other comprehensive income	50,468	0	0	50,468
Securities at amortised cost	11,592	0	0	11,592
Due from banks at amortised cost	53,656	0	209	53,865
of which subordinated loans to credit institutions	133	0	0	133
Customer loans at amortised cost	417,391	1,277	15	418,683
Revaluation differences on portfilios hedged against interest rate risk	663	0	0	663
Investment of insurance activities	147,611	(147,611)	0	-
Tax assets	6,292	(112)	0	6,180
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	2,970	0	(780)	2,190
of which deferred tax assets arising from temporary differences	2,086	0	673	2,759
Other assets	60,449	(2,466)	80	58,063
of which defined-benefit pension fund assets	84	0	0	84
Non-current assets held for sale	13	0	0	13
Investments accounted for using the equity method	659	3,952	(64)	4,547
Tangible and intangible assets	24,200	(149)	0	24,051
of which intangible assets exclusive of leasing rights	1,940	0	(129)	1,811
Goodwill	4,988	(325)	0	4,663
TOTAL ASSETS	**1,274,216**	**(137,680)**	**240**	**1,136,776**

(1) Restatement of entities outside the prudential reporting scope and reconsolidation of intra-group transactions related to its entities.

LIABILITIES at 01.01.2018 *(In EUR m)*	**Consolidated balance sheet**	**Prudential restatements linked to insurance (1)**	**Prudential restatements linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Due to central bank	5,604	0	0	5,604
Financial liabilities at fair value through profit or loss	368,550	2,198	0	370,748
Hedging derivatives	6,146	17	0	6,163
Due to banks	103,235	1,608	0	104,843
Customer deposits	88,621	(3,916)	(14)	84,691
Debt securities issued	410,633	1,807	120	412,560
Revaluation differences on portfolios hedged against interest rate risk	6,020	0	0	6,020
Tax liabilities	1,608	(373)	0	1,235
Other Liabilities	69,139	(6,445)	134	62,828
Non-current liabilities held for sale	0	0	0	-
Liabilities related to insurance activities contracts	131,717	(131,717)	0	-
Provisions	6,345	(16)	0	6,329
Subordinated debts	13,647	208	0	13,855
of which redeemable subordinated notes including revaluation differences on hedging items	13,095	204	0	13,299
TOTAL DEBTS	**1,211,265**	**(136,629)**	**240**	**1,074,876**
Equity, Group share	58,428	(203)	0	58,225
of which capital and related reserves	19,996	0	0	19,996
of which other capital instruments	8,565	0	0	8,565
of which retained earnings	5,280	0	0	5,280
of which accumulated other comprehensive income (including gains and losses accounted directly in equity)	21,781	0	0	21,781
of which net income	2,806	(203)	0	2,603
Minority interests	4,523	(848)	0	3,675
TOTAL EQUITY	**62,951**	**(1,051)**	**0**	**61,900**
TOTAL LIABILITIES	**1,274,216**	**(137,680)**	**240**	**1,136,776**

(1) Restatement of entities outside the prudential reporting scope and reconsolidation of intra-group transactions related to its entities.

The main Group companies outside the prudential reporting scope are as follows:

TABLE 3: ENTITIES OUTSIDE THE PRUDENTIAL REPORTING SCOPE

Company	Activity	Country
Antarius	Insurance	France
ALD RE Designated Activity Company	Insurance	Ireland
Catalyst RE International LTD	Insurance	Bermuda
Société Générale Strakhovanie Zhizni LLC	Insurance	Russia
Sogelife	Insurance	Luxembourg
Genecar - Société Générale de Courtage d'Assurance et de Réassurance	Insurance	France
Inora Life LTD	Insurance	Ireland
SG Strakhovanie LLC	Insurance	Russia
Sogecap	Insurance	France
Komercni Pojstovna A.S.	Insurance	Czech Republic
La Marocaine Vie	Insurance	Morocco
Oradea Vie	Insurance	France
Société Générale RE SA	Insurance	Luxembourg
Sogessur	Insurance	France
Société Générale Life Insurance Broker SA	Insurance	Luxembourg
SG Reinsurance Intermediary Brokerage, LLC	Insurance	USA
La Banque Postale Financement	Bank	France
SG Banque au Liban	Bank	Lebanon
Banque Pouyanne	Bank	France

Regulated financial entities and affiliates outside of Societe Generale's prudential consolidation scope are all in compliance with their respective solvency requirements. More generally, all regulated Group undertakings are subject to solvency requirements set by their respective regulators.

The supervising authority accepted that some Group entities may be exempt from the application of prudential requirements on an individual basis or, where applicable, on a sub-consolidated basis. Accordingly, Societe Generale SA is not subject to prudential requirements on an individual basis.

Any transfer of equity or repayment of liabilities between the parent company and its entities shall be carried out in compliance with capital and liquidity requirements applicable locally.

4.4.3 REGULATORY CAPITAL

Reported according to international financial reporting standards (IFRS), Societe Generale's regulatory capital consists of the following components.

Common equity Tier 1 capital

According to CRR/CRD4 Regulations, Common Equity Tier 1 capital is made up primarily of the following:

- ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts;
- retained earnings;
- components of other comprehensive income;
- other reserves;
- minority interests limited by CRR/CRD4.

Deductions from Common Equity Tier 1 capital essentially involve the following:

- estimated dividend payments;
- goodwill and intangible assets, net of associated deferred tax liabilities;
- unrealised capital gains and losses on cash flow hedging;
- income on own credit risk;
- deferred tax assets on tax loss carryforwards;
- deferred tax assets resulting from temporary differences beyond a threshold;
- assets from defined benefit pension funds, net of deferred taxes;
- any positive difference between expected losses on customer loans and receivables, risk-weighted using the internal ratings-based (IRB) approach, and the sum of related value adjustments and collective impairment losses;
- expected losses on equity portfolio exposures;
- value adjustments resulting from the requirements of prudent valuation;
- securitisation exposures weighted at 1,250%, where these positions are not included in the calculation of total risk-weighted exposures.

Additional Tier 1 capital

According to CRR/CRD4 Regulations, additional Tier 1 capital is made up of deeply subordinated notes that are issued directly by the Bank, and have the following features:

- these instruments are perpetual and constitute unsecured, deeply subordinated obligations. They rank junior to all other obligations of the Bank, including undated and dated subordinated debt, and senior only to common stock shareholders;
- in addition, Societe Generale may elect, on a discretionary basis, not to pay the interest and coupons linked to these instruments. This compensation is paid out of distributable items;
- they include neither a step-up in compensation nor any other incentive to redeem;
- they must have a loss-absorbing capacity;
- subject to the prior approval of the European Central Bank, Societe Generale has the option to redeem these instruments at certain dates, but no earlier than five years after their issuance date.

Deductions of additional Tier 1 capital essentially apply to the following:

- AT1 hybrid treasury shares;
- holding of AT1 hybrid shares issued by financial sector entities;
- minority interests beyond the minimum T1 requirement in the entities concerned.

Tier 2 capital

Tier 2 capital includes:

- undated deeply subordinated notes[(1)];
- dated subordinated notes;
- any positive difference between (i) the sum of value adjustments and impairment losses on customer loans and receivables exposures, risk-weighted using the IRB approach and (ii) expected losses, up to 0.6% of the total credit risk-weighted assets using the IRB approach;
- value adjustments for credit risk related to collective impairment losses on customer loans and receivables exposures, risk-weighted using the standard approach, up to 1.25% of the total credit risk-weighted assets.

Deductions of Tier 2 capital essentially apply to the following:

- Tier 2 hybrid treasury shares;
- holding of Tier 2 hybrid shares issued by financial sector entities;
- minority interests beyond the minimum capital requirement in the entities concerned.

All capital instruments and their features are detailed online (*www.societegenerale.com*/Investors/Registration Document and Pillar 3).

TABLE 4: CHANGES IN DEBT INSTRUMENTS ELIGIBLE FOR THE SOLVENCY CAPITAL REQUIREMENTS

(In EUR m)	31.12.2017	Issues	Redemptions	Prudential supervision valuation haircut	Others	31.12.2018
Debt instruments eligible for Tier 1	8,715	2,184	(1,712)	0	237	9,424
Debt instruments eligible for Tier 2	12,388	1,254	(54)	(455)	256	13,389
TOTAL ELIGIBLE DEBT INSTRUMENTS	**21,103**	**3,439**	**(1,766)**	**(455)**	**493**	**22,813**

Solvency ratio

The solvency ratio is set by comparing the Group's equity with the sum of risk-weighted assets for credit risk and the capital requirement multiplied by 12.5 for market risks and operational risks. They are expressed as a percentage of the risk weighted assets and according to the split of own funds i.e.; Core Equity Tiers 1 (CET1), Tiers 1 (T1) or Total Capital (TC).

Every quarter, each ratio is calculated following the accounting closing and then compared to the supervisory requirements.

The regulatory minimum requirement is set at 4.5% for the CET1, 6% fot the T1 and 8% for the TC. This minimum remains stable over the time.

The minimum P2R requirement is set by the supervisor following the Supervisory regulatory evaluation process. It stands for 1.5% during 2018. The European Central Bank notified the level of additional requirement in respect of Pillar 2 for Societe Generale, which will apply from 1 March 2019. This level will stand at 1.75%.

The countercyclical buffer – just like the conservation and systemic buffers – plays a role in determining the overall buffer requirement.

- The countercyclical buffer rate is set by country. Each establishment calculates its countercyclical buffer requirement based on the average countercyclical buffer rate for each country, adjusted to take into account the relevant credit risk exposures in these countries. The countercyclical buffer rate, in force as of 1st January 2019 is equal to 0.13%.
- The conservation buffer in force as of 1st January 2006 lies between 0% and 2.50% with a transitional period (phase-in) ending in 2019. It increased from 1.875% in 2018 to 2.50% at the 1st of January 2019.
- The G-SIB buffer imposed by the Financial Stability Board (FSB) is equal to 1% because increasing and will be increased by 0.25% per annum, ultimately reaching 1% in 2019. The fully loaded rate is equal to 1% and is unchanged compared to 2018.

Taking into account the combined regulatory buffers, the phased-in CET1 ratio level that would trigger the Maximum Distributable Amount mechanism would be 9.88% as of 1 March 2019.

(1) The undated deeply subordinated notes's remuneration will be paid from the distribuable profits for the purposes of the consolidated prudential regulation.

TABLE 5: BREAKDOWN OF PRUDENTIAL CAPITAL REQUIREMENT FOR SOCIETE GENERALE – PHASED-IN RATIO (IN %)

	01.03.2019	01.01.2019	01.01.2018
Minimum requirement for Pillar 1	4.50%	4.50%	4.50%
Minimum requirement for Pillar 2 (P2R)	1.75%	1.50%	1.50%
Minimum requirement for countercyclical buffer	0.13%	0.13%	0.05%
Minimum requirement for conservation buffer	2.50%	2.50%	1.88%
Minimum requirement for systemic buffer	1.00%	1.00%	0.75%
Minimum requirement for CET1 ratio	**9.88%**	**9.63%**	**8.68%**

TABLE 6: REGULATORY CAPITAL AND CRR/CRD4 SOLVENCY RATIOS – FULLY LOADED

(In EUR m)	31.12.2018	31.12.2017
Shareholders' equity (IFRS), Group share	**61,026**	**59,373**
Deeply subordinated notes	(9,329)	(8,521)
Perpetual subordinated notes	(278)	(269)
Group consolidated shareholders' equity net of deeply subordinated and perpetual subordinated notes	**51,419**	**50,583**
Non-controlling interests	3,600	3,529
Intangible assets	(2,095)	(1,795)
Goodwill	(4,643)	(4,829)
Dividends proposed (to the General Meeting) and interest expenses on deeply subordinated and perpetual subordinated notes	(1,871)	(1,880)
Deductions and regulatory adjustments	(5,256)	(5,381)
COMMON EQUITY TIER 1 CAPITAL	**41,154**	**40,227**
Deeply subordinated notes and preferred shares	9,424	8,715
Other additional Tier 1 capital	71	101
Additional Tier 1 deductions	(138)	(136)
TOTAL TIER 1 CAPITAL	**50,511**	**48,907**
Tier 2 instruments	13,389	12,388
Other Tier 2 capital	(63)	425
Tier 2 deductions	(1,781)	(1,686)
Total regulatory capital	**62,056**	**60,034**
TOTAL RISK-WEIGHTED ASSETS	**376,049**	**353,306**
Credit risk-weighted assets	302,727	289,511
Market risk-weighted assets	23,701	14,800
Operational risk-weighted assets	49,621	48,995
Solvency ratios		
Common Equity Tier 1 ratio	10.9%	11.4%
Tier 1 ratio	13.4%	13.8%
Total capital ratio	16.5%	17.0%

The phased-in CRR/CRD4 solvency ratio at 31st December 2018 stood at 11% in Common Equity Tier 1 (11.6% at 31st December 2017), and 13.5% in Tier 1 (14% at 31st December 2017) for a total ratio of 16.6% (17.2% at 31st December 2017).

The 10.9% fully loaded ratio would stand for 11.2% pro forma of the scrip dividend subject to the General Meeting of Shareholder's approval and assuming 50% take-up.

Group shareholders' equity at 31st December 2018 totalled EUR 61.0 billion (compared to EUR 59.4 billion at 31st December 2017).

After taking into account non-controlling interests and regulatory adjustments, phased-in CET1 regulatory capital was EUR 41.4 billion at 31st December 2018, vs. EUR 40.9 billion at 31st December 2017.

The Additional Tier One deductions mainly concern authorisations to buy back own additional Tier 1 capital instruments as well as subordinated bank and insurance loans.

The table below shows the key factors in this change.

TABLE 7: CET1 REGULATORY DEDUCTIONS AND ADJUSTMENTS UNDER CRR/CRD4

(In EUR m)	31.12.2018	31.12.2017
Unrecognised minority interests	(1,917)	(1,957)
Deferred tax assets	(2,079)	(2,102)
Prudent Valuation Adjustment	(844)	(785)
Adjustments related to changes in the value of own liabilities	107	531
Other	(523)	(1,068)
TOTAL CET1 REGULATORY DEDUCTIONS AND ADJUSTMENTS	**(5,256)**	**(5,381)**

CRR/CRD4 prudential deductions and restatements included in “Other” essentially involve the following:

- any positive difference between expected losses on customer loans and receivables, measured according to the internal ratings-based (IRB) approach, and the sum of related value adjustments and impairment losses;
- expected losses on equity portfolio exposures;
- unrealised gains and losses on cash flow hedges;
- assets from defined benefit pension funds, net of deferred taxes;
- securitisation exposures weighted at 1,250%, where these positions are not included in the calculation of total risk-weighted exposures.

4.4.4 CAPITAL REQUIREMENTS

The Basel 3 Accord established the new rules for calculating minimum capital requirements in order to more accurately assess the risks to which banks are exposed. The calculation of credit risk-weighted assets takes into account the transaction risk profile based on two approaches for determining risk-weighted assets: (i) a standard method, and (ii) advanced methods based on internal models for rating counterparties.

TABLE 8: GROUP CAPITAL REQUIREMENTS AND RISK-WEIGHTED ASSETS

	RWA		Minimum capital requirements	
(In EUR bn)	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Credit risk (excluding counterparty credit risk)	**264,787**	**250,774**	**21,183**	**20,062**
o.w. standardised approach	102,225	97,408	8,178	7,793
o.w. Foundation IRB (F-IRB) approach	4,588	4,483	367	359
o.w. Advanced IRB (A-IRB) approach	142,795	131,373	11,424	10,510
o.w. equity IRB under the simple risk-weighted approach or IMA	15,178	17,511	1,214	1,401
Counterparty credit risk	**26,834**	**28,479**	**2,147**	**2,278**
o.w. risk exposure for contributions to the default fund of a CCP	1,103	1,163	88	93
o.w. CVA	4,904	3,760	392	301
Settlement risk	**6**	**2**	**0**	**0**
Securitisation exposures in the banking book (after cap)	**2,199**	**1,779**	**176**	**142**
o.w. IRB approach	95	114	8	9
o.w. IRB supervisory formula approach (SFA)	78	4	6	0
o.w. internal assessment approach (IAA)	1,842	1,461	147	117
o.w. standardised approach	184	200	15	16
Market risk	**23,701**	**14,800**	**1,896**	**1,184**
o.w. standardised approach	2,444	1,384	196	111
o.w. IMA	21,257	13,416	1,701	1,073
Large exposures				
Operational risk	**49,621**	**48,995**	**3,970**	**3,920**
o.w. basic indicator approach	0	0	0	0
o.w. standardised approach	2,872	3,020	230	242
o.w. advanced measurement approach	46,749	45,975	3,740	3,678
Amounts below the thresholds for deduction (subject to 250% risk-weighting)	8,902	8,477	712	678
Floor adjustment	0	0	0	0
TOTAL	**376,049**	**353,306**	**30,084**	**28,264**

Change in risk-weighted assets and capital requirements

TABLE 9: RISK-WEIGHTED ASSETS (RWA) BY PILLAR AND RISK TYPE (IN EUR BN)

(In EUR bn)	Credit	Market	Operational	Total 2018	Total 2017
French Retail Banking	92.0	0.1	5.5	97.6	100.5
International Retail Banking and Financial Services	111.9	0.1	7.7	119.7	116.8
Global Banking and Investor Solutions	87.4	21.8	33.1	142.3	124.0
Corporate Centre	11.5	1.6	3.4	16.5	12.0
Group	**302.7**	**23.7**	**49.6**	**376.0**	**353.3**

At 31st December 2018, RWA (EUR 376 billion) broke down as follows:

- credit risk accounted for 81% of RWA (of which 37% for International Retail Banking and Financial Services);
- market risk accounted for 6% of RWA (of which 92% for Global Banking and Investor Solutions);
- operational risk accounted for 13% of RWA (of which 67% for Global Banking and Investor Solutions).

4.4.5 CAPITAL MANAGEMENT

Audited I As part of its capital management, the Group (under the supervision of the Finance Division) ensures that its solvency level is always compatible with the following objectives:

- maintaining its financial solidity and respecting the Risk Appetite targets;
- preserving its financial flexibility to finance organic growth and growth through acquisitions;
- allocating adequate capital to the various businesses, according to the Group's strategic objectives;
- maintaining the Group's resilience in the event of stress scenarios;
- meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders.

The Group determines its internal solvency targets in accordance with these objectives and regulatory thresholds.

The Group has an internal process for assessing the adequacy of its capital that measures the adequacy of the Group's capital ratios in light of regulatory constraints. ▲

In 2018, the Group's capital generation and the developments in the Group's operations portfolio (specifically the year's disposals and acquisitions) funded the extraordinary items of the 2017 financial year and helped to maintain a sufficient margin to ensure dividend and hybrid coupon payments, while keeping the Common Equity Tier 1 ratio stable overall.

In addition, the Group maintains a balanced capital allocation among its three strategic pillars:

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

Each of the Group's three pillars accounts for around a third of all risk-weighted assets (RWA), with French and International Retail Banking (more than 58% of total business loans and receivables) and credit risks (representing 81% of the Group's risk-weighted assets) accounting for the largest share.

At 31st December 2018, the Group's risk-weighted assets were up 6.4% to EUR 376 billion, compared to EUR 353.3 billion at end-December 2017.

4.4.6 LEVERAGE RATIO MANAGEMENT

The Group manages its leverage effect according to the CRR leverage ratio rules, as amended by the delegated act of 10th October 2014.

Managing the leverage ratio means both calibrating the amount of Tier 1 capital (the ratio's numerator) and controlling the Group's leverage exposure (the ratio's denominator) to achieve the target ratio levels that the Group sets for itself. To this end, the "leverage" exposure of the different businesses is under the Finance Division's control.

The Group aims to maintain a consolidated leverage ratio that is significantly higher than the 3.5% minimum in the Basel Committee's recommendations. Theses recommandations is currently being transposed in the CRR2 and including a fraction of the systemic buffer which is applicable to the Groupe.

At the end of 2018, Societe Generale's leverage ratio was 4.2%. .

TABLE 10: LEVERAGE RATIO SUMMARY AND RECONCILIATION OF PRUDENTIAL BALANCE SHEET AND LEVERAGE EXPOSURE

(In EUR m)	31.12.2018	31.12.2017
Tier 1 capital[1]	**50,511**	**48,907**
Total assets in prudential balance sheet[2]	1,174,873	1,137,688
Adjustments for fiduciary assets recognised on the balance sheet but excluded from the leverage ratio exposure	0	0
Adjustments for derivative financial instruments	(45,520)	(61,148)
Adjustments for securities financing transactions[3]	(11,146)	(9,035)
Off-balance sheet exposure (loan and guarantee commitments)	99,777	93,055
Technical and prudential adjustments (Tier 1 capital prudential deductions)	(10,320)	(10,716)
Leverage ratio exposure	**1,207,664**	**1,149,844**
CRR fully loaded leverage ratio[4]	**4.2%**	**4.3%**

(1) Capital overview is available in Table 6: Regulatory capital and CRR/CRD4 solvency ratios – fully loaded.
(2) Reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope is available in Table 2.
(3) Securities financing transactions: repurchase transactions, securities lending or borrowing transactions and other similar transactions.
(4) Fully loaded based on CRR rules adopted in October 2014 by the European Commission (delegated act).

4.4.7 RATIO OF LARGE EXPOSURES

The CRR (European Capital Requirements Regulation) incorporates the provisions regulating large exposures. As such, the Societe Generale Group must not have any exposure where the total amount of net risks incurred on a single beneficiary exceeds 25% of the Group's capital.

The eligible capital used to calculate the large exposure ratio is the total regulatory capital, with a limit on the amount of Tier 2 capital. Tier 2 capital cannot exceed one-third of Tier 1 capital.

The final rules of the Basel Committee on large exposures will be transposed in Europe *via* CRR2. The main change compared with the current CRR is the calculation of the regulatory limit (25%), henceforth expressed as a proportion of Tier 1 (instead of total capital), as well as the introduction of a cross-specific limit on systemic institutions (15%).

4.4.8 FINANCIAL CONGLOMERATE RATIO

The Societe Generale Group, also identified as a "Financial conglomerate", is subject to additional supervision by the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR).

At 31st December 2018, the Societe Generale Group's financial conglomerate equity covered the solvency requirements for both banking activities and insurance activities. At 30 June 2018, the financial conglomerate ratio was 138%, consisting of a numerator ("Own funds of the Financial Conglomerate") of EUR 63.5 billion, and a denominator ("Regulatory requirement of the Financial Conglomerate") of EUR 46.2 billion.

4.5 CREDIT RISKS

Credit risk corresponds to risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitisation activities and may be further amplified by individual, country and sector concentration risk.

4.5.1 RISK SUPERVISION AND MONOTORING SYSTEM

General principles governing risk-taking

All transactions involving credit risk must be pre-authorised.

Audited I The risk approval process is based on three fundamental principles:

- for each client or client group, the analysis and validation of credit agreements is first and foremost the responsibility of a designated business line within the Group (client monitoring sector), and then a unit in the risk management function. The business and risk unit examine all authorisation requests relating to a specific client or client group, to ensure a consistent approach to risk management. The business line and risk unit must be independent of each other;
- use of internal ratings for counterparties. These ratings are proposed by the businesses and validated by the Risk function. The credit approval and risk monitoring process differs according to the nature of the counterparty. For individual and professional clients (retail clients), credit decisions are subject to compliance with approval criteria set out in the credit policies and verified with the help of score tools used under the supervision of the Risk Division. Credit risk policies specify in particular the conditions in which limits are set, as well as the processes applicable in the event these limits are breached. The approval process for corporate counterparties, financial institutions and sovereigns is based on in-depth knowledge of the client and a proper understanding of the purpose of transactions;
- the system of delegating powers is based largely on the internal rating of counterparties and confers responsibility on the businesses for all credit decisions, for which they assume the burden, where applicable, of provisions and losses.▲

Monitoring individual concentration

Individual large exposures are reviewed by the Large Exposures Committee chaired by General Management. Societe Generale complies with regulations governing large exposures[1]. Moreover, the Group has set a stricter internal rule with a limit of 10% of the Group's consolidated shareholders' equity applying to any concentrated exposure on a client group.

The largest concentrations are monitored by rating level. The Group uses credit derivatives to reduce certain exposures considered to be too large.

Concentration levels on connected clients are established in the Business Units for the largest counterparties during Concentration Committee meetings.

Monitoring country risks

Country risk arises when an exposure (loan, security, guarantee or derivative) becomes susceptible to negative impact from changing regulatory, political, economic, social and financial conditions.

Country risk breaks down into two major categories:

- political and non-transfer risk covers the risk of non-payment resulting from either actions or measures taken by local government authorities (decision to prohibit the debtor from meeting its commitments, nationalisation, expropriation, non-convertibility, etc.), domestic events (riots, civil war, etc.) or external events (war, terrorism, etc.);
- commercial risk occurs when the credit quality of all counterparties in a given country deteriorates due to a national economic or financial crisis, independently of each counterparty's individual financial situation. This could be a macroeconomic shock (sharp slowdown in activity, systemic banking crisis, etc.), currency depreciation, or sovereign default on external debt potentially entailing other defaults.

Overall limits and strengthened monitoring of exposures have been established for countries based on their internal ratings and governance indicators. Supervision is not limited to emerging countries.

Country limits are approved annually by General Management. They can be revised downward at any time if the country's situation deteriorates or is expected to deteriorate.

All Group exposures (securities, derivatives, loans and guarantees) are taken into account by this monitoring. The Country Risk methodology determines an initial risk country and a final risk country (after any guarantee-related effects), which is supervised using country limits.

The procedure for placing a country on a watch list is triggered when there is a deterioration in country risk, or such a deterioration can be anticipated. During 2018, a number of countries were placed on a watch list, due to difficulties encountered.

Sector monitoring

The Group conducts routine reviews of its loan portfolio using analyses based on business sector. In addition to industry research and analyses of recurring sector-related concentration, more detailed sector-based research and business portfolio analyses may be requested by General Management, the Risk Division or bank divisions.

(1) Ratio of large exposures, p 188.

Certain scopes are subject to specific monitoring.

Specific attention is paid to hedge fund exposure. The Group incurs risk on hedge funds through derivative transactions and its financing activity guaranteed by shares in funds. Risks related to hedge funds are governed by individual limits and global limits on market risks and wrong way risk.

Portfolios have also been subject to enhanced approval criteria, in credit policies.

In leveraged finance, the Group applies the ECB definition in the "Guidance on Leveraged Transactions". The Group has also enhanced its process for analysing these third parties' capacity to repay their commitments at the time of approval, reinforced the monitoring carried out on this scope and reviewed its escalation process.

In the case of the oil and gas scope, the Group has established a credit policy adapted to the different types of activity of sector players. This policy distinguishes in particular financing guaranteed by oil reserves, project financing, short-term trade finance transactions, and takes account of specific regional characteristics.

Credit stress tests

With the aim of identifying, monitoring and managing credit risk, the Risk Division works with the businesses to conduct a set of specific stress tests relating to a country, subsidiary or activity. These specific stress tests combine both recurring stress tests, conducted on those portfolios identified as structurally carrying risk, and ad hoc stress tests, designed to recognise emerging risks. Some of these stress tests are presented to the Risk Committee and used to determine how to govern the activities concerned.

Like global stress tests, specific stress tests draw on a stressed scenario, which is defined by the Group's sector experts and economists. The stressed scenario describes triggering events and assumptions regarding the development of a crisis, in both quantitative terms (changes in a country's GDP, the unemployment rate, deterioration in a sector) and qualitative terms. The credit stress system also includes sensitivity analyses relating to the deterioration in credit quality of certain portfolios (expert rating transition matrix) or to exposure volatility at the time of default.

Structured around the portfolio analysis function, the Risk Division teams translate these economic scenarios or analyses into impacts on risk parameters (default exposure, default rate, provisioning rate at entry into default, etc.). Where relevant, the leading methods are based on the historical relationship between economic conditions and risk parameters. The stress tests take into account the possible effect of the default of counterparties in which the Group is most highly concentrated in a stressed environment.

Audited I Impairment

Impairment includes impairments of performing loans (stages 1 and 2) and impairments of non-performing loans.

The applicable accounting principles are specified in Note 3.8 of the consolidated financial statements included in Chapter 6 of the Registration Document, p. 373.

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.

A counterparty is considered to be in default when one of the following occurrences is noted:

- a significant deterioration in the counterparty's financial position leading to a high probability that it will not be able to honour its commitments in full, thereby generating a risk of loss for the Group;
- concessions to the loan terms which would not have been granted in other circumstances are granted in view of the borrower's financial difficulties;
- one or more repayments is past due for at least 90 days (with the exception of restructured loans, which, during a probationary period, are deemed to be impaired as of the first missed payment), whether or not a recovery procedure has begun;
- or, regardless of whether or not payments are past due, there is a known credit risk or legal procedures are in progress (bankruptcy, legal settlement or compulsory liquidation).

The Group applies the default contagion principle to all of a counterparty's outstandings. When a debtor belongs to a group, all of the group's outstandings are generally defaulted as well.▲

4.5.2 REPLACEMENT RISK

Replacement risk, *i.e.* counterparty risk associated with market transactions, is a type of credit risk (potential loss in the event that the counterparty defaults). It represents the current cost to the Group of replacing transactions with a positive market value should the counterparty default. Transactions giving rise to a replacement risk include, among others, security repurchase agreements, securities lending and borrowing, purchase/sale transactions or foreign exchange transactions performed on Delivery Versus Payment (DVP) terms, and derivative contracts, stemming either from standard market activities (OTC transactions such as swaps, options and futures) or from prime brokerage services[1].

Setting individual counterparty limits

Audited I The granting of replacement risk limits is part of the credit granting mechanism. The limits are set according to the nature and duration of the instruments concerned, as well as the strength of the associated legal documentation.).

Regarding central counterparties (CCP), specific limits in terms of margin and deposit amounts are defined to control and monitor the exposure resulting from the clearing of derivative contracts and of repurchase agreements, stemming either from standard market activities or from prime brokerage services.

Information technology systems allow both traders and the Risk Division to ensure that counterparty limits are not exceeded.

Any significant weakening in any of the Bank's counterparties triggers an urgent internal rating review. A specific supervision and approval process is put in place for more sensitive counterparties or more complex financial instruments.▲

In order to quantify the potential replacement cost, Societe Generale uses an internal model: the future fair value of market transactions with each counterparty is modelled taking into account any netting and correlation effects. The forecasts are derived from Monte Carlo models developed by the Risk Division, based on a historical analysis of market risk factors, and take into account guarantees and collateral.

This internal model is used to compute the Effective Expected Positive Exposure (EEPE), a metric which is used to determine the counterparty risk regulatory capital requirements.

From an economic standpoint, Societe Generale monitors positions using two indicators to represent the distribution resulting from the Monte Carlo simulations:

- Credit-Value-at-Risk (or CVaR): the largest loss that could be incurred after eliminating the top 1% of the most adverse occurrences, used to set the risk limits for individual counterparties;
- current average risk, particularly suitable for analysing the risk exposure for a portfolio of customers.

Societe Generale has also developed a set of stress test scenarios used to calculate the exposure linked to changes in the fair value of transactions with all its counterparties in the event of an extreme shock on market parameters.

Calculation of Exposure at Default[2] within the regulatory framework

As part of the calculation of capital in respect of counterparty risk, the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) has approved the use of the internal model described previously to determine the Effective Expected Positive Exposure (EEPE).

For the entities where this internal model is approved, it covers 98% of the transactions on OTC derivatives or security financing transactions.

For other transactions or entities, the Group uses the marked-to-market valuation method. In this method, the EAD relative to the Bank's counterparty risk is determined by aggregating the positive market values of all the transactions (replacement cost), and increasing the sum with an add-on. This add-on, which is calculated in line with the CRD (Capital Requirements Directive), is a fixed percentage – based on the type of transaction and the residual maturity – which is applied to the transaction's nominal value.

In both cases, the effects of netting agreements and collateral are factored in, either by their simulation in the internal model, or by applying the netting rules as defined under the marked-to-market method and by subtracting guarantees or collateral. Regulatory capital requirements also depend on the internal rating of the debtor counterparty.

Credit valuation adjustment for counterparty risk

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) to take into account counterparty risk. The Group includes in this adjustment all clients that are not subject to a daily margin call or for which the collateral only partially covers the exposure. This adjustment also reflects the netting agreements existing for each counterparty. CVA is determined on the basis of the Group entity's positive expected exposure to the counterparty, the counterparty's probability of default (conditional on the entity not defaulting), and the loss in the event of default.

Furthermore, since 1st January 2014, financial institutions have had to determine capital requirements related to CVA, covering its variation over ten days. The scope of counterparties is limited to financial counterparties as defined in the EMIR (European Market Infrastructure Regulation) or certain corporates that may use derivatives beyond certain thresholds and for purposes other than hedging. Societe Generale has implemented an internal model to compute these capital requirements, covering more than 80% of the scope. The method used is similar to the one used for the market VaR computation (see the "Market Risk" chapter of the Registration Document): it consists of carrying out a historical simulation of the change in CVA due to the variations observed in the credit spreads of the counterparties, with a 99% confidence interval. The computation is done on the credit spreads variation observed, on the one hand, over a one-year rolling period (VaR on CVA), and, on the other hand, over a fixed one-year historical window corresponding to the period of greatest tension in terms of credit spreads (stressed VaR on CVA). The associated capital requirements are equal to the sum of these two computations multiplied by a factor set by the regulator, specific to each bank. For the remaining part determined according to the standard method, Societe Generale applies the rules defined by the Capital Requirements Regulation: weighting by a normative factor of the EAD multiplied by a recomputed maturity.

The management of this exposure and regulatory capital charge led the Bank to buy protection (such as Credit Default Swaps) from major financial institutions. In addition to reducing the credit risk, it decreases their variability deriving from changes in the credit spreads of counterparties.

(1) Prime brokerage services, mainly on listed derivatives, where the bank acts as agent between a client and a clearing house.

(2) Exposure at default (EAD) of a loan is equal to its nominal amount. The potential loss amount of a derivative is its marked-to-market valuation when the counterparty defaults, which can be only statistically approximated. Therefore, two methods for the calculation of the EAD of derivatives are allowed, one using the marked-to-market valuation and one using the internal model approach (see above).

Wrong-way risk adjustment

Wrong-way risk is the risk of the Group's exposure to a counterparty increasing significantly, combined with a simultaneous increase in the probability of the counterparty defaulting.

There are two types of wrong-way risk:

- general wrong-way risk, where there is a significant correlation between certain market factors and the creditworthiness of the counterparty;
- specific wrong-way risk, where the amount of exposure is directly related to the credit quality of the counterparty.

The specific wrong-way risk is subject to dedicated regulatory capital requirements, through an add-on applied when calculating the capital requirements. The EEPE indicator for transactions identified as facing a specific wrong-way risk is reassessed based on the hypothesis of a default from the counterparty (more specifically, a conservative reassessment based on (i) a value of nil for the counterparty's shares and (ii) a value equal to the recovery rate for the bonds issued by the counterparty). This process leads to stricter capital requirements regarding counterparty risks on such transactions. The economic counterparty risk (replacement risk) calculated in these specific risk situations is also increased, thereby limiting the exposure on such transactions, as there is no change in the risk limit framework.

The general wrong-way risk is monitored through stress tests (stress tests based on mono- or multi-risk factors covering all transactions with a given counterparty, relying on the same scenarios as used in the market risk stress tests) based on:

- a quarterly analysis of the stress tests regarding all counterparties, making it possible to identify the most adverse scenarios linked to a joint deterioration in the quality of the counterparties and the associated positions;
- regarding Systemically Important Financial Institutions (SIFI), monthly monitoring of dedicated multi-risk factor stress test scenarios, subject to limits;
- regarding hedge funds and proprietary trading groups, weekly monitoring of dedicated mono-risk factor stress test scenarios, subject to limits.

4.5.3 HEDGING OF CREDIT RISK

Audited I Guarantees and collateral

the Group uses credit risk mitigation techniques for both market and commercial banking activities. These techniques provide partial or full protection against the risk of debtor insolvency.

There are two main categories:

- personal guarantees are commitments made by a third party to replace the primary debtor in the event of the latter's default. These guarantees encompass the protection commitments and mechanisms provided by banks and similar credit institutions, specialised institutions such as mortgage guarantors (*e.g.* Crédit Logement in France), monoline or multiline insurers, export credit agencies, etc. By extension, credit insurance and credit derivatives (purchase of protection) also belong to this category;
- collateral can consist of physical assets in the form of property, commodities or precious metals, as well as financial instruments such as cash, high-quality investments and securities, and also insurance policies.

Appropriate haircuts are applied to the value of collateral, reflecting its quality and liquidity.

In order to reduce its risk-taking, the Group is pursuing active management of its securities, in particular by diversifying them: physical collateral, personal guarantees and others (including CDS).

During the credit approval process, an assessment is performed on the value of guarantees and collateral, their legal enforceability and the guarantor's ability to meet its obligations. This process also ensures that the collateral or guarantee successfully meets the criteria set forth in the Capital Requirements Directive (CRD).

Guarantor ratings are reviewed internally at least once a year and collateral is subject to revaluation at least once a year. The Risk function is responsible for approving the operating procedures established by the core businesses for the regular valuation of guarantees and collateral, either automatically or based on an expert opinion, whether during the approval phase for a new loan or upon the annual renewal of the credit application.

The amount of guarantees and collateral is capped at the amount of outstanding loans less provisions, *i.e.* EUR 290.17 billion at 31st December 2018 (compared with EUR 272.44 billion at 31st December 2017), of which EUR 140.37 billion for retail customers and EUR 149.80 billion for other types of counterparty (compared with EUR 137.46 billion and EUR 134.98 billion at 31st December 2017, respectively).

The oustanding loans covered by these guarantees and collateral correspond mainly to loans and receivables amounted to EUR 237.18 billion at 31st December 2018, and to off-balance sheet commitments amounted to EUR 50.46 billion (compared with 225.61 billion and EUR 43.70 billion at 31st December 2017 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 2.07 billion at 31st December 2018 (EUR 3.12 billion at 31st December 2017), including EUR 1.05 billion on retail customers and EUR 1.01 billion on other types of counterparties (versus EUR 1.28 billion and EUR 1.84 billion at 31st December 2017 respectively).

The amount of guarantees and collateral received for non performing outstanding loans at 31st December 2018 amounted to EUR 4.77 billion (compared to EUR 6.61 billion at 31st December 2017), of which EUR 2.21 billion on retail customers and EUR 2.57 billion on other types of counterparties (compared to EUR 2.92 billion and EUR 3.68 billion respectively at 31st December 2017). These amounts are capped at the amount of outstanding individually impaired loans.

Use of credit derivatives to manage Corporate concentration risk

Within Corporate and Investment Banking, the Credit Portfolio Management (CPM) team is responsible for working in close cooperation with the Risk Division and the businesses to reduce excessive portfolio concentrations and react quickly to any deterioration in the creditworthiness of a particular counterparty. CPM forms part of the department responsible for managing scarce resources 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 decreased to EUR 0.4 billion at end-December 2018 (compared to EUR 0.5 billion at end-December 2017).

The amounts recognised as assets (EUR 2.2 billion at 31st December 2018 versus EUR 2.2 billion at 31st December 2017) and liabilities (EUR 2.7 billion at 31st December 2018 versus EUR 2.6 billion at 31st December 2017) correspond to the fair value of credit derivatives mainly held under a transaction activity but also under the aforementioned protection purchases.

In 2018, the Credit Default Swap (CDS) spreads from European investment-grade issuances (iTraxx index) have been quite volatile with peaks in June/July and an upward trend in the last quarter. The overall sensitivity of the portfolio to spread widening increased, since the average maturity of protection is now longer.

All protection purchases were made from clearing houses (100% of the outstanding amounts as of 31st December 2018).

Mitigation of counterparty risk linked to market transactions

Societe Generale uses various techniques to reduce this risk. With regard to counterparties dealing with market transactions, it seeks to implement master agreements with a termination-clearing clause wherever it can. In the event of default, such agreements provide for netting of all due and payable amounts. These agreements usually call for the revaluation of the collateral required at regular intervals (generally on a daily basis) and for the payment of the corresponding margin calls. Collateral is largely composed of cash and high-quality liquid assets, such as government bonds with a good rating. Other tradable assets are also accepted, provided that the appropriate haircuts are made to reflect the lower quality and/or liquidity of the asset.

Accordingly, at 31st December 2018, most over-the-counter (OTC) transactions were secured: by amount[1], 73% of transactions with positive mark-to-market (collateral received by Societe Generale) and 65% of transactions with negative mark-to-market (collateral posted by Societe Generale).

Management of OTC collateral is monitored on an ongoing basis in order to minimise operational risk:

- the exposure value of each collateralised transaction is certified on a daily basis;
- specific controls are conducted to make sure the process goes smoothly (settlement of collateral, cash or securities; monitoring of suspended transactions, etc.);
- all outstanding secured transactions are reconciled with those of the counterparty according to a frequency set by the regulator (mainly on a daily basis) in order to prevent and/or resolve any disputes on margin calls;
- any legal disputes are monitored daily and reviewed by a committee.

Moreover, regulations stipulate that a greater number of OTC derivative instruments must be cleared through clearing houses certified by competent authorities and subject to prudential regulations. The implementation of the European Market Infrastructure Regulation (EMIR) and the Dodd Frank Act – Title VII in the United States is an ongoing process in such respect. Among other things, these regulations aim to improve the stability and transparency of the derivatives market, by means of wider collateralisation of transactions, either through the use of clearing houses, for eligible products, or through bilateral and mandatory margin calls to cover actual exposure (variation margin) and future exposure (initial margins). Since 2017, the exchange of variation margins became mandatory for all financial counterparties. Since September 2018, the exchange of initial margins has become mandatory for “category 2” counterparties (financial institutions dealing beyond a certain amount in nominal). This measure will be gradually extended to all other types of counterparty by 2020.

Accordingly, at end-December 2018, 19% of the OTC transactions[2] (amounting to 53% of the nominal) were cleared through central counterparties (CCP).

Transactions stemming from prime brokerage activities are subject to systematic margin calls in order to mitigate the counterparty risk (customers post variation margins and initial margins for Societe Generale on a daily basis, to cover actual and future exposure). Exposures facing clearing houses do in this framework is the subject of daily reporting.

Credit insurance

In addition to using export credit agencies (for example Coface and Exim) and multilateral organisations (for example the European Bank for Reconstruction and Development – EBRD), the Group has been developing relationships with private insurers over the last several years in order to hedge some of its loans against commercial and political non-payment risks.

This activity is performed within a risk framework and monitoring system approved by the Group’s General Management. The system is based on an overall limit for the activity, along with sub-limits by maturity, and individual limits for each insurance counterparty, the latter being furthermore required to meet strict eligibility criteria.

The implementation of such a policy contributes to sound overall risk reduction. ▲

(1) Excluding OTC deals cleared in clearing houses.
(2) Excluding agency transactions.

TABLE 11: CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW

	31.12.2018			
(In EUR m)	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Total loans	387,962	239,880	115,925	123,954
Total debt securities	63,044	147	0	147
TOTAL EXPOSURES	**451,006**	**240,027**	**115,925**	**124,101**

	31.12.2017			
(In EUR m)	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Total loans	385,143	228,675	108,943	119,731
Total debt securities	57,727	323	0	323
TOTAL EXPOSURES	**442,869**	**228,998**	**108,943**	**120,054**

4.5.4 RISK MEASUREMENT AND INTERNAL RATINGS

In 2007, Societe Generale obtained authorisation from its supervisory authorities to apply the internal ratings-based (IRB) approach to most of its exposures in order to calculate the capital requirements in respect of credit risk.

Since the initial authorisation was given, the transition from the standard approach to the IRB approach for some of its activities and exposures has been selective and is subject to discussion with the supervisory authority.

General framework of the internal approach

Audited I To calculate its capital requirements under the IRB method, Societe Generale estimates its 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 and all measures taken to mitigate risk.

To calculate its RWA, Societe Generale uses its own 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 Societe Generale Group also takes into account:

- the impact of guarantees and credit derivatives, by substituting the PD, the LGD and the risk-weighting calculation of the guarantor for that of the obligor (the exposure is considered to be a direct exposure to the guarantor) in the event that the guarantor's risk weighting is more favourable than that of the obligor;
- collateral used as guarantees (physical or financial). This impact is factored in either at the level of the LGD models for the pools concerned or on a line-by-line basis. ▲

To a very limited extent, Societe Generale also applies an IRB Foundation approach (where only the probability of default is estimated by the Bank, while the LGD and CCF parameters are determined directly by the supervisory authority) to a portfolio of specialised lending exposures granted to the French subsidiary Franfinance Entreprises.

Moreover, the Group has received authorisation from the regulator to use the IAA (internal assessment approach) method to calculate the regulatory capital requirement for ABCP (Asset-Backed Commercial Paper) securitisation. In addition to the capital requirement calculation objectives under the IRBA method, the Group's credit risk measurement models contribute to the management of the Group's operational activities. They also constitute tools to structure, price and approve transactions and participate in the setting of approval limits granted to business lines and the Risk function.

TABLE 12: BREAKDOWN OF EAD BY THE BASEL METHOD

	31.12.2018	31.12.2017
IRB	79%	78%
Standard	21%	22%
TOTAL	**100%**	**100%**

TABLE 13: SCOPE OF APPLICATION OF THE IRB AND STANDARD APPROACHES FOR THE GROUP

	IRB approach	Standard approach
French Retail Banking	Majority of portfolios	Some retail customer portfolios, including those of the Sogelease subsidiary
International Retail Banking and Financial Services	The subsidiaries KB (Czech Republic), CGI, Fiditalia, GEFA and SG Finans, SG Leasing SPA and Fraer Leasing SPA, SGEF Italy	The other subsidiaries
Global Banking and Investor Solutions	Majority of Corporate and Investment Banking portfolios As for Private Banking, Securities Services and Brokerage, mainly the retail portfolios of the following subsidiaries: SG Hambros, SGBT Luxembourg, SGBT Monaco, SG Private Banking Suisse	For Private Banking, Securities Services and Brokerage, exposures granted to banks and companies
Corporate Centre	Majority of portfolios	-

Credit risk measurement for wholesale clients

The Group's credit risk measurement system, which estimates internal Basel parameters, uses a quantitative evaluation mechanism coupled with an expert opinion.

For Corporate, Banking and Sovereign portfolios, the measurement system is based on three key components:

- a counterparty rating system;
- a system that automatically assigns Loss Given Default (LGD) and Credit Conversion Factor (CCF) parameters according to the characteristics of each transaction;
- a collection of procedures setting out the rules relating to ratings (scope, revision frequency, rating approval procedure, etc.), as well as to the supervision, backtesting and validation of models. Among other things, these procedures help to support the human judgement that provides the critical scrutiny that is an essential complement to the models for these portfolios.

RATING SYSTEM

The rating system consists in assigning a rating to each counterparty according to an internal scale, for which each grade corresponds to a probability of default determined using historical series observed by Standard & Poor's over more than 20 years.

The following table presents Societe Generale's internal rating scale and the corresponding scales of the main external credit assessment institutions, as well as the corresponding mean probability of default.

The rating assigned to a counterparty is generally proposed by a model and then adjusted and approved by experts in the Risk function further to the individual analysis of each counterparty.

The counterparty rating models are structured in particular according to the type of counterparty (companies, financial institutions, public entities, etc.), the country, geographic region and size of the company (usually assessed through its annual revenue).

The company rating models are underpinned by statistical models (regression methods) of client default. They combine quantitative parameters derived from financial data that evaluate the sustainability and solvency of companies and qualitative parameters that evaluate economic and strategic dimensions.

TABLE 14: SOCIETE GENERALE'S INTERNAL RATING SCALE AND CORRESPONDING SCALES OF RATING AGENCIES

Counterparty internal rating	DBRS	FitchRatings	Moody's	S&P	1 year probability
1	AAA	AAA	Aaa	AAA	0.01%
2	AA high to AA low	AA+ to AA-	Aa1 to Aa3	AA+ to AA-	0.02%
3	A high to A low	A+ to A-	A1 to A3	A+ to A-	0.04%
4	BBB high to BBB low	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	0.30%
5	BB high to BB low	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	2.16%
6	B high to B low	B+ to B-	B1 to B3	B+ to B-	7.93%
7	CCC high to CCC low	CCC+ to CCC-	Caa1 to Caa3	CCC+ to CCC-	20.67%
8, 9 and 10	CC and below	CC and below	Ca and below	CC and below	100.00%

LGD MODELS

The Loss Given Default (LGD) is an economic loss that is measured by taking into account all parameters pertaining to the transaction, as well as the fees incurred for recovering the receivable in the event of a counterparty default.

The models used to estimate the Loss Given Default (LGD) excluding retail clients are applied by regulatory sub-portfolios, type of asset, size and location of the transaction or of the counterparty, depending on whether or not collateral has been posted, and the nature thereof if applicable. This makes it possible to define homogeneous risk pools, particularly in terms of recovery, procedures and the legal environment.

These estimates are founded on statistics when the number of loans in default is sufficient. In such circumstances, they are based on recovery data observed over a long period.

When the number of defaults is insufficient, the estimate is revised or determined by an expert.

CCF MODELS

For its off-balance sheet exposures, the Group is authorised to use the internal approach for "Term loan with drawing period" products and revolving credit lines.

TABLE 15: PRINCIPAL CHARACTERISTICS OF MODELS AND METHODS – WHOLESALE CLIENTS

Parameter modelled	Portfolio/Category of Basel assets	Number of methods, models	Methodology Number of years default/loss
WHOLESALE CLIENTS			
Probability of Default (PD)	Sovereigns	Expert rating.	Expert method, use of the external ratings of agencies. Low default portfolio.
	Public sector entities	4 models according to geographic region.	Statistical (regression)/expert methods for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Low default portfolio.
	Financial institutions	12 models according to type of counterparty: banks, insurance, funds, financial intermediaries, funds of funds.	Expert models based on a qualitative questionnaire. Low default portfolio.
	Specialised financing	3 models according to type of transaction.	Expert models based on a qualitative questionnaire. Low default portfolio.
	Large corporates	10 models according to geographic region.	Mainly statistical models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Defaults observed over a period of 8 to 10 years.
	Small- and medium-sized companies	17 models according to the size of the company and the geographic region.	Mainly statistical models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Defaults observed over a period of 8 to 10 years.
Loss Given Default (LGD)	Public sector entities – Sovereigns	6 models according to type of counterparty.	Calibration based on historical data and expert judgements. Losses observed over a period of more than 10 years.
	Large corporates – Flat-rate Approach	> 20 models Flat-rate approach according to type of collateral.	Calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Large corporates – Discount Approach	16 models Discount approach according to type of recoverable collateral.	Statistical calibration based on historical market data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Small- and medium-sized companies	15 models Flat-rate approach according to type of collateral or unsecured.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Project financing	8 models Flat-rate approach according to project type.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Financial institutions	6 models Flat-rate approach according to type of counterparty: banks, insurance, funds, etc. and the nature of the collateral.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Other specific portfolios	6 models: factoring, leasing with option to purchase and other specific cases.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
Credit Conversion Factor (CCF)	Large corporates	5 models: term loans with drawing period, revolving credits, Czech Corporates.	Models calibrated by segment. Defaults observed over a period of more than 10 years.
Expected Loss (EL)	Real estate transactions	2 models by slotting.	Statistical model based on expert judgements and a qualitative questionnaire. Low default portfolio.

BACKTESTS

The performance level of the entire wholesale client credit system is measured by regular backtests that compare PD, LGD and CCF estimates with actual results by portfolio.

The compliance of this system is based on the consistency between the parameters used and the long-term trends analysed, with safety margins that take into account areas of uncertainty (cyclicality, volatility, quality of data, etc.).

The safety margins applied are regularly estimated, checked and revised if necessary.

The results of backtests can justify the implementation of remedial plans if the system is deemed to be insufficiently prudent. The results of backtests and remedial plans are presented to the Expert Committee for discussion and approval (see Governance of the modelling of risks, p. 201).

TABLE 16: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL PD VALUES – WHOLESALE CLIENTS (1)

	31.12.2018						
			Number of obligors				
Basel Portfolio	Weighted average PD	Arithmetic average PD (2)	End of previous year	End of the year	Defaulted obligors over the year	o.w. new defaulted obligors over the year	Average historical annual default rate (3)
Sovereigns	0.1%	0.8%	678	645	1	-	0.2%
Institutions	0.3%	0.9%	4,378	4,230	3	-	0.3%
Specialised financing (4)	1.4%	2.4%	1,785	2,234	17	-	2.3%
Large corporates	1.0%	3.1%	36,960	36,637	395	54	1.6%
Small- and medium-sized enterprises	3.7%	5.4%	88,117	96,820	2,536	382	3.6%

(1) Based on the latest available figures as of 30th September 2018.
(2) The performance of the rating system is measured by way of regular backtests, in accordance with regulations. Backtests compare the estimated probability of default (arithmetic average weighted by receivables) with the observed results (the historical annual default rate), which confirms the overall prudence of the rating system.
(3) The historical annual default rate was calculated based on a long period from 3rd quarter 2007 to 3rd quarter 2017.
(4) The Aircraft et Shipping deals are in the specialized lending portfolio in 2018.

TABLE 17: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD AND EAD VALUES – WHOLESALE CLIENTS

	31.12.2018		
Basel portfolio	Estimated LGD*	Actual LGD excluding safety margin	Actual EAD**/estimated EAD
Large corporates	34%	26%	85%
Small- and medium-sized enterprises	40%	29%	

* *Senior unsecured LGD.*
** *Modelled CCF (revolving, term loans), only for defaults.*

	31.12.2017		
Basel portfolio	Estimated LGD*	Actual LGD excluding safety margin	Actual EAD**/estimated EAD
Large corporates	35%	26%	92%
Small- and medium-sized enterprises	39%	27%	

* *Senior unsecured LGD.*
** *Modelled CCF (revolving, term loans), only for defaults.*

Credit risk measurements of retail clients

PROBABILITY OF DEFAULT MODELS

The modelling of the probability of default of retail client counterparties is carried out specifically by each of the Group's business lines recording its assets using the IRBA method. The models incorporate data on the payment behaviour of counterparties. They are segmented by type of customer and distinguish between retail customers, professional customers, very small businesses and real-estate investment companies (*sociétés civiles immobilières*).

The counterparties of each segment are classified automatically, using statistical models, into homogeneous risk pools, each of which is assigned a probability of default.

Once the counterparties have been classified into statistically distinct homogeneous risk pools, the probability of default parameters are estimated by observing the average long-term default rates for each product. These estimates are adjusted by a safety margin to estimate as best as possible a complete default cycle, using a through-the-cycle (TTC) approach.

LGD MODELS

The models for estimating the Loss Given Default (LGD) of retail customers are specifically applied by business line portfolio. LGD values are estimated by product, according to the existence or not of collateral.

Consistent with operational recovery processes, estimate methods are generally based on a two-step modelling process that initially estimates the proportion of defaulted loans in loan termination, followed by the loss incurred in case of loan termination.

The expected losses are estimated using internal long-term historical recovery data for exposures that have defaulted. These estimates are adjusted by safety margins in order to reflect the possible impact of a downturn.

CCF MODELS

For its off-balance sheet exposures, Societe Generale applies its estimates for revolving loans and overdrafts on current accounts held by retail and professional customers.

TABLE 18: PRINCIPAL CHARACTERISTICS OF MODELS AND METHODS USED – RETAIL CLIENTS

Parameter modelled	Portfolio/ Category of Basel assets	Number of models	Methodology Number of years of default/loss
RETAIL CLIENTS			
Probability of Default (PD)	Residential real estate	8 models according to entity, type of guarantee (security, mortgage), type of counterparty: individuals or professionals/VSB, real-estate investment company (SCI).	Statistical model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Other loans to individual customers	15 models according to entity and to the nature and object of the loan: personal loan, consumer loan, car loan, etc.	Statistical model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Renewable exposures	5 models according to entity and nature of the loan: overdraft on current account, revolving credit or consumer loan.	Statistical model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Professionals and very small businesses	10 models according to entity, nature of the loan (medium- and long-term investment credits, short-term credit, car loans), and type of counterparty (individual or real-estate investment company (SCI)).	Statistical model (regression or segmentation), behavioural score. Defaults observed over a period of more than 5 years.
Loss Given Default (LGD)	Residential real estate	8 models according to entity, type of guarantee (security, mortgage), and type of counterparty: individuals or professionals/VSB, real-estate investment company (SCI).	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Other loans to individual customers	17 models according to entity and to the nature and object of the loan: personal loan, consumer loan, car loan, etc.	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Renewable exposures	7 models according to entity and nature of the loan: overdraft on current account, revolving credit or consumer loan.	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Professionals and very small businesses	12 models according to entity, nature of the loan (medium- and long-term investment credits, short-term credit, car loans), and type of counterparty (individual or real- estate investment company (SCI)).	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.

Parameter modelled	Portfolio/ Category of Basel assets	Number of models	Methodology Number of years of default/loss
Credit Conversion Factor (CCF)	Renewable exposures	12 calibrations by entity for revolving products and personal overdrafts.	Models calibrated by segment over a period of observation of defaults of more than 5 years.
Expected Loss (EL)	Private Banking exposures	PD and LGD derived from loss observations.	Models restructured into a PD/LGD-based approach. Implementation under way following authorisation for use from the supervisory authorities.

BACKTESTS

The performance level of the entire retail client credit system is measured by regular backtests, which check the performance of PD, LGD and CCF models and compare estimated figures with actual figures.

Each year, the average long-term default rate observed for each homogeneous risk pool is compared with the PD. If necessary, the calibrations of PD are adjusted to preserve a satisfactory safety margin. The discrimination level of the models and changes in the portfolio's composition are also measured.

Regarding the LGD, the backtest consists in comparing the last estimation of the LGD obtained by computing the average level of payments observed and the value used to calculate regulatory capital.

The difference should in this case reflect a sufficient safety margin to take into account a potential economic slowdown, uncertainties as to the estimation, and changes in the performance of recovery processes.

The adequacy of this safety margin is assessed at an Expert Committee meeting.

Likewise, for the CCF, the level of conservatism of estimates is assessed annually by comparing estimated drawdowns to observed drawdowns on the undrawn part.

The results presented below for the PD cover all the portfolios of the Group entities with the exception of Private Banking, for which a new model is currently being implemented.

The exposures to retail customers of subsidiaries specialised in Equipment Financing are integrated into the retail customer portfolio under the "VSB and professionals" sub-portfolio (exposures of GEFA, SGEF Italy, SG Finans).

The figures below aggregate French, Czech, German, Scandinavian and Italian exposures. For all the Basel portfolios of retail clients, the actual default rate is lower than the estimated probability of default (arithmetic average), which confirms the overall conservatism of the rating system.

TABLE 19: COMPARISON OF ESTIMATED RISK PARAMETERS: ESTIMATED AND ACTUAL PD VALUES – RETAIL CLIENTS [1]

	31.12.2018					
			Numbers of obligors [4]			
Basel Portfolio	Weighted average PD	Arithmetic average PD [2]	End of previous year	End of the year	Defaulted obligors in the year	Average historical annual default rate [3]
Other loans to individual customers	3.1%	4.0%	2,065,487	2,244,707	66,736	3.8%
Real estate loans [5]	1.3%	1.2%	817,872	850,310	7,086	1.1%
Revolving credits	5.1%	2.6%	7,794,888	7,552,793	157,700	2.1%
VSB and professionals	4.1%	4.2%	823,911	828,042	30,551	3.8%

(1) Based on the latest available figures as of 30th September 2018. Exposures relating to Private Banking and factoring (SG Factoring) are excluded.
(2) The performance of the rating system is measured by way of regular backtests, in accordance with regulations. Backtests compare the estimated probability of default (arithmetic average weighted by receivables) with the observed results (the historical annual default rate), which confirms the overall prudence of the rating system..
(3) The historical annual default rate was calculated based on a long period from 2010 to 2017.
(4) Creditor current in accordance with the revised guidelines of the EBA publication of 14th December 2016 (EBA/GL/2016/11).
(5) Guaranteed and non-guaranteed exposures.

TABLE 20: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD AND EAD VALUES – RETAIL CLIENTS

	31.12.2018		
Basel portfolio	**Estimated LGD [1]**	**Actual LGD excluding safety margin**	**Actual EAD [2]/ estimated EAD**
Real estate loans (excl. guaranteed exposures)	18%	12%	-
Revolving credits	45%	39%	73%
Other loans to individual customers	28%	22%	-
VSB and professionals	26%	21%	77%
TOTAL GROUP RETAIL CLIENTS [1]	**25%**	**19%**	**74%**

The estimated and actual LGD correspond to the latest values validated by the internal governance.
(1) Excluding guaranteed exposures.
(2) Revolving credits and current accounts of individual and professional customers.

	31.12.2017		
Basel portfolio	**Estimated LGD [1]**	**Actual LGD excluding safety margin**	**Actual EAD [2]/ estimated EAD**
Real estate loans (excl. guaranteed exposures)	18%	13%	-
Revolving credits	45%	39%	73%
Other loans to individual customers	27%	22%	_
VSB and professionals	26%	22%	77%
TOTAL GROUP RETAIL CLIENTS [1]	**25%**	**20%**	**74%**

The estimated and actual LGD correspond to the latest values validated by the internal governance.
(1) Excluding guaranteed exposures.
(2) Revolving credits and current accounts of individual and professional customers.

Governance of the modelling of risks

The independent review of the model corresponds to all the processes aimed at verifying the conformity of the models and their use with the objectives for which they were designed, as well as with the applicable regulations.

Independent model review teams are part of the Risk Division and are the second line of defence for model risk management; they rely, for the conduct of their missions, on principles of control of the theoretical robustness (evaluation of the quality of the design and development) of the models, the conformity of the implementation and the use, the continuous follow-up the relevance of the model over time. They issue an independent review report, which describes the scope of the review, the tests performed, the results of the review the conclusions or the recommendations made.

The need to review a model is assessed according to the level of risk of the model, its model family and the applicable regulatory requirements. Independent review by the second line of defense is triggered in particular for new models, periodic model reviews, model change proposals and cross-sectional reviews in response to a recommendation.

The approval of the models relies on a Model Committee then an Expert Committee:

- Model Committee: for subjects with a statistical component, an instruction whose objective is to gather all the statistical and banking elements to assess the quality of the models is conducted by the second line of defense, whose conclusions are formally presented Modeling entities as part of a Model Committee (Independent Review Authority for Internal Models for Calculating Capital Requirements);
- Expert Committee: a validation phase organized around the Approval Authority (Expert Committee) for internal models for calculating capital requirements which has the power to approve (with or without reservations) or to reject the use of a model, changes to the existing model, or monitoring of the timeliness of the model proposed by the first line of defence, based on the independent review report and minutes of the 'Review Authority.

In accordance with the Delegated Regulation (EU) No. 529/2014 of 20th May 2014 regarding the monitoring of internal models used to calculate capital requirements, changes to the Group's credit risk measurement system are subject to one of three types of notification to the competent supervisory authority, depending on the significance of the change, evaluated according to this rule:

- significant changes are subject to a request for authorisation prior to their implementation;
- the supervisory authority is notified of changes which are not significant according to the criteria defined by the regulation. Barring a negative response within a two-month period, such changes may be implemented;
- the competent authorities are notified of all other changes after their implementation, at least once annually in a specific report.

4.5.5 QUANTITATIVE INFORMATION

Audited I The measurement used for credit exposures in this section is EAD – Exposure At Default (on- and off-balance sheet). Under the Standard Approach, EAD is calculated net of collateral and provisions. EAD is broken down according to the guarantor's characteristics, after taking into account the substitution effect (unless otherwise indicated). ▲

The presentation of the data, applied since last year, is in line with the guidelines on prudential disclosure requirements published by the European Banking Authority (EBA) in December 2016 (document EBA/GL/2016/11).

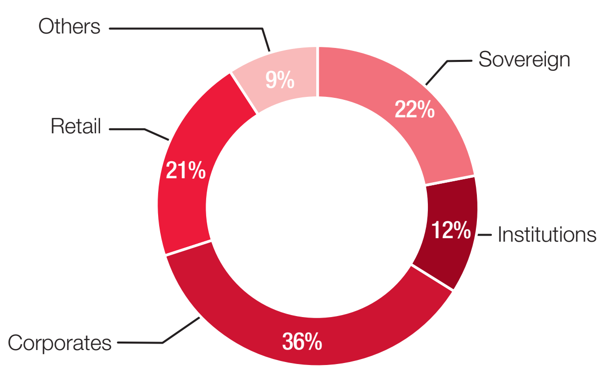
This presentation highlights the exposure categories as defined in the portfolios of the COREP regulatory financial statements, in relation to EBA requirements on Pillar 3.

Audited I Credit risk exposure

At 31st December 2018, the Group's Exposure at Default (EAD) amounted to EUR 920 billion.

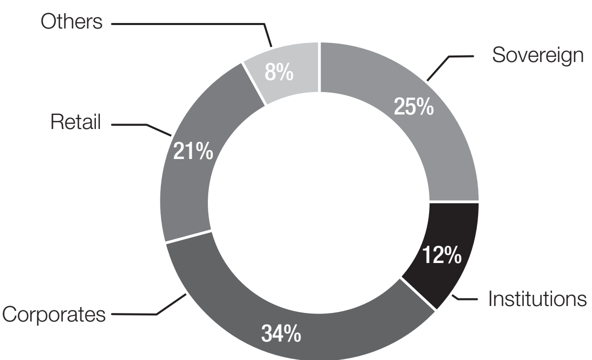
CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2018

On- and off-balance sheet exposures (EUR 920 billion in EAD)



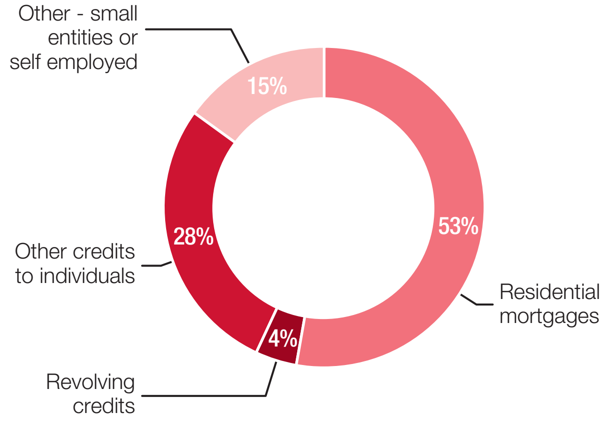
CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2017

On and off-balance sheet exposures (EUR 872 billion in EAD).



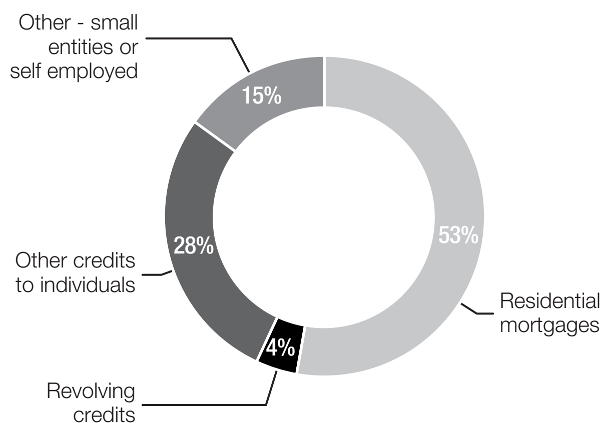
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2018

On- and off-balance sheet exposures (EUR 189 billion in EAD)



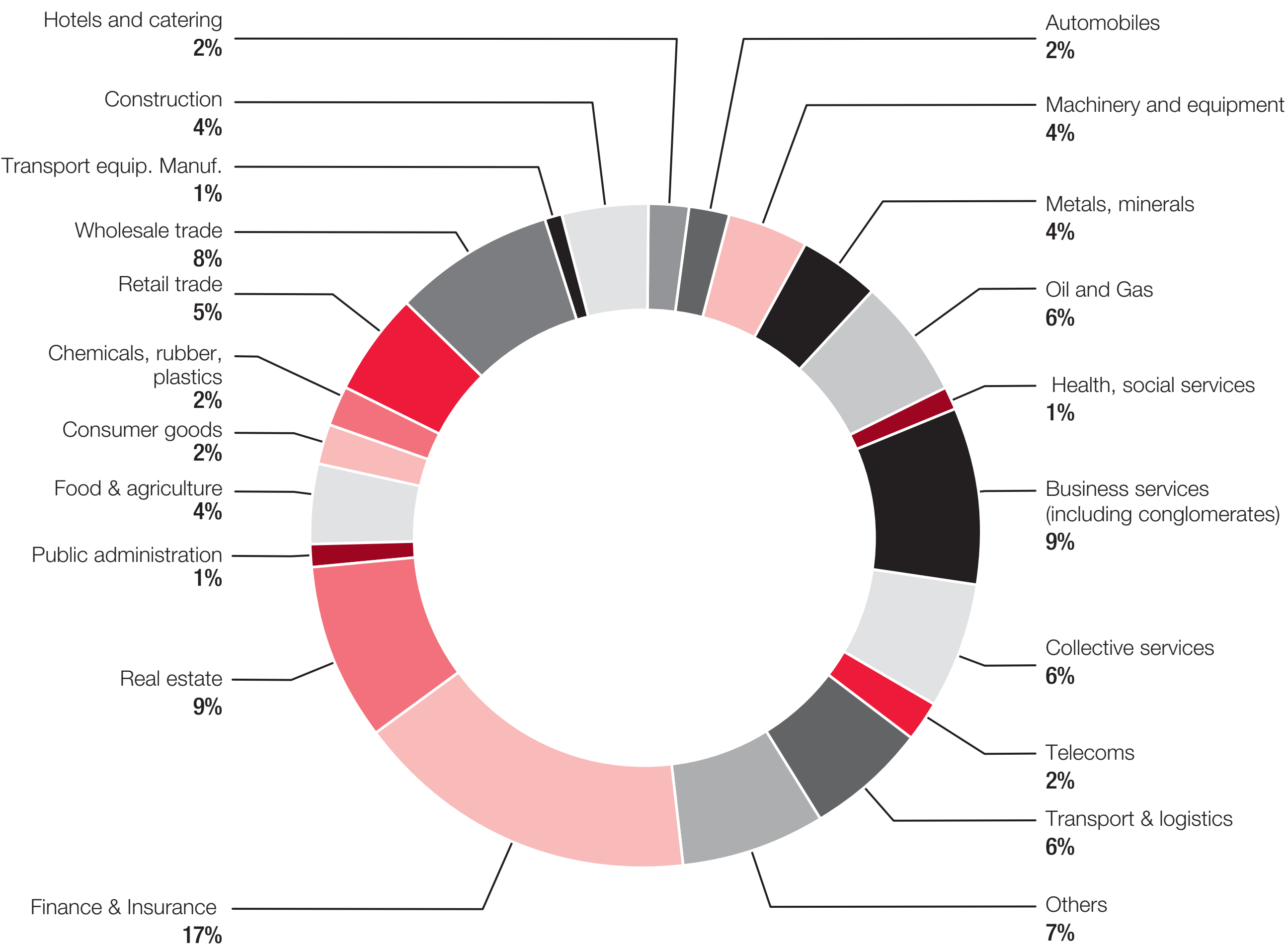
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2017

On- and off-balance sheet exposures (EUR 184 billion in EAD)



** Institutions: Basel classification bank and public sector portfolios.*

SECTOR BREAKDOWN OF GROUP CORPORATE EXPOSURE (BASEL PORTFOLIO)

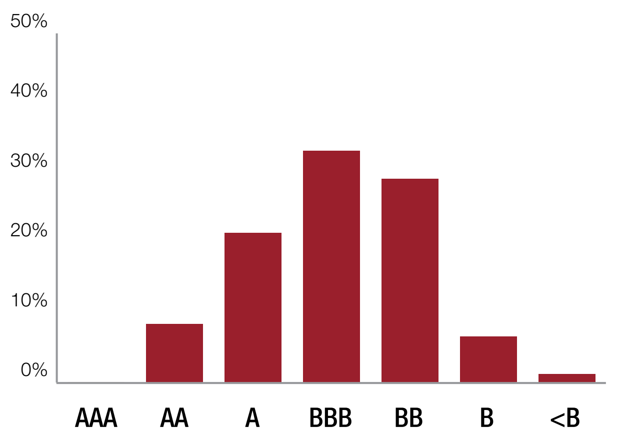


EAD of the Corporate portfolio is presented in accordance with the Basel rules (large corporates, including insurance companies, funds and hedge funds, SMEs, specialist financing, factoring businesses), based on the obligor's characteristics, before taking into account the substitution effect (credit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

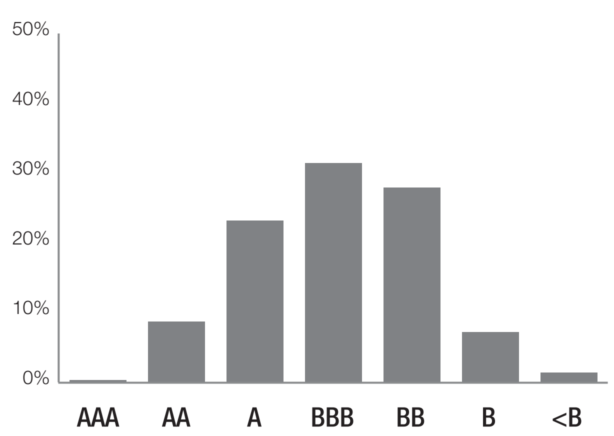
At 31st December 2018, the Corporate portfolio amounted to EUR 359 billion (on- and off-balance sheet exposures measured in EAD). Only the Finance and Insurance sector accounts for more than 10% of the portfolio. The Group's exposure to its ten largest Corporate counterparties accounts for 5% of this portfolio. ▲

Corporate and bank counterparty exposure

AUDITED I BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31ST DECEMBER 2018 (AS % OF EAD)



BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31ST DECEMBER 2017 (AS % OF EAD)

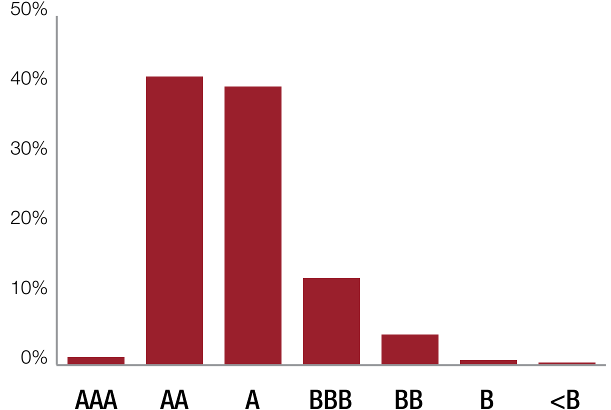


Audited I The scope includes performing loans recorded under the IRB method (excluding prudential classification criteria, by weight, of specialised financing) for the entire Corporate client portfolio, all divisions combined, and represents EAD of EUR 273 billion (out of total EAD for the Basel Corporate client portfolio of EUR 323 billion, standard method included).

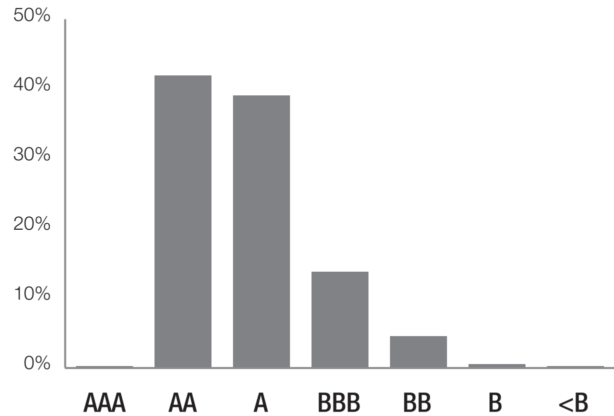
The breakdown by rating of the Group's Corporate exposure demonstrates the sound quality of the portfolio. It is based on an internal counterparty rating system, presented above as its Standard & Poor's equivalent.

At 31st December 2018, the majority of the portfolio (63% of Corporate clients) had an investment grade rating, *i.e.* counterparties with an S&P-equivalent internal rating higher than BBB-. Transactions with non-investment grade counterparties were very often backed by guarantees and collateral in order to mitigate the risk incurred. ▲

AUDITED I BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31ST DECEMBER 2018 (AS % OF EAD)



BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31ST DECEMBER 2017 (AS % OF EAD)



Audited I The scope includes performing loans recorded under the IRB method for the entire bank client portfolio, all divisions combined, and represents EAD of EUR 60 billion (out of total EAD for the Basel bank client portfolio of EUR 115 billion, standard method included). The breakdown by rating of the Societe Generale Group's bank counterparty exposure demonstrates the sound quality of the portfolio.

It is based on an internal counterparty rating system, presented above as its Standard & Poor's equivalent.

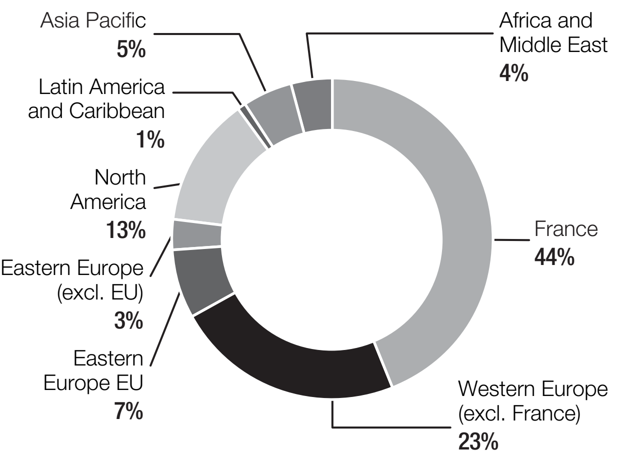
At 31st December 2018, exposure on banking clients was concentrated in investment grade counterparties (95% of exposure), as well as in developed countries (89%). ▲

Audited I Geographic breakdown of Group credit risk exposure

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31ST DECEMBER 2018 (ALL CLIENT TYPES INCLUDED): EUR 920 BN

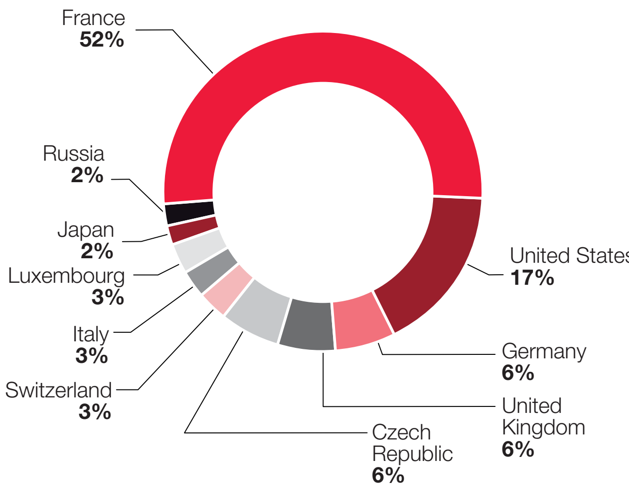
Asia Pacific 6%
Africa and Middle East 4%
Latin America and Caribbean 1%
North America 15%
France 42%
Eastern Europe (excl. EU) 2%
Eastern Europe EU 7%
Western Europe (excl. France) 23%

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31ST DECEMBER 2017 (ALL CLIENT TYPES INCLUDED): EUR 872 BN

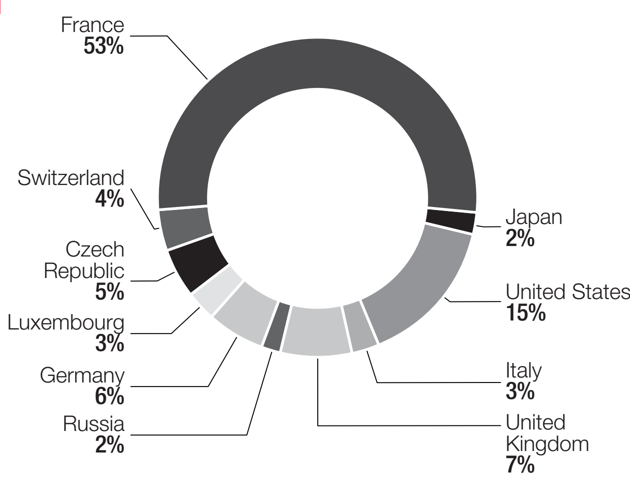


At 31st December 2018, 89% of the Group's on- and off-balance sheet exposure was concentrated in the major industrialised countries(1). Almost half of the overall amount of outstanding loans was to French customers (26% exposure to non-retail portfolio and 16% to retail portfolio). ▲

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP TEN COUNTRIES AT 31ST DECEMBER 2018: EUR 748 BN



GEOGRAPHIC BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP TEN COUNTRIES AT 31ST DECEMBER 2017: EUR 716 BN



The Group's exposure on its top ten countries represented 81% of total exposure (*i.e.* EUR 748 billion of EAD) at 31st December 2018 (versus 82% and EUR 716 billion of EAD at 31st December 2017).

(1) As defined by the IMF in its World Economic Outlook document of October 2017.

TABLE 21: GEOGRAPHIC BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP FIVE COUNTRIES BY EXPOSURE CLASS (IN %)

	France		United States		United Kingdom		Germany		Czech Republic	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Sovereign	18%	21%	33%	37%	10%	11%	15%	22%	30%	22%
Institutions	8%	8%	18%	19%	29%	33%	21%	22%	3%	4%
Corporates	31%	29%	38%	34%	45%	39%	31%	26%	32%	36%
Retail	36%	36%	0%	0%	6%	6%	21%	23%	33%	35%
Other	7%	6%	11%	10%	10%	11%	12%	7%	2%	3%

Counterparty risk

TABLE 22: COUNTERPARTY RISK, EAD AND RWA BY METHOD AND EXPOSURE CLASS (IN EUR M)

Counterparty risk is broken down as follows:

	31.12.2018								
	IRB			Standard			Total		
Exposure class	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA
Sovereign	17,455	17,532	662	1	1	1	17,456	17,533	662
Institutions	19,974	19,974	3,826	31,139	31,139	1,113	51,113	51,113	4,940
Corporates	47,873	47,796	12,526	2,283	2,283	2,189	50,156	50,079	14,715
Retail	388	388	61	287	1	1	675	389	62
Other	7	7	0	436	436	448	443	443	448
TOTAL	**85,696**	**85,696**	**17,074**	**34,146**	**33,861**	**3,752**	**119,843**	**119,557**	**20,827**

	31.12.2017								
	IRB			Standard			Total		
Exposure class	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA
Sovereign	16,632	16,637	415	78	78	13	16,711	16,715	429
Institutions	19,289	19,289	3,831	30,593	30,593	1,649	49,882	49,882	5,480
Corporates	41,202	41,198	12,481	4,268	4,268	3,987	45,470	45,465	16,468
Retail	114	114	6	280	1	1	395	115	8
Other	12	12	0	1,203	1,203	1,171	1,215	1,215	1,171
TOTAL	**77,250**	**77,250**	**16,734**	**36,422**	**36,143**	**6,822**	**113,672**	**113,393**	**23,556**

Change in risk-weighted assets (RWA) and capital requirements for credit and counterparty risks

TABLE 23: CHANGE IN RISK-WEIGHTED ASSETS (RWA) BY METHOD AND EXPOSURE CLASS ON OVERALL CREDIT RISK (CREDIT AND COUNTERPARTY – IN EUR M)

(In EUR m)	RWA - IRB	RWA - Standard	RWA - Total	Capital requirements - IRB	Capital requirements - Standard	Capital requirements - total
RWA as at end of previous reporting period (31.12.2017)	**171,679**	**114,070**	**285,749**	**13,734**	**9,126**	**22,860**
Asset size	10,516	2,246	12,762	841	180	1,021
Asset quality	(3,699)	236	(3,464)	(296)	19	(277)
Model updates	1,158	0	1,158	93	0	93
Methodology and policy	197	0	197	16	0	16
Acquisitions and disposals	0	717	717	0	57	57
Foreign exchange movements	1,028	(653)	374	82	(52)	30
Other	773	(448)	325	62	(36)	26
RWA AS AT END OF REPORTING PERIOD (31.12.2018)	**181,651**	**116,167**	**297,818**	**14,532**	**9,293**	**23,825**

The table above presents the data without the CVA (Credit Value Adjustment).

The main effects explaining the EUR 12.1 billion increase in weighted assets (excluding CVA) in 2018 are as follows:

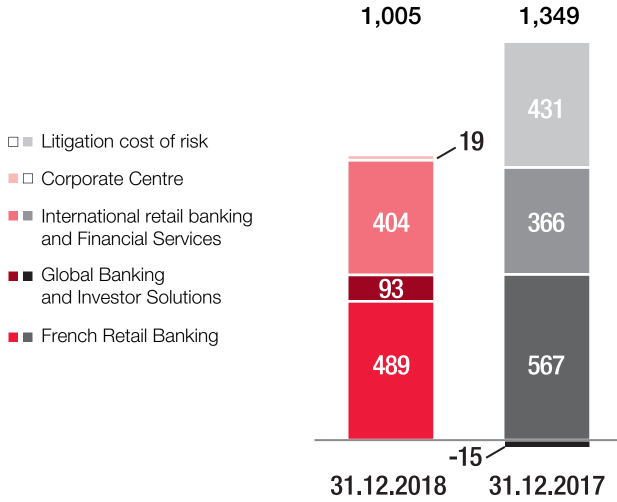
- an increase of EUR + 12.8 billion related to activity: growth in Global finance activity (EUR +7 billion), with an increase of (EUR +3.4 billion) on the French network, an increase partially offset by the extinction of the stock observed for the global banking & investor solutions (EUR -2.3 billion);
- a change in the prudential scope of (EUR +0.7 billion) related to the acquisitions of the ALD entity;
- a foreign exchange effect (EUR +0.4 billion), mainly related to the appreciation of the American dollar against the euro (EUR +1.7 billion) and partially offset by the depreciation of the Russian ruble against the euro (EUR -0.9 billion).

The effects are defined as follows:

- asset size: organic changes in book size and composition (including the creation of new business lines and maturing loans) but excluding changes due to acquisitions and disposals of entities;
- asset quality: changes in the quality of the Bank's assets due to changes in borrower risk, such as rating grade migration or similar effects;
- model updates: changes due to model implementation, changes in model scope, or any changes intended to address model weaknesses;
- methodology and policy: changes due to methodological changes in calculations driven by regulatory changes, including both revisions to existing regulations and new regulations;
- acquisitions and disposals: changes in book size due to acquisitions and disposals of entities;
- foreign exchange movements: changes arising from market fluctuations, such as foreign currency translation movements;
- other: this category is used to capture changes that cannot be attributed to any other category.

Net cost of risk

CHANGE IN GROUP NET COST OF RISK (IN EUR M)



The **Group's net cost of risk** in 2018 amounted to EUR -1,005 million, down -25.5% vs. 2017, but up 9,5% excluding the provision for litigation which is not booked in cost of risk since the implementation of IFRS 9. This low level reflects the improvement year after year in the Group's risk profile.

The commercial cost of risk (excluding litigation issues, in basis points for the average assets at the beginning of the calendar year preceding the closing date, including operating leases) remains low. It totalled 21 basis points for 2018 (vs. 19 basis points in 2017).

- In **French Retail Banking**, the commercial cost of risk was down, at 26 basis points for 2018 vs. 30 basis points for 2017, reflecting the quality of the loan approval policy.
- At 30 basis points for 2018 (vs. 29 basis points for 2017), **International Retail Banking and Financial Services**' cost of risk remains low, testifying to the effectiveness of the portfolio.

  More specifically, the cost of risk in Czech Republic and Romania is a net release (respectively -9 and -74 basis points for 2018).
- **Global Banking and Investor Solutions'** cost of risk was at 6 basis points for the year (vs. -1 basis point for 2017).

AUDITED I ANALYSIS OF GROSS OUTSTANDINGS AND PROVISIONS FOR CREDIT RISK

The following tables detail the provisionable outstandings (balance sheet and off-balance sheet) subject to impairment and provisions in accordance with the new model for estimating expected credit losses introduced by IFRS 9 and the impairments and provisions by stage.

The scope of these tables includes :

- securities (excluding securities received under repurchased agreements) and loans to customers and credit institutions and similar measured at amortized cost or at fair value through equity;
- lease and finance lease;
- financing and guarantee commitments;

The provisionable outstanding represented EUR 816 billions on december 31st 2018. It should be noted that outstanding of ex-Newedge brokerage outside France are excluded from the outstandings presented in the tables 24, 25 and 26. There is no scope exclusion in the tables 27 and 28.▲

Provisions decreased by € 2 billion, mainly on defaults (stage 3) of the corporate and retail portfolios. Healthy exposures (stage 1 and stage 2) increased by € 16 billion, mainly on the corporate portfolio, partially offset by a decrease in exposures of sovereign counterparties, while the provisions are stable.

AUDITED : TABLE 24 : BASEL PORTFOLIO BREAKDOWN OF PROVISIONED OUTSTANDINGS

	31.12.2018				01.01.2018			
(In EUR bn)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Sovereign	145,759	733	218	146,710	160,645	968	374	161,987
Institutions	55,034	361	82	55,477	58,799	250	94	59,143
Corporates	357,221	13,949	9,410	380,580	326,850	15,238	11,220	353,308
Retail	184,958	16,017	9,289	210,264	183,299	16,350	10,660	210,309
Others	23,111	67	54	23,232	18,927	0	46	18,973
TOTAL	**766,083**	**31,127**	**19,053**	**816,263**	**748,520**	**32,806**	**22,394**	**803,720**

AUDITED : TABLE 25 : GEOGRAPHICAL BREAKDOWN OF PROVISIONED OUTSTANDINGS

	31.12.2018				01.01.2018			
(In EUR bn)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
France	339,663	19,298	10,806	369,767	338,741	20,623	11,608	370,972
Western European countries (excluding France)	162,517	3,609	2,026	168,152	161,309	3,101	2,541	166,951
Eastern European countries EU	49,423	3,612	1,279	54,314	54,739	3,324	2,092	60,155
Eastern Europe excluding EU	22,423	905	844	24,172	27,348	936	1,369	29,653
North America	106,219	361	601	107,181	87,798	1,092	1,050	89,940
Latin America and Caribbean	5,477	978	212	6,667	5,295	1,158	321	6,774
Asia-Pacific	39,343	165	225	39,733	38,336	229	326	38,891
Africa and Middle East	41,018	2,199	3,060	46,277	34,954	2,343	3,087	40,384
TOTAL	**766,083**	**31,127**	**19,053**	**816,263**	**748,520**	**32,806**	**22,394**	**803,720**

AUDITED : TABLE 26: PROVISIONED OUTSTANDINGS BY RATING OF COUNTERPARTY

	31.12.2018				01.01.2018
(In EUR bn)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
1	65,767	0	0	65,767	72,764
2	97,899	0	0	97,899	103,295
3	74,741	2	0	74,743	74,105
4	127,159	647	0	127,806	116,079
5	99,575	2,976	0	102,551	90,039
6	25,459	5,668	0	31,127	29,476
7	2,472	2,780	0	5,252	4,697
Default (8, 9, 10)	0	0	8,589	8,589	10,706
Other method	273,011	19,054	10,464	302,529	302,559
TOTAL	**766,083**	**31,127**	**19,053**	**816,263**	**803,720**

AUDITED : TABLE 27: BASEL PORTFOLIO BREAKDOWN OF PROVISIONS AND IMPAIRMENT FOR CREDIT RISK

	31.12.2018				01.01.2018			
(In EUR bn)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Sovereign	10	1	69	80	11	1	69	81
Institutions	9	6	16	31	10	5	25	40
Corporates	589	648	5,098	6,335	647	748	5,851	7,246
Retail	427	570	4,870	5,867	498	658	5,815	6,971
Others	0	0	9	9	0	0	9	9
TOTAL	**1,035**	**1,225**	**10,062**	**12,322**	**1,166**	**1,412**	**11,769**	**14,347**

AUDITED : TABLE 28: GEOGRAPHICAL BREAKDOWN OF IMPAIRMENT AND PROVISIONS FOR CREDIT RISK

	31.12.2018				01.01.2018			
(In EUR bn)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
France	**427**	**735**	**5,292**	**6,454**	**437**	**774**	**5,609**	**6,820**
Western European countries (excluding France)	179	119	912	1,210	174	154	1,305	1,633
Eastern European countries EU	118	170	842	1,130	184	224	1,414	1,822
Eastern Europe excluding EU	76	18	655	749	133	42	1,062	1,237
North America	32	27	51	110	42	32	186	260
Latin America and Caribbean	5	6	69	80	8	5	100	113
Asia-Pacific	14	2	153	169	14	2	153	169
Africa and Middle East	184	148	2,088	2,420	174	179	1,940	2,293
TOTAL	**1,035**	**1,225**	**10,062**	**12,322**	**1,166**	**1,412**	**11,769**	**14,347**

Impairment on groups of homogeneous assets

TABLE 29: PROVISIONING OF DOUBTFUL LOANS (IN EUR BN)

	31.12.2018	31.12.2017
Gross book outstandings	501.2	478.7
Doubtful loans	18.0	20.9
Gross doubtful loans ratio	3.6%	4.4%
Specific provisions	9.7	11.3
Provisions on groups of homogeneous assets [1]	1.9	1.3
GROSS DOUBTFUL LOANS COVERAGE RATIO (OVERALL PROVISIONS/DOUBTFUL LOANS)	**64%**	**61%**
Stage 1 provisions [1]	0.9	
Stage 2 provisions [1]	1.0	
Stage 3 provisions	9.7	
GROUP GROSS DOUBTFUL LOANS COVERAGE RATIO* (STAGE 3PROVISIONS / DOUBTFUL LOANS)	**54%**	

Scope: customer loans, amounts due from banks, operating leases, lease financing and similar agreements.

Detail regarding guarantees and collateral is available on page 192.

Restructured debt

Audited I For the Societe Generale Group, “restructured” debt refers to loans whose amount, term or financial conditions have been contractually modified due to the borrower’s insolvency (whether insolvency has already occurred or will definitely occur unless the debt is restructured). Societe Generale aligns its definition of restructured loans with the EBA definition.

Restructured debt does not include commercial renegotiations involving customers for which the Bank has agreed to renegotiate the debt in order to maintain or develop a business relationship, in accordance with credit approval rules in force and without relinquishing any of the principal or accrued interest.

Any situation leading to debt restructuring entails placing the customer in question in the Basel default category and classifying the loans themselves as impaired.

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.

Restructured debt totalled EUR 5.11 billion at 31st December 2018. ▲

TABLE 30: RESTRUCTURED DEBT (IN EUR M)

(In EUR m)	31.12.2018	31.12.2017
Non-performing restructured debt	4,187	5,161
Performing restructured debt	919	1,021
TOTAL	**5,106**	**6,182**

(1) As of December 31st 2018 portfolio-based provisions are the sum of stage 1 and stage 2 provisions.

4.6 MARKET RISKS

Market risks are the risks of loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters, and the correlations between them. These parameters include, but are not limited to, exchange rates, interest rates, the price of securities (equities or bonds), commodities, derivatives and other assets.

4.6.1 METHODS FOR MEASURING MARKET RISK AND DEFINING LIMITS

Audited The Group's market risk assessment is based on several types of indicators, which are monitored through limits:

- the 99% Value-at-Riks (VaR): in accordance with the regulatory internal model, this global indicator is used for the day-to-day monitoring of the market risks incurred by the Group within the scope of its trading activities;
- stress test measurements, based on decennial shock-type indicators, which make it possible to restrict the Group's exposure to systemic risk and exceptional market shocks. The measurements can be global, multi-risk factor (based on historic or hypothetical scenarios), by activity or risk factor in order to take into account extreme risks on a specific market, or event-driven, to temporarily monitor a particular situation;
- sensitivity and nominal indicators used to manage the size of positions: sensitivities are used to monitor the risk incurred locally on a given type of position (*e.g.* sensitivity of an option to changes in the underlying asset), while nominal indicators are used for significant positions in terms of risk;
- additional metrics such as concentration risk or holding period, maximum maturity, etc.

The following indicators are also calculated: stressed VaR (SVaR) on a daily basis, and IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure) on a weekly basis. The capital charges arising from these internal models complement the VaR by taking into account the rating migration risks and the default risks, and by limiting the procyclical nature of capital requirements. ▲

4.6.2 ALLOCATION OF MARKET RISK APPETITE WITHIN THE GROUP

Risk appetite is defined as the level of risk that the Group is prepared to assume to achieve its strategic goals.

The business development strategy of the Group for market activities is primarily focused on meeting client needs[1], with a full range of products and solutions. The risk resulting from these market activities is strictly managed through a set of limits for several indicators (stress tests, VaR, sensitivity and nominal indicators, etc.).

The Market Risk Department is responsible for the assessment and validation of the limit requests submitted by the different business lines. These limits ensure that the Group complies with the market risk appetite approved by the Board of Directors, further to a proposal from General Management[2].

(1) *Market transactions not related to client activities are confined in a dedicated subsidiary, Descartes Trading, subject to a specific risk appetite, which is limited.*
(2) *See "Risk Appetite" section for the detailed description of the governance and implementation of the risk appetite, as well as the role the Risk Division plays in defining it.*

The choice and calibration of these limits thus transpose the Group's market risk appetite:

- they are allocated at various levels of the Group's structure and/or by risk factor, thereby ensuring the operational transposition of the Group's market risk appetite through its organisation;
- their calibration is determined using a detailed analysis of the risks related to the portfolio managed. This analysis may include various elements such as market conditions, specifically liquidity, position manoeuvrability, income generated in view of risks taken, etc.;
- regular reviews make it possible to manage risks according to the prevailing market conditions;
- specific limits, or even bans, may be put in place to manage risks for which the Group has little or no risk appetite.

The limits set for each activity are monitored daily by the Market Risk Department.

In addition to the governance structure in place between the various departments of the Risk function, Finance Division and business lines, the monitoring of limits usage, due to the products/solutions provided to clients and the market-making activities, also contributes to ensuring that market risks to which the Group is exposed are properly managed and understood. The continuous monitoring of the market risk profile is the object of regular discussions between the risk and business teams, further to which various risk hedging or mitigation initiatives may be taken by the Front Office in order to remain within the limits defined.

4.6.3 99% VALUE-AT-RISK (VAR)

Audited I The Internal VaR Model was introduced at the end of 1996 and has been approved by the French regulator within the scope of the regulatory capital requirements.

The Value-at-Risk (VaR) assesses the potential losses on positions over a defined time horizon and for a given confidence interval (99% for Societe Generale). The method used is the "historical simulation" method, which implicitly takes into account the correlation between the various markets and 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.);
- definition of 260 scenarios corresponding to one-day variations in these market parameters over a rolling one-year period; these scenarios are updated daily with the inclusion of a new scenario and the removal of the oldest scenario. There are three coexisting methods for modelling scenarios (relative shocks, absolute shocks and hybrid shocks); the choice between these methods for a given risk factor is determined by its nature and its historical trend;
- the application of these 260 scenarios to the market parameters of the day;
- revaluation of daily positions, on the basis of the 260 sets of adjusted market parameters: in most cases this calculation involves a full re-pricing. Nonetheless, for certain risk factors, a sensitivity-based approach may be used.

Within the framework described above, the one-day 99% VaR, calculated according to the 260 scenarios, corresponds to the mean of the second and third largest losses computed.

The day-to-day follow-up of market risks is performed *via* the one-day VaR, which is computed on a daily basis. For regulatory capital requirements, however, we have to take into account a ten-day horizon, thus we also compute a ten-day VaR, which is obtained by multiplying the one-day VaR by the square root of ten. This methodology complies with Basel 2 requirements and has been reviewed and validated by the regulator.

The VaR assessment is based on a model and a certain number of conventional assumptions, the main limitations of which are as follows:

- by definition, the use of a 99% confidence interval does not take into account losses arising beyond this point; VaR is therefore an indicator of the risk of loss under normal market conditions and does not take into account exceptionally significant fluctuations;
- VaR is computed using closing prices, meaning that intra-day fluctuations are not taken into account;
- the use of a historical model is based on the assumption that past events are representative of future events and may not capture all potential events.

The Market Risk Department mitigates the limitations of the VaR model by performing stress tests and other additional measurements.

At present, the market risks for almost all of Corporate and Investment Banking's activities (including those related to the most complex products) are monitored using the VaR method, as are 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 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.

In compliance with regulations, backtesting compares the VaR to the (i) actual and (ii) hypothetical change in the portfolio's value.

- In the first case (backtesting against "actual P&L"), the daily P&L[1] includes the change in book value, the impact of new transactions and of transactions modified during the day (including their sales margins), refinancing costs, the various related commissions (brokerage fees, custody fees, etc.), as well as provisions and parameter adjustments made for market risk.
- In the second case (backtesting against "hypothetical P&L"), the daily P&L[2] includes only the change in book value related to changes in market parameters, and excludes all other factors. ▲

(1) "Actual P&L" by agreement hereinafter.
(2) "Hypothetical P&L" by agreement hereinafter.

In 2018, daily losses were observed on 17 occasions[1], and eight backtesting breaches occurred (seven against hypothetical P&L, one against actual P&L):

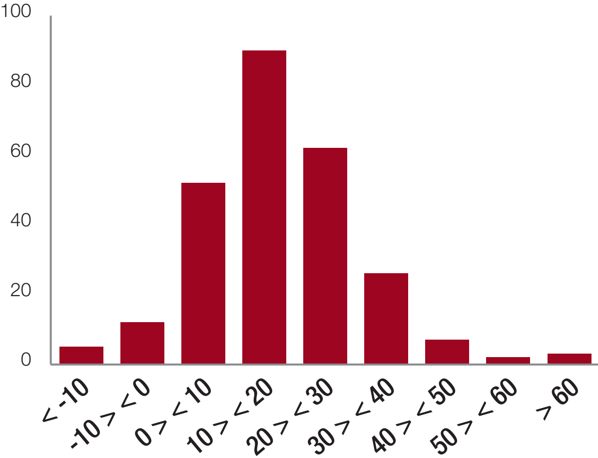
- on 5th February, against hypothetical P&L, stemming from movements on the US indices, notably a significant rise in Volatility Index, and a drop on SP500;
- on 12th February, against hypothetical P&L, due to losses on equity perimeter following a decrease in implicit volatility on major indices;
- on 28th February, against actual P&L, following adjustments related to the monthly accounts closure;
- on 12th March, against hypothetical P&L, stemming from the combination of various events, notably some losses on autocall products, and some moves on the USD/GBP basis and on the repurchase agreements activities;
- on 19th June, against hypothetical P&L, due to losses on equity perimeter as well as market making and financing activities on rates perimeter;
- on 17th August, against hypothetical P&L, following various losses on equity, rates and hybrids activities;
- on 29th November, against hypothetical P&L, resulting from significant shocks on short term currency swaps and some losses on equity derivatives and hybrid products;
- on 27th December against hypothetical P&L, following various losses on European rate swaps, equity derivatives, hybrids and precious metals.

TABLE 31: REGULATORY TEN-DAY 99% VAR AND ONE-DAY 99% VAR (IN EUR M)

	31.12.2018		31.12.2017	
(In EUR m)	VaR (10 days, 99%)*	VaR (1 day, 99%)*	VaR (10 days, 99%)*	VaR (1 day, 99%)*
Period start	54	17	113	36
Maximum value	86	27	150	48
Average value	56	18	79	25
Minimum value	33	10	40	13
Period end	59	19	67	21

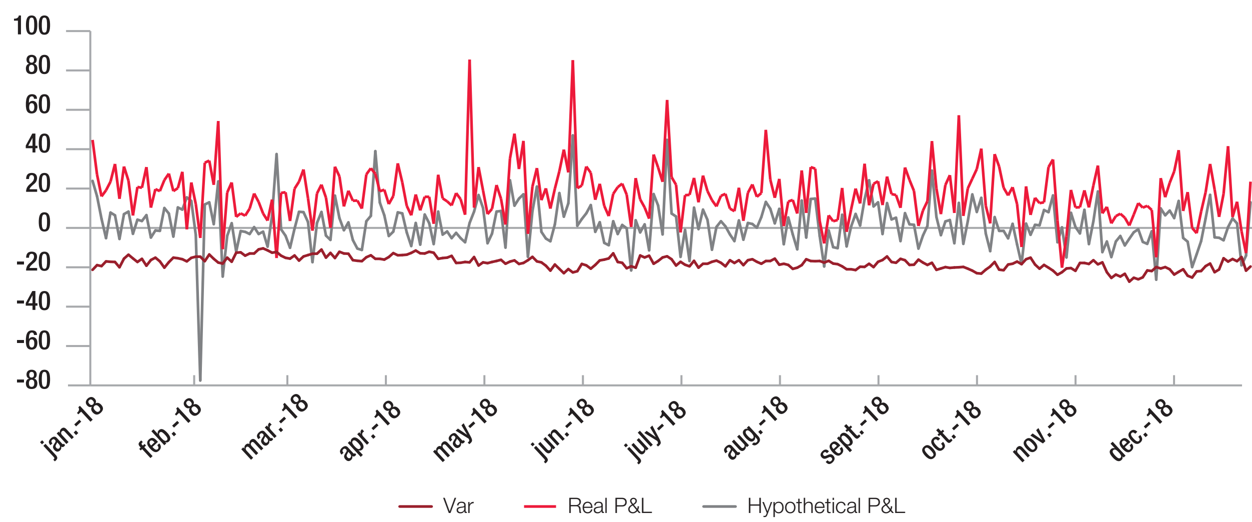
* *Over the scope for which capital requirements are assessed by internal model.*

BREAKDOWN OF THE DAILY P&L[2] OF MARKET ACTIVITIES (2018, IN EUR M)

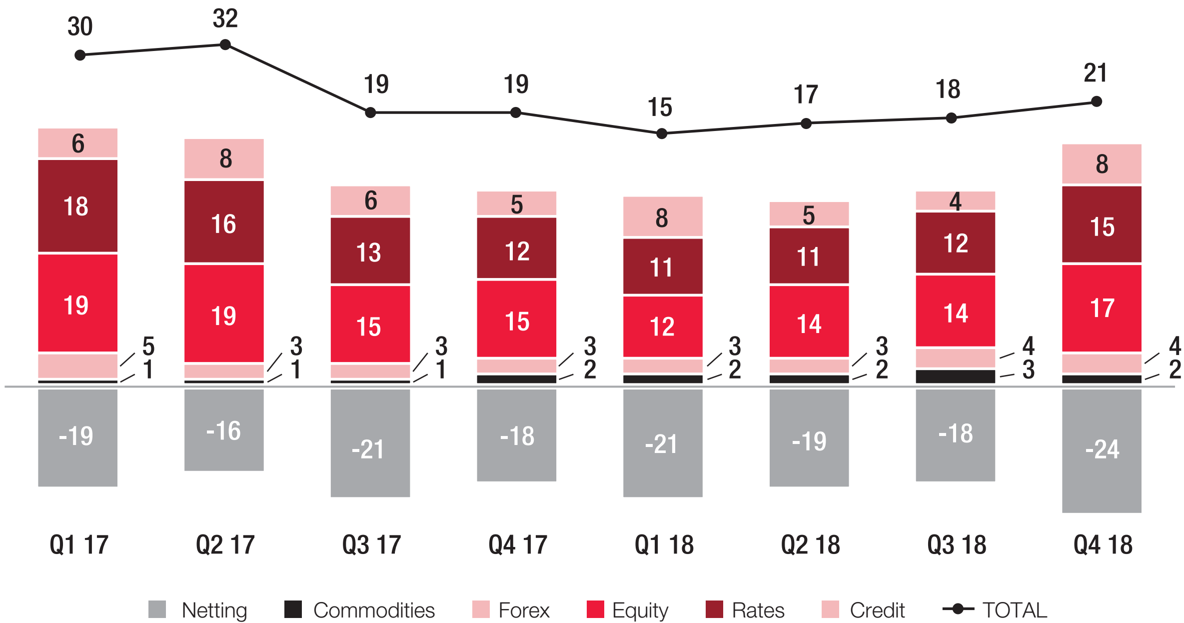


(1) Based on actual P&L.
(2) Actual P&L

TRADING VAR (ONE-DAY, 99%), DAILY ACTUAL P&L[(1)] AND DAILY HYPOTHETICAL P&L[(2)] OF THE TRADING PORTFOLIO (2018, IN EUR M)



AUDITED I BREAKDOWN BY RISK FACTOR OF TRADING VAR (ONE-DAY, 99%) – CHANGES IN QUARTERLY AVERAGE OVER THE 2017-2018 PERIOD (IN EUR M)



2018 saw a return of market volatility and a correction on risky assets (fall in risky assets, rise in volatility, rally on safe haven securities), against a backdrop of trade tensions between the United States and China. In Europe, assets also suffered from a slower economic recovery than in the United States. In these market conditions, VaR was stable and remained low, though it increased slightly (from EUR 15 million in Q1 2018 to EUR 21 million in Q4 2018) due to the natural renewal of risk scenarios in the VaR calculation, since the new scenarios are slightly higher than the ones they replaced. ▲

(1) Daily profit or loss used for the VaR backtesting against actual P&L, as defined in the "99% Value-at-Risk (VaR)" section of the Group consolidated financial statements on page 213.

(2) Daily profit or loss used for the VaR backtesting against hypothetical P&L, as defined in the "99% Value-at-Risk (VaR)" section of the Group consolidated financial statements on page 213.

Stressed VaR (SVaR)

Audited I At end-2011, Societe Generale was authorised by the French Prudential and Resolution Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR) to supplement its internal models with the CRD3 requirements, in particular Stressed VaR, for the same scope as VaR.

The calculation method used for the 99% one-day SVaR is the same as under the VaR approach. It consists in carrying out a historical simulation with one-day shocks and a 99% confidence interval. Contrary to VaR, which uses 260 scenarios for one-day fluctuations over a rolling one-year period, SVaR uses a fixed one-year historical window corresponding to a period of significant financial tension.

The method for determining the fixed historical stress window, which has been approved by the regulator[1], is based on a review of the historic shocks on the risk factors representative of the Societe Generale portfolio (related to equity, fixed income, foreign exchange, credit and commodity risks): historical shocks are aggregated to determine the period of highest stress for the entire portfolio. Each risk factor is assigned a weighting to account for the weight of each risk factor within its asset class and the weight of the asset class in the Group's VaR. The historical window used is reviewed annually. In 2018, this window was "September 2008-September 2009".

The ten-day SVaR used for the computation of the regulatory capital is obtained, as for VaR, by multiplying the one-day SVaR by the square root of ten. ▲

The average SVaR increased from 27 MEUR in 2017 to 40 MEUR in 2018, mainly due to a higher risk on fixed income perimeter and a strong variability on equity products, combined with a risk alignment of these two perimeters in terms of scenario (lower netting).

TABLE 32: REGULATORY TEN-DAY 99% SVAR AND ONE-DAY 99% SVAR (IN EUR M)

	31.12.2018		31.12.2017	
(In EUR m)	Stressed VaR (10 days, 99%)*	Stressed VaR (1 day, 99%)*	Stressed VaR (10 days, 99%)*	Stressed VaR (1 day, 99%)*
Period start	65	21	119	38
Maximum value	395	125	198	62
Average value	128	40	85	27
Minimum value	50	16	50	16
Period end	156	49	67	21

* *Over the scope for which capital requirements are assessed by internal model.*

4.6.4 STRESS TEST ASSESSMENT

Methodology

Audited I Alongside the internal VaR model, Societe Generale monitors its exposure using stress test simulations to take into account exceptional market disruptions.

A stress test estimates the loss resulting from an extreme change in market parameters over a period corresponding to the time required to unwind or hedge the positions affected.

Two major metrics are defined and used:

- the Global Stress Test on market activities, which covers all the trading risks that could arise simultaneously in the event of a severe but plausible systemic crisis. This stress test is modelled on five scenarios
- the Market Stress Test, which uses the same scenarios as the Global Stress Test and additional scenarios corresponding to different market conditions, focusing solely on market risk.

The various scenarios for those stress tests are reviewed by the Risk Division on a regular basis, in conjunction with the Group's teams of economists and specialists. These reviews are presented during dedicated committee meetings held every six months, attended by the Head of the Market Risk Department, economists and representatives of Societe Generale's trading activities. These committee meetings cover the following topics: changes in scenarios (introduction, removal, shock review), appropriate coverage of the risk factors by the scenarios, review of the approximations made in terms of calculation, correct documentation of the whole process. The delegation level needed to validate the changes in stress test scenarios depends on the impact of the change in question.

This stress test risk assessment is 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, this stress test risk assessment methodology is one of the main pillars of the risk management framework.

THE GLOBAL STRESS TEST ON MARKET ACTIVITIES

The Global Stress Test on market activities has been the main risk indicator used on this scope since 2018. It covers all the trading risks that would occur simultaneously in case of a severe, but plausible, market crisis. The impact is measured over a short period of time with an expected occurrence of once per decade. The Global Stress Test uses five market scenarios and has three parts, each of which are considered in each of the five scenarios in order to ensure consistency within the same scenario:

- market risk;
- dislocation and carry risk on exotic activities related to concentration effects and crowded trades;
- market/counterparty cross-risk arising in structured products and collateralised financing transactions as well as in transactions with weak counterparties (hedge funds and proprietary trading groups);

(1) *A complementary method has been submitted to the regulator for approval in Q2 2018 : the purpose is to ensure the relevance of the period obtained following the method based on the weighting of historical shocks by computing an approached VaR on the same selection of risk factors representative of Societe Generale portfolio.*

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, restricted to scenarios that could cause dislocation effects on market positions and default by weak counterparties. These scenarios all simulate a sharp fall in the equity markets and a widening in credit spreads which could trigger dislocation effects. At present, these scenarios include four hypothetical scenarios (terrorist attack, general crisis (financial crisis scenario), eurozone crisis, general decline in risky assets) and one historical scenario focused on early October 2008;
- and the impact of the stress test scenario on CVA (Credit Value Adjustment) and FVA (Funding Value Adjustment) reserves, as their variations affect trading results.

The dislocation and carry risk component

Additional market risks to those assessed in the Market Stress Test can occur in market situation in which one or more participants – generally structured products sellers – have concentrated or crowded trades. Dynamic risk hedging strategies can cause larger market dislocations than those calibrated in the Market Stress Test, and these dislocations can extend beyond the shock timeline used due to an imbalance between supply and demand.

Equity, credit, fixed income, currency and commodity trading activities are regularly reviewed to identify these areas of risk and to define a scenario that takes into account the specific features of each activity and position. Each scenario associated with an identified area of risk is added to the market risk component if – and only if – it is compatible with the market scenario in question.

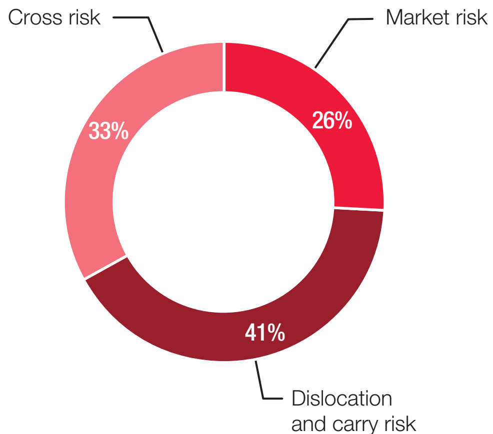
Market/counterparty cross-risk component on weak counterparties

Some counterparties may be significantly affected by a major crisis on the financial markets and their probability of default may increase. The third component of the Global Stress Test therefore aims to take into account this increased risk on certain types of weak counterparties (hedge funds and proprietary trading groups).

Three measurements are used:

- **the collateralized financing stress test:** this stress test focuses on collateralized financing activities and more specifically on weak counterparties. It applies a dislocation shock to several asset classes with the assumption of extremely tight liquidity conditions. Collateral and counterparty default rates are stressed concomitantly, taking into account any consanguinity with the collateral posted;
- **the hedge fund financing stress test:** this indicator measures the expected loss generated by products incurring gap risk (leveraged certificates, credit facilities, etc.) with hedge funds as underlying assets in extreme scenarios (expected occurrence of once per decade);
- **the adverse stress test on hedge funds and proprietary trading groups (PTG):** this stress test applies two stress scenarios to all market transactions qualifying for replacement risk with this type of counterparty. A stressed probability of default – based on the counterparty's ratings – is taken into account.▲

AVERAGE CONTRIBUTION OF THE COMPONENTS TO 2018 GLOBAL STRESS TEST ON MARKET ACTIVITIES



AUDITED I THE MARKET STRESS TEST

This metrics focuses on market risk and estimates the loss resulting from shocks on the set of risk factors. This stress test is based on 18 scenarios (3 historical and 15 hypothetical). Main principles are as follows:

- the stress test corresponds to the worst result derived from the set of historical and hypothetical scenarios;
- the shocks applied are calibrated on time horizons specific to each risk factor (the time horizon can range from five days for the most liquid risk factors, to three months for the least liquid);
- risks are calculated every day for each of the Bank's market activities (all products together), using each of the historical and hypothetical scenarios.

Historical scenarios

This method consists of an analysis of the major economic crises that have affected the financial markets : changes in the prices of financial assets (equities, interest rates, exchange rates, credit spreads, etc.) during each of these crises have been analysed in order to define scenarios for potential variations in these main risk factors which, when applied to the Bank's trading positions, could generate significant losses. Accordingly, Societe Generale uses three significant historical scenarios related to the period from October to December 2008. This scenario selection is subject to regular review.

Hypothetical scenarios

The hypothetical scenarios are defined with the Group's economists and are designed to identify possible sequences of events that could lead to a major crisis in the financial markets (e.g. a major terrorist attack, political instability in the main oil-producing countries, etc.). The Group's aim is to select extreme but plausible events which would have major repercussions on all international markets. ▲

Accordingly, Societe Generale has adopted the 15 hypothetical scenarios described below:

- **generalised scenario (financial crisis scenario)**: considerable mistrust of financial institutions after the Lehman Brothers' bankruptcy, collapse of equity markets, sharp decline in implied dividends, significant widening of credit spreads, pivoting of yield curves (rise in short-term interest rates and decline in long-term interest rates), substantial flight to quality;
- **GIIPS crisis**: mistrust in risky sovereign issuers and increased interest in higher-rated sovereign issuers such as Germany, followed by the spreading of fears to other markets (equities, etc.);
- **Middle East crisis**: instability in the Middle East leading to a significant shock in oil prices and other energy sources, a stock market crash, and a steepening of the yield curve;
- **terrorist attack**: major terrorist attack on the United States leading to a stock market crash, decline in interest rates, widening of credit spreads and sharp decline in the US dollar;
- **bond crisis**: crisis in the global bond markets inducing the decoupling of bond and equity yields, strong rise in US interest rates (and a more modest rise for other interest rates), moderate decline on the equity markets, flight to quality with strong widening of credit spreads, rise in the US dollar;
- **US dollar crisis**: collapse of the US dollar against major international currencies due to a sharp deterioration in the US trade balance and budget deficit, rise in interest rates and narrowing of US credit spreads;
- **Eurozone crisis**: decline in euro exchange rates, sharp rise in Eurozone interest rates, sharp fall in euro equities and rise in US equities, significant widening of euro credit spreads;
- **Yen carry trade unwinding**: change in monetary policy in Japan leading to yen carry trade strategies being abandoned: significant widening of credit spreads, decline in yen interest rates, rise in US and Eurozone long-term interest rates and flight to quality;
- **assets drop**: unexpected halt in Central Bank quantitative easing policies leading to a widespread drop in risky assets (equity, credit, emerging) combined with a significant increase in worldwide interest rates;
- **2 other Eurozone crisis scenarios**: exit of Greece from the Eurozone, triggering a widespread drop in risky assets (equity, credit, emerging), more particularly in Europe, and a tightening of the US and Japanese sovereign spreads, mitigated with ECB support (activation of the OMT programme resulting in a decrease in Eurozone interest rates) or without ECB support (dislocation of the basis rates reflecting a freeze in the interbank market);
- **Russian crisis**: significant depreciation of the Russian currency, default of the Russian government, crisis in the bond markets and drop in equities, more particularly in emerging markets (as seen with the Russian crisis in September 1998);
- **sudden economic rebound**: sharp rise in equity markets and in US and Eurozone interest rates (as seen with the anticipation of the beginning of the Iraq War in March 2003);
- **bursting of an equity bubble**: significant drop in the equity markets following the bursting of an equity bubble in a specific business sector (as seen with the Worldcom bankruptcy in July 2002).
- **normalisation in the risk premium:** normalisation of the financial markets (in particular via a sharp drop in volatility on the main risk factors) after a period of stress.

4.6.5 VALUATION OF FINANCIAL INSTRUMENTS

In terms of valuation, market products are marked to market, when such market prices exist; otherwise, they are valued using parameter-based models.

On the one hand, each valuation model is independently validated by the Market Risk Department.

On the other hand, the parameters used in the valuation models – whether or not they come from observable data – are subject to controls by the Market Risk Department and the Finance Division (Independent Pricing Verification). If necessary, the valuations are supplemented by reserves or adjustments (for example, bid-ask spreads or liquidity) using calculation methods approved by the Market Risk Department.

Accounting valuation governance is enforced through two valuation committees, both attended by representatives of the Global Markets Division, the Market Risk department and the Finance Division:

- the Global Valuation Committee is convened whenever necessary, at least every quarter, to discuss and approve financial instrument valuation methodologies (model refinements, reserve methodologies, parameter marking methods, etc.). This committee, chaired by the Finance Division and organised by its valuation expert team (Valuation Group) has worldwide accountability with respect to the approval of the valuation policies concerning financial instruments on market activities;

(1) Excluding legacy assets, which are subject to specific risk monitoring.

- on a quarterly basis, the Global Valuation Review Committee reviews changes in reserves, valuation adjustment figures, and related accounting impacts. This analytical review is performed by the Valuation Group.

Lastly, a corpus of Valuation Policies describes the valuation framework and its governance, specifying the breakdown of responsibilities between the stakeholders.

Furthermore, Additional Valuation Adjustments (AVAs) are computed on fair value assets, in compliance with the Regulatory Technical Standards (RTS) published by the European Banking Authority (EBA), which lay out the requirements related to Prudent Valuation, in addition to the principles already specified in the CRD3 (Capital Requirements Directive). These regulatory technical standards define the various uncertainties which have to be taken into account in the Prudent Valuation and set a target level of confidence to reach (the bank must be 90% confident that the transaction could be liquidated at a better price than the Prudent Valuation).

Within this framework, in order to take into account the various factors which could generate additional exit costs compared to the expected valuation (model risk, concentration risk, liquidation cost, uncertainty on market prices, etc.), Prudent Valuation Adjustments (PVAs) are computed for each exposure. The Additional Valuation Adjustments (AVAs) are defined as the difference between the Prudent Valuation obtained and the accounting fair value of the positions, in order to comply with the target level of confidence to reach. These amounts of AVA are deducted from the Common Equity Tier 1 capital.

In terms of governance, the topics related to Prudent Valuation are dealt with during methodological committees and validation committees, organised quarterly, and both attended by representatives of the Global Markets Division, the Market Risk department and the Finance Division.

4.6.6 MARKET RISK CAPITAL REQUIREMENTS

Allocation of exposures in the trading book

The on- and off-balance sheet items must be allocated to one of the two portfolios defined by prudential regulations: the banking book or the trading book.

The banking book is defined by elimination: all on- and off-balance sheet items not included in the trading book are included by default in the banking book.

The trading book consists of all positions in financial instruments and commodities held by an institution either for trading purposes or in order to hedge other positions in the trading book. The trading interest is documented as part of the traders' mandates.

The prudential classification of instruments and positions is governed as follows:

- the Finance Division's prudential regulation experts are responsible for translating the regulations into procedures, together with the Risk Division for procedures related to holding period and liquidity. They also analyse specific cases and exceptions. They disseminate these procedures to the business lines;
- the business lines comply with these procedures. In particular, they document the trading interest of the positions taken by traders;
- the Finance and Risk Departments are in charge of the control framework.

The following controls are implemented in order to ensure that activities are managed in accordance with their prudential classification:

- "new product" process: any new product or activity is subject to an approval process that covers its prudential classification and regulatory capital treatment for transactions subject to validation;
- holding period: the Market Risk Department has designed a control framework for the holding period for certain instruments;
- liquidity: on a case-by-case basis or on demand, the Market Risk Department performs liquidity controls based on certain criteria (negotiability/transferability, bid/ask size, market volumes, etc.);
- strict process for any change in prudential classification, involving the business line and the Finance and Risk Divisions;
- Internal Audit: through its various periodic assignments, Internal Audit verifies or questions the consistency of the prudential classification with policies/procedures as well as the suitability of the prudential treatment in light of existing regulations.

Regulatory measures

At end-2011, Societe Generale received approval from the French Prudential Supervisory and Resolution Authority (Autorité de contrôle prudentiel et de résolution – ACPR) to expand its internal market risk modelling system, in particular to include stressed VaR (VaR over a one-year historical window corresponding to a period of significant financial tensions), IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure), for the same scope as for VaR.

VaR and SVaR were detailed in the previous section. IRC and CRM estimate the capital charge on debt instruments that is related to rating migration and issuer default risks. These capital charges are incremental, meaning they are added to the charges calculated based on VaR and SVaR.

In terms of scope, in compliance with regulatory requirements:

- IRC is applied to debt instruments, other than securitisations and the credit correlation portfolio. In particular, this includes bonds, CDS and related derivatives;
- CRM exclusively covers the correlation portfolio, *i.e.* CDO tranches and first-to-default products, as well as their hedging using CDS and indices.

Societe Generale estimates these capital charges using internal models[1]. These models determine the loss that would be incurred following especially adverse scenarios in terms of rating changes or issuer defaults for the year that follows the calculation date, without ageing the positions. In the case of CRM, the charge determined using the internal model cannot be less than 8% of the charge determined by applying the standard method for securitisation positions.

These models are used to simulate, over a one-year horizon[2], a wide range of scenarios involving change in the factors taken into account, and to assign them an impact in terms of income. Rating change and default rate simulations are calibrated on the basis of past observations of rating migrations and default rates, taking into account:

- the frequency of rating migrations and defaults observed over a full economic cycle;
- the correlations observed among issuers in the same economic sector, and among those in different sectors.

For CRM, the spread of market parameters used is also simulated over a one-year period: change in credit spreads, recovery rates, and correlation of bases for index tranches and first-to-defaults.

When simulating a change in an issuer's rating, the decline or improvement in its financial health is modelled by the increase or decrease in its credit spread. In the event of an issuer's default, the impact on income is modelled based on a precise revaluation of the product.

IRC and CRM are calculated with a confidence interval of 99.9%: they represent the highest risk of loss obtained after eliminating the 0.1% most unfavourable scenarios simulated.

The internal IRC and CRM are subject to similar governance to that of other internal models meeting the Pillar 1 regulatory requirements. More specifically:

- the methodology and its implementation have been approved within the Group by the Risk Department in charge of internal models validation, and externally by the French Prudential Supervisory and Resolution Authority (Autorité de contrôle prudentiel et de résolution – ACPR);
- a weekly analysis is performed on these metrics;
- these metrics are compared with standard stress tests defined by the regulator;
- the models' suitability and calibration are reviewed at least once a year.

Moreover, regular operational checks are performed on the completeness of the scope's coverage as well as the quality of the data describing the positions.

TABLE 33: IRC (99.9%) AND CRM (99.9%) (IN EUR M)

(In EUR m)	31.12.2018	31.12.2017
Incremental Risk Charge (99.9%)		
Period start	263	183
Maximum value	316	321
Average value	211	256
Minimum value	116	175
Period end	266	282
Comprehensive Risk capital charge (99.9%)		
Period start	213	213
Maximum value	310	226
Average value	237	177
Minimum value	165	164
Period end	221	225

(1) The same internal model is used for all portfolios for which an IRC calculation is required. The same is true for the portfolios on which a CRM calculation is performed.

(2) The use of a constant one-year liquidity horizon for all portfolios on which IRC and CRM are calculated means that the shocks applied to the positions in order to determine these two metrics are instantaneous one-year shocks. This hypothesis appears to be the most prudent choice in terms of models and capital, rather than shorter liquidity horizons.

4.6.7 MARKET RISK CAPITAL REQUIREMENTS AND RISK-WEIGHTED ASSETS

TABLE 34: MARKET RISK CAPITAL REQUIREMENTS AND RWA BY RISK FACTOR (IN EUR M)

	Risk-weighted assets			Capital requirement		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
VaR	3,365	2,606	759	269	208	61
Stressed VaR	11,771	4,466	7,305	942	357	585
Incremental Risk Change (IRC)	3,322	3,527	(205)	266	282	(16)
Correlation portfolio (CRM)	2,799	2,817	(18)	224	225	(1)
Total market risks assessed by internal model	**21,257**	**13,416**	**7,841**	**1,701**	**1,073**	**628**
Specific risk related to securitisation positions in the trading portfolio	71	189	118	6	15	(9)
Risk assessed for currency positions	1,790	640	1,150	143	51	92
Risks assessed for interest rates (excl. securitisation)	413	368	45	33	29	4
Risk assessed for ownership positions	136	108	28	11	9	2
Risk assessed for commodities	34	79	(45)	3	6	(3)
Total market risks assessed by standard approach	**2,444**	**1,384**	**1,060**	**196**	**111**	**85**
TOTAL	**23,701**	**14,800**	**8,901**	**1,897**	**1,184**	**713**

TABLE 35: CAPITAL REQUIREMENTS AND RWA BY TYPE OF MARKET RISK (IN EUR M)

	Risk-weighted assets		Capital requirement	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Risk assessed for currency positions	2,820	981	226	78
Risk assessed for credit (excl. deductions)	8,373	7,681	670	614
Risk assessed for commodities	272	225	22	18
Risk assessed for ownership positions	5,454	3,099	436	248
Risk assessed for interest rates	6,782	2,814	543	225
TOTAL	**23,701**	**14,800**	**1,897**	**1,184**

90% of Societe Generale's capital requirements related to market risk are determined using an internal model approach. The standard approach is mainly used for the positions taken by the head office and presenting a foreign exchange risk, which are not part of the trading book, as well as for the Group's subsidiaries that do not have access to the core IT tools developed internally, and for subsidiaries for which the Group is awaiting approval from the regulator to use the internal models. The main entities concerned are Societe Generale International Limited, SG Americas Securities Holdings, and some International Retail Banking and Financial Services entities such as Rosbank, SGMA, BRD, etc. The increase in capital requirements related to market risk is mainly due to:

- a rise in SVaR mainly due to a higher risk on fixed income perimeter and a strong variability on equity products, combined with a risk alignment of these two perimeters in terms of scenario (lower netting).
- an increase in risks assessed by standard approach for FX transactions.

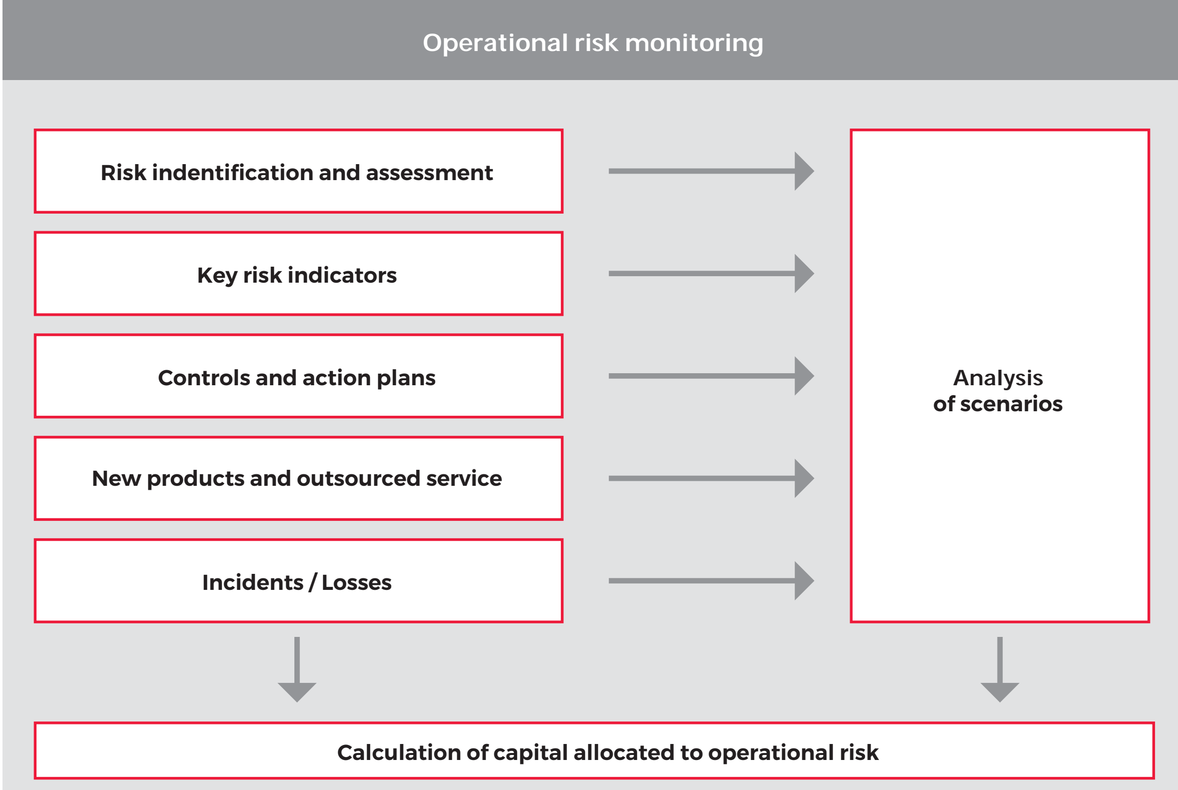
4.7 OPERATIONAL RISKS

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

4.7.1 OPERATIONAL RISK MEASUREMENT

Since 2004, Societe Generale has used the Advanced Measurement Approach (AMA), as proposed by the Capital Requirements Directive, to measure operational risk. This approach, implemented across the main Group entities, notably makes it possible to:

- identify the businesses that have the greatest risk exposures;
- identify the types of risk that have the greatest impact on the Group's risk profile and overall capital requirements;
- enhance the Group's awareness, vigilance and management of operational risks.



4.7.2 OPERATIONAL RISK MONITORING PROCESS

The Group's main systems for controlling operational risks are:

- collection of internal losses and analysis of external losses;
- self-assessment of risks and controls;
- framing of new products;
- management of outsourced services;
- oversight of risk indicators;
- development of scenario analyses.

Societe Generale's classification of operational risks in eight event categories and 49 mutually exclusive sub-categories is the cornerstone of its risk modelling, ensuring consistency throughout the system and enabling cross-business analyses throughout the Group.

The eight event categories are as follows:

- commercial disputes;
- disputes with authorities;
- pricing or risk valuation errors;
- execution errors;
- fraud and other criminal activities;
- rogue trading;
- loss of operating resources;
- IT system interruptions.

Internal loss data collection

Internal loss (but also gains and near loss) data has been compiled throughout the Group since 2003, enabling operational staff to:

- define and implement the appropriate corrective actions;
- achieve a deeper understanding of their risk areas;
- enhance awareness and vigilance with respect to operational risks in the Group.

The minimum threshold above which a loss (or gain or near loss) is recorded is EUR 10,000 throughout the Group, except for global market activities, where this threshold is EUR 20,000 due to the scope of such activities and the volumes involved.

Below these thresholds, losses representing weak-signal risks are collected by the Group's various Business Divisions and reported as an aggregated sum if they concern the same risk event and the total exceeds the reporting threshold.

Risk and Control Self-Assessment

The purpose of Risk and Control Self-Assessment (RCSA) is to assess the Group's exposure to operational risks in order to improve their monitoring. Based on the results of other operational risk management frameworks (internal losses, KRIs, etc.), risk areas are identified by the functions based on their respective fields of expertise, and interviews are conducted with Group experts.

The objectives are as follows:

- identifying and assessing the major operational risks to which each business is exposed (the intrinsic risks, *i.e.* those inherent in the nature of a business, while disregarding prevention and control systems). Where necessary, risk mapping established by the functions (*e.g.* Compliance, Information Systems Security, etc.) contributes to this assessment of intrinsic risks;
- assessing the quality of major risk prevention and mitigation measures;
- assessing the risk exposure of each business that remains once the risk prevention and mitigation measures are taken into account (the "residual risk"), while disregarding insurance coverage;
- facilitating and/or supporting the implementation of key risk indicators;
- adapting the risk insurance strategy, if necessary. As part of this exercise, the risks within a given scope are described using a double scale of severity and frequency.

Key risk indicators

Key risk indicators (KRIs) supplement the overall operational risk management system by providing a dynamic view (warning system) of changes in business risk profiles.

Their follow-up provides managers of entities with a regular measure of improvements or deteriorations in the risk and the environment of prevention and control.

A cross analysis of Group-level KRIs and losses is presented to the Group's Executive Committee on a quarterly basis via a specific dashboard.

Analysis of scenarios

The analysis of scenarios serve two purposes: informing the Group of potential significant areas of risk and contributing to the calculation of the capital required to cover operational risks.

These analyzes make it possible to build an expert opinion on a distribution of losses for each risk category and thus to measure the exposure to potential losses in scenarios of very severe severity, which can be included in the calculation of the prudential capital requirements.

In practice, various scenarios are reviewed by experts who gauge the severity and frequency of the potential impacts for the Group by factoring in internal and external loss data as well as the internal framework (controls and prevention systems) and the external environment (regulatory, business, etc.).

Governance is established in order, in particular, to:

- allow the approval of the annual scenarios update programme by the Risk Committee (CORISQ);
- allow the approval of the scenarios by the senior management of the Business and Corporate Divisions, through the internal control coordination committees of the departments involved or through *ad hoc* meetings;
- conduct an overall review of the Group's risk hierarchy and of the suitability of the scenarios through CORISQ.

Analysis of external losses

External losses correspond to the data on operational losses suffered by the banking and financial sector, provided by databases managed by external providers, as well as the data shared by the banking industry as part of consortiums.

These data are used to enhance the identification and assessment of the Group's exposure to operational risks by benchmarking internal loss records against industry-wide data.

New Product Committees

Each division must submit all new products (commercial products only) to a New Product Committee. Jointly coordinated by the Risk Division and the relevant businesses, this committee aims to ensure that, before any product launch, all types of induced risks (credit risk, market risk, liquidity and refinancing risks, country risks, operational risks, legal risks, accounting tax , financial, information systems as well as the risks of compliance, reputation, protection of personal data and CSR risk, etc.) have been identified, assessed and mitigated residual risks are accepted. This committee ensures the product launch and its execution under the conditions and security required.

This committee is underpinned by a very broad definition of "new product", which ranges from the creation of a new product or service to the adaptation of an existing product to a new environment or new customer type.

Throughout the whole Group, 510 New Product Committee meetings were held in 2018.

Outsourcing of services

The business lines decide on the outsourcing of services within the framework of standards set by the Group. Outsourcing proposals are validated by the Sponsor business further to a risk analysis performed in line with the project governance structure. The Sponsor authorises the Project Manager to conduct the risk analysis. The latter draws on the opinions of experts from different functions according to the Group field of expertise required, to ensure that the evaluations are consistent.

The analysis framework is standardised so as to guarantee coherency in the decisions taken at Group level in this area. It systematically incorporates operational risks (including fraud, execution risk…), legal, tax, non-compliance, reputational, provider, human resources, social and environmental responsibility, business continuity, reversibility/dependence, data quality, information security and data protection risks.

Legal experts qualify essential outsourcing of service as defined by the decree of 3 November 2014.

Critical services at Group level are subject to strengthened management *via* a contract management process that culminates in the signature of a regular contract covering the entire lifetime of these services. These services are identified on the basis of criteria such as the notion of "core business activity", as well as the financial impact and reputational risk assessed at Group level. These critical services are validated within a dedicated committee, chaired by the Operational Risk Division, which ensures consistency at Group level.

Crisis management and business continuity

The crisis management and business continuity systems aim to mitigate as far as possible the impacts of potential incidents on customers, staff, activities and infrastructure, thus protecting the Group's reputation, the image of its brands, and its financial resilience. These systems also satisfy regulatory requirements.

The approach used to implement and optimise the business continuity systems of each Group entity is based on a methodology that meets international standards.

2018-2020 information systems security (ISS) blueprint

With investments amounting to EUR 650 million by 2020, the ISS blueprint aims to place cybersecurity at the centre of the trusted digital relationship between Societe Generale and its clients.

The assessment of cyber risks and measures to strengthen our ISS systems are managed using a dashboard shared quarterly with the Group's management. Structured around a set of KRI covering the 8 standard categories of ISS risks recommended by the regulatory authorities and standards bodies (ACPR, EBA, NIST, etc.), this dashboard is a means of verifying compliance with the Group's risk appetite and the effectiveness of action plans.

In terms of awareness-raising, an online module on information security is mandatory for all internal staff and for all service providers using or accessing our information system. The module is available in 14 languages and covers the main aspects of cybersecurity (information leak, data security, phishing, social engineering, business e-mail compromise scams, etc.). At end-2018, 93% of Societe Generale Group employees having access to this online module had completed the training.

In addition, specific awareness-raising initiatives, for employees but also clients, are implemented throughout the year (conferences, demonstrations, workshops, etc.) For example, fake phishing e-mails are sent to all employees, at least twice a year, so that they can learn to detect a suspicious e-mail and to ensure they have the proper reflex reactions. Since the first campaigns in 2015, the number of clicks on links or the opening of attachments has halved and the reporting of suspicious messages to the security teams has virtually tripled.

4.7.3 OPERATIONAL RISK MODELLING

The method used by the Group for operational risk modelling is based on the Loss Distribution Approach (LDA).

Under this approach, operational risks are modelled using segments, each segment representing a type of risk and a Group core business. The frequency and severity of operational risks, based on past internal losses, external losses, the internal and external environment, and scenario analyses, are estimated and the distribution of annual losses is calculated for each segment. This approach is supplemented by cross-business scenario analyses that measure cross-business risks for core businesses, such as, for example, cybercriminality and flooding of the river Seine.

Aside from the individual risks associated with each segment or cross-business scenario analysis, the model takes into account the diversification between the various types of risk and the core businesses, as well as the effect of insurance policies taken out by the Group.

The Group's regulatory capital requirements for operational risks within the scope covered by the Advanced Measurement Approach (AMA) internal model are then defined as the 99.9% quantile of the Group's annual loss distribution.

Societe Generale's total capital requirements for operational risks were EUR 4 billion at the end of 2018, representing EUR 49.7 billion in risk-weighted assets. This assessment also includes the capital requirement on the portion treated under the standardised approach.

Insurance cover in risk modelling

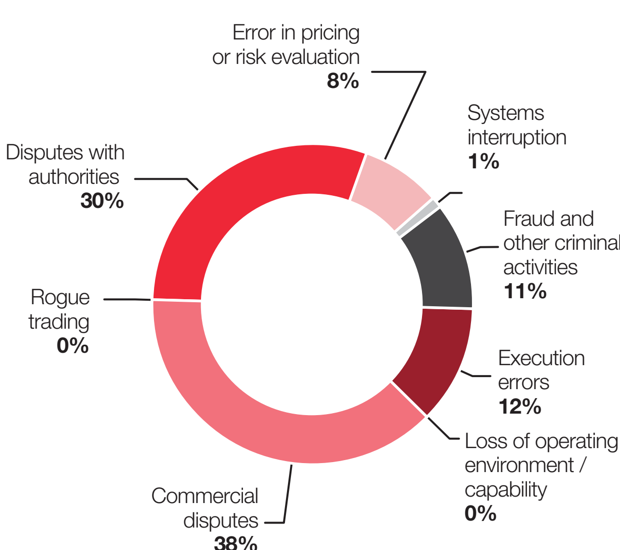
In accordance with regulations, Societe Generale incorporates risk cover provided by insurance policies when calculating regulatory capital requirements for operational risks, within the limit of 20% of said requirements. These insurance policies cover part of the Group's major risks, *i.e.* civil liability, fraud, fire and theft, as well as systems interruptions and operating losses due to a loss of operating resources.

Risk reduction through insurance policies results in a 6.2% decrease in total capital requirements for operational risks.

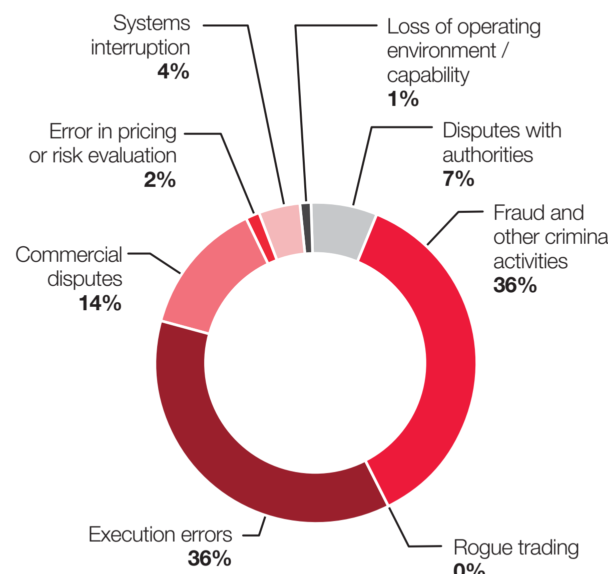
Quantitative data

The following charts break down operating losses by risk category for the 2014-2018 period.

OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE – AMOUNTS



OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE – NUMBER OF EVENTS



Over the past five years, Societe Generale's operational risks were concentrated on average on four types, accounting for 91% of the Group's total operating losses:

- commercial disputes represented 38% of total Group operating losses. The weight of this category is largely explained by the transactional agreement with the Lybian Investment Authority (LIA) in 2017. The amount of losses this category is down from last year;
- disputes with authorities, the second largest category, represented 30% of the Group's operating losses over the period. Losses incurred through this type of litigation represented relatively high unit amounts, meaning that this category represented only 7% of the total number of losses. The amount of losses in this category is up by compared to last year, due to agreements reached in 2018 with US and French authorities on LIBOR investigations, LIA and OFAC;
- execution errors represented 12% of total operating losses, thereby constituting the third leading cause of loss for the Group. The amount of losses on this category is stableover the period;
- fraud and other criminal activities represented 11% of the amount of operating losses over the period. They are mainly composed of fraud on the means of manual payment, of files of financing in recovery with production of false external documents as part of the guarantee and of supplier fraud on funded equipment.

The other categories of Group operational risk (error in pricing or risk evaluation, system interruptions, loss of operating environment / capability and rogue trading) were still relatively insignificant, representing barely 9% of the Group's losses on average over the 2014 to 2018 period.

4.7.4 OPERATIONAL RISK INSURANCE

Policies of the insurance subscription

GENERAL POLICY

Since 1993, Societe Generale has implemented a global policy of hedging Group operational risks through insurance.

This consists in searching the market for the most extensive cover available for the risks incurred and enabling all entities to benefit from such cover wherever possible. Policies are taken out with leading insurers. Where required by local legislation, local policies are taken out, which are then reinsured by insurers that are part of the global programme.

In addition, special insurance policies may be taken out by entities that perform specific activities.

A Group internal reinsurance company intervenes in several policies in order to pool high-frequency, low-level risks between entities. This approach contributes to the improvement of the Group's knowledge and management of its risks.

Description of main coverage

GENERAL RISKS

Buildings and their contents, including IT equipment, are insured at their replacement value. The guarantee covering acts of terrorism abroad has been renewed.

Liability other than professional liability (*i.e.* relating to operations, Chief Executive Officers and Directors, vehicles, etc.) is covered by insurance policies on a worldwide basis. The amounts insured vary from country to country, according to operating requirements.

RISKS ARISING FROM OPERATIONS

Insurance is only one of the measures used to offset the consequences of the risks inherent in the Group's activity. It complements the Group's risk management policy.

Theft/fraud

These risks are included in the "Banker's Blanket Bond" policy that insures all the Group's financial activities around the world.

Internal fraud (committed by an employee or by a third party acting with the aid of an employee) and external fraud (committed by a third party acting alone), with the intent to obtain illicit personal gain or to harm the Group, are covered.

Professional liability

The consequences of any legal action in professional activities of staff or managers in the Group's professional activitie are insured under a global policy.

Operating losses

The consequences of any accidental interruption to activity are insured under a global policy. This policy supplements the business continuity plans. The amounts insured are designed to cover losses incurred between the time of the event and the implementation of a back-up solution.

Cyber attacks

In an environment – not specific to the banking sector – where new forms of crime are rapidly developing, mainly involving data theft or the compromise or destruction of computer systems, a cyber risk insurance policy has been taken out.

4.7.5 CAPITAL REQUIREMENTS

Societe Generale's capital requirements related to operational risk are calculated mainly under the internal model (94% in 2018 and 2017).

The amount of weighted assets on the AMA scope is up slightly (+EUR 836m, i.e. 1.8%) reflecting the shift in the group's operating risk profile.

The following table presents the Group's risk-weighted assets and the corresponding capital requirements at 31st December 2018.

TABLE 36: RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS FOR OPERATIONAL RISK (IN EUR M)

	31.12.2018				31.12.2017			
(In EUR m)	**RWA under Standardised approach**	**RWA under Advanced Measurement Approach (AMA)**	**Total RWA**	**Capital requirements**	**RWA under Standardised approach**	**RWA under Advanced Measurement Approach (AMA)**	**Total RWA**	**Capital requirements**
Global Banking and Investor Solutions	288	32,531	32,818	2,625	289	31,702	31,991	2,559
Corporate Centre	275	3,138	3,413	273	463	3,172	3,635	291
International Retail Banking and Financial Services	2,284	5,376	7,659	613	2,226	5,501	7,727	618
French Retail Banking	25	5,705	5,730	458	42	5,600	5,642	452
TOTAL	**2,872**	**46,749**	**49,621**	**3,970**	**3,020**	**45,975**	**48,995**	**3,920**

4.8 STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

Audited I Structural exposure to interest rate and exchange rate risks results from commercial transactions, their associated hedging transactions and corporate center transactions.

The interest rate and exchange rate risks linked to trading 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. As far as possible, commercial transactions and corporate center operations within entities are hedged against interest rate and exchange rate risks, either through micro-hedging (individual hedging of each commercial transaction) or macro-hedging techniques under IAS 39 "carve-out" (hedging of portfolios of similar commercial transactions within a treasury department). At a consolidated level, some foreign exchange positions are kept in order to minimise the sensitivity of the Group Common Equity Tier 1 ratio to exchange rate fluctuations.

4.8.1 ORGANISATION OF THE MANAGEMENT OF STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

Audited I The principles and standards for managing these risks are defined at the Group level. The entities are first and foremost responsible for managing these risks. The ALM (Asset and Liability Management) Department within the Group's Finance Division supplements the control framework.

The Group Finance Committee, a General Management body

The Group Finance Committee:

- validates and oversees the structural risk monitoring, management and supervision system;
- reviews changes in the Group's structural risks through consolidated reporting;
- examines and validates the measures proposed by the Group Finance Division.

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) and 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 with regard to structural risks;
- identifying, consolidating and reporting on Group structural risks;
- monitoring compliance with structural risk limits.

The ALM Risk Control Department within the Risk Division

The second-level supervision of the ALM models used within the Group and of associated frameworks is provided by a dedicated service within the Risk Department. Accordingly, this department

- validates the methodological principles, feeding parameters and backtests of ALM models.
- It requests and analyses proposals from Group Finance Division regarding the risk indicators definition, stress test scenarios and structural risk frameworks.
- It also ensures at the second level that the entities' frameworks, BU/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.

The entities and BU/SUs 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 the Group's standards and to adhere to the limits assigned to it.

For this reason, entities and BU/SUs apply the standards defined at the Group level, develop their models. Each entity has its own structural risk manager, who reports to the entity's Finance Division and is responsible for conducting first-level controls and for reporting the entity's structural risk exposure to the Group Finance Division via a shared IT system. Retail Banking entities both in France and abroad have an ad hoc ALM (Asset Liability Management) Committee responsible for applying the validated models, managing exposures to interest rate and exchange rate risks, and implementing the hedging programs in compliance with the principles set out by the Group and the limits validated by the Finance Committee and BU/SUs ALM committees.▲

4.8.2 STRUCTURAL INTEREST RATE RISK

Audited I Structural interest rate risk is measured within the banking portfolio, specifically, commercial transactions, the associated hedging transactions and corporate center transactions for each of the Group's entities.

Structural interest rate risk arises mainly from the residual gaps (surplus or deficit) in each entity's fixed-rate forecasted positions.

Objective of the Group

When steering structural interest rate risk, the main objective is to ensure that the risk is managed by reducing each Group entity's exposure to structural interest rate risk as much as possible.

For this purpose, each entity, each BU/SU as well as the Group as a whole are subject to sensitivity limits which are validated by the Finance Committee. Sensitivity is defined as the variation in the net present value of future residual fixed-rate positions (surplus or deficit), stemming from assets and liabilities in a static vision, for a 1% parallel increase in the yield curve (i.e. this sensitivity does not relate to the sensitivity of the annual net interest margin). The limit set at Group level is EUR 1 billion.

Measurement and monitoring of structural interest rate risks

Societe Generale uses several indicators to measure the Group's overall interest rate risk. The two most important indicators are:

- the net present value sensitivity. It is used to set limits for the entities and BU/SUs and is calculated as the sensitivity of the net present value of the balance sheet to variations in interest rates. This measurement is calculated for all currencies to which the Group is exposed;
- the net interest margin sensitivity to variations in interest rates in various stress scenarios takes into account the sensitivity which is generated by future commercial productions over a three-year rolling horizon. It is calculated on a dynamic basis.

In order to quantify its exposure to structural interest rate risks, the Group analyses all fixed-rate assets and liabilities in the future. These positions result from transactions remunerated or charged at fixed rates and from their maturities.

Assets and liabilities are analysed independently, without any a priori matching. The maturities of outstanding assets and liabilities are determined based on the contractual terms of transactions, amortization conventions and models based on customers' historic behaviour patterns (particularly for sight deposits, regulated savings accounts, early loan repayments) and shareholders' equity.

Once the Group has identified its fixed-rate positions (surplus or deficit), it calculates the sensitivity (as defined above) to interest rate variations. This sensitivity is defined as the variation of the net present value of the fixed-rate positions for a 1% instantaneous parallel increase in the yield curve.

In addition, the Group measures the sensitivity of its fixed-rate position in scenarios where the interest rate curve is distorted with and without a 0% floor. In 2018, the Group maintained the overall sensitivity of net present value at a level below 0,9 % of the Group's prudential own funds Tier 1 and below the EUR 1 billion limit.

The analysis of structural interest rate risk at the business line level reveals the following points:

- within the French Retail Banking, the outstanding amounts of customer deposits are generally considered to be at fixed rate. Macro-hedging is set up mainly using interest rate swaps, in order to limit French Retail Banking's net present value and net interest margin sensitivities to interest rate risk, in the frame of the assumptions used, within its limits. Macro-hedging instruments are allocated to separate portfolios according to whether they are used to hedge 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-disapearing tests make the link between the balance sheet available assets or liabilities outstandings and the amount of assets and liabilities outstandings designated as hedged. The effectiveness of the hedge is then determined using the dollar off-set method. The sources of ineffectiveness result from the last fixing of the variable leg of the hedging swaps, the bi-curve valorization of the collateralized hedging instruments, possible mismatches in the cash flows payment dates and counterparty risk on hedging instruments valorization. On December 31st 2018, the sensitivity of French Retail Banking's net present value, based on its essentially euro-denominated assets and liabilities, was EUR 126 million;
- transactions with large corporates are generally micro-hedged and therefore present no residual interest rate risk;
- transactions with customers of the Specialised Financial Services subsidiaries are generally macro-hedged and therefore generate only a very low interest rate risk;
- commercial transactions at the Group's subsidiaries and branches located in countries with weak development of the financial markets can generate structural interest rate risk. These entities may face difficulties in optimally hedging interest rate risk, but these positions, managed within limits, remain marginal at the Group level;
- corporate center transactions are subject to hedging.

Sensitivity to interest rate variations of the Group's represented EUR 452 million as of 31st December 2018 (for a 1% parallel and instantaneous rise in the yield curve).▲

AUDITED I : TABLE 37: MEASUREMENT OF THE ENTITIES' SENSITIVITY TO A 1% INTEREST RATE SHIFT, INDICATED BY MATURITY

(In EUR m)	< 1 year	1-5 years	> 5 years	Total
Amount of sensitivity (31.12. 2018)	**(55)**	**(76)**	**583**	**452**
Amount of sensitivity (31.12.2017)	4	(265)	(13)	(275)

The Group analyses the sensitivity of the interest margin to variations in market interest rates using stress tests on the Group's net interest margin under a constant balance sheet hypothesis.

The measurement of the sensitivity of the three-year interest margin in different configurations of the yield curve with a 0% floor is used by the Group to quantify the interest rate risk on a scope of significant entities.

The dynamic vision of the balance sheet varies according to the amortisation of outstanding transactions and transaction renewals based on outstanding amounts observed on the reporting date (projections under a constant balance sheet hypothesis). Since 2018, flattening and steepening scenarios depend on the concerned currency. For example, on EUR currency, the flattening assumptions used for the simulation allows a 200bp increase in short-term rates and an -58bp decrease of long-term rates. The steepening scenario used allows a -162bp decrease in short-term rates and an 88bp increase in long term rates (without floor effect).

The Societe Generale Group's interest margin sensitivity over the full year 2019 is low. In the event of a parallel shift in the yield curves of +200bp, the sensitivity is positive and represents 3% of the net banking income.

The net interest margin sensitivity mainly stems from the impact on:

- customer deposits: generally little or no interest is paid on deposits, and pricing is only partly impacted by fluctuations in interest rates, as the margin on deposits is mainly derived from reinvestment rates;
- new loan production.

The margin sensitivity on outstanding customer transactions results from the renewal of the matured portions of deposit replacements and the residual sensitivity of the balance sheet to interest rate variations.

The French and International Retail Banking activities are favourably exposed to a rise in interest rates, as deposits can then be reinvested at higher rates, while margins on outstanding loans remain stable. This increase in margin is, however, partially offset by an increase in funding costs. Conversely, retail banking activities are unfavourably exposed to a fall in interest rates as deposits are then reinvested at lower rates and the margin on outstanding loans falls due to prepayments. This decrease in the margin is partially offset by the increase in production margins on new loans (the decline in customer loan rates is not as rapid as the decline in market rates) and by a decrease in the cost of refinancing.

Calculations are based on aggregated estimates at 31st December of a scope of Group consolidated entities representing 8/10th of the Group's Net Interest Margin.

At 31st December 2018, the Group's net interest margin sensitivity for 2019 was as follows:

TABLE 38: SENSITIVITY OF THE GROUP'S INTEREST MARGIN

(In EUR m)	31.12.2018	31.12.2017
Parallel increase in interest rates of 200 bp	845	490
Parallel decrease in interest rates of 200 bp	(230)	(167)
Parallel increase in interest rates of 100 bp	452	234
Parallel decrease in interest rates of 100 bp	(128)	(112)
Flattening	584	210
Steepening	20	143

4.8.3 AUDITED STRUCTURAL EXCHANGE RATE RISK

Structural exchange rate risk is mainly due to:

- Exposures related to net investments abroad, i.e. subsidiaries and branches;
- Exposures related to other banking book transactions;

Objective of the Group

The Group's policy consists on the one hand in hedging its structural position non relating to net investment in foreign entities and on the other hand in calibrating the hedging of its net investments in foreign entities to reduce, as much as possible, the sensitivity of its Common Equity Tier 1 ratio against fluctuations in exchange rates. For this purpose, the Group carries out foreign exchange transactions in order to maintain exposure by currency within the limits approved by the Finance Committee.

Measurement and monitoring of structural foreign exchange rate risks

The Group analyses its exposure to structural foreign exchange rate risks arising from all assets and liabilities of the Banking Book denominated in foreign currencies.

The Group monitors the structural exchange rate positions in the different currencies to mitigate the sensitivity of the Common Equity Tier 1 ratio against foreign exchange rate fluctuations.▲

Table 39 presents the impact on the Group Common Equity Tier 1 ratio of a 10% currency depreciation or appreciation as at December 31st, 2018.

TABLE 39: SENSITIVITY OF THE GROUP'S COMMON EQUITY TIER 1 RATIO TO A 10% CHANGE IN THE CURRENCY (IN BASIS POINTS)

	Impact on the Common Equity Tier 1 ratio of a 10% currency depreciation		Impact on the Common Equity Tier 1 ratio of a 10% currency appreciation	
Currency	31.12.2018	31.12.2017	31.12.2018	31.12.2017
USD	(1)	1	1	(1)
GBP	0	0	0	0
JPY	0	0	0	0
KRW	0	0	0	0
RON	0	0	0	0
RUB	0	0	0	0
CHF	0	(1)	0	1
CZK	0	(1)	0	1
Other	(2)	(2)	2	2

4.9 LIQUIDITY RISK

Audited I Liquidity risk is defined as the risk of not being able to meet cash flow or collateral requirements when they fall due and at a reasonable price.

4.9.1 GOVERNANCE AND ORGANISATION

The principles and standards applicable to the management of liquidity risks are defined by the Group's governing bodies, whose duties in the area of liquidity are listed below:

- the Board of Directors:
  - establishes the level of liquidity risk tolerance as part of the Group's Risk Appetite exercise, including the time period during which the Group can operate under conditions of stress ("survival horizon"),
  - meets regularly (at least quarterly) to examine the Group's liquidity risk situation;
- the Executive Committee:
  - sets budget targets in terms of liquidity based on proposals from the Group Finance Division,
  - allocates liquidity to the businesses and Group Treasury based on proposals from the Group Finance Division;
- the Finance Committee is the body responsible for monitoring structural risks and managing scarce resources. As such, it:
  - meets every six weeks, under the chairmanship of the Chief Executive Officer or a Deputy Chief Executive Officer, with the representatives of the Finance and Development Division's Risk Department and of the businesses,
  - oversees and validates the limits set for structural liquidity risk,
  - regularly monitors compliance with the budget and liquidity trajectory,
  - takes decisions, if necessary, on the implementation of corrective measures,
  - takes decisions, if necessary, on methodology issues regarding liquidity risk management,
  - examines regulatory changes and their impact.

The businesses are responsible for managing liquidity risk within their scope and are directly supervised by the Group Finance Division. They must ensure compliance with the regulatory requirements applicable to the entities falling within their scope of supervision.

The Group Finance Division manages and monitors liquidity risk through three separate departments, in compliance with the principle of separation between risk steering, execution and control functions:

- the Strategic and Financial Steering Department, responsible for:
  - establishing the Group's financial trajectory, in line with its strategic targets, regulatory requirements and market expectations,
  - proposing and monitoring the businesses' budget trajectory,
  - monitoring the regulatory environment and developing liquidity steering standards for the businesses;
- the Balance Sheet and Global Treasury Management Department, responsible for:
  - implementing the Group's short-term and long-term funding plan (including the management of intraday liquidity risk),
  - supervising and coordinating the Group's Treasury functions,
  - monitoring the market and contributing its operational expertise to the establishment of Group liquidity steering objectives and the liquidity allocation for businesses,
  - managing the collateral used in refinancing operations (central banks, covered bonds, securitisation, secured funding), and monitoring the liquidity reserve,
  - managing the Group's central funding department (management of liquidity and equity within the Group), including the internal liquidity charts;
  - developing and implementing the emergency plan in the event of Group liquidity shortage;
- the ALM Department, which reports to the Chief Financial Officer, is in charge of, in particular:
  - supervising and controlling structural risks (interest rates, exchange rates and liquidity) to which the Group is exposed,
  - controlling the structural risk models and their compliance with the Group's rules and methodologies, and monitoring compliance with risk limits and management practices within the Group's divisions, business lines and entities.

Second-level supervision of the ALM models used within the Group and of the associated risk framework is conducted by a dedicated team within the Market Risk Department. Accordingly, this team provides an opinion on the methodological principles, parameters and backtests of liquidity models. It analyses proposals from the Finance Division regarding the risk indicators, stress test scenarios and liquidity and funding risk frameworks. It also conducts second-level controls of compliance with the risk limits defined under such a framework.

4.9.2 THE GROUP'S APPROACH TO LIQUIDITY RISK MANAGEMENT

The Group's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity steering system provides a balance sheet framework based on an assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors:

- the assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the target liabilities structure. This development must comply with the liquidity gaps defined at Group level (under static and stress scenarios) as well as regulatory requirements;
- the liabilities structure is based on the ability of the businesses to collect financial resources from customers and the ability of the Group to sustainably raise financial resources on the markets, in accordance with its risk appetite.

This steering system is based on measurement and supervision of the businesses' liquidity gaps under reference and stress scenarios, their Group funding needs, the funds raised by the Group on the market, the eligible assets and the businesses' contribution to regulatory ratios. Accordingly, the principles of liquidity management are as follows:

1. The businesses must maintain low to nil static liquidity gaps within the operating limits of their activities, by using the Group's Central Treasury, which can, if needed, run an (anti) transformation position and manage it within the framework of the established risk limits.
2. Internal liquidity stress tests, established on the basis of a scenario combining a market and a specific stress, are steered and controlled at Group level. They are used to ensure compliance with the survival horizon established by the Board of Directors and to calibrate liquidity reserves. They are accompanied by a Contingency Funding Plan that sets out measures to be taken in the event of a liquidity crisis.
3. The businesses' funding needs (short-term and long-term) are determined on the basis of the development objectives for the franchises and in line with the Group's fund-raising targets and capabilities.
4. A plan for long-term funding, which complements the resources raised by the businesses, is designed to cover upcoming repayments and finance the growth of the businesses. It takes into account the Group's investment capabilities and aims to optimise the cost of fund-raising while complying with limits in terms of market concentration. Diversification in terms of issuers and investor pools is also sought and managed.
5. The Group's short-term resources are adapted to the financing of the businesses' short-term needs over periods appropriate to their management and in line with market concentration limits. As outlined above, they are adjusted in light of the liquidity reserve on the assets side, based on the established stress survival horizon as well as the Group's LCR target (Liquidity Coverage Ratio, see Regulatory Ratios section).
6. The Group's liquidity steering takes into account compliance with the target regulatory ratios (LCR, NSFR, leverage), the BU' contributions to these ratios being subject to supervision.

Lastly, liquidity is governed in terms of cost *via* the Group's internal transfer pricing scheme. Funding allocated to the businesses is charged to the latter on the basis of scales that must reflect the liquidity cost for the Group. This system is designed to optimise the use of external financing sources by businesses and is used to monitor the equilibrium of balance sheet funding.

Societe Generale has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities. ▲

4.9.3 LIQUIDITY RESERVE

The Group's liquidity reserve encompasses cash at central banks and assets that can be used to cover liquidity outflows under a stress scenario. The reserve assets are available, *i.e.* not used in guarantee or as collateral on any transaction. They are included in the reserve after applying a haircut to reflect their expected valuation under stress. The Group's liquidity reserve contains assets that can be freely transferred within the Group or used to cover subsidiaries' liquidity outflows in the event of a crisis: non-transferable excess cash (according to the regulatory ratio definition) in subsidiaries is therefore not included in the Group liquidity reserve.

The liquidity reserve includes:

- central bank deposits, excluding mandatory reserves;
- High-Quality Liquid Assets (HQLAs), which are securities that are quickly transferable on the market *via* sale or repurchase transactions; these include government bonds, corporate bonds and equities listed on major indices (after haircuts). These HQLAs meet the eligibility criteria for the LCR, according to the most recent standards known and published by regulators. The haircuts applied to HQLA securities are in line with those indicated in the most recent known texts on determining the numerator of the LCR;
- non-HQLA Group assets that are central bank-eligible, including receivables as well as covered bonds and securitisations of Group receivables held by the Group.

The composition of the liquidity reserve is reviewed regularly by a special committee comprising the Finance Division, the Risk Division and the Management of the Global Banking and Investor Solutions pillar, and is adjusted by authorisation of the Finance Committee.

TABLE 40: LIQUIDITY RESERVE

(In EUR bn)	31.12.2018	31.12.2017
Central bank deposits (excluding mandatory reserves)	82	94
HQLA securities available and transferable on the market (after haircut)	73	64
Other available central bank-eligible assets (after haircut)	17	16
TOTAL	**172**	**174**

4.9.4 REGULATORY RATIOS

The Basel Committee recommends the international implementation of two standard ratios with harmonised parameters, to regulate bank liquidity risk profiles:

- the Liquidity Coverage Ratio (LCR) aims to ensure that banks hold sufficient liquid assets or cash to survive a significant stress scenario combining a market crisis and a specific crisis and lasting for one month;
- the Net Stable Funding Ratio (NSFR) is a transformation ratio and compares funding needs with stable resources over a one-year period.

The Basel Committee stabilised its final version of the texts pertaining to the LCR in 2013 and those pertaining to the NSFR in 2014.

The transposition of Basel 3 into European Union law under CRD4 and CRR1 was published on 27th June 2013. The French transposition was published in the French Official Journal (*Journal officiel*) on 5th November 2014.

The LCR definition was finalised, on the basis of technical standards issued by the EBA, through a Delegated Act of the European Commission on 10th October 2014. The LCR entered into force at European level on 1st October 2015. The corresponding minimum requirement was set at 70% for 2016, increasing gradually until it reached 100% as from 1st January 2018.

For the NSFR, the European Commission presented a proposal in November 2016 for transposition of the Basel Regulations, which will currently discussed at a trialogue meeting (European Parliament, Commission, Council). The European entry into force of the NSFR will depend on the duration of the legislative process and is not expected to take place before 2021. Societe Generale is actively continuing its work on transposing the European prudential legislation (or the Basel's text when the European transposition is not yet finalised) and translating it into management standards within the Group. At Group level, the LCR is now managed based on the European standards.

Since implementation of the European regulatory LCR requirement in October 2015, Societe Generale's LCR has at all times stood at a level exceeding 100% : 129% at end-2018 (vs. 140% at end-2017).

4.9.5 BALANCE SHEET SCHEDULE

The main lines comprising the Group's financial liabilities are presented in Note 3.13 to the consolidated financial statements, under the following template:

TABLE 41: BALANCE SHEET SCHEDULE

Financial liabilities

	31.12.2018					
(In EUR m)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Due to central banks		5 721	0	0	0	5 721
Financial liabilities at fair value through profit or loss, excluding derivatives	Note 3.1	201 740	14 444	8 909	11 044	236 137
Due to banks	Note 3.6	26 897	26 560	20 135	21 114	94 706
Customer deposits	Note 3.6	337 374	36 027	22 013	21 404	416 818
Securitised debt payables	Note 3.6	26 034	25 017	37 348	27 940	116 339
Subordinated debt	Note 3.9	355	2	52	12 905	13 314

Note: The scheduling assumptions for these liabilities are presented in Note 3.13 to the consolidated financial statements. Particularly, the data are shown without provisional interest and excluding derivatives. Consequently, the impact of the debt revaluation linked to own credit risk and interest accrued at 31st December 2018 are not scheduled.

	01.01.2018					
(In EUR m)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Due to central banks		5 601	2	1	0	5 604
Financial liabilities at fair value through profit or loss, excluding derivatives	Note 3.1	179 433	12 572	17 971	16 205	226 181
Due to banksknow	Note 3.6	52 753	11 747	22 601	1 520	88 621
Customer deposits	Note 3.6	360 884	21 710	18 161	9 878	410 633
Securitised debt payables	Note 3.6	38 168	14 061	37 782	13 224	103 235
Subordinated debt	Note 3.9	648	1 022	602	11 375	13 647

Note: The scheduling assumptions for these liabilities are presented in Note 3.13 to the consolidated financial statements. Particularly, the data are shown without provisional interest and excluding derivatives. Consequently, the impact of the debt revaluation linked to own credit risk and interest accrued at 1st January 2018 are not scheduled.

Symmetrically, the main lines comprising the corresponding financial assets are presented below.

Financial assets

	31.12.2018					
(In EUR m)	**Note to the consolidated financial statements**	**0-3 m**	**3 m-1 yr**	**1-5 yrs**	**> 5 yrs**	**Total**
Cash, due from central banks		93 309	733	1 597	946	96 585
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.4	240 543	2 024	0	0	242 567
Financial assets at fair value through other comprehensive income	Note 3.4	48 738	998	0	290	50 026
Securities at amortised cost		6 189	1 708	3 392	737	12 026
Due from banks at amortised cost	Note 3.5	48 248	2 618	4 614	5 108	60 588
Customer loans at amortised cost	Note 3.5	98 379	63 874	178 414	74 983	415 650
Lease financing and similar agreements	Note 3.5	2 605	6 355	17 760	4 859	31 579

	01.01.2018					
(In EUR m)	**Note to the consolidated financial statements**	**0-3 m**	**3 m-1 yr**	**1-5 yrs**	**> 5 yrs**	**Total**
Cash, due from central banks		111 194	773	1 646	791	114 404
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.4	234 339	482	0	0	234 821
Financial assets at fair value through other comprehensive income	Note 3.4	48 045	2 130	0	293	50 468
Securities at amortised cost		9 130	292	640	1 530	11 592
Due from banks at amortised cost	Note 3.5	43 144	3 482	6 018	1 012	53 656
Customer loans at amortised cost	Note 3.5	91 816	59 613	166 513	69 981	387 923
Lease financing and similar agreements	Note 3.5	3 133	5 824	16 057	4 454	29 468

It should be noted that due to the nature of its activities, Société Générale holds derivative products and securities whose residual contractual maturities are not representative of its activities or risks. By convention, the following residual maturities were used for the classification of financial assets:

1. **Assets measured at fair value through profit or loss, excluding derivatives (customer-related trading assets)**

   Positions measured using prices quoted on active markets (L1 accounting classification): maturity of less than 3 months.

   Positions measured using observable data other than quoted prices (L2 accounting classification): maturity of less than 3 months.

   Positions measured mainly using unobservable market data (L3): maturity of 3 months to 1 year.

2. **Financial assets at fair value through other comprehensive income:**

   Available-for-sale assets measured using prices quoted on active markets: maturity of less than 3 months.

   Bonds measured using observable data other than quoted prices (L2): maturity of 3 months to 1 year.

   Finally, other SECURITIES (shares held long-term in particular): maturity of more than five years.

As regards the other lines comprising the balance sheet, other assets and liabilities and their associated conventions can be broken down as follows:

Other liabilities

	31.12.2018						
(In EUR m)	**Note to the consolidated financial statements**	**Not scheduled**	**0-3 m**	**3 m-1 yr**	**1-5 yrs**	**> 5 yrs**	**Total**
Tax liabilities	Note 6.3	0	0	771	0	386	1 157
Revaluation difference on portfolios hedged against interest rate risk		5 257	0	0	0	0	5 257
Other liabilities	Note 4.4	0	76 629	0	0	0	76 629
Non-current liabilities held for sale	Note 2.5	0		10 454	0	0	10 454
Insurance contracts related liabilities	Note 4.3	0	12 317	8 891	35 102	73 233	129 543
Provisions	Note 8.3	4 605	0	0	0	0	4 605
Shareholders' equity		65 809	0	0	0	0	65 809

	01.01.2018						
(In EUR m)	**Note to the consolidated financial statements**	**Not scheduled**	**0-3 m**	**3 m-1 yr**	**1-5 yrs**	**> 5 yrs**	**Total**
Tax liabilities	Note 6.3	0	0	1 072	0	536	1 608
Revaluation difference on portfolios hedged against interest rate risk		6 020	0	0	0	0	6 020
Other liabilities	Note 4.4	0	69 139	0	0	0	69 139
Non-current liabilities held for sale	Note 2.5	0	0	0	0		0
Insurance contracts related liabilities	Note 4.3	0	14 966	8 718	33 839	74 194	131 717
Provisions	Note 8.3	6 345	0	0	0	0	6 345
Shareholders' equity		62 951	0	0	0	0	62 951

Other assets

(In EUR m)	Note to the consolidated financial statements	Not scheduled	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
	31.12.2018						
Revaluation differences on portfolios hedged against interest rate risk		338	0	0	0	0	338
Other assets	Note 4.4	0	67 446	0	0	0	67 446
Tax assets	Note 6	5 819	0	0	0	0	5 819
Investments accounted for using the equity method		0	0	0	0	249	249
Tangible and intangible fixed assets	Note 8.4	0	0	0	0	26 751	26 751
Goodwill	Note 2.2	0	0	0	0	4 652	4 652
Non-current assets held for sale	Note 2.5	0	1	13 496	2	3	13 502
Investments of insurance companies		0	29 743	6 569	31 189	79 267	146 768

(In EUR m)	Note to the consolidated financial statements	Not scheduled	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
	01.01.2018						
Revaluation differences on portfolios hedged against interest rate risk		663	0	0	0	0	663
Other assets	Note 4.4	0	60 449	0	0	0	60 449
Tax assets	Note 6	6 292	0	0	0	0	6 292
Investments accounted for using the equity method		0	0	0	0	659	659
Tangible and intangible fixed assets	Note 8.4	0	0	0	0	24 200	24 200
Goodwill	Note 2.2	0	0	0	0	4 988	4 988
Non-current assets held for sale	Note 2.5	0	1	12	0	0	13
Investments of insurance companies		0	34 511	5 787	29 285	78 028	147 611

1.Revaluation differences on portfolios hedged against interest rate risk are not scheduled, as they comprise transactions backed by the portfolios in question. Similarly, the schedule of tax assets whose schedule would result in the early disclosure of income flows is not made public.

2.Other assets and Other liabilities (guarantee deposits and settlement accounts, miscellaneous receivables) are considered as current assets and liabilities.

3.The notional maturities of commitments in derivative instruments are presented in Note 3.13 to the consolidated financial statements.

4.Investments in subsidiaries and affiliates accounted for by the equity method and Tangible and intangible fixed assets have a maturity of more than 5 years.

5.Provisions and shareholders' equity are not scheduled.

4.10 COMPLIANCE AND REPUTATIONAL RISK, LITIGATION

Acting in compliance means clearly understanding and observing the external and internal rules that govern our activities. These rules aim to ensure a transparent and balanced relationship between the bank and all of its stakeholders. Compliance is the foundation stone for trust between the Bank, its customers, supervisors and staff.

Compliance with rules is the responsibility of all Group employees, who must demonstrate compliance and integrity on a daily basis. The rules must be clearly expressed, and staff must be informed and/or trained. The eight main non-compliance risks fall into two broad categories:

- financial security which includes knowledge of the client, rules relating to international sanctions and embargoes, anti-money laundering and counter-terrorism financing rules;
- regulatory risks which concern client protection, market integrity, anti-bribery & corruption, ethics & conduct, tax transparency and data protection.

FINANCIAL SECURITY			REGULATORY RISKS				
KYC	AML	Sanctions & Embargos	Customer protection	Market integrity	Tax transparency	Anti-bribery and corruption	Data
Know your customer	Anti-money laundering		MiFID II/ MIFIR PRIIPs, etc.	EMIR / DFA, Volker, FBL, MAD / MAR, benchmarks, etc.	FATCA, CRS, QI, etc.	ABC, Sapin II, etc.	GDPR, Archiving, etc.

4.10.1 COMPLIANCE

Financial security

KNOW YOUR CUSTOMER (KYC)

In 2018, the Group launched a vast programme to revamp its KYC functions in order to boost operational efficiency (via the simplification of standards, greater pooling of resources, optimisation of tools and processes) and to improve customer experience. This four-year programme, under the responsibility of the Head of Group Compliance, is closely and regularly monitored at Bank level.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CTF)

The Group has implemented new measures linked to the 4th Directive on anti-money laundering and terrorist financing as well as European Regulation 2015/847 on the quality of payment information. Several internal initiatives were also launched to continuously reinforce its setup. In particular, these initiatives cover alert detection tools used in the Bank's different businesses, with use of new technologies and the optimisation of scenarios used.

SANCTIONS AND EMBARGOES

In 2018, the international context was impacted once again by reinforcement of US sanctions on Russia and Iran, with greater complexity in terms of implementation that may generate substantial operational risks for financial establishments. In this context, Societe Generale Group has confirmed its position to abstain from any trading activity with Iran and to maintain transactions with Russia within a strict framework.

Moreover, the Group has pressed on with its efforts to strengthen its Embargoes/Sanctions setup, notably in preparation of the settlement with the American authorities (that finally took place on 19th November, see p 462). Lastly, payment platform centralisation projects have made satisfactory progress while the professionalisation of the Compliance function has been further developed with the deployment of "certified" training.

Regulatory risks

CLIENT PROTECTION

Client protection is a major challenge for the Societe Generale Group which is committed to respecting and protecting the interests of its customers.

The European regulation on customer protection (MIF2), that came into force on 2nd January 2018, and the Insurance Directive (DDA), which came into force on 1st October 2018, have reinforced the existing setup which Societe Generale has revised and completed.

In this context, important measures have been taken on the Group in terms of:

- reinforcement of internal rules regarding customer claims, conflicts of interest, product governance, protection of client assets, remuneration and expertise of staff;
- specific training and increased staff awareness; the importance the Group places on this issue is largely relayed in the Group's Code of Conduct.
- necessary adaptation of existing tools to new regulatory demands.

Claims and mediation

The processing of a claim is also a commercial act that impacts customer satisfaction.

In this respect, business divisions have made substantial progress in the last three years. Entities possess an *ad hoc* governance, an organisation, human and applicative means, formalised procedures, quantitative and qualitative follow-up indicators. The progress made also stems from the substantial measures ensuring staff awareness and training.

A Group "Customer claim processing" guideline was published in January 2017. This guideline includes recommendations from the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) and MiFID II regulatory requirements, as part of the strengthening of customer protection measures in Europe.

Conflicts of interest

The Group has a normative framework on the prevention and management of conflicts of interest, which specifies the principles and mechanisms implemented. The Group's guideline was updated in 2017 to include the regulatory changes under way (see the MiFID II European Regulations on customer protection).

It covers the two categories of potential conflicts of interest: firstly, those that could occur between the Group and its customers, or between the Group's customers, and secondly, those that could occur between the Group and its employees (in particular in relation to activities involving an employee's personal interest and/or professional obligations). It sets out the obligations for identifying potential conflicts of interest, which should be entered into a tool for mapping or registering conflicts of interest.

Product governance

As it is obliged to identify the target market as of product design and verify the correspondence of criteria with customer profiles SG Group performs systematic reviews of products upstream of commercialisation and dealings between producers and distributors to follow-up products during their life cycle.

Fragile Clients

Societe Generale has implemented practices and usages to comply with regulatory obligations vis-à-vis vulnerable clients, and notably clients benefiting from the financially vulnerable 'Specific Customer Offer'.

To contribute to the national effort to boost the purchasing power of French citizens in the most difficult financial straits, the Group has completed this setup *via* the implementation of complementary measures:

- the freezing of bank fees for 2019;
- a ceiling at EUR 25 per month in bank "event" fees for vulnerable clients;
- follow-up and support suited to the situation of all customers facing difficulties in the wake of recent events.

MARKET INTEGRITY

MARKET ABUSE

Following the entry into force of the market abuse guideline (MAR ruling of July 2016), the Compliance Division has continued to improve and ensure the compliance of its setup. There has been a specific focus on the modernisation of automated detection and analysis tools, plus the training of Compliance staff in charge of these controls.

The Group has gathered its operational rules within a "Market Abuse" instruction and an instruction regarding the "Management of listed issuer privileged information". In particular, these instructions mention the measures put in place to prevent or detect market abuse practices threatening the integrity of financial markets, *i.e.*

- the transactions of 'insiders' (transmission and utilisation of privileged information);
- market manipulation (price manipulation, spreading of false information).

TAX TRANSPARENCY

Societe Generale implements control measures to ensure its operations comply with local laws and regulations, and with its Tax Code of Conduct. These controls are performed by the Tax Division and the Compliance Division. Accordingly, all new products require approval with respect to these texts; this also applies to complex operations either within the Group or with customers.

Societe Generale complies with tax transparency standards. It applies the Common Reporting Standard (CRS) to all its entities. This standard enables tax authorities to be systematically informed of income received abroad by their tax residents, including if the accounts are held in heritage structures. In 2018, these declarations concerned 37 countries where Societe Generale operates.

Moreover, Societe Generale complies with the requirements of the United States FATCA (Foreign Account Tax Compliance Act), which aims to fight tax evasion schemes involving foreign accounts or entities held by American taxpayers. Non-American financial intermediaries are thus responsible for identifying American taxpayers in their customer base in order to declare the income received by said taxpayers, directly or indirectly, to the American tax administration, thereby enabling an automatic reconciliation with their individual tax returns. The tax transparency objectives have been achieved by generating a tax report filed at national level and sharing tax information between partner countries on the basis of existing bilateral tax treaties and inter-governmental agreements (IGAs).

ANTI-BRIBERY AND CORRUPTION MEASURES

Societe Generale is fully engaged in fighting against corruption and has made clear commitments as part of the Wolfsberg group and the UN Global Compact.

The Group applies strict principles that are included in the Code of Conduct and the "Anti-Corruption and Influence Peddling Code".

In 2018, Societe Generale Group's Anti-Corruption Code updated the existing normative framework by including all the French (Sapin II) and international legal and regulatory requirements.

Societe Generale's anti-corruption programme is built around the following principles:

- Code of conduct;
- Annual risk mapping;
- Appropriate training at all levels (senior management, exposed persons, entire staff);
- Control system;
- Accounting procedures;
- Evaluation of third parties;
- Disciplinary system;
- Right to whistle-blow.

Moreover, a new instruction regarding gifts, business meals and external events has been published.

Societe Generale is also reviewing its whistleblowing framework. An instruction on the framework was published at the beginning of 2019 and a secured internet platform allowing all staff (internal, external and occasional) to exercise their whistleblowing right is being deployed. This setup protects whistle-blowers, notably by guaranteeing the protection of personal data and strict confidentiality.

In addition, a full training programme is being deployed group-wide to increase the vigilance of all staff.

DATA PROTECTION

As a trusted partner of its customers, Societe Generale is particularly sensitive to personal data protection and has drafted and implemented rules to comply with local and European Regulations.

The entry into force, in May 2018, of the new European Regulations on personal data protection (GDPR), which increases the Company's obligations and the level of sanctions in case of non-respect of these obligations, has offered an opportunity for the Group and its subsidiaries to further reinforce their setup.

Internal instructions and associated procedures, in line with local and European Regulations, define the rules to apply and the measures to take to guarantee the protection and security of customer and staff data. Information measures for persons and the processing of their demands are in place so that they can exercise their rights, notably *via* specific digital platforms. A personal data security policy is defined which fits in with the Group's overall security strategy and, in particular, in terms of cybersecurity. Moreover, as part of the GDPR deployment, there has been a specific effort to increase staff awareness *via* related compulsory training (94% follow-up rate at end-2018).

Lastly, Societe Generale Group has appointed a Data Protection Officer (DPO). Reporting to the Head of Group Compliance, and the main contact for Personal Data Protection Authority (the CNIL in France), his mission is to ensure sound Group compliance in terms of personal data protection. He has a network of local DPOs and Correspondents spread throughout Group entities and in charge of accompanying them on security issues and personal data usage. As part of his mission, the DPO regularly reviews indicators, notably the number and nature of the right exercise requests, internal follow-up rate for training plus the local DPO certification programme launched at the end of 2018.

Management of reputational risk

The management of reputational risk is governed by Societe Generale Group CEO. Control procedures are intended to prevent, identify, assess and control this risk.

It is coordinated by the Compliance Division, which:

- supports Group employees, and more particularly the Compliance Control Officers of the businesses, in their strategy for preventing, identifying, assessing and controlling reputational risk;
- offers and updates training programmes to raise awareness of reputational risk;
- defines, analyses and communicates the results of reputational risk management tools (specific dashboard) on a quarterly basis to members of the Risk Committee (CR).

The Compliance function transformation programme

The Compliance function transformation programme is aimed at reinforcing the control of non-compliance risks *via* the increased vigilance and awareness of all stakeholders, including businesses, support staff and other units, to increase the operational efficiency of the associated processes and to answer demands of supervisory and regulation watchdog bodies.

This programme includes updating the governance and allocating greater resources to the Compliance function, whether in terms of recruitment, training, or modernisation of dedicated information systems. It also encompasses updating the normative framework and risk assessments, together with strengthening controls.

Implementation of this programme is continuing in 2019 and will include a specific part on remediation linked to the agreements signed in 2018 with the US and French authorities.

COMPLIANCE REMEDIATION PLAN IN THE WAKE OF THE AGREEMENTS WITH THE FRENCH AND AMERICAN AUTHORITIES

In June 2018, Societe Generale reached agreements with the US Department of Justice ("DOJ") and the US Commodity Futures Trading Commission ("CFTC") resolving their investigations relating to the IBOR submissions, and with the DOJ and the French Parquet National Financier ('PNF') resolving their investigations relating to certain transactions involving Libyan counterparties.

In November 2018, Societe Generale entered into agreements with the U.S. authorities resolving their investigations relating to certain U.S. dollar transactions involving countries, persons or entities that are the subject of U.S. economic sanctions.

As part of such agreements, the Bank has committed to enhance its compliance program in order to prevent and detect any violation of anti-corruption, bribery and market manipulation laws, and U.S. economic sanctions regulations and New York state laws. The Bank also committed to enhance corporate oversight of its sanctions compliance program. The Bank will not be prosecuted if it abides by the terms of the agreements, to which Société Générale is fully committed.

The Bank has also agreed with the Fed to retain an independent consultant that will evaluate the Bank's progress on the implementation of enhancements to its sanctions compliance program.

The Bank has implemented a program to achieve such undertakings and strengthen its compliance program in the relevant areas. This program has been placed under the direct supervision of the Group Head of Compliance. In addition, the Steering Committee of the program is chaired by a member of the General Management of the Bank, and a report providing an update on the progress of the program is presented to the Board of Directors on a monthly basis.

UNITED STATES COMPLIANCE REMEDIATION PLAN

On 19 November 2018, Société Générale and Société Générale New York branch ("SGNY") reached an agreement (enforcement action) with the NY state Department of Financial Services, in relation with anti-money laundering compliance program of SGNY. This agreement requires submitting an enhanced anti-money laundering compliance program and a governance plan regarding anti-money laundering.

This agreement with the Cease and Desist Order signed on 14 December 2017 with the FED replaces the Written Agreement entered into in 2009 between Société Générale Group and SGNY branch one the one hand, and the Federal Reserve and NY state Department of Financial Services on the other hand.

As a reminder, on 14 December 2017, Société Generale and Société Generale New York branch ("SGNY"), entered into a Cease & Desist Order with the Board of Governors of the Federal Reserve that addresses SGNY's Bank Secrecy Act ("BSA") and Anti Money Laundering ("AML") compliance program (the "Financial Crime Compliance Program"), including aspects of its Know Your Customer program.

4.10.2 LITIGATION

The information pertaining to risks ans litigation is included in Note 9 to the consolidated financial statements, page 460

4.11 OTHER RISKS

4.11.1 EQUITY RISK

Investment strategies and purpose

The Societe Generale Group's exposure to its non-trading equity portfolio relates to several of the Bank's activities and strategies. It includes equities and equity instruments, mutual fund units invested in equities, and holdings in the Group's subsidiaries and affiliates which are not deducted from shareholders' equity for the purpose of calculating solvency ratios. Generally speaking, due to their unfavourable treatment under regulatory capital, the Group's future policy is to limit these investments.

- First, the Group has a portfolio of industrial holdings which mainly reflect its historical or strategic relations with these companies.
- It also has some minority holdings in certain banks for strategic purposes, with a view to developing its cooperation with these establishments.
- In addition, the equities that are not part of the trading book include Group shares in small subsidiaries which are not included in its consolidation scope and which operate in France and abroad. This includes various investments and holdings that are ancillary to the Group's main banking activities, particularly in French Retail Banking, Corporate and Investment Banking, and Securities Services (private equity activities in France, closely linked with banking networks, stock market bodies, brokerages, etc.).
- Lastly, Societe Generale and some of its subsidiaries may hold equity investments related to their asset management activities (particularly seed capital for mutual funds promoted by Societe Generale), in France and abroad.

Monitoring of banking book equity investments and holdings

The portfolio of industrial holdings was significantly reduced in recent years, further to the disposal of non-strategic lines. It now includes only a limited number of investments. It is monitored on a monthly basis by the Group's Finance Division and, where necessary, value adjustments are recognised quarterly in accordance with the Group's provisioning policy.

The holdings that are ancillary to the Group's banking activity are monitored on a quarterly basis by the Group's Finance Division and, where necessary, value adjustments are recognised quarterly in accordance with the Group's provisioning policy. Private equity activities in France are subject to dedicated governance and monitoring, within the budgets periodically reviewed by the Group's General Management. Investment or disposal decisions take the financial aspects and the contribution to the Group's activities into consideration (supporting customers in their development, cross-selling with flow activities, Corporate and Investment Banking, Private Banking, etc.).

Valuation of banking book equities

From an accounting perspective, Societe Generale's exposure to equity investments that are not part of its trading book is classified within financial assets measured at fair value through net income or, using the option, at fair value through other comprehensive income (Cf. Consolidated financial statement – Note 3 Financial Instruments).

The Societe Generale Group's exposure to equity investments that are not part of the trading book is equal to their book value representative of a fair value based on a measure at mark to market or at mark to model.

The following table presents these exposures at end-December 2018 and 2017, for both the accounting scope and the regulatory scope. Regulatory data cannot be reconciled with data from consolidated financial statements, specifically because the regulatory scope excludes equity investments held on behalf of clients by the Group's insurance subsidiaries.

TABLE 42: SHARES AND EQUITIES IN BANKING BOOK

(In EUR m)	31.12.2018	01.01.2018
Banking book - shares and other equity securities at fair value through profit or loss	1,996	1,560
Banking book - shares and other equity securities at fair value through other comprehensive income	13,976	13,826
Banking book - shares and other equity securities on banking book - Prudential scope (Exposure at default)	5,780	6,163
o.w shares and other equity securities at fair value through profit or loss	*5,493*	*5,874*
o.w. shares and other equity securities at fair value through other comprehensive income	*287*	*289*

Unrealized gains and losses related to changes in fair value, since the end of the previous year are recognised within:

- net income statement "Net gains and losses on financial transactions" for equity investment classified into Financial assets at fair value through profit or loss; and
- other comprehensive income "Unrealised or deferred gains and losses that will not be reclassified subsequently into income" for equity investment classified into Financial assets at fair value through other comprehensive.

For investments in listed shares, the fair value is estimated based on the stock price at closing date. For investment in unlisted shares, fair value can be estimated based on one or more of the following methods:

- quantitative method such as Discounted Cash Flows (DCF), Discounted Dividend Model (DDM) ;
- pro rata share of the entity's net assets;
- recent transactions identified on the entity's share (stake acquired by third party, valuation assessed by experts);
- recent transactions identified on entities from the same sector (earnings or NAV multiples, etc.).

TABLE 43: NET GAINS AND LOSSES ON BANKING BOOK EQUITIES AND HOLDINGS

(In EUR m)	31.12.2018	01.01.2018
Gains and losses on the sale of shares and equity	651	0
Net gains/losses on banking book	80	80

Regulatory capital requirements

To calculate the risk-weighted assets under Basel 3, the Group applies the simple risk weighting method for the majority of its non-trading equity portfolio. Shares in private equity companies are assigned a risk-weighting coefficient of 190%, shares in listed companies a coefficient of 290%, and shares in unlisted companies, including the holdings in our insurance subsidiaries, a coefficient of 370%. Note that private equity shares acquired before January 2008 can be weighted at 150%. Furthermore, if they are not deducted from equity capital, material investments in the capital of finance companies are assigned a weighting coefficient of 250%.

At 31st December 2018, the Group's risk-weighted assets related to its non-trading equity portfolio, and its capital requirements, were as follows:

TABLE 44: CAPITAL REQUIREMENTS RELATED TO BANKING BOOK EQUITIES AND HOLDINGS[1]

(In EUR m)					31.12.2018		31.12.2017	
Equities & holdings	**Approach**	**Weighting**	**Exposure at default**	**Risk weighted assets**	**Capital requirements**	**Exposure at default**	**Risk weighted assets**	**Capital requirements**
Private equity	Standard	150%	11	16	1	4	7	1
Private equity	Simple approach	190%	197	375	30	198	376	30
Financial securities	Simple approach	250%	943	2,357	189	933	2,331	186
Listed shares	Simple approach	290%	18	52	4	20	59	5
Unlisted shares and insurance	Simple approach	370%	3,987	14,751	1,180	4,615	17,076	1,366
TOTAL			**5,155**	**17,551**	**1,404**	**5,770**	**19,849**	**1,588**

(1) Excluding cash investments.

4.11.2 STRATEGIC RISKS

Strategic risks are defined as the risks inherent in the choice of a given business strategy or resulting from the Group's inability to execute its strategy. They are monitored by the Board of Directors, which approves the Group's strategic direction and reviews them at least once every year. Moreover, the Board of Directors approves strategic investments and any transaction (particularly disposals and acquisitions) that could significantly affect the Group's results, the structure of its balance sheet or its risk profile.

Strategic steering is carried out under the authority of the General Management, by the General Management Committee (which meets weekly without exception), by the Group Strategy Committee (which meets every two months) and by the Strategic Steering Committees of the Business Units and Service Units (which meet at least once a year for each of the 27 Units). The make-up of these various bodies is set out in the Corporate Governance chapter of this Registration Document, chapter 3 (pages 65 and following). The Internal Rules of the Board of Directors (provided in Chapter 7 of this Registration Document, page 547) lay down the procedures for convening meetings.

4.11.3 ACTIVITY RISK

Activity risk is the risk of loss if expenses incurred are higher than revenues generated. It is managed by the Finance Division through monthly revenue committee meetings.

During these meetings, which are chaired by a member of General Management, the Group's businesses present their results and comment on the state of business. They also present an analysis of their consumption of their budget and scarce resources (especially capital and liquidity).

4.11.4 RISKS RELATING TO INSURANCE ACTIVITIES

The Group conducts Insurance activities (Life Insurance and Savings, Retirement Savings, Property & Casualty Insurance, etc.) in a "bancassurance" model, using the synergies with the retail banking networks in France and abroad to distribute products.

These activities expose the Group to two major types of risks:

- subscription risk related to pricing and claim rates deterioration
- risks related to financial markets (interest rate, credit and equity) and asset-liability management.

The monitoring structure pertaining to these risks and the related issues are described in Note 4.3 to the consolidated financial statements and in Chapter 6 of this Registration Document (p. 390).

4.11.5 ENVIRONMENTAL AND SOCIAL RISKS

The Group's approach in terms of environmental and social issues is set out in Chapter 5 of this Registration Document (pages 247 and following).

4.11.6 CONDUCT RISK

The Group is also exposed to conduct risk through all of its core businesses. The Group defines conduct risk as resulting from actions (or inactions) or behaviours of the Bank or its employees, inconsistent with the Group's Code of Conduct, which may lead to adverse consequences for its stakeholders, or place the Bank's sustainability or reputation at risk.

Stakeholders include in particular our clients, employees, investors, shareholders, suppliers, the environment, markets and countries in which we operate.

The implementation of the monitoring structure pertaining to these risks is one of the priorities of the Culture and Conduct programme in 2019 (see pages 251 and following).

5

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SOCIETE GENERALE – CSR AT A GLANCE

2018 data

GOVERNANCE

- A **Culture and Conduct** programme under the authority of **General Management**, supervised by the **Board of Directors**
- A **Code of Conduct** translated into 24 languages which constitutes the cornerstone of the Group's professional ethics
- **Responsible representation of interests**
- A **Tax Code of Conduct** and an **Anti-Corruption Code**
- A **Sustainable Sourcing Charter**
- **Four behavioural values** applicable to all main HR processes: team spirit, responsibility, innovation and commitment
- **Six CSR themes embedded** in the Group's strategy; one such theme is the **sustainable development of Africa**, which is fully integrated within each business's strategy

CUSTOMER SATISFACTION AND PROTECTION

- A comprehensive **anti-corruption training** programme deployed throughout the Group
- A **personal data protection** policy integrated within the Group's security strategy
- **GDPR**[1] training, with a **94%** participation rate
- **EUR 650 million** devoted to the Group's **IT systems security** over the period to 2020
- One of the **best banks on the market** for **corporate customers** (out of 10 banks compared by CSA)
- Viséo Customer Insights **"2019 Customer Service of the Year Award"** (**6th year in a row**)

EMPLOYMENT

- **19,417 recruitments** in 2018, with **74%** international recruitment
- **25,122** instances of **internal mobility**
- **23,000 telecommuters**
- **94%** of the Group's employees had an **appraisal** over the year
- Ranked **14th** (and 1st among French banks) out of more than 3,000 companies in the international **gender equality** rankings prepared by the **NGO Equileap**
- **28.3 training hours** per employee on average in 2018, with **83%** of employees having **received** at least one **training course** over the year

ESG[2] RISK MANAGEMENT

- Signatory of the **Equator Principles (EP)**, the **Soft Commodities Compact** and the **Katowice Commitment**
- **12 E&S policies** covering sensitive sectors
- **19.3% coal** in the electricity generation mix financed by the Bank (in line with the **target of 19% by 2020**)
- Committed to **no longer financing coal-fired power stations** or associated infrastructure anywhere in the world
- Committed to **no longer financing** activities relating to the production of **petroleum from oil sands** anywhere in the world nor to financing the production of **petroleum in the Arctic**
- **E&S due diligences** performed on new loans totalling **EUR 7.1 billion** (including EUR 3.4 billion covered by the EP)
- In accordance with the Sourcing policy, **97% of calls for tender** included **CSR criteria**

ENVIRONMENT

- A climate strategy in line with a **global warming scenario of 2°C by 2020**
- **Climate risk** mapping presented to the **Board of Directors' Risk Committee**
- Participation in UNEP-FI's work to identify the **"physical"** risks of **climate change**
- Acquisition of **French Fintech company Lumo** (specialised in crowdfunding for renewable energy projects)
- Committed to supporting the **energy transition**: **EUR 100 billion** (2016-2020; **69%** of target)
- **EUR 6.5 billion** in green financing
- **-25%** carbon emissions **per occupant** 2014-2020 (**75%** of target)
- **+20% energy efficiency** for the Group's buildings (target exceeded)

ILLUSTRATIONS OF THE BUSINESSES' COMMITMENTS

- Production 2018: **EUR 11.9 billion** in **SPIF**[3]
- Production 2018: **EUR 11.8 billion** in **SPI**[4]

SOCIETAL INNOVATION

- **EUR 2.5 billion** committed to the **Grand Paris** project, imposing high CSR standards
- 1st **positive-impact bond issue** by ALD, for **EUR 500 million**, to finance a fleet of hybrid and electric vehicles
- **EUR 14 million** in micro-credit lines provided in partnership with ADIE
- **Accessible and inclusive** banking services

AFRICA

- Launch of the **Grow with Africa** programme, setting out strong commitments:
  - **+60%** in loans to **African SMEs** by 2023
  - **+20%** in **structured financing** in Africa by 2021
  - Provision of banking and non-banking services to **1 million farmers** by 2023
  - **1 million YUP** electronic wallets by 2020
  - Doubling of outstandings for **Microfinance Institutions (MFIs)** by 2022
- **3.8 million** customers, including **150,000** corporates
- **300,000 YUP customers** (including **70% with no bank account**)
- Opening of the 1st **"SME - Centre"**
- **21 MFI** clients, representing a total of **EUR 81.4 million**

SOCIALLY RESPONSIBLE INVESTMENT

- Only European supplier of **thematic ETFs aligned with four UN Sustainable Development Goals (SDG)**
- **EUR 9 billion** of assets integrating **exclusion** approaches, **EUR 609 million** including **environmental** matters and **EUR 156 million** managed under an **ESG selection approach**

(1) GDPR: General Data Protection Regulation.
(2) ESG: Environmental, Social and Governance.
(3) SPIF: Sustainable Positive Impact Finance.
(4) SPI: Sustainable & Positive Investment.

5.1 CORPORATE SOCIAL RESPONSIBILITY, AN AMBITION EMBEDDED IN THE GROUP'S STRATEGY

5.1.1 INTRODUCTION

In 2017, Societe Generale presented its strategic plan for 2020, Transform to Grow, which set out a Corporate Social Responsibility (CSR) ambition for all of the Group's activities.

In order to define it, the Bank consulted extensively with its stakeholders, both internal and external. It then established a materiality matrix of stakeholder expectations, ranking sustainable development issues according to the priorities expressed.

This forms the basis, which is structured around six themes built into the activities of each of its businesses:

- Customer satisfaction and protection;
- Responsible employer;
- Ethics and governance (including environmental and social (E&S) risk management);
- Climate change;
- Societal innovation;
- Sustainable development of Africa.

The aim of this CSR ambition is to create added value for stakeholders and support positive societal transformation, including with regard to energy transition and sustainable cities, by offering sustainable products and services (see p. 273, "Examples of the businesses' major commitments as regards the three pillars", and p. 280, "Cross-business implementation of the three pillars of CSR ambition among investors clients") whilst prioritising customer satisfaction.

The involvement and commitment of the Group's employees is a major component of the plan. Societe Generale undertakes to be a responsible employer, offering its employees an inclusive work environment, conducive to well-being and individual development.

As a trusted partner, committed to positive transformation, the Group is guided by four fundamental values (Team Spirit, Innovation, Responsibility and Commitment) and promotes the corresponding behaviour and skills it wishes to see in its employees (see p. 284 "Societal commitments that reflect the Bank's values", and p. 252, "Being a responsible employer").

The Group's goal is to establish a culture of responsibility and the strictest control and compliance framework in the banking sector.

The Code of Conduct, applicable to all Group entities, details the standards imposed and represents a commitment to every stakeholder. All employees worldwide must abide by its rules (see p. 251, "A corporate culture based on values"). In addition to its Code of Conduct, Societe Generale also has a charter for Responsible Advocacy, a Tax Code of Conduct and a Code governing the Fight Against Corruption and Influence Peddling (see: *https://societegenerale.com/en/about-us/responsibility/compliance*).

The Bank strives to set an example, demanding high standards of behaviour, service and integrity in the management of its own activities, in particular through its responsible sourcing policy, so as to limit the environmental impact of its business (see p. 281, "Responsible conduct of the Group's proprietary activities").

The recent evolution of the legislation on non-financial reporting (Declaration of Non-Financial Performance, or DPEF, as it is known in France) is fully in tune with Societe Generale's commitment to transparency. It requires companies to focus non-financial reporting on their key non-financial risk factors, confirming the relevance of the materiality analysis conducted by Societe Generale in 2017, as well as of its CSR ambition, which is based on the environmental, social and human rights issues that are material to the Group.

5.1.2 REGULATORY OBLIGATIONS

The Group strives to act with integrity and in accordance with applicable law in all its activities. The new legislative obligations represent an opportunity for Societe Generale to clarify the articulation between its business model (see p. 6, Chapter 1.2 "Profile of Societe Generale"), its CSR ambition and the policies and processes implemented and continuously improved, to manage the environmental and social (E&S) risk factors inherent to its activities. The DPEF also enables to highlight the CSR opportunities for the Group and its clients.

These developments are also in line with anti-corruption obligations (as introduced under the Sapin II Act, in particular) and the obligations introduced by the Duty of Care Act of 27th March 2017, pursuant to which companies must establish and implement a duty of care plan to identify risks and prevent serious breaches in respect of human rights, fundamental freedoms, the health, safety and security of persons, and also the environment (see p. 291, "Duty of Care Plan").

Anti-corruption measures

Societe Generale is fully committed to fighting corruption and has given clear undertakings in this respect as part of the Wolfsberg Group and the Global Compact.

The Group abides by the strict principles set out in its Code of Conduct and Code governing the Fight Against Corruption and Influence Peddling.

The 2018 Guideline on the Fight Against Corruption in the Societe Generale Group updated the existing normative framework, integrating all current French (Sapin II) and international legal and regulatory requirements.

Societe Generale's anti-corruption programme is built around the following principles:

- Code of conduct;
- Annual risk mapping;
- Appropriate training at all levels (senior management, exposed persons, entire staff),
- Control system;
- Accounting procedures;
- Evaluation of third parties;
- Disciplinary system;
- Right to whistle-blow.

In addition, the Group has published a new Guideline on Gifts, Hospitality and Entertainment.

Societe Generale is also reviewing its whistleblowing system. A Guideline on Whistleblowing was published in early 2019 and a secure online whistleblowing platform, accessible to all employees (whether internal, external or temporary) is deployed. This system is designed to protect whistleblowers, in particular by guaranteeing protection of their personal data and strict confidentiality (see p. 240, "Anti-Corruption Measures", and p. 291, "Duty of Care Plan").

In addition, a comprehensive training programme has been rolled out across the Group to increase employee vigilance.

Anti-tax avoidance measures

The Societe Generale Group's anti-tax avoidance policy falls under the Tax Code of Conduct. Said Code was updated in March 2017 and approved by the Board of Directors further to review by the Executive Committee. It is publicly available on the Bank's institutional website (*https://www.societegenerale.com/sites/default/files/documents/Code%20de%20conduite/Tax_Code_of_Conduct_of_Societe_Generale_group_UK.pdf*).

The Tax Code of Conduct lays down a certain number of principles, such as:

- Societe Generale ensures compliance with the tax rules applicable to its business pursuant to international conventions and national laws in all countries where the Group operates;
- the Bank does not encourage or promote tax avoidance for itself or its subsidiaries, or for its clients;
- the Group has a tax policy in line with its strategy of profitable and sustainable growth and refrains from any operation, whether in proprietary trading or for its clients, the main purpose or effect of which is tax motivated, unless this is consistent with the intention of the legislation.

The Board of Directors reviews the implementation of this Code on an annual basis. Procedures and measures are in place to ensure that all new products and establishments comply with the Group's tax principles.

Societe Generale imposes a strict policy as regards tax havens. The Group cannot have establishments in a state or territory on the official French list of NCSTs (Non-Cooperative States and Territories)[(1)]; moreover, internal rules adopted in 2003 require monitoring of an extended list of countries and territories.

The Group has diligently implemented all regulations on tax transparency as regards both its clients (*i.e.* FATCA and the Common Reporting Standard – CRS) and its own proprietary trading (*i.e.* County-by-Country Reporting) (see p. 240, "Tax compliance").

Societe Generale already applies the provisions of the new EU Directive on transparency for intermediaries, commonly referred to as the "DAC 6", which makes reporting of all cross-border tax arrangements mandatory as from the summer of 2020.

Lastly, tax evasion is covered as part of the Group's anti-money laundering measures, in accordance with regulatory requirements (see p. 239, "Anti-money laundering and counter-terrorism financing (AML/CFT)").

Declaration of Non-Financial Performance – Methodology and main risk factors identified

In order to identify the non-financial risk factors[(2)] inherent to Societe Generale's activities, the Bank has conducted a non-financial risk mapping. The main priority themes of the CSR ambition have been cross-analysed with the main risk factors of the Group (see p. 149, "Types of risk for the Group"), based on the premise that environmental, social and human rights risk factors are triggers or aggravating factors of some Group risk factors, especially credit, compliance and reputational risks.

The methodology of the risk mapping exercise was set up by the Corporate Social Responsibility Department, together with the Risk Division, the Human Resources Department and the departments responsible for integration of the CSR ambition priority themes. The CSR Department then coordinated the identification and ranking of the various non-financial risk factors that could aggravate some existing risks for the Group. The methodology and results of this mapping exercise were presented to the Independent Verifier.

The risk factors identified through this exercise were assessed on the basis of two criteria: their potential severity and their probability of occurrence. Time considerations were also added in for certain risk factors that are not particularly significant at present but that may become more important in the future.

The non-financial risk factors identified as being the most significant were:

- corruption;
- IT systems failure (cybercrime);
- data protection;
- E&S issues that could have an impact on the Group's reputation, as a result of operational risks or negative stakeholder perception (especially among external stakeholders);
- non-compliance with E&S laws or the Group's E&S commitments (*e.g.* non-compliance with labour regulations or health & safety standards).

Certain moderate risk factors were also identified, such as:

- E&S issues that could affect the Group's credit risk, especially climate change issues: transition risks and physical risks. These risks may become more significant over time;
- employee misconduct – non-compliance with the Group's Code of Conduct and Guidelines, for example;
- lack of qualified staff (a risk factor relating more specifically to human resources management).

(1) Including the EU's recent blacklist.

(2) Human rights, social or environmental violations and corruption.

Some of the above are amongst major risk factors for the Group, and as such are addressed in Chapter 4, "Risk Factors", p. 148.

The risk of corruption is a particular case in point and is addressed on p. 240. The measures taken to protect against IT systems failures are presented on p. 168 "Risks related to information security and information Systems" and p. 224 "2018-2020 information systems security (ISS) blueprint", and those in relation to compliance with the General Data Protection Regulation (GDPR) are detailed on p. 241. Further information on compliance and reputational protection measures is provided on p. 239 "Compliance and reputational risk, litigation" and p. 241 "Management of reputational risk".

The risk factors deriving from E&S issues are addressed in the present chapter, which is structured around the six priority themes of the CSR ambition. In each of the following sections, the main inherent non-financial risk factors are highlighted, along with the policies introduced to limit their occurrence and mitigate the resulting effects. The Group's commitments in these various fields will also be mentioned, along with the key performance indicators used to assess their effectiveness.

The Group's risk management policies are more detailed for the first four priority themes of the CSR ambition (ethics and governance, climate change, employer responsibility and customer satisfaction and protection) The sections covering the last two priority themes (societal innovation and sustainable development of Africa) are rather more about CSR opportunities for Societe Generale and its clients.

In this respect a DPEF cross-reference table is available at the end of the chapter to facilitate reading (see p. 297).

As a supplier of financial products and services, Societe Generale deems that the following areas do not represent major CSR risks and will therefore not consider them further in this Management Report: the circular economy, food waste, the fight against food poverty, animal welfare and the development of a responsible, fair and sustainable food industry.

5.2 A CORPORATE CULTURE AND EMPLOYEES FOCUSED ON CLIENTS

5.2.1 A CORPORATE CULTURE BASED ON VALUES

Societe Generale has built a strong culture based on its values, its Code of Conduct and its Leadership Model.

Shared values

The Bank is guided by four key values shared by all employees (Team Spirit, Innovation, Responsibility and Commitment) and defined with a common objective in mind: the client, for whom the Group strives to achieve the highest possible standards of service quality.

The Code of Conduct, a vehicle for the Group's values

The Code of Conduct applies to all of the Group's activities worldwide and sets out the commitments towards the various stakeholders (clients, employees, investors, suppliers, regulators/supervisory authorities, the general public/wider community), as well as the individual and collective behaviour expected within the Group.

Available in 24 languages, the Code of Conduct is the cornerstone of professional ethics at Societe Generale. It promotes respect for human rights and the environment, the prevention of conflicts of interest and corruption, measures against money laundering and the financing of terrorism, respect for market integrity, data protection, proper conduct with regard to gifts and invitations, and responsible sourcing.

The Code of Conduct goes beyond minimum statutory and regulatory requirements, especially in countries whose laws and regulations do not match the Group's high ethical standards.

It also details the procedure for whistleblowing in situations where such action is justified and reiterates the principles of protection for whistleblowers and a guarantee of anonymity where possible under local law.

Stakeholders can consult the Code of Conduct *via* the Societe Generale website (*https://www.societegenerale.com/sites/default/files/documents/Code%20de%20conduite/code_of_conduct_eng.pdf*). Further information is provided in the Tax Code of Conduct and the Code governing the Fight Against Corruption and Influence Peddling (*https://www.societegenerale.com/en/about-us/responsibility/compliance*).

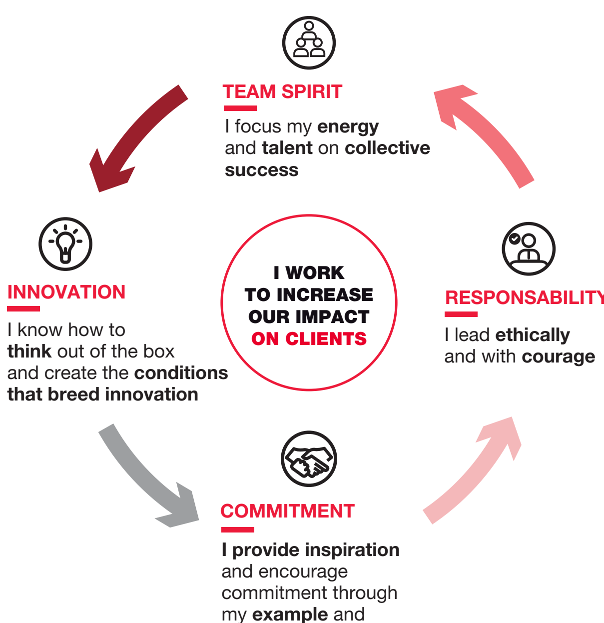
In addition to these codes, the Group's business is also governed by a number of charters and guidelines.

The Leadership Model

Societe Generale's values feed into its Leadership Model, which defines the behaviour and skills expected within the Group, emphasising that the way in which results are achieved is every bit as important as the results themselves.

The behavioural skills reflected in the Leadership Model are divided into three categories corresponding to the main levels of responsibility within the Company (senior executives, managers and employees) and are applicable throughout the Group.

The four key values thus translate into key skills (see diagram below), which are in turn reflected in certain observable and measurable behaviours.



The Leadership Model's internal skills guide describes the expected behaviour corresponding to each of these skills. In conjunction with this guide, a self-assessment tool available on the intranet asks 20 questions through which respondents can see how they rate in relation to the appropriate conduct. They can then use the development tools provided to improve in the various areas highlighted.

Culture and Conduct programme

ENSURING THE HIGHEST STANDARDS OF SERVICE QUALITY, INTEGRITY AND BEHAVIOUR

Launched in 2016, the Culture and Conduct programme aims to build confidence in the Group among its stakeholders, especially its clients, and to accelerate Societe Generale's cultural transformation by placing values, leadership quality and behavioural integrity at the very heart of its business conduct so as to ensure the highest standards of service quality and integrity.

Fostering a culture of responsibility is one of the strategic priorities of the Transform to Grow plan, which is why the Culture and Conduct programme is directly overseen by General Management and supervised by the Board of Directors.

Its main achievements to date are as follows:

- employee familiarisation with the Group's Code of Conduct – which constitutes the cornerstone of professional ethics at Societe Generale – through:
  - face-to-face workshops throughout the Group, with a participation rate close to 90% of the Group's active workforce at the end of 2018, *i.e.* approx. 120,000 employees worldwide. The 15,000 workshops organised offered the various businesses and corporate divisions an opportunity to prepare action plans defining appropriate behaviour for the main situations in which a risk of misconduct arises,
  - dissemination of mandatory remote training sessions covering four topics: content of the Code of Conduct and the related tax and anti-corruption codes, stakeholder expectations, ethical reasoning and the objectives of the Culture and Conduct programme. By the end of 2018, some 130,000 employees had completed this training, representing a completion rate of 96% (excluding entities in which the campaign was still ongoing),
  - definition of misconduct risk relevant to Societe Generale and its risk types, integrated within the Group's risk management systems (see p. 149, "Types of risks");
- development of a dashboard for General Management including Culture and Conduct indicators. This dashboard provides better visibility over the main misconduct risks for the businesses, management of which can then be improved through identification of appropriate action plans;
- continued alignment of the key human resources management processes with the Group's Culture and Conduct goals, particularly in terms of disciplinary sanctions and efforts to prevent misconduct (see p. 256, "Corporate culture reflected in the Human Resources management model");
- regular Culture and Conduct awareness-raising campaigns for senior executives (top 300) and, more broadly, implementation of a Group-wide communications strategy to remind all employees of the importance of such matters in their day-to-day work.

5.2.2 BEING A RESPONSIBLE EMPLOYER

Societe Generale's strategy is based on a long-term vision: that of the Bank as a trusted partner of its customers, committed to positive societal and economic transformation. Against this backdrop, the Group has set itself the following strategic priorities in Human Resources:

- supporting the Bank's changing businesses, by developing the skills its employees need to adjust to transformations in the banking landscape. The Group anticipates the skills that its businesses will need in the medium and long term and offers its employees the opportunity to boost their employability through various types of training and the development of relevant career plans. It is also focused on recruiting the best candidates for its emerging and growth businesses and fully embracing the digital transition by offering alternative ways of working, an agile organisation and new forms of interaction with its stakeholders;
- developing a responsible banking culture based on shared values (Team Spirit, Innovation, Responsibility and Commitment). The Group is committed to diversity in its teams and ensures high-quality dialogue with its stakeholders. It puts the focus on its customers and requires systematic excellence in the conduct of its businesses;
- fostering employee commitment, and thus team performance and cohesion. Recognising each individual's contribution to the Bank's long-term performance, ensuring safety and well-being at work and involving employees in civic initiatives are all essential to employee loyalty and efficiency.

Societe Generale's teams at the end of 2018

Societe Generale employed 149,022 people[1] at the end of 2018, representing an overall increase in headcount of 1.2%. This headcount corresponds to 140,250 full-time equivalents (FTEs)[2] in 67 different countries.

	2018	2017	2016
Group headcount (at end of period, excluding temporary staff)	149,022	147,125	145,672

Please refer to: *https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx* for all indicators.

BREAKDOWN OF HEADCOUNT BY CORE BUSINESS IN 2018

The most significant changes in headcount reflected reorganisations or the Group's adaptations to its environment. They affected each core business differently:

- for the Business Units (BUs) and Service Units (SUs) of International Retail Banking and Financial Services, the relatively stable headcount (up just +0.9% on 2017) was due to strong growth in insurance activities, specialised finance and automotive leasing, offset by a reduction in headcount in certain central and eastern European subsidiaries, especially Euro Bank (disposal in progress);
- for the BUs and SUs of Global Banking and Investor Solutions, the 1.0% increase in headcount was due to investments in the support and control functions for certain regions (primarily France and the Americas), offset by a reduction in headcount for transaction banking coupled with other minor adjustments in a number of countries;
- for the BUs and SUs of French Retail Banking, the 1.1% contraction in headcount reflected the non-replacement of departing employees within the Societe Generale and Crédit du Nord networks (as part of a restructuring plan for the former), offset by growth at Boursorama, Sogeprom and Franfinance;
- for the Group's other SUs, the 9.2% increase in headcount was due to new additions to the IT and compliance teams to support Societe Generale's adaptation to technological and regulatory requirements and changes in the internal organisation of certain functions.

Please refer to *societegenerale.com* for all indicators.

Developing employees' skills and employability

STRATEGIC WORKFORCE PLANNING TO ANTICIPATE AND FACILITATE CHANGE IN THE BUSINESSES

The aim of strategic workforce planning (SWP), an approach governed by a labour agreement signed in 2013 in France and renewed in 2016, is to adapt HR policies – especially on training and the filling of vacancies – to the businesses' needs in terms of skills. It is a multi-stage approach, involving:

- mapping the existing skills in the Group's various entities;
- identifying future skills needs;
- assessing mismatches between present and future needs;
- defining appropriate action plans comprising various components, including employee training, internal mobility and recruitment.

This must become a regular process, so that the corresponding action plans can be updated accordingly.

In addition to the work undertaken since 2013 to assist the BUs and SUs in their strategic workforce planning, the Group has also developed a skills management tool designed to make employees proactive managers of their own career development and employability. After an initial test phase with 1,600 employees in 2017, this ACE tool (*Appétences Compétences Expériences*, or Aspirations, Skills & Experience) was rolled out to 22,000 employees worldwide in 2018. Employees can use the ACE tool to register their skills and aspirations. Based on a combination of machine learning and a dynamic skills database, it then matches these skills and aspirations to the jobs available on the Group's internal job exchange (Job@SG). The Group is looking into adding a new feature in 2019: an option for employees to define their own training programmes with a view to developing the skills they need to be able to apply for a particular position. HR teams and managers can also use the ACE tool to assist them in identifying people with the skills they are looking for in candidates.

Societe Generale and the start-up 365Talents won the Special Jury Award in the 2018 Start-Up/HR Department Innovation Awards for their joint work on the ACE platform.

Please refer to *societegenerale.com* for all indicators.

THE #MONJOB2020 INITIATIVE WITHIN FRENCH RETAIL BANKING

French Retail Banking (BDDF) launched the #MonJob2020 initiative in 2015, with a view to developing its businesses and the skills of its employees.

Devised by a team that comprised representatives from various different stakeholder groups (managers, employees and representatives from business lines, human resources, trade unions, etc.), the programme allows employees to take a proactive role in their career progression and to boost their mobility and employability. It also provides precise up-to-date skills mapping and facilitates management of BDDF's resources and needs. It relies primarily on MON|DIAG, a skills diagnostic tool that employees can use to register their motivations, the skills they have acquired and those for which they could benefit from further business training, and to build a personal development plan. The tool uses artificial intelligence to allow employees to look ahead to possible future careers within the Bank. Over 18,000 customer relations employees had access to the tool in 2018 and it is to be rolled out to other French Retail Banking jobs in 2019.

This initiative was made possible through the collective agreement signed in March 2018, providing for investment of approximately EUR 150 million on personal training plans and doubling the network's training hours.

(1) Total number of employees on permanent or fixed-term contracts, including work-study contracts, whether active or on leave.
(2) (2) As detailed in Chapter 2, p. 62.

A TALENT ATTRACTION AND RETENTION POLICY IN LINE WITH THE GROUP'S NEEDS

Societe Generale adapts its recruitment policy to the specificities of each business, activity and regional environment but nonetheless promotes uniformity in the overall recruitment process, which systematically includes an HR interview to assess the candidate's affinity with the Group's values. The careers.societegenerale.com site – the primary interface with candidates – lists Societe Generale's French and international job vacancies. In 2018, over 350,000 applications were submitted *via* the Careers site, which had around 3.5 million hits.

The Bank is progressively diversifying its recruitment methods, with the inclusion of new technological and digital features (such as online testing, automated candidate selection, recruitment *via* social networks or specialist online communities such as Welcome to the Jungle, etc.) and the encouragement of co-optation, especially in IT.

At end-2018, Societe Generale had more than 434,000 LinkedIn followers and had posted over 1,000 job offers on the network, putting it in 15th place in the LinkedIn classification of the most attractive employers in France. Societe Generale also works with My Job Glasses, a platform that connects students with 125 volunteer employees, and with Talent.io, a developer recruitment platform used by a hundred or so Group managers to connect directly with candidates corresponding to certain targeted tech/development profiles. These initiatives and this network of "ambassadors" are intended to shine a light on the Group's businesses, contribute to the transition to more digital talent recruitment and enhance Societe Generale's employer brand.

Societe Generale also worked with Simplon in 2018 to set up an inclusive training centre to assist in its recruitment: ITSCHOOL by Societe Generale & Simplon. The centre, located on the *Les Dune* technology park, offers developer training for the unemployed or Societe Generale employees looking to retrain with a view to moving into a position in the digital field. The first cohort of students began their free 21-month professional training programme in October 2018.

Societe Generale is the French bank that most appeals to IT graduates, according to the Universum 2018 rankings (for engineering and business graduates from the Bank's preferred universities, it is ranked fifth – an improvement on 2017); the Glassdoor 2018 rankings put it second bank for graduates.

In addition to nurturing its employer brand, Societe Generale seeks to retain talented individuals through:

- a range of possible career paths that take into account employees' plans for the future and include new types of assignment (such as work on internal start-up projects – see p. 256, "New ways of working and more agile organisational models: innovation drivers");
- attractive pay and benefit packages (see p. 262, "By recognising each employee's contribution to the Company's performance");
- an ergonomic work environment that promotes well-being, innovation and collaborative working (see p. 264, "By promoting well-being at work"); and
- the opportunity to take part in a range of civic initiatives.

Worldwide, the Group's voluntary staff turnover was 8.3% in 2018, due in particular to high turnover in certain establishments, especially in Russia, India and Romania, partly because of the local employment dynamics in these markets. In response, the HR policies of Group subsidiaries in these countries are particularly focused on benefit packages, working conditions and career progression. If the Russian and Indian subsidiaries are taken out of the equation, the Group's voluntary turnover was 5.3%.

Please refer to *https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx* for all indicators.

SPECIFIC FOCUS ON INTEGRATING YOUNG PEOPLE

Societe Generale is committed to a proactive approach to youth employment and actively seeks to attract, recruit and retain young graduates. The Group's former interns, international work experience volunteers (VIEs) and work-study participants (2,000 positions for the latter category in France) represent a choice recruiting ground for recent graduates. At Societe Generale SA in France, 48% of junior hires for permanent positions are drawn from this pool. Societe Generale is also the French company that offers the most VIE positions to recent graduates, with around 620 such positions available each year in 39 different countries; in 2018, it won Business France's "Best VIE Recruiter" award for the fourth year in a row. In the Czech Republic, Komerčni Banka was named "Top Employer of the Year" in a survey conducted amongst 10,000 students at Czech universities.

Key factors in attracting and retaining young graduates include:

- partnerships between target higher education institutions and over 60% of the Group's entities, representing 94% of its employees. The Group is involved in over 40 partnerships in Europe and has a network of 650 ambassadors (Group employees). As part of its relations with these higher education institutions, the Group attends forums and gives presentations on its businesses and the career paths available, sends its employees out to teach classes and speak at conferences or participate in initiatives such as "A Day in the Life of…" on Group innovation, organises CV workshops, interview practice sessions and recruitment days for permanent positions, internships and work-study placements, etc. In 2018, Societe Generale de Banques au Sénégal signed a partnership with the *Institut africain de management* (IAM) to promote the employment of young African graduates;
- funding of teaching programmes and research through 11 chairs, representing a total investment of EUR 4.45 million;
- internal development programmes, such as GeneratioNext (for interns, VIEs and work-study participants) and Junior Programme (for recent graduates) within Global Banking and Investor Solutions, involving 2,000 young people worldwide;
- centralised management of the intern, VIE and work-study participant pool for Societe Generale SA in France, to enable the Company to fill its vacancies more efficiently through automated matching of candidates to needs;
- a variety of internal and external initiatives to increase awareness of the jobs available in the banking sector, particularly in IT (internal job forums, @SGInsideIT Twitter account, computer programming evenings, recruitment evenings targeting female engineering students, job dating and escape game events, *SG Ouvre la Boîte* open days, personal career stories from the Group's senior executives, etc.).

Please refer to *societegenerale.com* for all indicators.

INTERNAL MOBILITY: A DRIVER OF EMPLOYABILITY AND RETENTION

Societe Generale's mobility policy is based on 12 principles that apply throughout the Group and include:

- transparency as regards vacant positions, through systematic posting on the internal job exchange (Job@SG), in entities that use this tool;
- prioritisation of internal mobility to fill positions;
- agreement on mobility between employees and their managers;
- strict adherence to the recruitment process defined by the Human Resources Department, so as to avoid any potential risk of corruption or conflict of interests or any discrimination or favouritism.

Overall, 56% of Group positions are filled through internal mobility (57% in 2017). A number of measures encourage internal mobility:

- Job@SG, the internal mobility and external recruitment platform covering 23 countries, and the "Jobs" intranet, which helps identify cross-over between professions and simulates possible career paths. The number of positions offered on the internal job exchange rose by 17% in 2018 as compared to 2017;
- the ACE platform, which points employees towards potential career options and positions available on the internal job exchange (see p. 253, "Strategic workforce planning to anticipate and facilitate change in the businesses");
- internal promotion initiatives, such as in French entities, access to *cadre* status in France[1], continuing professional education courses leading to recognised qualifications (*BP Banque* – professional certificate in banking, *BTS Banque* – two-year course leading to a certificate in banking, *Licence Banque* – undergraduate degree in banking, attendance at the *Institut technique de banque*) or the ten-month Passerell'E course, a primarily (80%) remote-learning programme designed to get promising employees into Level-E positions (as defined by France's banking classification) with greater responsibility. In 2018, a total of 623 Societe Generale SA employees in France completed one of these courses or programmes;
- international mobility (around 1,100 positions available internationally, whether as expatriate positions or on local contracts) and short-term international assignments for employees on international teams (138 such assignments in 2018);
- temporary management assignments: since September 2018, the Group has been testing a new internal transition management programme. In 2019, experienced managers from Societe Generale SA in France will be offered the chance to join a new internal entity specifically devoted to transition management, to oversee projects lasting 6-18 months in various fields within the Bank.

Please refer *to* https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

A WIDE-RANGING TRAINING POLICY TO SUPPORT TRANSFORMATION IN THE BUSINESSES

The Group's training policy has three main aims:

- establish a culture of responsibility through deployment of a Culture and Conduct programme;
- introduce new and more digital ways of learning;
- give employees a more proactive role in their development and employability by offering a broad range of training programmes and guidance on how to identify the right training to help them achieve their goals, as a supplement to existing HR and managerial support.

Worldwide, around EUR 104 million was devoted to training in 2018 (EUR 101 million in 2017) for a total of 4.2 million training hours (3.8 million in 2017), *i.e.* on average, 28.3 hours per person (compared to 27.1 in 2017). Overall, 83% of Group employees had some form of training over the year (compared to 80% in 2017).

Individual employee development and the associated training are discussed during annual appraisals with managers and regular meetings between employees and their HR managers. Societe Generale continued to expand its training programme in 2018 and now offers over 20,000 learning experiences, including micro-learning, rapid learning, MOOCs, summary toolsheets and face-to-face, online and blended (*i.e.* face-to-face + online) courses, most of which were available to employees, free of charge. The new 2018 version of the MYLEARNING platform, which has been made more interactive and personalised, recommends training programmes suited to the user's profile and the fields of interest indicated.

Societe Generale kept the same training priorities for 2018 (Risk and Compliance culture, customer focus, digital culture and expertise), with a view to training employees in:

- new practices in customer relations;
- the digital transition;
- new ways of working and new ecosystems (new banking operators, start-ups, etc.);
- assimilation of risk subjects (conduct, ethics, CSR, etc.).

The training offered thus covers both business skills and behavioural skills (agile working, collaborative working, managerial skills, change management, etc.). Strengthening the Group's managerial culture is also a priority focus.

In addition to the training described above, "academies" specific to certain businesses or functions (*e.g.* large corporate advisory, retail banking salespeople, private banking, human resources, audit, etc.), targeted learning communities, expert groups on the internal corporate social network, and personal development opportunities (coaching, co-development, mentoring and reverse mentoring, etc.) all provide employees with additional support and help harmonise practices across Group entities.

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

(1) *Employees working as executives (cadres) within the meaning of the collective agreement for the French banking industry, on account of their education, position or responsibilities.*

NEW WAYS OF WORKING AND MORE AGILE ORGANISATIONAL MODELS: INNOVATION DRIVERS

The Group promotes various new ways of working with a view to rolling out more agile operating models and stimulating collaboration and innovation. They include in particular:

- telecommuting, which satisfies a need for flexibility and contributes to a better work-life balance. Nearly 80 Group entities have implemented some form of telecommuting, adapted to their local environments; at end-2018, there were over 23,000 teleworkers within the Group worldwide (up 56% on 2017). The countries with the most teleworkers were France (nearly 9,800), India (around 5,100), the Czech Republic (nearly 2,400), Russia (over 1,600) and Romania (nearly 1,300). At Societe Generale SA in France, 96% of managers said that their team's collective performance was unaffected or even improved by telecommuting;
- the rethinking of workspaces to encourage interaction and innovation, using modular premises and digital tools. This has taken place, for example, in Luxembourg, Hong Kong, London, New York and Paris region, at the Boursorama head office and at the eastern Paris real-estate complex *Les Dunes* (both premises were awarded prizes in 2017 at the SIMI commercial real-estate trade show in France);
- the FlexWork approach, as adopted by over 11,600 people at *Les Dunes*, for example, as well as at the Societe Generale Global Solutions Center in India;
- experimentation with new working methods, based in particular on agile methods (design thinking, the lean start-up method, pizza teams, the Test & Learn method, user experience, etc.). The Group's open innovation approach has given rise to over 250 experimental projects with start-ups since 2015 in areas such as cybersecurity, Big Data, artificial intelligence or the internet of things. The Group has also organised meetups and hackathons for various businesses in France, India, Romania and Senegal, amongst other places;
- intrapreneurship. At the end of 2017, the Group launched its Internal Start-up Call, with the aim of fostering employees' intrapreneurial projects. The programme was open to all employees in the Group and over 15,000 employees participated in the programme, which benefits from an Innovation Endowment of EUR 150 million. More than 600 projects were submitted covering 17 topics of strategic importance for the Bank. Sixty start-ups sponsored by members of the Group Management Committee in nine different countries around the world are currently being incubated by local partners (Fintech Circle, TechHub, Schoolab and IdeaSense, among others). Employees can also submit ideas for the transformation of their environment *via* business-level innovation platforms (such as the SG Markets Innovation platform within Global Banking & Investor Solutions);
- direct investment in external innovation ecosystems. In particular, Societe Generale co-founded and provided EUR 2 million in funding for a FinTech/InsurTech incubator called "SWAVE", based in La Défense (the Paris business district) and focused on the fields of neo-finance, cybersecurity, artificial intelligence and machine learning.

As a result of this commitment to the digital transition and new working methods, Societe Generale was ranked first among French companies for its digital maturity at the 2018 eCAC40 awards presented by the editorial team of *Les Echos Executives*.

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

AN APPROACH TOWARDS HIGH-POTENTIAL EMPLOYEES DESIGNED TO PROMOTE TALENT AND PREPARE THE NEXT GENERATION OF MANAGERS

The Talent Management policy applies to all Group entities and is based on the Group's Leadership Model (see p. 251, "The Leadership Model"). It aims to identify, develop and retain high-potential employees who will be key to the Group's future.

Societe Generale made certain changes to this policy in 2018 to make it more agile and better suited to the needs and expectations of the Bank's leaders and business and service units. Talent detection criteria have been revised to better reflect the needs and challenges of the Group. The link with succession plans has been strengthened to better tailor talent development. These changes were accompanied by an adaptation of the development programs offered to high-potential and employees and senior executives by the internal Corporate University and coaching teams. The new programs are more personalised and modular and focus on developing the skills of the Leadership Model. Of the 300 people who participated in development programmes run by the Corporate University in 2018, 33% were women and 21% were internationals (*i.e.* not French).

Please refer to *societegenerale.com* for all indicators.

Acting responsibly in our relationships with stakeholders

CORPORATE CULTURE REFLECTED IN THE HUMAN RESOURCES MANAGEMENT MODEL

The Group's values and their reflection in the Leadership Model and the principles of the Group's Code of Conduct guide all human resources management processes.

In recruitment

The Group has developed a matrix that is used in job interviews to assess the extent of the candidate's affinity with the behavioural skills promoted through the Leadership Model. Since 2018, human resources teams and managers have also been required to systematically perform a conflict check as part of the recruitment process for all positions (whether permanent or temporary positions, internships, etc.).

In performance management

Annual appraisals, personal development plans and 360° questionnaires all consider the way in which operational results are obtained. A Conduct and Compliance section was added to the annual appraisal form in 2018, covering risk management, service quality and the employee's regard for the customer's interests. If an employee is found to have failed to comply with the rules of conduct and compliance, their manager must implement a specific action plan to help them correct the issues. Conduct and compliance performance is a factor in career progression, and especially remuneration. In 2018, over 122,200 Group employees had an appraisal, i.e. 94% of active employees on permanent contracts.

In identifying the next generation of managers, in succession plans and in the perception of top managers

The identification of high potentials and successors in the Group's key positions is based on the Leadership Model. It is also the basis of the 360° questionnaire used in the evaluation process of Group leaders (members of the Executive and Management Committees and holders of key positions). This questionnaire provides information on how the behaviour of Societe Generale's key managers is perceived by their employees, peers and superiors. Consolidation of results at Group level, carried out each year, is also a way of measuring the evolution of managerial practices over time. In 2018, 500 managers received a 360° questionnaire. Nearly 1,000 Managing Directors of the Global Banking and Investor Solutions Divisions benefit from them every two years.

In remuneration for senior executives and regulated employees

The remuneration policy applicable to members of the Group's governing bodies and, more broadly, to its regulated employees[1] promotes best practices by tying their variable remuneration to a number of quantitative and qualitative factors, including respect for compliance and risk management rules. The Risk and Compliance Divisions, together with management, are responsible for performing the corresponding evaluations for regulated employees (see the Societe Generale Remuneration Policies and Practices Report, available on the corporate website, and p. 98, "Remuneration of Senior Management and Chief Executive Officers").

A system of collective targets was introduced for the Group's Management Committee members in 2018. These include financial performance, customer satisfaction and protection (based on the Net Promoter Score), employee commitment (as measured by the Group's Employee Satisfaction Survey) and corporate social responsibility (based on the Group's non-financial rating from asset manager RobecoSAM). Attainment of these targets determines part of their variable remuneration.

In sanction policy

As part of its Culture and Conduct programme in 2018, the Group decided to create a policy to govern the exercise of disciplinary powers by means of guidelines to be followed throughout the Group. This policy will be published in 2019 and will ensure transparency in terms of the rules applicable Group-wide. It includes:

- definitions of the two separate categories of fault and mistake;
- Group guidelines and best practices (graded system of sanctions, managerial responsibility for sanction decisions and implementation, collegiality in determining the severity of the sanction, follow-up on sanctions);
- bi-annual reporting for the entire Group, to provide General Management (in particular) with an overview of disciplinary actions;
- the possibility for employees to report any disciplinary abuses of which they may be aware, whether directly or indirectly.

Implementation of the policy will be accompanied by a communications and training campaign, particularly targeting managers and human resources.

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

PROMOTING DIVERSITY

Anti-discrimination measures

The Group's diversity policy aims to fight bias and create a culture of inclusion. Guarding against discrimination when hiring is a particular focus of the Bank's continuous monitoring, applicable since 2013. Since 2016, the Group's action against discrimination has been enhanced by its endorsement of a number of international charters and the inclusion of the corresponding principles in the agreements signed with its stakeholders:

- the Women's Empowerment Principles, under the aegis of the UN Global Compact, covering professional gender equality;
- the Global Business and Disability Network Charter, under the aegis of the International Labour Organization, promoting the inclusion of persons with disabilities in the world of work;
- the UN's standards against discrimination of LGBTI people in the workplace;
- the agreement signed with UNI Global Union in 2015 and renewed in February 2019 on trade union freedom, fundamental freedoms, working conditions, non-discrimination and the duty of care in respect of human rights (see p. 260 "Promoting a high-quality social dialogue").

The risk of discrimination at work was included in the analysis of the Bank's environmental and social risks conducted in 2018 in the context of the Group's Duty of Care Plan (see p. 291, "Duty of Care Plan"). The existing policies, processes and checks in place will be strengthened according to the residual risks observed in this area in the Group's entities.

Diversity within the Group

The Group employs 142 different nationalities and 58% of its employees are not French. 24% of the Management Committee's members have an international profile (as compared to 25% in 2017).

Diversity is a matter of both ethical responsibility and performance, and the Group has thus maintained its objective of promoting women and international candidates to positions of responsibility and seats on the Bank's management bodies, as reflected in its decision to introduce greater collegiality in the appointment of its senior executives. At end-2018, the high-potential pools included 40% women and 42% international employees. 23% of the Group Management Committee's members are women (as compared to 21% in 2017).

Societe Generale relies upon certain key measures to achieve its aims, including:

- designation of a specific member of the Group Management Committee in charge of diversity;
- monitoring of indicators in respect of women and international employees, *i.e.* their representation within high-potential pools and succession plans, promotions, pay rises, grades and classes, etc.;
- more collegiality in the appointment of senior executives;
- a review of the inclusiveness of certain social policies (to ensure, for example, that social policies take into account different family models); and
- a number of awareness-raising initiatives on diversity. For example, in 2018 the Group launched a series of conferences on diversity (baptised "Mandala"), accompanied by a magazine on inclusion, published in 2019 and retracing the Group's progress in this field.

(1) *Defined in accordance with the CRD4, AIFMD, UCITS V and Solvency II Directives, determined on the basis of identification criteria pertaining to their level of responsibility, impact on risk and overall remuneration.*

Gender equality at work

In 2016, the Group signed the UN Global Compact's Women's Empowerment Principles. Signatories of these principles commit to corporate action to promote gender balance in the workplace, the economic ecosystem and the wider community. Many gender equality initiatives have been undertaken in the Bank's entities (*https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-employer*).

In 2018, Societe Generale was the leading French bank and third French company in the international gender equality rankings published by the NGO Equileap (and 14th overall out of more than 3,000 companies worldwide). The rating assigned is based on 19 criteria (percentage of women in management positions, equal pay, subcontracting practices, parental leave, etc.). Societe Generale scored particularly well on the representation of women on its Board of Directors, its training and development policy, support for employees with children, flexible working options, employee protection and the Group's public commitments towards promoting women at work.

The Group's gender equality policy is based on a variety of actions:

- collective agreements, such as the agreement on professional equality in Societe Generale SA in France, which sets targets for the promotion and development of women within Societe Generale SA and was renewed in 2018;
- specific measures for parents, including the Maternity Programme at Komerčni Banka in the Czech Republic. Overall, Group employees are entitled to an average of 21 weeks' basic maternity leave[(1)], which can be supplemented by extended parental leave or paternity/second parent leave. For example, in Romania, the United States, France, Spain and Brazil, Societe Generale entities offer employees two or more weeks of paternity/second parent leave. In addition, 64 Group entities (representing 74% of the workforce) offer assistance with childcare as part of their fringe benefits;
- awareness-raising campaigns on professional equality, training on unconscious bias and mentoring programmes to support women's career development;
- internal networks (both women-only and mixed) with over 2,400 members worldwide, which organise discussions, workshops and mentoring to promote women within the Group;
- monitoring of the representation of women within the entities' managerial bodies, as well as of promotions and pay for women. Worldwide, 25% of the positions of responsibility within the Group (top 1,000) are held by women (23% in 2017);
- public reporting or reporting to the employee representative bodies, in the UK and France, of indicators on pay gaps and the representation of women at the various levels of the Company;
- commitments such as Societe Generale's participation in 2018 in Project 54 (a fund that supports female entrepreneurs in Africa, set up by the Women in Africa Philanthropy foundation), SG London's signature of the Women in Finance Charter in November 2018, or the signature the same year of the #StOpE initiative, setting out eight commitments to fight against "everyday" sexism at the workplace, alongside 27 other major groups;
- corporate projects such as the *Opportunités Egales pour Hommes et Femmes* (Equal Opportunities for Men and Women) initiative in Luxembourg, approved and supported by the Luxembourg Ministry for Equal Opportunities;
- intercompany initiatives such as the JUMP forum, which helps high-potential women progress in their careers.

Overall, more than 90 entities, representing 82% of the Group's workforce, have policies or programmes in place to promote gender equality at work.

FOCUS ON THE ACTIONS DEPLOYED IN FRANCE AT SOCIETE GENERALE SA

Since 2013 and pursuant to the agreements on professional equality at Societe Generale SA in France, EUR 10.1 million has been allocated to correcting over 5,100 instances of pay gaps between men and women in equivalent jobs and with equivalent managerial and seniority levels within the Company. A further EUR 7 million will be similarly allocated over the next three years, of which EUR 3 million in 2019.

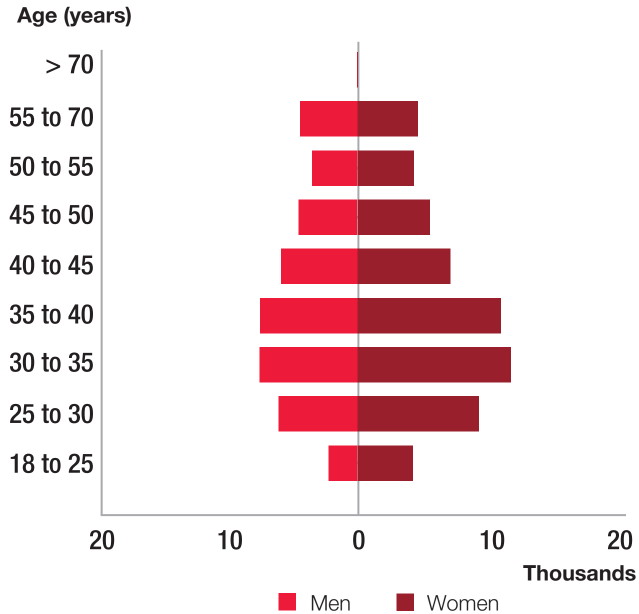
In accordance with the stipulations on "Equal pay for men and women and measures to counter sexism and sexual abuse in the workplace" from French Act 2018-771 of 5th September 2018 (entered into effect on 1st January 2019) and its implementing decree of 8th January 2019, Societe Generale SA in France publishes its gender equality index score (*https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-employer*). This annual index measures the pay gap between men and women and is calculated on the basis of the indicators stipulated in the Decree of 8th January 2019. Pursuant to such Decree, companies may be fined in the absence of progress within three years of the first publication of a global index score below 75.

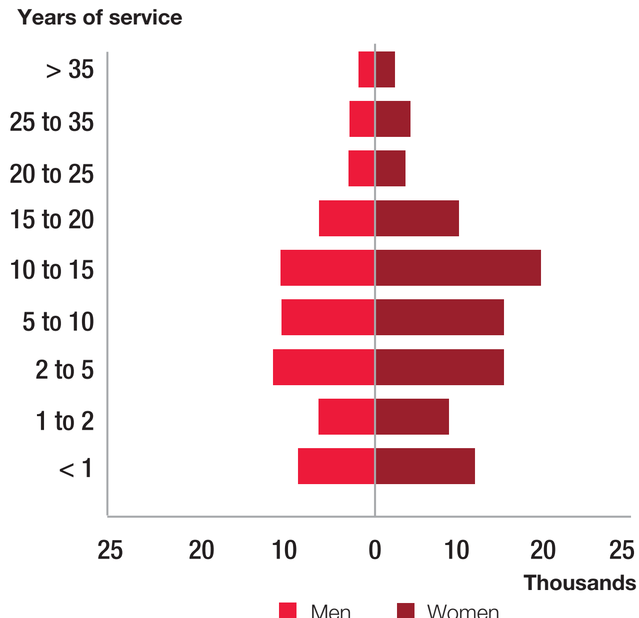
In addition, Societe Generale SA in France has implemented policies to promote women to the various levels specified in Article L 225-37-4 of the French Commercial Code:

- women occupied 42.9% of the seats on the Board of Directors at end-2018, in line with the French law of 2011-103 of 27th January 2011, known as the Copé-Zimmermann Act;
- on the Management Committee, which assists General Management in its work, 23% of the seats were held by women. These women benefit from specific development programmes run by the Corporate University (see p. 256, "Approach towards high-potential employees"). In particular, Societe Generale SA has introduced greater collegiality in the appointment process for senior executives, so as to promote a more balanced gender mix in its management bodies;
- of the top 10% most responsible positions (i.e. the highest levels in the French banking classification), 35% are held by women. Societe Generale SA's policy on gender equality covers a range of subjects: monitoring of the proportion of women within high-potential and future-manager pools, Key Person positions and defined succession plans; participation in specific development programmes; monitoring of career progression and any pay gaps; and actions to highlight promising women to the Bank's managing bodies.

(1) *Data taking into account a wide range of models for financing maternity leave in the countries in which the Group has operations (financed by the public authorities and/or by the Company and/or with a contribution from the Company).*

Balance of generations





Average age: 38 years old
Average length of service: 9.8 years

Intergenerational cooperation

Societe Generale strives to ensure intergenerational cooperation through social agreements, dedicated programmes, such as the inter-Company OCTAVE programme, reverse mentoring and think tanks, such as the WhyLab intergenerational think tank. WhyLab is made up of members of Generation Y and offers workshops on how to adapt the Group's projects to young populations. More generally, 55 of the Group's sites employing 52% of the workforce are implementing actions concerning employees aged over 50.

In France, as part of the effort to adapt the "generation contract", Group subsidiaries have established specific agreements and/or dedicated action plans for young people and seniors. Accordingly, Societe Generale SA has set a target of recruiting 900 young people under the age of 26 on permanent contracts during the 2017-2018 period; it has far exceeded this target, recruiting 1,821 young people in 2017-2018. The Group also supports seniors in areas such as training, health and prevention, adjustments to working hours and end-of-career skills transmission (for example, solidarity half-time compensated at 70%). Franfinance has committed to a target to maintain employees aged over 60 in the workforce, over the period of application of the agreement on generation contracts signed in 2016 for 3 years. The Crédit du Nord Group aims to recruit on average 7% of employees over the age of 45 during the period covered by its three-year agreement signed in 2017, and to offer career development opportunities to 17% of its seniors

Hiring disabled workers

At the end of 2018, Societe Generale employed 2,615 disabled employees (as defined locally, compared with 2,479 in 2017), mainly in France, the Czech Republic, Russia and Italy, accounting for 1.8% of the overall workforce. Overall, 69 entities covering 74% of the Group's workforce implement disability initiatives, such as:

- recruitment, integration and support programmes in Romania, the Czech Republic, Germany, Serbia, Spain, Algeria, India, Japan, the United States and elsewhere to promote the employment of the disabled;
- partnerships with educational institutions or non-profit associations, such as ARPEJEH, which provides educational support to students with disabilities;
- measures to keep employees in their jobs at Societe Generale SA in France (620 initiatives in 2018 and more than 4,000 adjustments to workstations since 2007);
- awareness-raising campaigns (third edition of the Salon Handicap, Emploi & Achats Responsables – an employment and responsible sourcing fair for the disabled, European Disability Employment Week, the "Managing employees with disabilities" MOOC, the appointment of "champions" to carry out information and communication initiatives, training of human resources stakeholders, training of employees in direct customer contact, collaborations with non-profit associations, organising meet-ups, etc.);
- integration programmes for young people (HandiFormaBanques work-study programme, Agences & Inclusion programme, scholarships, Biomecam Innovation & Handicap university chair with Paris Tech, "Management & Disability" chair with Kedge Business School, disability research project, etc.);

- purchases from the protected and adapted sector (EUR 5.8 million of purchases in 2018) and supporting the professionalisation of this sector (*e.g*. Societe Generale SA in France supports the protected and adapted sector with implementing a workforce and skills planning model for its human resources management) (see p. 282 “The 2018 Positive Sourcing Program”);
- measures ensuring its banking services are accessible to disabled customers (adapting the networks’ automated teller machines, providing digital access to mobile applications, offering bank statements in Braille, renovating the branches, making the customer service accessible to the deaf and hearing impaired, etc.).

Social inclusion

Over and above the initiatives implemented by the Societe Generale Foundation (see p. 284, “The Societe Generale Corporate Foundation for Solidarity”), Societe Generale’s commitment to inclusion is reflected in:

- the establishment of inclusion programmes (apprenticeship contracts in French Retail Banking, with nearly 80% converted to permanent contracts under the “Nouvelle Chance” – Second Chance – internal programme introduced in 2015 in Retail Banking and ALD Automotive);
- funding for inclusive programmes (*e.g. Institut Villebon Georges-Charpak*) and nearly EUR 300,000 for subsidised contracts within 16 local associations;
- the co-founding in 2016 of the Public Interest Group of the *Grande École du numérique* (umbrella organisation for training in the digital transition), a certification label for training courses that allows young people facing difficulties in finding a job, employees with career development plans, etc. to develop their digital and IT skills;
- equal opportunity programmes in secondary schools in educational priority areas, in partnership with French schools and universities targeted by Societe Generale SA in France;
- participation in a programme for the integration of qualified refugees, hiring three refugees on apprenticeship programmes in compliance businesses in 2018.

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

PROMOTING A HIGH-QUALITY SOCIAL DIALOGUE

In addition to its legal framework, Societe Generale has set up dialogue and consultation bodies to address the corporate strategy. In 2018, union leaders were given visibility on the strategic and economic directions of the Company and the business lines through:

- two meetings with the Chief Executive Officer or his representatives during the European Group Works Council;
- two specific meetings with the Chief Executive Officer presenting Societe Generale’s new governance and strategic directions;
- four meetings of the forum for dialogue and consultation, attended by members of General Management, to discuss strategy and the basis for any projects under consideration;
- five meetings with the Chief Executive Officer or his representatives during the plenary sessions of the Central Economic and Social Committee;
- four meetings of the professions observatory on progress made in works related to strategic workforce planning for various professions, including Retail Banking, Specialised Financial Services and Management of Flows and Payments, and connections with compliance businesses, the agile method, and the roll-out of the platform for the self-reporting of skills, supporting employees with their development and career goals within BDDF (see p. 253, “Strategic workforce planning to anticipate and facilitate change in the businesses”).

Moreover, in February 2019, the Group renewed its agreement on fundamental human rights signed with UNI Global Union (see p. 291, “Duty of Care Plan”). In line with the 2015 agreement on fundamental freedoms and the right to organise, this new agreement includes additional commitments on:

- the prevention of misconduct;
- the fight against discrimination and the development of diversity in all Human Resources management processes (a subject already introduced in the initial agreement);
- maintaining a working environment conducive to health, safety and satisfying working conditions for all employees.

The agreement takes the form of regular discussions with UNI Global Union on the application of these commitments and a yearly follow-up meeting gathering UNI Global Union representatives, the Bank's Human Resources Department, and representatives of trade union organisations representing the Group.

Overview and impact of collective bargaining

In 2018, 181 agreements were signed within the Bank (including 18 for Societe Generale SA in France and 54 for the subsidiaries of Crédit du Nord). These agreements cover remuneration and employee benefits (in nearly 70% of the entities having signed agreements) and working conditions, while other themes include social dialogue practices and gender equality in the workplace. 15 agreements focused specifically on health and safety.

The expected impact of the agreements signed in 2018 for Societe Generale SA in France is detailed below:

Agreements signed	Impact on economic performance and working conditions
Employment and job support ▪ Amendment to the agreement on changing professions, skills and employment; ▪ Agreement on social support for the transformation of French Retail Banking.	The framework agreement on employment, signed in 2016, provides a three-year structure for the social dialogue policy on strategy, strategic workforce and skills planning, mobility, intergenerationality and framework measures for employment protection plans. The amendment signed in 2018 extends for one year the objective of recruiting young people under the age of 26 on permanent contracts, the programme that allows seniors to work part-time for 70% of their pay, and the conditions for continuing the career plan. The agreement signed in 2018 on social support for French Retail Banking sets the number of job cuts to a maximum of 2,135 positions in the network by 2020, with no redundancies. The agreement gives priority to inplacement (training, support for geographic mobility, etc.) and enables employees to opt for collective contractual termination to carry out a project or benefit from an end-of-career adjustment.
▪ **Compensation and benefits** 2019 wage agreement ▪ Agreement on an additional incentive payment for 2018 ▪ Agreement on retirement benefits ▪ Amendment to the agreement on long-service awards	The wage agreement provides for a long-term measure to increase base salaries below or equal to a certain amount; a budget for reducing the pay gap between men and women; and the presentation by Management to the Board of Directors of the principle behind an additional incentive payment for 2018. The agreement on an additional incentive payment sets the terms for distributing the additional payment mentioned in the wage agreement. The agreement on retirement benefits and the amendment on long-service awards revise, as from 1st January 2021, the rules for calculating the benefits paid, supplementing them with a transitional arrangement for employees having significant seniority within the Company.
Working conditions and gender equality in the workplace ▪ Agreement on working conditions ▪ Agreement on gender equality in the workplace ▪ Amendment to the agreement on granting rest days to an employee who is the parent of a seriously ill child	In addition to extending the actions undertaken in the previous agreement, the renewal of the agreement on working conditions of 2018 sets out commitments regarding the right to make mistakes, the right to disconnect, the assessment of the human impact of transformation projects, the expansion of work discussion forums, the roll-out of an international network of correspondents on well-being at work, and progress in the roll-out of telecommuting. In line with previous agreements in this area, the renewal of the agreement on gender equality in the workplace provides for the continued implementation of actions carried out in four priority areas: ▪ improved access to training for employees that have been away on maternity, adoption or parenting leave; ▪ eliminating the pay gap between men and women with equivalent careers and positions; ▪ promoting women in management and at all levels of the banking hierarchy; ▪ helping employees to achieve a work-life balance. It also identifies new actions and commitments to help develop gender equality at work. The amendment pertaining to the granting of rest days by one employee to another extends the system established to include employees whose spouse, partner under a French civil partnership contract (PACS) or cohabitee has a seriously ill child and for employees whose spouse, PACS partner or cohabitee is seriously ill.
Organisation of the Staff Representative Bodies ▪ Amendment to the agreement on the establishment, means and terms of operation of the Central Economic and Social Committee ▪ Amendment to the agreement on the European Works Council ▪ Agreements on the establishment of Social and Economic Committees	In a changing regulatory landscape, agreements on the bodies' operation and on the organisation and operation of the social dialogue ensure the latter is efficient and of high quality and contribute to the Company's economic performance. The agreements establishing the Social and Economic Committees are intended to implement the reform regarding the new organisation of the social and economic dialogue in companies.

RISK MANAGEMENT IN HUMAN RESOURCES

Fulfilling its responsibility as an employer, the Group is careful to prevent and control social and operational risks related to its Human Resources management in order to ensure that its operations comply with regulations (labour law, standards regarding the health and safety of persons, social legislation, etc.) and with the internal rules it has established, on the one hand, and to ensure business continuity in satisfactory conditions for employees, on the other hand. In this respect, the Group's Human Resources (HR) Department and its HR teams use risk management systems including, in particular:

- a set of procedures and controls applicable to key HR processes and procedures in each Group entity (administrative management of Human Resources and payroll, career management, compensation and benefits management, workforce and skills management, and social affairs management);
- business continuity rules and exercises, as well as documentation on working processes and methods, in order to ensure a satisfactory knowledge management in the Group;
- adapting its processes and human resources information systems (HRIS) to regulatory developments, to agility and analysis requirements (at Group level and locally, depending on the requirements);
- rolling out the Group's permanent control transformation programme within its scope of operation, reporting to General Management (see p. 173, "Permanent control system");
- a whistle-blowing mechanism, established for the whole Group, to collect complaints and/or alerts on incidents regarding human resources, including instances of alleged discrimination, harassment and misconduct, or instances affecting the health and safety of persons (see p. 291, "Duty of Care Plan");
- specific mechanisms for certain risk categories, such as health, safety and security (see p. 264, "Through a satisfactory health, safety and prevention strategy" and see p. 291, "Duty of Care Plan").

Overall, the risks related to human resources management are included in the Group's general risk management system, organised into three lines of defence and shared by all entities (see p. 160, 4.2 "Risk management organisation").

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

Fostering the teams' commitment

THROUGH A REGULAR DIALOGUE WITH EMPLOYEES ABOUT COMMITMENT

The Group measures the commitment of its employees through the Employee Satisfaction Survey, an annual and anonymous internal survey conducted throughout the Group. Shared with employees, the results serve as the basis for action plans and working groups in the spirit of continuous improvement.

In 2018, the Employee Satisfaction Survey conducted (with a good participation rate – 74%) assessed employees' understanding of transformation in the Group, their trust in the Group and its strategy, their pride of belonging and motivation at the workplace, and the managerial culture. The latter component included questions on ethics and conduct, in line with the ambitions of the Culture and Conduct programme. The survey showed an employee engagement rate of 66%, while 79% of employees claimed to be proud to work for the Societe Generale Group, and 68% said they were motivated by their work.

Regarding culture and conduct in the Group, 76% of employees are of the opinion that the Group behaves ethically in its activities, 84% that their management encourages ethical and responsible behaviour, and 81% assert that they are prepared to exercise their right to whistle blow should they witness or be confronted with misconduct.

As from 2019, the Employee Satisfaction Survey will be reviewed and combined with the survey on working conditions already conducted in France (see p. 265, "Focus on the prevention of psychosocial risks"), which will thus be rolled out across all Group entities.

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

BY RECOGNISING EACH EMPLOYEE'S CONTRIBUTION TO THE COMPANY'S PERFORMANCE

Compensation policy

Societe Generale's compensation policy is aligned with the Group policy on non-discrimination and equal treatment for all employees and meets regulatory requirements. Adapted to the economic, social, legal and competitive environment of the markets in which the Group operates, this policy is nevertheless based on principles shared by all entities:

- rewarding individual and collective performance;
- promoting healthy and effective risk management and ensuring employees are not prompted to take inappropriate risks;
- attracting, retaining and motivating strategic talent and key resources;
- harmonising the interests of employees with those of the Group and the shareholders;
- checking that employees comply with the applicable internal rules and regulations while ensuring the equal treatment of clients.

Monetary remuneration includes a base salary, which rewards the ability to satisfactorily hold a position using the requisite skills and is determined in a manner consistent with market practices. It also includes variable remuneration which aims to recognise collective and individual performance. Since 2014, the individual commission system for the French Retail Banking and Private Banking sales forces in France has been eliminated and replaced with gross global annual remuneration and the variable component. For the 2018 financial year, personnel expenses for the Group totalled EUR 9.6 billion (see p. 400 "Personnel expenses and related-party transactions").

For Societe Generale SA in France, average gross annual remuneration amounted to EUR 56,250[1], an increase of 2.9% compared with 2017, showing a positive trend in remuneration. In addition, following announcements made by the President of the French Republic at the end of 2018, Societe Generale decided to pay an exceptional bonus, exempt from income tax and all social contributions, to all employees of the Group's French entities in France in 2019 with a gross annual salary below or equal to EUR 44,954 (2.5 times the guaranteed minimum wage).

Transparency and communication

The principles governing Societe Generale's remuneration policy, in particular for the categories of staff whose professional activities are liable to have a significant impact on the Group's risk profile, as per the European Capital Requirements Directive No. 2013/36/EU (CRD 4), are detailed in the Remuneration Policies and Practices Report. It will be published, as it is every year, prior to the General Meeting and provided to the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) in accordance with the provisions of EU Regulation No. 575/2013[2]. In addition to this report, detailed quantitative information on those employees whose activities are likely to have a significant impact on the Bank's risk profile is also sent to the ACPR.

Individually, employees on permanent contracts and work-study participants at Societe Generale SA in France receive a Total Reward Statement every year, which provides an overview of the components of their total remuneration. Crédit du Nord and some Societe Generale subsidiaries abroad provide their teams with similar documents.

Employee savings plans and employee share ownership

At the end of 2018, current and former employees of Societe Generale, representing approximately 81,000 people, held a total of 6.17% of the share capital and 10.91% of the voting rights under the Company and Group Savings Plans.

Profit-sharing, incentives and company savings plans

In France, employees are involved in the Bank's long-term development through profit-sharing and/or incentive schemes. These schemes enable employees to finance a project or earn additional income. They are linked to the Company's overall performance (financial and non-financial) and regulated by Societe Generale agreements signed with the trade unions every three years. For Societe Generale SA in France, the total amount of profit-sharing and incentives paid in 2018 for the financial year 2017 was EUR 142 million (of which EUR 6 million for the share relating to CSR objectives), including an additional incentive payment of EUR 1,000 per person, *i.e.* a 22.6% increase compared with the previous year. This amount can be attributed to the quality of the financial results and the Bank's strong performance in terms of corporate social responsibility. The savings plans (company savings plan (PEE) and collective retirement savings plan (PERCO)) offer medium/long-term savings and preferential financial conditions[3] and tax rates. The securities offered in these plans consist of a broad range of company mutual funds (FCPEs), of which seven in the PEE, including the employee share ownership fund (Fonds E). Financial compensation (consisting of profit-sharing and incentive payments[4]) may be invested in the Company savings plan (see also "SRI-certified savings for Societe Generale employees" below).

Information about the Societe Generale company mutual fund: "Societe Generale Actionnariat (Fonds E)"

Under the terms of the rules governing the Group's mutual fund, the voting rights attached to the Societe Generale shares included in the Fund's assets belong individually to the holders of fund units in proportion to the respective shares they hold. The Fund's Supervisory Board, which is composed of an equal number of unit-holding employee representatives and representatives of management, exercises voting rights for fractional shares and voting rights not exercised by unit holders. In the event of a public purchase or exchange offer, the Supervisory Board decides whether or not to tender shares to the offer, based on the relative majority of the votes cast. If there is no relative majority, the decision is put to the vote of the unit holders, who decide according to the relative majority of the votes cast.

SRI-certified savings for Societe Generale employees

Societe Generale's employee savings plan offers employees the opportunity to invest in various company mutual funds[5] (FCPE) certified SRI (Socially Responsible Investment) by the CIES (Inter-Union Committee on Employee Savings). As at 31st December 2018, all SRI funds in the Group's savings plans in France (the various Company Savings Plans, Group Savings Plans and Collective Retirement Savings Plans) represented EUR 283 million in assets under management.

Employee share plans: general policy

The Group suspended grants of stock purchase or subscription options in 2011. Free shares have been issued in France since 2006 and abroad since 2009, as authorised at the General Meeting. Based on the recommendations of the Compensation Committee, the Board of Directors has defined the following policy: shares are granted in order to reward, motivate and secure the long-term loyalty of three categories of employees: employees who have made a significant contribution to the Group's results, with respect to their responsibilities; high-potential employees whose expertise is highly sought-after on the job market; and employees whose work has proved extremely valuable to the Company

In addition, in the context of the specific loyalty and remuneration policy applicable to categories of staff whose professional activities affect the Group's risk profile, defined in accordance with the European Directive CRD4 applicable since 1st January 2014 (referred to as regulated persons), part of the variable remuneration of Chief Executive Officers and certain employees from the businesses concerned is deferred in the form of performance shares.

Grants are wholly contingent on presence within the Group at the vesting date and on collective performance, regardless of the category or level of the beneficiary. In accordance with the recommendations of the Afep-Medef Code, Group performance conditions applied to Societe Generale Chief Executive Officers are demanding and established in advance. The grant of these financial instruments is accounted for under personnel expenses in the Company's financial statements in accordance with IFRS 2.

(1) Total average remuneration includes fixed and variable components, as well as bonuses, excluding financial compensation (profit-sharing and incentives) and contributions. The average is calculated for all employees excluding regulated persons (whose professional activities have a significant impact on the Group's risk profile), who are monitored differently and covered in a separate report.

(2) The 2017 Remuneration Policies and Practices Report was provided to the ACPR in April 2018 and published on Societe Generale's website.

(3) A company contribution to the savings paid and discount on the Societe Generale share in the event of a capital increase reserved for employees and retired former employees.

(4) Apart from Societe Generale SA in France, which paid total financial compensation as broken down in Note 5.1 p. 400 in 2018, most of the French subsidiaries that are members of the Company savings plans benefit from an incentive and/or profit-sharing agreement.

(5) For Societe Generale: SG Obligations ISR, SG Diversifié ISR, Amundi label actions solidaire; for Crédit du Nord: Amundi Label Équilibre Solidaire, Amundi Label Obligataire et Solidaire, Arcancia Ethique & Solidaire, Étoile Sélection Développement Durable.

2018 Plan

Based on a proposal from the Compensation Committee, the Board of Directors, at its meeting of 14th March 2018, granted performance shares to certain members of staff in accordance with the 19th and 20th resolutions of the General Meeting held on 18th May 2016.

Pursuant to the 19th resolution, the performance shares granted under the specific loyalty and remuneration policy for regulated persons as defined by banking regulations (including Chief Executive Officers and Executive Committee members) represent 0.10% of the share capital, corresponding to a total of approximately 828,000 shares. Their vesting periods range from two to six years, followed by a holding period of at least six months. These shares are wholly subject to performance conditions specific to each core business and business.

Pursuant to the 20th resolution, the beneficiaries of the long-term incentive plan totalled 5,424 people receiving approximately 862,000 shares overall, *i.e.* 0.11% of the share capital.

The Chief Executive Officers and members of the Group Management Committee were not beneficiaries of the plan. Plan beneficiaries comprised 2,201 women and 3,223 men belonging to other employee categories (including non-executives) across nearly 63 different countries. 40% work outside of France. All shares are granted subject to a condition of presence throughout the vesting period as well as a performance condition based on Societe Generale's net income. The shares will vest definitively for each beneficiary after three years.

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

BY PROMOTING WELL-BEING AT WORK

Life at Work programme

Since 2015, the Group has been implementing a Life at Work programme based on six themes:

1. individual and collective efficiency;
2. health and prevention;
3. telecommuting and new organisational models;
4. working environment (see p. 256, "New ways of working and more agile organisational models: innovation drivers");
5. support during key life events;
6. and change in managerial culture, in particular through training and awareness initiatives in connection with the Leadership Model and the Culture & Conduct programme.

Furthermore, the issue of working conditions is included in the international agreement with UNI Global Union (see p. 260, "Promoting a high-quality social dialogue") and in agreements signed locally by the Group's subsidiaries. Accordingly, in 2018, Societe Generale SA in France renewed the 2015 agreement on working conditions and introduced new commitments (see p. 260, "Overview and impact of collective bargaining"). The agreement with UNI Global Union expands the Group's network of correspondents on well-being at work.

The initiatives rolled out by the Life at Work programme in 2018 include information events on well-being at work (conferences, workshops, activities) and a system where Life at Work labels are awarded to Group entities having developed projects promoting well-being at work. In addition, several Group entities are implementing actions aimed at well-being: 58% of the entities (covering more than 80% of Group's workforce) have implemented systems to promote the practice of sports activities; one-third of the entities (employing two-thirds of the workforce) launched initiatives focused on nutrition; more than 50% of the entities (covering 70% of the workforce) have measures in place to promote a work-life balance (see below).

Individual and collective efficiency

Since 2014, Societe Generale's top management has been committed to the "15 Commitments for Work-Life Balance" Charter. Depending on the entity in question, the initiatives implemented to encourage a better work-life balance include:

- a flexible working hours policy – in nearly one-third of Group entities, employing 54% of the workforce;
- the inclusion of a formal discussion between employees and their managers about their workload during the annual appraisal;
- heightened awareness among employees of meeting schedules and the use of email outside working hours;
- and employee participation in forums for dialogue about the content and conditions of work.

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

THROUGH A SATISFACTORY HEALTH, SAFETY AND PREVENTION POLICY

Social protection

Societe Generale fulfils its social responsibility by actively contributing to the social protection of all its employees, particularly in terms of healthcare, pension, death, invalidity and incapacity benefits. Each Group entity defines the degree of additional cover needed, depending on the compulsory benefit plan in their country, and this level of protection must provide a minimum cover comparable to local market practices. Accordingly, all Group employees worldwide benefit from the compulsory social protection plans of their respective countries, and 9 out of 10 employees benefit from an additional health or personal protection plan.

In International Retail Banking, all African subsidiaries offer health cover to employees and their beneficiaries, in most cases personal protection insurance for beneficiaries should the employee die and, in certain cases, complementary pension plans. All employees of the subsidiaries in the Mediterranean Basin and Sub-Saharan Africa have easier access to care and benefit from the Company's contribution to their healthcare expenses.

In France, the Societe Generale Group health plan covers nearly 122,000 people (participating members and beneficiaries).

Health policies

The Group continually monitors the risks liable to affect health and personal safety, and any social risks throughout its entities. Nearly 85% of the Group's subsidiaries and branches have medical professionals on-site or have agreements with healthcare organisations, and nearly 90% of the entities (covering 98% of the workforce) conduct prevention and health information campaigns in the workplace.

Within this framework, for example, Societe Generale SA in France signed the National Cancer Institute's Cancer and Employment Charter to improve the support provided to Group employees with cancer, or more widely with a chronic disease.

The health and safety policy also relies on programmes to prevent psychosocial risks and harassment, supplemented by listening, mediation, investigative and disciplinary procedures; and aggression, through mandatory training throughout the network of branches and a psychological support programme for employees who have been victims of armed assault or aggression. The Company's whistleblowing mechanism (see p. 295, "Whistleblowing mechanism") is part of this system.

Overall, in 2018, the Group recorded 824 workplace accidents (versus 814 in 2017). The rate of absenteeism was 3.6% of the workforce (stable compared with 2017).

Focus on the policy combating misconduct at the workplace

In 2018, the Group developed a policy against misconduct at the workplace, which should take effect in 2019. It will help to prevent and combat misconduct by:

- asserting the Group's values and commitments in that regard;
- adopting common definitions and providing examples of this type of act;
- encouraging the implementation of preventive measures through specific training for people liable to manage such acts, and more comprehensive awareness-raising initiatives.
- reminding employees that whistleblowing mechanisms are available to them should they witness or fall victim to such acts;
- reminding employees that the perpetrators of such acts will be subject to disciplinary measures that may entail the termination of their employment contract.

The management of risks related to health, security and personal safety is included in the Group's Duty of Care Plan on human rights and the environment (see p. 291, "Duty of Care Plan").

Focus on the prevention of psychosocial risks

Stress prevention initiatives are conducted in 98 Group subsidiaries and branches in France and abroad, covering 79% of the Societe Generale's workforce. They seek to inform, train and support employees likely to encounter situations that pose psychosocial risks, through free assistance programmes in partnership with healthcare or insurance sector specialists, training and/or awareness-raising on psychosocial risks, stress surveys and evaluations, and leisure and relaxation activities.

In France, more than 17,000 employees (HR, managers and senior managers) have been trained on psychosocial risks in the last decade.

Moreover, an annual survey assessing working conditions is conducted on 40,000 employees in France to ensure greater control of psychosocial risk factors. This survey makes it possible to identify and roll out plans to improve working conditions, where applicable (see p. 262, "Through a regular dialogue with employees about commitment").

The safety and security policy

Safety and security at work fall under the responsibility of the Group Safety and Security Division and a network of divisions based in Group entities, responsible for protecting the Group's employees, property and intangible assets and for contributing to crisis management. (See: "p. 167 Risk related to security of property and people". These teams:

- identify the security threats and risks facing the Group;
- disseminate policies and mechanisms that further secure the Group's activities in order to deal with security crises;
- coordinate relations with national, European and international public security authorities;
- and strengthen the Group's safety culture.

The management of risks related to health, security and personal safety is included in the Group's Duty of Care Plan on human rights and the environment (see p. 291, "Duty of Care Plan"). Overall, safety information and prevention campaigns are conducted in 130 Group subsidiaries and branches in France and abroad, covering 95% of the Group's workforce.

Employee involvement in civic initiatives

Societe Generale offers its employees the opportunity to support the Group's partner organisations in France and worldwide through volunteering or skills sponsorship programmes. These programmes can take the form of solidarity days with partner organisations, sports and solidarity-based events, financial education provided to associations, sponsorship, *pro bono* days, and even allowing seniors to work part-time (see p. 284, "Societal commitments that reflect the Group's values").

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

5.2.3 CUSTOMER SATISFACTION AND PROTECTION

Customer satisfaction, a priority for the Group

Everyone within the Group is committed to a series of structured initiatives designed to measure and monitor customer satisfaction and implement concrete improvement actions. This strategy places customer relations at the heart of Societe Generale's sales policy and banking offer and has resulted in the implementation of various assessments (surveys, mystery visits, questionnaires) to monitor all quality aspects: quality provided, quality observed and quality perceived by customers, particularly in terms of their recommendation intentions (Net Promoter Score - NPS).

The results are regularly reviewed with a view to implementing appropriate action plans.

Of particular note in 2018:

- Societe Generale's French Retail Banking networks were awarded by Viséo Customer Insights, "2019 Customer Service of the Year", for the sixth year in a row.
- In France: 150,000 individuals (*i.e.* 2% of the Bank's customers from this segment), 15,000 professional customers and 3,500 SMEs were polled on their recommendation intention and their overall satisfaction, as well as on certain key aspects of customer satisfaction, such as how quickly their enquiries are handled and the extent to which the services offered are suited to their needs and projects.
- On the corporates market, the "overall satisfaction" score has gone up in each of the last two annual surveys conducted by CSA, making Societe Generale one of the best-performing banks on the market (from the panel of ten banks included in the survey).
- Each year, Crédit du Nord commissions a competitive satisfaction survey by CSA, including the NPS. These surveys poll Individual, Professional and corporate customers from the top 10 or 11 banks (depending on the market). Crédit du Nord ranks systematically among the top three in terms of recommendations.
- Boursorama is the only online bank that has been certified by AFNOR (Webcert service commitment). Its recommendation rate is consistently high: in an Opinion Way study, 90% of customers said they would recommend Boursorama Banque to their friends and family.
- Societe Generale Insurance uses a similar methodology for its Life Insurance Investment, Personal Protection, and Property and Casualty Insurance products: an "on-the-spot" NPS survey of all Societe Generale and Crédit du Nord customers in France, providing continuous indicators on all insurance management platforms by means of a questionnaire sent out further to a phone call.
- Internationally, satisfaction surveys are also conducted in Morocco, Russia and the Czech Republic.
- For its Global Banking segment (large corporates and financial institutions), Societe Generale carries out worldwide satisfaction surveys based on the NPS method every two years: French, British, German, Italian, Portuguese and Spanish customers are polled in odd years, and customers from other countries in even years. Overall, the customers polled represent approximately 60% of the Group's revenue from this segment.

The results indicate a very high level of potential recommendations, rising consistently since 2015. In 2018, customers once again cited relationship management as being the Bank's strongest point, particularly thanks to efforts in terms of proactiveness for corporate accounts and client coverage models for financial institutions. The comments received show that a significant majority of clients value Societe Generale's ability to listen and feel that there has been progress in the areas flagged in previous surveys as being in need of improvement.

Claims and mediation

CLAIMS PROCESSING

The Group's "Customer claim processing" policy incorporates the recommendations from the supervisory authority (the French Prudential Supervisory and Resolution Authority – ACPR) and satisfies regulatory requirements. Improvements to internal processes have resulted in better client information and more efficient and transparent escalation of complaints, up to referral to the ombudsman where necessary (see p. 239, "Claims and mediation").

Under the AFNOR Webcert service commitment certification, Boursorama undertakes to respond to claims within 15 working days, except under reasoned circumstances. If a customer is not satisfied with the handling of their claim, they may write to AFNOR Certification directly.

A dedicated department oversees the detailed investigation of claims in relation to the Insurance businesses, in accordance with the recommendations from the French Prudential Supervisory and Resolution Authority (ACPR). A response is sent within 10 working days of receipt; if the claim cannot be processed within 10 days, the customer receives a letter informing them that they will receive a response within two months at most. In France, the claim rate (i.e. number of claims / number of current policies) stood at 0.19% at end-November 2018. Over the same period, 182 claims relating to the Insurance businesses were referred to the ombudsman.

MEDIATION

When conflicts arise despite the Bank's best prevention efforts, clients have free and direct access to the customer relations department. This has been the case since 1996 (*i.e.* before it became mandatory further to the French Act of 2001). The Customer Relations Department responds within 10 days, and refers any unresolved claims to the ombudsman, who then responds within 90 days. The customer relations team reports hierarchically and functionally to the ombudsman and serves the entire Group, *via* separate websites for each legal entity.

In 2018, the ombudsman received 4,649 letters relating to Societe Generale. Of these, 3,245 were requests for mediation, 456 of which were deemed admissible. He handed down approximately 400 decisions. For Crédit du Nord group, he received 1,276 letters, of which 862 were requests for mediation. Of these, 298 were deemed admissible, and more than 240 decisions were handed down (for more information on mediation, see p. 239, "Claims and mediation").

Customer protection

DATA PROTECTION

As a trusted partner of its customers, Societe Generale is particularly sensitive to the protection of their personal data and has thus defined and implemented rules to ensure compliance with all local and European regulations in such respect. The entry into effect in May 2018 of the new EU Regulation on personal data protection (the General Data Protection Regulation, or GDPR), which imposes greater obligations on companies as well as tougher sanctions in the event of a breach (up to 4% of revenue), represented an opportunity for the Group and its subsidiaries to further enhance their data protection framework.

Internal guidelines and associated procedures compliant with both local and European regulations define the rules and processes to be followed in all of the Group's establishments (*i.e.* not just those in Europe, where the GDPR applies) so as to guarantee the protection and security of all customer and employee data.

Systems are in place to ensure that parties are duly informed of their rights and how to exercise them (in particular *via* specific digital platforms), and to process any requests received.

A personal data security policy now forms part of the Group's overall strategy on security, and more specifically cybersecurity.

In addition, special attention has been paid to employee awareness-raising as part of the roll-out of GDPR, through mandatory GDPR training (94% participation at end-2018).

Lastly, Societe Generale appointed a Data Protection Officer (DPO) in September 2017. Reporting to the Compliance Division and acting as the Bank's official contact for the data protection authorities (i.e. in France, the CNIL), he is responsible for ensuring that the Group fully complies with personal data protection regulations. He relies on a network of local DPOs and correspondents throughout the Group, responsible for assisting their respective entities on matters pertaining to personal data use and security. The Data Protection Officer's duties include regular monitoring of a series of indicators, especially the number and nature of data privacy requests received, and the rate of participation in internal training sessions, as well as the certification programme for local DPOs launched at the end of 2018.

CYBERSECURITY

A Group-wide system is in place to manage information systems security risks. It is coordinated by the Head of IT Security and IT Operational Risk is housed at the Corporate Resources and Digital Transformation Division. Under the functional authority of the director of Group Security, he proposes a strategy for the protection of digital information and coordinates the IT systems security community. (see p. 168 "Risks related to information security and information systems" and p. 224 "2018 – 2020 information systems security (ISS blueprint)".

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

5.3 A CSR AMBITION ROLLED OUT IN THE GROUP'S BUSINESSES

5.3.1 STRONG AND TRANSPARENT COMMITMENTS

Historical commitments

Societe Generale conducts its sustainable development with respect for the values and principles set out in:

- the Universal Declaration of Human Rights and its additional commitments;
- the fundamental conventions of the International Labour Organisation (ILO);
- the UNESCO World Heritage Convention;
- the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises;
- the United Nations Guiding Principles on Business and Human Rights (see p. 291, " Duty of Care Plan").

View all the public or private initiatives to which the Group is committed here: *https://www.societegenerale.com/en/measuring-our-performance/csr*

Voluntary commitments

EQUATOR PRINCIPLES

Adopted by the Group in 2007 and revised in 2013, the Equator Principles (EP) are one of the underlying initiatives of the E&S General Guidelines. Societe Generale has special internal procedures and tools to ensure they are followed. The EP serve as a common framework for the financial sector to identify, assess and manage the E&S risks of projects for which the 94 international financial institutions that have joined the initiative (as of 1st January 2019) provide financing and advice.

Every year, Societe Generale publishes a report on how it has been applying the initiative on a dedicated section of its website: (https://wholesale.banking.societegenerale.com/en/about/equator-principles-report//). It describes how the principles are implemented and provides a list of the projects that fall within the scope of the EP and in which the Group has been involved.

In 2018, Societe Generale contributed to the association's discussions regarding the revision of the Principles, which will be effective in 2019.

SOFT COMMODITIES COMPACT

The Soft Commodities Compact, which was devised by the Banking Environment Initiative (in conjunction with the Consumer Goods Forum), aims to mobilise the banking industry around the transformation of supply chains for the following agricultural commodities: palm oil, soybean, timber and beef. The signatory banks undertake to help their main clients in the sector to achieve the target of zero net deforestation by 2020.

The implementation of the Soft Commodities Compact is primarily based on the deployment of the Group's sector policies on Palm oil, Forestry and forest products and Agriculture, fisheries and food.

ENVIRONMENTAL AND SOCIAL (E&S) GENERAL GUIDELINES

Societe Generale is aware of the social, environmental and economic convergence challenges at play within its sphere of influence and is determined to take them into consideration in its business practices. Accordingly, the Group has been gradually incorporating E&S criteria into its credit and reputational risk management policies and processes.

In addition to its regulatory obligations, the Bank has made many voluntary commitments in this area (https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-finance). These obligations and commitments are set out in the E&S General Guidelines and the related cross-sector and sector-specific E&S policies. Signed by the Chief Executive Officer, they apply throughout the Group and establish a reference framework for the E&S evaluation procedures. The Group's E&S General Guidelines are available on its website (https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-finance). They are revised regularly to reflect developments in E&S challenges relating to the Bank's activities and its new commitments or regulatory requirements.

CROSS-SECTOR AND SECTOR-SPECIFIC E&S POLICIES

Developed by cross-business line working groups, the E&S policies are approved by General Management. They detail the main E&S challenges and risks of the sectors covered, identify benchmark international standards for such sectors, and propose an analytical framework applied to the evaluations of clients and of the subsequent dedicated transactions. As part of the Group's commitment to ongoing improvement, sector watch allows to assess the need to update existing policies. These policies will also be revised in light of the results from the risk mapping performed as part of the duty of care plan.

Societe Generale has 12 E&S policies for sectors that are considered potentially sensitive from an E&S or ethical point of view, and in which the Group plays an active role. Energy and mining are covered by a number of sector-specific policies due to their importance for the economy and for the Group, their potentially significant impact in terms of atmospheric emissions (including greenhouse gas emissions), as well as their impact on the natural environment and local communities (dams and hydroelectric energy, power plants, coal-fired power plants, mines, civil nuclear power, and oil and gas). Several policies are also in place for the farming and forestry sectors (Agriculture, fisheries and food, Forestry and forest products, and Palm oil). Defence and shipping are also covered (the E&S policies are public information and can be viewed on the Group's website: https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-finance).

Societe Generale has also implemented a special cross-sector policy on biodiversity conservation, which applies to all Group banking and financial operations and involves procedures for reviewing dedicated transactions (the underlying of which is known) and clients.

The E&S General Guidelines list the UNESCO World Heritage Convention as one of the international conventions signed by the Group. More generally, special attention is paid to any areas identified as "key biodiversity areas". The Equator Principles also include specific standards on biodiversity and several of the initiatives described in Societe Generale's sector policies also relate to biodiversity conservation.

In June 2018, Societe Generale joined the Act4Naure initiative launched by Entreprises pour l'Environnement (EpE), which aims to attach greater importance to biodiversity challenges in companies and organisations, considering the rapid deterioration of the environment. As part of the Business for Positive Biodiversity (B4B+) Club set up by Caisse des Dépôts (CDC) Biodiversité, the Bank is helping to develop a biodiversity footprint methodology to measure the economic activities of companies and financial players.

The E&S policies reflect the Group's commitment to protecting human rights within the framework of its activities, particularly through sector-based initiatives integrating these issues. In 2018, the Bank made a new commitment to respect the rights of indigenous peoples by applying the principle of Free, Prior and Informed Consent of peoples affected by certain developments.

The E&S policies also aim to limit the greenhouse gas emissions of activities supported by Societe Generale, in particular in the energy sector (more information on the Group's corporate website, *https://www.societegenerale.com/en/measuring-our-performance/csr/responsible-finance*).

In 2015, the Bank committed to reducing its coal-related activities and to bringing its exposures to this energy in line with a strategy compatible with a temperature rise not exceeding 2°C by 2020 (the 2°C scenario of the International Energy Agency (IEA)). Accordingly, as at 30th June 2018, the Bank:

- reduced its outstanding credit (exposure) related to coal mining by more than 10%; the aim being to achieve a 14% reduction between 2016 and 2020;
- limited the proportion of coal (installed capacity) in the energy mix of the electricity production financed. The commitment has nearly been achieved, with a 19.3% proportion of carbon (aim of achieving less than 19% in 2020).

Societe Generale has not participated in any dedicated financing for coal-fired power plants or related infrastructures anywhere in the world since 1st January 2017.

Moreover, it has not been involved in any dedicated financing for the development of coal mines and related infrastructures since 2015. In addition, specific criteria for establishing new relationships with companies that operate in the coal sector have been defined in dedicated sector policies.

In 2018, the Oil and Gas policy was updated. The Group committed to finance only those activities in the oil and gas sector that have a mitigated impact on the climate. In particular, Societe Generale will no longer finance activities relating to the production of oil from oil sands anywhere in the world or to the production of oil in the Arctic. These commitments also target the implementation or commitment to implement measures to limit continuous flaring and methane emissions. For companies using fracking techniques, they also include the implementation of best E&S practices in line with the Golden Rules of the IEA (International Energy Agency).

E&S procedures and tools

The Group has adopted various procedures to implement its E&S commitments (E&S General Guidelines and policies and the Equator Principles). These procedures explain how to handle the E&S issues associated with transactions and clients to which the Bank provides banking and financial services. Initially only applicable to the activities of Corporate and Investment Banking, they are now being developed and gradually rolled out to cover all of the Group's financing and investment activities. In addition to facilitating the identification, assessment and appropriate management of potentially negative E&S impacts, these procedures also enable the identification of transactions and clients having a positive impact in relation to sustainable development. This dual approach is what underpins sustainable and positive impact finance (see p. 273, "Examples of the businesses' major commitments as regards the three pillars" and p. 280, "Cross-business implementation of the three pillars of CSR ambition among investor clients").

E&S WATCH LIST

In order to facilitate E&S risk management, an E&S watch list is compiled and updated quarterly by internal experts. It lists any projects, companies or sectors/countries, irrespective of whether they are financed by Societe Generale, that are subject to controversy or public campaigns on the part of civil society for E&S reasons. The purpose of this internal list is to alert the operational teams at an early stage in the client and transaction reviewing process in order to organise a more in-depth assessment of the transactions and clients concerned.

E&S EXCLUSION LIST

In addition to the E&S watch list, an E&S exclusion list has been developed, which is also updated every quarter. It contains companies that have been excluded under the Defence sector policy due to their involvement in the production, storage or sale of controversial weapons, especially anti-personnel mines or cluster bombs. Societe Generale has undertaken not to knowingly supply banking or financial services to such companies, their parent companies or their subsidiaries.

Moreover, it may decide to exclude companies on a case-by-case basis, for example further to analyses prior to establishing a new relationship or concerning specific types of activities.

E&S EVALUATION PROCEDURES FOR CLIENTS

Societe Generale is continuing to roll out measures for the E&S analysis of its clients in the Business Units based on the shared principles of E&S risk identification, assessment and management. At the same time, the Group has initiated a review of governance and the related controls.

Working with a dedicated team of experts supporting the front offices, Corporate and Investment Banking has been analysing the E&S risk posed by its clients for several years. It seeks to identify the E&S challenges arising from the sectors and the location of their activities or from controversies, and then, for the riskiest ones, to assess the clients' ability to manage these risks (CSR organisation, practices and maturity, management of E&S controversies, and dialogue with stakeholders). This assessment may give rise to specific actions (for instance, not establishing a relationship with a prospect, imposing restrictions on an existing relationship, or entering into a specific commitment with an existing client with the aim of convincing it to improve its E&S practices).

The E&S analysis is underpinned by a risk-based approach with an in-depth E&S assessment and an annual review of the priority client groups. Within the scope of Corporate and Investment Banking, about 3,800 corporate client groups have been subject to an environmental and social analysis as at 31st December 2018.

In French Retail Banking (Societe Generale network), the 2018 E&S client analysis covered the 133 client groups reviewed by the entity in charge of key corporate clients within the French network, as well as the 223 client groups monitored in the business branches in Paris and La Défense. No significant E&S related reputational risks have been identified. For some of these client groups, the assessment led to discussions with the company in question. Deployment efforts also concerned the Crédit du Nord network, with some 60 E&S assessments (client on-boarding and transactions), following the identification of E&S risks in the Defence, Coal, Agriculture and Waste Management sectors.

Within International Retail Banking, Societe Generale is also continuing to roll out measures for the E&S analysis of its corporate clients. In 2018, more than 100 assessments of clients identified as likely to present an E&S risk were conducted by dedicated teams at the head office. In some cases, these assessments led to restricting or even refusing new relationships. In addition to these analyses, E&S assessments were conducted while significant transactions occured. Within this scope, a project aimed at improving the deployment of an E&S risk management system (including the strengthening of expertise, training, the formalisation of procedures and implementation tools) was launched in 2018 and will be completed in 2019.

E&S EVALUATION PROCEDURES FOR TRANSACTIONS

The evaluation of the E&S risks and impacts of transactions constitutes the operational implementation of the Equator Principles (EP) within the scope covered by this initiative. Moreover, Societe Generale has voluntarily expanded the scope of application of the EP to include a range of transactions likely to present E&S challenges, such as equity capital market transactions, debt capital market transactions, mergers and acquisitions, and acquisition financing. Even beyond this scope, any financial transaction entered into by Corporate and Investment Banking involves the identification of any E&S risks relating to the client, other than financial institutions.

The main stages for the assessment of transactions at the Bank are the identification stage, followed by the E&S evaluation stage and the action stage.

In the course of 2018, a total of 113 dedicated transactions subject to an E&S review were signed off by the Group. Of these transactions, 42 project loans, 4 project-related corporate loans and 1 bridging loan, as well as 9 advisory mandates relating to project financing fell within the scope of the Equator Principles. Overall in 2018, total new funding for the dedicated transactions that underwent an E&S review within the EP scope amounted to EUR 3.4 billion, and EUR 3.7 billion fell outside the scope of the EP (Societe Generale's voluntary scope of application).

A dedicated team of experts lends support to the sales managers when assessing and understanding the E&S impact of transactions and clients.

In 2018, the Group continued to roll out the E&S training programme. Face-to-face training, which includes the E&S evaluation procedures for transactions and clients, was provided to 240 employees. In addition, a micro-learning platform can now be accessed.

Dialogue with civil society

Societe Generale strives to engage in constructive dialogue with its stakeholders (see "Dialogue with stakeholders" on the Group's website:
https://www.societegenerale.com/en/measuring-our-performance/csr/dialogue-with-stakeholders).

In particular, the Group listens to and converses with NGOs that alert it to E&S issues. Wherever possible, an internal enquiry is conducted and a documented response is given, either in writing or at meetings, as appropriate.

The Bank uses the Corporate and Social Responsibility (CSR) Department to centralise any request or contact by NGOs or other civil society members informing it about the impact of its financing services or other services.

In the course of 2018, Societe Generale participated in various working groups and discussion meetings with some 10 NGOs (including Friends of the Earth, BankTrack, Amnesty International, Oxfam and WWF), either in the form of bilateral meetings or broader consultation meetings organised by the associations themselves or, among others, by the OECD, the Equator Principles Association, and Entreprises pour les Droits de l'Homme (Companies for Human Rights).

The main topics covered in discussions with NGOs over the year were:

- the impact that the financial sector has on the climate, particularly with regard to the financing of activities related to fossil fuels (shale gas, coal);
- human rights, especially the rights of indigenous peoples and peoples located in disputed areas.

The Group has a "Dialogue and Transparency" section on its website.

(*https://www.societegenerale.com/en/news-and-media/dialogue-and-transparency*).

5.3.2 A COMPREHENSIVE CLIMATE STRATEGY TO SERVE THE ENERGY TRANSITION

Vision and strategy

Since 2015 and the Climate Change Conference in Paris (COP21), the financial sector has been subject to special attention from the legislator, which has strengthened the connection between financial and climate-related issues. In particular, this is reflected in increased regulatory changes applicable to sustainable finance, such as the TCFD (Task Force on Climate-related Financial Disclosures) initiative mandated by the Financial Security Board on transparency recommendations with respect to investors, and the European Commission's action plan on sustainable finance.

In light of the acceleration of climate change, underscored in the most recent report by the Intergovernmental Panel on Climate Change (IPCC), and as announced in the Katowice Commitment with four other banks during the COP 24 in Poland[1], Societe Generale shares the goal set out in the Paris Agreement to require financial flows to be in line with "a trend towards lower greenhouse gas emissions and greater resilience to climate change".

As from 2015, Societe Generale has committed to strive to put the Bank's action on course to achieve the scenario whereby global warming is limited to 2°C by 2020. With this commitment, the Group aims to implement governance, risk management and risk monitoring tools to enable it to respond in the most appropriate way to a carbon-free economy resilient to the effects of climate change.

In so doing, the Group seeks to position itself as one of the key players in the fight against climate change, by supporting clients with their energy transition and promoting sustainable development in Africa: two major collective challenges to which Societe Generale can and wants to contribute (see p. 273, "Climate and energy transition" and p. 278, "Africa").

The climate strategy has thus been structured around risk management and opportunities related to climate change, as well as managing the climate impact of the Group's proprietary activities (See p. 281, "Responsible conduct of the Group's proprietary activities").

A governance framework set via climate related risk management

Risks associated with climate change[2] do not represent a new risk category, but rather an aggravating factor for the types of risks already existing in the Bank's risk management system (credit and operational risks, risk related to insurance activities, etc.).

Since 2017, CORISQ (a General Management Committee that defines the Group's risk strategy) has been informed about the risks associated with climate change. In defining credit risk appetite, CORISQ relies on the expertise of the CSR Department, which issues an opinion on environmental challenges for the business sectors concerned (for example the oil and gas sector, renewable energies, or the automotive sector).

In 2017, a mechanism for measuring the impact of a scenario related to the materialisation of climate change-related risks was integrated into the risk mapping presented to the Board of Directors' Risk Committee.

The Climate CORISQ meeting of October 2018 strengthened governance with a view to increasing the credit risk management capacity in the appropriation of climate challenges. This same Committee has set itself the goal of:

- defining and maintaining benchmark scenarios, and has gradually been integrating a climate vulnerability assessment for each client in the sectors sensitive to transition risks;
- approving credit policy guidelines for portfolios sensitive to environmental challenges and policies that do not have dedicated supervision.

Risk management and the seizing of climate opportunities

Risks are managed and opportunities seized *via* a range of macro and micro tools.

In terms of opportunities for the Bank, with respect to supporting the growth of certain clients, plans to improve production facilities or energy transport (such as transport/mobility infrastructures), the Group has prompted the deployment of expertise in several segments. The result is leading commercial positions (see p. 273, "Examples of the businesses' major commitments as regards the three pillars" and p. 280, "Cross-business deployment of the CSR ambition's three pillars with investors").

In 2018, Societe Generale extended its scope of intervention with the acquisition of the French Fintech Lumo, a pioneering crowdfunding platform dedicated to renewable energies. Since its creation, Lumo has collected funds from thousands of individual investors for the benefit of some 40 wind, photovoltaic and hydraulic energy projects that will produce more than 260 million kWh of green electricity every year, equal to the annual consumption of nearly 100,000 households.

With this acquisition, the Bank has strengthened its ability to serve its major energy clients by offering them a crowdfunding solution to develop their projects, as required by the French government's Renewable Energy Liberation Plan, which is part of the Climate Plan.

EVALUATION OF TRANSITION RISKS

The approach adopted to measure the additional credit risk due to the transition risk corresponds to a vulnerability indicator defined during the annual renewal of internal ratings. The quantification method is inspired by that developed by the United Nations Environment Programme Finance Initiative (UNEP-FI)[3], to which Societe Generale has contributed alongside 15 international banks.

(1) *https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/the_katowice_commitment.pdf*

(2) *Risks associated with climate change take the form of physical risks related to extreme and cumulative phenomena due to the increase in the global average temperature as well as to transition risks further to changes in environmental regulations or to the depreciation of stock market assets. They also include liability risks.*

(3) *UNEP-FI (2018) Extending our horizons: http://www.unepfi.org/news/themes/climate-change/extending-our-horizons/*

A 2040 scenario analysis was conducted on the lending portfolio under an assumption of the identical extension of the loans and the non-adaptation of borrowers. The impact of a 2°C transition scenario compared with a scenario of no transition measures shows a low impact overall, but a concentrated impact on segments producing particularly high carbon emissions. These results are in line with those shared with other European and American banks.

The Group plans to roll out the assessment of the "climate vulnerability" indicator for clients in the following sectors: oil and gas, metals and mining, electric utilities, and transport. When a client is identified as vulnerable, the client relations manager must issue an opinion on the client's ability to reduce this vulnerability (find all information on Risk typology in Chapter 4, p. 149).

EVALUATION OF PHYSICAL RISKS

The Group also participated in works by the UNEP-FI to identify "physical" climate change risks[1]. Contrary to transition risks, the methodology is not sufficiently developed to enable a valuation. However, it does shed light on the risk transfer mechanisms, distinguishing between extreme situations (tornadoes, floods, droughts) and incremental changes (rising sea levels, riverbank erosion, rising average temperatures).

This work on physical risks must be continued by improving our knowledge of the location of third-party clients' assets and, ideally, their reliance on suppliers located in exposed regions (for example, South East Asia) or on at-risk commercial routes (ports, change of maritime routes). Societe Generale is continuing its methodological research.

For the Insurance activity, the sensitivity to climate risks varies depending on the type of product. Life insurance assets are mainly invested in bond securities, and thus insensitive to climate risks. With respect to non-life insurance (auto insurance, home insurance, cover for storms, hail, snow and natural catastrophes) the climate risk is monitored and controlled through underwriting and reserving policies, and through reinsurance approved by the Board of Directors.

Lastly, climate risk on the equity of Sogessur (Societe Generale Insurance's non-life insurance company) is taken into account *via* the Own Risk and Solvency Assessment (ORSA) annual regulatory process carried out as part of the Solvency 2 Directive.

OTHER CLIMATE CHANGE-RELATED RISKS

The Group also has systems in place to manage other risks (see p. 149, "Types of risks"). This includes operational risks: compliance risks and liquidity risks incurred by climate risks, physical risks for branches, and E&S-related reputational risks.

Sector policies also play a role in controlling these risks (see p. 268, "Cross-sector and sector-specific E&S policies").

Aligning the main climate-related sectors with a 2°C trajectory

To achieve this ambition, the Group is developing methodologies and tools measuring its lending portfolio's alignment with the objectives of the Paris Agreement.

As part of its corporate financing activity, the Group has for the past three years been evaluating the carbon footprint (indirect emissions) of its balance sheet commitments[2]. In this regard, the transport and energy sectors appear to be the two sectors with the greatest impact (representing 79% of the carbon footprint of the Group's balance sheet commitments).

In order to identify the alignment indicators and targets across a larger section of the portfolio, the Group is testing (in the pilot stage) an analysis methodology developed by the 2°C Investing Initiative (2DII). The main strength of this method is its use of detailed corporate data. Accordingly, it is possible to measure the discrepancy between the portfolio's profile and the profile it should strive for (based on climate scenarios).

More specifically, the method measures the extent to which the Group's portfolio is aligned regarding the sectors most exposed to fossil fuel extraction (oil, gas and coal) for electricity generation, automotive production, and four other carbon-intensive sectors (namely steel, cement, aviation and maritime transport).

The sharing of best environmental practices

Within the UNEP-FI, the Group has contributed to developing a methodology enabling financial institutions to better understand the climate change risks of their activities.

As an active member of the European Banking Federation (EBF) and the French Banking Federation (FBF), Societe Generale acts to promote the appropriate regulation of sustainable finance in Europe. The Group supports the Commission's legislative proposals on sustainable financing, based on its action plan for financing sustainable growth (see: *https://www.ebf.eu/wp-content/uploads/2018/12/EBF_035239-EBF-key-messages-on-the-EP-draft-report-on-taxonomy.pdf*).

The Group is also participating in a study by the French Association of Private Companies (AFEP) on the comparison of 2°C scenarios and in a different study by *Entreprises pour l'Environnement* (EpE) ZEN 2050 on the decarbonisation of the French economy by 2050.

(1) UNEP-FI (2018) Navigating a new climate: http://www.unepfi.org/publications/banking-publications/navigating-a-new-climate-assessing-credit-risk-and-opportunity-in-a-changing-climate/

(2) This is the P9XCA method, which takes a global approach using official data from international organisations, such as the United Nations and the OECD, and enables the Bank to determine, based on the climate challenge of the macro-sectors (e.g. transport, energy, industry, etc.), the proportion of the emissions corresponding to the commitments undertaken by the Group. It does not include greenhouse gas emissions related to financing for individuals. It provides a snapshot of the emissions financed at any given point in time, and hence acts as a "diagnosis" that can be used to define the Bank's priorities for climate-related action via a ranking of the macro-sectors according to their carbon intensity.

5.3.3 EXAMPLES OF THE BUSINESSES' MAJOR COMMITMENTS AS REGARDS THE THREE PILLARS

The Transform to Grow strategic plan includes a CSR ambition, is reflected in the Group's commercial momentum through the aim to develop the following activities:

- Sustainable and Positive Impact Finance (SPIF) to monitor credit, leasing and customer support in the growing of their positive impact activities;
- Sustainable and Positive Investments (SPI) for wealth and asset management activities, including the structuring of products aimed at institutional and individual investors.

SPIF

2018 production: EUR 11.9 bn

"Green" financing	"Social/Societal" financing
EUR 6.5 bn	EUR 5.4 bn

including PIF: EUR 5.1 bn

*(according to UNEP-FI definition)

SPI

2018 production:	Assets under management as of 31st December 2018:
EUR 11.8 bn	EUR 16.8 bn

NB: On top of these amounts, Lyxor has taken shareholder commitments on EUR 14 bn of outstandings

Activities contributing to improvements in clients' positive impact

"Green" bond issues arranged by Societe Generale	EUR 18 bn
Credit lines granted with indexation based on environmental and social performance commitments	EUR 1.4 bn
Face value of the HQE Sustainable Building portfolio being developed by Sogeprom	EUR 1.3 bn
Capital increases managed by Societe Generale that contributed to the growth of operators committed to energy transition	EUR 0.8 bn
Four M&A transactions advised by the Group in in the Mobility and Renewable Energies sectors	

This commercial ambition is developed more particularly around the following three CSR areas: Climate Change, Societal Innovations, and the Contribution to Sustainable Development in Africa.

The aim is to gradually guide all commercial action (financing, consulting, structuring and third-party management) towards activities generating a positive impact on the sustainable development of the economy and of society.

In order to monitor the actions carried out, Societe Generale adopted a framework of internal definitions of these two dimensions in 2018: SPI and SPIF. The aim is to facilitate the dissemination of commitments throughout all activities, and to ensure transparent communication regarding the Group's actions. The detailed methodological note can be found on p. 285 ("Methodology note").

This framework is aligned with the United Nations Sustainable Development Goals (visit *https://www.un.org/sustainabledevelopment/fr/objectifs-de-developpement-durable/*), not to measure Societe Generale's performance, but to show that the areas of positive impact chosen form part of a global, cross-business and universally recognised framework.

5.3.3.1 Climate and Energy Transition

In December 2017, Societe Generale committed to raising EUR 100 billion in financing earmarked for the energy transition between 2016 and 2020, including a nominal amount of EUR 85 billion for Bookrunner positions in green bonds, and EUR 15 billion in the form of advisory and/or financing mandates dedicated to the renewable energies sector. At the end of 2018, the Group had achieved 69% of its commitment (EUR 21.4 billion for the renewable energies sector and EUR 47.6 billion for green bonds).

A few key transactions representing the diversity of SPIF projects in 2018:

- *Formosa 1 Offshore Wind Project* (Taiwan): Societe Generale raised a green loan and a green bond (NTD 1.6 billion, i.e. EUR 45 million[1] to finance renewable energy projects in Taiwan, including the first wind farm, structured in accordance with the Positive Impact Finance Principles launched in Paris with the support of the United Nations Environment Programme (UNEP);

(1) Conversion rate at 31st December 2019.

- *Bulgana Green Power Hub* (Australia): this financing of AUD 56 million (EUR 35.4 million[1] is used to build a wind farm relying on the most recent battery storage technologies;
- *Pennon & South West Water SWW* (United Kingdom): two bilateral credit lines of GBP 30 million and GBP 20 million (EUR 33.9 million and EUR 22.6 million[2] were structured so as to integrate two of the Pennon Group's priorities: remaining a lead performer in Environmental, Social and Governance (ESG) performance and improving bathing water quality in south-west England;
- Séché Environnement (France), specialised in waste recovery and treatment in France and abroad, signed a new positive impact credit line for EUR 270 million, maturing in 2023 with three commitments measured every year to determine the financial conditions of the loan: maintaining high energy self-sufficiency; protecting the biodiversity of its main sites in France; and improving its overall non-financial performance assessed by the EthiFinance ESG rating;
- Masdar (United Arab Emirates-UAE): this investor of the UAE government, which focuses on green technologies and sustainable construction, has signed a green revolving credit facility, the first of its kind in the Middle East, and the most recent example of the UAE's commitment to sustainable development. With this unprecedented facility, Masdar is paving the way for other regional borrowers that may duplicate the method and contribute to the country's energy targets;
- Greater Paris (France): SYCTOM, Europe's leading public operator in household waste treatment, signed a 30-year EUR 30 million loan with Societe Generale to finance the development of its infrastructures. A pillar of the circular economy and the sustainable city, it accelerates the ecological transition of the city of the future through the responsible and recyclable treatment of urban waste in a more general investment programme representing EUR 1.4 billion and launched until 2025.
- Regarding the challenge of water systems, the largest European player providing urban services to Greater Paris (responsible for drinking water treatment) chose Societe Generale for a 15-year EUR 10 million loan with the possibility of additional investments;
- In 2018, SG FINANS (subsidiary of SGEF, specialised in vendor and professional equipment finance, in the Scandinavian countries) entered into an agreement with the European Investment Bank (EIB) for an EUR 18 million credit line dedicated to transactions promoting the energy transition. 70% of the line will be allocated to low-carbon transport projects. This agreement supplements several international commitments signed by SGEF with multilateral financing agencies in 2017/2018 to support climate finance in all its geographic locations.

In 2018, overall, the recorded amount of green financing supplied by Societe Generale to private and public sector undertakings and to individuals (energy infrastructures, all forms of renewable energy production, waste and recycling, public transport projects, alternative fuels, clean vehicles, green real estate, water treatment) was more than EUR 6.5 billion.

In nominal value, green bond issues (co)-managed by the Bank in 2018 represented EUR 18 billion in green and sustainable bonds raised through 22 transactions, of which 13 were inaugural issues.

The Bank was chosen as advisor on the structuring of various international operations. The inaugural operation, set up for ALD International, was particularly noted for the quality of its standards for monitoring CO_2 and nitrogen oxide (NOx) emissions. In full alignment with Positive Impact principles, this bond issue was approved by Vigeo-Eiris with respect to the Climate Bond Initiative's low-carbon standards (see p. 275, "Societal innovations").

In terms of consulting and strategic support activities, we can mention two examples:

- Initial public offering (IPO) of Neoen, with Societe Generale acting as Joint Bookrunner. Neoen is France's leading independent producer of renewable energy, operating in solar power, wind power and storage;
- Consulting on the acquisition of Solaris by CAF (see p. 275, "Sustainable cities and mobility").

In Retail Banking, developments were also undertaken to support the energy transition of corporate clients:

- Franfinance, a subsidiary specialised in leasing and lease financing for companies, developed new solutions to facilitate its clients' investments in energy-efficient equipment, for example in renewable energy production projects. For several years, it has also been supporting Fenwick, which now offers the leasing of trucks equipped with the most recent lithium/ion battery technology, which is more energy-efficient.
- Thanks to a partnership between Societe Generale and Econocom, a Green Energy offer was developed for corporate clients and non-profit associations. Following a meeting with the expert Econocom, they can benefit from an energy analysis of their facilities (lighting, air conditioning, cooling, etc.) free of charge, and receive recommendations for solutions. These solutions can be implemented and financed by Econocom, and the expense is wholly or partially self-financed by the energy savings generated.

Individual clients are also supported in the energy transition;

- Boursorama's clients can now subscribe to financing dedicated to their eco-responsible projects (*https://www.boursorama-banque.com/credits/*). After making all its property and personal loan processes paperless, Boursorama Bank offers a fully online eco-responsible loan since mid-December 2018, with an automatic 5% discount on applicable rates, to facilitate its clients' investment in projects with a positive environmental impact.
- With respect to its consumer credit expertise, Franfinance has entered into a three-year partnership with the Confederation of Artisans and Small Companies in Construction (CAPEB) and the French company Économie d'Énergie, an expert in supporting individuals and professionals to promote energy renovation. The aim is to roll out actions to promote the "ARTIPASS" financing offer dedicated to energy-saving measures;

(1) *Ibid.*
(2) *Ibid.*

5.3.3.2 Societal innovations

SUSTAINABLE CITIES AND MOBILITY

This line of action was developed in 2018, illustrating the ambition to contribute to cities offering the best possible services for the common good, thereby falling within the framework of the Group's SPIF activities.

With respect to real estate construction, a team dedicated to the Greater Paris project and working with a budget of EUR 2.5 billion until 2020 has a three-fold mission underpinned by a high CSR standard:

- acting as a partner to local authorities;
- building the city of the future around the smart city concept;
- promoting bank financing of SMEs in Greater Paris and helping to allocate 20% of the project requirements to SMEs.

Reflecting its commitment to property with high standards in terms of environmental and social quality, Sogeprom, the Group's property development subsidiary, was awarded dual WELL certification (Gold & Platinum) for the Ampère E+ building in 2018. This award recognises both the building's structure and its interior fittings. It devotes unique expertise in Europe to designing and developing spaces promoting the health and wellness of its employees at the workplace. This award also recognises the partnership with the Green Soluce subsidiary. Moreover, for this building, Sogeprom received the Cradle to Cradle – Inspired Buildings C2C Prize issued by the Hamburg-based Environmental Protection Encouragement Agency (EPEA) and presented by Lateral Thinking Factory consulting.

Another remarkable achievement of 2018 was the land purchase for the future NOUVEL'R district in Nice, a mixed-use programme covering nearly 30,000 m^2, comprising a hotel, three office buildings, retail premises, housing, a tourist residence, a student residence, and a public parking area. This reflects Sogeprom's ability to develop a whole new residential and commercial district in all its dimensions.

Societe Generale was selected by the No. 1 company in mid-range housing in Île-de-France for a final share of EUR 100 million in the inaugural syndicated loan of EUR 800 million over four years, alongside five other banks. The operator is developing an offer aimed at the middle classes, whose resources exceed social housing thresholds but are insufficient to access the open housing market. As part of its strategic mission entrusted by the public authorities, it aims to create 80,000 mid-range housing units in Île-de-France by 2025. By financing this project, Societe Generale is helping to develop the housing offer in areas under pressure, and to meet the major challenges of eco-housing, urban renewal and social diversity in sustainable cities.

The Sustainable Cities line of action is also being developed through high-impact projects, such as EUR 3.5 billion financing in Italy for a fibre optic infrastructure, the largest ever project finance deal in Europe in this field; through a total of nearly EUR 700 million in operations carried out in 2018 in the Health – Medical-Social – Education sectors with optimised financing costs for the client and related advice; and through consulting on renovation or accessibility investments in the non-profit sector related to the elderly, healthcare, disability and education.

Regarding the Mobility line of action, innovation in automotive products and transport practices is generating new requirements and opportunities. ALD Automotive, the vehicle leasing and fleet management subsidiary, strives to create sustainable mobility conditions by making responsible recommendations: identifying the right mobility solution for the right purpose, and enabling its clients to make informed decisions, while reducing its fleet's environmental footprint.

This is reflected in an increasingly significant share of electric vehicles, changing all ALD Automotive businesses from the co-design of the offer to the establishment of charging infrastructures, commercial distribution, the provision of analysis and consulting expertise, and the growing share of hybrid and electric vehicles (102,705 vehicles in 2018).

ALD's inaugural Positive Impact Bond issue worth EUR 500 million in October 2018 financed a fleet of hybrid and electric vehicles in Europe to fight CO_2 and nitrogen oxide (NOx) emissions.

Moreover, ALD Automotive is innovating in sharing and digital practices by joining the Mobility As A Service (MaaS) movement. Carsharing is already available in several European countries, with more than 2,000 contracts, a pay-as-you-drive solution (with Ricaricar in Italy) and collaborations with carpooling players have also been established (Blablacar in France, GoMore in Denmark).

The Mobility line of action is also rolled out in Senegal, where Societe Generale has arranged a EUR 226 million buyer loan for the construction of 18 bridges. This project will open up several regions of the country and improve transport.

Furthermore, Societe Generale acted as adviser to CAF for the acquisition of Solaris Bus & Coach for EUR 300 million. Solaris is a global supplier of conventional and electric buses, considered one of the main producers of clean vehicles in the European Union, be they electric, hybrid or trolley. CAF is a global rail equipment leader. The new Group has become one of the leading players in sustainable urban mobility in Europe.

At the same time, SGEF, a subsidiary specialised in vendor and professional equipment finance, has partnered with several industrial firms to contribute to sustainable city projects: for example in Sweden, where a financing solution was offered to 30 municipalities with a focus on accessing bike-share programmes; in Norway, through the financing of electric buses for urban and para-urban transport; and in Europe, through an international partnership with SIGNIFY (formerly Philips Lighting) to develop energy-efficient public lighting.

SUPPORTING PLAYERS IN THE WORLD OF BUSINESS AND ENTREPRENEURSHIP

Societe Generale strives to be a key player in the world of corporate business and entrepreneurship (professionals, start-ups, VSBs, SMEs). As a local bank in the regions, a trusted partner as regards payments, investments and financing, helping to create or protect jobs, and a partner in creation and innovation, the Bank is committed to providing regional support to artisans, entrepreneurs and businesses of all sizes throughout their life and business cycle.

In France

A stronger organisation in terms of local network across all segments:

- With the "Societe Generale Entrepreneurs" sales programme, the Societe Generale network provides corporate executives and shareholders with a range of services and solutions geared to addressing strategic issues. It combines diverse expertise in financing and investment, wealth and property management, pooled in regional divisions to better support key stages of the development and transfer of ownership of their business;
- In 2017 and 2018, Societe Generale developed its sales programme for professional customers, offering comprehensive support with two expert advisors at their disposal: one for their professional life and the other for their private life;
- Together with its regional banks, Crédit du Nord offers a local organisaton and offering in the regions where the brand has developed.
- Since 2016, Franfinance has been playing a key role in developing its corporate client base, which consists mainly of VSBs, professionals and SMEs. Thanks to the launch of the "COSME"[1] Programme for the Competitiveness of Enterprises and SMEs, in partnership with the EIF[2] (European Investment Fund), which aims to make it easier for microenterprises, VSBs and SMEs to access finance to make their investment projects a reality, Franfinance is committed to significantly increasing its exposure to these business categories. The targets of the first contract signed with the EIF were achieved in June 2018 with more than 10,000 projects financed and secured by COSME, representing a budget of EUR 250 million. Franfinance renewed its commitment by signing a second contract in July 2018 to support VSBs and SMEs by granting an additional EUR 500 million by July 2021.

Abroad

Support for SMEs

- Societe Generale draws on its expertise, its international network and its network of correspondent banks to support its corporate clients, including artisans and very small businesses, in 67 countries. French small- and medium-sized exporting companies account for 17% of exports, amounting to EUR 107 billion per year (source: Insee Première No. 1692);
- In its foreign subsidiaries, such as in Romania, where BRD fully contributes to the VSB and SME sector through a tailored offer in respect of conventional banking products and services, but also in conjunction with national and European programmes, along with direct subsidies (EUR 88.8 million in pre- or co-financing) and in conjunction with the EIF[2], which offers to secure loans granted (240 contracts for EUR 12 million in 2018);
- The new initiatives regarding African SMEs are detailed in p. 278, "Africa".

Regarding the circular economy

In 2018, SGEF and Philips committed to promoting the recycling of medical devices by favouring this approach in the terms for financing its equipment.

Company creation

Renewed support for company creation, with special attention to start-ups:

- At the end of September 2018, in France, Societe Generale had entered into relationships with 31,000 companies, of which 22,000 had been created in the last three years. At the end of August 2018, on the strength of these new relationships, the Group was supporting 60,900 young companies created less than three years ago, of which 24,300 companies were created less than one year ago;
- The Bank is a member of the national "Initiative France" association and a partner of 93 of its local platforms. These platforms have enabled the start-up or takeover of 8,250 companies, which created or sustained 21,810 direct jobs during their first year. In addition to loans on trust (interest-free, unsecured loans) granted by the 223 Initiative France platforms, the Bank awarded 355 loans amounting to EUR 57 million to entrepreneurs approved by the association in 2017 (figures reported by Initiative France in 2018 in its Activity Report);
- By renewing partnerships with credit guarantee institutions, for example with SIAGI[3] in March 2014 and with Bpifrance in June 2015, Societe Generale also makes it easier for entrepreneurs creating or taking over companies to access loans. Since 2017, it has been providing a network of 150 advisors dedicated to start-ups nationwide;
- In view of its commitments to professionals, artisans and traders in the local economy, as part of its partnership with TUDIGO[4], a crowdfunding platform, Societe Generale organised the fifth edition of the *Coup d'Envoi* competition to support projects on a reward-based (backing in exchange for products or services), "close-to-home" basis (83 projects)

SOCIAL AND SOLIDARITY ECONOMY

The Group supports innovative solutions for fostering sustainable economic development that combine environmental and social performance through different vehicles (companies, cooperatives, non-profit associations), in line with social cohesion and solidarity targets.

Various proposals and partnerships have been established for this growing sector:

Financing the non-profit sector in France

The non-profit sector holds an important place in the French economy and society, on account of services provided to various highly professionalised sectors, such as medical-social establishments, facilities for people with disabilities, institutions promoting integration and education, and the jobs they generate.

Societe Generale has developed close relationships with this sector, thanks to its network of non-profit specialists across the country. The Bank provides its expertise to its 110,000 non-profit clients (*i.e.* an 8% market share overall, which rises to 20% in the largest client segments) to help them achieve their everyday management, investment and financing goals. The Group has developed a specialised Health – Medical-social – Education unit to advise clients on property projects and provide financing in this regard.

(1) COSME: 2014-2020 Programme for the Competitiveness of Entreprises and SMEs 2014-2020.
(2) EIF: European Investment Fund, subsidiary of the European Investment Bank.
(3) Established in 1966 by the Chambers of Trades and Crafts, SIAGI is involved in the crafts and local activities sectors. It secures loans granted by all banking institutions in the marketplace.
(4) Bulb in Town/Tudigo is a crowdfunding platform that supports projects by raising donations, backing in exchange for products or services, and investment.

A socially responsible banking offer that gives meaning to savings and wealth management

Societe Generale, one of the first banks to have offered socially responsible finance products and services to its clients, is strengthening its role as a corporate citizen by meeting its clients' growing interest in sharing solutions. As an intermediary between investors and borrowers, the Bank forms part of a collective movement where everyone – investor, consumer or entrepreneur – can contribute to an economy where social innovation and solidarity take on their full meaning.

In 2018, Private Banking collaborated with the Global Markets teams to develop the first structured product with a charity component. Its innovative quality lies therein that, over and above a fixed donation made upon subscribing to the product, Societe Generale will provide partner associations with a conditional donation that will be released once the investment is repaid and in the event of a rise in the markets. Societe Generale is the only donor. Overall, 3,000 clients subscribed to these charity products, for a nominal amount of nearly EUR 330 million.

Moreover, French Retail Banking offered more conventional products:

- the Solidarity Savings Service, which carries the Finansol[1] label guaranteeing investors that their solidarity savings are ethical and transparent
- the SG Solidarité solidarity and sharing fund, also carrying the Finansol label, which can be accessed under life insurance;
- the Charity bank cards.

Thanks to these products and the commitment of its clients, Societe Generale paid nearly EUR 1.7 million[2] to 48 partner associations in 2018. In addition, these associations benefit from greater visibility among a wider audience.

Supporting social companies and start-ups

Societe Generale signed a partnership with startupsociales.com, a platform that aims to provide resources to players committed to the social economy through a clear definition of the concept and by bringing entrepreneurs in contact with parties providing support. This partnership enables the Bank to support this category of new, fast-growing companies.

Since 2016, in partnership with France Active Garantie, the leading financier of solidarity-based companies, the Group has been working to ensure very small businesses (VSBs) and solidarity-based companies can more easily access bank financing, regardless of their legal status. Thanks to the support of the 42 regional associations of the France Active network in metropolitan France, entrepreneurs can optimise their chances of long-term success in their projects. From the project's emergence through to its development, the Societe Generale and France Active teams help entrepreneurs with their financial problems and provide them with the most suitable financing for their needs.

MICROFINANCE

The Group decided to support microfinance through partnerships for refinancing dedicated structures in Africa (see p. 278, “Africa”) and, in metropolitan France and France overseas, a collaboration with ADIE (Association for the Right to Economic Initiative) since 2006.

In 2018, this partnership enabled the provision of EUR 14 million in credit lines and EUR 167,000 in sponsorship aid. The financial value of overseas outstandings with ADIE stood at EUR 2 million.

INCLUSION

In terms of financial inclusion, Societe Generale strives to be closer to and more accessible for its clients: bank account access, accessibility for the elderly or disabled, transparency and comprehensibility of information, and attention paid to clients in situations of financial hardship.

Physical accessibility (the disabled, seniors)

The Group ensures that its services are accessible to disabled customers by adapting its equipment or making its applications more user-friendly:

- access to Societe Generale and Crédit du Nord automated teller machines (ATMs);
- digital access to the Societe Generale mobile application;
- bank statements in Braille (benefiting 885 people in 2018);
- renovating 88.4% of the Societe Generale branches and 89.2% of the Crédit du Nord branches;
- designing the Crédit du Nord Group's website using the FACIL'ITI solution to enable people with visual, cognitive or motor impairments to browse the website more easily;
- a sound-producing virtual keyboard at Crédit du Nord to enable the visually impaired and blind to connect.

Clarity of information

To improve the readability of contracts, efforts are being made to use plain, clear language in the many banking offers. For example, for companies, contractual documents regarding cash management services have been harmonised in France and abroad to make the legal commitment simpler and clearer.

Right to hold a bank account and access to inclusive products and services

In accordance with Article L. 312-1 of the French Monetary and Financial Code and with the Moscovici Act, the Bank provides a free service offering, constituting the “basic banking service”, within shorter timelines for clients who are entitled to this “right to hold a bank account”.

Students benefit from privileged conditions for loans intended to finance their studies, accommodation or settling-in, transport, equipment, and more.

For people presenting or having presented a serious health risk: in France, the AERAS Convention (Insurance and Loans with an Increased Health Risk) signed in 2006, revised in 2011 and then again in 2015 (creation of the “right to oblivion”), by banking and insurance professionals, gives them easier access to insurance and loans. Within this context, Societe Generale and Crédit du Nord provide access to a loan (home loans and consumer loans) and, in particular, provide a scheme for sharing some of the costs of additional premiums for customers in the lowest income brackets.

(1) https://www.finansol.org/

(2) For the same initiatives (charity banks cards, Solidarity Savings Service, "SG solidarité"); does not include the exceptional sum of EUR 1.135 million paid, when the Filigrane loyalty programme came to an end, resulting in a massive conversion of points into donations to the programme's two partners associations.

Supporting vulnerable people

In addition to regulatory obligations as defined in Article R. 312-4-3 of the French Monetary and Financial Code, French Retail Banking has set up a detection and monitoring process for customers fulfilling the criteria for financial hardship. This system combines internal warning mechanisms and KYC intelligence. Accordingly, the Bank is able to contact these customers in writing, systematically and at the earliest opportunity, to propose a meeting with their account manager in order to present them with a specific offer designed to limit costs in the event of an incident, at least once a year for all customers in situations of financial hardship as well as any time a new instance of hardship is detected.

Moreover, for a monthly fee of EUR 3.00, Généris is the everyday banking package that has been designed to help these customers manage their banking activities, in particular through capped costs in the event of an incident and account control thanks to adapted payment methods. At the end of 2018, 56,443 Societe Generale customers had already subscribed to the Generis service. New caps on banking incident costs are being reviewed for implementation in 2019, in accordance with the commitments undertaken by credit institutions in 2018.

For persons providing daily care to a relative aged over 60, Societe Generale offers two dependency protection solutions, including the "Garantie autonomie aidant" policy. This solution is supplemented by an innovative digital package, which was awarded the Profideo Innovation Trophy, consisting of a web portal and a permanent teleassistance service at the home of the person being cared for *via* a connected medallion or bracelet.

Educational actions, supporting financial education

In the interests of transparency and education, Societe Generale makes a large number of simulation or financial calculation tools available to its customers, either online or *via* partner applications. A module dedicated to the financial education of children was developed under the label "Your child and the bank" on Societe Generale's website for the general public. It offers advice and topics for reflection to give them optimal guidance in this learning process.

Aimed at the Bank's wealthiest clients, Private Banking has integrated a philanthropic module in the master class programme offered to families. This module addresses the social responsibility aspect of wealth management, enabling the young generations to practise social responsibility with respect to matters of general interest.

5.3.3.3 Africa

Operating in 19 African countries, Societe Generale has a unique positioning on the continent. This enables it to offer its clients the expertise and know-how of an international bank benefiting from the proximity of a network of local banks. Rooted in African regions for more than 100 years, the Group supports the local economies with more than 12,100 employees serving 3.8 million clients, including 150,000 companies. Societe Generale's long history in Africa is rooted in the financing of the real economy and encourages the Bank to take a responsible approach to the continent's development.

This commitment was reasserted in the Transform to Grow strategic plan, which makes the Group's activities in Africa one of the pillars of growth, while also making the "Contribution to sustainable development and low carbon in Africa" one of the cross-business priorities of its CSR ambition.

Convinced that the development of Africa is one of the collective challenges to which Societe Generale can contribute, the Bank provides its expertise and strength of innovation and experimentation to serve positive transformation on the continent.

With the launch of the Grow with Africa initiative at the end of November 2018, Societe Generale has committed to being a key driving force in the sustainable and low-carbon development of Africa, in partnership with international and local players in the private and public sector, by focusing on four main areas of development:

- multi-dimensional support for African SMEs;
- infrastructure financing;
- the development of innovative financing solutions, in particular in the agricultural and energy sectors;
- financial inclusion.

Each of these areas of development aims to generate a positive impact for the continent and to contribute to the United Nations Sustainable Development Goals (https://www.un.org/sustainabledevelopment/sustainable-development-goals/) in several respects.

MULTI-DIMENSIONAL SUPPORT FOR AFRICAN SMES

In Africa, SMEs account for 90% of private companies and hire 70% of the rural population. As such, these SMEs are at the heart of the economy's development and are crucial to creating the 400 million jobs necessary in Africa to absorb new entrants in the job market over the next 20 years.[1]

For Societe Generale, African SMEs represent two-thirds of its corporate client base. As part of the Grow With Africa initiative, the Group adopted a 60% growth target for its outstanding loans with African SMEs in the next five years.

Societe Generale launched the concept of "SME Centres", open to client or non-client SMEs from the formal or informal sector, which will be rolled out in each of the Group's countries of operation. The first "Maison de la PME" was inaugurated in Dakar in 2018, bringing together in a single space local players eager to work together to remove the main obstacles to business creation and development.

At the same time, organised in nine regions of Tunisia, the "SME days by UIB" are offering networking events and training to managers of the Bank's client SMEs for the second consecutive year and in partnership with Proparco.

INFRASTRUCTURE FINANCING

Infrastructure financing is key to the development of Africa, in particular in the areas of energy, transport, water and waste management, health and the development of sustainable cities. Already greatly involved in infrastructure financing in Africa, Societe Generale intends to further strengthen its contribution. The Bank plans to increase the financial commitments related to structured financing in Africa by 20% over three years and, in so doing, to double its workforce dedicated to Sub-Saharan Africa by the end of 2019. In order to meet this challenge, the Bank has decided to join forces with local, regional and international financial partners sharing the same ambition and eager to come up with solutions together to expand the scope of financing. The West African Development Bank (BOAD), French Development Agency (AFD) and Meridiam have already partnered with Societe Generale. Other establishments are working to join this initiative in the near future. In 2017 and in the first half of 2018, the Bank was positioned as number 1 worldwide in export finance to Africa.

(1) Source : https://www.lemonde.fr/afrique/article/2018/11/09/selon-le-fmi-l-afrique-doit-creer-deux-fois-plus-d-emplois-pour-absorber-la-hausse-demographique_5381073 3212.html

A few examples of notable funding in the infrastructure segment in Africa, signed in 2018:

In Senegal:

- Arrangement of EUR 90 million in financing to modernise some 12 cities, comprising road renovations and construction, together with drainage and lighting systems;
- Introduction of a EUR 90 million bridge loan to finance the TER connecting Dakar with the new airport.

In Cameroon:

- Financial consulting provided to the consortium formed by EDF, the International Finance Corporation (IFC – a sister organisation of the World Bank), and the Government of Cameroon, which is promoting the construction of the Nachtigal hydropower plant, a project worth more than EUR 1 billion financed by some 15 international and local institutions. Societe Generale also coordinates the local tranche of the financing. Upon its completion, the Nachtigal plant will account for more than 30% of the country's installed electrical capacity.

In Côte d'Ivoire:

- Arrangement with the government and the West African Development Bank (BOAD) to finance a large reprocessing plant to supply a part of the city of Abidjan with drinking water. This financing amounts to nearly EUR 250 million;
- Co-financing of solar kits that will enable several hundreds of thousands of households to have access to electricity using a clean energy source (work in the field of renewable energies alongside EDF, OGE and Meridiam).

In Morocco:

- Support for infrastructure investments made by the Offices, whether in rail transport (ONCF) or in the Water sector (ONEE).

THE DEVELOPMENT OF INNOVATIVE FINANCING SOLUTIONS

The agricultural sector greatly contributes to the wealth produced on the continent and represents the main source of employment. As a banking partner of many local and international players in the sector, the Group wants to step up its commitment to all stakeholders in the sector (farmers, cooperatives, agribusiness SMEs, exporters) by partnering with local players mastering the technical aspects of these markets to better understand and promote agricultural professions, their value chains, their production, and better meet their financing requirements.

With this in mind, Societe Generale has undertaken to provide one million farmers with a range of banking and non-banking services (health, education, consulting) within five years, relying on its YUP platform.

Numerous projects and partnerships were already begun in 2018, in particular in Burkina Faso, where 5,500 cotton farmers, clients of Mambo Commodities, were equipped with YUP wallets facilitating in particular their payments for inputs (substances used in agricultural production processes). Furthermore, alongside AFD, Societe Generale also co-financed a study coordinated by the Avril Foundation targeting agricultural SMEs and cooperatives in the country, and whose recommendations to structure a new financial tool making it easier for these SMEs to access loans should be implemented and hopefully replicated. Societe Generale and the Avril Foundation are both determined to improve the resilience of family farming by structuring agricultural channels rooted in the regions.

Moreover, traditionally, Societe Generale supports the activity of players in electricity production and transport. The Bank wishes to further its contribution to financing energy access by promoting renewable energy sources in areas not connected to electrical grids or by supporting the connection of households established near already existing grids. The Group decided to test solutions aimed at supporting the off-grid sector (with no support from a remote infrastructure) by following five lines of action: financing electricity producers, financing equipment distributors either directly or via a fund, facilitating the acquisition of equipment through microfinance offers and offering pay-as-you-go solutions with YUP in a five-year programme. This momentum is driven in partnership with industrial players.

FOSTERING THE DEVELOPMENT OF POPULATIONS THROUGH FINANCIAL INCLUSION

In 2018, Africa was still a mainly unbanked continent with bank account penetration rates of between 18% (Madagascar) and 43% (Algeria)[1] in Societe Generale's countries of operation.

Collaborating with Microfinance institutions

As part of its banking inclusion approach, the Group, which has traditionally played an active role in supporting microfinance players in Africa with debt and capital services, announced the strengthening of its role alongside Microfinance Institutions (MFI) and has undertaken to double its outstandings by 2022.

At the end of 2018, the Group's African subsidiaries had 21 MFI clients and a rapidly growing amount in commitments, totalling EUR 81.4 million (versus EUR 71.3 million in 2017).

The traditional refinancing deals for such institutions are supplemented by acquisitions of equity holdings in microfinance institutions in Madagascar, Cameroon, Ghana, Côte d'Ivoire and Burkina Faso.

Developing alternative banking models

Societe Generale has long been convinced of the need to develop alternative banking models and establish partnerships to accelerate financial inclusion in Africa. Through its mobile banking model, YUP, launched in 2017, Societe Generale has expanded its offer with simple and accessible quasi-banking products for a wide population, the great majority of which is currently unbanked. In 2018, the Group updated its targets with 1 million YUP wallets and 8,000 "agents" in 2020.

At the end of 2018, YUP had nearly 300,000 customers (70% of which were estimated to have no bank account) and more than 4,500 "agents" listed in five countries: Senegal, Côte d'Ivoire, Burkina Faso, Cameroon and Ghana. YUP will be rolled out in three other countries in early 2019. It will also continue to develop its features and undertakes to open credit and savings solutions for a wider customer base. Moreover, this product aims to include rural populations; initial practical examples, in conjunction with partners, already exist: an operation with Action contre la Faim (ACF) in north-east Senegal, equipping farmers and planters in the remote regions of Burkina Faso with electronic wallets in conjunction with the FAO, and wage payments to people working in the plantations. An enhanced connectivity solution is also being tested with the start-up Bebound to serve remote populations in areas lacking adequate Internet coverage.

Lastly, the financial inclusion sought by Societe Generale strives to establish social inclusion through a range of non-banking services, made possible through an alliance with partners (Universal Music, Youscribe, MyJouleBox) and start-ups incubated by local Innovation Labs (InvestEd, Weebi, Cooffa, Dothan Group).

(1) Source : Global Findex Database.

5.3.4 CROSS-BUSINESS IMPLEMENTATION OF THE THREE PILLARS OF CSR AMBITION AMONG INVESTOR CLIENTS

As part of the Group's CSR ambition, Global Markets, Private Banking and Asset Management (LYXOR) have rolled out their structuring, consulting and product management capabilities under the label of Sustainable Positive Investments (SPI).

Traditionally, the Equity Research teams have developed expertise rooted in a long track record of environmental, social and governance (ESG) analysis; over the last 10 years, they have systematically been ranked in the Top 5 of the Extel Survey (this year with special distinctions for evaluations regarding corporate governance, climate change and ESG). In 2018, these teams organised several international conferences dedicated to ESG analysis, the most recent of which gathered together more than 30 companies and some 100 investor clients in Paris. They participated in four Sustainable & Positive Impact Finance conferences organised by Corporate and Investment Banking. Many roadshows were also offered with corporate clients across Europe throughout the year. The team published nearly 30 publications (studies, memos and analyses) through an approach targeting the integration and materiality of ESG criteria.

Within Global Markets

Sales of Sustainable & Positive Impact investment solutions have developed through an expanded SPI offer to meet growing demand from individual, institutional and corporate investors. Some key innovations were carried out in partnership with the dedicated teams, enabling investors to support positive impact financing corresponding to matters they consider a priority.

In particular, developments and production in 2018 focused on:

- the arrangement and distribution of positive impact notes: Societe Generale undertakes to hold in its books an amount equivalent to 100% of the outstanding financial assets evalualed under the UNEP-FI Positive Impact Finance methodology. With respect to Positive Impact notes for SMEs, Positive Impact financing is dedicated to French businesses located in regions where the unemployment rate is higher than the national average. Investors committed to these operations will support the financing of more than 3,000 SMEs overall, representing 100,000 jobs according to the methodology approved by Vigéo-Eiris;
- the structuring and marketing of a full range of ESG stock baskets and indices: initiated in 2007, this offer is consistent with the Group's range of proprietary indices, SGI (SG Indices), one of the leaders in its market;
- lastly, Socially Responsible Deposits (SRD) are available to corporate clients who want their cash investments to support socially responsible businesses (more than EUR 900 million collected). Societe Generale provides loans on the money market in amounts equivalent to SRDs to companies that meet the highest ESG standards.

Within Asset Management businesses (LYXOR Asset Management)

LYXOR AM's active and passive management solutions, as well as its fund selection expertise, address the challenges of climate change and the growing demand for responsible investments.

As a pioneer of ETFs in Europe, LYXOR has leveraged its culture of innovation to provide investors with solutions that integrate ESG criteria. It is the only supplier in Europe to offer thematic ETFs aligned with four UN Sustainable Development Goals (SDGs) (see: *https://www.un.org/sustainabledevelopment/fr/*): water, renewable energies, climate action and gender equality. The World Water ETF has become the largest one in Europe, with EUR 485 million in assets under management. The Green Bond ETF, which captures the performance and positive impact of green bond projects, was the first ETF of this type in the world.

In 2018, LYXOR launched a new range of ESG ETFs, Trend leaders, which select companies with a strong ESG profile and a positive trend in improving that profile.

It has gradually incorporated ESG risks and ratings, not only into active equity management strategies, but also into the management of an institutional mandate that invests in the debts of French SMEs.

LYXOR has developed a proprietary methodology to assess ESG and Climate risks for its investment vehicles, including carbon footprint, exposure to transition risks, and exposure to green performance.

In line with its Responsible Investment policy and in particular with its shareholder commitment, LYXOR joined the Climate Action 100+ global collaborative initiative in 2018. This initiative now gathers nearly 300 investors and has drawn up a watchlist of more than 160 companies in the world with the highest Greenhouse Gas (GHG) emissions. It undertakes to open up a dialogue and collaborate with companies to ensure they implement governance suited to the climate challenge. As part of its commitment to an active voting policy, LYXOR will thus ask the companies under its supervision to define and report on targets for reducing greenhouse gas emissions and improving their climate reporting.

LYXOR has adopted the United Nations Principles for Responsible Investment (UN-PRI) and obtained an A+ rating in "Strategy and Governance".

At the end of 2018, it managed more than EUR 14 billion including a shareholder commitment, EUR 9.9 billion integrating exclusion approaches, EUR 609 million including environmental matters, and EUR 156 million managed under an ESG selection approach. In addition, the "Socle Défense" project is excluded from EUR 62 billion in assets under management.

Within Private Banking

The same goal of expanding the SPI product range was furthered. 2018 saw the launch of the first structured product with a charity dimension, developed in collaboration with teams from the Markets Division (see p. 276, "Social and Solidarity Economy").

Following the Group's acquisition of Lumo, a crowdfunding platform for renewable energy projects, Private Banking established a partnership to ensure Lumo's offer is part of the solutions available to clients wishing to save with impact and shows an attractive yield/risk ratio.

Lastly, Private Banking's Philanthropic Centre was strengthened during the year in order to better support high net worth individual customers wishing to devote a share of their wealth to causes of general interest. More than 20 customers are supported by this centre, and four foundations have already been created.

Please refer to https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

5.4 RESPONSIBLE CONDUCT OF THE GROUP'S PROPRIETARY ACTIVITIES

5.4.1 CARBON REDUCTION PROGRAMME (2014-2020)

As part of its 2014-2020 carbon reduction programme, Societe Generale has undertaken to cut its greenhouse gas emissions by 25% per occupant and to improve the energy performance per occupant of the Group's buildings by 20% by 2020 as compared to 2014 levels.

At the end of 2018, greenhouse gas emissions per occupant were down 19% on 2014 levels and energy performance per occupant had improved by 21.5% as compared to 2014.

INTERNAL CARBON TAX

As part of this proactive approach, six years ago the Group introduced an "internal carbon tax", a mechanism that it has built on and expanded in the intervening period. Each year, a carbon tax is levied on each of the Group's entities, based on their greenhouse gas emissions (EUR 10/tonne CO_2 equivalent) and the sums collected are then redistributed in the form of rewards for the best internal environmental efficiency initiatives, through the "Environmental Efficiency Awards".

Over the past six years, internal carbon tax revenues have benefitted 305 initiatives in 32 participating countries over four continents. Average annual allocations total EUR 3 million, with the following results:

298 GWh
in energy savings, i.e. 6% of the Group's total energy consumption

in recurring cost savings

in CO_2 savings, i.e. almost 3.5% of the Group's emissions

REAL ESTATE

The Group has established an environmental strategy for its real estate (which totalled more than 4 million m^2 in 2018) centred on continuous improvements in energy performance. Such performance is closely monitored through tools designed to manage energy consumption (GREEN), water consumption and waste production in the Group's buildings in real time. These tools are deployed in France, Asia, the United States, the United Kingdom and Luxembourg, among other places. In 2018, the Group's properties consumed 14.2% (*i.e.* 127 GWh) less energy than in 2014. Energy performance per occupant has thus improved by 21.7% since 2014, now standing at 4,695 kWh/occupant per year. Almost all of the Group's corporate centre buildings in France are now powered by renewable electricity. Since 1st January 2019, 96% of French Retail Banking sites (Societe Generale and Credit du Nord) are powered by green energy.

In 2018, the property development subsidiary Sogeprom was awarded dual WELL certification (Gold & Platinum) for the Ampère E+ building (see p. 275, "Sustainable Cities and Mobility").

WATER CONSUMPTION

The Group consumed 1.70 million m3 of water in 2018, 6% less than in 2017, and 13.8% less than in 2014. Water consumption in the Group's buildings is managed in conjunction with energy consumption and is monitored in real time.

IT INFRASTRUCTURE

Societe Generale's IT Division has set itself the objective of reducing the energy consumption of its IT stock by 4% per year, in line with the Group's commitment, representing a 25% reduction in greenhouse gas emissions per occupant by 2020. It has implemented several measures: optimisation of datacenters, use of Cloud solutions and greater reliance on mobility solutions (telecommuting and remote meeting solutions).

These various initiatives resulted in a saving of 78 GWh in 2018 as compared to 2017. Moreover, the progressive replacement of existing desktop computers with notebooks (which are 50% more energy-efficient) by 2020 will contribute towards achieving the reduction target.

Pull printing solutions (centralised badge-controlled printing), widely deployed within the Group, have reduced the number of printers needed, as well as paper and ink consumption, and thus contribute to reductions in greenhouse gas emissions and waste (cartridges, maintenance kits, paper). The Group is also in the process of replacing laser printers with ink-jet printers, as a further way in which to reduce electricity consumption (potentially by as much as 50%) and waste.

PAPER

As the top consumable for service businesses, paper has significant economic repercussions and is a sensitive environmental topic (in terms of waste management and the fight against climate change and pollution).

The Group is implementing an increasing number of initiatives to reduce total consumption, which stood at 10,797 tonnes in 2018 (down 20% on 2017).

The progress achieved is the result of various measures introduced throughout the Group, such as good printing practices, moves towards digital rather than paper resources and the use of recycled paper.

As part of its environmental commitments, Societe Generale sits on the Board of Directors of CITEO, an eco-organisation that promotes the circular economy, formed further to the merger between Eco-emballages and Ecofolio.

TRANSPORT

Societe Generale has long since implemented measures to reduce the environmental impact of personal and business travel within the Group, as well as of transportation of goods.

Business travel

Societe Generale employees travelled 545 million kilometres by train, aeroplane and car in 2018, representing 3,654 km per occupant.

There are now 70 electric company vehicles within the French Retail Banking network's fleet.

Commuting and telecommuting

Targeted measures have been deployed to promote alternatives to individual vehicle use. Societe Generale's Head Office has set up a carpooling platform and a car-sharing service.

The subsidiaries have also implemented schemes: CGI and ALD Automotive have made bicycles and ebikes available to their employees.

In addition, a growing number of Group entities are trialling telecommuting, with over 23,000 individuals telecommuting worldwide, representing a saving of 1,110 tonnes of carbon emissions (*versus* 780 tonnes for 15,000 individuals in 2017; see p. 256, "New ways of working and more agile organisational models: innovation drivers").

WASTE MANAGEMENT

Through recycling, Societe Generale strives to minimise the direct impact of its waste on the environment. It is estimated that 15,580 tonnes of waste were produced in 2018.

Thanks to the introduction of selective waste collection at Societe Generale's La Défense offices in 2018, more than 1,173 tonnes of waste were sorted, representing ten categories of waste and a CO_2 emissions saving of 180 tonnes.

REDUCING FOOD WASTE

In collaboration with the caterers at the Societe Generale buildings in Ile-de-France, most food is prepared on-site on a just-in-time basis. A growing proportion is also offered as self-service, so that consumers can decide on their own portion sizes. As regards pre-prepared products, a process for optimal management of use-by dates is in place. In the majority of cafeterias, the remaining waste is sorted and methanised.

Please visit https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

5.4.2 THE POSITIVE SOURCING PROGRAMME

The Group's total annual procurement budget amounted in 2018 to EUR 6.8 billion. In pursuing a responsible sourcing policy since 2006, with a view to ensuring compliance with Societe Generale's environmental and social commitments, the Sourcing Function has shown itself to be key to the CSR ambition.

The Group strives for continuous improvement in its sourcing practices. In 2012, the French National Ombudsman (*Médiation des Entreprises*) and National Procurement Council (CNA) awarded the Group "Responsible Sourcing and Supplier Relations" certification.

Over the period between 2016 and 2018, the Sourcing Function's Positive Sourcing Programme (the Group's fourth action plan in respect of responsible sourcing) had two main objectives:

- to improve CSR risk management during the sourcing process;
- to diversify sourcing, contributing to improvements in the Group's regional and environmental footprint.

This programme follows on from the "Responsible Sourcing Practices" internal guideline, as appended to the Global Agreement on Fundamental Rights signed in June 2015 with UNI Global Union. This is a clear signal from the Group that the programme is intended to apply to all entities (see p. 252, "Being a responsible employer").

In line with the Group's CSR ambition, the 2018 Positive Sourcing Programme is based on three priorities:

1. Contributing to the growth of VSBs and SMEs

Societe Generale was the first bank to sign the SME Pact in December 2007 and facilitates access to the Group's contracts for VSBs and SMEs as well as fostering mutual trust with its suppliers.

In 2018, the Group's buyers pursued their efforts in favour of VSBs and SMEs: such businesses were consulted in 82% of the Group's tenders (when involving eligible categories).

2. Establishing itself as the partner of choice in the social and solidarity economy (SSE)

The Group had set itself the target of doubling the volume of sourcing from SSE structures by end-2018 as compared to 2015, increasing it to an annual volume of EUR 10 million (the SSE covers the supported and sheltered employment sectors as well as workforce integration schemes and positive-impact companies). In 2018, the Group pursued its efforts in favour of SSE structures, opening up new sourcing categories to the supported sector, in particular IT and intellectual services. As a result, sourcing from the SSE in 2018 amounted to more than EUR 10 million.

It was decided to keep the same target (*i.e.* an annual volume of EUR 10 million) for 2020.

3. Contributing to the Group's climate target for 2020

In line with the Group's target of reducing its CO_2 emissions by 25% per occupant by 2020, the businesses work on developing innovative products and services with high environmental added value. To support these efforts, in 2018 the Group brought in an outside expert to talk to its IT and software buyers about Green IT and responsible design of digital services (for more information on IT infrastructure, see p. 281, "Carbon Reduction Programme (2014-2020)"".

Strenghthening CSR risk management at each stage of the sourcing process

RISK IDENTIFICATION, ASSESSMENT AND MANAGEMENT

In 2006, the Group conducted its first mapping of environmental and social risks in the Sourcing process, enabling each buyer to assess the CSR risks inherent to his or her categories. Between 2017 and 2018, Societe Generale worked with a specialised consulting firm, as part of a consortium with three other French banks, to conduct a comprehensive revision of this mapping.

The mapping covers around 100 product and service categories. Four risk levels have been defined, from low to high. The category identified as representing the greatest risk was building work (renovations, interior outfitting and construction of new buildings).

KNOW YOUR SUPPLIER (KYS) ANALYSIS

Level 1 suppliers (*i.e.* direct suppliers), as well as their subcontractors when accounting for more than 20% of the service provision, are evaluated against both Societe Generale and international standards of operational, compliance and reputational risk management (including on environmental and social matters).

NON-FINANCIAL EVALUATION OF SUPPLIERS

In addition to KYS due diligence, the CSR clause in the contracts of certain suppliers imposes non-financial evaluation of their environmental and social performance, business ethics and subcontracting practices by an independent third party. As of 31st December 2018, 45.5% of a targeted scope of suppliers under contract had a non-financial evaluation conducted by an independent third party.

INCLUSION OF E&S CRITERIA IN CALLS FOR TENDER

Based on the risks identified through the mapping of CSR risks in the sourcing process, the Sourcing Division includes CSR criteria specific to each eligible procurement category in its calls for tender, which it then takes into account when considering the tenders submitted. The weighting of such criteria in supplier selection varies according to the level of risk identified in the mapping exercise. In 2018, 97% of calls for tender in eligible categories included CSR criteria, and their average weighting was 6.62% (11.5% for procurement categories involving a particular CSR risk).

SUSTAINABLE SOURCING CHARTER AND CSR CLAUSES

In all calls for tenders launched since April 2017, the Sourcing Function's suppliers have received a copy of the Sustainable Sourcing Charter (*https://www.societegenerale.com/sites/default/files/2017/03042 017-Sustainable-Sourcing-Charter.pdf*). The Sustainable Sourcing Charter is a joint initiative of certain French banking and insurance operators designed to involve their suppliers in their due diligence processes. Translated into five languages, it sets out the Group's CSR commitments and obligations, as well as what it expects from its suppliers.

The CSR clause was updated in 2018 and is included in all standard contracts used by the Sourcing Department in France. It refers to the Group's Code of Conduct and the Sustainable Sourcing Charter, as well as to the requirement for non-financial evaluation for certain suppliers. Its objective is to involve suppliers in the due diligence process as regards human rights, working conditions (health and safety), the environment and the fight against corruption.

COMPLIANCE ACTIONS

The Sourcing Department urges its suppliers to adopt a continuous improvement approach and invites those identified as being at risk to implement a remedial action plan. CSR audits may be conducted as a preliminary or complementary measure. The audit process was revised at the end of 2017 so as to better target at-risk suppliers. Two on-site supplier audits were conducted in 2018.

INDIVIDUAL OBJECTIVES AND BUYER TRAINING

A session on responsible sourcing now forms part of the induction programme for new members of the procurement team. 2018 also saw the roll-out of a separate training programme, developed for buyers with more than two years' seniority.

In 2018, 100% of the Group's buyers had received training in responsible sourcing.

Contributing to the Group's CSR performance is now part of the job description for buyers and their managers. For categories involving high CSR risks, individual operational objectives have been set.

MEASURING AND MONITORING PERFORMANCE

In 2018, the French Sourcing Department implemented quarterly reporting on compliance with CSR commitments and performance as regards CSR risk management.

Please visit https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

5.4.3 SOCIETAL COMMITMENTS THAT REFLECT THE BANK'S VALUES

Employee involvement in civic initiatives

Societe Generale offers its employees the opportunity to support the Group's partner organisations in France and worldwide through skills sponsorship programmes.

These programmes, in which employees can participate during their working hours, drive social action and are a complement to the Bank's community actions. They are also powerful drivers of engagement with the Bank's core values and its social responsibility, enhancing its employer brand and consolidating internal cohesion by fostering relations between employees.

Financial education, mentoring, Pro Bono Days, the half-time programme for seniors and volunteering are some of the solidarity initiatives through which employees can put their experience and expertise to good use in a community environment beyond that in which they work.

8,668 Group's employees got involved in one of these initiatives during their working hours in 2018. This is the equivalent of almost half a day devoted to solidarity initiatives per Societe Generale employee.

A highlight of the Group's citizenship programme is the Citizen Commitment Time event, organised each year to encourage and promote the benefits of employee volunteering worldwide. In 2018, over 11,000 employees from more than 33 countries in which Societe Generale operates took part in over a hundred solidarity events (sports challenges, fund-raising, etc.) to support the Group's partner organisations. Thanks to their efforts, donations to community projects in the field of education and workforce integration amounted to a total of EUR 526,565.

Societe Generale Corporate Foundation for Solidarity

Societe Generale's commitment to society is especially evident in the actions of the Societe Generale Corporate Foundation for Solidarity and the Societe Generale solidarity structures (such as foundations) established locally in other countries where the Group operates, such as in Morocco, Brazil or the United Kingdom. In 2018, Societe Generale donated EUR 14.4 million to solidarity actions. The Group is particularly proactive in the areas of workforce integration and social inclusion through education, especially sports and cultural activities.

The Foundation supports around a hundred projects each year in France and other countries where the Group operates, and benefits from an annual endowment of EUR 3.5 million. In line with the Group's international development strategy and in close collaboration with its local teams, the Foundation allocated over EUR 600,000 to non-profit projects focused on education and workforce integration in nine African countries in 2018, supporting the Bank's local commitments and its undertaking to contribute to the continent's development.

Since its creation in 2006, the Corporate Foundation has supported 1,022 non-profit projects in 33 countries, to the tune of EUR 27.7 million.

Societe Generale also organises concrete innovative programmes, both in France and internationally, in the fields of citizenship, culture and sport, with a particular focus on young people. EUR 39.3 million were allocated to such programmes in 2018.

Cultural, artistic and sports sponsorship

The Group also has a policy of cultural and sports sponsorship.

In the field of music, since it was set up over 30 years ago, the *Mécénat Musical Societe Generale* (MMSG) association has become a leading patron of classical music in France. Its aims are to promote the performance of classical music, support young musicians starting out in their careers and reach out to new audiences.

In 2018, *Mécénat Musical Societe Generale* was involved in 57 partnerships, 9 of which were new in the past year, demonstrating the association's commitment and diversity (*https://www.mecenatmusical.societegenerale.com/*).

The fourth edition of "Playing for Philharmonie de Paris" culminated in three concerts involving over 350 amateur instrumentalists and singers, all Societe Generale employees from France, Romania and Senegal, performing alongside the Orchestre Les Siècles. They were joined by a group of children from the Démos project. Thanks to Societe Generale's decision to match the revenue from ticket sales, the Démos project received a total donation of EUR 100,000. Démos is about cultural democratisation, offering more than 3,000 children from underprivileged areas the opportunity to play in one of its 30 orchestras throughout France.

Societe Generale's actions in the field of artistic sponsorship date back nearly 25 years. The Contemporary Art Collection now comprises more than 1,200 works (photographs, paintings, sculptures, prints, etc.), representing the fruit of the Group's support for artistic creation both in France and abroad. In 2018, this support took the form of purchases of works from a number of talented young French and foreign artists. The Collection's expansion goes hand in hand with the Group's desire to share it with a wider public, especially young people (*http://www.collectionsocietegenerale.com/en/*).

In addition, the Group deploys a policy across all countries in which it operates to support sports practice. Sponsorship actions focus on three areas: rugby, parasports and golf – all of which embody the Bank's values. Societe Generale is particularly known for its long-standing investment in rugby, a commitment which now spans more than 30 years, promoting rugby for players of all backgrounds and professionalisation of the game. Its actions are wide-ranging, encompassing both amateur and professional rugby, rugby union and rugby sevens, as well as women's rugby and school rugby, whether in France or abroad (in India, Turkey and the UK, for example). Of particular note in 2018 was the Group's new commitment to rugby in Africa, through the Rugby Africa association, with a view to promoting access to the sport, improving trainer education and assisting the institution in organising international competitions. The Group has in particular extended support to the Get Into Rugby programme in Africa, run by World Rugby, a programme the Group has supported in India since 2016.

This worldwide commitment to rugby also encompasses societal issues and matters of inclusion, gender equality and diversity.

Please visit https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/corprate-social-responsibility-group-key-figures.xlsx for all indicators.

5.5 METHODOLOGY NOTE

This note presents the corporate social responsibility (CSR) reporting methodology used by Societe Generale. We have also detailed this methodology in the Group's reporting protocol, which is available on request.

Reporting protocol

The information included in the Registration Document, the CSR website, the other communication media of Societe Generale and the Group's Integrated Report in respect of the 2018 financial year or prior years has been prepared on the basis of contributions from the Group's internal network of CSR officers and in accordance with the Group's CSR reporting protocol and CSR initiatives programme. The data were provided by the "Planethic Reporting" tool, used for the standardised collection of management and monitoring indicators. All reporting is coordinated by the Group CSR Department, which reports to the Group Corporate Secretary.

We organise programmes on a regular basis to bring contributors and managers on board and familiarise them with the reporting protocol and the tool to help increase data reliability. The reporting protocol is updated on a regular basis. New indicators will be added next year to give a more precise assessment of all non-financial risk factors identified as the most material for the Group. We introduced two new business indicators in 2018: SPIF (Sustainable and Positive Impact Finance) and SPI (Sustainable and Positive Investments) to ensure Group commitments are reflected in all our activities and to communicate on our initiatives as transparently as possible.

Data collection

We used the following data collection methods for the scope of this reporting:

- for social, environmental, business and corporate sponsorship data, the bulk of the quantitative indicators are collected by each Group entity in the "Planethic Reporting" tool. Data collectors enter their subsidiary data, which is then approved by validators who perform post-input checks on the data, then by administrators who check and validate the data at business division level and lastly by central administrators (CSR Department) at Group level, who carry out the final checks prior to consolidation;
- other data are collected directly from Business Division CSR offices or from the relevant division (Sourcing Division, Risk Division, Human Resources Department) by the Group CSR Department.

Reporting periods

SOCIAL, SPONSORSHIP AND BUSINESS DATA

Quantitative indicators are calculated for the period running from 1st January 2018 to 31st December 2018, with data taken as at 31st December 2018.

ENVIRONMENTAL DATA

Quantitative indicators are calculated for the period running from 1st October 2017 to 30th September 2018 (12 months), with data taken as at 30th September.

CSR consolidation scope

The entities included in the reporting scope meet at least one of the following criteria:

- entity in which the parent company, Societe Generale SA (SGSA), directly or indirectly holds a controlling interest of over 50%. By definition, the branches are wholly owned, since there are no shareholders;
- entities in which SGSA holds a controlling interest of at least 20% and strictly less than 50%, and over which SGPM has significant influence over its subsidiary's management and financial policy;

The CSR consolidation scope includes 155 companies within the Group's financial consolidation scope as at 31st December 2018.

Indicators

An information campaign aimed at all contributors takes place at the start of the data collection period. All contributors receive the data collection schedule, a Group Instruction and a protocol for each category of indicators. The protocol serves as a reminder of indicator definitions and application criteria.

The 2018 indicators were chosen to meet the legal and regulatory requirements to present a consolidated statement of extra-financial performance (Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code), as well as in light of the Group CSR strategy and our determination to align as closely as possible with a GR1 G4 "core" option.

For the most part, these indicators are reported for a global scope. When not global, the scope is given in parentheses or in this Methodology Note.

Scope and rules for calculating social indicators

The workforce taken into account in all the social indicators (unless explicitly stated otherwise) corresponds to the total number of employees on a permanent or fixed-term contract, including work-study contracts, regardless of whether they are present or absent.

The frequency rate of occupational accidents is the ratio of the number of accidents in the workplace (as defined by local regulations) to the total number of hours worked (workforce present on a permanent or fixed-term contract multiplied by the number of annual working hours in the entity) multiplied by 1,000,000.

The absenteeism rate is the ratio of the number of reported paid days' absence to the total number of days paid, expressed as a percentage. It is counted in calendar days and on the basis of the total headcount (workforce present as at 31st December multiplied by 365). The scope of the two charts "Balance of generations" (p. 259) is the CSR consolidation scope as defined above, excluding the headcount of entities in Germany (GEFA, PEMA GmbH), Morocco (Sogelease) and Tunisia (UIB), for which this information is not consolidated.

Scope and main management rules for environmental indicators for own account

The scope corresponds to the CSR consolidation scope as defined above. Coverage of the total data collection scope corresponds to the ratio of the headcount of all entities that participated in the data collection campaign to the total Societe Generale headcount. As data was collected on 149,000 employees, Societe Generale estimates that the total data collection scope – *i.e.* accounting for at least the data on occupants and surface area – covers approximately 99% of the workforce.

Restatement of historical data

In the interests of transparency and comparability of data, the emissions for the reference years and for 2015-2018 are given in the table of quantitative data published on the Group's corporate website.

In order to cancel out the variations related to emission factors, which change from year to year, we apply the emission factors for the current year to all the previous years, up until our reference year, which is 2014.

Environmental data: general rules

Environmental data are calculated on the basis of invoices, direct readings, information received from suppliers and estimates. We manage the reported data on the basis of the following checks and ratios:

- checks on variations compared to the previous year were performed on all environmental indicators. Contributors received alerts asking them to check the data recorded if the variation was greater than 30%;
- data collected on energy, office paper and transport are expressed in relation to the number of occupants declared by the entity;
- energy consumption (electricity, steam, chilled water, oil, gas) is also expressed in relation to the surface area (per m^2);
- with a view to continually improving data reliability, qualitative questions (answers expected in written comments) are used to identify different scopes of data and best practices, and to understand variations from year to year;
- with the exception of the Societe Generale France network, most subsidiaries consolidate their data in the Group's reporting tool. Transport and paper consumption data for France is reported centrally by the CSR Department on the basis of data provided by the Sourcing Division.

Insofar as possible, the number of occupants covered corresponds to the average number of Societe Generale employees or subcontractors working on-site during the reporting period or, failing that, the number of occupants as at 30th September 2018.

Coverage of the data collection scope for each indicator corresponds to the ratio of the headcount of all entities that completed the indicator to the total Societe Generale headcount.

Calculation of greenhouse gas emissions

Calculation of the Group's greenhouse gas (GHG) emissions breaks down into three categories:

- Scope 1 covers direct emissions related to energy consumption and fugitive emissions of fluorinated gases;
- Scope 2 covers indirect emissions related to energy consumption (external electricity, steam and chilled water);
- Scope 3 covers GHG emissions from all office paper consumption, business travel, transport of goods and the energy consumption of data centres hosted in France since 2012. The scope was extended to include waste in 2017.

CO_2 emissions are calculated according to the GHG Protocol.

Main management rules for the SPIF & SPI indicators

The Transform to Grow strategic plan includes a CSR ambition, which, in commercial terms, takes the form of a goal to develop:

- Sustainable and Positive Impact Finance (SPIF) to monitor credit, leasing and customer support in the growing of their positive impact activities;
- Sustainable and Positive Investments (SPI) for wealth and asset management activities, including the structuring of products aimed at institutional and individual investors.

SCOPE

SPIF and SPI indicators are reported for the first time in 2018 and will be phased in throughout the Group. To ensure reporting is both consistent and of a high quality, the reporting scope for these indicators in 2018 is based on:

- data on "green" financing collected for the Group scope (the definitions were revised in 2018 in line with the taxonomy of sustainable economic activities currently being prepared by the European Commission);
- data on "social and contribution to the common good" financing for the domestic scope (France) and for some Investment Bank credit files reviewed according to the usual PIF methodology.

QUANTITATIVE REFERENCES USED IN 2018

The SPIF indicator uses the annual production of loans granted by the Group during the year, or volumes of financing for which advice is provided. The SPI indicator uses the volumes of assets under management at 31st December 2018 and/or total SPI products distributed to third parties.

SPIF indicator

ANALYSIS FRAMEWORK

We prepared the SPIF framework based on the UN's Sustainable Development Goals (*https://www.un.org/sustainabledevelopment/sustainable-development-goals/*), but without being limited by measures of specific impacts.

After cross-referencing with the Sustainable Development Goals, SPIF business is analysed with reference to three criteria:

- The three pillars of sustainable development (economic, environmental and social):
  - Financing of a dedicated project, and established in all Social and/or Green guidelines, or Financing of counterparties whose main activity (more than 50%) falls within the framework of the "social/management of the common good" approaches. The 17 sustainable development goals (SDGs), specifying the underlying goal, inform and provide the framework for initiatives that have the potential to create a positive impact for the good of all. In 2018, SPIF covered all but two of the sustainable development goals (see *https://www.societegenerale.com/en/measuring-our-performance/information-and-publications/corporate-social-responsibility*).
  - An E&S risk approach which, through the Group's commitment in its Duty of Care Plan (see p. 291), follows the mapping of the environmental, social and human rights risks. We conduct this internal review to avoid listing finance with negative externalities in our SPIF-labelled commitments.
  - A financial analysis that takes into account the sustainability of the counterparty's operations by monitoring the internal rules of engagement.
- External guidelines: work on the green taxonomy by the European Commission's technical expert group (TEG), the frameworks defined by the European Investment Bank (EIB) and UNEP-FI. Note: as a co-founding partner of the Positive Impact Finance Initiative coordinated by the UNEP-FI, Societe Generale developed an analysis of this methodology, which is used for dedicated transactions in the global banking segment (Corporate and Investment Banking).
- Assessment of environmental and social criteria: under the SPIF/SPI framework, the Bank cannot promote a green activity that is in material breach of what constitutes a socially responsible approach, and vice versa. Also, performance relative to one major pillar must not lead to a clearly negative or deliberately passive approach to the other pillars.

WHAT IS EXCLUDED

The guidelines on social commitments and contributions to the common good are not exhaustive. On health, for example, the guidelines used are limited to financing of hospitals/care facilities, retirement homes, and medical equipment (mainly radiology and imaging). Similarly, the Bank's commitment to job creation is only with reference to programmes co-financed with multilateral partners (and therefore subject to specific monitoring by them). Because of the absence of precise information on the frameworks to use, the circular economy was not taken into consideration in 2018. As a concept therefore, SPIF is far more restrictive than that of financing the real economy.

SPI indicator

ANALYSIS FRAMEWORK

The following eight typologies (including category 2/ if exclusions < 20%) are considered as "SPI":

- ESG (Environmental, Social and Governance) integration;
- significant exclusions, resulting in filtering out at least 20% of the eligible investment universe;
- thematic selection of securities;
- ESG selection (ESG best-in-class or best-in-universe);
- impact investments (see the Global Impact Investing Network (GIIN) definition);
- solutions with a "solidarity" or "sharing" component;
- investment solutions for which Societe Generale undertakes to hold on its balance sheet an equivalent amount of Positive Impact financial assets or loans to highly rated counterparties according to ESG research criteria;
- advice on selection of external funds considered to be "Sustainable".

N.B.: commitments made in categories 2, 3, 4, and 5 are considered to be "Sustainable Investments".

These guidelines were developed by the asset management (Lyxor), Private banking and Markets teams. They have been prepared with reference to existing market guidelines.

5.6 INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED NON-FINANCIAL STATEMENT PRESENTED IN THE MANAGEMENT REPORT

Financial year ended on 31st December 2018

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our quality as an independent verifier, accredited by the COFRAC under number n° 3-1050 (scope of accreditation available on the website *www.cofrac.fr*), and as a member of the network of one of the Statutory Auditors of your entity (hereafter « entity »), we present our report on the consolidated non-financial statement established for the financial year ended on 31st December 2018 (hereafter referred to as the "Statement"), presented in the Management Report pursuant to the provisions of the Article L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

It is the responsibility of the Board of Directors to establish the Statement in compliance with the legal and regulatory provisions including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied regarding these risks as well as the results of these policies, including key performance indicators.

The Statement has been established by applying the procedures of the entity (hereafter referred to as the "Criteria"), the significant elements of which are presented in the Statement and available on request at the entity's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements pursuant to the provisions of the Article L. 822-11-3 of the French Commercial Code (*Code de commerce*) and the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work, to express a limited assurance conclusion on:

- the compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to paragraph 3 of I and II of Article R. 225-105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and the actions related to the main risks, hereinafter the "Information".

Nonetheless, it is not our responsibility to express any form of conclusion on:

- compliance by the entity with other applicable legal and regulatory provisions, particularly regarding the vigilance plan and the fight against corruption and tax evasion;
- compliance of products and services with applicable regulations.

Nature and scope of the work

Our work described below has been carried out in accordance with the provisions of Articles A. 225 1 *et seq*. of the French Commercial Code determining the procedures in which the independent third party conducts its mission and according to professional standards as well as to the international ISAE standard 3000 - Assurance engagements other than audits or reviews of historical financial information.

The work that we conducted enables us to assess the compliance of the Statement with the regulatory provisions and the fairness of the Information:

- We took note of the activity of all the companies included in the scope of consolidation, the statement of the main social and environmental risks related to this activity, and, if applicable, its effects regarding compliance with human rights, the fight against corruption, tax evasion as well as the resulting policies and their results;
- We assessed the suitability of the Criteria in terms of its relevance, comprehensiveness, reliability, neutrality and understandability by taking into consideration, if relevant, the best practices of the industry;
- We verified that the Statement covers each category of information provided in III of Article L. 225-102-1 regarding social and environmental matters, as well as respect of human rights and the fight against corruption and tax evasion;
- We verified that the Statement presents the business model and the main risks related to the activity of all the entities included in the scope of consolidation; including, if relevant and proportionate, the risks created through its business relationships, products or services, policies, actions and results, of which key performance indicators are part;
- We verified, when relevant to the main risks or the policies presented, that the Statement presents the information provided for II in Article R. 225-105 II;
- We assessed the process of selecting and validating the main risks;
- We inquired about the existence of internal control and risk management procedures put in place by the entity;

- We assessed the consistency of the results and the key performance indicators selected regarding the main risks and policies presented;
- We verified that the Statement covers the consolidated scope, *i.e.* all the companies included in the scope of consolidation in accordance with Article L. 233-16;
- We assessed the collection process put in place by the entity for the completeness and fairness of the Information;
- We implemented the key performance indicators and other quantitative results that we considered the most important presented in Appendix 1:
  - analytical procedures to verify the correct consolidation of the collected data as well as the consistency of their evolutions,
  - detailed tests based on samples, consisting of checking the correct application of the definitions and procedures and reconciling the data with the supporting documents. This work was carried out with a selection of contributing entities listed below: Crédit du Nord for French Retail Banking, SKB Banka for International Retail Banking, ALD Automotive for Financial Services and activities based in France for Global Banking and Investor Solutions which cover between 11% and 100% of consolidated data selected for these tests;
- We consulted documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered the most important presented in Appendix 1;
- We assessed the overall consistency of the Statement with our knowledge of the entities included in consolidated scope.

We consider that the work we have done by exercising our professional judgment allows us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work.

Means and resources

Our verification work mobilized the skills of seven people and took place between September 2018 and February 2019 on a total duration of intervention of approximately fifteen weeks.

We conducted about thirty interviews with the persons responsible for the preparation of the Statement including in particular the directions in charge of policies definition, deployment, information collection and internal control.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us not to believe that the non-financial statement complies with the applicable regulatory provisions and that the Information, taken together, is fairly presented, in compliance with the Criteria.

Comments

Without qualifying our conclusion above and in compliance with the provisions of Article L. 225-3 of the French Commercial Code (*Code de commerce*), we draw your attention to the following points:

Regarding the management of clients' E&S risks in International Retail Banking, procedures are currently being reviewed to be adapted to local specificities and to ensure consistency across the Group. More generally, in terms of E&S risk management, roles and responsibilities have been reviewed in 2018 to ensure a more effective implementation of the E&S evaluation procedures for clients and transactions.

E&S risk management indicators will be improved in 2019 to fully assess the performance of the policies implemented throughout the Group.

Paris-La Défense, 8th March 2019

Independent Verifier

ERNST & YOUNG et Associés

French original signed by:

Caroline Delérable	Hassan Baaj
Partner, Sustainable Development	Partner

Appendix 1: Information considered as the most important

Qualitative Information (Actions or results)	Quantitative information (Key performance indicators and coverage)
SOCIETAL AND BUSINESS INFORMATION	
■ Definition and deployment of voluntary commitments, including those related to the financing of coal and of the energy transition ■ Security of information systems ■ Identification and management of E&S risks posed by transactions and clients ■ Implementation of both approaches, Sustainable and Positive Impact Finance (SPIF) and Sustainable and Positive Investment (SPI)	■ Number and new funding of transactions subject to an E&S review (20% of the new funding for the transactions under the Equator Principles scope and 13% of the new funding for the transactions Societe Generale's voluntarily extended scope) ■ Number of Corporate and Investment Banking clients that have undergone an E&S reputational risk assessment (54% of the clients assessed during the year) ■ New funding of positive impact finance transactions: Sustainable and positive impact finance (43% of new funding) and Sustainable and positive investments (100% of new funding) ■ Share of "targeted" suppliers under contract evaluated for CSR (100% of "targeted" suppliers)
SOCIAL INFORMATION	
■ Health and safety of persons ■ Compliance with labour regulations	■ Share of positions filled through internal mobility (11 % of the workforce) ■ Average number of hours of training per employee (11% of the workforce) ■ Share of women in the Group's Top 1000 (100 % of the workforce) ■ Percentage of employees trained on GDPR (100 % of the people solicited)
ENVIRONMENTAL INFORMATION	
General environmental policy Tools for analyzing and managing climate risks	Compliance with the commitments concerning coal made in 2015 for 2020 (48 % of the amounts drawn for extraction and 58% of the amounts drawn for electricity production) Reduction of the carbon footprint per occupant since 2014 (67 % of the Group's GHG emissions)

5.7 DUTY OF CARE PLAN

5.7.1 INTRODUCTION

OBJECTIVE

As a French company with over 5,000 employees, Societe Generale is subject to the French Act of 27th March 2017 on the duty of care for parent and subcontracting companies (the "Duty of Care Act"). This law requires the Group to prepare and implement a duty of care plan designed to identify risks and prevent serious breaches in respect of human rights, fundamental freedoms, health, safety and security of persons, and also the environment as a result of its activities. The plan must in particular include risk mapping, measures to assess and mitigate the risk of serious breaches and a whistleblowing system. This document sets out the main aspects of the Duty of Care Plan and includes the report on its effective implementation.

Over the years, the Societe Generale Group has voluntarily adopted procedures and tools to identify, assess and manage human rights and environmental risks as part of its human resources, supply chain and activities management. It saw this regulatory obligation as an opportunity to clarify and strengthen its existing framework.

SCOPE OF APPLICATION

The Group's approach to its duty of care is based on the common foundation of human rights and fundamental freedoms[1], as well as environmental issues[2]. The Duty of Care Plan is being rolled out across all consolidated companies over which Societe Generale exercises exclusive control. It is structured around three pillars:

- **the "Human Resources, Safety and Security" pillar**, which aims to prevent the risk of serious violations in respect of human rights, fundamental freedoms, the health of Societe Generale Group employees, safety and security and the protection of personal data;
- **the "Sourcing" pillar**, which aims to manage the potential risk of violations in respect of human rights, fundamental freedoms, health, safety and security and the environment in connection with the activities of the Group's suppliers and direct (*i.e.* level 1) subcontractors;
- **the "Activities" pillar**, which aims to prevent the risk of serious violations in respect of human rights, fundamental freedoms, health, safety and security and the environment that are directly associated with the Group's products and services.

GOVERNANCE

The Duty of Care Plan was devised in accordance with the principle of continuous improvement and certain changes have in fact already been made to take into account the results of the risk mapping performed in 2018. The Plan will continue to evolve based on the results of regular assessments, evolutions in the Group's activities and the regular review of its risk management policies and tools.

It was drawn up by the Corporate Social Responsibility Department, the Human Resources Department and the Sourcing Department, in association with the Legal Department as well as representatives from the Compliance Division, the Culture and Conduct Programme, the Group Security Division and certain business units and service units. It forms part of the Management Report prepared by the Board of Directors and published in the Registration Document.

The Group's initial Duty of Care Plan was presented to the French representative trade unions in 2018 and has also been presented to external stakeholders as part of certain market initiatives.

The Corporate Social Responsibility Department, the Human Resources Department and the Sourcing Department coordinate the Plan's deployment. The various business units and service units concerned are responsible for its implementation within their scope.

5.7.2 IDENTIFICATION AND PRIORITISATION OF RISKS: INHERENT ENVIRONMENTAL AND SOCIAL RISK MAPPING

Societe Generale first began identifying the risks of breaches of human rights, fundamental freedoms, health, safety and security and the environment – referred to as environmental and social (E&S) risks – associated with its activities a number of years ago. This risk identification served as the basis for the Group's exisiting E&S management tools and procedures. In 2018, the Group added to its identification of the risks of serious breaches by mapping the inherent risks for each of the Plan's three pillars.

It first identified the risks inherent to the banking sector, as well as the sectors of its suppliers and subcontractors and those to the activities to which it provides products and services.

These risks were assessed and then ranked in one of four categories (low, moderate, medium-high, high), based on both sector and geographic data. The assessments took into account information from recognised external databases[3] as well as expert opinions.

(1) *Forced labour and slavery; child labour; respect for indigenous peoples' rights; rights of ownership; discrimination; freedom of association; health and safety; decent workings conditions; decent pay; decent social protection; the right to privacy – references: Universal Declaration of Human Rights (1948) and the International Labour Organization's fundamental conventions.*

(2) *Climate change and air quality; preservation of water resources and their quality; responsible land use; preservation of natural resources; preservation of biodiversity; minimisation and treatment of waste – reference: The Rio Declaration on Environment and Development (1992).*

(3) *For the HR, Safety & Security and Activities pillars: Verisk Mapplecroft in particular; for the Sourcing pillar: Transparency International, the World Bank Group, the ILO and UNICEF.*

The criteria used to assess the various sectors were as follows:

- the potential severity of the breach;
- the potential scale of the breach (number of persons potentially affected, geographic range of the environmental impact);
- the likelihood of the breach (recurring impact during normal conduct of sector-specific activities vs extreme situations/accidents).

Geographic factors (country of establishment or procurement) can potentially aggravate the risks identified and were therefore also taken into account. The geographic criteria include a country's ratification of the ILO fundamental conventions, its employment regulations and supervisory authority existence, and its track record (especially as regards any human rights violations).

"HUMAN RESOURCES, SAFETY AND SECURITY" PILLAR

Inherent E&S risk mapping on the "HR and Security" pillar measures the risks of infringement of human rights and fundamental freedoms of a company operating in the banking sector, depending on its geographic presence.

The issues identified for the financial sector include working conditions (*e.g.* decent pay and working hours), forced labour and young worker labour, discrimination in the workplace, freedom of association and collective bargaining, workplace health, safety and security or the right to privacy.

For each of the above issues, the Human Resources Department has crossed the inherest risk level by country (high, medium-high, moderate or low) with the number of Group employees in each country.

Results: 0.2% of the Group's employees are in a country considered to be high risk according to the external databases consulte[1] (*i.e.* China); 35% are in countries representing a medium-high risk (*e.g.* Russia, Romania, India, Morocco, Algeria and Ivory Coast).

"SOURCING" PILLAR

The inhereent E&S risk mapping for the "Sourcing" pillar was based on the main purchasing categories for the banking sector (from a classification including around one hundred categories in total). The assessment for each purchasing category involved an analysis of the risk level in three main CSR areas: business practices and ethics, the environment, human rights and employment conditions. The purchasing category's context and the country of origin of the goods purchased were also taken into account in assessing each category's risk level, including: supply chain characteristics, labour intensity and the business environment for the country in question.

Societe Generale combined forces with three other French banks in this mapping exercise to identify the E&S risks specific to each purchasing category.

The inherent E&S risk levels of each purchasing category were then crossed with the corresponding expenditure amounts per category, to identify the proportion of the Group's purchases which involved purchasing categories with medium-high or high risk.

Results: Amongst the purchasing categories with medium-high or high risk, building work was found to bear the greatest risk (renovations and outfitting but also construction of new buildings).

Within the scope analyse[2], around 5% of spending was found in purchasing categories representing a high E&S risk and around 12% on categories representing a medium-high E&S risk.

"ACTIVITIES" PILLAR

Societe Generale provides financial services to a variety of sectors, some of which may pose E&S risks. For these specific sectors, the Group has identified and prioritised the E&S risks based on external sources and expert opinions.

This sector information was coupled with information on country risk (relating to the effectiveness of the local E&S regulatory framework), and then crossed with the Group's activity data for each sector to give an initial estimate. Products and services directly associated with the most exposed activities and regions will need to undergo more in-depth diligence.

Results: Amongst the sectors analysed, around ten sectors had a significant proportion of activities particularly exposed to E&S risk. These sectors were: energy (especially fossil fuels and electricity generation), transport and logistics (especially automotive and aerospace sectors), agriculture (especially upstream), industry, construction, chemicals, mining, forestry, textiles and defence.

Approximately one quarter of the Group's exposure[3] relates to sectors that were found to present high risks in terms of human rights and the environment. Once the geographic factor is taken into account (i.e. mainly the quality of local E&S regulations), less than 10% of the Group's business as measured in terms of sector exposure is conducted in sectors or countries found to present E&S risks.

5.7.3 EVALUATION PROCEDURES, RISK PREVENTION AND MITIGATING MEASURES

Further to the inherent risk mapping, the Group launched a review of the existing E&S risk management framework to identify risks of serious violations that would either not be covered or would be insufficiently covered by a clear operational normative framework.

In addition, Societe Generale performed a combined self-assessment exercise on E&S risk management for all three pillars, through the Group's global Compliance Risk Assessment exercise. This provided the Group with more detailed results on the implementation of its E&S risk management frameworks over a wider scope and enabled it to define the necessary improvement actions.

"HUMAN RESOURCES, SAFETY AND SAFETY" PILLAR

Societe Generale adjusts its human resources (HR) management policies over time in line with the Group's strategic priorities, key issues for the businesses and changes in its activities or environment. Built on a series of processes and operational systems, these policies aim to safeguard the human rights and fundamental freedoms of the Group's employees as well as safety and security within its premises and for employees on business trips.

(1) Verisk Mapplecroft in particular.
(2) Scope of intervention of the Group's Sourcing Division.
(3) Corporate exposures

The elements of the risk management system that more particularly concern social, human resources or safety and security risks are described in the Group's Declaration of Non-Financial Performance (see p. 252, "Being a responsible employer"). The system's deployment within the Group's entities is based in particular on:

- Group-level HR governance, along with labour relations bodies to monitor working conditions and trade union freedom (the Group renewed its agreement on fundamental rights with UNI Global Union in February 2019);
- a Group Security Division that defines the global safety and security policies designed to protect people, property, infrastructure and data;
- local support teams in Group entities (HR, real estate, logistics and safety & security officers, data protection officers, occupational health care practitioners, well-being at work advisers, local staff representatives, employment law teams, groups and networks focused on diversity, etc.);
- teams and systems for monitoring, training and intervention in relation to security, especially for expatriate employees and business travellers;
- operational risk management and compliance teams, acting as a second line of defence on different dimensions of the HR and safety & security risk management system (for example, by control checks or *ad hoc* reviews).

The deployment and results of existing policies are regularly assessed, in particular by means of:

- the Group's systems for assessment of operational and compliance risks;
- a whistleblowing system for ethics and human rights issues;
- internal and external audits of the human resources policy and health, safety and security standards;
- the Group's Employee Satisfaction Survey and other local surveys conducted to get direct feedback from employees regarding their satisfaction and working conditions.

Based on the results of the above, appropriate action plans are implemented with a view to harmonising HR and safety and security practices throughout the Group.

In 2018, the Group also conducted the Compliance Risk Assessment exercise to evaluate the quality of its global and local systems designed to protect against risks in respect of its employees' human rights. The questions asked pertained to the implementation of Group policies as well as formal local policies and processes and the checks performed on a range of issues:

- employment terms (employment contracts and collective agreements on working conditions);
- employment of minors under the age of 15;
- measures to counter workplace discrimination;
- employment conditions (employee protection, disciplinary measures, management of workplace harassment and violence, minimum wage, working hours, leave);
- health, including issues of social welfare (healthcare, invalidity/life-insurance benefits, pensions), and safety and security.

"SOURCING" PILLAR

To manage E&S risks at the various different stages in the sourcing process, the Group Sourcing Division relies on tools to identify, assess and manage the E&S risks of both the product or service purchased and the supplier or service provider. These tools are currently used for all purchases made by the Sourcing Division.

To identify and assess risks, the Sourcing Division relies in particular on:

- the E&S risk mapping for the various purchasing categories, which allows it to check whether the category in question poses a medium-high or high E&S risk;
- the inclusion of E&S criteria (requirements and questions) in calls for tender involving purchasing categories representing a medium-high or high E&S risk;
- the performance of an E&S KYS (Know Your Supplier) assessment for shortlisted suppliers;
- the non-financial assessment of certain targeted suppliers.

The management and mitigation of risks involves:

- weighting of the E&S criteria in light of the level of E&S risk represented by the purchasing category in question, according to the rating criteria for service or product bids;
- inclusion of a CSR clause in contracts, imposing a binding commitment to abide by the Group's Sustainable Sourcing Charter;
- for purchasing categories representing a risk, in the event of inadequate E&S performance:
  - pushing of remedial action plans,
  - the possibility to conduct on-site E&S audits,
  - regular reviews of E&S controversy or changes in E&S ratings.

Further information on Sourcing is provided on page 282, "The Positive Sourcing Programme".

At the end of 2018, and for procurement overseen by the Sourcing Division, the E&S risk management system was used to identify and manage risks in all calls for tender in purchasing categories representing a medium-high or high E&S risk.

In addition, through the Compliance Risk Assessment, the Group evaluated the deployment of the responsible sourcing system within its various entities. In particular, it assessed the level of familiarity with the normative framework on responsible sourcing, as well as its implementation. The exercise also enabled an assessment of the human resources devoted to CSR matters in relation to sourcing and the level of training buyers had received on responsible sourcing.

"ACTIVITIES" PILLAR

Societe Generale is subject to a set of regulations (anti-money laundering regulations, compliance with embargoes, legislation on personal data protection and on transparency, the fight against corruption and modernisation of the economy, etc.) that constitute the foundation of its risk management.

Beyond its regulatory obligations, the Group has also been developing processes to manage the E&S risks associated with its activities for over ten years. These processes rely on both a normative framework of E&S standards and commitments and tools for practical implementation.

The E&S General Guidelines signed by the Group govern all its E&S commitments. They include the cross-sector and sector-specific E&S policies for those sectors deemed potentially sensitive from an environmental, social or ethical point of view. These policies describe, in particular, the main risks of environmental damage or violations of the rights of local populations and set out assessment criteria for customers or transactions carried out with counterparts acting in these sectors.

The Group deploys tools to identify and assess E&S risks, including in particular:

- the E&S watch list of projects, companies or sectors/countries representing a high risk on E&S issues, designed to trigger a more in-depth due diligence on such sectors, projects or companies; this watch list is updated quarterly;
- the E&S exclusion list.

The E&S risk assessment procedures and management frameworks are further detailed in the present chapter (see p. 268, "Strong and transparent commitments").

In 2018, Societe Generale performed its first analysis of discrepancies between the inherent risks identified through the mapping exercise and those covered by existing risk management framework (*i.e.* primarily E&S policies, the E&S watch list and exclusion list, and the tools for their operational implementation).

The results showed that most of the sectors identified as representing a potential risk were either already covered by an E&S policy or already included on the E&S watch list. Certain sectors or activities were nonetheless flagged for inclusion on the list of activities requiring more in-depth E&S due diligence.

The inherent risk mapping also highlighted the need to add other risks into the assessment tools for certain sectors. This was found to be the case for certain human rights issues, for example. The Group, for instance, took commitments in 2018 in respect of the free, prior and informed consent (FPIC) of indigenous peoples affected by certain developments.

Lastly, the Compliance Risk Assessment enabled the Group to evaluate the extent to which E&S risk management procedures and checks were deployed in its local entities. This involved an evaluation of:

- the level of familiarity with the normative framework for E&S risk management (E&S policies and the E&S watch list and exclusion list);
- the inclusion of E&S due diligence in the KYC (Know Your Customer) process for new customers and periodic reviews;
- the implementation of Group procedures and associated checks;
- the human resources and skills devoted to E&S risk management.

REPORT ON EFFECTIVE IMPLEMENTATION OF THE MEASURES

Summary:

In 2017, the Group focused on interpreting the Duty of Care Act and clarifying its scope of application. It also drew up and communicated on its Duty of Care Plan, which set out the key stages in terms of compliance with the Act and how the Group intended to handle its implementation.

In parallel, Societe Generale continued to further implement its existing E&S risk management framework and measures for the HR, Security & Safety, Sourcing and Activities pillars.

The main measures implemented in such respect in 2018, as detailed further above in the updated Duty of Care Plan, were as follows:

“Human Resources, Safety and Security” pillar

- Mapping of inherent E&S risks (see section 5.7.2, “Identification and priorisation of risks”).

  Results: 0.2% of employees are in a country considered to be high risk (China); 35% are in countries representing a medium-high risk (such as Russia, Romania, India, Morocco, Algeria and Ivory Coast).

- Implementation methods and results of existing policies were assessed for a scope covering 89% of the Group’s headcount (see section 5.7.5, “Monitoring of measures”).

  Results:

  - The entities with insufficiently effective policies or processes and located in high or medium-high risk countries employ less than 4% of the Group’s headcount.
  - the entities with insufficiently effective controls and located in high or medium-high risk countries employ less than 10% of the Group’s headcount.

“Sourcing” pillar

- Mapping of risks inherent to sourcing (see section 5.7.2, “Identification and priorisation of risks”).

  Results: Around 5% of the spending analysed was found to be on purchasing categories with high E&S risk and 12% on categories with medium-high E&S risk. The category identified as representing the greatest risk was building work.

- Effective deployment of the responsible sourcing programme was assessed in almost 180 entities, with a response rate exceeding 85% (see section 5.7.5, “Monitoring of measures”).
- The E&S risk management system for procurement overseen by the Sourcing Division has been updated (see section 5.7.5, “Monitoring of measures”).

Results:

- The risk management system covers all calls for tender in purchasing categories representing a high or medium-high E&S risk.
- CSR toolsheets cover 100% of the purchasing categories representing a high or medium-high E&S risk (34 toolsheets in total).
- 100% of the Sourcing Division’s active buyers have received Responsible Sourcing training.

"Activities" pillar

- Inherent risk mapping was performed to identify and prioritise the risks of E&S violations for each of the sectors analysed (see section 5.7.2, "Identification and priorisation of risks").

  Results: Less than 10% of the Group's exposure is linked with activities considered as bearing E&S risk (energy, transport and logistics, upstream agriculture, industry, construction, etc.) and is conducted in countries also entailing risk.
- First analysis of discrepancies between the inherent risks identified through the mapping exercise and those covered by existing risk management framework (see section 5.7.5, "Monitoring of measures").
- Evaluation of the extent to which E&S risk management procedures and checks are implemented in more than 200 local entities, with a response rate close to 90% (see 5.7.5, "Monitoring of measures").

  Results: Around three quarters of the entities evaluated stated that they performed E&S KYC checks or applied E&S watch lists.

5.7.4 WHISTLEBLOWING MECHANISM

Under the Duty of Care Act (as well as the French Act on Transparency, the Fight against Corruption and Modernisation of the Economy, known as the Sapin II Act), implementation of a whistleblowing mechanism is mandatory. The Group therefore decided to add to its existing measures a shared whistleblowing system meeting the requirements of both of the abovementioned laws. The French representative trade unions were consulted in such respect and the system proposed was presented to and discussed with French and European bodies in the second half of 2018. This system has recently been made available in France and internationally, in both French and English, at *www.societegenerale.com*. Further language versions are due to be rolled out in 2019.

Whistleblowers can use the system to report any potential or actual violations in respect of human rights, fundamental freedoms, health and safety or the environment. It is accessible to all employees, as well as to external or temporary staff and service providers working with the Group on an established basis (as subcontractors or suppliers). It is hosted on a secure external platform offering the guarantees required by the French Act on Transparency, the Fight against Corruption and Modernisation of the Economy, *i.e.* protection of personal data and strict confidentiality of any information provided.

The Group's Code of Conduct is being updated to reflect this new whistleblowing process (see p. 251, "The Code of Conduct, a vehicle for the Group's values").

5.7.5 MONITORING OF MEASURES

Societe Generale has developed a number of reporting tools in order to comply with its non-financial reporting obligations and monitor the implementation of its E&S risk management processes. These tools provide the Human Resources Department and the Security, Sourcing and Corporate Social Responsibility Divisions with key performance indicators. A shared non-financial reporting system is in place throughout the Group and is used to collect the data needed for non-financial reporting (Chapter 5 of the Registration Document).

The Compliance Risk Assessment exercise enables Societe Generale to monitor its duty of care measures; this assessment covered the entire Group's E&S risks for the first time in 2018. Societe Generale conducted this exercise in over 180 entities, representing 76% of the Group's corporate exposure, and was thus able to:

- monitor the implementation of E&S risk management processes not only in the Business Units but also further down the chain (*i.e.* at individual legal entity level);
- identify areas for improvement and monitor the corresponding action plans;
- and lastly, benefit from additional indicators in relation to the monitoring of the measures taken by the Group.

These actions are overseen by:

- the Heads of the Business Units and Service Units;
- the Risk and Compliance Functions; and
- the expert functions involved in the risk assessment exercise.

Results for the "HR, Safety and Security" pillar: The self-assessment exercise was performed in entities representing 89% of the Group's headcount. Most of the entities that did not take part in 2018 completed alternative assessments covering social and human resources risks.

Overall, the assessment of the risk management systems of the Group's entities shows that:

- the entities based in high or medium-high risk countries in terms of the human rights assessed and which must strengthen their policies or processes employ less than 4% of the Group's headcount;
- the entities based in high or medum-high risk countries in terms of the human rights assessed and which must strengthen their controls on HR and security processes employ less than 10% of the Group's headcount.

Results for the "Sourcing" pillar: The assessment covered almost 180 entities, with an 85% response rate.

- CSR toolsheets cover 100% of the purchasing categories representing a high or medium-high E&S risk (34 toolsheets in total). These toolsheets are designed to help buyers ask CSR questions or impose CSR requirements in respect of identified risks in the context of calls for tender;
- As of 31st December 2018, 100% of the Sourcing Division's active buyers had received Responsible Sourcing training.

Results for the "Activities" pillar: The assessment covered more than 180 entities, with a response rate of almost 90%. Around three quarters of the entities evaluated stated that they had performed E&S KYC checks or applied E&S watch lists.

5.7.6 OUTLOOK AND PLANNED DEVELOPMENTS

A review of all existing E&S risk assessment and management procedures was launched in 2018 further to the risk mapping exercise, with a view in particular to progressively including the risks that are either not covered or insufficiently covered by the existing tools and procedures.

The risk management framework will be further enhanced (policies, formal processes and/or additional checks) in 2019, alongside continued efforts in respect of implementation. The main actions planned are as follows:

“Human Resources, Safety and Safety” pillar

- adaptation of human resource and security management processes, further deployment of certain controls and development of additional controls based on the risks observed in the Group’s entities on these topics;
- work on the normative documentation with a view to harmonising human resources management within the Group (as regards disciplinary policy or workplace misconduct, for example);
- further training on these subjects; and
- renewal of the agreement with UNI Global Union, one of the requirements of which is that the Duty of Care Plan be presented to UNI Global Union’s members.

“Sourcing” pillar

- improvements to the tools used to identify and assess risks, including updates to new toolsheets for buyers and to certain risk management and mitigation tools;
- continued deployment of the updated tools within the Sourcing Function, prioritising categories representing a high level of E&S risk;
- ongoing buyer training; and
- updates to the normative documentation.

“Activities” pillar

- continued improvements to E&S policies and risk management tools so as to gradually include more business sectors, sector/country combinations and human rights issues;
- updates to operational procedures;
- training for targeted populations so as to ensure implementation; and
- developments to make the E&S risk management governance and controls more stringent, both at Group level and within the relevant Business Units and Service Units.

5.8 CROSS-REFERENCE TABLE OF DECLARATION OF NON-FINANCIAL PERFORMANCE PRESENTED IN THE MANAGEMENT REPORT

Policies and their results described in Declaration of Non-Financial Performance (DPEF) – where can they be found?

1. Business model		
Group's principal activities: core businesses and their Key figures, products or services, results		6-8 ; 15-24 ; 28-39 ; 46-52
Organisation: core businesses presentation, employees, corporate governance		26-27 ; 253 ; 65
Economic model: key resources, added value for stakeholders, margin analysis		6-8 ; 53-54 ; 299
Strategy, outlook and targets		10-14
2. The non-financial risk factors significant for the Group and policies to limit their occurrence		
a. Corruption	Group's normative framework The Code governing the Fight Against Corruption and Influence Peddling The Code of Conduct Culture and Conduct programme Duty of Care Plan	p. 249 p. 249 p. 251 p. 252 p. 291
b. IT systems failure (cybercrime)	Risks related to information security and Information Systems 2018-2020 information systems security (ISS) blueprint	p. 168 p. 224
c. Data protection	Customers data protection policy Group's guidelines and internal measures Duty of Care Plan	p. 267 p. 267 p. 291
d. E&S issues that could have an impact on the Group's reputation	Adoption of the Equator Principles and soft Commodities Compact guidelines Environmental and Social (E&S) general guidelines Cross-sector and sector-specific E&S policies E&S procedures and tools Process of E&S alert management from stakeholders Carbon reduction programme (2014-2020) The Positive Sourcing Programme	p. 268 p. 268 p. 268 p. 269 p. 270 p. 281 p. 282
e. Non-compliance with the Group's E&S commitments	« Customer claim processing » policy Commitment to reduce coal-related Group's portfolio exposition Aligning the main climate-related sectors with a 2°C trajectory SPIF and SPI activities development	p. 266 ; 239 p. 269 p. 272 p. 273
f. Non-compliance with labour regulations	Risk management in Human Resources Duty of Care Plan	p. 262 p. 291
g. Non-compliance with health and safety standards	The Life at Work Programme Social protection policy Health policy Focus on the prevention of psychosocial risks Health and safety policy Risk related to security of property and people	p. 264 p. 264 p. 264 p. 265 p. 265 p. 167
h. E&S issues which could affect the Group's credit risk, especially climate change issues (may become more significant over time)	Environmental and social (E&S) general guidelines Credit risk appetite Climate change-related risks evaluation policy	p. 268 p. 271 p. 271
i. Employee misconduct	The Code of Conduct Leadership Model Culture and Conduct programme Sanction policy Policy combating misconduct at the workplace	p. 251 p. 251 p. 252 p. 257 p. 265
j. Lack of qualified staff	Strategic workforce planning The #MONJOB2020 initiative A talent attraction and retention policy Internal mobility policy Training policy New ways of working Talent management policy Compensation policy Risk ans remuneration policy	p. 253 p. 253 p. 254 p. 255 p. 255 p. 256 p. 256 p. 262 p. 169

3. Other regulatory themes		
Anti-tax avoidance measures	The Tax Code of Conduct	p. 250
	Anti-tax avoidance policy	p. 250
	Anti-money laundering measures	p. 250 ; 239
Actions to promote human rights	The Code of Conduct	p. 251
	Diversity policy	p. 257
	Social dialogue	p. 260
	Risk management in Human Resources	p. 262
	Health and safety policy	p. 264
	Environmental and social (E&S) general guidelines	p. 268
	Duty of Care Plan	p. 291

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FINANCIAL INFORMATION

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Note to the consolidated statements: additional information

The information on the types of risks, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, are disclosed in Chapter 4 of the present Registration Document (Risks and capital adequacy).

The main characteristics of Societe Generale stock-option plans and free share plans are disclosed in Chapter 3 of the present Registration Document (Corporate governance).

This information belongs to the notes to the consolidated financial statements and has been audited by Statutory Auditors; it is identified as such in Chapters 3 and 4 of the present Registration Document.

6.1 CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 CONSOLIDATED BALANCE SHEET – ASSETS

(In millions of euros)		31.12.2018	01.01.2018[1]	31.12.2017
Cash, due from central banks		96,585	114,404	114,404
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	365,550	369,112	419,680
Hedging derivatives	Notes 3.2 and 3.4	11,899	12,718	13,641
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	50,026	50,468	
Available-for-sale assets				139,998
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	12,026	11,592	
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	60,588	53,656	60,866
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	447,229	417,391	425,231
Revaluation differences on portfolios hedged against interest rate risk		338	663	663
Investments of insurance companies	Note 4.3	146,768	147,611	
Held-to-maturity financial assets				3,563
Tax assets	Note 6	5,819	6,292	6,001
Other assets	Note 4.4	67,446	60,449	60,562
Non-current assets held for sale	Note 2.5	13,502	13	13
Investments accounted for using the equity method		249	659	700
Tangible and intangible fixed assets	Note 8.4	26,751	24,200	24,818
Goodwill	Note 2.2	4,652	4,988	4,988
TOTAL		**1,309,428**	**1,274,216**	**1,275,128**

(1) The amounts have been restated following the first time application of IFRS 9 “Financial Instruments” (see Note 1).

6.1.2 CONSOLIDATED BALANCE SHEET – LIABILITIES

(In millions of euros)		31.12.2018	01.01.2018[1]	31.12.2017
Due to central banks		5,721	5,604	5,604
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	363,083	368,550	368,705
Hedging derivatives	Note 3.2 and 3.4	5,993	6,146	6,750
Debt securities issued	Notes 3.6 and 3.9	116,339	103,235	103,235
Due to banks	Notes 3.6 and 3.9	94,706	88,621	88,621
Customer deposits	Notes 3.6 and 3.9	416,818	410,633	410,633
Revaluation differences on portfolios hedged against interest rate risk		5,257	6,020	6,020
Tax liabilities	Note 6	1,157	1,608	1,662
Other liabilities	Note 4.4	76,629	69,139	69,139
Non-current liabilities held for sale	Note 2.5	10,454	-	-
Underwriting reserves of insurance companies				130,958
Insurance contracts related liabilities	Note 4.3	129,543	131,717	
Provisions	Note 8.3	4,605	6,345	6,117
Subordinated debt	Note 3.9	13,314	13,647	13,647
TOTAL LIABILITIES		**1,243,619**	**1,211,265**	**1,211,091**
SHAREHOLDERS' EQUITY				
Shareholders' equity, Group share				
Issued common stocks, equity instruments and capital reserves		29,856	29,427	29,427
Retained earnings		28,342	27,698	27,791
Net income		3,864	2,806	2,806
SUB-TOTAL		**62,062**	**59,931**	**60,024**
Unrealised or deferred capital gains and losses	Note 7.3	(1,036)	(1,503)	(651)
SUB-TOTAL EQUITY, GROUP SHARE		**61,026**	**58,428**	**59,373**
Non-controlling interests	Note 2.3	4,783	4,523	4,664
TOTAL EQUITY		**65,809**	**62,951**	**64,037**
TOTAL		**1,309,428**	**1,274,216**	**1,275,128**

(1) The amounts have been restated following the first time application of IFRS 9 "Financial Instruments" (see Note 1).

6.1.3 CONSOLIDATED INCOME STATEMENT

(In millions of euros)		2018[1]	2017
Interest and similar income	Note 3.7	22,678	23,679
Interest and similar expense	Note 3.7	(11,659)	(13,263)
Fee income	Note 4.1	9,124	10,504
Fee expense	Note 4.1	(3,600)	(3,681)
Net gains and losses on financial transactions		5,189	5,826
o/w net gains and losses on financial instruments at fair value through profit or loss	Note 3.1	*5,119*	*5,113*
o/w net gains and losses on available-for-sale financial assets			*713*
o/w net gains and losses on financial instruments at fair value through other comprehensive income	Note 3.3	*83*	
o/w net gains and losses from the derecognition of financial assets at amortised cost		*(13)*	
Net income of insurance activities	Note 4.3	1,724	
Income from other activities	Note 4.2	10,761	22,045
Expenses from other activities	Note 4.2	(9,012)	(21,156)
Net banking income		**25,205**	**23,954**
Personnel expenses	Note 5	(9,561)	(9,749)
Other operating expenses	Note 8.2	(7,366)	(7,083)
Amortisation, depreciation and impairment of tangible and intangible fixed assets		(1,004)	(1,006)
Gross operating income		**7,274**	**6,116**
Cost of risk	Note 3.8	(1,005)	(1,349)
Operating income		**6,269**	**4,767**
Net income from investments accounted for using the equity method	Note 2.3	56	92
Net income/expense from other assets		(208)	278
Value adjustments on goodwill	Note 2.2	-	1
Earnings before tax		**6,117**	**5,138**
Income tax	Note 6	(1,561)	(1,708)
Consolidated net income		**4,556**	**3,430**
Non-controlling interests		692	624
Net income, Group share		**3,864**	**2,806**
Earnings per ordinary share	Note 7.2	**4.24**	**2.92**
Diluted earnings per ordinary share	Note 7.2	**4.24**	**2.92**

(1) The presentation of the Group's consolidated income statement is modified as from 2018 following the transition to IFRS 9:
- income and expenses from insurance activities are grouped on a specific line item within the "Net banking income" (see Note 1.4);
- the line item "Cost of risk" is now exclusively dedicated to credit risk (see Note 3.8);
- fair value changes of financial liabilities designated to be measured at fair value through profit or loss (using the fair value option) attributable to changes in own credit risk are now recorded under "Unrealised or deferred gains and losses" (see Note 3.1).

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

(In millions of euros)	2018	2017
Consolidated net income	**4,556**	**3,430**
Unrealised or deferred gains and losses that will be reclassified subsequently into income	**24**	**(2,371)**
Translation differences	370	(2,088)
Revaluation of debt instruments at fair value through other comprehensive income	(233)	
Revaluation differences of the period	*(193)*	
Reclassified into income	*(40)*	
Revaluation of available-for-sale financial assets[1]	(74)	(218)
Revaluation differences of the period	*(54)*	*69*
Reclassified into income	*(20)*	*(287)*
Revaluation of hedging derivatives	(120)	(100)
Revaluation differences of the period	*(156)*	*(94)*
Reclassified into income	*36*	*(6)*
Unrealised gains and losses of entities accounted for using the equity method	1	(20)
Tax related	80	55
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	**411**	**19**
Actuarial gains and losses on defined benefits plans	30	42
Revaluation of own credit risk on financial liabilities at fair value through profit or loss	529	
Revaluation of equity instruments through other comprehensive income	1	
Unrealised gains and losses of entities accounted for using the equity method	(3)	
Tax related	(146)	(23)
Total unrealised or deferred gains and losses	**435**	**(2,352)**
Net income and unrealised or deferred gains and losses	**4,991**	**1,078**
o/w Group share	*4,331*	*504*
o/w non-controlling interests	*660*	*574*

(1) Unrealised gains and losses on available-for-sale financial assets are related exclusively to insurance activities from the 2018 financial year.

6.1.5 CHANGES IN SHAREHOLDERS' EQUITY

	Capital and associated reserves						
(In millions of euros)	Issued common stocks	Issuing premium and capital reserves	Elimination of treasury stock	Other equity instruments	Total	Retained earnings	Net income, Group share
Shareholders' equity at 1 January 2017	**1,010**	**20,277**	**(371)**	**9,680**	**30,596**	**29,687**	**-**
Increase in common stock	-	8	-	-	8	-	-
Elimination of treasury stock	-	-	(122)	-	(122)	(29)	-
Issuance/Redemption/ Remuneration of other equity instruments (see Note 7.1)	-	-	-	(1,114)	(1,114)	(540)	-
Equity component of share-based payment plans	-	59	-	-	59	-	-
2017 dividends paid (see Note 7.2)	-	-	-	-	-	(1,762)	-
Effect of changes of the consolidation scope	-	-	-	-	-	419	-
Sub-total of changes linked to relations with shareholders	***-***	***67***	***(122)***	***(1,114)***	***(1,169)***	***(1,912)***	***-***
Change in unrealised or deferred gains and losses	-	-	-	-	-	19	-
2017 Net income	-	-	-	-	-	-	2,806
Change in equity of associates and joint ventures accounted for the equity method	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	(3)	-
Sub-total	***-***	***-***	***-***	***-***	***-***	***16***	***2,806***
Shareholders' equity at 31 December 2017	**1,010**	**20,344**	**(493)**	**8,566**	**29,427**	**27,791**	**2,806**
Appropriation of net income	-	-	-	-	-	2,806	(2,806)
IFRS 9 First time application (see Note 1)	-	-	-	-	-	(93)	-
Shareholders' equity at 1 January 2018	**1,010**	**20,344**	**(493)**	**8,566**	**29,427**	**30,504**	**-**
Increase in common stock	-	-	-	-	-	-	-
Elimination of treasury stock (see Note 7.1)	-	-	(174)	-	(174)	(12)	-
Issuance/Redemption/ Remuneration of other equity instruments (see Note 7.1)	-	-	-	544	544	(458)	-
Equity component of share-based payment plans (see Note 5.3)	-	59	-	-	59	-	-
2018 dividends paid (see Note 7.2)	-	-	-	-	-	(1,764)	-
Effect of changes of the consolidation scope	-	-	-	-	-	52	-
Sub-total of changes linked to relations with shareholders	***-***	***59***	***(174)***	***544***	***429***	***(2,182)***	***-***
Change in unrealised or deferred gains and losses	-	-	-	-	-	-	-
2018 Net income	-	-	-	-	-	-	3,864
Change in equity of associates and joint ventures accounted for the equity method	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	20	-
Sub-total	***-***	***-***	***-***	***-***	***-***	***20***	***3,864***
Shareholders' equity at 31 December 2018	**1,010**	**20,403**	**(667)**	**9,110**	**29,856**	**28,342**	**3,864**

Unrealised or deferred gains and losses				Non-controlling interests				
that will be reclassified subsequently into income	that will not be reclassified subsequently into income	Total	Shareholder's Group Share	Capital and reserves	Other equity instruments issued by subsidiaries	Unrealised or deferred gains and losses	Total	Total consolidated shareholders' equity
1,670	**-**	**1,670**	**61,953**	**2,920**	**800**	**33**	**3,753**	**65,706**
-	-	-	8	-	-	-	-	8
-	-	-	(151)	-	-	-	-	(151)
-	-	-	(1,654)	(33)	-	-	(33)	(1,687)
-	-	-	59	-	-	-	-	59
-	-	-	(1,762)	(243)	-	-	(243)	(2,005)
-	-	-	419	614	-	-	614	1,033
-	***-***	***-***	***(3,081)***	***338***	***-***	***-***	***338***	***(2,743)***
(2,307)	-	(2,307)	(2,288)	(1)	-	(49)	(50)	(2,338)
-	-	-	2,806	624	-	-	624	3,430
(14)	-	(14)	(14)	-	-	-	-	(14)
-	-	-	(3)	(1)	-	-	(1)	(4)
(2,321)	***-***	***(2,321)***	***501***	***622***	***-***	***(49)***	***573***	***1,074***
(651)	**-**	**(651)**	**59,373**	**3,880**	**800**	**(16)**	**4,664**	**64,037**
-	-	-	-	-	-	-	-	-
(393)	**(459)**	**(852)**	**(945)**	**(112)**	**-**	**(29)**	**(141)**	**(1,086)**
(1,044)	**(459)**	**(1,503)**	**58,428**	**3,768**	**800**	**(45)**	**4,523**	**62,951**
-	-	-	-	-	-	-	-	-
-	-	-	(186)	-	-	-	-	(186)
-	-	-	86	(33)	-	-	(33)	53
-	-	-	59	-	-	-	-	59
-	-	-	(1,764)	(368)	-	-	(368)	(2,132)
-	-	-	52	(5)	-	-	(5)	47
-	***-***	***-***	***(1,753)***	***(406)***	***-***	***-***	***(406)***	***(2,159)***
58	412	470	470	-	-	(32)	(32)	438
-	-	-	3,864	692	-	-	692	4,556
-	(3)	(3)	(3)	-	-	-	-	(3)
-	-	-	20	6	-	-	6	26
58	***409***	***467***	***4,351***	***698***	***-***	***(32)***	***666***	***5,017***
(986)	**(50)**	**(1,036)**	**61,026**	**4,060**	**800**	**(77)**	**4,783**	**65,809**

6.1.6 CASH FLOW STATEMENT

(In millions of euros)	2018	2017
Consolidated net income (I)	**4,556**	**3,430**
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	4,589	4,283
Depreciation and net allocation to provisions	2,343	108
Net income/loss from investments accounted for using the equity method	(53)	(92)
Change in deferred taxes	357	673
Net income from the sale of long-term assets and subsidiaries	(101)	(110)
Other changes	2,256	4,367
Non-cash items included in net income and others adjustments excluding income on financial instruments at fair value through profit or loss (II)	**9,391**	**9,229**
Income on financial instruments at fair value through profit or loss	4,901	(5,113)
Interbank transactions	(1,929)	5,200
Customers transactions	(11,732)	(4,996)
Transactions related to other financial assets and liabilities	(1,598)	22,876
Transactions related to other non financial assets and liabilities	(4,643)	(2,228)
Net increase/decrease in cash related to operating assets and liabilities (III)	**(15,001)**	**15,739**
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	**(1,054)**	**28,398**
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments	(5,928)	(280)
Net cash inflow (outflow) related to tangible and intangible fixed assets	(7,621)	(5,928)
Net cash inflow (outflow) related to investment activities (B)	**(13,549)**	**(6,208)**
Cash flow from/to shareholders	(2,543)	(3,836)
Other net cash flows arising from financing activities	(471)	(331)
Net cash inflow (outflow) related to financing activities (C)	**(3,014)**	**(4,167)**
Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C)	**(17,617)**	**18,023**
Cash, due from central banks (assets)	114,404	96,186
Due to central banks (liabilities)	(5,604)	(5,238)
Current accounts with banks (see Notes 3.5 and 4.3)	22,159	24,639
Demand deposits and current accounts with banks (see Note 3.6)	(11,686)	(14,337)
Cash and cash equivalents at the start of the year	**119,273**	**101,250**
Cash, due from central banks (assets)	96,585	114,404
Due to central banks (liabilities)	(5,721)	(5,604)
Current accounts with banks (see Notes 3.5 and 4.3)	24,667	22,159
Demand deposits and current accounts with banks (see Note 3.6)	(13,875)	(11,686)
Cash and cash equivalents at the end of the year	**101,656**	**119,273**
Net inflow (outflow) in cash and cash equivalents	**(17,617)**	**18,023**

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6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 6 February 2019.

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

NOTE 1.1 Introduction

ACCOUNTING STANDARDS

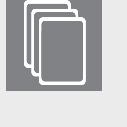
In accordance with European Regulation 1606/2002 of 19 July 2002 on the application of International Accounting Standards, the Societe Generale Group ("the Group") prepared its consolidated financial statements for the year ended 31 December 2018 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date.

These standards are available on the European Commission website at:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_en

The most significant change made to the accounting principles is the application of IFRS 9 "Financial Instruments" as from 1 January 2018.

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



FINANCIAL STATEMENTS PRESENTATION

As the IFRS accounting framework does not specify a standard model, the format of the condensed financial statements used to present the data for financial year 2018 is consistent with the format of financial statements proposed by the French Accounting Standard Setter, the *Autorité des Normes Comptables* (ANC), under Recommendation No. 2017-02 of 2 June 2017. The presentation of the comparative data relative to financial year 2017 has not been modified and complies with the provisions of ANC Recommendation No. 2013-04 of 7 November 2013.

The disclosures provided in the notes to the consolidated financial statements of the Societe Generale Group, its activities and the circumstances in which it conducted its operations over the period.

PRESENTATION CURRENCY

The presentation currency of the consolidated financial statements is the euro.

The figures presented in the financial statements and in the notes are expressed in millions of euros, unless otherwise specified. The effect of rounding can generate discrepancies between the figures presented in the financial statements and those presented in the notes.

NOTE 1.2 New accounting standards applied by the group as of 1 January 2018

IFRS 9 "Financial Instruments" (see Note 1.4)

IFRS 15 "Revenue from Contracts with Customers" and subsequent clarifications

Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (see Note 1.4)

Annual improvements (2014-2016)

Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"

Amendments to IAS 40 "Transfers of Investment Property"

IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

Amendments to IFRS 9 "Prepayment Features with Negative Compensation" (see Note 1.4)

IFRS 9 "FINANCIAL INSTRUMENTS", SUBSEQUENT AMENDMENTS AND AMENDMENTS TO IFRS 4 RELATED TO THE APPLICATION OF IFRS 9 BY INSURANCE COMPANIES

The impacts of the first-time application of IFRS 9 are presented in Note 1.4 *First-time application of IFRS 9 "Financial Instruments"*.

IFRS 15 "Revenue from Contracts with Customers" and subsequent clarifications

This standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and their interpretations and sets out the new requirements for recognising revenues earned from all types of contracts entered into with customers, with the exception of leases, insurance contracts, contracts in financial instruments and guarantees.

The recognition of revenues in the income statement shall depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To apply this core principle, IFRS 15 provides a five-step model from the identification of the contract with the customer until the recognition of the related revenue when the performance obligation is fulfilled:

Step 1: Identification of a contract

Step 2: Identification of performance obligations

Step 3: Determination of the transaction price

Step 4: Allocation of the transaction price

Step 5: Recognition of revenue

In the Group, the contracts that are the most concerned by the new standard are:

- banking services contracts that lead to the recognition of fee income (packages of banking services, fees related to asset management or to loan syndication, etc.);
- contracts for services linked to leasing activities (such as maintenance services for operational vehicle leasing and fleet management);
- real estate development transactions.

The Group has performed a review of the accounting treatments applied in prior periods for the recognition of revenues generated by contracts with customers and has assessed that they comply with the treatments provided by IFRS 15.

IFRS15 and the other standards, amendments, improvements and interpretations presented below, applicable as from 1 January 2018, have no material impact on the net income and shareholders' equity of the Group.

ANNUAL IMPROVEMENTS (2014-2016)

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IAS 28 "Investments in Associates and Joint Ventures" and IFRS 12 "Disclosure of Interests in Other Entities".

The amendment to IAS 28 clarifies the measurement of investments in associates or joint ventures held by a venture capital organisation or other qualifying entity.

The amendment to IFRS 12 clarifies the disclosure requirements related to an entity's interest that is classified as held for sale or as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

AMENDMENTS TO IFRS 2 "CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS"

These amendments clarify how to account for certain types of share-based payment transactions: modelling vesting conditions regardless of settlement method, impacts of tax withholdings on share-based payment transactions, accounting treatment of modifications that change the settlement method (cash versus equity instruments) of the share-based payment transactions.

AMENDMENTS TO IAS 40 "TRANSFERS OF INVESTMENT PROPERTY"

These amendments reinforce the principle according to which the entity shall transfer property into or out of the investment property category. Such a transfer shall occur if and only if property meets, or ceases to meet, the definition of investment property and if there is evidence of a change in management's intentions regarding the use of the property.

IFRIC 22 "FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION"

This interpretation clarifies the accounting for foreign currency transactions (payments or prepayments). The transaction shall provide a consideration that is denominated or priced in a foreign currency. Before this transaction, a prepayment asset or a deferred income liability shall be recognised and considered as a non-monetary item. The date of the transaction, for determining the exchange rate, is the date of initial recognition of the non-monetary asset or liability, except when there are multiple payments or receipts in advance, in which case the date of transaction will be established for each payment or receipt.

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

IASB published accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at 31 December 2018. They are required to be applied from annual periods beginning on 1 January 2019 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as at 31 December 2018.

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

Year	Standards
2019	• IFRS 16 "Leases" [Adopted by EU] (see paragraph 5) • IFRIC 23 "Uncertainty over Income Tax Treatments" [Adopted by EU] • Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" • Annual improvements (2015-2017 cycle) • Amendments to IAS 19 "Plan amendments, curtailments and settlements"
2020	• Amendments to IFRS 3 "Business combinations" • Amendments to IAS 1 and IAS 8 "Definition of Material"
2021	• IFRS 17 "Insurance contracts"

IFRS 16 "LEASES"

IFRS 16 is presented in Note 1.5 *Preparation for the first application of IFRS 16 "Leases"* below.

IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS"

Adopted by the European union on 23 October 2018

This interpretation provides clarifications about the measurement and accounting treatment of income tax when there is uncertainty over income tax treatments. The approach to be used should be the one that provides the best predictions of the resolution of the uncertainty.

The process for identifying, analysing and monitoring tax uncertainties has been reviewed. The Group expects no material effect of this interpretation on equity.

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

Issued by IASB on 12 October 2017

The amendments clarify that IFRS 9 "Financial Instruments" shall be applied to financial instruments that form part of the net investment in an associate or a joint venture but to which the equity method is not applied.

ANNUAL IMPROVEMENTS (2015-2017)

Issued by IASB on 12 December 2017

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

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

Issued by IASB on 7 February 2018

These amendments clarify how pension expenses are determined in the event of amendment, curtailment or settlement of defined benefit pension plans. In these cases, IAS 19 currently calls for the net cost of the defined benefit asset or liability to be remeasured.

The amendments require the entity to use the updated actuarial assumptions from this remeasurement to determine past service cost and net interest.

AMENDMENTS TO IFRS 3 "BUSINESS COMBINATIONS"

Issued by the IASB on 22 October 2018

The amendments are intended to provide clearer application guidance to make it easier to differentiate between the acquisition of a business and the acquisition of a group of assets, whose accounting treatment is different.

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

Issued by the IASB on 31 October 2018

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

IFRS 17 "INSURANCE CONTRACTS"

Issued by IASB on 18 May 2017

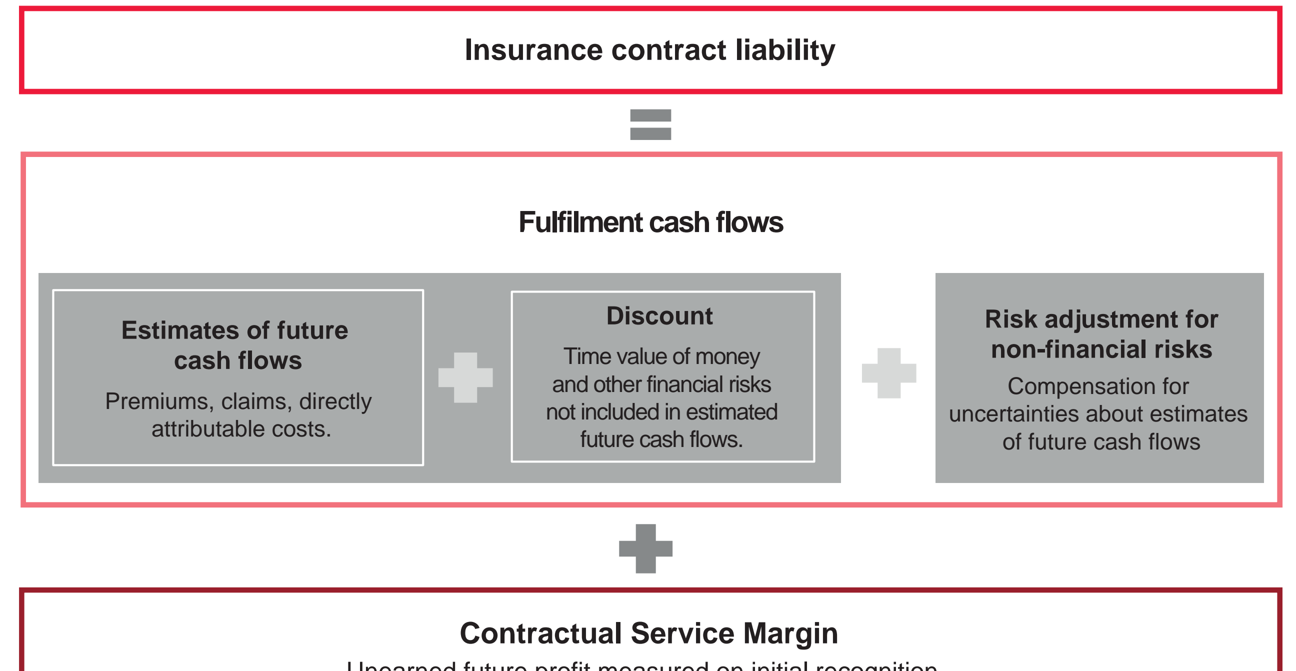
This new standard will replace IFRS 4 "Insurance Contracts" that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

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

The general model provided for the measurement of insurance contracts in the balance sheet will be based on a building-blocks approach: a current estimate of future cash flows, a risk adjustment, and a contractual service margin.

Positive contractual service margins will be recognised as income over the duration of the insurance service, whereas negative margins will be immediately recognised as expense, as soon as the insurance contract is identified as onerous.

The general model will be the default measurement model for all insurance contracts.



However IFRS 17 also provides a mandatory alternative model for insurance contracts with direct participation features. Under this model, called "variable fee approach", the measurement of the insurance contract liability shall take into account the obligation to pay to policyholders a substantial share of the fair value returns on the underlying items, less a fee for future services provided by the insurance contract (changes in the fair value of underlying items due to policyholders are then recognised as an adjustment of the contractual service margin).

A simplified measurement (premium allocation approach) is also allowed by the standard under conditions for short-term contracts (12 months or less) and contracts for which the result of premium allocation approach is closed to the general approach.

These measurement models will have to be applied to homogeneous portfolios of insurance contracts. The level of aggregation of these portfolios will be assessed considering:

- contracts that are subject to similar risks and managed together;
- the year during which contracts are issued; and
- at initial recognition, contracts that are onerous, contracts that have no significant possibility of becoming onerous subsequently, and the remaining contracts.

IASB is currently discussing implementation challenges and concerns raised by stakeholders since IFRS 17 was issued and is considering whether there is a need to amend the Standard. Moreover, in November 2018, Board members decided to defer by one year the mandatory effective date of IFRS 17, so that it would become applicable for annual periods beginning on or after 1 January 2022 if this amendment is issued.

NOTE 1.4 First application of IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39, defining a new set of rules for measuring and classifying financial assets and liabilities, establishing a new methodology for the credit impairment of financial assets and for determining loss allowances for loan and guarantee commitments, and introducing changes in the treatment of hedging transactions, with the exception of macro-hedging transactions which will be covered by a separate standard currently under review by the IASB.

As from 1 January 2018, the Group applies IFRS 9 as adopted by the European Union on 22 November 2016. The Group did not early apply the provisions of IFRS 9 to previous reporting periods. Consequently, the accounting principles applicable to financial instruments have been amended and the disclosures presented in the notes to the consolidated financial statements have been updated, in accordance with the amendments to IFRS 7 issued with IFRS 9.

In accordance with the recommendations provided by the market authorities (ESMA and AMF), the Group elected to early apply, at 1 January 2018, the amendment to IFRS 9 "Prepayment Features with Negative Compensation", issued by the IASB on 12 October 2017 and adopted by the European Union on 22 March 2018.

IFRS 9 ACCOUNTING PRINCIPLES

Classification and measurement of financial assets and liabilities

Under IFRS 9, financial assets are classified among three categories (Amortised cost, Fair value through profit or loss, and Fair value through other comprehensive income), based on their contractual cash flow characteristics and the entity's business model for managing these assets.

IFRS 9 carries forward the rules for classifying and measuring financial liabilities as they appear in IAS 39, without modification. The only exception applies to financial liabilities designated to be measured at fair value through profit or loss (using the fair value option), in which case the portion of the fair value changes attributable to changes in own credit risk is recorded under *Unrealised or deferred gains and losses* without subsequent reclassification into profit or loss (changes attributable to other factors will continue to be recognised in profit or loss). The scope of financial liabilities designated by the Group to be measured at fair value through profit or loss is not modified by IFRS 9. IFRS 9 also details how to recognise modifications of the terms of financial liabilities that do not result in derecognition.

The principles for the classification and measurement of financial instruments are detailed in Note 3.

Credit risk

IFRS 9 has replaced the incurred loss model provided for in IAS 39 with an expected credit loss (ECL) model. Under this model, impairments and provisions for credit risk are recorded at the initial recognition of the financial assets and of loan and guarantee commitments without waiting for the occurrence of objective evidence of impairment (trigger event).

The application scope and accounting principles for recognising impairment and provisions for credit risk are detailed in Note 3.8.

Hedge accounting

In accordance with the transitional measures provided by IFRS 9, the Group has elected to continue recognising hedging transactions under IAS 39 as adopted by the European Union.

However, additional disclosures related to hedging transactions are provided in Note 3.2 to the 31 December 2018 consolidated financial statements pursuant to amendments to IFRS 7.

TRANSITION REQUIREMENTS

The first-time application of IFRS 9 at 1 January 2018 is retrospective in terms of "Classification and measurement" and "Credit risk"; however, the transitional provisions of IFRS 9 provide the option, taken by the Group, of not restating comparative data for previous financial years.

Consequently, for financial instruments, the data for financial year 2017 which are presented in comparison with the data for financial year 2018 comply with the provisions of IAS 39 as adopted by the European Union. Accounting principles applicable to financial instruments up to 31 December 2017 are presented in the Note 8.8.

Differences in the measurement of financial assets and liabilities resulting from the first-time application of IFRS 9 at 1 January 2018 are recorded directly in equity at that date.

As permitted by the amendment to IFRS 4 "Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts", as adopted by the European Union on 3 November 2017, the Group has elected to defer the application of IFRS 9 and continue applying IAS 39, as adopted by the European Union, for its insurance subsidiaries (see Note 4.3).

According to ANC's Recommendation No. 2017-02 of 2 June 2017, a separate line was added to the income statement under *Net banking income* for clarification purposes.

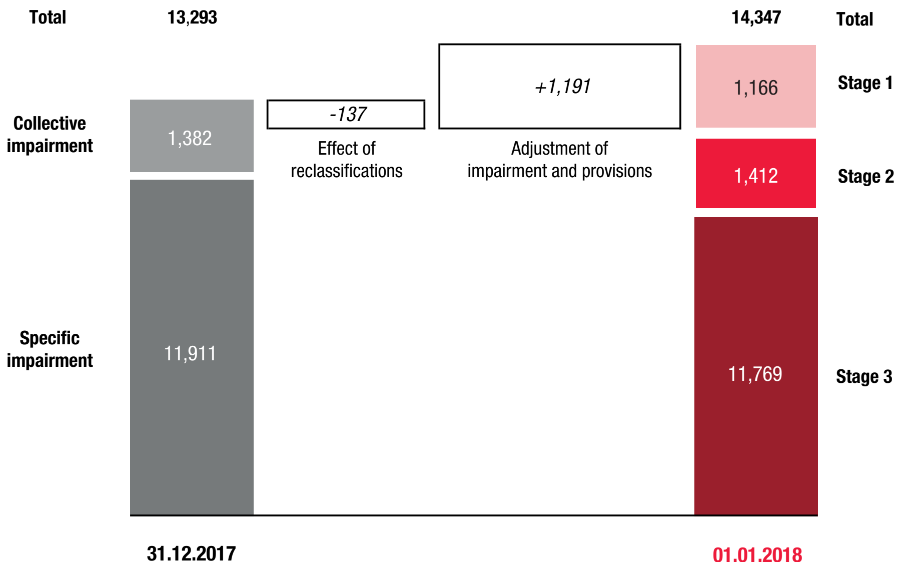
The following table shows the 2018 *Net banking income* prior to this reclassification:

(In millions of euros)	2018	2017
Interest and similar income	24,730	23,679
Interest and similar expense	(14,065)	(13,263)
Fee income	10,798	10,504
Fee expense	(3,874)	(3,681)
Net gains and losses from financial transactions	5,471	5,826
o/w net gains and losses on financial instruments at fair value through profit or loss	*5,018*	*5,113*
o/w net gains and losses on available-for-sale financial assets	*136*	*713*
o/w net gains and losses on financial instruments at fair value through other comprehensive income	*330*	
o/w net gains and losses from the derecognition of financial assets at amortised cost	*(13)*	
Income from other activities	24,097	22,045
Expenses from other activities	(21,952)	(21,156)
NET BANKING INCOME	**25,205**	**23,954**

IMPACTS ON IMPAIRMENT AND PROVISIONS

Adjustment of credit risk impairment and provisions at first time application

The following diagram presents the adjustments recorded on credit risk impairment and provisions between the situation as at 31 December 2017 established in compliance with IAS 39 and the situation as at 1 January 2018, established in compliance with IFRS 9.



The increase of impairment and provisions for credit risk is mainly due to the transition from a model based on the recognition of incurred losses to a model based on the recognition of expected losses.

There is a direct match between specific impairment and provisions under IAS 39 and Stage 3 impairment and provisions under IFRS 9 with the exception of impairment on financial assets that are measured at fair value through profit or loss either because they do not satisfy the SPPI criteria under IFRS 9 (reclassified outstandings: EUR 643 million) or they have been reclassified in the trading portfolio regarding their business model (reclassified outstandings: EUR 644 million). Indeed, the definition of default exposure remains unchanged between the two standards. After an in-depth analysis of methods used to estimate future recoverable cash flows, we found that a large portion of cash flow estimates already include a prospective feature. In cases where the loss assessment method was based on a statistical method, the link between credit losses and macro-economic variables is not relevant.

Moreover, no outstanding has been classified as purchased or originated credit-impaired assets.

However, impairments on groups of homogeneous assets have been replaced by expected credit loss impairments at one year or at maturity:

- outstandings on counterparties with a weakened financial situation since the initial recognition of those financial assets but without any objective evidence of impairment identified individually (watchlist outstanding) have been partly included in the Stage 2 category with expected credit loss impairment calculated at maturity;
- outstandings on counterparties of economic sectors considered as in crisis following loss triggering events on outstandings on geographical sectors or on countries for which a deterioration of the credit risk has been observed, have been allocated to Stage 1 (expected credit loss impairment at one year) and Stage 2 categories (expected credit loss impairment at maturity) depending on their individual credit risk and taking into account the deterioration of the sector or country between the granting date of the loan and the reporting date.

As a result, the net increase related to the transition to IFRS 9 is limited to EUR 1,054 million and is mainly due to one year expected credit loss impairments and provisions.

BREAKDOWN OF IMPAIRMENT AND PROVISIONS BY ITEM OF THE BALANCE SHEET

	Balance as of 31.12.2017 IAS 39/IAS 37				Adjustment of credit risk impairment/ provisions	Balance as of 01.01.2018 IFRS 9			
(In millions of euros)	Specific assessment	Collective assessment	Total	Reclassifi-cation effects		Stage 1	Stage 2	Stage 3	Total
Impairment of financial assets	**11,565**	**1,311**	**12,876**	**(137)**	**925**	**997**	**1,244**	**11,423**	**13,664**
Impairment of financial assets at amortised cost	11,460	1,311	12,771	(47)	925	992	1,244	11,413	13,649
Customer loans at amortised cost	*11,214*	*1,311*	*12,525*	*(52)*	*888*	*982*	*1,217*	*11,162*	*13,361*
Due from banks at amortised cost	*25*		*25*		*4*	*4*		*25*	*29*
Securities at amortised cost				*5*	*6*	*6*		*5*	*11*
Held-to-maturity financial assets									
Other assets	*221*		*221*		*27*		*27*	*221*	*248*
Impairment of financial assets at fair value through other comprehensive income	105	-	105	(90)	-	5	-	10	15
Available-for-sale financial assets	*105*		*105*	*(105)*					
Financial assets at fair value through other comprehensive income				*15*		*5*		*10*	*15*
Provision for credit risk on commitments	**346**	**71**	**417**		**266**	**169**	**168**	**346**	**683**
TOTAL IMPAIRMENT/PROVISIONS	**11,911**	**1,382**	**13,293**	**(137)**	**1,191**	**1,166**	**1,412**	**11,769**	**14,347**

IMPACT ON BALANCE SHEET

Reconciliation of the asset side between IAS 39 and IFRS 9

To determine the classification under IFRS 9 of financial assets recognised on balance sheet as at 31 December 2017, the Group performed a detailed analysis of:

- the characteristics of contractual cash flows based on facts and circumstances at the date of initial recognition of the instruments;
- the business models of its financial assets based on facts and circumstances at 1 January 2018.

Moreover, the Group implemented a new expected credit loss model to estimate impairment on financial assets measured at amortised cost or at fair value through other comprehensive income and on receivables classified among *Other assets* (operating lease receivable and sundry debtors in particular) and to estimate provisions on financial guarantee and loan commitments.

The carrying amount of investments accounted for using the equity method has been adjusted according to IFRS 9 impacts on the financial assets held by those entities.

The following tables reconcile the asset side of the balance sheet as at 31 December 2017, prepared in compliance with IAS 39, and the asset side of the balance sheet as at 1 January 2018, prepared in compliance with IFRS 9.

(In millions of euros)	Balances at 31.12.2017 IAS 39	Reclassifications						Reclassified balances
		of investments of insurance activities	of available-for-sale financial assets	of held-to-maturity financial assets	of non-SPPI loans and receivables	of loans and receivables regarding their business model	Others	
		A	B	C	D	E	F	
Cash, due from central banks	114,404	-	-	-	-	-	-	114,404
Financial assets at fair value through profit or loss	419,680	(54,598)	2,422	-	643	644	537	369,328
Hedging derivatives	13,641	(420)	-	-	-	-	(503)	12,718
Financial assets at fair value through other comprehensive income	N/A	-	49,874	485	-	80	-	50,439
Available-for-sale financial assets	139,998	(84,731)	(55,267)	-	-	-	-	-
Securities at amortised cost	N/A	-	2,971	3,078	-	-	5,650	11,699
Due from banks at amortised cost	60,866	(7,103)	-	-	(5)	(80)	(18)	53,660
Customer loans at amortised cost	425,231	(141)	-	-	(638)	(644)	(5,580)	418,228
Revaluation differences on portfolios hedged against interest rate risk	663	-	-	-	-	-	-	663
Investments of insurance activities	N/A	147,611	-	-	-	-	-	147,611
Held-to-maturity financial assets	3,563	-	-	(3,563)	-		-	-
Tax assets	6,001	-	-	-	-	-	-	6,001
Other assets	60,562	-	-	-	-	-	(86)	60,476
Non-current assets held for sale	13	-	-	-	-	-	-	13
Investments accounted for using the equity method	700	-	-	-	-	-	-	700
Tangible and intangible fixed assets	24,818	(618)	-	-	-	-	-	24,200
Goodwill	4,988	-	-	-	-	-	-	4,988
TOTAL	**1,275,128**	**-**	**-**	**-**	**-**	**-**	**-**	**1,275,128**

(In millions of euros)	Reclassified balances	Value adjustments			Balance at 01.01.2018 IFRS 9[(1)]
		Reclassification effects	Impairment for credit risk	Change in deferred taxes	
		G	H	I	
Cash, due from central banks	114,404	-	-	-	114,404
Financial assets at fair value through profit or loss	369,328	(216)	-	-	369,112
Hedging derivatives	12,718	-	-	-	12,718
Financial assets at fair value through other comprehensive income	50,439	29	-	-	50,468
Available-for-sale financial assets	-	-	-	-	
Securities at amortised cost	11,699	(100)	(7)	-	11,592
Due from banks at amortised cost	53,660	-	(4)	-	53,656
Customer loans at amortised cost	418,228	50	(887)	-	417,391
Revaluation differences on portfolios hedged against interest rate risk	663	-	-	-	663
Investments of insurance activities	147,611	-	-	-	147,611
Held-to-maturity financial assets	-	-	-	-	
Tax assets	6,001	-	-	291	6,292
Other assets	60,476	-	(27)	-	60,449
Non-current assets held for sale	13	-	-	-	13
Investments accounted for using the equity method	700	(45)	-	4	659
Tangible and intangible fixed assets	24,200	-	-	-	24,200
Goodwill	4,988	-	-	-	4,988
TOTAL	**1,275,128**	**(282)**	**(925)**	**295**	**1,274,216**

(1) Except for insurance subsidiaries (see Note 4.3).

DESCRIPTION OF RECLASSIFICATIONS

Identification of insurance investments (column A)

Following the decision of the Group to defer the application of IFRS 9 for its insurance subsidiaries, all financial assets and real-estate investments hold by those entities have been grouped in a specific line of the balance sheet (*Investments of insurance activities*) in which financial assets remain recorded in compliance with IAS 39.

Reclassification of available-for-sale and held-to-maturity financial assets (columns B and C)

Applying IFRS 9 causes the disappearance of the accounting categories *Available-for-sale financial assets* and *Held-to-maturity financial assets*. Consequently, except for instruments grouped in the line *Investments of insurance activities*, instruments previously included in those categories have been reclassified in the new IFRS 9 accounting categories according to the characteristics of their contractual cash flows and their business model.

As of 31 December 2017, except for investments of insurance activities, available-for-sale financial assets included debt securities (bonds and equivalent securities) for EUR 53,464 million and equity securities (shares and equivalent securities) for EUR 1,803 million.

- Debt securities are mainly held as part of the cash management activities for the Bank's own account and as part of the management of HQLA (High Quality Liquid Assets) portfolios included in the liquidity buffer. Those securities, whose contractual cash flows are SPPI, are primarily classified as *Financial assets at fair value through other comprehensive income* for EUR 49,584 million in compliance with their business model which implies regular sales of assets from liquidity buffer portfolios. The business model implying collecting contractual cash flows is only marginally applied by some subsidiaries for their HQLA portfolios which have therefore been classified as *Securities at amortised cost* for EUR 2,971 million;
- The other debt securities belong mainly to residual portfolios of securitisation assets managed in run-off which have therefore been classified as *Financial assets at fair value through profit or loss* for EUR 895 million;
- Equity securities have been classified by default as *Financial assets at fair value through profit or loss* for EUR 1,513 million. The option to measure shares at fair value through other comprehensive income without later reclassification through profit or loss has been chosen in a very few cases by the Group (EUR 290 million).

Financial assets previously classified as *Held-to-maturity financial assets* included exclusively debt securities with SPPI contractual cash flows. Those securities are held for the management of the Group liquidity buffer which implies collecting their contractual cash flows. Consequently, they have been classified as *Securities at amortised cost* for EUR 3,078 million. Marginally, some long-term securities have been classified as *Financial assets at fair value through other comprehensive income* considering their specific business model which can imply selling assets (EUR 485 million).

Marginal amount of non-SPPI loans and receivables (column D)

The amount of loans and receivables that have been reclassified among *Financial assets at fair value through profit or loss* due to the non-SPPI characteristics of their contractual cash flows is limited: EUR 643 million. Those instruments are mainly loans that include prepayment features with compensation that do not reflect the effect of changes in the benchmark interest rate.

Limited impact of reclassifications related to the business model (column E)

Loans and receivables to customers reclassified as *Financial assets at fair value through profit or loss* for EUR 644 million include mainly:

- the portion of syndicated loans that are not intended to be kept by the Group and that have been identified since their origination as to be sold in the short term on the secondary market; and
- residual outstandings of CDO (Collateralised Debt Obligations) tranches and ABS (Asset Backed Securities) tranches presented among loans and receivables since their reclassification in 2008 and that are intended to be sold through an organised and pre-determined disposal program.

Other reclassifications (column F)

Hedging derivative instruments, for which the hedged financial asset has been reclassified as *Financial assets at fair value through profit or loss*, have been de-designated and reclassified as trading instruments for an amount of EUR 503 million on the asset side. Moreover, bonds which were considered to be loans and receivables under IAS 39 as those instruments are unquoted, have been reclassified as *Securities at amortised cost* for an amount of EUR 5,612 million.

DESCRIPTION OF VALUE ADJUSTMENTS

Limited effects of reclassifications (column G)

The balance sheet value of financial assets, which have been reclassified according to IFRS 9, has been adjusted based on their new measurement method. Those adjustments include EUR 137 million of credit risk impairment reversal on financial assets reclassified as *Financial assets at fair value through profit or loss*.

Increase in credit risk impairment (column H)

The application of the new accounting model for credit risk causes an adjustment of impairment related to financial assets measured at amortised cost (increase of EUR 925 million). This adjustment concerns mainly loans to customers. The analysis of those adjustments is presented in section "Impact on impairment and provisions".

Tax effects (column I)

The tax effects of those adjustments have changed the amounts of deferred tax assets and liabilities in the Group balance sheet.

Reconciliation of the liability side between IAS 39 and IFRS 9

The following table reconciles the liability side of the balance sheet as at 31 December 2017 prepared in compliance with IAS 39 and the liability side of the balance sheet as at 1 January 2018 prepared in compliance with IFRS 9.

		Reclassifications			Value adjustments			
(In millions of euros)	Balances at 31.12.2017 IAS 39	of insurance liabilities	of own credit risk adjustment	Others	Reclassifi-cations effects	Impairment and provisions for credit risks	Change in deferred taxes	Balance at 01.01.2018 IFRS 9(1)
		A	B	C	D	E	F	
Due to central banks	5,604	-	-	-	-	-	-	5,604
Financial liabilities at fair value through profit or loss	368,705	(759)	-	604	-	-	-	368,550
Hedging derivatives	6,750	-	-	(604)	-	-	-	6,146
Debt securities issued	103,235	-	-	-	-	-	-	103,235
Due to banks	88,621	-	-	-	-	-	-	88,621
Customer deposits	410,633	-	-	-	-	-	-	410,633
Revaluation differences on portfolios hedged against interest rate risk	6,020	-	-	-	-	-	-	6,020
Tax liabilities	1,662	-	-	-	-	-	(54)	1,608
Other liabilities	69,139	-	-	-	-	-	-	69,139
Non-current liabilities held for sale	-	-	-	-	-	-	-	-
Underwriting reserves of insurance companies	130,958	(130,958)	-	-	-	-	-	
Liabilities related to insurance companies	N/A	131,717	-	-	-	-	-	131,717
Provisions	6,117	-	-	-	(38)	266	-	6,345
Subordinated debt	13,647	-	-	-	-	-	-	13,647
TOTAL LIABILITIES	**1,211,091**	**-**	**-**	**-**	**(38)**	**266**	**(54)**	**1,211,265**
SHAREHOLDERS' EQUITY								
Shareholders' equity, Group share								
Issued common stocks, equity instruments and capital reserves	29,427	-	-	-	-	-	-	29,427
Retained earnings	27,791	-	724	-	113	(1,031)	101	27,698
Net income	2,806	-	-	-	-	-	-	2,806
SUB-TOTAL	**60,024**	**-**	**724**	**-**	**113**	**(1,031)**	**101**	**59,931**
Unrealised or deferred capital gains and losses	(651)	-	(724)	-	(329)	5	196	(1,503)
SUB-TOTAL EQUITY, GROUP SHARE	**59,373**	**-**	**-**	**-**	**(216)**	**(1,026)**	**297**	**58,428**
Non-controlling interests	4,664	-	-	-	(28)	(165)	52	4,523
TOTAL EQUITY	**64,037**	**-**	**-**	**-**	**(244)**	**(1,191)**	**349**	**62,951**
TOTAL	**1,275,128**	**-**	**-**	**-**	**(282)**	**(925)**	**295**	**1,274,216**

(1) Except for insurance subsidiaries (see Note 4.3).

DESCRIPTION OF RECLASSIFICATIONS

Identification of liabilities related to insurance contracts (column A)

Following the decision of the Group to defer the application of IFRS 9 for its insurance subsidiaries, liabilities related to insurance contracts (underwriting reserves of insurance companies and derivatives instruments) have been grouped in a specific line of the balance sheet (*Insurance contracts related to liabilities*).

OCA (Own Credit risk Adjustment) (column B)

Revaluation differences on financial liabilities designated at fair value through profit or loss using the fair value option, and related to the Group's own credit risk (also called OCA) are now recorded among *Unrealised or deferred capital gains and losses*, without subsequent reclassification in profit or loss. The cumulated differences as at 31 December 2017 amount to EUR -724 million.

Other reclassifications (column C)

Hedging derivative instruments for which the hedged financial asset has been reclassified as *Financial assets at fair value through profit or loss* have been de-designated and reclassified as trading instruments for an amount of EUR 604 million on the liability side.

DESCRIPTION OF VALUE ADJUSTMENTS

Limited increase in provisions for credit risk (column E)

The application of the new accounting model for credit risk causes an adjustment of provisions on guarantee and loan commitments for an amount of EUR 266 million in addition to an adjustment of impairment on the asset side. The analysis of those adjustments is presented in the section "Impacts on impairment and provisions".

Tax effects (column F)

The tax effects of those adjustments have changed the amounts of deferred tax assets and liabilities in the Group's balance sheet.

Equity (columns D, E and F)

The value adjustments recorded as at 1 January 2018 on Group assets and liabilities in compliance with IFRS 9 have been recorded with a corresponding entry in equity. Those adjustments are mainly due to the application of the new accounting model for credit risk (EUR -1,191 million).

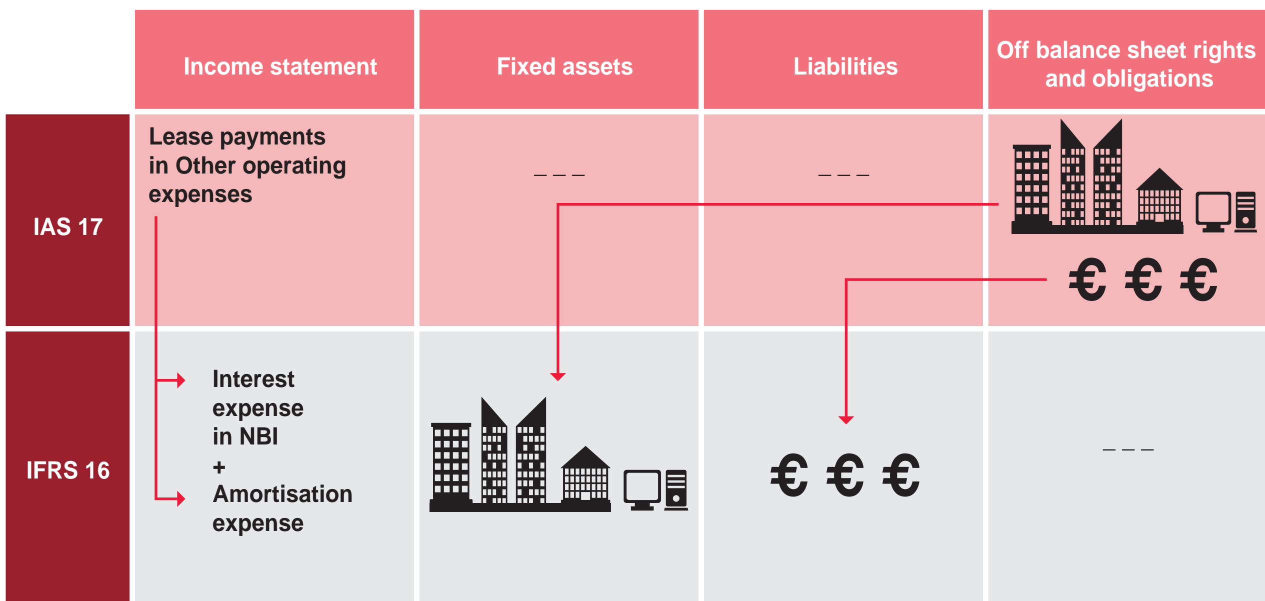
Moreover, adjustments of impairment on debt financial assets at fair value through other comprehensive income have been reclassified from *Unrealised or deferred capital gains and losses* to *Retained earnings* (EUR 5 million).

NOTE 1.5 Preparation for the first application of IFRS 16 "Leases"

This new standard will supersede, as from 1 January 2019, the existing standard, IAS 17. It will modify the accounting requirements for leases, more specifically in relation to the lessees' financial statements, with very few impacts for the lessors.

ACCOUNTING TREATMENTS PROVIDED BY IFRS 16

For all lease agreements, the lessee will be required to recognise a right-of-use asset in its balance sheet representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In its income statement, the lessee will separately recognise the depreciation of the right-of-use assets and the interest expense on lease liabilities. This treatment is currently applied by lessees to finance-lease transactions and it will then be extended to operating leases as well:



Scope

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

- leases to explore for or use non-regenerative resources and leases of biological assets;
- service concession arrangements;
- licences of intellectual property;
- rights held by a lessee under licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Lessees are not required to apply this standard to intangible assets leases (software for example). In preparing the application of the standard, the Group used this option.

The Group, as a lessee, recorded its leases as operating leases until 31 December 2018, and recorded the lease payments as an expense on a straight-line basis over the lease term, pursuant to IAS 17.

These annual lease payments totalled EUR 752 million in 2018, compared to EUR 839 million in 2017 (see Note 8.2).

Property Leases

Most of the leases (>90%) involve building leases contracted for the lease of commercial and office space:

- The commercial spaces are branches in the Group's French and international retail banking networks.
- The office buildings are leased for certain departments reporting to the Group's French headquarters or the local head offices of the main foreign subsidiaries, and for certain locations in the main international financial centres: London, New York, Hong Kong...

At 31 December 2018, there are approximately 4,500 outstanding property leases, including more than 3,500 in France.

The majority of leases contracted in France are nine-year commercial leases with early termination options at three and six years (so-called "3/6/9" leases).

Outside France, residual lease periods are generally below 10 years. In some countries, such as Russia, leases can be annual, with optional automatic renewal. In other locations, specifically London and New York, lease periods can be as long as 25 years.

Equipment Leases

Other leases (<10%) are mainly computer equipment leases and a very small percentage of vehicle leases.

Simplified procedures

Lessors may choose not to apply the new lease treatment to contracts with a term of less than one year (including renewal options), nor to contracts on low-value items. This last simplification applies specifically to small equipment such as personal computers, tablets, telephones, and small items of office furniture. The IASB mentions a guideline threshold of USD 5,000 in the standard's Basis for Conclusions (the threshold should be measured against the replacement cost per unit of the leased asset).

The Group has decided to apply this exemption threshold of USD 5,000 and has, furthermore, considered the possibility to exclude other lease agreements provided the effect of these exclusions will remain immaterial with regard to its financial statements.

The majority of vehicle leases are contracted with the Group's consolidated entities belonging to the ALD Automotive sub-group. Leases contracted with lessors outside the Group are marginal and fall within the scope of additional exclusions because they are immaterial.

Distinction between leases and service contracts

IFRS 16 introduces new provisions for distinguishing leases from service contracts.

In the lessees' accounts, the standard will no longer separate contracts classified as operating leases from lease financing contracts.

However, the contracts must be analysed to determine whether they meet the definition of a lease, and to separate, as applicable, the various lease components from the non-lease (or service) components.

A contract is, or contains, a lease if it conveys to the lessor the right to control the use of an identified asset for a period of time in exchange for consideration:

- Control is conveyed where the customer has both the right to direct the identified asset's use, and to obtain substantially all the economic benefits from that use throughout the lease period.
- The existence of an identified asset will depend on the absence, for the lessor, of substantive substitution rights for the leased asset; this condition is measured with regard to the facts and circumstances existing at the commencement of the contract. If the lessor has the option of freely substituting the leased asset, the contract can not be qualified as a lease, since its purpose is the provision of a capacity and not an asset.
- A capacity portion of an asset is still an identified asset if it is physically distinct (*e.g.* a floor of a building). Conversely, a portion of the capacity or of an asset that is not physically distinct does not constitute an identified asset (*e.g.* the lease of co-working area within a unit with no pre-defined location inside that unit).

If the lessor cannot separate the non-lease (or service) components from the lease components within a single contract, the contract will be qualified as a single lease.

The Group has entered into contracts giving it access to back up sites that can be used if the entities' customary premises should become inaccessible. If these contracts include lease and service components, they will be treated entirely as leases.

Marginally, certain contracts for providing back up sites have been identified as being entirely service contracts. These back up sites are not specifically designed for the entity and do not consist of entire buildings; they only provide areas within building complexes, without pre-defined location within the building complex, and they do not represent virtually all of the capacity of the building complex.

Accounting treatment of lease contracts for the lessees

RECOGNITION OF A LESSEE'S LEASE LIABILITY

On the commencement date (on which the leased asset is made available for use), the lessee must book a lease liability on the liabilities side of its balance sheet. The initial amount of the liability is equal to the discounted value of the rental payments that will be payable over the lease period.

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

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

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

LEASE PERIOD

The lease period to be applied in determining the rental payments to be discounted will match the non-cancellable period of the lease adjusted for:

- options to extend the contract that the lessee is reasonably certain to exercise,
- and early termination options that the lessee is reasonably certain not to exercise.

The measurement of the reasonable certainty of exercising or not exercising the extension or early termination options shall take into account all the facts and circumstances that may create an economic incentive to exercise or not to exercise these options, specifically:

- the conditions for exercising these options (including measurement of the amount of the rental payments in case of an extension, or of the amount of penalties that may be imposed for early termination),
- substantial changes made to the leased premises (specific layouts, such as a bank vault),
- the costs associated with terminating the contract (negotiation costs, moving costs, research costs for a new asset that meets the lessee's requirements, etc.),
- the importance of the leased asset for the lessee, in view of its specific nature, its location, or the availability of substitute assets (specifically for branches located in commercially strategic sites, given their accessibility, expected traffic, or the prestige of the location),
- the history of renewals of similar contracts, as well as the strategy for the future use of the assets (based on the prospect of redeployment or rearrangement of a commercial branch network, for example).

If the lessee and the lessor each have the right to terminate the lease without the prior agreement of the other party and with no penalty other than a negligible one, the contract is no longer binding, and thus it no longer creates a lease liability.

In France, the majority of property leases contracted in France are nine-year commercial leases with early termination options at three and six years (so-called "3/6/9" leases). If a new contract is not signed by the end of that nine-year period, the initial lease is automatically extended.

These "3/6/9" commercial leases are generally enforceable for a term of nine years, with an initial three-year non-cancellation period.

LEASE DISCOUNT RATES

The implicit contract rates are not generally known nor easily determined, specifically for building leases. Therefore, the Group has decided to use the lessees' incremental borrowing rate to discount the rental payments as well as the amount of lease liabilities.

The incremental borrowing rate is set by the lessee entity, not by the Group, in consideration of the borrowing terms and that entity's credit risk.

The discount rates to be used by the Group shall be set according to the currency and country of location of the lessee entities.

RENTAL PAYMENT AMOUNTS

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

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

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

RECOGNITION OF A LESSEE'S RIGHT-OF-USE

On the availability date of the leased asset, the lessee must enter a right-of-use to the leased asset, on the assets side of the balance sheet, for an amount equal to the initial value of the lease liability, plus, as applicable, initial direct costs, advance payments, and restoration costs.

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

The asset's value may be adjusted later if the lease is amended, the lease period is re-estimated, or to account for contractual changes in the rental payments related to the application of indices or rates.

Rights-of-use will be presented on the lessee's balance sheet under the items of fixed assets where properties of the same type that are held in full ownership are entered. If the leases stipulate the initial payment of a leasehold right to the former tenant of the premises, the amount of that right will be stated as a component of the right of use and presented under the same heading as the latter. At 31 December 2018, the amount of leasehold rights recorded by the Group under Intangible f*ixed assets was approxi*mately EUR 100 million.

In the income statement, depreciation charges on rights-to-use will be presented with the depreciation charges on fixed assets held in full ownership.

INCOME TAX

Deferred tax will be recorded on the basis of the net amount of taxable and deductible temporary differences.

On the date of the initial recording of the right-of-use and the lease liability, no deferred tax will be recorded if the asset value is equal to the liability value.

The net temporary differences that may result from subsequent changes in the right-to-use and lease liability will result in the recognition of deferred tax.

ORGANISATION OF THE SCHEDULE FOR IMPLEMENTING IFRS 16

In the fourth quarter of 2016, following a preliminary analysis phase on IFRS 16, the Group began scoping work for adapting information systems and processes, and defining the scope of such contracts.

To this end, a project structure was set up under the joint governance of the Group's Finance and Corporate Resources Divisions.

Over the course of 2017, the Group undertook an initial collection of leases on real estate assets and began the collection of contracts for IT equipment to enter into a contract database.

At the same time, the Group undertook development of an in-house calculation and operation tool for lease databases, which will be used to generate the data required to recognise the leases in accordance with IFRS 16.

In 2018, the Group finalised the development of its calculation tool and its entries through the lease databases and tested its features. All personnel involved received training in IFRS 16 and its implementation procedures as well as in the new operation tools and processes in place. In the second half of the year, a full rehearsal was done to test the entire implementation mechanism for IFRS 16.

TRANSITION PROCEDURES

For the first-time application of IFRS 16, the Group chose to implement the amended retrospective approach proposed by the standard.

At 1 January 2019, the amount of the lease liability on outstanding leases will be calculated by discounting residual rental payments with the rate in effect on that date, taking into account the residual maturity of the contracts. The corresponding rights-to-use will be recorded on the balance sheet for an amount equal to the lease liability. Therefore, the first-time application of IFRS 16 will have no impact on the amount of the Group shareholders' equity at 1 January 2019.

On that date, leases that have a remaining life of less than 12 months and those that are automatically renewable will be considered short-term leases (leases of less than one year) and not restated, in accordance with the option offered by IFRS 16.

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

FIRST-TIME APPLICATION OF IFRS 16

Identification and analysis of the lease contracts were approved by the Group by 31 December 2018. The entry of outstanding leases at 1 January 2019 into the lease databases and their release into the calculation tool to determine the final amount of the lease liability and rights-to-use as of the first-time application date will be finalised during the first quarter of 2019.

At the date of approval of these consolidated financial statements by the Board of Directors, the Group estimates that the first application of IFRS 16 will lead to the recognition of a lease liability and of an asset representative of the rights-to-use for an amount of less than EUR 2.5 billion.

NOTE 1.6 Use of estimates and judgment

When applying the accounting principles disclosed in the following notes for the purpose of preparing the Group's consolidated financial statements, the Management makes assumptions and estimates that may have an impact on figures recorded in the income statement, on the *Unrealised or deferred gains and losses* on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the consolidated financial statements.

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

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

- the fair value in the balance sheet of financial instruments not quoted in an active market which are classified as *Financial assets and liabilities at fair value through profit or loss*, *Hedging derivatives*, *Financial assets at fair-value through other comprehensive income* or even *Available-for-sale financial assets* for the 2017 financial year (described in Notes 3.1, 3.2, 3.3 and 3.4) and fair value of instruments measured at amortised cost for which this information must be disclosed in the notes to the financial statements (see Note 3.9);
- the amount of impairment and provisions for credit risk related to financial assets measured at amortised cost, or at fair-value through other comprehensive income, loan commitments granted and guarantee commitments granted measured with models or internal assumptions based on historical, current and prospective data (see Note 3.8);
- the amount of impairment on *Goodwill* (see Notes 2.2);
- the provisions recognised under liabilities (in particular, provisions for disputes in a complex legal environment and provisions for employee benefits), including underwriting reserves of insurance companies and deferred profit-sharing (see Notes 4.3, 5.2 and 8.3);
- the amount of deferred tax assets recognised in the balance sheet (see Note 6);
- the assessment of control of the Group over an entity when updating the consolidation scope, mainly when structured entities are concerned (see Note 2);
- the initial value of goodwill determined for each business combination (see Notes 2.1 and 2.2).

For the application of IFRS 9, the Group has expanded the use of estimates and judgement in analysing the contractual cash flow characteristics of financial assets, assessing the increase in credit risk observed since the initial recognition of financial assets, and measuring the amount of expected credit losses on these same financial assets.

The United Kingdom has organised on 23 June 2016 a referendum in which a majority of British citizens voted to leave the European Union (Brexit). This exit must occur on 29 March 2019. The technical agreement concluded between the British government and the European Commission to reshape the economic relations between United Kingdom and the European Union has been rejected by the British parliament in January 2019. In the event of an exit of United Kingdom from the European Union on 29 March 2019 without any consent on a transition agreement, the Group is taking actions to ensure the business continuity for its customers from this date. Those changes of Brexit implementation process have been considered in the assumptions and assessments adopted for the preparation of the Group financial statements.

NOTE 2 CONSOLIDATION

MAKE IT SIMPLE

The various activities of the Societe Generale Group in France and abroad are carried out by Societe Generale – Parent company (which includes the Societe Generale foreign branches) and by all of the entities that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates). All of these entities make up the scope of the Group consolidation.

Consolidation uses a standardized accounting process to give an aggregated presentation of the accounts of Societe Generale – Parent company and its subsidiaries, joint arrangements and associates, presented as if they were a single entity.

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

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

ACCOUNTING PRINCIPLES

The consolidated financial statements of Societe Generale include the financial statements of the parent company and of the main French and foreign companies as well as foreign branches over which the Group exercises control, joint control or significant influence.

Consolidated entities

SUBSIDIARIES

Subsidiaries are the entities over which the Group has exclusive control. The Group controls an entity if and only if the following conditions are met:

- the Group has power over the entity (ability to direct its relevant activities, *i.e.* the activities that significantly affect the entity’s returns), through the holding of voting rights or other rights; and
- the Group has exposure or rights to variable returns from its involvement with the entity; and
- the Group has the ability to use its power over the entity to affect the amount of the Group’s returns.

Power

When determining voting rights for the purpose of establishing the Group’s degree of control over an entity and the appropriate consolidation methods, potential voting rights are taken into account where they can be freely exercised at the time the assessment is made or at the latest when decisions about the direction of the relevant activities need to be made. Potential voting rights are instruments such as call options on ordinary shares outstanding on the market or rights to convert bonds into new ordinary shares.

When voting rights are not relevant to determine whether or not the Group controls an entity, the assessment of this control shall consider all the facts and circumstances, including the existence of one or more contractual arrangements. Power over an investee exists only if the investor has substantive rights that give it the current ability to direct relevant activities without barriers.

Some rights are designed to protect the interests of their holder (protective rights) without giving that party power over the investee to which those rights relate.

If several investors each have substantive rights that give them the unilateral ability to direct different relevant activities, the investor that has the current ability to direct the activities that most significantly affect the variable returns of the investee is presumed to have power over the investee.

Exposure to variable returns

Control exists only if the Group is significantly exposed to the variability of variable returns generated by its investment or its involvement in the entity. These returns, which could be dividends, interest, fees, etc., can be only positive, only negative or both positive and negative.

Link between power and returns

Power over the relevant activities does not give control to the Group if this power does not allow it to affect its returns from its involvement with the entity. If the Group has been delegated decision-making rights that it exercises on behalf and for the benefit of third parties (the principals), it is presumed to act as an agent for these principals, and therefore it does not control the entity when it exercises its decision-making authority. In asset management activities, an analysis shall be performed in order to determine whether the asset manager is acting as agent or principal when managing the net assets of a fund; the fund is presumed to be controlled by the asset manager if the latter is considered as a principal.

Special case of structured entities

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

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

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

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

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

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

JOINT ARRANGEMENTS

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

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

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

ASSOCIATES

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

Consolidation rules and methods

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

The results of newly acquired subsidiaries are included in the consolidated financial statements from the date the acquisition became effective and results of subsidiaries disposed of during the fiscal year are included up to the date where the Group relinquished control.

CONSOLIDATION METHODS

The subsidiaries, which may include structured entities over which the Group has exclusive control, are fully consolidated.

In the consolidated balance sheet, full consolidation consists in replacing the value of the subsidiary's equity securities held by the Group with each of the subsidiary's assets and liabilities, in addition to the goodwill recognised when the Group assumed control over the entity (see Note 2.2).

In the income statement and the statement of net income and unrealised or deferred gains and losses, the subsidiary's expense and income items are aggregated with those of the Group.

The share of non-controlling interests in the subsidiary is presented separately in the consolidated balance sheet and income statement. However, in consolidating structured entities that are controlled by the Group, the shares of said entities not held by the Group are recognised as *Debt* in the balance sheet.

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

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

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

The Group's share in the entity's net income and unrealised or deferred gains and losses is presented on separate lines in the consolidated income statement and the consolidated statement of net income and unrealised or deferred gains and losses. If the Group's share un the losses of an entity consolidated using the equity method becomes greater than or equal to its ownership interest in the company, the Group ceases to recognise its share in subsequent losses unless it is required to do so by legal or implied obligations, in which case it records a provision for said losses.

Capital gains and losses generated on disposal of companies accounted for using the equity method are recorded under Net income/expense from other assets.

TRANSLATION OF FOREIGN ENTITY FINANCIAL STATEMENTS

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

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

CHANGES IN GROUP'S OWNERSHIP INTEREST IN A CONSOLIDATED ENTITY

In the event of an increase in Group's ownership interest in a subsidiary over which it already exercises control: the differences between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired at this date is recorded under *Consolidation reserves, Group share*.

The cost relative to these transactions is recognised directly in equity.

At this date when the Group losses control of a consolidated subsidiary, any investment retained in the former subsidiary is then remeasured at fair value through profit or loss, at the same time the capital gain or loss is recorded under *Net income/expense from other assets* in the consolidated income statement. The gain or loss on disposal includes a share of goodwill previously allocated to the cash-generating units to which the subsidiary belongs. This share is determined using a relative approach based on the normative capital allocated to the subsidiary that is sold and to the portion of cash-generating unit that is retained.

Commitments to buy out minority shareholders in fully consolidated subsidiaries

The Group has awarded minority shareholders in some fully consolidated Group subsidiaries commitments to buy out their stakes. For the Group, these buyout commitments are put option sales. The exercise price for these options can be established using a formula agreed upon at the time of the acquisition of the shares in the subsidiary that takes into account its future performance. It can also be set as the fair value of these shares at the exercise date of the options.

The commitments are recorded as follows:

- in accordance with IAS 32, the Group records a financial liability for the put options granted to minority shareholders of the subsidiaries over which it exercises control. This liability is initially recognised at the present value of the estimated exercise price of the put options under *Other Liabilities*;
- the obligation to recognise a liability even though the put options have not been exercised means that, in order to be consistent, the Group must use the same accounting treatment as that applied to transactions in *Non-controlling interests*. As a result, the counterpart of this liability is a write-down in value of non-controlling interests underlying the options, with any balance deducted from *Retained earnings, Group share*;
- subsequent variations in this liability linked to changes in the estimated exercise price of the options and the carrying value of *Non-controlling interests* are recorded in full in *Retained earnings, Group share*;
- if the buy-out takes place, the liability is settled by the cash payment linked to the acquisition of non-controlling interests in the subsidiary in question. However if, when the commitment reaches its term, the buy-out has not occurred, the liability is written off against *Non-controlling interests* and *Retained earnings, Group share* for their respective portions;
- as long as the options have not been exercised, the results linked to *Non-controlling interests* with a put option are recorded under *Non-controlling interests* on the Group's consolidated income statement.

NOTE 2.1 Consolidation scope

The scope of consolidation is presented by location in Note 8.6.

The consolidation scope includes subsidiaries and structured entities under the Group's exclusive control, joint arrangements (joint ventures and joint operations) and associates whose financial statements are significant relative to the Group's consolidated financial statements, notably regarding Group consolidated total assets and gross operating income.

There is no significant change to the consolidation scope at 31 December 2018, compared with the scope applicable at the closing date of 31 December 2017.

NOTE 2.2 Goodwill

MAKE IT SIMPLE

When the Group acquires a company, it integrates in its consolidated balance sheet all of the new subsidiary's assets and liabilities at fair value, as if they had been individually acquired.

But the acquisition price of a company is generally higher than the net revalued amount of its assets and liabilities. The excess value, called goodwill, can represent part of the company's intangible capital (reputation, quality of its personnel, market shares, etc.) which contributes to its overall value, or the value of the future synergies that the Group hopes to develop by integrating the new subsidiary in its existing activities.

In the consolidated balance sheet, the goodwill is recognised as an intangible asset, the useful life of which is presumed to be unlimited; it is not amortised and therefore does not generate any recurring expense in the Group's future results.

However, every year, the Group assesses whether the value of its goodwill has not depreciated. If it has, an irreversible expense is immediately recognised in the Group results, which indicates that the profitability of the intangible capital of the acquired entity is inferior to initial expectations, or that the anticipated synergies have not been fulfilled.

ACCOUNTING PRINCIPLES

The Group uses the acquisition method to recognise its business combinations.

At the acquisition date, all assets, liabilities, off-balance sheet items and contingent liabilities of the acquired entities that are identifiable under the provisions of IFRS 3 "Business Combinations" are measured individually at their fair value regardless of their purpose. The analyses and professional appraisals required for this initial valuation must be carried out within 12 months as from the acquisition date, as must any adjustment to the value based on new information related to facts and circumstances existing at the acquisition date. At the same time, *Non-controlling interests* are valued according to their share of the fair value of the identifiable assets and liabilities of the acquired entity. However, for each business combination, the Group may also choose to measure *Non-controlling interests* initially at their fair value, in which case a fraction of goodwill is allocated.

The acquisition cost is calculated as the total fair value, at the date of acquisition, of all assets given, liabilities incurred or assumed and equity instruments issued in exchange for the control of the acquired entity. The costs directly linked to business combinations are recognised in the income statement for the period except those related to the issuance of equity instruments.

Any contingent consideration is included in the acquisition cost at its fair value on the acquisition date, even if its occurrence is only potential. It is recognised under equity or debt in the balance sheet depending on the settlement alternatives.

If it is recognised as debt, any subsequent adjustments are recorded under income for financial liabilities in accordance with IFRS 9 and within the scope of the appropriate standards for other debts; if it is recognised as equity, these subsequent adjustments are not recognised. Any excess of the price paid over the assessed fair value of the proportion of net assets acquired is recorded on the asset side of the consolidated balance sheet under *Goodwill*. Any deficit is immediately recognised in the income statement. On the date of acquisition of an entity, any stake in this entity already held by the Group is remeasured at fair value through profit or loss. In the case of a step acquisition, goodwill is therefore determined by referring to the fair value on the acquisition date.

At the acquisition date, each item of goodwill is allocated to one or more Cash-Generating Units (CGU's) expected to derive benefits from the acquisition. When the Group reorganises its reporting structure in a way that changes the composition of one or more CGU's, goodwill previously allocated to modified units is reallocated to the units affected (new or existing). This reallocation is generally performed using a relative approach based on the normative capital requirements of each CGU's affected.

Goodwill is reviewed regularly by the Group and tested for impairment whenever there is any indication that its value may have diminished, and at least once a year. Any impairment of goodwill is calculated based on the recoverable value of the relevant CGU's.

If the recoverable amount of the CGU's is less than its (their) carrying amount, an irreversible impairment is recorded in the consolidated income statement for the period under *Value adjustments on goodwill*.

At 31 December 2018, goodwill recorded by the 11 CGUs can be broken down as follows:

Pillars	Activities
French Retail Banking	
Societe Generale network	Societe Generale's retail banking network, Boursorama online banking activities, consumer and equipment financing in France
Crédit du Nord	Retail banking network of Crédit du Nord and its 7 regional banks
International Retail Banking and Financial Services	
Europe	Retail banking and consumer finance services in Europe, notably in Germany (Hanseatic Bank, BDK), Italy (Fiditalia), Czech Republic (KB, Essox), Romania (BRD)
Russia	Integrated banking group including Rosbank and its subsidiaries DeltaCredit and Rusfinance
Africa, Mediterranean Basin and Overseas	Retail banking and consumer finance in Africa, Asia, the Mediterranean Basin and Overseas, including in Morocco (SGMA), Algeria (SGA), Tunisia (UIB), Cameroon (SGBC), Côte d'Ivoire (SGBCI) and Senegal (SGBS)
Insurance	Life and non-life insurance activities in France and abroad (including Sogécap, Sogessur, Oradéa Vie and Antarius)
Equipment and Vendor Finance	Financing of sales and professional equipment by Societe Generale Equipment Finance
Auto Leasing Financial Services	Operational vehicle leasing and fleet management services (ALD Automotive)
Global Banking and Investor Solutions	
Global Markets and Investor Services	Market solutions for businesses, financial institutions, the public sector, family offices and a full range of securities services, clearing services, execution, prime brokerage and custody
Financing and Advisory	Advisory and financing services for businesses, financial institutions and the public sector and transaction and payment management services
Asset and Wealth Management	Asset and Wealth Management Solutions in France and abroad

The table below shows the changes in the net values of goodwill recorded by the Cash-Generating Units (CGUs) in 2018:

(In millions of euros)	Net book value at 31.12.2017	Acquisitions and other increases	Disposals and other decreases[1]	Transfers[2]	Net book value at 31.12.2018
French Retail Banking	**815**			**(18)**	**797**
Societe Generale network	304			(18)	286
Crédit du Nord	511				511
International Retail Banking & Financial Services	**3,209**	**13**	**(337)**		**2,885**
Europe	1,787		(337)		1,450
Russia	-				-
Africa, Mediterranean Basin and Overseas[3]	231				231
Insurance	335				335
Equipment and Vendor Finance	335				335
Auto Leasing Financial Services	521	13			534
Global Banking and Investor Solutions	**964**		**(12)**	**18**	**970**
Global Markets and Investor Services	501				501
Financing and Advisory	39			18	57
Asset and Wealth Management	424		(12)		412
TOTAL	**4,988**	**13**	**(349)**		**4,652**

(1) The goodwill relative to Asset management and private banking in Belgium (SG Private Banking NV) and for the retail banking in Albanian (Banka SG Albania), in Bulgarian (SG Express Bank), in Poland (Eurobank), in Serbia (SG Banka Srbija A.D. Beograd), in Macedonia (Ohridska Banka A.D. Skopje), in Moldova (Mobiasbanca Group SG) and in Montenegro (SG Banka Montenegro A.D.) has been reclassified to "Non-current assets held for sale" (See Note 2.5).

(2) Since 1 January 2018, the activity Global Transaction and Payment Services has been transferred from French Retail Banking to Global Banking and Investor Solutions.

(3) The CGU "Africa, Asia, Mediterranean Basin and Overseas" has been renamed "Africa, Mediterranean Basin and Overseas" without consequences on the amount of goodwill.

The Group performed an annual impairment test at 31 December 2018 for each CGU to which goodwill had been allocated. A CGU is defined as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from the Group's other assets or groups of assets. Impairment tests consist into assessing the recoverable value of each CGU and comparing it with its carrying value. An irreversible impairment loss is recorded in the income statement if the carrying value of a CGU, including goodwill, exceeds its recoverable value. This loss is booked to the impairment of goodwill.

The recoverable amount of a cash-generating unit is calculated using the most appropriate method, generally the discounted cash flow (DCF) method applied to the entire cash-generating unit. The cash flows used in this calculation are income available for distribution generated by all the entities included in the cash-generating unit, taking into account the Group targeted equity allocated to each CGU.

The cash flows were determined this year on a five-year period, with the prospective four-year budgets (from 2019 to 2022) extrapolated over the year 2023, this one corresponding to a "normative" year used to calculate the terminal value:

- allocated equity at 31 December 2018 amounted to 11% of risk-weighted assets, excepted for Crédit du Nord, whose allocated equity amounted to 10.5%, in accordance with the entity's management guidelines;
- the discount rate is calculated using a risk-free rate grossed up by a risk premium based on the CGU's underlying activities. This risk premium, specific to each activity, is calculated from a series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta). Where appropriate, the risk-free rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free rate available in the area of monetary assignment (mainly US dollar area or Euro area) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or Euro area), in proportion with risk-weighted assets for CGUs covering several countries;
- the growth rates used to calculate the terminal value is determined using forecasts on long-term economic growth and sustainable inflation. These rates are estimated using two mains sources, namely the International Monetary Fund and the economic analyses produced by SG Cross Asset Research which provide up 2023 forecasts.

No goodwill impairment was recognised as at 31 December 2018 as a result of the annual CGU impairment test.

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

Assumptions at 31 December 2018	Discount rate	Long-term growth rate
French Retail Banking		
Societe Generale network and Crédit du Nord	8%	2%
International Retail Banking and Financial Services		
Retail Banking and Consumer Finance	10.6% to 15.2%	2% to 3%
Insurance	9.1%	2.5%
Equipment and Vendor Finance and Auto Leasing Financial Services	9.6%	2%
Global Banking and Investor Solutions		
Global Markets and Investor Services	11.5%	2%
Financing and Advisory	9.8%	2%
Asset and Wealth Management	9.6%	2%

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

French Retail Banking	
Societe Generale network and Crédit du Nord	■ In a challenging environment (regulatory constraints, low inflation, historically low rates), ongoing efforts to shift operations and relationship banking at Societe Generale and Crédit du Nord towards a digital model ■ Confirmation of Boursorama's customer acquisition plan
International Retail Banking & Financial Services	
Europe	■ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations ■ Strict discipline applied to operating expenses and normalisation of cost of risk
Russia	■ Achievement of recovery of activities in Russia in stabilising economic conditions ■ Strict discipline applied to operating expenses and cost of risk
Africa, Mediterranean Basin and Overseas	■ Continued development of Societe Generale's sales network and expansion of services through the mobile banking offer ■ Continued focus on operating efficiency
Insurance	■ Reinforcement of integrated bank insurance model and continued dynamic growth in France and abroad in synergy with the retail banking network, Private Banking and financial services to businesses
Equipment and Vendor Finance	■ Consolidation of leadership in these corporate financing businesses ■ Consolidation of profitability by continuing to focus on activities with the best risk/reward
Auto Leasing Financial Services	■ Reinforcement of leadership of ALD relative to solutions of mobility and continued growth for the long-time leasing to retail customers
Global Banking and Investor Solutions	
Global Markets and Investor Services	■ Adaptation of market activities to a competitive environment, coupled with further business and regulatory investments. ■ Consolidation of market-leading franchises (equities) and development of prime brokerage activities ■ Continued of optimization measures and investments in information systems
Financing and Advisory	■ Continuation of origination momentum of financing activities ■ Consolidation of market-leading franchises (commodity and structured financing) ■ Management of cost of risk despite challenging economic conditions
Asset and Wealth Management	■ Continued development of synergies with retail bank networks, both in France or abroad, development of synergies between private banking and Asset and Wealth Management, improvement of commercial and operational efficiency

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value of the variation in certain assumptions.

At 31 December 2018, in light of the risks associated with business activity in the current environment (market volatility, regulatory uncertainties), sensitivities to variations in the discount rate, long-term growth were measured.

According to the results of these tests:

- an increase of 50 basis points applied to all discount rates for the CGUs disclosed in the table above would lead to a decrease of 23.9% in recoverable value and would not generate any additional impairment;
- similarly, a decrease of 50 basis points in long-term growth rates would lead to a decrease of 7.7% in recoverable value and would not generate any additional impairment.

NOTE 2.3 Additional disclosures for consolidated entities and investments accounted for using the equity method

This Note provides additional disclosures for entities included in the consolidation scope.

These disclosures concern entities over which Societe Generale exercices exclusive control, joint control or significant influence, provided these entities have significant impact on the Group's consolidated financial statements. The significance of the impact is considered in particular regarding Group consolidated total assets and gross operating income.

NOTE 2.3.1 CONSOLIDATED STRUCTURED ENTITIES

Consolidated structured entities include:

- collective investment vehicles such as SICAVs (open-ended investment funds) and mutual funds managed by the Group's asset management subsidiaries;
- securitisation funds and conduits issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches; and
- asset financing vehicles (aircraft, rail, shipping or real estate finance facilities).

The Group has not provided any financial support to these entities outside of any contractual framework for the closing period and as of 31 December 2018 does not intend to support them financially.

The Group has entered into contractual agreements with certain consolidated structured entities that may lead to financial support for these entities due to their exposure to credit, market or liquidity risks.

Securities issued by structured debt vehicles carry an irrevocable and unconditional guarantee from Societe Generale for payment of amounts due by issuer. These issuers also enter into hedging transactions with Societe Generale to enable them to meet their payment obligations. As of 31 December 2018, the amount of outstanding loans thus guaranteed is EUR 48.3 billion.

As part of its securitization activities on behalf of its clients or investors, Societe Generale grants two liquidity lines to ABCP vehicules (Asset Back Commercial Paper) for a total amount of EUR 21.8 billion as of 31 December 2018.

NOTE 2.3.2. NON-CONTROLLING INTERESTS

Non-controlling interests refer to equity holdings in fully consolidated subsidiaries that are neither directly nor indirectly attributable to the Group. They include equity instruments issued by these subsidiaries and not held by the Group, as well as the share of income and accumulated reserves, and of unrecognised or deferred gains and losses attributable to the holders of these instruments.

Non-controlling interests amounted to EUR 4,783 million at 31 December 2018 (vs. EUR 4,664 million at 31 December 2017) and accounted for 7% of total shareholders' equity at 31 December 2018 (vs. 7% at 31 December 2017).

The *Non-controlling interests*, of significant amount in terms of contribution to the total shareholders' equity in the Group's consolidated balance sheet, relate to:

- listed subsidiaries Komerčni Banka A.S, BRD – Groupe Société Générale SA and SG Marocaine de Banques;
- ALD SA, whose data presented here correspond to those of the ALD group;
- Sogécap, fully owned, with the subordinated notes issued in December 2014.

	31.12.2018				
(In millions of euros)	**Group voting interest**	**Group ownership interest**	**Net income attributable to non-controlling interests**	**Total non-controlling interests**	**Dividends paid during the year to holders of non-controlling interests**
KOMERCNI BANKA A.S	60.73%	60.73%	220	1,437	(122)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	128	623	(94)
ALD GROUP	79.82%	79.82%	120	658	(50)
SG MAROCAINE DE BANQUES	57.57%	57.57%	39	413	(8)
SOGECAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	152	823	(94)
TOTAL	**-**	**-**	**692**	**4,783**	**(401)**

(In millions of euros)	31.12.2017 Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	214	1,390	(104)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	122	634	(43)
ALD GROUP	79.82%	79.82%	68	601	(6)
SG MAROCAINE DE BANQUES	57.53%	57.53%	37	409	(7)
SOGECAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	150	801	(83)
TOTAL	**-**	**-**	**624**	**4,664**	**(276)**

SUMMARISED FINANCIAL INFORMATION FOR MAIN NON-CONTROLLING INTERESTS

The information below are the data of the entities (excluding Sogécap) taken at 100% and before the elimination of intra-group operations.

(In millions of euros)	31.12.2018 Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,227	595	969	40,501
BRD - GROUPE SOCIETE GENERALE SA	636	327	62	11,618
ALD GROUP	1,321	561	408	43,681
SG MAROCAINE DE BANQUES	399	100	128	8,583

(In millions of euros)	31.12.2017 Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,140	567	925	38,655
BRD - GROUPE SOCIETE GENERALE SA	585	310	184	11,701
ALD GROUP	1,272	671	565	37,875
SG MAROCAINE DE BANQUES	384	89	90	7,890

NOTE 2.3.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES AND JOINT VENTURES)

SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES AND ASSOCIATES

	Joint ventures		Associates		Total investments accounted for using the equity method	
(In millions of euros)	2018	2017	2018	2017	2018	2017
Group share:						
Net income	5	19	51	73	56	92
Unrealised or deferred gains and losses (net of tax)		-	(3)	(14)	(3)	(14)
NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES	**5**	**19**	**48**	**59**	**53**	**78**

COMMITMENTS TO RELATED PARTIES

(In millions of euros)	31.12.2018	31.12.2017
Loan commitments granted	-	-
Guarantee commitments granted	54	75
Forward financial instrument commitments	142	6

NOTE 2.3.4 RESTRICTIONS

SIGNIFICANT RESTRICTIONS ON THE ABILITY TO ACCESS OR USE THE ASSETS OF THE GROUP

Legal, regulatory, statutory or contractual constraints or requirements may restrict the ability of the Group to transfer assets freely to or from entities within the Group.

The ability of consolidated entities to distribute dividends or to grant or repay loans and advances to entities within the Group depends on, among other things, local regulatory requirements, statutory reserves and financial and operating performance. Local regulatory requirements may concern regulatory capital, exchange controls or non-convertibility of the local currency (as it is the case in countries belonging to the West African Economic and Monetary Union or to the Economic and Monetary Community of Central Africa), liquidity ratios (as in the United States) or large exposures ratios that aim to cap the entity's exposure in relation to the Group (regulatory requirement to be fulfilled in most countries in Eastern and Central Europe, Maghreb and sub-Saharan Africa).

The ability of the Group to use assets may also be restricted in the following cases:

- assets pledged as security for liabilities, notably guarantees provided to the central banks, or assets pledged as security for transactions in financial instruments, mainly through guarantee deposits with clearing houses;
- securities that are sold under repurchase agreements or that are lent;
- assets held by insurance subsidiaries in representation of unit-linked liabilities with life-insurance policy holders;
- assets held by consolidated structured entities for the benefit of the third-party investors that have bought the notes or securities issued by the entity;
- mandatory deposits placed with central banks.

NOTE 2.4 Unconsolidated structured entities

The information provided hereafter concerns entities structured but not controlled by the Group. This information is grouped by main type of similar entities, such as Financing activities, Asset management and Others (including Securitisation and Issuing vehicules).

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

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

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

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

NOTE 2.4.1 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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

Such interests can be evidenced by:

- the holding of equity or debt instruments (regardless of their rank of subordination);
- other funding (loans, cash facilities, loan commitments, liquidity facilities…);
- credit enhancement (guarantees, subordinated instruments, credit derivatives…);
- issuance of guarantees (guarantee commitments);
- derivatives that absorb all or part of the risk of variability of the structured entity's returns, except Credit Default Swap (CDS) and options purchased by the Group;
- contracts remunerated by fees indexed to the structured entity's performance;
- tax consolidation agreements.

	Asset financing		Asset management		Others	
(In millions of euros)	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total balance sheet[1] of the entity	**7,900**	**8,777**	**121,154**	**102,355**	**27,464**	**41,067**
Net carrying amount of Group interests in unconsolidated structured entities						
Assets	**3,232**	**3,629**	**5,596**	**10,452**	**10,645**	**13,054**
Financial assets at fair value through profit or loss	384	411	4,964	9,906	5,509	7,819
Financial assets at fair value through other comprehensive income	-		-		56	
Available-for-sale financial assets		85		14		556
Due from banks and customer loans at amortised cost	1,880	3,127	447	458	3,887	4,677
Securities at amortised cost	963		15		1,193	
Others	5	6	170	74	-	2
Liabilities	**1,533**	**1,641**	**4,701**	**11,180**	**5,680**	**7,580**
Financial liabilities at fair value through profit or loss	198	225	3,122	9,549	4,845	6,699
Due to banks and customer deposits	1,313	1,389	1,487	1,580	830	876
Others	22	27	92	51	5	5

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

The Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2018, did not have any intention to provide such support.

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

- the amortised cost or fair value(1) for non-derivative financial assets entered into with the structured entity depending on how they are measured on the balance sheet;
- the fair value(1) of derivative financial assets recognised in the balance sheet;
- the notional amount of written Credit Default Swaps (maximum amount to pay);
- the notional amount of loan commitments or guarantee commitments granted.

	Asset financing		Asset management		Others	
(In millions of euros)	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Amortised cost or fair value(1) (according to the measurement of the financial instrument) of non-derivative financial assets entered into with the structured entity	2,910	3,190	5,227	5,993	2,450	3,229
Fair value(1) of derivative financial	248	283	1,268	5,990	4,309	6,295
Notional amount of CDS sold (maximum amount to be paid)	-	-	-	-	-	-
Notional amount of loan or guarantee commitments granted	387	535	1,355	1,536	1,198	788
Maximum exposure to loss	**3,545**	**4,008**	**7,850**	**13,519**	**7,957**	**10,312**

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

- the notional amount of guarantee commitments received;
- the fair value(1) of collateral received;
- the carrying amount of surety deposits received.

These mitigating amounts must be capped in case of legal or contractual limitation of their realisable or recoverable amounts. They amounted to EUR 2,407 million and mainly concern Asset financing.

(1) Fair value at the closing date. This fair value can change during the previous exercises.

NOTE 2.4.2 INFORMATION ON UNCONSOLIDATED STRUCTURED ENTITIES SPONSORED BY THE GROUP

The Group may have no ownership interest in a structured entity, but still be considered as a sponsor of this structured entity if it acts or has acted as:

- a structurer;
- an originator for potential investors;
- an asset manager;
- an implicit or explicit guarantor of the entity's performance (in particular via capital or return guarantees granted to mutual fund unit holders).

A structured entity is also considered to be sponsored by the Group if its name includes the name of the Group or the name of one of its subsidiaries.

Conversely, entities that are structured by the Group according to specific needs expressed by one or more customers or investors are considered to be sponsored by said customers or investors.

At 31 December 2018, the total amount of the balance sheet of these unconsolidated structured entities, sponsored by the Group, and in which the Group does not have any interest, was EUR 4,518 million (including EUR 1,708 million for Other structures).

In 2018, no significant revenue has been recognized for theses structured entities.

NOTE 2.5 Non-current assets held for sale and related debt

ACCOUNTING PRINCIPLES

A non-current asset or group of assets and liabilities is deemed to be "held for sale" if its carrying value will primarily be recovered through a sale and not through its continuing use. For this classification to apply, the asset or group of assets and liabilities must then be immediately available-for-sale in its present condition and it must be highly probable that the sale will occur within twelve months.

For this to be the case, the Group must be committed to a plan to sell the asset (or disposal group if assets and liabilities) and have begun actively searching for a buyer. Furthermore, the asset or group of assets and liabilities must be measured at a price that is reasonable in relation to its current fair value.

Assets and liabilities into this category are classified as *Non-current assets held for sale* and *Non-current liabilities held for sale*, with no netting.

If the fair value less selling costs of non-current assets and groups of assets and liabilities held for sale is less that their net carrying value, an impairment is then recognized in profit or loss. Moreover, *Non-current assets held for sale* are no longer amortised or depreciated.

(In millions of euros)	31.12.2018	31.12.2017
Assets	**13,502**	**13**
Fixed assets and Goodwill	262	6
Financial assets	11,245	7
Financial assets at fair value through profit or loss	*111*	*7*
Hedging derivatives	-	-
Financial assets at fair value through equity	*1,429*	-
Securities measured at the amortised cost	*59*	-
Due from banks	*324*	-
Customer loans	*9,322*	-
Other assets	1,995	-
Liabilities	**10,454**	**-**
Provisions	22	-
Financial liabilities	10,309	-
Financial liabilities at fair value through profit or loss	*2*	-
Hedging derivatives	-	-
Debt securities issued	*116*	-
Due to banks	*596*	-
Customer deposits	*9,595*	-
Subordinated debt	-	
Other liabilities	123	-

The *Non-current assets held for sale* and *Non-current liabilities held for sale* items mainly encompass the assets and liabilities of the Group's Albanian, Bulgarian, Polish, Serbian, Moldavian, Montenegrin and Macedonian retail banking arms (Banka SG Albania, SG Express Bank, Eurobank, SG Banka Srbija A.D. Beograd, Mobiasbanca Groupe SG, SG Banka Montenegro A.D., Ohridska Banka A.D. Skopje), the assets and liabilities of the Spanish online banking (Self Trade Bank SA), the assets and liabilities of the Belgian private bank (SG Private Banking NV), the assets and liabilities related to the South African securities services activity (SG Johannesburg), and the equity accounted investment in La Banque Postale Financement.

The principle applied whereby some *Non-current assets held for sale* (mostly goodwill and fixed assets) are assessed at their lowest accounting value and lowest net fair value for the disposal costs means that all or part of any expected capital loss from the sale of an asset group can be allocated as soon as these assets are reclassified under *Non-current assets held for sale*. In this context, the impairment cost recognised by the Group at 31 December 2018 amounts to EUR -273 million under *Net gains or losses from other assets*.

NOTE 3 FINANCIAL INSTRUMENTS

MAKE IT SIMPLE

The financial instruments represent the contractual rights or obligations to receive or to pay cash or other financial assets. The Group's banking activities generally take the form of financial instruments covering a broad spectrum of assets and liabilities, such as loans, investment portfolios (equity, bonds, etc.), deposits, regulated savings accounts, debt securities issued and derivative instruments (swaps, options, forward contracts, credit derivatives, etc.).

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

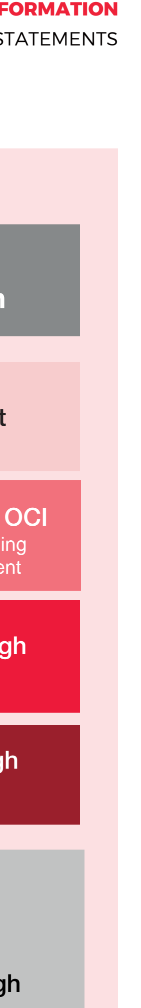
However, this distinction is not applicable to derivative instruments, which are always measured at fair value in the balance sheet, no matter what their purpose is (market activities or hedging transactions).

ACCOUNTING PRINCIPLES

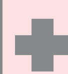
Accounting principles applicable to financial instruments up to 31 December 2017 are presented in the Note 8.8. Accounting principles presented in this Note 3 are those applied as from 1 January 2018 according to the IFRS 9 provisions excluding insurance activities (see Note 4.3).

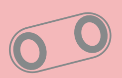
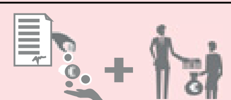
Classification of financial assets

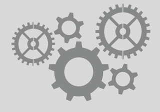
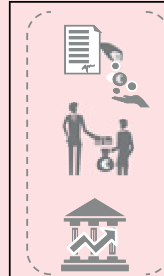
At initial recognition, financial instruments are classified in the Group balance sheet in one of three categories (amortised cost, fair value through profit or loss, and fair value through other comprehensive income) that determine their accounting treatment and subsequent measurement method. Classification is based on their contractual cash flow characteristics and the entity's business model for managing the assets.



Cash flow characteristics	+	Business model	=	Accounting classification
SPPI (Solely Payments of Principal and Interest) • Basic debt financial assets		Collecting contractual cash flows		Amortised cost
		Collecting contractual cash flows and selling		Fair value through OCI *with* subsequent recycling in the income statement
		Trading portfolio		Fair value through profit or loss
		+ Fair value option *(to eliminate or reduce an accounting mismatch)*		Fair value through profit or loss
NON – SPPI • Complex debt financial assets • Equity financial assets • Derivatives		Regardless of the business model		Fair value through profit or loss
		+ Fair value through OCI option without subsequent recycling in the income statement *(non-trading equity financial assets)*		Fair value through OCI *without* subsequent recycling in the income statement



The accounting principles for classifying financial assets require the entity to analyse the contractual cash flows generated by the financial instruments and to analyse the business model for managing the financial instruments.

Analysis of contractual cash flow characteristics

The aim of the analysis of contractual cash flow characteristics is to limit exclusively the recognition of revenues from financial assets using the effective interest method to the instruments whose characteristics are similar to those of a basic lending arrangement, meaning their associated cash flows are highly predictable. All other financial instruments that do not share these characteristics are measured at fair value through profit or loss, regardless of the business model used to manage them.

Contractual cash flow that represent solely payments of principal and interest (SPPI) on the principal amount outstanding are consistent with a basic lending arrangement.

In a basic lending arrangement, interest predominantly consists of a consideration for the time value of money and for credit risk. Interest may also include a consideration for liquidity risk, administrative costs, and a commercial profit margin. Negative interest is not inconsistent with this definition.

All financial assets that are not basic will be mandatorily measured at fair value through profit or loss, regardless of the business model for managing them.

Derivatives qualifying as hedging instruments for accounting purposes are recorded on a separate line in the balance sheet (see Note 3.2).

The Group can make the irrevocable decision, on a security-by-security basis, to classify and measure an investment in an equity instrument (shares and other equity securities) that is not held for trading purposes at fair value through other comprehensive income. Subsequently, the profit or loss accumulated in other comprehensive income will never be reclassified into profit or loss (only dividends from those investments will be recognised as income).

Analysis of the business model

The business model represents how the financial instruments are managed in order to generate cash flows and income.

The Group uses several business models in the course of exercising its different business lines. Business models are assessed on how groups of financial instruments are managed together to achieve a particular business objective. The business model is not assessed on an instrument-by-instrument basis, but at a portfolio level, considering relevant evidence such as:

- how the performance of the portfolio is evaluated and reported to the Group's management;
- how risks related to financial instruments within that business model are managed;
- how managers of the business are compensated;
- sales of assets realised or expected (value, frequency, purpose).

To determine the classification and measurement of financial assets, three different business models shall be distinguished:

- a business model whose objective is to collect contractual cash flows ("Collect" business model);
- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("Collect and Sell" business model);
- and a separate business model for other financial assets, especially those that are held for trading purposes, where collecting contractual cash flows is only incidental.

Fair value option

SPPI financial assets that are not held for trading purposes can be designated, at initial recognition, at fair value through profit or loss if such designation eliminates or significantly reduces discrepancies in the accounting treatment of related financial assets and liabilities (accounting mismatch).

Classification of financial liabilities

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

- *Financial liabilities at fair value through profit or loss*: these are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Group upon initial recognition to be measured at fair value through profit or loss using the fair value option;
- *Debts*: these include the other non-derivative financial liabilities and are measured at amortised cost.

Derivative financial assets and liabilities qualifying as hedging instruments are presented on separate lines of the balance sheet (see Note 3.2).

Reclassification of financial assets

Reclassification of financial assets are only required in the exceptional event that the Group changes the business model used to manage these assets.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation methods used by the Group to establish the fair value of financial instruments are detailed in Note 3.4.

Initial recognition

Financial assets are recognised on the balance sheet:

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

For instruments measured at fair value, changes in fair value between the trade date and the settlement-delivery date are recorded in net income statement or in other comprehensive income, depending on the accounting classification of the financial assets in question. The trade date is the date on which the contractual commitment becomes binding and irrevocable for the Group.

When initially recognised, financial assets and liabilities are measured at fair value including transaction costs directly attributable to their acquisition or issuance, except for financial instruments recognised at fair value through profit or loss, for which these costs are booked directly to the income statement.

If the initial fair value is based on observable market data, any difference between the fair value and the transaction price, *i.e.* the sales margin, is immediately recognised in the income statement. However, if valuation inputs are not observable or if the valuation models are not recognised by the market, the recognition of the sales margin is then generally recognised in the income statement in a delayed manner. For some instruments, due to their complexity, this margin is recognised at their maturity or upon disposal in the event of early sale. When valuation inputs become observable, any portion of the sales margin that has not yet been recorded is recognised in the income statement at that time (see Note 3.4.7).

Derecognition of financial assets and liabilities

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to ownership of the asset.

The Group also derecognises financial assets over which it has retained the contractual rights to the associated cash flows but is contractually obligated to pass these same cash flows through to a third party (“pass-through agreement”) and for which it has transferred substantially all the risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and, where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset’s transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the income statement for an amount equal to the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealised profit or loss previously recognised directly in equity and for the value of any servicing asset or servicing liability. Indemnities billed to borrowers following the prepayment of their loan are recorded in the income statement on the prepayment date among *Interest and similar income*.

The Group derecognises all or part of a financial liability when it is extinguished, *i.e.* when the obligation specified in the contract is discharged, cancelled or expired.

A financial liability may also be derecognised in the event of a substantial amendment to its contractual conditions or where an exchange is made with the lender for an instrument whose contractual conditions are substantially different.

ANALYSIS OF CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS

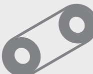
The Group has established procedures for determining if financial assets pass the SPPI test at initial recognition (loans granting, acquisition of securities, etc.).

All contractual terms shall be analysed, particularly those that could change the timing or amount of contractual cash flows. A contractual term that permits the borrower or the lender to prepay or to return the debt instrument to the issuer before maturity remains consistent with SPPI cash flows, provided the prepayment amount primarily represents the principal remaining due and accrued but unpaid contractual interest, which may include a reasonable compensation. The fact that such compensation can be either positive or negative is not inconsistent with the SPPI nature of cash flows.

The prepayment compensation is considered as reasonable especially when:

- the amount is calculated as a percentage of the outstanding amount of the loan and is capped by regulations (in France, for example, compensation for the prepayment of mortgage loans by individuals is legally capped at an amount equal to six months of interest or 3% of the principal outstanding), or is limited by competitive market practices;
- the amount is equal to the difference between contractual interest that should have been received until the maturity of the loan and the interest that would be obtained by the reinvestment of the prepaid amount at a rate that reflects the relevant benchmark interest rate.

Some loans are prepayable at their current fair value, while others can be prepayable at an amount that includes the fair value cost to terminate an associated hedging swap. It is possible to consider such prepayment amounts as SPPI provided that they reflect the effect of changes in the relevant benchmark interest rate.



Basic financial assets (SPPI) are debt instruments which mainly include:

- fixed-rate loans,
- variable-rate loans that can include caps or floors,
- fixed or variable-rate debt securities (government or corporate bonds, other negotiable debt securities),
- securities purchased under resale agreements (reverse repos),
- guarantee deposits paid,
- trade receivables.

Contractual terms that would introduce exposure to risks or volatility in the contractual cash flows, unrelated to a basic lending arrangement (such as exposure to changes in equity prices or stock indexes for instance, or leverage features), could not be considered as being SPPI, except if their effect on the contractual cash flows remains minimum.

Non-basic financial assets (non-SPPI) mainly include:

- derivative instruments,
- shares and other equity instruments held by the entity,
- equity instruments issued by mutual funds,
- debt financial assets that can be converted or redeemed into a fixed number of shares (convertible bonds, equity-linked securities, etc.).

When the time value component of interest can be modified according to the contractual term of the instrument, it may be necessary to compare the contractual cash flow with the cash flow that would arise from a benchmark instrument. For instance, that is the case when an interest rate is periodically reset, but the frequency of that reset does not match the tenor of the interest rate (such as an interest rate reset every month to a one-year rate), or when the interest rate is periodically reset to an average of short- and long-term interest rates.

If the difference between the undiscounted contractual cash flows and the undiscounted benchmark cash flows is or may become significant, then the instrument is not considered basic.

Depending on the contractual terms, the comparison with benchmark cash flow may be performed through a qualitative assessment; but in other cases, a quantitative test is required. The difference between contractual and benchmark cash flows has to be considered in each reporting period and cumulatively over the life of the instrument. When performing this benchmark test, the entity considers factors that could affect future undiscounted contractual cash flows: using the yield curve at the date of the initial assessment is not enough, and the entity also has to consider whether the curve could change over the life of the instrument according to reasonably possible scenarios.

Within the Group, the financial instruments concerned by a benchmark test include, for instance, variable-rate housing loans for which interest rates are reset every year based on the twelve-month Euribor average observed over the two months previous to the reset. Another example is loans granted to real estate professionals for which interest is revised quarterly based on the one-month Euribor average observed over the three months previous to the reset. Following the benchmark analysis performed by the Group, it has been concluded that these loans are basic.

Furthermore, a specific analysis of contractual cash flow is required when financial assets are instruments issued by a securitisation vehicle or a similar entity that prioritises payments to holders using multiple contractually-linked instruments that create concentrations of credit risk (tranches). When assessing whether contractual cash flows are SPPI or not, the entity must analyse the contractual terms, as well as the credit risk of each tranche and the exposure to credit risk in the underlying pool of financial instruments. To that end, the entity must apply a “look-through approach” to identify the underlying instruments that are creating the cash flows.

COMPARATIVE DATA

For the balance sheet items impacted by the first time application of IFRS 9, comparative data presented throughout Note 3 are the balances at 1 January 2018. These amounts constitute the balances at 31 December 2017, corrected for reclassifications and value adjustments resulting from the first-time application of IFRS 9 (see Note 1).

The comparative data at 31 December 2017 are available in the consolidated financial statements for financial year 2017, presented in the Chapter 6 of the 2018 Registration Document of the Societe Generale Group, whereas the accounting policies applicable to financial instruments at 31 December 2017 are detailed in Note 8.8.

Furthermore, the Group has elected that all its insurance subsidiaries will defer the effective date of IFRS 9 and will continue to apply IAS 39 as adopted by the European Union. As of 1 January 2018, the financial assets and liabilities of these subsidiaries, and the related income, are presented on separate lines in the balance sheet (*Investments of insurance activities* and *Insurance contracts related liabilities*) and in the income statement (*Net income from insurance activities*). Consequently, the data for financial year 2018 presented in Note 3 exclude the financial instruments of insurance subsidiaries (the data for insurance subsidiaries are presented in Note 4.3).

The information on the types of risks, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, are disclosed in Chapter 4 of the present Registration Document (Risks and capital adequacy).

NOTE 3.1 Financial assets and liabilities at fair value through profit or loss

OVERVIEW OF IFRS 9 TRANSITION (SEE COMMENTS IN NOTE 1)

		Reclassifications						
(In millions of euros)	Balance at 31.12.2017 IAS 39	of investments and liabilities related to insurance activities	of available -for-sale financial assets	of non-SPPI loans and receivables	of loans and receivables regarding the business model	Others	Value adjust-ments	Balance at 01.01.2018 IFRS 9
Financial assets at fair value through profit or loss								
Trading portfolio	342,616	(699)	737	-	644	586	(47)	343,837
Financial assets mandatorily at fair value through profit or loss	N/A	-	1,685	19,992	-	61	(169)	21,569
Financial assets at fair value through profit or loss using the fair value option	77,064	(53,899)	-	(19,349)	-	(110)	-	3,706
TOTAL	**419,680**	**(54,598)**	**2,422**	**643**	**644**	**537**	**(216)**	**369,112**
Financial liabilities at fair value through profit or loss								
Trading portfolio	288,689	(759)	-	-	-	604	-	288,534
Financial liabilities at fair value through profit or loss using the fair value option	80,016	-	-	-	-	-	-	80,016
TOTAL	**368,705**	**(759)**	**-**	**-**	**-**	**604**	**-**	**368,550**

OVERVIEW OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2018		01.01.2018	
(In millions of euros)	Assets	Liabilities	Assets	Liabilities
Trading portfolio	338,312	285,478	343,837	288,534
Financial instruments mandatorily at fair value through profit or loss	24,057		21,569	
Financial instruments at fair value through profit or loss using the fair value option	3,181	77,605	3,706	80,016
TOTAL	**365,550**	**363,083**	**369,112**	**368,550**
o/w securities purchased/sold under resale/repurchase agreements	*129,628*	*98,874*	*101,414*	*105,737*

NOTE 3.1.1 TRADING PORTFOLIO

ACCOUNTING PRINCIPLES

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

This portfolio also includes, among other trading assets, physical commodities that are held by the Group as part of its market-maker activity on commodity derivative instruments.

By default, derivative financial instruments are classified into the trading portfolio, unless they qualify as hedging instruments (see Note 3.2).

The financial instruments recorded in the trading portfolio are measured at fair value at the balance sheet date and recognised in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in their fair value and revenues associated to those instruments are recorded in the income statement as *Net gains and losses on financial instruments at fair value through profit or loss*.

TRADING ACTIVITIES

Financial assets held for trading are:

- acquired with the intention of selling them in the short term; or
- held for market-making purposes; or
- acquired for the purposes of the specialised management of a trading portfolio, including derivative financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Global market activities

The trading business model is applied by Global Banking and Investor Solutions to manage its global market activities.

It is also applied for managing syndicated loan commitments and loans that are not intended to be kept by the Group and that have been identified since their origination as to be sold in the short term (within 6 to 12 months) on the secondary market, as well as for loans originated by the Group through originate-to-distribute activities and that are expected to be sold shortly.

Financial assets held in run-off portfolios are also monitored based on their fair value. Although those portfolios are not related to market activities, those assets are presented amongst trading portfolio and are measured at fair value through profit or loss.

These financial assets include tranches of CDOs (Collateralised Debt Obligations) or ABS (Asset-Backed Securities) in which the Group still holds residual lines subject to gradual disposals. In 2008, these financial assets had been reclassified to *Loans* and *receivables* and were transferred to *Financial assets at fair value through profit or loss at 1 January 2018* as a result of the first-time application of IFRS 9.

Trading portfolio includes all the financial assets held for trading purpose regardless of the characteristics of their contractual cash flows. Only non-SPPI financial assets that are not held for trading are classified amongst *Financial assets measured mandatorily at fair value through profit or loss (see Note 3.1.2* below).

ASSETS

(In millions of euros)	31.12.2018	01.01.2018
Bonds and other debt securities	29,732	28,006
Shares and other equity securities	49,297	80,059
Loans and securities purchased under resale agreements	135,861	101,110
Trading derivatives[(1)]	122,983	134,291
Other transaction assets	439	371
TOTAL	**338,312**	**343,837**
o/w securities lent	*12,411*	*15,807*

(1) See Note 3.2 Financial derivatives.

LIABILITIES

(In millions of euros)	31.12.2018	01.01.2018
Amounts payable on borrowed securities	51,264	34,844
Bonds and other debt instruments sold short	6,231	5,416
Shares and other equity instruments sold short	1,248	1,002
Borrowings and securities sold under repurchase agreements	98,299	104,090
Trading derivatives[(1)]	126,946	142,369
Other trading liabilities	1,490	813
TOTAL	**285,478**	**288,534**

(1) See Note 3.2 Financial derivatives.

NOTE 3.1.2 FINANCIAL INSTRUMENTS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING PRINCIPLES

Financial assets measured mandatorily at fair value through profit or loss include:

- loans, bonds and bond equivalents that are not held for trading purposes and do not pass the SPPI test (non-basic or non-SPPI instruments);
- shares and share equivalents that are not classified in any other sub-category: trading book at fair value through profit or loss, instruments designated by the Group at fair value through other comprehensive income without subsequent reclassification to profit or loss.

These assets are recorded at fair value in the balance sheet under *Financial assets at fair value through profit or loss* and changes in the fair value of these instruments (excluding interest income) are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*.

BREAKDOWN OF FINANCIAL ASSETS MEASURED MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

(In millions of euros)	31.12.2018	01.01.2018
Bonds and other debt securities	158	159
Shares and other equity securities	1,996	1,560
Loans and receivables and securities purchased under resale agreements	21,903	19,850
TOTAL	**24,057**	**21,569**

BREAKDOWN OF LOANS AND RECEIVABLES AND SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(In millions of euros)	31.12.2018	01.01.2018
Short-term loans	2,354	1,316
Equipment loans	15,796	14,325
Other loans	3,753	4,209
TOTAL	**21,903**	**19,850**

The loans and receivables recorded in the balance sheet under *Financial assets at fair value through profit or loss* are mainly:

- loans that include prepayment features with compensation that do not reflect the effect of changes in the benchmark interest rate;
- loans that include indexation clauses that do not permit to recognize as basic loans (SPPI).

Until 31 December 2017, almost all these loans were classified as *Financial assets measured at fair value option through profit or loss* in order to eliminate or significantly reduce accounting mismatches with hedging derivatives that were not accounted for as hedging instruments, or in order to avoid the separate recognition of embedded derivatives.

At 1 January 2018, only EUR 643 million were reclassified from *Loans and receivables* into *Financial assets mandatorily measured at fair value through profit or loss*.

NOTE 3.1.3 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS USING FAIR VALUE OPTION

ACCOUNTING PRINCIPLES

In addition to financial assets and liabilities held for trading, and financial assets measured mandatorily at fair value through profit or loss, the same headings in the financial statements include non-derivative financial assets and liabilities that the Group has designated at fair value through profit or loss. Changes in the fair value of these instruments (including interest) are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*, except the share related to the Group's own credit risk on financial liabilities which is booked under *Unrealised or deferred gains and losses*.

Furthermore, in case of derecognition of a financial liability at fair value through profit or loss using the fair value option before its contractual maturity, gains and losses, if any, related to the Group's own credit risk are booked under *Unrealised or deferred gains and losses* and then reclassified under *Retained earnings* at the beginning of the subsequent financial year.

For financial assets, this option may only be used to eliminate or significantly reduce accounting mismatches that would otherwise arise from applying different accounting treatments to certain related financial assets and liabilities.

For financial liabilities, this option may only be used in the following cases:

- to eliminate or reduce discrepancies in the accounting treatment of certain related financial assets and liabilities;
- when it applies to a hybrid financial instrument with one or more embedded derivatives, which should be recognised separately;
- when a group of financial assets and/or liabilities is managed together and its performance is measured at fair value.

The Group thus recognises structured bonds issued by Societe Generale Corporate and Investment Banking at fair value through profit or loss. These issues are purely commercial and the associated risks are hedged on the market using financial instruments managed in trading portfolios. By using the fair value option, the Group can ensure consistency between the accounting treatment of these bonds and that of the derivatives hedging the associated market risks, which have to be carried at fair value.

ASSETS

(In millions of euros)	31.12.2018	01.01.2018
Bonds and other debt securities	1,310	1,045
Loans and securities purchased under resale agreements	819	2,119
Separate assets for employee benefits plans[1]	1,052	542
TOTAL	**3,181**	**3,706**

(1) See Note 5.2.1

LIABILITIES

Financial liabilities measured at fair value through profit or loss in accordance with the fair value option predominantly consist of structured bonds issued by the Societe Generale Group.

Changes in fair value attributable to own credit risk generated a gain of EUR 529 million at 31 December 2018, which was recognised in other comprehensive income. Up to this date, the total gains and losses attributable to own credit risk amounted to EUR -195 million (see "Statement of net income and unrealised or deferred gains and losses" and "Changes in shareholders' equity").

At 31 December 2017, changes in fair value attributable to own credit risk were recognised in the income statement.

The revaluation differences attributable to the Group's issuer credit risk are determined using valuation models taking into account the Societe Generale Group's most recent financing terms and conditions on the markets and the residual maturity of the related liabilities.

At 31 December 2018, the difference between the fair value of financial liabilities measured using the fair value option through profit or loss (EUR 77,605 million versus EUR 80,016 million at 31 December 2017) and their amount redeemable at maturity (EUR 78,080 million versus EUR 79,597 million at 31 December 2017) stood at EUR -475 million (EUR 419 million at 31 December 2017).

NOTE 3.1.4 NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(In millions of euros)	**2018**	**2017**
Net gain/loss on trading portfolio (excluding derivatives)	(6,091)	10,440
Net gain/loss on financial instruments at fair value through profit or loss[1][2]	941	
Net gain/loss on financial instruments measured using fair value option	4,277	(5,131)
Net gain/loss on derivative instruments	6,263	(1,272)
Net gain/loss on hedging transactions[3]	35	-
Net gain/loss on fair value hedging derivatives	*(947)*	*(2,746)*
Revaluation of hedged items attributable to hedged risks[4]	*982*	*2,746*
Net gain/loss on foreign exchange transactions	(306)	1,076
TOTAL OF NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**5,119**	**5,113**
o/w gains on financial instruments at fair value through other comprehensive income	*103*	

(1) This item includes realised and unrealised gains and losses on debt and equity instruments, with the exception of the income component of debt instruments representative of an interest rate, which is recorded under net interest margin (see Note 3.7).

(2) This item includes realised and unrealised gains during the financial year on Euribor securities in the amount of EUR 319 million.

(3) This item includes only the net gain/loss on hedging transactions related to financial instruments. For the hedging transactions related to non-financial assets and liabilities, the net gain/loss on hedging transactions is included under the profit and loss account of the hedged item.

(4) This item includes the revaluation of fair value hedged items, including the change in revaluation differences in portfolios hedged against interest rate risk.

Insofar as income and expenses recorded in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole. It should be noted that the income shown here does not include the refinancing cost of these financial instruments, which is shown under interest expense and interest income.

NOTE 3.2 Financial derivatives

MAKE IT SIMPLE

Derivative instruments are financial instruments for which the value changes according to that of an underlying item and can be accompanied by a leverage effect. The items underlying these instruments are various (interest rates, exchange rates, equity, indexes, commodities, credit rating…), as are their forms (forward contracts, swaps, calls and puts…).

The Group may use these derivative instruments for their market activities to provide to its customers solutions to meet their risk management or revenue optimisation needs. In that case, they are accounted for as trading derivatives.

The Group may also use derivative instruments to manage and hedge its own risks. In which case, they are qualified as hedging derivatives. Hedging transactions can concern individual items or transactions (micro-hedging relationships) or portfolios of financial assets and liabilities that can generate a structural interest-rate risk (macro-hedging relationships).

Contrary to other financial instruments, derivative instruments are always measured at fair value in the balance sheet, regardless their purpose (market activities or hedging transactions). The fair value adjustments of trading derivatives are directly recognised in the income statement. However, the accounting method used on hedging transactions aims to neutralise in the income statement the effects of the revaluation of hedging derivatives, as long as the hedge is effective.

ACCOUNTING PRINCIPLES

Derivatives are financial instruments meeting the following three criteria:

- their value changes in response to the change in a specified interest rate, foreign exchange rate, share price, index of prices, commodity price, credit rating, etc.;
- they require little to no initial investment;
- they are settled at a future date.

All financial derivatives are recognised at fair value in the balance sheet as financial assets or financial liabilities. They are considered to be trading derivatives by default, unless they are designated as hedging instruments for accounting purposes.

Special case - Financial derivatives having Societe Generale shares as their underlying instrument

Financial derivatives having Societe Generale shares as their underlying instrument or shares in Group subsidiaries and whose liquidation entails the payment of a fixed amount in cash (or another financial asset) against a fixed number of Societe Generale shares (other than derivatives) are equity instruments. These instruments, and any related premiums paid or received, are recognised directly in equity, and any changes in the fair value of these derivatives are not recorded. For sales of put options on Societe Generale shares and forward on Societe Generale shares, a debt is recognised for the value of the notional with a contra entry in equity.

Other financial derivatives having Societe Generale shares as their underlying instrument are recorded in the balance sheet at fair value in the same manner as derivatives with other underlying instruments.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host instrument.

Where the host contract is a financial asset, the entire hybrid contract is measured at fair value through profit or loss because its contractual cash flows do not pass the SPPI test.

Where the host contract is a financial liability and is not measured at fair value through profit or loss, the Embedded derivative is separated from the host contract if:

- at acquisition, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; and
- it would meet the definition of a derivative.

Once separated, the derivative is recognised at fair value in the balance sheet under *Financial assets* or *Financial liabilities at fair value through profit or loss* under the aforementioned conditions. The host contract is classified as a financial liability and measured in accordance with its accounting category.

NOTE 3.2.1 TRADING DERIVATIVES

ACCOUNTING PRINCIPLES

Trading derivatives are recorded in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*.

Changes in the fair value of financial derivatives involving counterparties which subsequently went into default are recorded under *Net gains and losses on financial instruments at fair value through profit or loss* until the termination date of these instruments. At this termination date, receivables and debts on these counterparties are recognised at fair value in the balance sheet. Any further impairment of these receivables is recognised under *Cost of risk* in the income statement.

BREAKDOWN OF TRADING DERIVATIVES

	31.12.2018		01.01.2018	
(In millions of euros)	Assets	Liabilities	Assets	Liabilities
Interest rate instruments	74,253	73,835	89,508	92,183
Foreign exchange instruments	19,246	19,466	16,553	17,797
Equities & index Instruments	21,450	23,675	19,959	22,732
Commodities Instruments	5,708	6,081	5,948	6,070
Credit derivatives	2,224	2,704	2,245	2,562
Other forward financial instruments	102	1,185	78	1,025
TOTAL	**122,983**	**126,946**	**134,291**	**142,369**

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentration and to implement a proactive risk and capital management approach. All credit derivatives, regardless of their purpose, are measured at fair value through profit or loss and cannot be qualified as hedging instruments for accounting purposes. Accordingly, they are recognised at fair value among trading derivatives.

BREAKDOWN OF TRADING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

(In millions of euros)	31.12.2018	01.01.2018
Interest rate instruments	**11,489,020**	**12,222,014**
Firm instruments	9,476,579	10,039,177
Swaps	*7,868,534*	*7,984,206*
FRAs	*1,608,045*	*2,054,971*
Options	2,012,441	2,182,837
Foreign exchange instruments	**3,823,369**	**3,261,527**
Firm instruments	2,661,823	2,455,220
Options	1,161,546	806,307
Equity and index instruments	**1,086,822**	**913,578**
Firm instruments	154,988	135,363
Options	931,834	778,215
Commodities instruments	**190,706**	**189,203**
Firm instruments	139,558	149,532
Options	51,148	39,671
Credit derivatives	**293,463**	**312,198**
Other forward financial instruments	**38,423**	**35,303**
TOTAL	**16,921,803**	**16,933,823**

NOTE 3.2.2 HEDGING DERIVATIVES

According to the transitional provisions of IFRS 9, the Group made the choice to maintain the IAS 39 provisions related to hedge accounting. Consequently, equity instruments do not qualify for hedge accounting regardless of their accounting category.

ACCOUNTING PRINCIPLES

In order to be hedged against certain market risks, the Group sets up hedging derivatives. From an accounting standpoint, the Group designates the hedging transaction as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation, depending on the risk and on the instruments that are hedged.

To designate an instrument as a hedging derivative, the Group must document the hedging relationship in detail, from the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged and the associated risk management strategy, the type of financial derivative used and the valuation method that will be used to measure its effectiveness.

A derivative designated as a hedging instrument must be highly effective in offsetting the change in fair value or cash flows arising from the hedged risk. This effectiveness is verified when changes in the fair value or cash flows of the hedged instrument are almost entirely offset by changes in the fair value or cash flows of the hedging instrument, with the expected ratio between the two changes ranging from 80% to 125%. Effectiveness shall be assessed both when the hedge is first set up and throughout its life. Effectiveness is measured each quarter prospectively (expected effectiveness over the future periods) and retrospectively (effectiveness measured on past periods). Where the effectiveness falls outside the range specified above hedge accounting in discontinued.

Hedging derivatives are recognised in the balance sheet under *Hedging derivatives.*

Fair value hedges

The purpose of these hedges is to protect the Group against an adverse fluctuation in the fair value of an instrument which could affect profit or loss if the instrument were derecognised from the balance sheet.

Changes in the fair value of the hedging derivative are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*; for interest rate derivatives, however, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

In the balance sheet, the carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. To the extent that the hedge is highly effective, changes in the fair value of the hedged item and changes in the fair value of the hedging derivative are accurately offset through profit or loss, the difference corresponding to an ineffectiveness gain or loss.

Prospective effectiveness is assessed via a sensitivity analysis based on probable market trends or via a regression analysis of the statistical relationship (correlation) between certain components of the hedged item and the hedging instrument. Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is terminated or sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value attributable to the hedged risk and the cumulative adjustments previously recognised under hedge accounting are amortised over its remaining life. Hedge accounting is also discontinued if the hedged item is sold prior to maturity or redeemed early.

Cash flow hedges

The purpose of interest rate cash flow hedges is to protect against changes in future cash flows associated with a financial instrument on the balance sheet (loans, securities or floating-rate notes) or with a highly probable future transaction (future fixed rates, future prices, etc.). The purpose of these hedges is to protect the Group against adverse fluctuations in the future cash-flows of an instrument or transaction that could affect profit or loss.

The effective portion of changes in the fair value of hedging derivatives is booked to *Unrealised or deferred gains and losses*, while the ineffective portion is recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. For interest rate derivatives, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

The effectiveness of the hedge is assessed using the hypothetical derivative method, which consists in i) creating a hypothetical derivative bearing exactly the same characteristics as the instrument being hedged (in notional terms, in terms of the date on which the rates are reset, in terms of the rates themselves, etc.), but which moves in the opposite direction and whose fair value is nil when the hedge is set up, then ii) comparing the expected changes in the fair value of the hypothetical derivative with those of the hedging instrument (sensitivity analysis) or performing a regression analysis on the prospective effectiveness of the hedge. Here, only any “over-hedging” is deemed ineffective.

Amounts directly recognised in equity in respect of the revaluation of cash flow hedging derivatives are subsequently reclassified to *Interest income and expense* in the income statement at the same time as the cash flows being hedged.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. Amounts previously recognised directly in equity are reclassified under *Interest income and expense* in the income statement over the periods during which interest income is affected by cash flows arising from the hedged item. If the hedged item is sold or redeemed earlier than expected or if the hedged forecast transaction ceases to be highly probable, unrealised gains and losses recognised in equity are immediately reclassified in the income statement.

Hedging of a net investment in a foreign operation

The purpose of a hedge of a net investment in a foreign company is to protect against exchange rate risk.

The hedged item is an investment in a country whose currency differs from the Group's functional currency. The hedge therefore serves to protect the net position of a foreign subsidiary or branch against an exchange rate risk linked to the entity's functional currency.

The effective portion of the changes in the fair value of a hedging derivative designated for accounting purposes as a hedge of a net investment is recognised in equity under *Unrealised or deferred gains and losses*, while the ineffective portion is recognised in the income statement.

Macro-fair value hedges

In this type of hedge, interest rate derivatives are used to globally hedge against structural interest rate risks usually arising from Retail Banking activities. When accounting for these transactions, the Group applies the IAS 39 "carve-out" standard as adopted by the European Union, which facilitates:

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

The accounting treatment of financial derivatives designated as macro-fair value hedges is similar to that of other fair value hedging instruments. Changes in the fair value of the portfolio of macro-hedged instruments are reported on a separate line in the balance sheet under *Revaluation differences on portfolios hedged against interest rate risk* through profit or loss.

BREAKDOWN OF HEDGING DERIVATIVES

	31.12.2018		01.01.2018	
(In millions of euros)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fair value hedge	**11,666**	**5,767**	**12,456**	**5,978**
Interest rate instruments	11,650	5,765	12,403	5,974
Foreign exchange instruments	16	2	53	4
Equity and index Instruments	-	-	-	-
Cash flow hedge	**105**	**204**	**168**	**132**
Interest rate instruments	27	140	49	103
Foreign exchange instruments	78	38	110	25
Equity and index Instruments	-	26	9	4
Net investment hedge	**128**	**22**	**94**	**36**
Foreign exchange instruments	128	22	94	36
TOTAL	**11,899**	**5,993**	**12,718**	**6,146**

The Group sets up hedging relationships recognised for accounting purposes as fair value hedges in order to protect its fixed-rate financial assets and liabilities (primarily loans/borrowings, securities issued and fixed-rate securities) against changes in long-term interest rates. The hedging instruments used mainly consist of interest rate swaps.

Through some of its Corporate and Investment Banking operations, the Group is exposed to future cash flow changes in its short and medium-term funding requirements, and sets up hedging relationships recognised for accounting purposes as cash flow hedges. Highly probable funding requirements are determined using historic data established for each activity and representative of balance sheet outstandings. These data may be increased or decreased with changes in management methods.

BREAKDOWN OF HEDGING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

(In millions of euros)	31.12.2018	01.01.2018
Interest rate instruments	**488,398**	**418,956**
Firm instruments	487,149	417,334
Swaps	*486,994*	*417,040*
FRAs	*155*	*294*
Options	1,249	1,622
Foreign exchange instruments	**14,747**	**12,483**
Firm instruments	14,747	12,483
Equity and index instruments	**74**	**148**
Options	74	148
TOTAL	**503,219**	**431,587**

MATURITIES OF HEDGING FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

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

(In millions of euros)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2018
Interest rate instruments	53,511	27,588	178,615	228,684	488,398
Foreign exchange instruments	5,515	7,554	1,409	269	14,747
Equity and index instruments	1	14	59	-	74
Other forward financial instruments	-	-	-	-	-
TOTAL	**59,027**	**35,156**	**180,083**	**228,953**	**503,219**

BREAKDOWN OF FAIR VALUE HEDGED ITEMS

	31.12.2018		
(In millions of euros)	Carrying amount of the hedged item[1]	Cumulative change in the fair value of the hedged item[2]	Change in the fair value of the hedged item booked during the period[2]
Hedge of interest rate risk	**1,007,558**	**8,018**	**943**
Hedged assets	389,869	1,521	(230)
Due from banks, at amortised cost	*19,856*	*19*	*(6)*
Customer loans, at amortised cost	*314,759*	*336*	*(10)*
Securities at amortised cost	*594*	*25*	*11*
Financial assets at fair value through other comprehensive income	*33,190*	*642*	*124*
Customer loans (macro hedged)	*21,470*	*499*	*(349)*
Hedged liabilities	617,689	6,497	1,173
Debt securities issued	*196,883*	*745*	*232*
Due to banks	*124,633*	*114*	*(20)*
Customer deposits	*220,383*	*219*	*48*
Subordinated debts	*13,697*	*1*	*120*
Customer deposits (macro hedged)	*62,093*	*5,418*	*793*
Hedge of currency risk	**783**	**16**	**39**
Hedged assets	31	1	1
Customer loans, at amortised cost	*31*	*1*	*1*
Hedged liabilities	752	15	38
Due to banks	*752*	*15*	*38*
TOTAL	**1,008,341**	**8,034**	**982**

(1) The carrying amount of the macro-hedged items represents the sum of the hedged outstanding and the revaluation differences on portfolios hedged against interest rate risk.

(2) Changes in fair value attributable to the hedged risk only and used to determine the ineffective portion of the fair value of the hedging instrument. This change is excluding accrued interests for the items hedged against interest rate risk.

At 31 December 2018, EUR 396 million of cumulative change of fair value remain to be amortized because of the disappearance of the hedging instrument.

BREAKDOWN OF FAIR VALUE HEDGING INSTRUMENTS

	31.12.2018				
		Fair vaue[2]			
(In millions of euros)	Commitments (notional amounts)	Assets	Liabilities	Change in fair value recorded during the period	Ineffectiveness recognised during the period
Hedge of interest rate risk	**169,944**	**11,650**	**5,765**	**(909)**	**34**
Firm instruments – Swaps	168,695	11,645	5,765	(909)	34
For hedged assets	*37,271*	*314*	*1,380*	*(138)*	*(18)*
For hedged portfolios of assets (macro hedge)[1]	*20,986*	*955*	*1,436*	*323*	*(33)*
For hedged liabilities	*52,178*	*2,111*	*612*	*(358)*	*3*
For hedged portfolios of liabilities (macro hedge)[1]	*58,260*	*8,265*	*2,337*	*(736)*	*82*
Optional instruments	1,249	5	-	(0)	(0)
For hedged assets portfolios of assets (macro hedge)[1]	*1,249*	*5*	*-*	*(0)*	*(0)*
Hedge of currency risk	**2,055**	**16**	**30**	**(38)**	**1**
Firm instruments	2,055	16	2	(38)	(0)
For hedged liabilities	*2,055*	*16*	*2*	*(38)*	*0*
Non-derivative financial instruments		-	28	(0)	1
For hedged assets		*-*	*28*	*(0)*	*1*
TOTAL	**171,999**	**11,666**	**5,795**	**(947)**	**35**

(1) For macro fair value transactions, the commitment described above equals to the net hedging derivatives position in order to represent the economic exposure from these instruments. This position should be linked with the carrying amount of the hedged items which represents the hedged exposure.

(2) The fair value of interest rate hedging derivatives includes accrued interests.

BREAKDOWN OF CASH FLOW HEDGED ITEMS

The following table describes the change of fair value of hedged items used to book the ineffective portion of the hedge during the current period. Regarding the cash flow hedges, the change of fair value of hedged items is assessed using the hypothetical derivative method described in the accounting principles above.

	31.12.2018
(In millions of euros)	Change in the fair value
Hedge of interest rate risk	**54**
Hedged assets	16
Customer loans, at amortised cost	*2*
Financial assets at fair value through other comprehensive income	*8*
Customer loans (macro hedged)	*6*
Hedged liabilities	38
Debt securities issued	*2*
Due to banks	*(0)*
Customer deposits (macro hedged)	*36*
Hedge of currency risk	**33**
Hedged liabilities	33
Due to banks	*33*
Forecasted transactions	0
Hedge of equity risk	**46**
Forecast transactions	46
TOTAL	**133**

BREAKDOWN OF CASH FLOWS HEDGING INSTRUMENTS

	31.12.2018					
		Fair value		Changes in value booked during the period		
(In millions of euros)	Commitments (notional amounts)	Asset	Liability	Portion booked in unrealized or deferred gains and losses	Ineffectiveness recorded during the period	Cumulative changes in value recorded in unrealized or deferred gains and losses
Hedge of interest rate risk	**15,965**	**27**	**140**	**(54)**	**(0)**	**(100)**
Firm instruments – Swaps	15,810	27	139	(45)	(0)	(96)
For hedged assets	*2,257*	*1*	*10*	*(10)*	*-*	*(9)*
For hedged portfolios of assets (macro hedge)[1]	*4,775*	*5*	*43*	*(6)*	*(0)*	*(27)*
For hedged liabilities	*3,047*	*0*	*2*	*7*	*(0)*	*5*
For hedged portfolios of liabilities (macro hedge)[1]	*5,731*	*21*	*84*	*(36)*	*0*	*(65)*
Firm instruments – FRAs	155	-	1	(9)	(0)	(4)
For hedged liabilities	*155*	*-*	*1*	*(9)*	*(0)*	*(4)*
Hedge of currency risk	**5,599**	**89**	**39**	**(33)**	**0**	**(13)**
Firm instruments	5,599	78	38	(33)	0	(13)
For hedged assets	*674*	*8*	*31*	*0*	*-*	*0*
For hedged liabilities	*4,925*	*70*	*7*	*(33)*	*0*	*(13)*
Non-derivative financial instruments	-	11	1	(0)	-	(0)
For future hedged transactions	*-*	*11*	*1*	*(0)*	*-*	*(0)*
Hedge of equity risk	**74**	**0**	**26**	**(46)**	**(7)**	**(15)**
Optional instruments	74	0	26	(46)	(7)	(15)
For hedged future transactions	*74*	*0*	*26*	*(46)*	*(7)*	*(15)*
TOTAL	**21,638**	**116**	**205**	**(133)**	**(7)**	**(128)**

(1) For the macro hedge transactions, the commitment described above equals to the net hedging derivatives position in order to represent the economic exposure from these instruments.

In 2018, EUR 36 millions of unrealised or deferred gains and losses have been transferred into net income, following the accounting of the cash flow hedge effects in the profit and loss.

BREAKDOWN OF NET INVESTMENT HEDGED ITEMS

(In millions of euros)	Change in the fair value of the hedged item during the period[1]	31.12.2018 Cumulative translation differences related to the hedged items
Hedge of currency risk	**172**	**1,212**
Hedged net investment in GBP	24	297
Hedged net investment in CZK	11	(173)
Hedged net investment in RUB	161	959
Hedged net investment in RON	(14)	20
Hedged net investment in USD	(39)	(15)
Hedged net investment in KRW	(1)	(31)
Hedged net investment (other currencies)	30	155

(1) Changes in fair value attributable to the hedged risk only and used to determine the ineffective portion of the fair value of the hedged instruments.

BREAKDOWN OF NET INVESTMENT HEDGE INSTRUMENTS

	31.12.2018					
		Carrying amount[1]		Changes in value booked during the period		
(In millions of euros)	Hedging derivatives commitments(1)	Asset	Liability	Portion booked in unrealized or deferred gains and losses	Ineffective portion booked during the period	Cumulative changes in value booked in unrealized or deferred gains and losses
Hedge of currency risk	**6,992**	**128**	**2,515**	**(191)**	**18**	**(1,212)**
Firm instruments	6,992	128	22	(107)	18	(93)
Hedged net investment in GBP	*1,491*	*21*	*3*	*(10)*	*1*	*64*
Hedged net investment in CZK	*1,065*	*3*	*-*	*(1)*	*(4)*	*6*
Hedged net investment in RUB	*752*	*83*	*-*	*(136)*	*26*	*(99)*
Hedged net investment in RON	*689*	*1*	*-*	*16*	*(2)*	*(7)*
Hedged net investment in USD	*461*	*-*	*4*	*34*	*(3)*	*9*
Hedged net investment in KRW	*497*	*-*	*7*	*1*	*(0)*	*9*
Hedged net investment (other currencies)	*2,037*	*20*	*8*	*(11)*	*(0)*	*(75)*
Non derivatives instruments		-	2,493	(84)	-	(1,119)
Hedged net investment in GBP		*-*	*346*	*(15)*	*-*	*(362)*
Hedged net investment in CZK		*-*	*839*	*(6)*	*-*	*166*
Hedged net investment in RUB		*-*	*348*	*(52)*	*-*	*(860)*
Hedged net investment in RON		*-*	*45*	*(0)*	*-*	*(13)*
Hedged net investment in USD		*-*	*199*	*9*	*-*	*6*
Hedged net investment in KRW		*-*	*-*	*-*	*-*	*22*
Hedged net investment (other currencies)		*-*	*716*	*(20)*	*-*	*(78)*

(1) The net position of the derivatives hedge instruments (notional amounts) represents the economic exposure from these hedging instruments. This position should be linked with the carrying amount of the hedged items which represents the exposure to hedge.

In 2018, EUR 9 millions of unrealized or deferred gains and losses have been transferred into the net income, following the recognition of the foreign hedged net investment translation differences in net income.

NOTE 3.3 Financial assets at fair value through other comprehensive income

OVERVIEW OF IFRS 9 TRANSITION (SEE COMMENTS ON NOTE 1)

(In millions of euros)	Balance at 31.12.2017 IAS 39	Reclassifications of available-for-sale financial assets	Reclassifications of held-to-maturity financial assets	Reclassifications of loans and receivables regarding the business model	Value adjustments	Balances at 01.01.2018 IFRS 9
Debt instruments	N/A	49,584	485	80	29	50,178
Bonds and other debt securities	*N/A*	*49,584*	*485*	*80*	*29*	*50,178*
Loans and receivables and securities purchased under resale agreements	*N/A*	*-*	*-*	*-*	*-*	*-*
Shares and other equity securities	N/A	290	-	-	-	290
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**N/A**	**49,874**	**485**	**80**	**29**	**50,468**

OVERVIEW OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In millions of euros)	31.12.2018	01.01.2018
Debt instruments	49,736	50,178
Bonds and other debt securities	*49,696*	*50,178*
Loans and receivables and securities purchased under resale agreements	*40*	*-*
Shares and other equity securities	290	290
TOTAL	**50,026**	**50,468**
o/w securities lent	*483*	*27*

NOTE 3.3.1 DEBT INSTRUMENTS

ACCOUNTING PRINCIPLES

Debt instruments (loans and receivables, bonds and bond equivalents) are classified as *Financial assets at fair value through other comprehensive income* where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a Collect and Sell business model.

Accrued or earned income on debt instruments is recorded in profit or loss based on the effective interest rate, under *Interest and similar income*.

At the reporting date, these instruments are measured at fair value, and changes in fair value, excluding income, are recorded under Unrealised or deferred gains and losses, except for foreign exchange differences on money market instruments denominated in local currencies, which are recorded in profit or loss. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under Cost of risk with a corresponding entry to Unrealised or deferred gains and losses. The applicable impairment rules are described in Note 3.8.

BUSINESS MODEL "HOLD TO COLLECT AND SALE"

The objective of this business model is to realise cash flows by both collecting contractual payments and selling financial assets. In this type of business model, the sales of financial assets are not incidental or exceptional, but they are integral to achieving the business' objectives.

Cash management

Within the Group, except for the insurance activities, the “hold to collect and sale” business model is mainly applied by cash management activities for managing HQLA securities (High Quality Liquid Assets) included in the liquidity reserve. Only a few subsidiaries apply a “hold to collect” business model for managing their HQLA securities.

CHANGES OF THE CARRYING AMOUNT

(In millions of euros)	2018
Balance on 1 January	**50,178**
Acquisitions/disbursements	32,869
Disposals/redemptions	(32,278)
Transfers further to reclassification to (or from) another accounting category	76
Change in scope and others	(1,658)
Changes in fair value during the period	(287)
Change in related receivables	32
Translation differences	804
Balance on 31 December	**49,736**

BREAKDOWN OF CUMULATED UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY AND THAT WILL BE RECLASSIFIED SUBSEQUENTLY INTO INCOME

(In millions of euros)	31.12.2018
Unrealised gains	416
Unrealised losses	(183)
TOTAL	**233**

NOTE 3.3.2 EQUITY INSTRUMENTS

ACCOUNTING PRINCIPLES

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

These equity instruments are then measured at fair value and changes in fair value, excluding dividends, are recognised under *Unrealised or deferred gains and losses* with no subsequent reclassification to profit or loss. If the instruments are sold, the associated unrealised or deferred gains and losses are reclassified to *Retained earnings* at the opening of the next financial year. Only dividend income, if it is considered as a return on investment, are recorded in the income statement under *Net gains or losses on financial assets at fair value through other comprehensive income*.

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

NOTE 3.3.3 NET GAINS AND LOSSES RECOGNISED IN NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In millions of euros)	2018
Realised gains and losses on sale of debt instruments	39
Dividends incomes on financial assets at fair value through other comprehensive income	44
TOTAL	**83**

NOTE 3.4 Fair value of financial instruments measured at fair value

MAKE IT SIMPLE

The financial assets and liabilities recognised in the Group balance sheet are measured either at fair value or at amortised cost. In the latter case, the fair value of the instruments is disclosed in the notes (see Note 3.9).

If an instrument is quoted on an active market, its fair value is equal to its market price.

But many financial instruments are not listed (for example, most customer loans and deposits, interbank debts and claims, etc.), or are only negotiable on illiquid markets or over-the-counter markets (which is the case for many derivative instruments).

In such situations, the fair value of the instruments is calculated using measurement techniques or valuation models. Market parameters are included in these models and must be observable; otherwise they are determined based on internal estimates. The models and parameters used are subject to independent validations and internal controls.

ACCOUNTING PRINCIPLES

Definition of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market input based on assumptions that market operators would use to set the price of the instrument in question.

Fair value hierarchy

For information purposes, in the notes to the consolidated financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the observability level of the inputs used. The fair value hierarchy is composed of the following levels:

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and if they reflect actual and regular market transactions on an arm’s length basis.

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and among the various above-mentioned market participants, or the fact that the latest transactions conducted on an arm’s length basis did not take place recently enough.

Where a financial instrument is traded in several markets to which the Group has immediate access, its fair value is represented by the market price at which volumes and activity levels are highest for the instrument in question.

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

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

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

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

This category also includes the fair value of loans and receivables measured at amortised cost in the balance-sheet granted to counterparties whose credit risk is quoted via Credit Default Swap (see Note 3.9).

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

Level 3 instruments carried at fair value on the balance sheet are valued based on financial models with unobservable market inputs or observable inputs that are not quoted on active markets. For the Group, those instruments match with the instruments for which the sales margin is not immediately recognised in profit or loss (see Note 3.4.7).

Accordingly, Level 3 financial instruments include derivatives and repo transactions with longer maturities than those usually traded and/or with specifically-tailored return profiles, structured debts including embedded derivatives valued based on a method using unobservable inputs or long-term equity investments valued based on a corporate valuation method, which is the case for unlisted companies or companies listed on an insufficiently liquid market.

The main L3 complex derivatives are:

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

NOTE 3.4.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE

	31.12.2018				01.01.2018			
(In millions of euros)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio*	**69,429**	**144,430**	**1,470**	**215,329**	**97,222**	**111,414**	**910**	**209,546**
Bonds and other debt securities	26,059	3,403	270	29,732	25,225	2,612	169	28,006
Shares and other equity securities	43,370	5,926	1	49,297	71,997	8,061	1	80,059
Loans and receivables and securities purchased under resale agreements*	-	134,662	1,199	135,861	-	100,370	740	101,110
Other trading assets	-	439	-	439	-	371	-	371
Trading derivatives	**23**	**119,460**	**3,500**	**122,983**	**38**	**131,670**	**2,583**	**134,291**
Interest rate instruments	8	71,628	2,617	74,253	19	87,663	1,826	89,508
Foreign exchange instruments	8	19,038	200	19,246	16	16,411	126	16,553
Equity and index instruments	-	21,211	239	21,450	-	19,535	424	19,959
Commodity instruments	-	5,666	42	5,708	-	5,888	60	5,948
Credit derivatives	-	1,826	398	2,224	-	2,108	137	2,245
Other forward financial instruments	7	91	4	102	3	65	10	78
Financial assets measured mandatorily at fair value through profit or loss	**117**	**21,091**	**2,849**	**24,057**	**151**	**18,782**	**2,636**	**21,569**
Bonds and other debt securities	12	36	110	158	2	67	90	159
Shares and other equity securities	105	194	1,697	1,996	149	200	1,211	1,560
Loans and receivables and securities purchased under resale agreements	-	20,861	1,042	21,903	-	18,515	1,335	19,850
Financial assets measured using fair value option through profit or loss*	**1,126**	**1,702**	**353**	**3,181**	**848**	**1,914**	**944**	**3,706**
Bonds and other debt securities	1,126	184	-	1,310	848	197	-	1,045
Loans and receivables and securities purchased under resale agreements*	-	466	353	819	-	1,175	944	2,119
Other financial assets	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	1,052	-	1,052	-	542	-	542
Hedging derivatives	**-**	**11,899**	**-**	**11,899**	**-**	**12,718**	**-**	**12,718**
Interest rate instruments	-	11,677	-	11,677	-	12,452	-	12,452
Foreign exchange instruments	-	222	-	222	-	257	-	257
Equity and index instruments	-	-	-	-	-	9	-	9
Financial assets measured at fair value through other comprehensive income	**48,738**	**998**	**290**	**50,026**	**48,045**	**2,130**	**293**	**50,468**
Bonds and other debt securities	48,738	958	-	49,696	48,045	2,130	3	50,178
Shares and other equity securities	-	-	290	290	-	-	290	290
Loans and receivables	-	40	-	40	-	-	-	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE*	**119,433**	**299,580**	**8,462**	**427,475**	**146,304**	**278,628**	**7,366**	**432,298**

* *Amounts restated see Note 3.4.2.*

NOTE 3.4.2 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	31.12.2018				01.01.2018			
(In millions of euros)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio*	**7,787**	**149,776**	**969**	**158,532**	**6,755**	**138,911**	**499**	**146,165**
Amounts payable on borrowed securities	308	50,956	-	51,264	337	34,507	-	34,844
Bonds and other debt instruments sold short	6,231	-	-	6,231	5,416	-	-	5,416
Shares and other equity instruments sold short	1,248	-	-	1,248	1,002	-	-	1,002
Borrowings and securities sold under repurchase agreements*	-	97,330	969	98,299	-	103,591	499	104,090
Other trading liabilities	-	1,490	-	1,490	-	813	-	813
Trading derivatives	**81**	**123,075**	**3,790**	**126,946**	**16**	**137,181**	**5,172**	**142,369**
Interest rate instruments	6	70,986	2,843	73,835	-	88,366	3,817	92,183
Foreign exchange instruments	5	19,346	115	19,466	1	17,742	54	17,797
Equity and index instruments	-	23,103	572	23,675	-	21,844	888	22,732
Commodity instruments	-	6,041	40	6,081	-	6,048	22	6,070
Credit derivatives	-	2,484	220	2,704	-	2,171	391	2,562
Other forward financial instruments	70	1,115	-	1,185	15	1,010	-	1,025
Financial liabilities measured using fair value option through profit or loss*	**265**	**39,408**	**37,932**	**77,605**	**334**	**40,125**	**39,557**	**80,016**
Hedging derivatives	**-**	**5,993**	**-**	**5,993**	**-**	**6,146**	**-**	**6,146**
Interest rate instruments	-	5,905	-	5,905	-	6,077	-	6,077
Foreign exchange instruments	-	62	-	62	-	65	-	65
Equity and index instruments	-	26	-	26	-	4	-	4
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE*	**8,133**	**318,252**	**42,691**	**369,076**	**7,105**	**322,363**	**45,228**	**374,696**

* *At 1 January 2018, the allocation of repo transactions between the level 2 and the level 3 of fair value was modified comparing with 31 December 2017. The repo transactions finalized by the Group can have the settlement dates much longer than the usual ones operated on the stock market. The parameters utilized to assess the fair value were revised, a part of this operations was reclassified from the level the level 2 to the level 3 (1,416 millions of euros of securities purchased under resale agreements and 1,382 million of euros of securities sold under repurchased agreements were reclassified on level 3 at 1 January 2018).*

NOTE 3.4.3 VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AT FAIR VALUE

(In millions of euros)	Balance at 01.01.2018	Acquisitions	Disposals/ redemp-tions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2018
Trading portfolio*	**910**	**1,276**	**(707)**	**(202)**	**-**	**116**	**77**	**-**	**1,470**
Bonds and other debt securities	169	164	(125)	(35)	-	23	74	-	270
Shares and other equity securities	1	-	-	-	-	-	-	-	1
Loans and receivables and securities purchased under resale agreements*	740	1,112	(582)	(167)	-	93	3	-	1,199
Other trading assets	-	-	-	-	-	-	-	-	-
Trading derivatives	**2,583**	**101**	**(6)**	**(89)**	**195**	**639**	**125**	**(48)**	**3,500**
Interest rate instruments	1,826	33	-	(65)	187	623	62	(49)	2,617
Foreign exchange instruments	126	16	(5)	(8)	1	22	48	-	200
Equity and index instruments	424	32	-	(16)	2	(218)	14	1	239
Commodity instruments	60	20	(1)	-	-	(37)	-	-	42
Credit derivatives	137	-	-	-	5	255	1	-	398
Other forward financial instruments	10	-	-	-	-	(6)	-	-	4
Financial assets measured mandatorily at fair value through profit or loss	**2,636**	**889**	**(295)**	**(607)**	**34**	**391**	**71**	**(270)**	**2,849**
Bonds and other debt securities	90	28	(5)	(3)	-	(1)	-	1	110
Shares and other equity securities	1,211	258	(246)	(70)	26	508	8	2	1,697
Loans and receivables and securities purchased under resale agreements	1,335	603	(44)	(534)	8	(116)	63	(273)	1,042
Financial assets measured using fair value option through profit or loss*	**944**	**-**	**(204)**	**(401)**	**-**	**10**	**4**	**-**	**353**
Bonds and other debt securities	-	-	-	-	-	-	-	-	-
Loans and receivables and securities purchased under resale agreements*	944	-	(204)	(401)	-	10	4	-	353
Other financial assets	-	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	-	-	-	-	-	-	-	-
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate instruments	-	-	-	-	-	-	-	-	-
Foreign exchange instruments	-	-	-	-	-	-	-	-	-
Equity and index instruments	-	-	-	-	-	-	-	-	-
Financial assets measured at fair value option through other comprehensive income	**293**	**-**	**(1)**	**-**	**-**	**-**	**(1)**	**(1)**	**290**
Debt instruments	3	-	(1)	-	-	-	(1)	(1)	-
Equity instruments	290	-	-	-	-	-	-	-	290
Loans and receivables	-	-	-	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE*	**7,366**	**2,266**	**(1,213)**	**(1,299)**	**229**	**1,156**	**276**	**(319)**	**8,462**

* *Amounts restated see Note 3.4.2.*

FINANCIAL LIABILITIES AT FAIR VALUE

(In millions of euros)	Balance at 01.01.2018	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2018
Trading portfolio*	**499**	**868**	**(476)**	**(92)**	**-**	**170**	**-**	**-**	**969**
Debt securities issued	-	-	-	-	-	-	-	-	-
Amounts payable on borrowed securities	-	-	-	-	-	-	-	-	-
Bonds and other debt instruments sold short	-	-	-	-	-	-	-	-	-
Shares and other equity instruments sold short	-	-	-	-	-	-	-	-	-
Borrowings and securities sold under repurchase agreements*	499	868	(476)	(92)	-	170	-	-	969
Other trading liabilities	-	-	-	-	-	-	-	-	-
Trading derivatives	**5,172**	**684**	**(230)**	**(325)**	**654**	**(1,551)**	**156**	**(770)**	**3,790**
Interest rate instruments	3,817	17	(53)	(233)	653	(716)	128	(770)	2,843
Foreign exchange instruments	54	13	-	(7)	1	54	-	-	115
Equity and index instruments	888	644	(177)	(83)	-	(727)	27	-	572
Commodity instruments	22	10	-	-	-	8	-	-	40
Credit derivatives	391	-	-	(2)	-	(170)	1	-	220
Other forward financial instruments	-	-	-	-	-	-	-	-	-
Financial liabilities measured using fair value option through profit or loss*	**39,557**	**17,734**	**(13,528)**	**(1,883)**	**198**	**(5,219)**	**1,111**	**(38)**	**37,932**
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate instruments	-	-	-	-	-	-	-	-	-
Foreign exchange instruments	-	-	-	-	-	-	-	-	-
Equity and index instruments	-	-	-	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE*	**45,228**	**19,286**	**(14,234)**	**(2,300)**	**852**	**(6,600)**	**1,267**	**(808)**	**42,691**

* *Amounts restated see Note 3.4.2(.*

NOTE 3.4.4 VALUATION METHODS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE ON THE BALANCE SHEET

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

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

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

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

If necessary, these valuations are supplemented by additional reserves (such as bid-ask spreads and liquidity) determined reasonably and appropriately after an analysis of available information.

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA). The Group includes all clients and clearing houses in this adjustment, which also reflects the netting agreements existing for each counterparty.

The CVA is determined on the basis of the Group entity's expected positive exposure to the counterparty, the counterparty's probability of default and the amount of the loss given default. The DVA is determined symmetrically based on the negative expected exposure. These calculations are carried out over the life of the potential exposure, with a focus on the use of relevant and observable market data.

Similarly, an adjustment to take into account the costs or profits linked to the financing of these transactions (FVA, Funding Value Adjustment) is also performed.

Observable data must be: independent, available, publicly distributed, based on a narrow consensus and/or backed up by transaction prices.

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

In the event of unusual tensions on the markets, leading to a lack of the usual reference data used to measure a financial instrument, the Risk Division may implement a new model in accordance with pertinent available data, similar to methods used by other market players.

SHARES AND OTHER EQUITY SECURITIES

For listed shares, fair value is taken to be the quoted price on the balance sheet date. For unlisted shares, fair value is determined depending on the type of financial instrument and according to one of the following methods:

- valuation based on a recent transaction involving the issuing company (third party buying into the issuing company's capital, appraisal by a professional valuation agent, etc.);
- valuation based on a recent transaction in the same sector as the issuing company (income multiple, asset multiple, etc.);
- proportion of net asset value held.

For unlisted securities in which the Group has significant holdings, valuations based on the above methods are supplemented by a discounted future cash flow valuation based on business plans or on valuation multiples of similar companies.

DEBT INSTRUMENTS HELD IN PORTFOLIO, ISSUES OF STRUCTURED SECURITIES MEASURED AT FAIR VALUE AND FINANCIAL DERIVATIVES

The fair value of these financial instruments is determined based on the quoted price on the balance sheet date or prices provided by brokers on the same date, when available. For unlisted financial instruments, fair value is determined using valuation techniques. Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in the Group's issuer credit risk.

OTHER DEBTS

For listed financial instruments, fair value is taken as their closing quoted price on the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates (including counterparty risks, non-performance and liquidity risks).

CUSTOMER LOANS

The fair value of loans and receivables is calculated, in the absence of an actively traded market for these loans, by discounting the expected cash flows to present value at a discount rate based on interest rates prevailing on the market at the reporting date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

NOTE 3.4.5 ESTIMATES OF MAIN UNOBSERVABLE INPUTS

The following table provides the valuation of Level 3 instruments on the balance sheet and the range of values of the most significant unobservable inputs by main product type.

(In millions of euros)	Value in balance sheet					
Cash instruments and derivatives[1]	**Assets**	**Liabilities**	**Main products**	**Valuation techniques used**	**Significant unobservable inputs**	**Range of inputs min & max**
Equities/funds	542	26,919	derivatives on funds, equities or baskets of stocks derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets of stocks	Equity volatilities	6.7%; 48.1%
					Equity dividends	0.0%; 20.9%
					Correlations	-77.5%; 98%
					Hedge fund volatilities	8.5%; 20.0%
					Mutual fund volatilities	1.5%; 42.2%
Rates and Forex	5,794	15,512	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-41.1%; 85%
			Forex derivatives	Forex option pricing models	Forex volatilities	1.0%; 32.0%
			Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools	Prepayment modelling	Constant prepayment rates	0.0%; 45%
			Inflation instruments and derivatives	Inflation pricing models	Correlations	64.4%; 88.9%
Credit	398	220	Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0%; 100%
					Recovery rate variance for single name underlyings	0%; 100%
			Other credit derivatives	Credit default models	Time to default correlations	0%; 100%
					Quanto correlations	-50%; 40%
					Credit spreads	0 bps; 1 000 bps
Commodities	42	40	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	10.6%; 95.8%
Long term equity investments	1,686	-	Securities held for strategic purposes	Net Book Value / Recent transactions	Non applicable	-
TOTAL	8,462	42,691				

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

NOTE 3.4.6 SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Unobservable inputs are assessed carefully, particularly in this persistently uncertain economic environment and market. However, by their very nature, unobservable inputs inject a degree of uncertainty into the valuation of Level 3 instruments.

To quantify this, fair value sensitivity was estimated at 31 December 2018 on instruments whose valuation requires certain unobservable inputs. This estimate was based either on a “standardised” variation in unobservable inputs, calculated for each input on a net position, or on assumptions in line with the additional valuation adjustment policies for the financial instruments in question.

The “standardised” variation is:

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

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

	31.12.2018		31.12.2017	
(In millions of euros)	Negative impact	Positive impact	Negative impact	Positive impact
Shares and other equity instruments and derivatives	**(13)**	**96**	**(5)**	**88**
Equity volatilities	0	19	0	18
Dividends	(3)	9	0	6
Correlations	(9)	62	(5)	59
Hedge Fund volatility	0	0	0	0
Mutual Fund volatility	(1)	6	0	6
Rates or Forex instruments and derivatives	**(6)**	**58**	**(6)**	**50**
Correlations between exchange rates and/or interest rates	(4)	55	(4)	45
Forex volatilities	(1)	2	(1)	2
Constant prepayment rates	0	0	0	0
Inflation/inflation correlations	(1)	1	(1)	2
Credit instruments and derivatives	**(4)**	**14**	**(2)**	**6**
Time to default correlations	(2)	4	(1)	1
Recovery rate variance for single name underlyings	0	0	0	0
Quanto correlations	(2)	10	0	4
Credit spreads	0	0	(1)	1
Commodity derivatives	**0**	**1**	**0**	**1**
Commodities correlations	0	1	0	1
Long term securities valued using internal models	**NA**	**NA**	**NA**	**NA**

It should be noted that, given the already conservative valuation levels, this sensitivity is higher for a favourable impact on results than for an unfavourable impact. Moreover, the amounts shown above illustrate the uncertainty of the valuation as of the computation date on the basis of a reasonable variation in inputs. Future variations in fair value or consequences of extreme market conditions cannot be deduced or forecast from these estimates.

NOTE 3.4.7 DEFERRED MARGIN RELATED TO MAIN UNOBSERVABLE INPUTS

The remaining amount to be recorded in the income statement, resulting from the difference between the transaction price and the amount determined at this date using valuation techniques, minus the amounts recorded in the income statement after initial recognition, is shown in the table below. This amount is recorded in the income statement spread over the period during which the inputs are expected to be unobservable, or as the inputs become observable.

(In millions of euros)	2018	2017
Deferred margin at 1 January	**1,281**	**1,142**
Deferred margin on new transactions during the period	744	880
Margin recorded in the income statement during the period	(788)	(741)
o/w amortisation	*(479)*	*(317)*
o/w switch to observable inputs	*(45)*	*(49)*
o/w disposed, expired or terminated	*(264)*	*(375)*
Deferred margin at 31 December	**1,237**	**1,281**

NOTE 3.5 Loans, receivables and securities at amortised cost

OVERVIEW OF IFRS 9 TRANSITION (SEE COMMENTS ON NOTE 1)

(In millions of euros)	Balance at 31.12.2017 IAS 39	Reclassifications of insurance activities investments	of available-for-sale financial assets	of held-to-maturity financial assets	of non-SPPI loans and receivables	of loans and receivables regarding the business model	Others	Value adjustment Reclassification effects	Recognition of credit risk impairment based on IFRS 9	Balance at 01.01.2018 IFRS 9
Securities at amortised cost	N/A	-	2,971	3,078	-	-	5,650	(100)	(7)	11,592
Due from banks at amortised cost	60,866	(7,103)	-	-	(5)	(80)	(18)	-	(4)	53,656
Customer loans and receivables at amortised cost	425,231	(141)	-	-	(638)	(644)	(5,580)	50	(887)	417,391
TOTAL	**486,097**	**(7,244)**	**2,971**	**3,078**	**(643)**	**(724)**	**52**	**(50)**	**(898)**	**482,639**

OVERVIEW OF FINANCIAL ASSETS AT AMORTISED COST

(In millions of euros)	31.12.2018 Carrying amount	31.12.2018 *o/w impairment*	01.12.2018 Carrying amount	01.12.2018 *o/w impairment*
Due from banks	60,588	*(32)*	53,656	*(29)*
Customer loans	447,229	*(11,435)*	417,391	*(13,361)*
Securities	12,026	*(10)*	11,592	*(11)*
TOTAL	**519,843**	***(11,477)***	**482,639**	***(13,401)***

ACCOUNTING PRINCIPLES

Loans, receivables and debt securities are measured at amortised cost where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a "Hold to Collect" business model.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, and their accrued or earned income is recorded in the income statement under *Interest and similar income*. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under *Cost of risk* with a corresponding impairment of amortised cost under balance sheet assets. The applicable impairment rules are described in Note 3.8.

Loans issued by the Group may be subject to renegotiations for commercial reasons, where the borrowing customer is not experiencing financial difficulties or insolvency. Such efforts are undertaken for customers for which the Group agrees to renegotiate their debt in the interest of preserving or developing a business relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest. Renegotiated loans are derecognised at the renegotiation date, and the new loans contractualised under the renegotiated terms and conditions replace the previous loans in the balance sheet at this same date. The new loans are subject to the SPPI test to determine how they are classified in the balance sheet. If a loan qualifies as SPPI, renegotiation fees received are included in the effective interest rate of the new instrument.

Customer loans at amortised cost include lease receivables where they are classified as finance leases. Leases granted by the Group are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise, they are classified as operating leases (see Note 4.2).

These finance lease receivables represent the Group's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee, plus any unguaranteed residual value, discounted at the interest rate implicit in the lease. In the event of a subsequent reduction in the estimated unguaranteed residual value used to calculate the lessor's investment in the finance lease, the present value of this reduction is recognised as a loss under *Expenses from other activities* in the income statement and as a reduction of finance lease receivables on the asset side of the balance sheet.

BUSINESS MODEL "HOLD TO COLLECT"

Under this model, financial assets are managed to realise cash flows by collecting contractual payments over the life of the instrument.

To achieve the objective of this business model, it is not necessary for the entity to hold all the instruments until maturity. Selling assets remains consistent with a business model whose objective is to collect contractual cash flows in the following cases:

- the financial asset is sold following an increase in the asset's credit risk; or
- the sale of the financial asset occurs close to its maturity and the proceeds from the sale are similar to the amount to be collected from the remaining contractual cash flows.

Other sales can be consistent with the objective of collecting contractual cash flows, as well, provided they are infrequent (even if significant in value) or insignificant in value, both individually and in aggregate terms (even if frequent). Such other sales include sales made to manage credit concentration risk (without an increase in the asset's credit risk). The Group has set up procedures for reporting and analysing all significant projected sales of financial assets held for collecting contractual cash flows, as well as a periodic review of sales that have occurred.

Financing activities

Within the Group, the "hold to collect" business model is mainly applied by financing activities managed by French Retail Banking, International Retail Banking and Financial Services and by Global Banking and Investor Solutions, except for the part of syndicated loans that is expected to be sold.

NOTE 3.5.1 DUE FROM BANKS

(In millions of euros)	31.12.2018	01.01.2018
Current accounts	23,958	21,066
Deposits and loans[1]	18,453	15,842
Securities purchased under resale agreements	18,000	16,523
Subordinated and participating loans	91	133
Related receivables	99	94
Due from banks before impairment	**60,601**	**53,658**
Credit loss impairment	(32)	(29)
Revaluation of hedged items	19	27
Net due from banks	**60,588**	**53,656**

(1) At 31 December 2018, the amount of due from banks with level 3 of impairment was EUR 51 million compared to EUR 100 million at 1 January 2018.

NOTE 3.5.2 CUSTOMER LOANS

(In millions of euros)	31.12.2018	01.01.2018
Overdrafts[1]	21,230	20,239
Other customer loans[1]	375,982	356,662
Lease financing agreements[1]	32,345	30,310
Securities purchased under resale agreements	26,078	21,004
Related receivables	2,692	2,183
Customer loans before impairment	**458,327**	**430,398**
Credit loss impairment	(11,435)	(13,361)
Revaluation of hedged items	337	354
Customer loans	**447,229**	**417,391**

(1) At 31 December 2018, the amount of due from banks with level 3 of impairment was EUR 17,818 million compared to EUR 20,569 million at 1 January 2018.

BREAKDOWN OF OTHER CUSTOMER LOANS

(In millions of euros)	31.12.2018	01.01.2018
Trade notes	10,056	10,173
Short-term loans	118,978	108,005
Export loans	11,485	10,395
Equipment loans	57,253	53,983
Housing loans	126,160	124,324
Loans secured by notes and securities	92	89
Other loans	51,958	49,693
Other customer loans	**375,982**	**356,662**

ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

(In millions of euros)	31.12.2018	01.01.2018
Gross investments	**34,562**	**32,714**
less than one year	*8,243*	*8,525*
1-5 years	*20,847*	*18,784*
more than five years	*5,472*	*5,405*
Present value of minimum payments receivable	**30,233**	**28,827**
less than one year	*7,576*	*7,942*
1-5 years	*18,291*	*16,852*
more than five years	*4,366*	*4,033*
Unearned financial income	**2,217**	**2,403**
Unguaranteed residual values receivable by the lessor	**2,112**	**1,484**

NOTE 3.5.3 SECURITIES

(In millions of euros)	31.12.2018	01.01.2018
Government securities	5,826	5,623
Negotiable certificates, bonds and other debt securities	6,106	5,851
Related receivables	79	109
Securities before impairment	**12,011**	**11,583**
Impairment	(10)	(11)
Revaluation of hedged items	25	20
Securities	**12,026**	**11,592**

NOTE 3.6 Debts

Note: The balance sheet value of financial liabilities at amortised cost was not impacted by the first-time application of IFRS 9.

ACCOUNTING PRINCIPLES

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

They are recognised in the balance sheet according to the type of instrument and counterparty, under *Due to banks*, *Customer deposits*, *Debt securities issued or Subordinated debt*.

Subordinated debts are all dated or undated borrowings, whether or not in the form of debt securities, which in the event of the liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Debts are initially recognised at cost, measured as the fair value of the amount borrowed net of transaction fees. These liabilities are measured at period-end at amortised cost using the effective interest rate method. As a result, issue or redemption premiums on bonds are amortised over the lifetime of the instruments concerned. Accrued or paid expenses are recorded in profit or loss under *Interest and similar expense*.

Mortgage savings accounts and plans are recorded under *Customer deposits – Regulated savings accounts*. A provision may be recorded in respect of CEL mortgage savings accounts and PEL mortgage savings plans (see Note 8.3).

NOTE 3.6.1 DUE TO BANKS

(In millions of euros)	31.12.2018	31.12.2017
Demand deposits and current accounts	13,875	11,686
Overnight deposits and borrowings and others	2,248	2,145
Term deposits	72,965	68,265
Related payables	130	127
Revaluation of hedged items	129	147
Securities sold under repurchase agreements	5,359	6,251
TOTAL	**94,706**	**88,621**

NOTE 3.6.2 CUSTOMER DEPOSITS

(In millions of euros)	31.12.2018	31.12.2017
Regulated savings accounts	93,230	92,023
Demand	*68,082*	*66,515*
Term	*25,148*	*25,508*
Other demand deposits[1]	222,642	216,102
Other term deposits[1]	82,932	85,454
Related payables	387	381
Revaluation of hedged items	219	268
TOTAL CUSTOMER DEPOSITS	**399,410**	**394,228**
Securities sold to customers under repurchase agreements	17,408	16,405
TOTAL	**416,818**	**410,633**

(1) Including deposits linked to governments and central administrations.

BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE

(In millions of euros)	31.12.2018	31.12.2017
Professionals and corporates	98,459	97,930
Individual customers	72,372	69,591
Financial customers	38,413	36,261
Others[1]	13,398	12,320
TOTAL	**222,642**	**216,102**

(1) Including deposits linked to governments and central administrations.

NOTE 3.6.3 DEBT SECURITIES ISSUED

(In millions of euros)	31.12.2018	31.12.2017
Term savings certificates	474	515
Bond borrowings	24,381	22,470
Interbank certificates and negotiable debt instruments	89,913	78,485
Related payables	804	770
Revaluation of hedged items	767	995
TOTAL	**116,339**	**103,235**
o/w floating-rate securities	*39,121*	*30,762*

NOTE 3.7 Interest income and expense

MAKE IT SIMPLE

Interest is compensation for a financial service, consisting in a lender making a certain amount of cash available to a borrower for an agreed period of time. Such compensated financing arrangements can be loans, deposits or securities (bonds, negotiable debt securities…).

This compensation is a consideration for the time value of money, and additionally for credit risk, liquidity risk and administrative costs, all borne by the lender for the duration of the financing agreement. The interest can also include a margin used by the lending bank to remunerate equity instruments (such as ordinary shares) that are required by prudential regulation to be issued in relation to the amount of financing granted, so as to guarantee its own solvency.

Interest is recognised as expense or income over the life of the financing service granted or received, proportionally to the principal amount outstanding.

ACCOUNTING PRINCIPLES

Interest income and expense are recorded in the income statement under *Interest and similar income* and *Interest and similar expense* for all financial instruments measured using the effective interest method (instruments at amortised cost and debt instruments at fair value through other comprehensive income) and for all financial instruments mandatorily measured at fair value through profit and loss and interest rate risk hedging derivatives for the portion of income or expenses representative of the effective interest rate.

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

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is recognised in profit or loss by applying the effective interest rate to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same risk-free interest rate as that used to discount the expected outflow of resources.

(In millions of euros)	2018[1]			2017		
	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	14,030	(7,021)	7,009	13,830	(8,829)	5,001
Central banks	*575*	*(151)*	*424*	*389*	*(217)*	*172*
Bonds and other debt securities	257	(1,931)	(1,674)		(1,902)	(1,902)
Due from/to banks[2]	*1,077*	*(1,354)*	*(277)*	*1,219*	*(1,158)*	*61*
Customer loans and deposits[3]	*11,435*	*(2,889)*	*8,546*	*11,698*	*(4,847)*	*6,851*
Subordinated debt	*-*	*(542)*	*(542)*	*-*	*(581)*	*(581)*
Securities lending/borrowing	*7*	*(5)*	*2*	*14*	*(20)*	*(6)*
Repo transactions	*679*	*(149)*	*530*	*510*	*(104)*	*406*
Hedging derivatives	6,358	(4,638)	1,720	6,164	(4,434)	1,730
Financial instruments at fair value through other comprehensive income	622	-	622			
Available-for-sale financial assets				2,424	-	2,424
Held-to-maturity financial assets				141	-	141
Lease financing agreements	1,126	-	1,126	1,120	-	1,120
Real estate lease financing agreements	*194*	*-*	*194*	*199*	*-*	*199*
Non-real estate lease financing agreements	*932*	*-*	*932*	*921*	*-*	*921*
Subtotal interest income/expense on financial instruments using the effective interest method	**22,136**	**(11,659)**	**10,477**			
Financial instruments mandatorily at fair value through profit or loss	542	-	542			
TOTAL INTEREST INCOME AND EXPENSE	**22,678**	**(11,659)**	**11,019**	**23,679**	**(13,263)**	**10,416**
o/w interest income from impaired financial assets	*357*	*-*	*-*	*519*	*-*	*-*

(1) As from 2018, income and expense for the Group's insurance business are presented on a separate line of the income statement entitled "Net income of insurance companies" (see Note 1, paragraph 4).

(2) In 2016, the European Central Bank (ECB) initiated a programme of Targeted Longer-Term Refinancing Operations (TLTRO) whereby participating banks' interest rates are linked to their lending performance. Banks whose stock of loans increased by at least 2.5% over the benchmark period (January 2016 – January 2018) will enjoy lower interest rates over the entire term of the operation, the rate in question being equal to the Eurosystem's deposit facility rate. During the second quarter of 2018, having ascertained that the lending targets were met, the ECB notified the eligible banks that the reduced interest rate would apply. For Societe Generale Group, this rate reduction has led to an adjustment of the accounting value of its debt to the ECB and to the recognition of a profit equal to the difference between the discounted value (computed at the initial interest rate) of the updated contractual cash-flows following the rate reduction and the accounting value of the debt prior to the rate change. This profit amounts to EUR 60 million and is recorded under Interest income in the income statement.

(3) In 2017, Interests expenses on customer loans and deposit included EUR -2,496 million for profit-sharing for insurance policy holders.

These interest expenses include the refinancing cost of financial instruments at fair value through profit or loss, which results are classified in net gains or losses on these instruments. Given that income and expenses booked in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole.

BREAKDOWN OF OTHER CUSTOMER LOANS INCOME

(In millions of euros)	2018	2017
Trade notes	479	410
Other customer loans	9,773	10,037
Short-term loans	*4,153*	*3,996*
Export loans	*321*	*267*
Equipment loans	*1,396*	*1,740*
Housing loans	*3,182*	*3,278*
Other customer loans	*721*	*756*
Overdrafts	835	744
Doubtful outstandings (stage 3)	348	507
TOTAL	**11,435**	**11,698**

NOTE 3.8 Impairment and provisions

MAKE IT SIMPLE

Some financial assets (loans, debt securities) involve credit risk which exposes the Group to a potential loss if the counterparty or the securities issuer were to be unable to respect their financial commitments. To bear this risk, a portion of the contractual interest received by the bank on those assets, called credit margin, compensate it.

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

For loans, receivables and debt securities measured at amortised cost or fair value through other comprehensive income, the expected credit loss, as assessed by the Group, is recognised in profit or loss together with interest income. On balance sheet, this potential loss is recognised as an impairment that reduces the carrying amount of assets measured at amortised cost. Impairment are written-back in case of a subsequent decrease of credit risk.

Potential losses recognised in profit or loss represent initially the credit losses expected by the Group over the year to come. Subsequently, the amount is increased by the expected loss at maturity of the instrument in case of significant increase of risk. The losses are then reassessed if the counterparty or issuer of the security is in default.

For financial assets measured at fair value through profit or loss (including instruments hold by global markets activities), their fair value includes already the expected credit loss, as assessed by the market participant, on the residual lifetime of the instrument.

ACCOUNTING PRINCIPLES

Recognition of expected credit losses

Debt instruments classified as financial assets at amortised cost or as financial assets at fair value through other comprehensive income, operating lease receivables, customer receivables and income to be received included amongst *Other assets*, as well as loan commitments gr anted and guarantee commitments issued, are systematically subject to impairment or provisions for expected credit losses. These impairments and provisions are recognised as the loans are granted, the commitments undertaken, or the debt securities purchased, without waiting for the occurrence of an objective evidence of impairment.

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

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

Credit risk category	**Stage 1** Performing assets	**Stage 2** Under-performing or downgraded assets	**Stage 3** Credit-impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1 ▸ *Maintained if the credit risk has not increased significantly*	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument has become credit-impaired / 90 days past due
Measurement of credit risk	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

Exposures classified in Stage 1

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

Exposures classified in Stage 2

To identify Stage 2 exposures, the significant increase in credit risk is assessed by the Group using all available past and forward-looking data (behavioral scores, loan to value indicators, macroeconomic forecast scenarios, etc.). This assessment of changes in credit risk takes account of the following three criteria's:

- **The counterparty's credit rating**

The Group analyses changes in the counterparty's credit rating, as well as any changes in its operating sector, in macroeconomic conditions and in the behaviors of the counterparty that may, above and beyond the review of the credit rating, be a sign of deteriorating credit risk.

If, after a review, a counterparty is deemed "sensitive" (notion of watch list), all contracts between the Group and this counterparty are transferred into Stage 2 and the related impairment and provisions are increased up to the lifetime expected credit losses. Once a counterparty has been placed on a watch list, all new transactions originated with that counterparty are recorded in Stage 1.

- **The magnitude of the change in a counterparty's credit rating**

This magnitude is assessed from contract to contract, from the date of their initial recognition to the balance sheet date.

To determine whether a deterioration or improvement in the credit rating between the date of initial recognition and the balance sheet date is significant enough to prompt a change in the impairment Stage, thresholds are set once a year by the Risk Division. These transfer thresholds between Stage 1 and Stage 2 are determined for each homogenous portfolio of contracts (notion of risk segment) and are calculated based on the probability-of-default curves for each (thus, the threshold is different depending on whether it is a Sovereign portfolio or a Large Corporates portfolio, for instance). The thresholds are therefore differentiated based on the one-year probability of default curves; this assumes there is no distortion with respect to any comparison made with the lifetime probability-of-default curves.

- **The existence of payments more than 30 days past due**

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

Once any one of these three criteria is met, the instrument is transferred from Stage 1 to Stage 2, and the related impairments or provisions are adjusted accordingly.

The first two criteria are symmetrical: a sufficient improvement in the credit rating, or removal from the watch list of sensitive counterparties, results in a return to Stage 1.

Exposures classified in stage 3

To identify Stage 3 exposures (doubtful exposures), the Group determines whether there is an objective evidence of impairment (default event):

- a significant deterioration in the counterparty's financial situation creates a strong probability that it will not be able to meet all of its commitments and thus represents a risk of loss for the Group;
- concessions are granted to the clauses of the loan agreement, in light of the borrower's financial difficulties, that would not have been granted in other circumstances;
- payments more than 90 days past due (with the exception of restructured loans during the probation period, which are deemed subject to impairment as of the first missed payment), whether or not a collection procedure is instigated;
- or, even in the absence of missed payments, the existence of probable credit risk or litigious proceedings (bankruptcy, court-ordered settlement or compulsory liquidation).

The Group applies the impairment contagion principle to all of the defaulting counterparty's exposures. When a debtor belongs to a group, the impairment contagion principle may also be applied to all of the group's exposures.

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

Purchased or originated credit-impaired exposures

Purchased or originated credit-impaired assets are subject to a specific accounting treatment. This treatment leads to recognize into the income statement any subsequent improvement or deterioration in the expected cash flows of the instrument, discounted at the effective interest rate of the instrument after adjustment for credit risk.

Measurement of depreciation and provision

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

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

Calculation methods used to a measure credit losses are disclosed in Chapter 4 of the present Registration Document (Risk factors and capital adequacy), Part 4.5.

Irrespective of the Stage in which the exposures are classified, cash flows are discounted using the initial effective interest rate of the financial asset. The amount of impairment is included in the net carrying amount of the credit impaired financial asset. Impairment allocations/reversals are recorded in profit or loss under *Cost of risk*.

For operating leases and trade receivables, the Group uses the "simplified" approach, under which impairments are calculated as lifetime expected credit losses since their initial recognition, regardless of any subsequent changes in the counterparty's credit risk.

Restructured loans

Loans issued or acquired by the Group may be restructured due to financial difficulties. This takes the shape of a contractual modification of the initial terms of the loan (*e.g.* lower interest rates, rescheduled loan payments, partial debt forgiveness, or additional collateral). This adjustment of the contractual terms is strictly linked to the borrower's financial difficulties and/or insolvency (whether they have already become insolvent or are certain to do so if the loan is not restructured).

Where they still pass the SPPI test, restructured loans are still recognized in the balance sheet and their amortised cost before credit risk allowance is adjusted for a discount representing the restructuration loss. This discount is equal to the negative difference between the present value of the new contractual cash flows resulting from the restructuring of the loan and the amortised cost before credit risk allowance less any partial debt forgiveness; it is booked to *Cost of risk* in the income statement. As a result, the amount of interest income subsequently recognised into income are still computed using the initial effective interest rate of the loan.

Post-restructuring, these financial assets are systematically classified in Stage 3 for impairment (credit-impaired exposures), as the borrowers are deemed to be in default. Stage 3 classification is maintained for at least one year, or longer if the Group is uncertain that the borrowers will be able to meet their commitments. Once the loan is no longer classified in Stage 3, the assessment of the significant increase of credit risk will be performed by comparing the credit risk level at the closing date and the level at the initial recognition date of the loan before restructuring.

Where they no longer pass the SPPI test, restructured loans are derecognised and replaced by new loans recognized according to the restructured terms and conditions. These new loans are then classified as *Financial assets measured mandatorily at fair value through profit or loss*.

Restructured loans do not include loans and receivables subject to commercial renegotiations that are loans to customers for which the Group has agreed to renegotiate the debt with the aim of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest.

RECONCILIATION OF IMPAIRMENT AND PROVISIONS BETWEEN IAS 39 AND IFRS 9

The impacts of the IFRS 9 transition on impairments and loss provisions for credit risk are presented in Note 1.

OVERVIEW OF IMPAIRMENT AND PROVISIONS

(In millions of euros)	31.12.2018	01.01.2018
Impairment of financial assets at fair value through other comprehensive income	11	15
Impairment of financial assets at amortised cost	11,673	13,649
Loans and receivables at amortized costs	*11,477*	*13,401*
Other assets at amortized costs[1]	196	248
TOTAL IMPAIRMENT OF FINANCIAL ASSETS	**11,684**	**13,664**
Provisions on financing commitments	252	281
Provisions on guarantee commitments	386	402
TOTAL CREDIT RISK PROVISIONS	**638**	**683**

(1) o/w EUR 131 million of impairments on operating lease receivables as at 31 December 2018, measured using the simplified approach (vs. EUR 132 million as at 1 January 2018); those receivables are presented among miscellaneous receivables (see Note 4.4).

NOTE 3.8.1 IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN OF FINANCIAL ASSETS IMPAIRMENT

(In millions of euros)	Amounts at 01.01.2018	Allocations	Write-backs available	Net allocations	Write-backs used	Currency and scope effects	Amounts at 31.12.2018
Financial assets at fair value through other comprehensive income							
Impairment on performing outstandings (Stage 1)	5	3	(3)	-		(2)	3
Impairment on under-performing outstandings (Stage 2)	-	-	-	-		-	-
Impairment on doubtful outstandings (Stage 3)	10	-	-	-	(1)	(1)	8
TOTAL	**15**	**3**	**(3)**	**-**	**(1)**	**(3)**	**11**
Financial assets at amortised cost							
Impairment on performing outstandings (Stage 1)	992	662	(672)	(10)		(95)	887
Impairment on under-performing outstandings (Stage 2)	1,244	898	(1,034)	(136)		(70)	1,038
Impairment on doubtful outstandings (Stage 3)	11,413	4,269	(3,153)	1,116	(2,130)	(651)	9,748
TOTAL	**13,649**	**5,829**	**(4,859)**	**970**	**(2,130)**	**(816)**	**11,673**
o/w Lease financing and similar agreements	***842***	***352***	***(299)***	***53***	***(116)***	***(12)***	***767***
Impairment on performing outstandings (Stage 1)	*80*	*40*	*(37)*	*3*		*-*	*83*
Impairment of under-performing outstandings (Stage 2)	*101*	*61*	*(64)*	*(3)*		*-*	*98*
Impairment of doubtful outstandings (Stage 3)	*661*	*251*	*(198)*	*53*	*(116)*	*(12)*	*586*

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

(In millions of euros)	Amounts at 01.01.2018	Production & Acquisition	Derecognition (among which write-offs) and repayments	Transfer between stages of impairment	Other variations	Amounts at 31.12.2018
Financial assets at fair value through other comprehensive income						
Impairment on performing outstandings (Stage 1)	5	2			(4)	3
Impairment on under-performing outstandings (Stage 2)						-
Impairment on doubtful outstandings (Stage 3)	10				(2)	8
TOTAL	**15**	**2**	**-**	**-**	**(6)**	**11**
Financial assets at amortised cost						
Impairment on performing outstandings (Stage 1)	992	408	(420)	(142)	49	887
Impairment of under-performing outstandings (Stage 2)	1,244	277	(442)	126	(167)	1,038
Impairment on doubtful outstandings (Stage 3)	11,413	207	(2,182)	368	(58)	9,748
TOTAL	**13,649**	**892**	**(3,044)**	**352**	**176**	**11,673**
o/w Lease financing and similar agreements	***842***	***53***	***(315)***	***17***	***171***	***767***
Impairment on performing outstandings (Stage 1)	*80*	*28*	*(20)*	*(10)*	*5*	*83*
Impairment on under-performing outstandings (Stage 2)	*101*	*15*	*(32)*	*13*	*1*	*98*
Impairment on doubtful outstandings (Stage 3)	*661*	*9*	*(263)*	*14*	*165*	*586*

Impairment decreased by EUR 2 billion in 2018 mainly on corporate and retail customers doubtful outstandings (stage 3). This decrease is linked to the Group strategy to reduce its defaulted exposures highly covered by impairment.

NOTE 3.8.2 PROVISIONS

BREAKDOWN OF PROVISIONS

(In millions of euros)	Amounts at 01.01.2018	Allocations	Write-backs available	Net impairment losses	Currency and scope effects	Amounts at 31.12.2018
Financing commitments						
Provisions on performing outstandings (Stage 1)	117	83	(100)	(17)	(2)	98
Provisions on under-performing outstandings (Stage 2)	107	93	(82)	11	1	119
Provisions on doubtful outstandings (Stage 3)	57	76	(152)	(76)	54	35
TOTAL	**281**	**252**	**(334)**	**(82)**	**53**	**252**
Guarantee commitments						
Provisions on performing outstandings (Stage 1)	52	37	(38)	(1)	(4)	47
Provisions on under-performing outstandings (Stage 2)	61	68	(79)	(11)	18	68
Provisions on doubtful outstandings (Stage 3)	289	131	(96)	35	(53)	271
TOTAL	**402**	**236**	**(213)**	**23**	**(39)**	**386**

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

(In millions of euros)	Amounts at 01.01.2018	Production	Derecognition	Transfer between stages of impairment	Other variations	Amounts at 31.12.2018
Financing commitments						
Provisions on performing outstandings (Stage 1)	117	43	(55)	(10)	3	98
Provisions on under-performing outstandings (Stage 2)	107	28	(35)	20	(1)	119
Provisions on doubtful outstandings (Stage 3)	57	1	(19)	(2)	(2)	35
TOTAL	**281**	**72**	**(109)**	**8**	**0**	**252**
Guarantee commitments						
Provisions on performing outstandings (Stage 1)	52	14	(15)	(5)	1	47
Provisions on under-performing outstandings (Stage 2)	61	11	(6)	6	(4)	68
Provisions on doubtful outstandings (Stage 3)	289	4	(38)	15	1	271
TOTAL	**402**	**29**	**(59)**	**16**	**(2)**	**386**

NOTE 3.8.3 COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk only includes net allocations to impairments losses allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

The Group proceeds to a write off of irrecoverable loans and a reversal of impairment in *Cost of risk* when a debt is waived or when there are no longer any hopes of future recovery. The lack of future hopes of recovery is documented when a relevant authority issues a certificate as proof that the debt is uncollectible or when strong circumstantial evidences are identified (years in default, provisions at 100%, lack of recent recoveries, specificities of the case). According to this policy, the Group doesn't proceed to partial write off of its bad loans.

However, a write-off in accounting terms does not imply debt forgiveness in the legal sense as recovery actions on cash due by the counterparty are pursued particularly if the latter's fortune improve. In case of recoveries on an exposure previously written-off, such recoveries are recognised as Amounts recovered on bad loans on the year of collection.

(In millions of euros)	2018	2017
Credit risk	**-1,005**	**-918**
Net allocation to impairment losses	-970	-1,034
On financial assets at fair value through other comprehensive income	-	
On financial assets at amortised cost	-970	
Net allocations to provisions	59	9
On financing commitments	82	
On guarantee commitments	-23	
Losses not covered on irrecoverable loans	-263	-151
Amounts recovered on irrecoverable loans	169	258
Other risks		-431
TOTAL	**-1,005**	**-1,349**

(1) *As from 2018, Cost of risk only includes profit or loss items related to the recognition of credit risk, within the meaning of IFRS 9, including the share related to investments of insurance companies (changes in loss allowances and impairments covering credit losses, losses on irrecoverable loans and amounts recovered on previously impaired loans). As a result, changes in provisions for disputes that were previously recorded under Cost of risk now impact, depending on the type of dispute, Personnel expenses, Other administrative expenses, Interest and similar income, Interest and similar expense or Income tax.*

NOTE 3.9 Fair value of financial instruments measured at amortised cost

ACCOUNTING PRINCIPLES

Definition of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market inputs based on assumptions that market operators would use to set the price of the instrument in question.

For financial instruments that are not recognised at fair value on the balance sheet, the figures disclosed in this note and broken down according to the fair value hierarchy as described in Note 3.4, should not be taken as an estimate of the amount that would be realised if all such financial instruments were to be settled immediately.

The fair value of financial instruments includes accrued interest as applicable.

NOTE 3.9.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	31.12.2018				
(In millions of euros)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from banks	60,588	60,674	-	43,844	16,830
Customer loans	447,229	451,366	-	187,421	263,945
Securities	12,026	12,113	4,007	7,312	794
TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST	**519,843**	**524,153**	**4,007**	**238,577**	**281,569**

NOTE 3.9.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	31.12.2018				
(In millions of euros)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due to banks	94,706	94,564	244	90,037	4,283
Customer deposits	416,818	417,019	-	406,699	10,320
Debt securities issued	116,339	116,336	22,028	93,564	744
Subordinated debt	13,314	13,316	-	13,316	-
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**641,177**	**641,235**	**22,272**	**603,616**	**15,347**

NOTE 3.9.3 VALUATION METHODS OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

LOANS, RECEIVABLES AND LEASE FINANCING AGREEMENTS

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

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

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

DEBTS

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

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

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

SECURITIES

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

If no active market exists, the fair value of the securities is calculated by discounting estimated future cash flows from the asset at the market rate on the balance sheet date. For variable-rate securities, and fixed-rate securities with an agreed duration of up to one year, the fair value is assumed to be the carrying amount minus impairments provided there have been no significant fluctuations in credit spreads involving the counterparties concerned since they were recorded on the balance sheet.

NOTE 3.10 Commitments and assets pledged and received as securities

ACCOUNTING PRINCIPLES

Loan commitments

Loan commitments that are not considered as financial derivatives or that are not measured at fair value through profit and loss for trading purpose are initially recognised at fair value. Thereafter, they are provisioned as necessary in accordance with the accounting principles for *Impairment and provisions* (see Note 3.8).

Guarantee commitments

When considered as non-derivative financial instruments, financial guarantees issued by the Group are initially recognised in the balance sheet at fair value. Thereafter, they are measured at either the amount of the obligation or the amount initially recognised (whichever is higher) less, when appropriate, the cumulative amortisation of a guarantee commission. Where there is objective evidence of impairment, a provision for financial guarantees given is recognised on the liabilities side of the balance sheet (see Note 3.8).

Securities commitments

Securities bought and sold, which are booked to *Financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income* and *Financial assets at amortised cost* are recognised on the balance sheet at the settlement-delivery date. Between the trade date and the settlement-delivery date, securities receivable or deliverable are not recognized on the balance sheet. Changes in the fair value of securities measured at fair value through profit or loss and securities measured at fair value through other comprehensive income between the trade date and the settlement-delivery date are booked to profit or loss or equity, depending on the accounting classification of the securities in question.

The amounts of commitments and assets pledged and received as securities was not impacted by the first application of IFRS 9.

NOTE 3.10.1 COMMITMENTS

COMMITMENTS GRANTED

(In millions of euros)	31.12.2018	31.12.2017
Loan commitments		
To banks	19,174	21,983
To customers	199,663	180,004
Issuance facilities	-	-
Confirmed credit lines	*181,015*	*168,874*
Others	*18,648*	*11,130*
Guarantee commitments		
On behalf of banks	5,020	6,641
On behalf of customers[1]	57,251	61,024
Securities commitments		
Securities to be delivered	38,066	25,711

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

COMMITMENTS RECEIVED

(In millions of euros)	31.12.2018	31.12.2017
Loan commitments		
From banks	62,447	52,222
Guarantee commitments		
From banks	104,845	91,742
Other commitments[1]	136,702	126,409
Securities commitments		
Securities to be received	41,857	26,958

(1) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 72,768 million at 31 December 2018 versus EUR 62,394 million at 31 December 2017.

NOTE 3.10.2 FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSETS PLEDGED

(In millions of euros)	31.12.2018	31.12.2017
Book value of assets pledged as security for liabilities[1]	348,262	316,565
Book value of assets pledged as security for transactions in financial instruments[2]	55,957	45,291
Book value of assets pledged as security for off-balance sheet commitments	2,117	2,515
TOTAL	**406,336**	**364,371**

(1) Assets pledged as security for liabilities mainly include loans given as guarantees for liabilities (guarantees notably provided to the central banks).
(2) Assets pledged as security for transactions in financial instruments mainly include security deposit.

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In millions of euros)	31.12.2018	31.12.2017
Fair value of securities purchased under resale agreements	**129,628**	**138,956**

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

NOTE 3.11 Transferred financial assets

ACCOUNTING PRINCIPLES

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

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

Securities involved in a repurchase agreement or securities lending transaction are held in their original position on the asset side of the Group's balance sheet. For repurchase agreements, the obligation to return the amounts deposited is recorded under *Liabilities* on the liabilities side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under *Financial liabilities at fair value through profit or loss*.

Securities involved in a reverse repurchase agreement or securities borrowing transaction are not recorded in the Group's balance sheet. For securities received under a reverse repurchase agreement, the right to recover the amounts delivered by the Group is recorded under *Customer Loans and receivables* or *Due from banks* on the asset side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under *Financial assets at fair value through profit or loss*. In the case of a subsequent sale of the borrowed securities, a debt due to the lender of those securities is recognised on the Group balance sheet amongst *Financial liabilities at fair value through profit or loss*.

Securities lending and securities borrowing transactions that are fully matched by cash are assimilated to repurchase and reverse repurchase agreements and are recorded and recognised as such in the balance sheet.

With securities lending and repurchase agreements, the Group remains exposed to issuer default (credit risk) and to increases or decreases of securities value (market risk). The underlying securities cannot simultaneously be used as collateral in other transactions.

NOTE 3.11.1 TRANSFERRED FINANCIAL ASSETS NOT DERECOGNISED

REPURCHASE AGREEMENTS

	31.12.2018	
(In millions of euros)	Carrying amount of transferred assets	Carrying amount of associated liabilities
Securities at fair value through profit or loss	19,515	15,371
Securities at fair value through other comprehensive income	11,903	9,743
TOTAL	**31,418**	**25,114**

SECURITIES LENDING

	31.12.2018	
(In millions of euros)	Carrying amount of transferred assets	Carrying amount of ssociated liabilities
Securities at fair value through profit or loss	11,347	51
Securities at fair value through other comprehensive income	368	-
TOTAL	**11,715**	**51**

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

Customers loans (In millions of euros)	31.12.2018	31.12.2017
Carrying amount of transferred assets	1,249	904
Carrying amount of associated liabilities	1,086	798
Fair value of transferred assets (A)	1,253	908
Fair value of associated liabilities (B)	1,090	801
NET POSITION (A)-(B)	**163**	**107**

The Group remains exposed to the majority of the risks and rewards associated with these receivables; furthermore, these receivables may not be used as collateral or sold outright as part of another transaction.

NOTE 3.11.2 TRANSFERRED FINANCIAL ASSETS PARTIALLY OR FULLY DERECOGNISED

At 31 December 2018, the Group carried out no material transactions resulting in the partial or full derecognition of financial assets leaving the Group with a continuous involvement in said assets.

NOTE 3.12 Offsetting financial assets and financial liabilities

ACCOUNTING PRINCIPLES

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

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

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

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

ASSETS		Impact of offsetting on the balance sheet		At 31 December 2018	Impact of Master Netting Agreements (MNA) and similar agreements[1]			
(In millions of euros)	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	25,601	166,618	(57,337)	134,882	(81,559)	(13,720)	(31)	39,572
Securities lent (see Notes 3.1 and 3.3)	9,367	3,527	-	12,894	(1,745)	(2)	(732)	10,415
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	46,526	224,992	(97,812)	173,706	(21,581)	(304)	(51,925)	99,896
Guarantee deposits pledged (see Note 4.4)	33,099	13,595	-	46,694	-	(13,595)	-	33,099
Other assets not subject to offsetting	941,252	-	-	941,252	-	-	-	941,252
TOTAL ASSETS	**1,055,845**	**408,732**	**(155,149)**	**1,309,428**	**(104,885)**	**(27,621)**	**(52,688)**	**1,124,234**

LIABILITIES		Impact of offsetting on the balance sheet		At 31 December 2018	Impact of Master Netting Agreements (MNA) and similar agreements[1]			
(In millions of euros)	Amount of liabilities not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	27,918	162,357	(57,337)	132,938	(81,559)	(13,595)	-	37,784
Amount payable on borrowed securities (see Note 3.1)	33,731	17,533	-	51,264	(1,745)	-	-	49,519
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	45,391	174,062	(97,812)	121,641	(21,581)	-	(22,956)	77,104
Guarantee deposits received (See Note 4.4)	29,417	14,026	-	43,443	-	(14,026)	-	29,417
Other liabilities not subject to offsetting	894,333	-	-	894,333	-	-	-	894,333
TOTAL LIABILITIES	**1,030,790**	**367,978**	**(155,149)**	**1,243,619**	**(104,885)**	**(27,621)**	**(22,956)**	**1,088,157**

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

ASSETS		Impact of offsetting on the balance sheet		At 31 December 2017	Impact of Master Netting Agreements (MNA) and similar agreements[1]			
(In millions of euros)	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	30,291	182,376	(64,576)	148,091	(93,223)	(13,429)	(1)	41,438
Securities lent (see Notes 3.1 and 3.3)	2,534	13,782	-	16,316	(12,028)	-	-	4,288
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	41,458	168,163	(70,659)	138,962	(34,145)	(204)	(51,164)	53,449
Guarantee deposits pledged (see Note 4.4)	28,650	12,334	-	40,984	-	(12,334)	-	28,650
Other assets not subject to offsetting	930,775	-	-	930,775	-	-	-	930,775
TOTAL ASSETS	**1,033,708**	**376,655**	**(135,235)**	**1,275,128**	**(139,396)**	**(25,967)**	**(51,165)**	**1,058,600**

Liabilities

LIABILITIES		Impact of offsetting on the balance sheet		At 31 December 2017	Impact of Master Netting Agreements (MNA) and similar agreements[1]			
(In millions of euros)	Amount of liabilities not subject to offsetting*	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	Net amount
Derivative financial instruments (see Notes 3.1 and 3.2)	31,915	181,935	(64,576)	149,274	(93,223)	(12,334)	-	43,717
Amount payable on borrowed securities (see Note 3.1)	17,486	17,358	-	34,844	(12,028)	-	-	22,816
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	50,646	148,406	(70,659)	128,393	(34,145)	-	(17,620)	76,628
Guarantee deposits received (See Note 4.4)	25,484	13,633	-	39,117	-	(13,633)	-	25,484
Other liabilities not subject to offsetting	859,463	-	-	859,463	-	-	-	859,463
TOTAL LIABILITIES	**984,994**	**361,332**	**(135,235)**	**1,211,091**	**(139,396)**	**(25,967)**	**(17,620)**	**1,028,108**

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

NOTE 3.13 Contractual maturities of financial liabilities

(In millions of euros)	Up to 3 months	3 months to 1 year	1 to 5 Years	More than 5 years	31.12.2018
Due to central banks	5,721	-	-	-	5,721
Financial liabilities at fair value through profit or loss	310,193	22,209	13,699	16,982	363,083
Due to banks	26,897	26,560	20,135	21,114	94,706
Customer deposits	337,374	36,027	22,013	21,404	416,818
Debt securities issued	26,034	25,017	37,348	27,940	116,339
Subordinated debt	355	2	52	12,905	13,314
Other liabilities	66,231	2,087	5,281	3,03	76,629
TOTAL LIABILITIES	**772,805**	**111,902**	**98,528**	**103,375**	**1,086,610**
Loan commitments granted	84,953	19,941	74,835	39,108	218,837
Guarantee commitments granted	24,164	10,472	9,496	18,139	62,271
TOTAL COMMITMENTS GRANTED	**109,117**	**30,413**	**84,331**	**57,247**	**281,108**

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

For lack of contractual terms and for trading financial instruments (e.g: derivatives), maturities are presented in the first column (up to 3 months).

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

NOTE 4 OTHER ACTIVITIES

NOTE 4.1 Fee income and expense

ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

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

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

	2018			2017		
(In millions of euros)	Income	Expense	Net	Income	Expense	Net
Transactions with banks	**148**	**(182)**	**(34)**	**133**	**(168)**	**(35)**
Transactions with customers	**3,187**	**-**	**3,187**	**2,971**	**-**	**2,971**
Financial instruments operations	**2,308**	**(2,334)**	**(26)**	**2,416**	**(2,240)**	**176**
Securities transactions	539	(1,030)	(491)	596	(959)	(363)
Primary market transactions	136		136	208		208
Foreign exchange transactions and financial derivatives	1,633	(1,304)	329	1,612	(1,281)	331
Loan and guarantee commitments	**711**	**(78)**	**633**	**748**	**(62)**	**686**
Sundry services[(1)]	**2,770**	**(1,006)**	**1,764**	**4,236**	**(1,211)**	**3,025**
Asset management fees	634		634	1,427		1,427
Means of payment fees	847		847	813		813
Insurance products fees	228		228	820		820
Underwriting fees of UCITS	85		85	176		176
Other fees	976	(1,006)	(30)	1,000	(1,210)	(211)
TOTAL	**9,124**	**(3,600)**	**5,524**	**10,504**	**(3,681)**	**6,823**

(1) As from 2018, income and expense for the Group's insurance business are presented on a separate line of the income statement entitled "Net income from insurance activities" (see Note 1.4).

NOTE 4.2 Income and expense from other activities

ACCOUNTING PRINCIPLES

Leasing activities

Leases granted by the Group which do not transfer to the lessee virtually all the risks and benefits associated with ownership of the leased asset are classified as operating leases.

Assets held under operating leases, including investment property, are recorded on the balance sheet under *Tangible and intangible fixed assets* at their acquisition cost, less depreciation and impairment (see Note 8.4).

Leased assets are depreciated, excluding residual value, over the life of the lease. Lease payments are recognised as income according to the straight-line method over the term of the lease. Meanwhile, the purpose of the accounting treatment of income invoiced in respect of maintenance services related to operating lease activities is to reflect a constant margin between this income and the expenses incurred in providing the service over the term of the service agreement.

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

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

Leases granted by the Group entities may include maintenance service for the leased equipment. In this case, the portion of rentals corresponding to this maintenance service is spread over the duration of the service (generally the lease contract duration) and, when necessary, considers the progress of the service provided when it is not linear.

Real estate development activities

As the sale of real estate off plan (housing, office property, retail areas, etc.) is an ongoing service, the margin of this activity is progressively recognised over the construction programme's duration until the delivery date to the customer. It is recognised under income when this margin is positive and under expenses when this margin is negative.

The margin recognised at each closing period reflects the programme's estimated margin forecast and its stage of completion at the end of the period which depends on the progress in terms of marketing and the project.

	2018			2017		
(In millions of euros)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Real estate development	76	(2)	74	93	(4)	89
Real estate leasing	34	(40)	(6)	67	(68)	(1)
Equipment leasing	10,102	(7,156)	2,946	9,158	(6,447)	2,711
Other activities[1][2]	549	(1,814)	(1,265)	12,727	(14,637)	(1,910)
o/w insurance activities				*12,346*	*(12,052)*	*294*
TOTAL	**10,761**	**(9,012)**	**1,749**	**22,045**	**(21,156)**	**889**

(1) As from 2018, income and expense for the Group's insurance business are presented on a separate line of the income statement entitled "Net income from insurance activities" (see Note 1.4).

(2) For 2017, the Expenses from other activities include EUR 963 million, the exchange value of GBP 813.26 million, in compensation for the settlement agreement between Societe Generale and the Libyan Investment Authority.

NOTE 4.3 Insurance activities

MAKE IT SIMPLE

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

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

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

DEFERRED APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES

The amendments to IFRS 4 (Applying IFRS 9, "Financial Instruments", with IFRS 4, Insurance Contracts) allow entities having insurance as their primary activity to delay the application of IFRS 9 until 1 January 2021, meaning they may continue applying IAS 39. The European Commission also extended the deferral option to allow financial conglomerates falling within the scope of Directive 2002/87/EC to elect that all their entities operating in the insurance sector within the meaning of that directive will defer the effective date of IFRS 9 until 1 January 2021.

The Group has elected that all its insurance subsidiaries will defer the effective date of IFRS 9 and will continue to apply IAS 39 as adopted by the European Union. The Group has made the necessary arrangements to forbid all transfers of financial instruments between its insurance sector and any other sector in the Group that would lead to a derecognition of the instrument by the seller, except for transfers of financial instruments measured at fair value through profit or loss by both sectors involved in such transfers.

Starting in financial year 2018, insurance activities are presented on separate lines in the consolidated financial statements for clarification purposes: *Investments of insurance activities* under balance sheet assets, *Insurance contracts related liabilities* under balance sheet liabilities, and *Net income from insurance activities* under *Net banking income* in the income statement.

The main subsidiaries concerned are Sogécap, Antarius, Sogelife, Oradea Vie, Komercni Pojistovna A.S. and Sogessur.

NOTE 4.3.1 INSURANCE CONTRACTS RELATED LIABILITIES

ACCOUNTING PRINCIPLES

Underwriting reserves of insurance companies

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

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

Risks covered by non-life insurance policies are principally linked to home, car and accident protection guarantees. Underwriting reserves comprise reserves for unearned premiums (share of premium income relating to subsequent financial years) and for outstanding claims.

Risks covered by life insurance policies are principally death, invalidity and incapacity for work. Life insurance underwriting reserves mainly comprise actuarial reserves, which correspond to the difference between the present value of commitments falling to the insurer and those falling to the policyholder, and the reserve for claims incurred but not settled.

In life insurance products:

- underwriting reserves of life insurance contracts invested in EUR-denominated vehicles with profit-sharing clauses consist primarily of mathematical provisions and provisions for profit-sharing;
- underwriting reserves of life insurance contracts invested in unit-linked vehicles or with a significant insurance clause (mortality, invalidity, etc.) are measured at the inventory date according to the realisation value of the assets underlying these contracts.
- Under the principles defined in IFRS 4, and in compliance with local regulations applicable with respect thereto, life insurance policies with discretionary profit-sharing features are subject to "mirror accounting", whereby any changes in the value of financial assets liable to affect policyholders are recorded in Deferred profit-sharing. This reserve is calculated to reflect the potential rights of policyholders to unrealised gains on financial instruments measured at fair value or their potential share of unrealised losses.

To demonstrate the recoverability of the deferred profit-sharing asset in the event of an unrealised net loss, two approaches are verified by the Group in order to show that the liquidity requirements caused by an unfavourable economic environment would not require assets to be sold in the event of unrealised losses:

- the first approach consists in simulating deterministic ("standardised" or extreme) stress scenarios. This is used to show that in these scenarios no significant losses would be realised on the assets existing at the balance sheet date for the scenarios tested;
- the aim of the second approach is to ensure that in the long or medium term, the sale of assets to meet liquidity needs would not generate any significant losses. The approach is verified considering projections based on extreme scenarios

A liability adequacy test (LAT) is also carried out quarterly using a stochastic model based on parameters assumption consistent with those used for the MCEV (Market Consistent Embedded Value). This test takes into account all of the future cash flows from policies, including benefits, management charges, fees and policy options and guarantees. It does not include future premiums.

Classification of financial liabilities

At initial recognition, financial liabilities resulting from the Group's insurance activities are classified in the following accounting categories:

- financial liabilities measured at fair value through profit or loss: financial liabilities held for trading, including by default derivative liabilities that do not qualify as hedging instruments, as well as non-derivative financial liabilities initially designated by the Group at fair value through profit or loss (fair value option). These financial liabilities mainly comprise investment contracts without discretionary profit-sharing clauses and with no insurance component, that do not meet the definition of an insurance contract under IFRS 4 (unit-linked insurance contracts only) and are thus governed by IAS 39;
- financial liabilities measured at amortised cost: other non-derivative financial liabilities, which are measured at amortised cost.

These financial liabilities are recorded in the balance sheet under *Debts* and *Financial liabilities measured at fair value through profit or loss*, except for derivative liabilities which are recorded under *Insurance contracts related liabilities*.

BREAKDOWN OF INSURANCE CONTRACTS RELATED LIABILITIES

(In millions of euros)	31.12.2018	01.01.2018
Underwriting reserves of insurance companies	128,769	130,958
Financial liabilities of insurance companies	774	759
TOTAL	**129,543**	**131,717**

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In millions of euros)	31.12.2018	01.01.2018
Underwriting reserves for unit-linked policies	28,850	29,643
Life insurance underwriting reserves	90,992	89,563
Non-life insurance underwriting reserves	1,418	1,332
Deferred profit-sharing booked in liabilities	7,509	10,420
Total	**128,769**	**130,958**
Attributable to reinsurers	(703)	(731)
UNDERWRITING RESERVES OF INSURANCE COMPANIES (INCLUDING PROVISIONS FOR DEFERRED PROFIT-SHARING) NET OF THE SHARE ATTRIBUTABLE TO REINSURERS	**128,066**	**130,227**

STATEMENT OF CHANGES IN UNDERWRITING RESERVES

(In millions of euros)	Underwriting reserves for unit-linked policies	Life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at 1 January 2018 (except provisions for deferred profit-sharing)	**29,643**	**89,563**	**1,332**
Allocation to insurance reserves	469	1,233	81
Revaluation of unit-linked policies	(1,895)		
Charges deducted from unit-linked policies	(157)		
Transfers and allocation adjustments	647	(655)	
New customers	21	86	11
Profit-sharing	124	1,351	
Others	(2)	(586)	(6)
Reserves at 31 December 2018 (except provisions for deferred profit-sharing)	**28,850**	**90,992**	**1,418**

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed at 31 December 2018. This test assesses whether recognised insurance liabilities are adequate, using current estimates of future cash flows under insurance policies. The result of the test at 31 December 2018 does not show any insufficiency of technical liabilities.

UNDERWRITING RESERVES BY REMAINING MATURITY

(In millions of euros)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2018
Underwriting reserves of insurance companies	**11,542**	**8,891**	**35,102**	**73,234**	**128,769**

NOTE 4.3.2 INVESTMENTS OF INSURANCE ACTIVITIES

As of 1 January 2018, derivative and non-derivative financial assets and investment property held by insurance entities are isolated on the balance sheet under Investments of insurance companies.

The accounting principles applicable to financial assets are detailed in Note 8.8.

OVERVIEW OF INVESTMENTS OF INSURANCE ACTIVITIES

(In millions of euros)	31.12.2018	01.01.2018
Financial assets at fair value through profit or loss (trading portfolio)	1,876	1,765
Bonds and other debt instruments	*200*	*200*
Shares and other equity instruments	*29*	*38*
Trading derivatives	*1,647*	*1,527*
Financial assets at fair value through profit or loss (fair value option)	56,240	55,414
Bonds and other debt instruments	*27,881*	*27,174*
Shares and other equity instruments	*28,085*	*27,986*
Loans, receivables and repo transactions	*274*	*254*
Hedging derivatives	409	438
Available-for-sale financial assets	86,299	86,509
Debt instruments	*72,613*	*72,973*
Equity instruments	*13,686*	*13,536*
Due from banks	7,983	9,195
Customer loans	119	141
Real estate investments	609	618
Total investments of insurance activities before elimination of intercompany transactions	**153,535**	**154,080**
Elimination of intercompany transactions	(6,767)	(6,469)
TOTAL INVESTMENTS OF INSURANCE ACTIVITIES AFTER ELIMINATION OF INTERCOMPANY TRANSACTIONS[(1)(2)]	**146,768**	**147,611**

(1) Investments in other Group companies that are made in representation of unit-linked liabilities are kept in the Group's consolidated balance sheet without any significant impact thereon.

(2) o/w EUR 710 million of current accounts at 31 December 2018 (after elimination of intercompany transactions) vs. EUR 1,093 million at 1 January 2018.

The following tables show the carrying amounts and fair value after eliminating intercompany transactions.

ANALYSIS OF FINANCIAL ASSETS DEPENDING ON THEIR CONTRACTUAL CHARACTERISTICS

The following table shows the carrying amount of the financial assets included in *Investments from insurance activities*, whereby those assets whose contractual conditions give rise to cash-flows on set dates that are solely payments of principal and interest (basic instruments) are presented separately from trading assets and assets measured using the fair value option through profit or loss.

	31.12.2018				01.01.2018
(In millions of euros)	Basic instruments	Other instruments	Total carrying amount	Fair value	Total carrying amount
Financial assets at fair value through profit or loss	-	55,177	55,177	55,177	53,899
Hedging derivatives		401	401	401	420
Available-for-sale financial assets	68,261	16,407	84,668	84,668	84,731
Due from banks	2,122	3,672	5,794	6,139	7,103
Customer loans	119	-	119	117	141
TOTAL FINANCIAL INVESTMENTS	**70,502**	**75,657**	**146,159**	**146,502**	**146,294**

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	31.12.2018			
(In millions of euros)	Level 1	Level 2	Level 3	Total
Trading portfolio	29	384	49	462
Financial assets at fair value through profit or loss using the fair value option	48,821	5,516	378	54,715
Hedging derivatives	-	401	-	401
Available-for-sale financial assets	79,104	5,466	98	84,668
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**127,954**	**11,767**	**525**	**140,246**

	31.12.2017			
(In millions of euros)	Level 1	Level 2	Level 3	Total
Trading portfolio	38	661	-	699
Financial assets at fair value through profit or loss using the fair value option	49,805	3,764	331	53,900
Hedging derivatives	-	420	-	420
Available-for-sale financial assets	79,841	4,814	76	84,731
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**129,684**	**9,659**	**407**	**139,750**

CHANGES IN AVAILABLE FOR SALE FINANCIAL ASSETS

(In millions of euros)	2018
Balance as of 1 January	**84,731**
Acquisitions	9,834
Disposals/redemptions	(7,232)
Transfers to held-to-maturity financial assets	-
Change in scope and others	(427)
Gains and losses on changes in fair value recognised directly in equity during the period	(2,153)
Impairment losses on equity instruments recognised in profit and loss	(107)
Translation differences	22
Balance as of 31 December	**84,668**

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

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

	31.12.2017		
(In millions of euros)	**Capital gains**	**Capital losses**	**Net revaluation**
Unrealised gains and losses of insurance companies	**438**	**(27)**	**411**
On available-for-sale equity instruments	*1,537*	*(38)*	*1,499*
On available-for-sale debt instruments and assets reclassified as loans and receivables	*7,748*	*(327)*	*7,421*
Deferred profit-sharing	*(8,847)*	*338*	*(8,509)*

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In millions of euros)	31.12.2018	31.12.2017
Fair value of securities purchased under resale agreements	**8**	**38**

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term.

Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

NOTE 4.3.3 NET INCOME FROM INSURANCE ACTIVITIES

ACCOUNTING PRINCIPLES

Income and expense related to insurance contracts

Income and expense related to insurance contracts issued by Group insurance companies, associated fee income and expense, and income and expense related to investments of insurance companies are recorded under *Net income from insurance activities* in the income statement.

Other income and expense are recorded under the appropriate headings.

Changes in the provision for deferred profit-sharing are recorded under *Net income from insurance activities* in the income statement or under *Unrealised or deferred gains and losses* under the appropriate headings for the underlying assets in question.

The following table shows the breakdown of income and expense from insurance activities and associated investments presented on a separate line under Net *Banking Income: Net income from insurance activities* (after eliminating intercompany transactions).

(In millions of euros)	2018	2017
Net premiums	12,568	11,480
Net income from investments	1,928	3,368
Cost of benefits (including changes in reserves)[(1)]	(12,541)	(12,771)
Other net technical income (expense)	(231)	2
Net income of insurance activities	**1,724**	**2,079**
Funding costs	(7)	(4)
Net banking income of insurance companies	**1,717**	**2,075**

(1) o/w: EUR -2,001 million in respect of profit-sharing at 31 December 2018.

NET INCOME FROM INVESTMENTS

(In millions of euros)	2018	2017
Dividend income on equity instruments	617	393
Interest income	2,011	2,047
On available-for-sale financial assets	*1,706*	*1,711*
On loans and receivables	*293*	*273*
Other net interest income	*12*	*63*
Net gains or losses on financial instruments at fair value through profit or loss	(776)	864
Net gains or losses on available-for-sale financial instruments	62	61
Capital gain or loss on sale of debt instruments	*(5)*	*(51)*
Capital gain or loss on sale of equity instruments	*174*	*167*
Impairment losses on equity instruments	*(107)*	*(55)*
Net gains or losses on real estate investments	14	3
TOTAL NET INCOME FROM INVESTMENTS	**1,928**	**3,368**

NOTE 4.3.4 MANAGEMENT OF INSURANCE RISKS

There are two main types of insurance risks:

- underwriting risks, particularly risk through life insurance, individual personal protection and non-life insurance. This risk can be biometrical: disability, longevity, mortality, or related to policyholders' behaviour (risk of lapses). To a lesser extent, the Insurance business line is also exposed to non-life and health risks. Such risks can come from pricing, selection, claims management or catastrophic risk;
- risks related to financial markets and ALM: the Insurance business line, mainly through life insurance, is exposed to instabilities on the financial markets (changes in interest rates and stock market fluctuations) which can be made worse by policyholder behaviour.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks are monitored and regularly reported, they are guaranted by risk policies validated by the Board of Directors of each entity.

Risk management techniques are based on the following:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile and the guarantees provided;
- regular monitoring of indicators on product claims rates in order to adjust certain product parameters, such as pricing or the level of guarantee, if necessary;
- implementation of a reinsurance plan to protect the business line from major/serial claims;
- application of policies on risk, provisioning and reinsurance.

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy as long-term performance objectives. The optimization of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analyzed by the Finance and Risk Department of the insurance business line.

Risk management related to financial markets (interest rates, credit and shares) and to ALM is based on the following:

- monitoring short- and long-term cash flows (match between the term of a liability and the term of an asset, liquidity risk management);
- particular monitoring of policyholder behaviour (redemption);
- close monitoring of financial markets;
- hedging against exchange rate risks (both rising and falling);
- defining thresholds and limits per counterparty, per issuer rating and assets class;
- stress tests, the results of which are presented annually at entities' Board of Directors' meetings, as part of the ORSA report (Own Risk and Solvency Assessment), transferred to the ACPR after approval by the Board;
- application of policies related to ALM and investment risks.

BREAKDOWN BY RATING OF BASIC FINANCIAL INSTRUMENTS

The following tables show the carrying amounts after eliminating intercompany transactions.

(In millions of euros)	31.12.2018			
	Available-for-sale financial assets	Due from banks	Customer loans	Total
AAA	4,146	214	-	4,36
AA+ / AA / AA-	37,692	562	-	38,254
A+ / A/A-	12,809	867	-	13,676
BBB+ / BBB/BBB-	12,769	377	-	13,146
BB+ / BB/BB-	353	102	-	455
B+ / B/B-	5	-	-	5
CCC+ / CCC/CCC-	-	-	-	-
CC+ / CC/CC-	-	-	-	-
Lower than CC-	-	-	-	-
Without rating	487	-	119	606
TOTAL BEFORE IMPAIRMENT	**68,261**	**2,122**	**119**	**70,502**
Impairment	-	-	-	-
CARRYING AMOUNT	**68,261**	**2,122**	**119**	**70,502**

The rating scale is the scale used for Solvency 2 purposes, which calls for the second highest rating determined by the rating agencies (Standard & Poor’s, Moody’s Investors Service and Fitch Ratings) to be used. The ratings in question apply to issues or, where these are not available, to issuers.

NOTE 4.4 Other assets and liabilities

NOTE 4.4.1 OTHER ASSETS

Other assets are impacted by the transition to IFRS 9 due to the implementation of the simplified impairment model for operating leases (see Note 3.8).

(In millions of euros)	31.12.2018	01.01.2018	31.12.2017
Guarantee deposits paid[(1)]	46,694	40,978	40,984
Settlement accounts on securities transactions	6,645	7,436	7,436
Prepaid expenses	1,057	989	989
Miscellaneous receivables[(2)]	11,817	9,920	10,378
Miscellaneous receivables - insurance	1,511	1,411	1,033
GROSS AMOUNT	**67,724**	**60,734**	**60,820**
Impairment[(3)]	(278)	(285)	(258)
NET AMOUNT	**67,446**	**60,449**	**60,562**

(1) Mainly relates to guarantee deposits paid on financial instruments, the fair value of which is taken to be the same as their book value net of impairment for credit risk.

(2) Miscellaneous receivables primarily include trade receivables, fee income and income from other activities to be received. The operating leases receivables equal to EUR 902 million as of 31 December 2018.

(3) Impairments on other assets are related to:
- credit risk on operating lease receivables for an amount of EUR 131 million as of 31 December 2018 and EUR 132 million as of 1 January 2018;
- credit risk on assets acquired by adjudication and sundry debtors for an amount of EUR 110 million as of 31 December 2018 and EUR 116 million as of 1 January 2018;
- other risks for an amount of EUR 37 million as of 31 December 2018 and EUR 37 million as of 1 January 2018.

NOTE 4.4.2 OTHER LIABILITIES

The balance sheet value of other liabilities was not impacted by the first-time application of IFRS 9.

(In millions of euros)	31.12.2018	31.12.2017
Guarantee deposits received[(1)]	43,443	39,117
Settlement accounts on securities transactions	6,904	6,816
Expenses payable on employee benefits	2,396	2,542
Deferred income	1,620	1,633
Miscellaneous payables[(2)]	15,609	13,314
Miscellaneous payables - insurance	6,657	5,717
TOTAL	**76,629**	**69,139**

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

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

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

MAKE IT SIMPLE

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

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

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

ACCOUNTING PRINCIPLES

Employee benefits are divided into four categories:

- Short-term employee benefits which are employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, such as fixed and variable compensation, annual leave, taxes and social security contributions, mandatory employer contributions and profit-sharing;
- Post-employment benefits, including defined contributions plans and defined benefit plans such as pension plans and retirement benefits;
- Long-term employee benefits which are employee benefits not expected to be settled wholly before twelve months, such as defined variable compensation paid in cash and not indexed to the Societe Generale share, long service awards and time saving accounts;
- Termination benefits.

Information related to the Group headcount is presented in the Chapter 5 of the Registration Document (Corporate Social Responsibility), part 5.

NOTE 5.1 Personnel expenses and related party transactions

ACCOUNTING PRINCIPLES

Personnel expenses include all expenses related to personnel, including employee benefits and expenses related to payments based on Societe Generale shares.

Short-term employee benefits are recorded under *Personnel expenses* during the period according to the services provided by the employee.

The accounting principles relating to post-employment benefits and long-term benefits are described in Note 5.2. Those related to share-based payments are described in Note 5.3.1.

NOTE 5.1.1 PERSONNEL EXPENSES

(In millions of euros)	2018	2017
Employee compensation	(6,925)	(7,018)
Social security charges and payroll taxes	(1,648)	(1,605)
Net pension expenses - defined contribution plans	(724)	(713)
Net pension expenses - defined benefit plans	78	(112)
Employee profit-sharing and incentives	(342)	(301)
TOTAL	**(9,561)**	**(9,749)**
Including net expenses from share-based payments	*(227)*	*(129)*

NOTE 5.1.2 RELATED-PARTY TRANSACTIONS

ACCOUNTING PRINCIPLES

Personnel expenses include related party transactions, within the meaning of IAS 24.

The Group's related parties include the members of the Board of Directors, corporate officers (the Chairman, the Chief Executive Officer and the three Deputy Chief Executive Officers), their respective spouses and any children residing in the family home, subsidiaries which are either controlled exclusively or jointly by the Group, and companies over which Societe Generale exercises significant influence.

Remuneration of the group's managers

This includes amounts effectively paid by the Group to Directors and corporate officers as remuneration (including employer contributions) and other benefits as indicated below.

(In millions of euros)	2018	2017
Short-term benefits	17.9	20.7
Post-employment benefits	0.7	1.5
Long-term benefits	-	-
Termination benefits	1.6	-
Share-based payments	2.8	2.4
TOTAL	**23.0**	**24.6**

Related-party transactions

The transactions with members of the Board of Directors, Chief Executive Officers and members of their families included in this note only comprise loans and guarantees outstanding at 31 December 2018 for a total amount of EUR 4.9 million. All other transactions with these individuals are insignificant.

Total amounts provisioned or booked by the Societe Generale Group for the payment of pensions and other benefits

The total amount provisioned or booked by the Societe Generale Group at 31 December 2018 under IAS 19 for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Ms Lebot and Mr. Aymerich, Mr. Cabannes and Mr. Heim and the two staff-elected Directors) is EUR 9.5 million.

NOTE 5.2 Employee benefits

Group entities in France and abroad, may award their employees:

- post-employment benefits, such as pension plans or retirement benefits;
- long-term benefits such as deferred variable remuneration, long-service awards or the *Compte Epargne Temps* (CET) flexible working provisions;
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In millions of euros)	Provisions at 31.12.2017	Allocations[1]	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions at 31.12.2018
Provisions for employee benefits	**2,100**	889	(571)	**318**	(6)	(6)	(65)	**2,341**

(1) This amount includes an allocation of EUR 554 million related to the change of hedging strategies for French benefits plans in November 2018 (see Note 5.2.1).

NOTE 5.2.1 POST-EMPLOYMENT BENEFITS

ACCOUNTING PRINCIPLES

Post-employment benefits can be broken down into two categories: defined contribution pension plans or defined benefit pension plans.

Defined contribution plans

Defined contribution plans limit the Group's liability to the subscriptions paid into the plan but do not commit the Group to a specific level of future benefits. Contributions paid are recorded as an expense for the current year.

Defined benefit plans

Defined benefit plans commit the Group, either formally or constructively, to pay a certain amount or level of future benefits and therefore bare the associated medium or long-term risk.

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

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

Funding assets, made by funds or insurance policies, are classified as plan assets if assets are held by an entity (a fund) that is legally separate from the reporting entity and are available to be used only to pay employee benefits

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

When these plans are financed from funds not classified as plan assets, these funds, classified as separate assets, are displayed separately in the assets of the balance sheet under *Financial assets at fair value through profit or loss.*

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) and differences between actuarial assumptions and real performance are recognised as actuarial gains and losses. Actuarial gains and losses, as well as the return on plan assets excluding amounts expensed as net interest on the net defined benefit liability (or asset) and any change in the effect of the asset ceiling are components used to re-measure the net defined benefit liability (or asset). These components are immediately and fully recognised in shareholder's equity among *Unrealised or deferred gains and losses* and they cannot be subsequently reclassified as income.

In the Group consolidated financial statements, these items that cannot be subsequently reclassified as income are displayed separately in the Statement of net income and unrealised or deferred gain and losses, but are transferred immediately to retained earnings in the Statement of changes in shareholder's equity so that they are presented directly under *Retained earnings* on the liabilities side of the balance sheet.

Where a new or amended plan comes into force, past service cost is immediately recognised in profit or loss.

An annual charge is recorded under *Personnel expenses* for defined benefit plans consisting of:

- the additional entitlements vested by each employee (current service cost);
- past service cost resulting from a plan amendment or a curtailment;

- the financial expense resulting from the discount rate and the interest income on plan assets (net interest on the net defined benefit liability or asset);
- plan settlements.

DEFINED CONTRIBUTION PLANS

The main defined contribution plans provided to employees of the Group are located in France, in the United Kingdom and in the United States.

In France, they include state pension plans and other national pension plan such as AGIRC-ARRCO, as well as pension schemes put in place by certain Group entities whose only commitment is to pay annual contributions (PERCO).

In the United Kingdom, the employer pays contributions according to the age of the employees (from 2.5 to 10% of the salary) and can make extra contributions up to 4.5% for the voluntary additional employee contributions.

In the United States, employers fully match the first 8% of employee contributions, within the limit of USD 10,000.

POST-EMPLOYMENT DEFINED BENEFIT PLANS

Post-employment pension plans include schemes offering annuities, plans offering retirement bonuses and mixed plans (cash balance). Benefits paid out in annuities supplement the pensions paid by the mandatory basic plans.

The main defined benefit plans are located in France, Switzerland, the United Kingdom and the United States.

In France, the supplementary pension plan for executive managers, set up in 1991, allocates an annual allowance to beneficiaries covered by Societe Generale as described in the Chapter 3 “Corporate Governance” of the Registration Document. This allowance depends in particular on the beneficiary’s seniority within Societe Generale.

In Switzerland, the plan is managed by a personal protection insurance institution (the Foundation), comprised of employer and employee representatives. The employer and its employees pay contributions to the Foundation. Pension benefits are revalued at a guaranteed rate of return and converted to annuities (or lump-sum payment) also at a guaranteed conversion rate (cash balance scheme). Because of this minimum guaranteed return, the plan is considered similar to a defined benefit plan.

In recent years, the Societe Generale Group has actively implemented a policy of converting defined benefit plans to defined contribution plans.

In the United Kingdom, the defined benefit plan has been closed to new employees for nearly 20 years, and the benefits of the last beneficiaries were frozen in 2015. The plan is managed by an independent institution (Trustee).

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

RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

(In millions of euros)	31.12.2018	31.12.2017
A - Present value of funded defined benefit obligations	2,617	2,953
B - Fair value of plan assets and separate assets	(2,436)	(2,610)
C = A + B Deficit (surplus)	**181**	**343**
D - Present value of unfunded defined benefit obligations	412	428
E - Change in asset ceiling	-	8
C + D + E = NET BALANCE RECORDED IN THE BALANCE SHEET	**593**	**779**

COMPONENTS OF THE COST OF DEFINED BENEFITS

(In millions of euros)	2018	2017
Current service cost including social security contributions	106	104
Employee contributions	(5)	(5)
Past service cost/curtailments(1)	(212)	(5)
Settlements	(3)	-
Net interest	17	16
A - Components recognised in income statement	**(97)**	**110**
Actuarial gains and losses on assets	119	(70)
Actuarial gains and losses due to changes in demographic assumptions	1	(38)
Actuarial gains and losses due to changes in economic and financial assumptions	(148)	57
Actuarial gains and losses due to experience	(3)	12
Change in asset ceiling	-	-
B - Components recognised in unrealised or deferred gains and losses	(31)	(39)
C = A + B TOTAL COMPONENTS OF THE COST OF DEFINED BENEFITS	**(128)**	**71**

(1) Some French defined benefit plans have been reviewed in December 2018 implying a decrease of the liabilities.

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

(In millions of euros)	2018	2017
Balance at 1 January	**3,381**	**3,468**
Current service cost including social security contributions	106	104
Past service cost/curtailments[1]	(212)	(5)
Settlements	(3)	(23)
Net interest	60	63
Actuarial gains and losses due to changes in demographic assumptions	1	(38)
Actuarial gains and losses due to changes in economic and financial assumptions	(148)	57
Actuarial gains and losses due to experience	(3)	12
Foreign exchange adjustment	12	(92)
Benefit payments	(165)	(167)
Change in consolidation scope	-	1
Transfers and others	-	1
Balance at 31 December	**3,029**	**3,381**

(1) Some French defined benefit plans have been reviewed in December 2018 implying a decrease of the liabilities.

CHANGES IN THE FAIRE VALUE OF PLAN ASSETS AND SEPARATE ASSETS

(In millions of euros)	2018	2017
Balance at 1 January	**2,610**	**2,695**
Expected return on plan assets	44	47
Expected return on separate assets	6	6
Actuarial gains and losses due to assets	(119)	70
Foreign exchange adjustment	11	(81)
Employee contributions	5	5
Employer contributions to plan assets	22	26
Benefit payments	(135)	(141)
Change in consolidation scope	-	-
Transfers and others	(8)	(17)
Balance at 31 December[(1)]	**2,436**	**2,610**

(1) Including EUR 902 million in separate assets at 31 December 2018 (EUR 398 million at 31 December 2017).

INFORMATION REGARDING FUNDING ASSETS

General information regarding funding assets (for all benefits and future contributions)

Funding assets include plan assets and separate assets.

Funding assets represent around 78% of Group obligations, with different rates depending on the country.

Accordingly defined benefit plan obligations in the United Kingdom are fully hedged, those in the United States hedged 89%, while they are only 85% hedged in France and are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 63% bonds, 25% equities and 12% others investments. Directly held Societe Generale shares are not significant.

Funding assets excess is EUR 150 million.

Employer contributions to be paid to post-employment defined benefit plans for 2019 are estimated at EUR 17 million.

Plan hedging strategies are defined locally in connection with the Finance and Human Resources Departments of the entities, by ad hoc structures (Trustees, Foundations, Joint structures etc.) if necessary. Besides, liability investment or financing strategies are monitored at Group level through a global governance system. Committee meetings, with the participation of representatives of the Human Resources Department, the Finance Department and the Risk Division, are organised in order to define Group guidelines for employee benefits investment and management, to validate decisions and to follow up the associated risks for the Group.

In France, plan hedging strategies of some defined benefit plans has been modified in November 2018, implying a requalification of some plan assets into separate assets. The result is an increase of the liabilities of EUR 554 million and the recognition of a separate assets for the same amount (see Note 3.1.3). At the transfer date, the impact of this change is nil in profit or loss.

Depending on the duration of each plan and local regulations, funding assets are invested in equities and/or in fixed income products, whether guaranteed or not.

ACTUAL RETURNS ON FUNDING ASSETS

The actual returns on plan and separate assets can be broken down as follows:

(In millions of euros)	2018	2017
Plan assets	(42)	112
Separate assets	(27)	11

MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2018	31.12.2017
Discount rate		
Europe	1.80%	1.66%
Americas	4.29%	3.50%
Asia-Oceania-Africa	2.22%	2.11%
Long-term inflation		
Europe	1.93%	2.07%
Asia-Oceania-Africa	1.66%	1.77%
Future salary increase		
Europe	0.60%	0.68%
Asia-Oceania-Africa	2.50%	2.49%
Average remaining working lifetime of employees (in years)		
Europe	8.33	9.46
Americas	7.85	8.25
Asia-Oceania-Africa	14.21	14.39
Duration (in years)		
Europe	14.75	15.76
Americas	15.59	17.53
Asia-Oceania-Africa	11.82	11.09

Assumptions by geographical area are weighted average by the defined benefit obligations (DBO).

The discount yield curves used are AA corporate bonds yield curves (source: Merrill Lynch) observed at the end of October for USD, GBP and EUR, and corrected at the end of December if the change in discount rates had a significant impact.

Inflation rates used for EUR and GBP monetary areas are market rates observed at the end of October, and corrected at the end of December if the change had a significant impact. Inflation rates used for the other monetary areas are the long-term targets of the central banks.

The average remaining working lifetime of employees is calculated taking into account turnover assumptions.

The assumptions described above have been applied to post-employment benefit plans.

SENSITIVITIES OF DEFINED BENEFIT OBLIGATIONS TO MAIN ASSUMPTION RANGES

(Percentage of item measured)	31.12.2018	31.12.2017
Variation in discount rate	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	-7%	-7%
Variation in long-term inflation	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	5%	5%
Variation in future salary increase	*+0.5%*	*+0.5%*
Impact on the present value of defined benefit obligations at 31 December N	2%	2%

Disclosed sensitivities are averages of the variations weighted by the present value of the defined benefit obligations

5.2.2. LONG-TERM BENEFITS

ACCOUNTING PRINCIPLES

Long-term employee benefits are benefits other than post-employment and termination benefits, that are paid to employees more than twelve months after the end of the annual period in which they provided the related services.

Long-term benefits are measured and recognised in the same way as post-employment benefits, with the exception of actuarial gains and losses, which are immediately recognised as profit or loss.

These benefits include deferred compensation settlet in cash and not indexed to the Societe Generale share, such as long-term deferred variable remuneration, CET (*Comptes Epargne Temps*) flexible woking provisions, or longservice awards.

At 31 December 2018, the net balance of long-term benefits was EUR 428 million. The total cost of long-term benefits was EUR 56 million for 2018.

NOTE 5.3 Share-based payment plans

ACCOUNTING PRINCIPLES

Societe Generale, and its subsidiaries, share-based payments include:

- payments in equity instruments;
- cash payments whose amount depends on the performance of equity instruments.

Share-based payments systematically give rise to an operating expense recognised as *Personnel expenses* in the amount of the fair value of the share-based payments granted to employees and according to their terms of settlement.

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these instruments, measured at the vesting date, is spread over the vesting period and recorded in shareholders' equity under *Issuing premium and capital reserves*. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under *Personnel expenses* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (stock-options granted by unlisted companies or compensation indexed on Societe Generale, or one of its subsidiary, shares), the fair value of the amounts payable is recorded under *Personnel expenses* as an expense over the vesting period against a corresponding liabilities entry recognised in the balance sheet under *Other liabilities – Expenses payable on employee benefits*. This payables item is then remeasured to take into account performance and presence conditions as well as changes in the value of the underlying shares. When the expense is hedged by an equity derivative instrument, the effective portion of the change in the fair value of the hedging derivative is recorded in profit or loss under *Personnel expense* as well.

The Group may award some of its employees stock purchase or subscription options, free shares or rights to a future cash payment indexed to the Societe Generale, or one of its subsidiary, share price.

The options are measured at their fair value when the employees are first notified, without waiting for the conditions that trigger the award to be met, or for the beneficiaries to exercise their options.

Group stock-option plans are measured using a binomial formula when the Group has adequate statistics to take into account the behaviour of the option beneficiaries. When such data are not available, the Black & Scholes model or Monte Carlo model is used. Valuations are performed by independent actuaries.

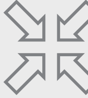
EXPENSES RECORDED IN THE INCOME STATEMENT

	31.12.2018			31.12.2017		
(in millions of euros)	**Cash settled plans**	**Equity settled plans**	**Total plans**	**Cash settled plans**	**Equity settled plans**	**Total plans**
Net expenses from purchase plans, stock option and free share plans	112	59	**171**	127	58	**185**

* *Amounts restated compared to the 31 December 2018 consolidated financial statements.*

The description of Societe Generale stock-options plans and free share plans, which supplements this note, is presented in Chapter 3 of the present Registration Document (Corporate Governance).

NOTE 6 INCOME TAX



MAKE IT SIMPLE

Income tax expenses are presented separately from other taxes which are classified among *Other operating expenses*. They are calculated according to the rates and tax regulations applicable in the countries where each consolidated entity is located.

Income tax presented in the income statement includes current taxes and deferred taxes:

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

ACCOUNTING PRINCIPLES

Current taxes

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

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

Deferred taxes

Deferred taxes are recognised whenever the Group identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments.

Deferred tax assets and liabilities are measured in each consolidated taxable entity and in accordance with the rules established by the local taxation authorities, upon which their income taxes are payable. This amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realised or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value.

Deferred tax assets can result from deductible temporary differences or from tax loss carry forwards. These deferred tax assets are recorded only if the entity concerned is likely to recover these assets within a set time. These temporary differences or tax loss carry forwards can also be used against future taxable profit.

Tax loss carry forwards are subject to an annual review taking into account the tax system applicable to each relevant tax entity and a realistic projection of their tax income or expense: any previously unrecognised deferred tax assets are recorded in the balance sheet to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered; however, the carrying value of deferred tax assets already recognised in the balance sheet is reduced where a risk of total or partial non-recovery occurs.

Current and deferred taxes are recognised in the consolidated income statement under *Income tax*. However, deferred taxes related to gains and losses recorded under *Unrealised or deferred gains and losses* are also recognised under the same heading in shareholders' equity.

NOTE 6.1 Income tax

(In millions of euros)	2018	2017
Current taxes	(1,204)	(1,035)
Deferred taxes	(357)	(673)
TOTAL	**(1,561)**	**(1,708)**

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

(In millions of euros)	2018	2017
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill	**6,061**	**5,045**
Normal tax rate applicable to French companies (including 3.3% national contribution)	34.43%	34.43%
Permanent differences(1)	1.58%	12.87%
Differential on securities with tax exemption or taxed at reduced rate	-0.10%	-2.23%
Tax rate differential on profits taxed outside France	-10.11%	-10.48%
Impact of non-deductible losses and use of tax losses carried forward	-0.04%	-0.69%
GROUP EFFECTIVE TAX RATE	**25.76%**	**33.90%**

(1) At 31 December 2017, the main impact was related to the change in the US tax rate and the appreciation of deferred tax assets of the US tax group for +5.01%, and the change in the French tax rate for +3.23%.

In France, the standard corporate income tax rate is 33.33%. A national contribution payment based on pre-tax earnings (contribution sociale) was introduced in 2000 equal to 3.3% (after a deduction of EUR 0.76 million from basic taxable income).

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

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

The 2018 French Finance Act, adopted on 21 December 2017, includes a gradual reduction in French tax rate. Until 2022, the standard Corporate Income Tax of 33.33% will be brought down to 25%, plus the existing national contribution of 3.3%.

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

- for income taxed at the ordinary tax rate, the rate is between 34.43% in 2018 and 25.83% from 2022 (including the national contribution payment);
- for income taxed at reduced rate, the rate is between 4.13% in 2018 and 3.10% from 2022 (including the national contribution payment).

NOTE 6.2 Provisions for tax adjustments

ACCOUNTING PRINCIPLES

Provisions represent liabilities whose timing or amount cannot be precisely determined.

- Provisions may be recorded:
- where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange;

and when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions for tax adjustments are booked to *Current taxes* in the income statement under *Income tax*.

Information on the nature and the amount of the associated risks is not disclosed when the Group considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

(In millions of euros)	Provisions at 31.12.2017	Allowances	Available write-backs	Net	Used write-backs	Changes in translation and consolidation scope	Provisions at 31.12.2018
Tax adjustments	**162**	100	(51)	**49**	(75)	(1)	**135**

NOTE 6.3 Tax assets and liabilities

TAX ASSETS

(In millions of euros)	31.12.2018	01.01.2018	31.12.2017
Current tax assets	1,066	1,236	1,236
Deferred tax assets	4,753	5,056	4,765
o/w deferred tax assets on tax loss carryforwards	*2,895*	*2,970*	*2,970*
o/w deferred tax assets on temporary differences	*1,858*	*2,086*	*1,795*
TOTAL	**5,819**	**6,292**	**6,001**

TAX LIABILITIES

(In millions of euros)	31.12.2018	01.01.2018	31.12.2017
Current tax liabilities	552	995	995
Deferred tax liabilities	605	613	667
TOTAL	**1,157**	**1,608**	**1,662**

Each year, the Group performs a review of tax loss carryforwards, according to the tax system applicable for each relevant tax entity and a realistic forecast of its tax results. For this purpose, tax results are determined based on the forecast of the performance of each business line entering in the Group budgetary path and/or on the strategic review of countries, after being approved by empowered management bodies. In addition, they include accounting and tax adjustments (of which the reversal of deferred tax assets and liabilities bases on temporary differences) applicable to concerned entities and jurisdictions. These adjustments are determined based on historical tax results and on the Group's tax expertise. Beyond the Group budgetary path and/or the strategic review, extrapolations are performed particularly from macro-economic assumptions (for example, the evolution of interest rates).

By nature, the appreciation of macro-economic factors chosen and the internal estimations used to determine the tax results contain risks and uncertainties on their realisation over the estimated horizon of the losses absorption. These risks and uncertainties concern the possibilities of change of tax rules applicable (tax result computation as well as rules of imputation of tax losses carried forward) or the achievement of the strategic assumptions.

To ensure the robustness of the tax result projections, the Group realises sensitivity analysis on the achievement of budgetary and strategic assumptions.

At 31 December 2018, these analyses confirm the probability for the Group to use tax loss carryforwards subject to deferred tax assets against future taxable profit.

NOTE 6.4 Deferred tax assets recognised on tax loss carryforwards

At 31 December 2018, based on the tax system of each entity and a realistic projection of their tax income, the projected period for deferred tax asset recovery is indicated in the table below:

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

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

(2) Tax losses generated before 31 December 2017.

At 31 December 2018, the main unrecognised deferred tax assets represent a total of EUR 558 million (compared to EUR 687* million at 31 December 2017). They are mostly related to the US tax group, with EUR 500 million (compared to EUR 629* million at 31 December 2017), SG Kleinwort Hambros Ltd. with EUR 29 million (compared to EUR 30 million at 31 December 2017) and SG Singapour with EUR 29 million (compared to EUR 27 million at 31 December 2017).

With regard to the tax treatment of the loss caused by the actions of Jérôme Kerviel (see Note 9), Societe Generale considers that the judgment of the Versailles Court of Appeal of 23 September 2016 is not likely to call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers there is no need to provision the corresponding deferred tax assets.

However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and confirmed that they intended to call into question the deductibility of the loss caused by the actions of Jérôme Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by a tax adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In the event that the authorities decide, in due course, to confirm their current position, the Societe Generale Group will not fail to assert its rights before the competent courts.

** Amounts restated compared to the 31 December 2017 published financial statements, including City and State income taxes in addition to Federal income tax in United States of America.*

NOTE 7 SHAREHOLDERS' EQUITY

MAKE IT SIMPLE

Equity are the resources contributed to the Group by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings). It also includes resources received when financial instruments are issued and for which the issuer has no contractual obligation to deliver cash to the holders of these instruments (such as certain perpetual subordinated notes).

Equity has no contractual maturity, and when compensation is awarded to shareholders or holders of other equity instruments, it does not affect the income statement but directly reduces the retained earnings in the equity.

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

NOTE 7.1 Treasury shares and Shareholders' Equity issued by the Group

ACCOUNTING PRINCIPLES

Treasury shares

Societe Generale shares held by the Group are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is eliminated from the consolidated income statement.

Recognition of shares issued by Group subsidiaries, which are bought and sold by the Group, is described in Note 2.

Shareholders' Equity issued by the Group

Financial instruments issued by the Group are booked in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to deliver cash to the holders of the securities.

When they are classified as equity, securities issued by Societe Generale are recorded under *Other equity instruments*. If they are issued by Group subsidiaries, these securities are recognised under *Non-controlling interests*. External costs associated with issuing equity instruments are deducted directly from equity at their after-tax amount.

When they are classified as debt instruments, securities issued by the Group are recorded under *Debt securities issued* or *Subordinated debt* depending on their characteristics. They are accounted for in the same way as other financial liabilities measured at amortised cost (see Note 3.6).

NOTE 7.1.1 ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	31.12.2018	31.12.2017
Ordinary shares	807,917,739	807,917,739
Including treasury stock with voting rights[(1)]	*5,975,497*	*6,850,304*
Including shares held by employees	*51,668,863*	*49,830,060*

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

At 31 December 2018, Societe Generale S.A.'s fully paid up capital amounted to EUR 1,009,897,173.75 and was made up of 807,917,739 shares with a nominal value of EUR 1.25.

NOTE 7.1.2 TREASURY STOCK

At 31 December 2018, the Group held 19,037,552 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 2.36% of the capital of Societe Generale S.A.

The amount deducted by the Group from its equity for treasury shares (and related derivatives) came to EUR 667 million, including EUR 423 million in shares held for trading purposes.

THE CHANGE IN TREASURY STOCK OVER THE 1ST SEMESTER 2018 BREAKS DOWN AS FOLLOWS:

(In millions of euros)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	(4)	(202)	32	(174)
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	(1)	16	(27)	12

NOTE 7.1.3 EQUITY INSTRUMENTS ISSUED

PERPETUAL SUBORDINATED NOTES

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

At 31 December 2018, perpetual subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 244 million, valued at historical rate.

Issuance Date	Amount in local currency at 31 December 2017	Repurchases and redemptions in 2018	Amount in local currency at 31 December 2018	Amount in millions of euros at historical rate	Remuneration
1 July 1985	EUR 62 m	-	EUR 62 m	62	BAR (Bond Average Rate) of -0.25% for the period from 1 June to 31 May before each due date
24 November 1986	USD 248 m	-	USD 248 m	182	Average 6-month Euro/Dollar deposit rates communicated by reference banks +0.075%

PERPETUAL DEEPLY SUBORDINATED NOTES

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

At 31 December 2018, perpetual deeply subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 8,866 million, valued at historical rate.

The variation of the amount of perpetual deeply subordinated notes reflects the redemptions of three notes during the year.

Issuance Date	Amount in local currency at 31 December 2017	Repurchases and redemptions in 2018	Amount in local currency at 31 December 2018	Amount in millions of euros at historical rate	Remuneration
16 June 2008	GBP 506 m	GBP 506 m	-	-	8.875%, from 2018 3-month GBP Libor +3.4% annually
4 September 2009	EUR 905 m		EUR 905 m	905	9.375%, from 2019 3-month Euribor +8.901% annually
6 September 2013	USD 1,250 m	USD 1,250 m	-	-	8.25%, from 29 November 2018 USD 5-year Mid Swap Rate +6.394%
18 December 2013	USD 1,750 m		USD 1,750 m	1,273	7.875%, from 18 December 2023, USD 5-year Mid Swap Rate +4.979%
25 June 2014	USD 1,500 m		USD 1,500 m	1,102	6%, from 27 January 2020, USD 5-year Mid Swap Rate +4.067%
7 April 2014	EUR 1,000 m		EUR 1,000 m	1,000	6.75%, from 7 April 2021, EUR 5-year Mid Swap Rate +5.538%
29 September 2015	USD 1,250 m		USD 1,250 m	1,111	8.00% from 29 September 2025, USD 5-year Mid Swap rate +5.873%
13 September 2016	USD 1,500 m		USD 1,500 m	1,335	7.375% from 13 September 2021, USD 5-year Mid Swap rate +6.238%
6 April 2018			USD 1,250 m	1,035	6.750% from 6 April 2028, 5-year Mid Swap rate +3.929%
4 October 2018			USD 1,250 m	1,105	7.375% from 4 October 2023, 5-year Mid Swap rate +4.302%

OTHER EQUITY INSTRUMENTS ISSUED BY SUBSIDIARIES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual subordinated notes issued by the Group's subsidiaries are classified as equity.

At 31 December 2018, other equity instruments issued by the Group's subsidiaries and recognised under *Non-controlling interests* totalled EUR 800 million.

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

SUMMARY OF CHANGES IN EQUITY INSTRUMENTS ISSUED

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

	2018			2017[1]		
(In millions of euros)	Deeply subordi-nated notes	Perpetual subordi-nated notes	Total	Deeply subordi-nated notes	Perpetual subordi-nated notes	Total
Remuneration paid booked under reserves	(700)	(5)	**(705)**	(735)	(3)	**(738)**
Changes in nominal values	544	-	**544**	(1,114)	-	**(1,114)**
Tax savings on remuneration payable to shareholders and recorded under reserves	255	2	**257**	186	1	**187**
Issuance fees relating to subordinated notes	(10)	-	**(10)**	-	-	**-**

(1) Remuneration paid to shareholders of others equity instruments (deeply subordinated notes and perpetual subordinated notes) are now disclosed on the line "Issuance/Redemption/remuneration of equity instruments".

NOTE 7.2 Earnings per share and dividends

ACCOUNTING PRINCIPLES

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

NOTE 7.2.1 EARNINGS PER SHARE

(In millions of euros)	**2018**	**2017**
Net income, Group share	3,864	2,806
Net attributable remuneration to deeply subordinated notes	(452)	(466)
Issuance fees relating to subordinated notes	(10)	-
Net income attributable to ordinary shareholders	**3,402**	**2,340**
Weighted average number of ordinary shares outstanding[1]	801,909,473	800,596,132
Earnings per ordinary share (in euros)	**4.24**	**2.92**
Average number of ordinary shares used in the dilution calculation	-	50
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	801,909,473	800,596,182
Diluted earnings per ordinary share (in euros)	**4.24**	**2.92**

(1) Excluding treasury shares.

NOTE 7.2.2 DIVIDENDS PAID

Dividends paid by the Group to ordinary shareholder's in 2018 amounted to EUR 2,132 million and are detailed in the following table:

	2018			**2017***		
(In millions of euros)	**Group Share**	**Non-controlling interests**	**Total**	**Group Share**	**Non-controlling interests**	**Total**
Paid in shares	-	-	-	-	-	-
Paid in cash	(1,764)	(368)	**(2,132)**	(1,762)	(243)	**(2,005)**

* *Remuneration paid to shareholders of other equity instruments (perpetual subordinated notes and deeply subordinated notes) is now presented in Note 7.1.3 relative to equity instruments issued.*

NOTE 7.3 Gains and losses recognised in other comprehensive income

BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES

	01.01.2018				Variation				31.12.2018			
(In millions of euros)	Gross value	Tax	Net value	Net Group share	Gross value	Tax	Net value	Net Group share	Gross value	Tax	Net value	Net Group share
Translation differences	(1,744)	-	(1,744)	(1,682)	370	(1)	369	384	(1,374)	(1)	(1,375)	(1,298)
Revaluation of debt instruments at fair value through other comprehensive income	466	(109)	357	339	(233)	52	(181)	(170)	233	(57)	176	169
Revaluation of available-for-sale financial assets(1)	411	(114)	297	296	(74)	18	(56)	(53)	337	(96)	241	243
Revaluation of hedging derivatives	(3)	7	4	4	(120)	11	(109)	(104)	(123)	18	(105)	(100)
Unrealised gains and losses of entities accounted for using the equity method	(2)	-	(2)	(1)	1	-	1	1	(1)	-	(1)	-
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	***(872)***	***(216)***	***(1,088)***	***(1,044)***	***(56)***	***80***	***24***	***58***	***(928)***	***(136)***	***(1,064)***	***(986)***
Actuarial gains and losses on defined benefit plans(2)	-	-	-	-	30	(4)	26	24	30	(4)	26	24
Revaluation of own credit risk on financial liabilities at fair value through profit or loss(3)	(725)	187	(538)	(536)	529	(138)	391	380	(196)	49	(147)	(156)
Revaluation of equity instruments at fair value through other comprehensive income(2)	80	(2)	78	77	1	(4)	(3)	8	81	(6)	75	85
Unrealised gains and losses of entities accounted for using the equity method(2)	-	-	-	-	(3)	-	(3)	(3)	(3)	-	(3)	(3)
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	***(645)***	***185***	***(460)***	***(459)***	***557***	***(146)***	***411***	***409***	***(88)***	***39***	***(49)***	***(50)***
TOTAL OF UNREALISED GAINS AND LOSSES	**(1,517)**	**(31)**	**(1,548)**	**(1,503)**	**501**	**(66)**	**435**	**467**	**(1,016)**	**(97)**	**(1,113)**	**(1,036)**

(1) Unrealised gains and losses on available-for-sale financial assets are related exclusively to insurance activities from the 2018 financial year.
(2) Gains and losses presented in these items are transferred into Retained earnings at the opening of the next financial year;
(3) In case of derecognition of a financial liability, potential realized gains and losses attributable to Group own credit risk are transfered into Retained earnings at the opening of the next financial year (see Note 3.1).

NOTE 8 ADDITIONAL DISCLOSURES

NOTE 8.1 Segment reporting

NOTE 8.1.1 DEFINITION OF SEGMENT REPORTING

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

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

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

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

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

Segment income take intra-group transactions into account, while these transactions are eliminated from segment assets and liabilities. The tax rate levied on each business line is based on the standard tax rate applicable in each country where the division makes profits. Any difference with respect to the Group's tax rate is allocated to the Corporate Centre.

For the purpose of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the booking entities.

NOTE 8.1.2 SEGMENT REPORTING BY DIVISION AND SUB-DIVISION

	Societe Generale Group		French Retail Banking		Corporate Centre[1]	
(In millions of euros)	2018	2017	2018	2017*	2018	2017*
Net banking income	25,205	23,954	7,860	8,014	182	(1,147)
Operating Expenses[2]	(17,931)	(17,838)	(5,629)	(5,939)	(535)	(374)
Gross operating income	**7,274**	**6,116**	**2,231**	**2,075**	**(353)**	**(1,521)**
Cost of risk	(1,005)	(1,349)	(489)	(547)	(19)	(400)
Operating income	**6,269**	**4,767**	**1,742**	**1,528**	**(372)**	**(1,921)**
Net income from companies accounted for by the equity method	56	92	28	33	7	17
Net income/expense from other assets	(208)	278	74	9	(274)	237
Value adjustments on goodwill	-	1	-	-	-	-
Earnings before tax	**6,117**	**5,138**	**1,844**	**1,570**	**(639)**	**(1,667)**
Income tax	(1,561)	(1,708)	(607)	(511)	168	52
Net income before non-controlling interests	**4,556**	**3,430**	**1,237**	**1,059**	**(471)**	**(1,615)**
Non-controlling interests	692	624	-	-	164	170
Net income, Group share	**3,864**	**2,806**	**1,237**	**1,059**	**(635)**	**(1,785)**

	International Retail Banking & Financial Services							
	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In millions of euros)	2018	2017*	2018	2017*	2018	2017*	2018	2017*
Net banking income	5,608	5,278	1,822	1,804	887	832	8,317	7,914
Operating Expenses(2)	(3,238)	(3,171)	(955)	(925)	(333)	(308)	(4,526)	(4,404)
Gross operating income	**2,370**	**2,107**	**867**	**879**	**554**	**524**	**3,791**	**3,510**
Cost of risk	(335)	(349)	(69)	(51)	-	-	(404)	(400)
Operating income	**2,035**	**1,758**	**798**	**828**	**554**	**524**	**3,387**	**3,110**
Net income from companies accounted for by the equity method	14	26	1	16	-	(1)	15	41
Net income/expense from other assets	7	36	1	-	-	-	8	36
Value adjustments on goodwill	-	1	-	-	-	-	-	1
Earnings before tax	**2,056**	**1,821**	**800**	**844**	**554**	**523**	**3,410**	**3,188**
Income tax	(474)	(418)	(184)	(224)	(183)	(178)	(841)	(820)
Net income before non-controlling interests	**1,582**	**1,403**	**616**	**620**	**371**	**345**	**2,569**	**2,368**
Non-controlling interests	395	361	106	66	3	2	504	429
Net income, Group share	**1,187**	**1,042**	**510**	**554**	**368**	**343**	**2,065**	**1,939**

	Global Banking and Investor Solutions							
	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total	
(In millions of euros)	2018	2017*	2018	2017*	2018	2017*	2018	2017*
Net banking income	5,207	5,678	2,673	2,495	966	1,000	8,846	9,173
Operating Expenses(2)	(4,521)	(4,434)	(1,815)	(1,767)	(905)	(920)	(7,241)	(7,121)
Gross operating income	**686**	**1,244**	**858**	**728**	**61**	**80**	**1,605**	**2,052**
Cost of risk	(21)	(34)	(53)	30	(19)	2	(93)	(2)
Operating income	**665**	**1,210**	**805**	**758**	**42**	**82**	**1,512**	**2,050**
Net income from companies accounted for by the equity method	8	5	(1)	(4)	(1)	-	6	1
Net income/expense from other assets	(1)	-	(1)	(4)	(14)	-	(16)	(4)
Value adjustments on goodwill	-	-	-	-	-	-	-	-
Earnings before tax	**672**	**1,215**	**803**	**750**	**27**	**82**	**1,502**	**2,047**
Income tax	(172)	(322)	(101)	(84)	(8)	(23)	(281)	(429)
Net income before non-controlling interests	**500**	**893**	**702**	**666**	**19**	**59**	**1,221**	**1,618**
Non-controlling interests	19	21	2	2	3	2	24	25
Net income, Group share	**481**	**872**	**700**	**664**	**16**	**57**	**1,197**	**1,593**

** The amounts have been restated compared to 2017 consolidated financial statements considering the new organization of the Group put in place as from 1 September 2017. The restatements are due to the transfer of Global Transaction and Payment Services business from French Retail Banking to Global Banking and Investor Solutions, to the modification of analytical split of results of the Insurance business distributed through French Retail Banking and Private Banking, and to a change in the allocation of overhead costs.*

(1) Income and expenses not directly related to business line activities are recorded in the Corporate Centre income. The Net banking income included in 2017 the revaluation differences for debts related to own credit risk of EUR -53 million and compensation of EUR -963 million for the transaction agreement between Societe Generale and the Libyan Investment Authority.

(2) These amounts include Personnel expenses, Other operating expenses and Amortisation, depreciation and impairment of tangible and intangible fixed assets.

(In millions of euros)	Societe Generale Group			French Retail Banking			Corporate Centre[2]		
	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017
Segment assets	1,309,428	1,274,216	1,275,128	222,086	213,708	226,346	106,392	117,011	116,737
Segment liabilities[1]	1,243,619	1,211,265	1,211,091	216,934	211,709	230,110	91,819	91,854	92,515

(In millions of euros)	International retail Banking & Financial Services											
	International Retail Banking			Financial Services to Corporates			Insurance			Total		
	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017
Segment assets	128,303	115,992	116,749	42,868	39,542	39,645	148,999	149,784	149,785	320,170	305,318	306,179
Segment liabilities[1]	94,454	91,854	91,853	13,641	12,055	12,106	138,959	141,721	141,676	247,054	245,630	245,635

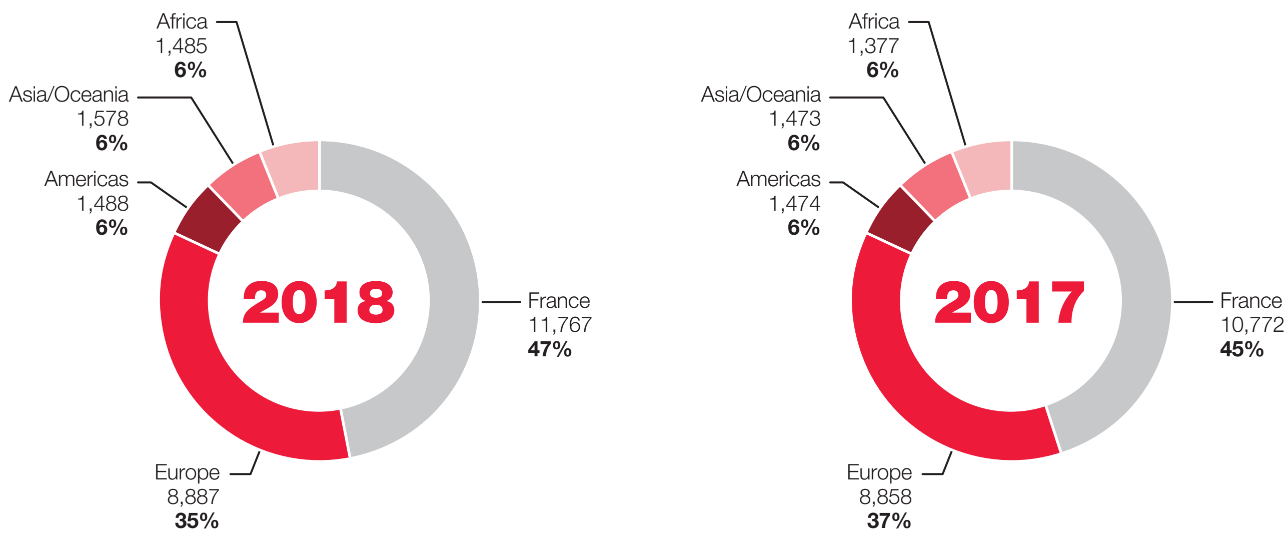
(In millions of euros)	Global Banking and Investor Solutions											
	Global Markets and Investors Services			Financing and Advisory			Asset and Wealth Management			Total		
	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017	31.12.2018	01.01.2018*	31.12.2017
Segment assets	489,757	492,804	494,111	137,064	110,810	97,179	33,959	34,564	34,576	660,780	638,178	625,866
Segment liabilities[1]	616,282	594,024	593,419	47,502	42,699	24,063	24,028	25,350	25,349	687,812	662,072	642,831

* *Amounts restated compared to the 31 December 2017 consolidated financial statements, following:*
- *the first time of application of IFRS 9;*
- *the relocation of Global Transaction and Payment Services from French Retail Banking to Financing and Advisory.*

(1) *Segment liabilities correspond to debts (i.e. total liabilities excluding equity).*
(2) *Assets and liabilities not directly related to the business line activities are recorded on the Corporate Centre's balance sheet. Thus the debt revaluation differences linked to own credit risk and the revaluation differences of the credit derivative instruments hedging the loans and receivables portfolios are allocated to the Corporate Centre.*

NOTE 8.1.3 SEGMENT REPORTING BY GEOGRAPHICAL REGION

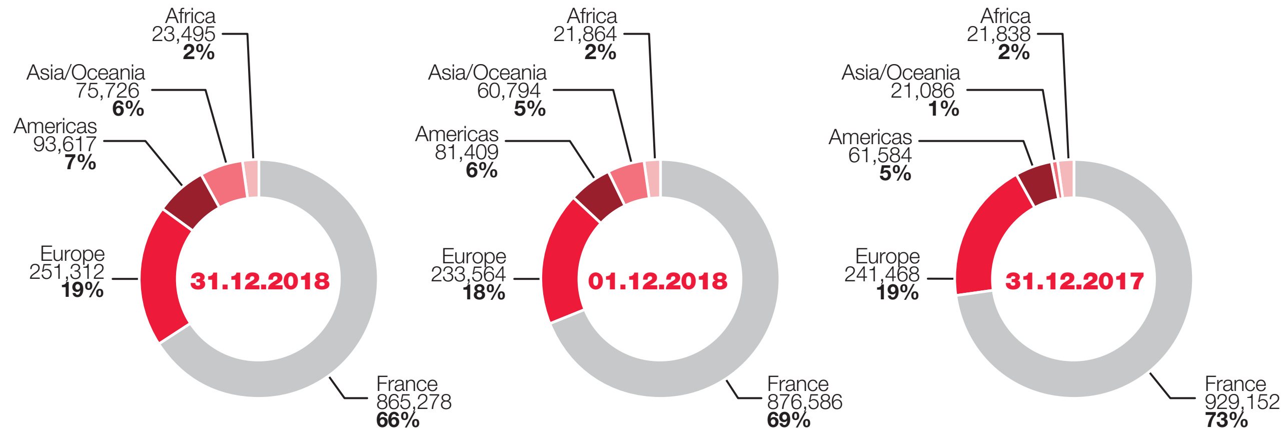
GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME (IN EUR M)



At 31 December 2018, the amount of net banking income was EUR 25,205 million compared to EUR 23,954 million at 31 December 2017.

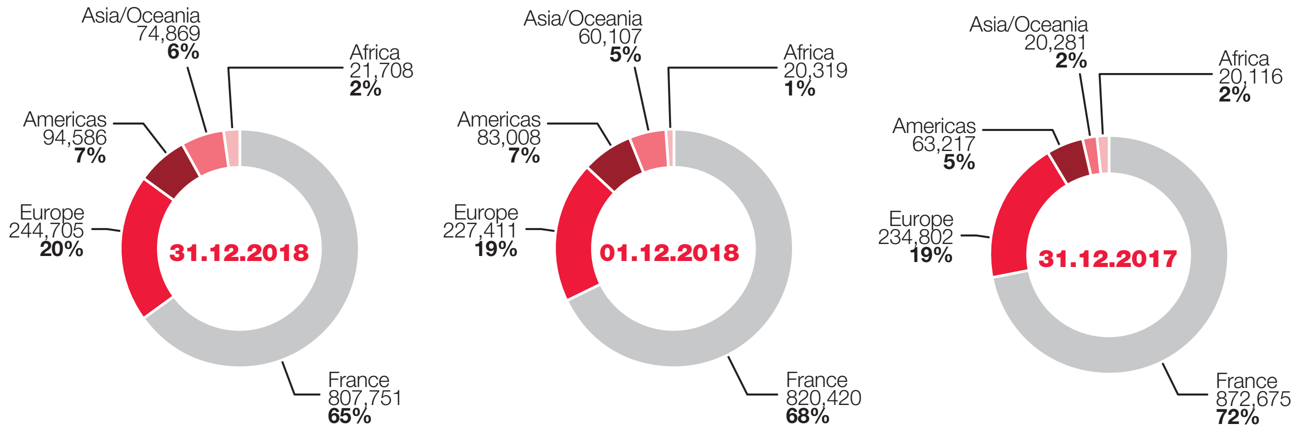
GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN EUR M)

ASSETS



At 31 December 2018, the amount of total assets was EUR 1,309,428 million compared to EUR 1,274,216 million at 1 January 2018* and EUR 1,275,128 million at 31 December 2017.

LIABILITIES



At 31 December 2018, the amount of total liabilities (except shareholder equity) was EUR 1,243,619 million compared to EUR 1,211,265 million at 1 January 2018* and EUR 1,211,091 million at 31 December 2017.

Segment liabilities correspond to debts (*i.e.* total liabilities excluding equity).

** The amounts have been restated following the first time application of IFRS 9 "Financial Instruments" (see Note 1).*

NOTE 8.2 Other operating expenses

ACCOUNTING PRINCIPLES

The Group records operating expenses under expenses, according to the type of services to which they refer and the rate of use of said services.

Lease payments include real estate and equipment leasing expenses (mainly computer-related), which are booked over the lease period using the straight-line method.

Taxes and levies are only booked when the triggering event provided for by law occurs. If the obligation to pay the tax arises from the gradual operation of an activity, the expense must be spread out over the same period. Finally, if the obligation to pay is generated when a threshold is reached, the expense is only recorded once the threshold is reached.

Taxes and levies cover all contributions levied by a public authority and include the contributions paid to the Single Resolution Fund and the Deposit Insurance and Resolution Fund, the systemic risk tax, and contributions for ACPR control costs, which are recognised on the income statement at the start of the financial year. The company social solidarity contribution (C3S), based on income generated in previous financial year, is fully recognised on the income statement at 1 January of the current financial year.

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

(In millions of euros)	2018	2017
Rentals	(752)	(839)
Taxes and levies	(901)	(919)
Data & telecom (excluding rentals)	(2 400)	(2 265)
Consulting fees (excluding data & telecom)	(1 338)	(1 340)
Other	(1 975)	(1 720)
TOTAL	**(7 366)**	**(7 083)**

BREAKDOWN OF TOTAL MINIMUM OPERATING LEASE PAYMENTS

The table below shows the breakdown by time bucket of minimum payments related to operating lease contracts on tangible assets used by the Group. The amounts exclude the actuarial effect.

(In millions of euros)	31.12.2018
in less than one year	423
in one to five years	1,157
in more than five years	808
TOTAL FUTURE MINIMUM OPERATING LEASE PAYMENTS	**2,388**

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European regulatory framework aimed to enhance the financial stability has been updated by the Directive 2014/49/UE of 16 April 2014 on deposit guarantee schemes and the Directive 2014/59/UE of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive).

The European Regulation UE No. 806/2014 of 15 July 2014 has then determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF).

The Single Resolution Fund (SRF), established in January 2016, shall receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments.

For the year 2018, the Group's contributions to the SRF and the National Resolution Fund (NRF) were as follows:

- Cash contributions (85%) for a total of EUR 425 million, of which EUR 387 million related to the SRF and EUR 38 million related to the NRF, which is non tax-deductible in France and has been recorded in the income statement in *Other administrative expenses*, among *Taxes and Levies*;
- Irrevocable payment commitments (15%) backed by a cash collateral for EUR 70 million related to the SRF, recorded as an asset in the balance sheet, among *Other assets*.

NOTE 8.3 Provisions

ACCOUNTING PRINCIPLES

Under balance sheet liabilities, *Provisions* are comprised of provisions for financial instruments, disputes, employee benefits and income tax adjustments.

As from 1 January 2018, the balance of provisions for credit risk on off balance sheet commitments has been modified due to the first application of IFRS 9. This impact is described in Note 1.

BREAKDOWN OF PROVISIONS

(In millions of euros)	Provisions at 01.01.2018	Allocations	Write-backs available	Net allocation	Write-backs used	Currency and others	Provisions at 31.12.2018
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	**683**	488	(547)	**(59)**	-	14	**638**
Provisions for employee benefits (see Note 5.2)	**2,100**	889	(571)	**318**	(6)	(71)	**2,341**
Provisions for tax adjustments (see Note 6)	**162**	100	(51)	**49**	(75)	(1)	**135**
Provisions for mortgage savings plans and accounts commitments	**193**	9	(26)	**(17)**	(5)	-	**171**
Other provisions[1]	**3,207**	626	(195)	**431**	(2,462)	144	**1,320**
TOTAL	**6,345**	**2,112**	**(1,390)**	**722**	**(2,548)**	**86**	**4,605**

(1) see Note 8.3.2

NOTE 8.3.1 COMMITMENTS UNDER MORTGAGE SAVINGS AGREEMENTS

ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

OUTSTANDING DEPOSITS IN PEL/CEL ACCOUNTS

(In millions of euros)	31.12.2018	31.12.2017
PEL accounts	19,186	19,291
less than 4 years old	3,466	5,847
between 4 and 10 years old	10,555	8,344
more than 10 years old	5,165	5,100
CEL accounts	1,346	1,394
TOTAL	**20,532**	**20,685**

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

(In millions of euros)	31.12.2018	31.12.2017
less than 4 years old	1	4
between 4 and 10 years old	26	128
more than 10 years old	11	6
TOTAL	**38**	**138**

PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In millions of euros)	31.12.2017	Allocations	Write-backs	31.12.2018
PEL accounts	189	-	(31)	158
less than 4 years old	19	-	(16)	3
between 4 and 10 years old	31	-	(11)	20
more than 10 years old	139	-	(4)	135
CEL accounts	4	9	-	13
TOTAL	**193**	**9**	**(31)**	**171**

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2018, the provisions for PEL and CEL mortgage savings accounts were mainly linked to the risks attached to the commitment to pay interest on the deposits. Provisioning for PEL/CEL savings amounted to 0.83% of total outstandings at 31 December 2018.

METHODS USED TO ESTABLISH PROVISION VALUATION INPUTS

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

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

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

NOTE 8.3.2 OTHER PROVISIONS

Other provisions include provisions for restructuring, provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

The Group is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, the Group and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of the Group's current business. In recent years, litigation with investors and the number of disputes involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Group entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

In preparing its financial statements, the Group assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgment and taking into account all information available when financial statements are prepared. In particular, the Group takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court decisions already taken, as well as its experience and the experiences of other companies dealing with similar cases (assuming that the Group has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter the Group carries out a detailed examination of outstanding disputes that present a significant risk. The description of those disputes is presented in Note 9 "Information on risks and litigation".

During the financial year 2018, the Group concluded settlement agreements with US and European authorities to end investigations related to IBOR and to some transactions with Libyan counterparties, and with some US authorities to end investigations related to economic sanctions and anti-money laundering. In the context of those agreements, the Group agreed to pay penalties to those authorities for a total amount of USD 2.7 billion; at the same time, the provision for public right disputes recognised in the Group financial statements has been reversed partially and its outstanding balance amounts to EUR 340 million as at 31 December 2018.

NOTE 8.4 Tangible and intangible fixed assets

ACCOUNTING PRINCIPLES

Tangible and intangible fixed assets include operating and investment fixed assets. Equipment assets held for operating leases purpose are included in operating tangible assets, while buildings held for leasing purposes are included in investment property.

Tangible and intangible fixed assets are carried at their purchase price on the asset side of the balance sheet, less depreciation, amortisation and impairment.

The purchase price of fixed assets includes borrowing costs incurred to fund a lengthy construction period for the fixed assets, along with all other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets. Software developed internally is recorded on the asset side of the balance sheet in the amount of the direct cost of development.

As soon as they are fit for use, fixed assets are depreciated or amortised using the component-based approach. Each component is depreciated or amortised over its own useful life. The Group has applied this approach to its operating properties, breaking down its assets into components with depreciation periods of 10 to 50 years. Depreciation periods for fixed assets other than buildings depend on their useful life, which is usually estimated at 3 to 20 years.

Any residual value of the asset is deducted from its depreciable amount. If there is a subsequent decrease or increase in this initial residual value, the depreciable amount of the asset is adjusted, leading to a prospective modification of the depreciation schedule.

Depreciation and amortisation are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Fixed assets grouped into Cash Generating Units are tested for impairment whenever there is any indication that their value may have diminished. Allocations and reversals of provisions for impairment are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Realised capital gains and losses on operating fixed assets are recognised under *Net income from other assets*.

Investment properties are depreciated using the component based-method. Each component is depreciated over its own useful life, ranging from 10 to 50 years.

Profits or losses on operating lease assets and on investment property, including amortisation and depreciation, are recognised under *Income from other activities* and *Expense from other activities* (see Note 4.2).

CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In millions of euros)	Gross book value at 31.12.2017	Acquisitions	Disposals	Changes in translation, consolidation scope and reclassifications	Gross value at 31.12.2018	Depreciation and amortisation of assets at 31.12.2017	Allocations to amortisation and depreciation in 2018	Impairment of assets in 2018	Write-backs from amortisation and depreciation in 2018	Changes in translation, consolidation scope and reclassifications	Net book value at 31.12.2018	Net book value at 31.12.2017
Intangible assets	6,237	801	(119)	(156)	6,763	(4,297)	(435)	(1)	73	95	2,198	1,940
Operating tangible assets	11,016	728	(379)	(314)	11,051	(5,964)	(561)	(5)	207	210	4,938	5,052
Lease assets of specialised financing companies	23,699	10,496	(7,503)	89	26,781	(6,511)	(3,573)	(95)	2,946	50	19,598	17,188
Investment property	777	-	-	(737)	40	(139)	(1)	-	-	117	17	638
TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS	**41,729**	**12,025**	**(8,001)**	**(1,118)**	**44,635**	**(16,911)**	**(4,570)**	**(101)**	**3,226**	**472**	**26,751**	**24,818**

BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In millions of euros)	31.12.2018	31.12.2017
payments due in less than one year	3,625	3,400
payments due in 1-5 years	17,077	12,392
payments due in more than five years	787	328
TOTAL MINIMUM FUTURE PAYMENTS RECEIVABLE	**21,489**	**16,120**

NOTE 8.5 Foreign exchange transactions

ACCOUNTING PRINCIPLES

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the entity's functional currency at the prevailing spot exchange rate. Realised or unrealised foreign exchange losses or gains are recognised in the income statement under *Net gains and losses on financial transactions*.

Forward foreign exchange transactions are recognised at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are valued using the official spot rates prevailing at the end of the period. Unrealised gains and losses are recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1), except when hedge accounting is applied to a cash-flow hedge transaction or to a hedge of a net investment in a foreign operation (see Note 3.2).

At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies measured at fair value (in particular, shares and other equity instruments) are translated into the entity's functional currency at the prevailing spot exchange rate. Foreign exchanges losses or gains are recognised either in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*, or under other comprehensive income *(Unrealised and deferred gains and losses)*, depending on the accounting of the gains or losses relative to these assets/liabilities.

At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies measured at historical cost are translated into the entity's functional currency at the historical exchange rate on initial recognition.

	31.12.2018				31.12.2017			
(In millions of euros)	Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered	Assets*	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered
EUR	767,029	831,415	28,393	32,198	739,218	790,479	27,723	31,949
USD	257,257	213,653	40,461	41,579	263,408	229,177	51,273	41,661
GBP	44,372	44,012	28,709	10,159	42,140	37,804	15,021	10,321
JPY	68,895	62,273	24,519	33,531	57,884	54,176	17,753	24,588
AUD	5,244	6,663	7,798	6,707	6,284	7,035	4,830	5,910
CZK	35,612	35,102	208	783	34,562	36,175	572	766
RUB	12,286	7,406	113	90	13,938	10,590	37	88
RON	8,166	7,886	56	49	8,011	7,967	168	132
Other currencies	110,567	96,018	24,195	18,514	109,683	101,725	32,740	27,191
TOTAL	**1,309,428**	**1,309,428**	**154,452**	**143,610**	**1,275,128**	**1,275,128**	**150,117**	**142,606**

* *Amounts restated compared to consolidated financial statements issued in 2018, following the change of allocation of intercompany transactions by currency.*

NOTE 8.6 Companies included in the consolidation scope

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
South Africa								
	(1)	SG JOHANNESBURG	Bank	FULL	100	100	100	100
Albania								
		BANKA SOCIETE GENERALE ALBANIA SH.A.	Bank	FULL	88.89	88.89	88.89	88.89
Algeria								
		ALD AUTOMOTIVE ALGERIE SPA	Specialist Financing	FULL	79.81	79.81	99.99	99.99
		SOCIETE GENERALE ALGERIE	Bank	FULL	100	100	100	100
Germany								
		AKRUN EINS GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH & CO. OBJEKT SEREN 1 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
		ALD AUTOLEASING D GMBH	Specialist Financing	FULL	79.82	79.82	100	100
		ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	FULL	79.82	79.82	100	100
		ALD INTERNATIONAL SAS & CO. KG	Specialist Financing	FULL	79.82	79.82	100	100
		ALD LEASE FINANZ GMBH	Specialist Financing	FULL	100	100	100	100
		BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Specialist Financing	FULL	99.93	99.91	51	51
		BDK LEASING UND SERVICE GMBH	Specialist Financing	FULL	100	100	100	100
		CAR PROFESSIONAL FUHRPARKMANAGEMENT UND BERATUNGSGESELLSCHAFT MBH & CO. KG	Specialist Financing	FULL	79.82	79.82	100	100
		CARPOOL GMBH	Broker	FULL	79.82	79.82	100	100
		EUROPARC DREILINDEN GMBH	Group Real Estate Management Company	FULL	100	100	100	100
		EUROPARC GMBH	Real Estate and Real Estate Financing	FULL	100	100	100	100
		EUROPARC KERPEN GMBH	Group Real Estate Management Company	FULL	100	100	100	100
		GEFA BANK GMBH	Specialist Financing	FULL	100	100	100	100
		GEFA VERSICHERUNGSDIENST GMBH	Specialist Financing	EFS	100	100	100	100
		HANSEATIC BANK GMBH & CO KG	Specialist Financing	FULL	75	75	75	75
		HANSEATIC GESELLSCHAFT FUR BANKBETEILIGUNGEN MBH	Portfolio Management	FULL	75	75	100	100
		HSCE HANSEATIC SERVICE CENTER GMBH	Services	FULL	75	75	100	100
		INTERLEASING DELLO HAMBURG GMBH	Specialist Financing	FULL	79.82	79.82	100	100
		PEMA GMBH	Specialist Financing	FULL	100	100	100	100
		PODES DREI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 4 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
		PODES GRUNDSTUCKS - VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
		PODES ZWEI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(2)	RED & BLACK AUTO GERMANY 2 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	0	99.91	0	100
		RED & BLACK AUTO GERMANY 3 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	99.93	99.91	100	100
		RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
	(6)	RED & BLACK AUTO GERMANY 5 UG (HAFTUNGSBESCHRANKT)	Specialist Financing	FULL	100	0	100	0
	(2)	RED & BLACK CAR SALES 1UG	Financial Company	FULL	0	79.82	0	100
		SG EQUIPMENT FINANCE GMBH	Specialist Financing	FULL	100	100	100	100
		SG EQUIPMENT FINANCE INTERNATIONAL GMBH	Specialist Financing	FULL	100	100	100	100
	(1)	SG FRANCFORT	Bank	FULL	100	100	100	100
		SOCIETE GENERALE EFFEKTEN GMBH	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	FULL	100	100	100	100
	(1)	SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
	(1)(5)	SOGECAP RISQUES DIVERS DEUTSCHE NIEDERLASSUNG	Insurance	FULL	0	100	0	100
	(1)(6)	SOGESSUR DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	0	100	0
Australia								
		SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	FULL	100	100	100	100
Austria								
		ALD AUTOMOTIVE FUHRPARKMANAGEMENT UND LEASING GMBH	Specialist Financing	FULL	79.82	79.82	100	100
	(3)	SG EQUIPMENT LEASING AUSTRIA GMBH	Specialist Financing	EFS	0	100	0	100
	(1)	SG VIENNE	Bank	FULL	100	100	100	100
Belgium								
		AXUS FINANCE SPRL	Specialist Financing	FULL	79.82	79.82	100	100
		AXUS SA/NV	Specialist Financing	FULL	79.82	79.82	100	100
		BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	FULL	60.74	60.74	100	100
		PARCOURS BELGIUM	Specialist Financing	FULL	79.82	79.82	100	100
		PEMA TRUCK TRAILER VERHUUR	Specialist Financing	FULL	100	100	100	100
	(1)	SG BRUXELLES	Bank	FULL	100	100	100	100
	(1)	SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE DE FINANCEMENT	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE IMMOBEL	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING NV/SA	Bank	FULL	100	100	100	100
Benin								
		SOCIETE GENERALE BENIN	Bank	FULL	90.98	89.64	91.65	90.3
Bermuda								
		CATALYST RE INTERNATIONAL LTD.	Insurance	FULL	100	100	100	100
Brazil								
		ALD AUTOMOTIVE S.A.	Specialist Financing	FULL	79.82	79.82	100	100
		BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100	100
		MORDENO SOCIEDADES ANONIMAS	Financial Company	FULL	100	100	100	100
		SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100	100
	(2)	SOCIETE GENERALE S.A. CORRETORA DE CAMBIO. TITULOS E VALORES MOBILIARIOS	Broker	FULL	0	100	0	100
British Virgin Islands								
		TSG HOLDINGS LTD	Services	FULL	100	100	100	100
		TSG MANAGEMENT LTD	Services	FULL	100	100	100	100
		TSG SERVICES LTD	Services	FULL	100	100	100	100
Bulgaria								
		REGIONAL URBAN DEVELOPMENT FUND	Specialist Financing	FULL	51.86	51.86	52	52
		SG EXPRESS BANK	Bank	FULL	99.74	99.74	99.74	99.74
		SOCIETE GENERALE FACTORING EOOD	Specialist Financing	FULL	99.74	99.74	100	100
		SOGELEASE BULGARIA	Specialist Financing	FULL	99.74	99.74	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
Burkina Faso								
		SOCIETE GENERALE BURKINA FASO	Bank	FULL	51.27	51.27	52.61	52.61
Cameroon								
		SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08
Canada								
		KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	FULL	100	100	100	100
		SG CONSTELLATION CANADA LTD.	Specialist Financing	FULL	100	100	100	100
	(2)	SG HAMBROS TRUST COMPANY (CANADA) INC	Financial Company	FULL	0	100	0	100
	(1)	SOCIETE GENERALE (CANADA BRANCH)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE (CANADA)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL CANADA INC	Broker	FULL	100	100	100	100
Cayman Islands								
		AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100	100
	(2)	BRIDGEVIEW II LIMITED	Specialist Financing	FULL	0	100	0	100
		SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	100	100	100	100
China								
		ALD FORTUNE AUTO LEASING & RENTING SHANGHAI CO. LTD	Specialist Financing	ESI	39.91	39.91	50	50
		SOCIETE GENERALE (CHINA) LIMITED	Bank	FULL	100	100	100	100
		SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	FULL	100	100	100	100
South Korea								
		SG SECURITIES KOREA CO. LTD	Broker	FULL	100	100	100	100
	(1)	SG SEOUL	Bank	FULL	100	100	100	100
Côte d'Ivoire								
		SOCIETE GENERALE COTE D'IVOIRE	Bank	FULL	73.25	73.25	73.25	73.25
		SOGEBOURSE EN COTE D'IVOIRE	Portfolio Management	FULL	71.25	71.27	99.98	100
Croatia								
		ALD AUTOMOTIVE D.O.O. ZA. OPERATIVNI I FINANCIJSKI LEASING	Specialist Financing	FULL	79.82	79.82	100	100
	(6)	ALD FLEET SERVICES D.O.O ZA TRGOVINU I USLUGE	Specialist Financing	FULL	79.82	0	100	0
Curaçao								
		SGA SOCIETE GENERALE ACCEPTANCE N.V	Financial Company	FULL	100	100	100	100
Denmark								
		ALD AUTOMOTIVE A/S	Specialist Financing	FULL	79.82	79.82	100	100
		NF FLEET A/S	Specialist Financing	FULL	63.85	63.85	80	80
		PEMA LAST OG- TRAILERUDLEJNING A/S	Specialist Financing	FULL	100	100	100	100
	(1)	SG FINANS AS DANISH BRANCH	Specialist Financing	FULL	100	100	100	100
United Arab Emirates								
	(1)	SOCIETE GENERALE DUBAI	Bank	FULL	100	100	100	100
Spain								
		ALD AUTOMOTIVE S.A.U	Specialist Financing	FULL	79.82	79.82	100	100
	(5)	ALD AUTORENTING S.A.U.	Specialist Financing	FULL	0	79.82	0	100
		ALTURA MARKETS. SOCIEDAD DE VALORES. SA	Broker	EJV	50	50	50	50
	(1)	GENEFIM SUCURSAL EN ESPANA	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(5)	PARCOURS IBERIA SA	Specialist Financing	FULL	0	79.82	0	100
	(6)	REFLEX ALQUILER FLEXIBLE DE VEHICULOS	Specialist Financing	FULL	79.82	0	100	0
		SELF TRADE BANK SA	Broker	FULL	100	100	100	100
		SG EQUIPMENT FINANCE IBERIA. E.F.C. S.A.	Specialist Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		SOCGEN INVERSIONES FINANCIERAS SA	Financial Company	FULL	100	100	100	100
	(1)	SOCIETE GENERALE SUCCURSAL EN ESPANA	Bank	FULL	100	100	100	100
		SODEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
Estonia								
		ALD AUTOMOTIVE EESTI AS	Specialist Financing	FULL	59.87	59.87	75.01	75.01
United States of America								
		AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
	(8)	CGI FINANCE INC	Financial Company	FULL	99.89	99.89	100	100
	(8)	CGI NORTH AMERICA INC.	Specialist Financing	FULL	99.89	99.89	100	100
	(8)	CLASSIC YACHT DOCUMENTATION. INC.	Services	FULL	99.89	99.89	100	100
		LYXOR ASSET MANAGEMENT HOLDING CORP.	Portfolio Management	FULL	100	100	100	100
		LYXOR ASSET MANAGEMENT INC.	Financial Company	FULL	100	100	100	100
		SG AMERICAS EQUITIES CORP.	Financial Company	FULL	100	100	100	100
		SG AMERICAS OPERATIONAL SERVICES. INC.	Services	FULL	100	100	100	100
		SG AMERICAS SECURITIES HOLDINGS. LLC	Bank	FULL	100	100	100	100
		SG AMERICAS SECURITIES. LLC	Broker	FULL	100	100	100	100
		SG AMERICAS. INC.	Financial Company	FULL	100	100	100	100
		SG CONSTELLATION. INC.	Financial Company	FULL	100	100	100	100
		SG EQUIPMENT FINANCE USA CORP.	Specialist Financing	FULL	100	100	100	100
		SG MORTGAGE FINANCE CORP.	Financial Company	FULL	100	100	100	100
		SG MORTGAGE SECURITIES. LLC	Portfolio Management	FULL	100	100	100	100
		SG REINSURANCE INTERMEDIARY BROKERAGE. LLC	Insurance	FULL	100	100	100	100
		SG STRUCTURED PRODUCTS. INC.	Specialist Financing	FULL	100	100	100	100
		SGAIF. LLC	Financial Company	FULL	100	100	100	100
		SGAIH. INC.	Financial Company	FULL	100	100	100	100
	(8)	SGB FINANCE NORTH AMERICA INC.	Specialist Financing	FULL	50.94	50.94	100	100
	(1)	SOCIETE GENERALE (NEW YORK)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE ENERGY LLC	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE FINANCIAL CORPORATION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE INVESTMENT CORPORATION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE LIQUIDITY FUNDING. LLC	Financial Company	FULL	100	100	100	100
		TENDER OPTION BOND PROGRAM (TAXABLE AND TAX-EXEMPT)	Financial Company	FULL	100	100	100	100
Finland								
		AXUS FINLAND OY	Specialist Financing	FULL	79.82	79.82	100	100
		NF FLEET OY	Specialist Financing	FULL	63.85	63.85	80	80

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
France								
		29 HAUSSMANN EQUILIBRE	Portfolio Management	FULL	87.1	87.1	87.1	87.1
		29 HAUSSMANN EURO RDT	Portfolio Management	FULL	58.1	58.1	58.1	58.1
		29 HAUSSMANN SELECTION MONDE	Portfolio Management	FULL	68.7	68.7	68.7	68.7
		9 RUE DES BIENVENUS	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
		AIR BAIL	Specialist Financing	FULL	100	100	100	100
		AIX - BORD DU LAC - 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
		AIX - BORD DU LAC - 4	Real Estate and Real Estate Financing	EJV	50	50	50	50
		ALD	Specialist Financing	FULL	79.82	79.82	79.82	79.82
		ALD AUTOMOTIVE RUSSIE SAS	Specialist Financing	FULL	79.82	79.82	100	100
		ALPRIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6)	AMPERIM	Real Estate and Real Estate Financing	EJV	50	0	50	0
		ANTALIS SA	Financial Company	FULL	100	100	100	100
		ANTARES	Real Estate and Real Estate Financing	ESI	45	45	45	45
		ANTARIUS	Insurance	FULL	100	100	100	100
	(6)	ARTISTIK	Real Estate and Real Estate Financing	ESI	30	0	30	0
		AVIVA INVESTORS RESERVE EUROPE	Financial Company	FULL	69.35	69.35	69.35	69.35
	(3)	AXA SOGECAP LOAN	Portfolio Management	FULL	0	100	0	100
		BANQUE COURTOIS. SUCCESSEUR DE L'ANCIENNE MAISON COURTOIS ET CIE DEPUIS 1760	Bank	FULL	100	100	100	100
		BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN	Bank	FULL	50	50	50	50
		BANQUE KOLB	Bank	FULL	99.97	99.97	99.97	99.97
		BANQUE LAYDERNIER	Bank	FULL	100	100	100	100
		BANQUE NUGER	Bank	FULL	100	100	100	100
		BANQUE POUYANNE	Bank	ESI	35	35	35	35
		BANQUE RHONE ALPES	Bank	FULL	99.99	99.99	99.99	99.99
		BANQUE TARNEAUD	Bank	FULL	100	100	100	100
		BOURSORAMA INVESTISSEMENT	Services	FULL	100	100	100	100
		BOURSORAMA SA	Broker	FULL	100	100	100	100
		BREMANY LEASE SAS	Specialist Financing	FULL	79.82	79.82	100	100
	(2)	CAEN - RUE BASSE	Real Estate and Real Estate Financing	FULL	0	100	0	100
	(2)	CAEN - RUE DU GENERAL MOULIN	Real Estate and Real Estate Financing	FULL	0	100	0	100
		CARBURAUTO	Group Real Estate Management Company	EJV	50	50	50	50
		CARRERA	Group Real Estate Management Company	EJV	50	50	50	50
		CENTRE IMMO PROMOTION	Real Estate and Real Estate Financing	FULL	60	60	60	60

Country			Activity	Method*	Group ownership interest At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest At 31.12.2017
		CHARTREUX LOT A1	Real Estate and Real Estate Financing	FULL	100	100	100	100
		CHEMIN DES COMBES	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
		COMPAGNIE FINANCIERE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100	100
		COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)	Group Real Estate Management Company	FULL	100	100	100	100
		COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS	Specialist Financing	FULL	99.89	99.89	99.89	99.89
		CONTE	Group Real Estate Management Company	EJV	50	50	50	50
	(5)	CREDINORD CIDIZE	Financial Company	FULL	0	100	0	100
		CREDIT DU NORD	Bank	FULL	100	100	100	100
		DARWIN DIVERSIFIE 0-20	Portfolio Management	FULL	89.94	88.67	89.94	88.67
		DARWIN DIVERSIFIE 40-60	Portfolio Management	FULL	79.78	79.98	79.78	79.98
		DARWIN DIVERSIFIE 80-100	Portfolio Management	FULL	78.34	78.1	78.34	78.1
		DESCARTES TRADING	Financial Company	FULL	100	100	100	100
		DESSUARD	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(5)	DEVILLE AVENUE LECLERC	Real Estate and Real Estate Financing	FULL	0	100	0	100
		DISPONIS	Specialist Financing	FULL	99.99	99.99	100	100
		ESNI - COMPARTIMENT SG-CREDIT CLAIMS -1	Financial Company	FULL	100	100	100	100
		ETOILE CLIQUET 90	Financial Company	FULL	73.52	73.52	73.52	73.52
		ETOILE ID	Financial Company	FULL	100	100	100	100
	(6)	ETOILE MULTI GESTION EUROPE-C	Insurance	FULL	51.59	0	51.59	0
	(6)	ETOILE VALEURS MOYENNES-C	Insurance	FULL	61.09	0	61.09	0
		F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	FULL	80	80	100	100
		FCC ALBATROS	Portfolio Management	FULL	100	100	51	51
	(2)	FCT CODA	Financial Company	FULL	0	100	0	100
		FEEDER LYX E ST50 D5	Portfolio Management	FULL	100	100	100	100
		FEEDER LYX E ST50 D6	Portfolio Management	FULL	100	100	100	100
		FEEDER LYXOR CAC 40	Financial Company	FULL	99.77	99.77	99.77	99.77
		FEEDER LYXOR CAC40 D2-EUR	Portfolio Management	FULL	100	100	100	100
		FEEDER LYXOR STOXX 50	Financial Company	FULL	100	99.56	100	99.56
		FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100
	(5)	FIDUCEO	Services	FULL	0	100	0	100
		FINANCIERE PARCOURS	Specialist Financing	FULL	79.82	79.82	100	100
		FINANCIERE UC	Real Estate and Real Estate Financing	FULL	100	100	100	100
		FINASSURANCE SNC	Broker	FULL	98.89	98.89	99	99
		FRANFINANCE	Specialist Financing	FULL	99.99	99.99	99.99	99.99
		FRANFINANCE LOCATION	Specialist Financing	FULL	99.99	99.99	100	100
		GALYBET	Real Estate and Real Estate Financing	FULL	100	100	100	100
		GENEBANQUE	Bank	FULL	100	100	100	100
		GENECAL FRANCE	Specialist Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest At 31.12.2017
		GENECAR - SOCIETE GENERALE DE COURTAGE D'ASSURANCE ET DE REASSURANCE	Insurance	FULL	100	100	100	100
		GENECOMI	Specialist Financing	FULL	99.64	99.64	99.64	99.64
		GENEFIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
		GENEFINANCE	Portfolio Management	FULL	100	100	100	100
		GENEGIS I	Group Real Estate Management Company	FULL	100	100	100	100
		GENEGIS II	Group Real Estate Management Company	FULL	100	100	100	100
		GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
		IMAPRIM AMENAGEMENT	Real Estate and Real Estate Financing	FULL	70	70	70	70
		IMMOBILIERE PROMEX	Real Estate and Real Estate Financing	ESI	35	35	35	35
	(1)	INORA LIFE FRANCE	Insurance	FULL	100	100	100	100
		INTER EUROPE CONSEIL	Financial Company	FULL	100	100	100	100
	(5)	INVESTIR IMMOBILIER MAROMME	Real Estate and Real Estate Financing	FULL	0	100	0	100
		INVESTIR IMMOBILIER NORMANDIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		INVESTISSEMENT 81	Financial Company	FULL	100	100	100	100
		KOLB INVESTISSEMENT	Financial Company	FULL	100	100	100	100
		LA BANQUE POSTALE FINANCEMENT	Specialist Financing	ESI	35	35	35	35
		LA CORBEILLERIE	Real Estate and Real Estate Financing	ESI	24	24	40	40
	(3)	LA COURTINE	Real Estate and Real Estate Financing	ESI	0	30	0	30
		LA CROIX BOISEE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		LA FONCIERE DE LA DEFENSE	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
		LES ALLEES DE L'EUROPE	Real Estate and Real Estate Financing	ESI	34	34	34	34
		LES CEDRES BLEUS	Real Estate and Real Estate Financing	ESI	40	40	40	40
		LES JARDINS D'ALHAMBRA	Real Estate and Real Estate Financing	ESI	35	35	35	35
		LES JARDINS DE L'ALCAZAR	Real Estate and Real Estate Financing	ESI	30	30	30	30
		LES MESANGES	Real Estate and Real Estate Financing	FULL	55	55	55	55
		LES VILLAS VINCENTI	Real Estate and Real Estate Financing	ESI	30	30	30	30
		L'HESPEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
		LOTISSEMENT DES FLEURS	Real Estate and Real Estate Financing	ESI	30	30	30	30

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		LYON LA FABRIC	Real Estate and Real Estate Financing	EJV	48.87	48.87	50	50
		LYXOR ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
		LYXOR GL OVERLAY F	Portfolio Management	FULL	87.27	87.27	87.27	87.27
		LYXOR INTERMEDIATION	Broker	FULL	100	100	100	100
		LYXOR INTERNATIONAL ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
		MEDITERRANEE GRAND ARC	Real Estate and Real Estate Financing	EJV	43	43	50	50
		NOAHO	Real Estate and Real Estate Financing	FULL	85	85	85	85
		NORBAIL IMMOBILIER	Real Estate and Real Estate Financing	FULL	100	100	100	100
		NORBAIL SOFERGIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(5)	NORIMMO	Real Estate and Real Estate Financing	FULL	0	100	0	100
		NORMANDIE REALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
		ONYX	Group Real Estate Management Company	EJV	50	50	50	50
		OPCI SOGECAPIMMO	Real Estate and Real Estate Financing	FULL	100	100	100	100
		OPERA 72	Group Real Estate Management Company	FULL	99.99	99.99	100	100
		ORADEA VIE	Insurance	FULL	100	100	100	100
		ORPAVIMOB	Specialist Financing	FULL	100	100	100	100
		PACTIMO	Real Estate and Real Estate Financing	FULL	86	86	86	86
		PARCOURS	Specialist Financing	FULL	79.82	79.82	100	100
		PARCOURS ANNECY	Specialist Financing	FULL	79.82	79.82	100	100
		PARCOURS BORDEAUX	Specialist Financing	FULL	79.82	79.82	100	100
		PARCOURS IMMOBILIER	Specialist Financing	FULL	79.82	79.82	100	100
		PARCOURS NANTES	Specialist Financing	FULL	79.82	79.82	100	100
		PARCOURS STRASBOURG	Specialist Financing	FULL	79.82	79.82	100	100
		PARCOURS TOURS	Specialist Financing	FULL	79.82	79.82	100	100
		PAREL	Services	FULL	100	100	100	100
		PHILIPS MEDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
		PRAGMA	Real Estate and Real Estate Financing	FULL	86	86	100	100
	(3)	PRIMAXIA	Real Estate and Real Estate Financing	FULL	0	93.74	0	95
		PRIORIS	Specialist Financing	FULL	94.89	94.89	95	95
		PROGEREAL SA	Real Estate and Real Estate Financing	ESI	25.01	25.01	25.01	25.01
		PROJECTIM	Real Estate and Real Estate Financing	FULL	60	60	60	60
		RED & BLACK CONSUMER FRANCE 2013	Financial Company	FULL	100	100	100	100
		RED & BLACK HOME LOANS FRANCE 1	Financial Company	FULL	100	100	100	100
		RIVAPRIM	Real Estate and Real Estate Financing	FULL	100	80	100	80

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
	(6)	RIVAPRIM REALISATIONS	Real Estate and Real Estate Financing	FULL	100	0	100	0
		S.C.I. DU DOMAINE DE STONEHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SAGEMCOM LEASE	Specialist Financing	FULL	99.99	99.99	100	100
		SAINT CLAIR	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SAINT-MARTIN 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(8)	SARL CS 72 - KERIADENN	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
		SARL D'AMENAGEMENT DU MARTINET	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SARL DE LA COTE D'OPALE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SARL DE LA VECQUERIE	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
		SARL EKO BOUAYE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SARL SEINE CLICHY	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS AMIENS - AVENUE DU GENERAL FOY	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SAS COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	71.62	71.62	75	75
	(6)	SAS FOCH SULLY	Real Estate and Real Estate Financing	FULL	87.97	0	90	0
		SAS LOIRE ATLANTIQUE TERTIAIRE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6)	SAS MERIGNAC OASIS URBAINE	Real Estate and Real Estate Financing	FULL	90	0	90	0
		SAS MS FRANCE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SAS NOAHO AMENAGEMENT	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
		SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS NORMANDIE RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS NOYALIS	Real Estate and Real Estate Financing	ESI	28	28	28	28
		SAS PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS PROJECTIM IMMOBILIER	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SAS RESIDENCIAL	Real Estate and Real Estate Financing	FULL	68.4	68.4	68.4	68.4

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
	(6)	SAS ROANNE LA TRILOGIE	Real Estate and Real Estate Financing	ESI	40.08	0	41	0
		SAS SOGEBROWN POISSY	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SAS SOGEMYSJ	Real Estate and Real Estate Financing	FULL	51	51	51	51
		SAS SOGEPROM TERTIAIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6)	SAS SOJEPRIM	Real Estate and Real Estate Financing	FULL	80	0	100	0
	(6)	SAS TIR A L'ARC AMENAGEMENT	Real Estate and Real Estate Financing	EJV	40	0	50	0
		SAS TOUR D2	Real Estate and Real Estate Financing	JO	50	50	50	50
		SAS ZAC DU TRIANGLE	Real Estate and Real Estate Financing	FULL	48.7	48.7	51	51
		SC ALICANTE 2000	Group Real Estate Management Company	FULL	100	100	100	100
		SC CHASSAGNE 2000	Group Real Estate Management Company	FULL	100	100	100	100
		SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	FULL	51.6	51.6	60	60
		SCCV 29 ET 31 AVENUE CHARLES DE GAULLE A LA TESTE DE BUCH	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV 3 CHATEAUX	Real Estate and Real Estate Financing	EJV	43	43	50	50
	(3)	SCCV ADIVO	Real Estate and Real Estate Financing	ESI	0	26	0	26
		SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	ESI	49	49	49	49
		SCCV BAHIA	Real Estate and Real Estate Financing	FULL	48.7	48.7	51	51
	(3)	SCCV BALMA ENTREPRISE	Real Estate and Real Estate Financing	EJV	0	50	0	50
	(3)	SCCV BASSENS LES MONTS	Real Estate and Real Estate Financing	FULL	0	70	0	70
		SCCV BLAINVILLE LEMARCHAND	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6)	SCCV BOURGOIN 140 ROUTE DE LYON	Real Estate and Real Estate Financing	FULL	78.2	0	80	0
		SCCV BRON CARAVELLE	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
	(5)	SCCV CAEN - CHARITE ILOT 3	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SCCV CAEN CASERNE MARTIN	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		SCCV CAEN PANORAMIK	Real Estate and Real Estate Financing	ESI	40	50	40	50
	(5)	SCCV CHARITE - REHABILITATION	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	EJV	100	100	100	100
		SCCV CHARTREUX LOT E	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	FULL	35	35	35	35
		SCCV CITY SQUARE	Real Estate and Real Estate Financing	ESI	50	50	50	50
		SCCV CLICHY BRC	Real Estate and Real Estate Financing	EJV	28	28	28	28
		SCCV COURS CLEMENCEAU	Real Estate and Real Estate Financing	ESI	43	43	50	50
		SCCV CUGNAUX-LEO LAGRANGE	Real Estate and Real Estate Financing	EJV	35	35	35	35
		SCCV EKO GREEN CITY	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
		SCCV EKO PARK OCEAN	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
		SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV EURONANTES 1E	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV GAO	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
		SCCV GIGNAC MOUSSELINE	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
		SCCV GIVORS ROBICHON	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
		SCCV HALLUARD	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV HEROUVILLE ILOT A2	Real Estate and Real Estate Financing	ESI	33.33	33.33	33.33	33.33
		SCCV HOUSE PARK	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV JA LE HAVRE 22 COTY	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV KYMA MERIGNAC	Real Estate and Real Estate Financing	ESI	30	30	30	30
	(6)	SCCV LA MADELEINE SAINT-CHARLES	Real Estate and Real Estate Financing	EJV	40	0	50	0
		SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	EJV	50	50	50	50

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	ESI	49	49	49	49
		SCCV LE BOUSCAT CARRÉ SOLARIS	Real Estate and Real Estate Financing	ESI	25	0	25	0
		SCCV LE COURTIL	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV LE SIX	Real Estate and Real Estate Financing	ESI	24.5	24.5	24.5	24.5
		SCCV LE TEICH COEUR DE VILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCCV LES ECRIVAINS	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCCV LES PATIOS D'OR DE FLEURY LES AUBRAIS	Real Estate and Real Estate Financing	FULL	64	64	80	80
		SCCV LES SUCRES	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
	(6)	SCCV LESQUIN PARC	Real Estate and Real Estate Financing	EJV	40	0	50	0
	(6)	SCCV LILLE - JEAN MACE	Real Estate and Real Estate Financing	ESI	26.72	0	33.4	0
		SCCV MARCQ PROJECTIM	Real Estate and Real Estate Financing	FULL	64	64	80	80
	(3)	SCCV MASSON BEAU	Real Estate and Real Estate Financing	ESI	0	30	0	30
	(6)	SCCV MEHUL	Real Estate and Real Estate Financing	FULL	60.2	0	70	0
	(6)	SCCV MERIGNAC 53-55 AVENUE LEON BLUM	Real Estate and Real Estate Financing	ESI	30	0	30	0
		SCCV MONROC - LOT 3	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCCV MONTREUIL ACACIA	Real Estate and Real Estate Financing	FULL	80	80	80	80
		SCCV NATUREO	Real Estate and Real Estate Financing	ESI	30	30	30	30
	(6)	SCCV NICE ARENAS	Real Estate and Real Estate Financing	FULL	100	0	100	0
		SCCV NOAHO HABITAT	Real Estate and Real Estate Financing	FULL	97.75	97.75	100	100
	(6)	SCCV NOISY BOISSIERE	Real Estate and Real Estate Financing	FULL	51	0	51	0
		SCCV PARIS ALBERT	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV PARK OCEAN II	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV PRADES BLEU HORIZON	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	FULL	51	51	51	51

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
	(6)	SCCV ROMAINVILLE DUMAS	Real Estate and Real Estate Financing	FULL	70	0	70	0
		SCCV ROUEN 27 ANGLAIS	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV ROUSSET - LOT 03	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
		SCCV SAY	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV SENGHOR	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCCV SOGAB ROMAINVILLE	Real Estate and Real Estate Financing	FULL	80	80	80	80
		SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCCV TALENCE PUR	Real Estate and Real Estate Financing	FULL	95	95	95	95
	(6)	SCCV TASSIN - 190 CDG	Real Estate and Real Estate Financing	ESI	35	0	35	0
	(3)	SCCV VAULX PABLO PICASSO	Real Estate and Real Estate Financing	EJV	0	47.75	0	50
		SCCV VERNAISON - RAZAT	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
		SCCV VILLA CHANZY	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCCV VILLENAVE D'ORNON GARDEN VO	Real Estate and Real Estate Financing	ESI	25	0	25	0
	(6)	SCCV VILLEURBANNE TEMPO	Real Estate and Real Estate Financing	FULL	92.8	0	100	0
		SCI 1134. AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCI 637 ROUTE DE FRANS	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI ABARITZ	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI AGIAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI ANGLET PROMOTION	Real Estate and Real Estate Financing	ESI	38.5	38.5	38.5	38.5
		SCI AQPRIM PROMOTION	Real Estate and Real Estate Financing	FULL	79.8	79.8	50	50
		SCI ASC LA BERGEONNERIE	Real Estate and Real Estate Financing	EJV	42	42	50	50
	(3)	SCI AUBERVILLIERS CREVECOEUR	Real Estate and Real Estate Financing	ESI	0	35	0	35
		SCI AVARICUM	Real Estate and Real Estate Financing	FULL	99	99	99	99
		SCI BOBIGNY HOTEL DE VILLE	Real Estate and Real Estate Financing	ESI	35	35	35	35

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		SCI BORDEAUX-20-26 RUE DU COMMERCE	Real Estate and Real Estate Financing	ESI	30	0	30	0
		SCI CENTRE IMMO PROMOTION RESIDENCES	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI CHARITE - GIRANDIERE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(2)	SCI D.S.N.	Real Estate and Real Estate Financing	ESI	0	32.5	0	32.5
		SCI DIAGONALE	Real Estate and Real Estate Financing	FULL	68	68	75	75
		SCI DREUX LA ROTULE NORD	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI DU 84 RUE DU BAC	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI DU PARC SAINT ETIENNE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI ETAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI ETRECHY SAINT NICOLAS	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI EUROPARC HAUTE BORNE 1	Real Estate and Real Estate Financing	FULL	51	51	51	51
		SCI EUROPARC ST MARTIN DU TOUCH 2002	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(3)	SCI HAUSQUETTE I	Real Estate and Real Estate Financing	ESI	0	40	0	40
		SCI HEGEL PROJECTIM	Real Estate and Real Estate Financing	FULL	68	68	85	85
		SCI LA MANTILLA COMMERCES	Real Estate and Real Estate Financing	FULL	93	93	100	100
		SCI LA MARQUEILLE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI L'ACTUEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI LAVOISIER	Real Estate and Real Estate Financing	FULL	80	80	80	80
		SCI LE CERCLE DES ARTS	Real Estate and Real Estate Financing	ESI	37.5	37.5	37.5	37.5
		SCI LE DOMAINE DU PLESSIS	Real Estate and Real Estate Financing	ESI	20	20	20	20
		SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	EJV	40	40	40	40
		SCI LE MANOIR DE JEREMY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(8)	SCI LE PARC DE BORDEROUGE	Real Estate and Real Estate Financing	FULL	60	60	60	60

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		SCI LES BAIGNOTS	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES JARDINS DE LA BOURBRE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES JARDINS D'IRIS	Real Estate and Real Estate Financing	FULL	60	60	60	60
		SCI LES JARDINS DU BLAVET	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES PORTES DU LEMAN	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCI LES RESIDENCES GENEVOISES	Real Estate and Real Estate Financing	FULL	90	90	90	90
	(3)	SCI LES TERRASSES DE BEL AIR	Real Estate and Real Estate Financing	ESI	0	40	0	40
		SCI LIEUSAINT RUE DE PARIS	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI LINAS COEUR DE VILLE 1	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCI LOCMINE- LAMENNAIS	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI L'OREE DES LACS	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCI LYON BON LAIT	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI LYON JOANNES	Real Estate and Real Estate Financing	EJV	47.8	47.8	50	50
		SCI MARSEILLE LE ZEPHYR	Real Estate and Real Estate Financing	FULL	55.9	55.9	65	65
		SCI MONTPELLIER JACQUES COEUR	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCI NOAHO RESIDENCES	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
	(8)	SCI PATRIS	Real Estate and Real Estate Financing	EJV	25.8	25.8	30	30
		SCI PORTU ONDOAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI PROJECTIM MARCQ COEUR DE VILLE	Real Estate and Real Estate Financing	FULL	48	48	60	60
		SCI PRONY	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI QUINTEFEUILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI QUINTESSENCE-VALESCURE	Real Estate and Real Estate Financing	EJV	50	48	50	50
		SCI REIMS GARE	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		SCI RESIDENCE DU DONJON	Real Estate and Real Estate Financing	EJV	40	40	40	40
		SCI RHIN ET MOSELLE 1	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI RHIN ET MOSELLE 2	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	FULL	100	92	100	100
		SCI RIVAPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	96	100	100
	(3)	SCI ROUBAIX FOCH-LECLERC	Real Estate and Real Estate Financing	ESI	0	30	0	30
		SCI RSS INVESTIMMO COTE BASQUE	Real Estate and Real Estate Financing	ESI	20	20	20	20
	(8)	SCI SAINT JEAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI SAINT OUEN L'AUMONE - L'OISE	Real Estate and Real Estate Financing	EJV	38	38	38	38
		SCI SAINT-DENIS WILSON	Real Estate and Real Estate Financing	FULL	60	60	60	60
		SCI SCS IMMOBILIER D'ENTREPRISES	Real Estate and Real Estate Financing	FULL	52.8	52.8	66	66
		SCI SOGECIP	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI SOGECTIM	Real Estate and Real Estate Financing	FULL	80	80	100	100
	(3)	SCI SOGEPROM ATLANTIQUE	Real Estate and Real Estate Financing	FULL	0	80	0	80
		SCI STRASBOURG ETOILE THUMENAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI STRASBOURG ROUTE DE WASSELONNE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	FULL	80	80	80	80
		SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI VAILLANT COUTURIER	Real Estate and Real Estate Financing	ESI	25	25	25	25
		SCI VALENCE-CHAMPS DE MARS	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI VELRI	Group Real Estate Management Company	EJV	50	50	50	50
		SCI VILLA EMILIE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI VITAL BOUHOT 16-22 NEUILLY SUR SEINE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCPI GENEPIERRE	Real Estate and Real Estate Financing	FULL	45.08	45.08	45.08	45.08

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		SEFIA	Specialist Financing	FULL	99.89	99.89	100	100
		SERVIPAR	Specialist Financing	FULL	79.82	79.82	100	100
		SG 29 HAUSSMANN	Financial Company	FULL	100	100	100	100
	(6)	SG ACTIONS EURO SELECTION	Financial Company	FULL	40.05	0	40.05	0
	(6)	SG ACTIONS EURO VALUE-C	Insurance	FULL	64.94	0	64.94	0
		SG ACTIONS FRANCE	Portfolio Management	FULL	38.14	38.14	38.14	38.14
	(6)	SG ACTIONS LUXE-C	Insurance	FULL	84.25	0	84.25	0
	(6)	SG ACTIONS MONDE EMERGENT	Insurance	FULL	60.05	0	60.05	0
		SG ACTIONS US	Portfolio Management	FULL	65.06	100	65.06	100
		SG CAPITAL DEVELOPPEMENT	Portfolio Management	FULL	100	100	100	100
		SG EUROPEAN MORTGAGE INVESTMENTS	Financial Company	FULL	100	100	100	100
		SG FINANCIAL SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
		SG FLEXIBLE	Portfolio Management	FULL	92.48	100	92.48	100
		SG LYXOR GOVERNMENT BOND FUND	Portfolio Management	FULL	100	100	100	100
		SG LYXOR LCR FUND	Portfolio Management	FULL	100	100	100	100
	(6)	SG MONE TRESO-E	Insurance	FULL	98.62	0	98.62	0
		SG MONETAIRE PLUS E	Financial Company	FULL	58.93	38.45	58.93	38.45
	(6)	SG OBLIG ETAT EURO-R	Insurance	FULL	79.94	0	79.94	0
		SG OPCIMMO	Real Estate and Real Estate Financing	FULL	97.95	97.95	97.95	97.95
		SG OPTION EUROPE	Broker	FULL	100	100	100	100
	(5)	SG SERVICES	Specialist Financing	FULL	0	100	0	100
		SG VALOR ALPHA ACTIONS FRANCE	Financial Company	FULL	72.77	75.34	72.77	75.34
		SGB FINANCE S.A.	Specialist Financing	FULL	50.94	50.94	51	51
		SGEF SA	Specialist Financing	FULL	100	100	100	100
	(6)	SGI 10-16 VILLE L'EVEQUE	Insurance	FULL	100	0	100	0
	(6)	SGI 1-5 ASTORG	Insurance	FULL	100	0	100	0
		SGI HOLDING SIS	Group Real Estate Management Company	FULL	100	100	100	100
	(6)	SGI PACIFIC	Insurance	FULL	86.17	0	89.53	0
		SNC COEUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	ESI	25.5	25.5	30	30
		SNC COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SNC D'AMENAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	(5)	SNC DU 10 RUE MICHELET	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SNC ISSY FORUM 10	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
		SNC ISSY FORUM 11	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
		SNC NEUILLY ILE DE LA JATTE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SNC PROMOSEINE	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
		SOCIETE ANONYME DE CREDIT A L'INDUSTRIE FRANCAISE (CALIF)	Bank	FULL	100	100	100	100
	(2)	SOCIETE CIVILE IMMOBILIERE 110 RUE DE RICHELIEU	Real Estate and Real Estate Financing	ESI	0	35	0	35

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		SOCIETE CIVILE IMMOBILIERE CAP THALASSA	Real Estate and Real Estate Financing	ESI	45	45	45	45
		SOCIETE CIVILE IMMOBILIERE CAP VEYRE	Real Estate and Real Estate Financing	ESI	50	50	50	50
		SOCIETE CIVILE IMMOBILIERE DE DIANE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SOCIETE CIVILE IMMOBILIERE DE PIERLAS	Real Estate and Real Estate Financing	ESI	28	28	28	28
		SOCIETE CIVILE IMMOBILIERE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
		SOCIETE CIVILE IMMOBILIERE DOMAINE DURANDY	Real Estate and Real Estate Financing	ESI	25	25	25	25
		SOCIETE CIVILE IMMOBILIERE ERICA	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SOCIETE CIVILE IMMOBILIERE ESTEREL TANNERON	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SOCIETE CIVILE IMMOBILIERE FONTENAY - ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SOCIETE CIVILE IMMOBILIERE GAMBETTA DEFENSE V	Real Estate and Real Estate Financing	ESI	20	20	20	20
		SOCIETE CIVILE IMMOBILIERE LE BOTERO	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SOCIETE CIVILE IMMOBILIERE LES HAUTS DE L'ESTAQUE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SOCIETE CIVILE IMMOBILIERE LES HAUTS DE SEPTEMES	Real Estate and Real Estate Financing	ESI	25	25	25	25
		SOCIETE CIVILE IMMOBILIERE MIRECRAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SOCIETE CIVILE IMMOBILIERE NAXOU	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOCIETE CIVILE IMMOBILIERE TOULDI	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOCIETE CIVILE IMMOBILIERE VERT COTEAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SOCIETE DE BOURSE GILBERT DUPONT	Financial Company	FULL	100	100	100	100
		SOCIETE DE LA RUE EDOUARD VII	Portfolio Management	FULL	99.91	99.91	99.91	99.91
	(5)	SOCIETE DE REALISATION DU PARC D'ACTIVITES DE TOULOUSE S O P A T	Real Estate and Real Estate Financing	ESI	0	100	0	100
		SOCIETE DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	99.98	99.98	100	100
		SOCIETE DU PARC D ACTIVITE DE LA VALENTINE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SOCIETE EN NOM COLLECTIF PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOCIETE FINANCIERE D' ANALYSE ET DE GESTION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL FINANCE	Portfolio Management	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
		SOCIETE GENERALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100	100
		SOCIETE GENERALE DE BANQUE AUX ANTILLES	Bank	FULL	100	100	100	100
		SOCIETE GENERALE FACTORING	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE PARTICIPATIONS INDUSTRIELLES	Portfolio Management	FULL	100	100	100	100
		SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER SOGEBAIL	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOCIETE GENERALE REAL ESTATE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOCIETE GENERALE SCF	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
		SOCIETE GENERALE SFH	Specialist Financing	FULL	100	100	100	100
		SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100	100
		SOCIETE IMMOBILIERE URBI ET ORBI	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOCIETE LES PINSONS	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SOCIETE MARSEILLAISE DE CREDIT	Bank	FULL	100	100	100	100
		SOGE BEAUJOIRE	Group Real Estate Management Company	FULL	99.99	99.99	100	100
		SOGE PERIVAL I	Group Real Estate Management Company	FULL	100	100	100	100
		SOGE PERIVAL II	Group Real Estate Management Company	FULL	100	100	100	100
		SOGE PERIVAL III	Group Real Estate Management Company	FULL	100	100	100	100
		SOGE PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100	100
		SOGEACT.SELEC.MON.	Portfolio Management	FULL	99.78	99.78	99.78	99.78
		SOGECAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
		SOGECAP	Insurance	FULL	100	100	100	100
		SOGECAP - DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
		SOGECAP DIVERSIFIE 1	Portfolio Management	FULL	100	100	100	100
		SOGECAP LONG TERME N°1	Financial Company	FULL	100	100	100	100
	(6)	SOGECAPIMMO 2	Insurance	FULL	89.39	0	90.84	0
		SOGEFIM HOLDING	Portfolio Management	FULL	100	100	100	100
		SOGEFIMUR	Specialist Financing	FULL	100	100	100	100
		SOGEFINANCEMENT	Specialist Financing	FULL	100	100	100	100
		SOGEFINERG SG POUR LE FINANCEMENT DES INVESTISSEMENTS ECONOMISANT L'ENERGIE	Specialist Financing	FULL	100	100	100	100
		SOGEFONTENAY	Group Real Estate Management Company	FULL	100	100	100	100
		SOGELEASE FRANCE	Specialist Financing	FULL	100	100	100	100
		SOGEMARCHE	Group Real Estate Management Company	FULL	100	100	100	100
		SOGEPARTICIPATIONS	Portfolio Management	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest At 31.12.2017
		SOGEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ALPES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ENTREPRISES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ENTREPRISES REGIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM PARTENAIRES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM SUD REALISATIONS	Real Estate and Real Estate Financing	FULL	90.9	90.9	100	100
		SOGESSUR	Insurance	FULL	100	100	100	100
		SOGEVIMMO	Group Real Estate Management Company	FULL	85.55	100	85.55	100
	(5)	SOGINFO - SOCIETE DE GESTION ET D'INVESTISSEMENTS FONCIERS	Group Real Estate Management Company	FULL	0	100	0	100
		ST BARNABE 13004	Real Estate and Real Estate Financing	EJV	43	43	50	50
		STAR LEASE	Specialist Financing	FULL	100	100	100	100
	(8)	STRACE	Real Estate and Real Estate Financing	ESI	20	20	20	20
		TEMSYS	Specialist Financing	FULL	79.82	79.82	100	100
	(8)	URBANISME ET COMMERCE	Real Estate and Real Estate Financing	FULL	99.88	99.88	99.88	99.88
		URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(2)	UTEI FEYZIN	Real Estate and Real Estate Financing	ESI	0	30	0	30
		VALMINVEST	Group Real Estate Management Company	FULL	100	100	100	100
		VILLA D'ARMONT	Real Estate and Real Estate Financing	ESI	40	40	40	40

Country			Activity	Method*	Group ownership interest At 31.12.2018	Group ownership interest At 31.12.2017	Group voting interest At 31.12.2018	Group voting interest At 31.12.2017
Ghana								
		SOCIETE GENERALE GHANA LIMITED	Bank	FULL	60.22	56.67	60.22	56.67
Gibraltar								
		HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	FULL	100	100	100	100
		SG KLEINWORT HAMBROS BANK (GIBRALTAR) LIMITED	Bank	FULL	100	100	100	100
Greece								
		ALD AUTOMOTIVE S.A. LEASE OF CARS	Specialist Financing	FULL	79.82	79.82	100	100
Guinea								
		SG DE BANQUES EN GUINEE	Bank	FULL	57.94	57.94	57.94	57.94
Equatorial Guinea								
		SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE	Bank	FULL	52.44	52.44	57.23	57.23
Hong Kong								
	(1)	DESCARTES TRADING HONG KONG BRANCH	Financial Company	FULL	100	100	100	100
		SG ASSET FINANCE (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
	(6)	SG CORPORATE FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	0	100	0
		SG FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
		SG FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
	(1)	SG HONG KONG	Bank	FULL	100	100	100	100
		SG SECURITIES (HK) NOMINEES LTD	Broker	FULL	100	100	100	100
		SG SECURITIES (HONG-KONG) LTD	Broker	FULL	100	100	100	100
		SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD (HONG-KONG)	Broker	FULL	100	100	100	100
		SOCIETE GENERALE ASIA LTD	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 5 LIMITED	Financial Company	FULL	100	100	100	100
Hungary								
		ALD AUTOMOTIVE MAGYARORSZAG KFT	Specialist Financing	FULL	79.82	79.82	100	100
	(5)	MKB-EUROLEASING AUTOPARK KERESKEDELMI ES SZOLGALTATO ZARTKORUEN MUKODO RESZVENYTARSASAG	Specialist Financing	FULL	0	79.82	0	100
	(3)	SG EQUIPMENT FINANCE HUNGARY ZRT	Specialist Financing	EFS	0	100	0	100
	(3)	SG EQUIPMENT LEASING HUNGARY LTD	Specialist Financing	EFS	0	100	0	100
Jersey Island								
		ELMFORD LIMITED	Services	FULL	100	100	100	100
		HANOM I LIMITED	Financial Company	FULL	100	100	100	100
		HANOM II LIMITED	Financial Company	FULL	100	100	100	100
		HANOM III LIMITED	Financial Company	FULL	100	100	100	100
		JD CORPORATE SERVICES LIMITED	Services	FULL	100	100	100	100
		KLEINWORT BENSON CUSTODIAN SERVICES LIMITED	Bank	FULL	100	100	100	100
	(7)	LYXOR MASTER FUND	Financial Company	FULL	100	100	100	100
		NEWMEAD TRUSTEES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS (FOUNDATIONS) LTD	Financial Company	FULL	100	100	100	100
		SG HAMBROS NOMINEES (JERSEY) LTD	Financial Company	FULL	100	100	100	100
		SG KLEINWORT HAMBROS BANK (CI) LIMITED	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS CORPORATE SERVICES (CI) LIMITED	Portfolio Management	FULL	100	100	100	100
		SG KLEINWORT HAMBROS TRUST COMPANY (CI) LIMITED	Financial Company	FULL	100	100	100	100
		SGKH TRUSTEES (CI) LIMITED	Services	FULL	100	100	100	100
		SOLENTIS INVESTMENT SOLUTIONS PCC	Financial Company	FULL	100	100	100	100
Isle of Man								
		KBBIOM LIMITED	Bank	FULL	50	50	50	50
		KBTIOM LIMITED	Bank	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
Guernsey Island								
		ARAMIS II SECURITIES CO. LTD	Financial Company	FULL	100	100	100	100
		CDS INTERNATIONAL LIMITED	Services	FULL	100	100	100	100
		GRANGE NOMINEES LIMITED	Bank	FULL	100	100	100	100
		GUERNSEY FINANCIAL ADVISORY SERVICES LIMITED	Bank	FULL	100	100	100	100
		GUERNSEY NOMINEES LIMITED	Bank	FULL	100	100	100	100
		HAMBROS (GUERNSEY NOMINEES) LTD	Services	FULL	100	100	100	100
		HTG LIMITED	Services	FULL	100	100	100	100
		K.B. (C.I.) NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(2)	KBII PCC LIMITED	Bank	FULL	0	100	0	100
		MISON NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(1)	SG HAMBROS BANK (CHANNEL ISLANDS) LTD GUERNSEY BRANCH	Bank	FULL	100	100	100	100
Cayman Islands								
		AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100	100
	(2)	BRIDGEVIEW II LIMITED	Specialist Financing	FULL	0	100	0	100
		SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	100	100	100	100
British Virgin Islands								
		TSG HOLDINGS LTD	Services	FULL	100	100	100	100
		TSG MANAGEMENT LTD	Services	FULL	100	100	100	100
		TSG SERVICES LTD	Services	FULL	100	100	100	100
India								
		ALD AUTOMOTIVE PRIVATE LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	(1)	SG MUMBAI	Bank	FULL	100	100	100	100
		SOCIETE GENERALE GLOBAL SOLUTION CENTRE PRIVATE	Services	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	Broker	FULL	100	100	100	100
Ireland								
		ALD RE DESIGNATED ACTIVITY COMPANY	Insurance	FULL	79.82	79.82	100	100
		INORA LIFE LTD	Insurance	FULL	100	100	100	100
		IRIS II SPV DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
		MERRION FLEET FINANCE LIMITED	Financial Company	FULL	79.82	79.82	100	100
		MERRION FLEET MANAGEMENT LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	(1)	SG DUBLIN	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS PRIVATE INVESTMENT OFFICE SERVICES LIMITED	Bank	FULL	100	100	100	100
		SGBT FINANCE IRELAND DESIGNATED ACTIVITY COMPANY	Specialist Financing	FULL	100	100	100	100
		SGSS (IRELAND) LIMITED	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE HEDGING DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
Italy								
		ALD AUTOMOTIVE ITALIA S.R.L	Specialist Financing	FULL	79.82	79.82	100	100
		FIDITALIA S.P.A	Specialist Financing	FULL	100	100	100	100
		FRAER LEASING SPA	Specialist Financing	FULL	73.85	73.85	73.85	73.85
		SG EQUIPMENT FINANCE ITALY S.P.A.	Specialist Financing	FULL	100	100	100	100
		SG FACTORING SPA	Specialist Financing	FULL	100	100	100	100
		SG LEASING SPA	Specialist Financing	FULL	100	100	100	100
	(1)	SG MILAN	Bank	FULL	100	100	100	100
	(1)	SOCECAP SA RAPPRESENTANZA GENERALE PER L'ITALIA	Insurance	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES S.P.A.	Bank	FULL	100	100	100	100
	(1)	SOGESSUR SA	Insurance	FULL	100	100	100	100
Japan								
		LYXOR ASSET MANAGEMENT JAPAN CO LTD	Portfolio Management	FULL	100	100	100	100
	(1)	SG TOKYO	Bank	FULL	100	100	100	100
	(1)	SOCIETE GENERALE (NORTH PACIFIC) LTD. TOKYO BRANCH	Bank	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
Latvia								
		ALD AUTOMOTIVE SIA	Specialist Financing	FULL	59.86	59.86	75	75
Lebanon								
		SG DE BANQUE AU LIBAN	Bank	ESI	16.79	16.79	16.85	16.85
Lithuania								
		UAB ALD AUTOMOTIVE	Specialist Financing	FULL	59.86	59.86	75	75
Luxembourg								
		ALD INTERNATIONAL SERVICES S.A.	Specialist Financing	FULL	79.82	79.82	100	100
		AXA IM FIIS US SH.DUR.HIGH YIELD A DIS H	Specialist Financing	FULL	50.58	38	50.58	38
		AXUS LUXEMBOURG SA	Specialist Financing	FULL	79.82	79.82	100	100
		BARTON CAPITAL SA	Financial Company	FULL	100	100	100	100
	(2)	CHABON SA	Financial Company	FULL	0	100	0	100
		CODEIS COMPARTIMENT A0076	Financial Company	FULL	100	100	100	100
		CODEIS SECURITIES S.A.	Financial Company	FULL	100	100	100	100
		COVALBA	Financial Company	FULL	100	100	100	100
		G FINANCE LUXEMBOURG SA	Financial Company	FULL	100	100	100	100
		IVEFI S.A.	Financial Company	FULL	100	100	100	100
		LX FINANZ S.A.R.L.	Financial Company	FULL	100	100	100	100
		PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
		RED & BLACK AUTO LEASE GERMANY 2 S.A.	Financial Company	FULL	79.82	79.82	100	100
		SG ISSUER	Financial Company	FULL	100	100	100	100
		SGBT ASSET BASED FUNDING SA	Financial Company	FULL	100	100	100	100
		SGBTCI	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE BANK & TRUST	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL MARKET FINANCE	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE FINANCING AND DISTRIBUTION	Financial Company	FULL	100	100	100	100
	(2)	SOCIETE GENERALE LDG	Bank	FULL	0	100	0	100
		SOCIETE GENERALE LIFE INSURANCE BROKER SA	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE WEALTH MANAGEMENT S.A.	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE RE SA	Insurance	FULL	100	100	100	100
		SOCIETE IMMOBILIERE DE L'ARSENAL	Group Real Estate Management Company	FULL	100	100	100	100
		SOGELIFE	Insurance	FULL	100	100	100	100
Macedonia								
		OHRIDSKA BANKA AD SKOPJE	Bank	FULL	74.53	70.02	75.38	70.96
Madagascar								
		BANKY FAMPANDROSOANA VAROTRA SG	Bank	FULL	70	70	70	70
Malta								
		LNG MALTA INVESTMENT 1 LIMITED	Financial Company	FULL	100	100	100	100
		LNG MALTA INVESTMENT 2 LIMITED	Financial Company	FULL	100	100	100	100
Morocco								
		ALD AUTOMOTIVE SA MAROC	Specialist Financing	FULL	36.57	36.56	50	50
		ATHENA COURTAGE	Insurance	FULL	58.45	58.41	99.93	99.93
		FONCIMMO	Group Real Estate Management Company	FULL	57.57	57.53	100	100
		LA MAROCAINE VIE	Insurance	FULL	89.03	89.02	99.98	99.98
		SG MAROCAINE DE BANQUES	Bank	FULL	57.57	57.53	57.57	57.53
		SOCIETE D' EQUIPEMENT DOMESTIQUE ET MENAGER EQDOM	Specialist Financing	FULL	30.93	45.75	53.72	53.72
		SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.57	57.53	100	100
		SOCIETE GENERALE OFFSHORE	Financial Company	FULL	57.5	57.46	99.88	99.88
		SOGECAPITAL GESTION	Financial Company	FULL	57.53	57.49	99.94	99.94
		SOGECAPITAL PLACEMENT	Portfolio Management	FULL	57.55	57.5	99.96	99.96
		SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.57	57.53	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
Mauritius								
		SG SECURITIES BROKING (M) LIMITED	Broker	FULL	100	100	100	100
Mexico								
		ALD AUTOMOTIVE S.A. DE C.V.	Specialist Financing	FULL	79.82	79.82	100	100
		ALD FLEET SA DE CV SOFOM ENR	Specialist Financing	FULL	79.82	79.82	100	100
		SGFP MEXICO. S.A. DE C.V.	Financial Company	FULL	99.98	100	100	100
Moldavia								
		MOBIASBANCA GROUPE SOCIETE GENERALE	Bank	FULL	79.93	79.93	87.9	87.9
Monaco								
	(1)	CREDIT DU NORD - MONACO	Bank	FULL	100	100	100	100
	(1)	SMC MONACO	Bank	FULL	100	100	100	100
	(1)	SOCIÉTÉ GÉNÉRALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	100	100	100	100
Montenegro								
		SOCIETE GENERALE BANKA MONTENEGRO A.D.	Bank	FULL	90.56	90.56	90.56	90.56
Norway								
		ALD AUTOMOTIVE AS	Specialist Financing	FULL	79.82	79.82	100	100
		NF FLEET AS	Specialist Financing	FULL	63.85	63.85	80	80
		SG FINANS AS	Specialist Financing	FULL	100	100	100	100
New Caledonia								
		CREDICAL	Specialist Financing	FULL	87.07	87.07	96.64	96.64
		SOCIETE GENERALE CALEDONIENNE DE BANQUE	Bank	FULL	90.1	90.1	90.1	90.1
Netherlands								
		ALVARENGA INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
		ASTEROLD B.V.	Financial Company	FULL	100	100	100	100
		AXUS FINANCE NL B.V.	Specialist Financing	FULL	79.82	79.82	100	100
		AXUS NEDERLAND BV	Specialist Financing	FULL	79.82	79.82	100	100
		BRIGANTIA INVESTMENTS B.V.	Financial Company	FULL	100	100	100	100
		COPARER HOLDING	Group Real Estate Management Company	FULL	100	100	100	100
		HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
		HORDLE FINANCE B.V.	Financial Company	FULL	100	100	100	100
		MONTALIS INVESTMENT BV	Specialist Financing	FULL	100	100	100	100
	(1)	SG AMSTERDAM	Bank	FULL	100	100	100	100
		SG EQUIPMENT FINANCE BENELUX BV	Specialist Financing	FULL	100	100	100	100
		SOGELEASE B.V.	Specialist Financing	FULL	100	100	100	100
		SOGELEASE FILMS	Specialist Financing	FULL	100	100	100	100
		TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
The Philippines								
	(1)(2)	SOCIETE GENERALE MANILA OFFSHORE BRANCH	Bank	FULL	0	100	0	100
Poland								
		ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	79.82	79.82	100	100
		EURO BANK S.A.	Bank	FULL	99.99	99.99	99.99	99.99
		PEMA POLSKA SP.Z O.O.	Services	FULL	100	100	100	100
		SG EQUIPMENT LEASING POLSKA SP Z.O.O.	Specialist Financing	FULL	100	100	100	100
	(1)	SOCIETE GENERALE S.A. ODDZIAL W POLSCE	Bank	FULL	100	100	100	100
	(1)(5)	SOGECAP RISQUES DIVERS SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	0	100	0	100
	(1)	SOGECAP SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
	(1)(6)	SOGESSUR SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	0	100	0
		BANQUE DE POLYNESIE	Bank	FULL	72.1	72.1	72.1	72.1
		SOGELEASE BDP SAS	Specialist Financing	FULL	72.1	72.1	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
Portugal								
		SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENZ SA	Specialist Financing	FULL	79.82	79.82	100	100
Czech Republic								
		ALD AUTOMOTIVE SRO	Specialist Financing	FULL	79.82	79.82	100	100
		CATAPS	Services	ESI	0.61	12.15	40	20
		ESSOX SRO	Specialist Financing	FULL	80	80	100	100
		FACTORING KB	Financial Company	FULL	60.73	60.73	100	100
		KB PENZIJNI SPOLECNOST. A.S.	Financial Company	FULL	60.73	60.73	100	100
		KB REAL ESTATE	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
		KOMERCNI BANKA A.S	Bank	FULL	60.73	60.73	60.73	60.73
		KOMERCNI POJISTOVNA A.S	Insurance	FULL	80.76	80.76	100	100
		MODRA PYRAMIDA STAVEBNI SPORITELNA AS	Financial Company	FULL	60.73	60.73	100	100
		PEMA PRAHA SPOL. S.R.O.	Specialist Financing	FULL	100	100	100	100
		PROTOS	Financial Company	FULL	60.73	60.73	100	100
	(5)	PSA FINANCE CESKA REPUBLIKA SRO	Specialist Financing	FULL	0	80	0	100
		SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Specialist Financing	FULL	80.33	80.33	100	100
		SOGEPROM CESKA REPUBLIKA S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM MICHLE S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100	100
		STD2. A.S.	Group Real Estate Management Company	FULL	60.73	60.73	100	100
		VN 42	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
Romania								
		ALD AUTOMOTIVE SRL	Specialist Financing	FULL	75.89	75.89	100	100
		BRD - GROUPE SOCIETE GENERALE SA	Bank	FULL	60.17	60.17	60.17	60.17
		BRD ASSET MANAGEMENT SAI SA	Portfolio Management	FULL	60.15	60.15	99.97	99.97
		BRD FINANCE IFN S.A.	Financial Company	FULL	80.48	80.48	100	100
		S.C. BRD SOGELEASE IFN S.A.	Specialist Financing	FULL	60.17	60.17	100	100
		S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	FULL	75	75	75	75
		SOCIETE GENERALE EUROPEAN BUSINESS SERVICES S.A.	Services	FULL	100	100	100	100
		SOGEPROM ROMANIA SRL	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(1)(6)	SOGESSUR S.A PARIS - SUCURSALA BUCURESTI	Insurance	FULL	100	0	100	0
United Kingdom								
		ACR	Financial Company	FULL	100	100	100	100
		ALD AUTOMOTIVE GROUP LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
		ALD AUTOMOTIVE LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
		ALD FUNDING LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	(1)(2)	BRIDGEVIEW II LIMITED (UK BRANCH)	Specialist Financing	FULL	0	100	0	100
	(1)	BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	(1)	DESCARTES TRADING LONDON BRANCH	Financial Company	FULL	100	100	100	100
		FENCHURCH NOMINEES LIMITED	Bank	FULL	100	100	100	100
		FRANK NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(1)	HORDLE FINANCE B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
	(8)	JWB LEASE HOLDINGS LIMITED	Specialist Financing	FULL	100	100	100	100
		JWB LEASING LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
		KBIM STANDBY NOMINEES LIMITED	Bank	FULL	100	100	100	100
		KBPB NOMINEES LIMITED	Bank	FULL	100	100	100	100
		KH COMPANY SECRETARIES LIMITED	Bank	FULL	100	100	100	100
		KLEINWORT BENSON FARMLAND TRUST (MANAGERS) LIMITED	Bank	FULL	75	75	75	75
		LANGBOURN NOMINEES LIMITED	Bank	FULL	100	100	100	100
		LYXOR ASSET MANAGEMENT UK LLP	Financial Company	FULL	100	100	100	100
		MAGPIE ROSE LIMITED	Bank	FULL	100	100	100	100
		PICO WESTWOOD LIMITED	Bank	FULL	100	100	100	100
		ROBERT BENSON. LONSDALE & CO (CANADA) LIMITED	Bank	FULL	100	100	100	100
		SAINT MELROSE LIMITED	Bank	FULL	100	100	100	100
		SG (MARITIME) LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
		SG EQUIPMENT FINANCE (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
	(8)	SG EQUIPMENT FINANCE LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
	(8)	SG EQUIPMENT FINANCE OPERATING LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
	(8)	SG EQUIPMENT FINANCE RENTAL LIMITED	Specialist Financing	FULL	100	100	100	100
		SG FINANCIAL SERVICES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS (LONDON) NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS TRUST COMPANY LTD	Financial Company	FULL	100	100	100	100
		SG HEALTHCARE BENEFITS TRUSTEE COMPANY LIMITED	Financial Company	FULL	100	100	100	100
		SG INVESTMENT LIMITED	Financial Company	FULL	100	100	100	100
		SG KLEINWORT HAMBROS BANK LIMITED	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS LIMITED	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS TRUST COMPANY (UK) LIMITED	Bank	FULL	100	100	100	100
		SG LEASING (ASSETS) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (CENTRAL 1) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	FULL	100	100	100	100
	(8	SG LEASING (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (GEMS) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (JUNE) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (MARCH) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (USD) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (UTILITIES) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING IX	Specialist Financing	FULL	100	100	100	100
	(2)	SG LEASING XII	Specialist Financing	FULL	0	100	0	100
	(1)	SG LONDRES	Bank	FULL	100	100	100	100
		SGFLD LIMITED	Financial Company	FULL	100	100	100	100
		SOCGEN NOMINEES (UK) LIMITED	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE EQUIPMENT FINANCE LIMITED	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE INTERNATIONAL LIMITED	Broker	FULL	100	100	100	100
		SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED	Financial Company	FULL	100	100	100	100
	-2	SOCIETE GENERALE SECURITIES SERVICES UK LIMITED	Broker	FULL	0	100	0	100
		STRABUL NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	(8)	TALOS HOLDING LTD	Financial Company	FULL	100	100	100	100
	(8)	TALOS SECURITIES LTD	Broker	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
	(2)	THE EIFFEL LIMITED PARTNERSHIP	Specialist Financing	FULL	0	100	0	100
	(2)	THE FENCHURCH PARTNERSHIP (EFFECTIVE 11.08.2003)	Financial Company	FULL	0	100	0	100
	(1)	TYNEVOR B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
Russian Federation								
		ALD AUTOMOTIVE OOO	Specialist Financing	FULL	79.82	79.82	100	100
		CLOSED JOINT STOCK COMPANY SG FINANCE	Specialist Financing	FULL	99.95	99.95	100	100
		COMMERCIAL BANK DELTACREDIT JOINT STOCK COMPANY	Bank	FULL	99.95	99.95	100	100
		CREDIT INSTITUTION OBYEDINYONNAYA RASCHOTNAYA SISTEMA	Financial Company	FULL	99.95	99.95	100	100
		JSC TELSICOM	Services	FULL	99.95	99.95	100	100
		LLC RUSFINANCE	Bank	FULL	99.95	99.95	100	100
		LLC RUSFINANCE BANK	Bank	FULL	99.95	99.95	100	100
		PJSC ROSBANK	Bank	FULL	99.95	99.95	99.95	99.95
		RB FACTORING LLC	Specialist Financing	FULL	99.95	99.95	100	100
		RB LEASING LLC	Specialist Financing	FULL	99.95	99.95	100	100
		RB SERVICE LLC	Group Real Estate Management Company	FULL	99.95	99.95	100	100
		RB SPECIALIZED DEPOSITARY LLC	Financial Company	FULL	99.95	99.95	100	100
		SG STRAKHOVANIE LLC	Insurance	FULL	99.99	99.99	100	100
		SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	FULL	99.99	99.99	100	100
	(2)	SOSNOVKA LLC	Group Real Estate Management Company	FULL	0	99.95	0	100
Senegal								
		SOCIETE GENERALE DE BANQUES AU SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
Serbia								
		ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	FULL	79.82	79.82	100	100
		SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD	Bank	FULL	100	100	100	100
		SOGELEASE SRBIJA D.O.O.	Specialist Financing	FULL	100	100	100	100
Singapore								
		SG MARKETS (SEA) PTE. LTD.	Broker	FULL	100	100	100	100
		SG SECURITIES (SINGAPORE) PTE. LTD.	Broker	FULL	100	100	100	100
	(1)	SG SINGAPOUR	Bank	FULL	100	100	100	100
		SG TRUST (ASIA) LTD	Financial Company	FULL	100	100	100	100
Slovakia								
		ALD AUTOMOTIVE SLOVAKIA S.R.O.	Specialist Financing	FULL	79.82	79.82	100	100
		ESSOX FINANCE S.R.O	Specialist Financing	FULL	80	80	100	100
	(1)	KOMERCNI BANKA BRATISLAVA	Bank	FULL	60.73	60.73	100	100
		PEMA SLOVAKIA SPOL.S.R.O.	Specialist Financing	FULL	100	100	100	100
	(1)	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	FULL	80.33	80.33	100	100
Slovenia								
		ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	79.82	79.82	100	100
		SKB LEASING D.O.O.	Specialist Financing	FULL	99.73	99.73	100	100
		SKB BANKA D.D. LJUBLJANA	Bank	FULL	99.73	99.73	99.73	99.73
		SKB LEASING SELECT D.O.O.	Specialist Financing	FULL	99.73	99.73	100	100
Sweden								
		ALD AUTOMOTIVE AB	Specialist Financing	FULL	79.82	79.82	100	100
		NF FLEET AB	Specialist Financing	FULL	63.85	63.85	80	80
		PEMA TRUCK- OCH TRAILERUTHYRNING AB	Specialist Financing	FULL	100	100	100	100
	(1)	SG FINANS AS SWEDISH BRANCH	Specialist Financing	FULL	100	100	100	100
	(1)	SOCIETE GENERALE SA BANKFILIAL SVERIGE	Bank	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					At 31.12.2018	At 31.12.2017	At 31.12.2018	At 31.12.2017
Switzerland								
		ALD AUTOMOTIVE AG	Specialist Financing	FULL	79.82	79.82	100	100
		PEMA TRUCK- UND TRAILERVERMIETUNG GMBH	Specialist Financing	FULL	100	100	100	100
	(8)	ROSBANK (SWITZERLAND)	Bank	FULL	99.95	99.95	100	100
		SG EQUIPMENT FINANCE SCHWEIZ AG	Specialist Financing	FULL	100	100	100	100
	(1)	SG ZURICH	Bank	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING (SUISSE) S.A.	Bank	FULL	100	100	100	100
Taiwan								
	(1)	SG SECURITIES (HONG KONG) LIMITED TAIPEI BRANCH	Broker	FULL	100	100	100	100
	(1)	SG TAIPEI	Bank	FULL	100	100	100	100
Chad								
		SOCIETE GENERALE TCHAD	Bank	FULL	56.86	56.86	67.83	67.83
Thailand								
		SOCIETE GENERALE SECURITIES (THAILAND) LTD.	Broker	FULL	100	100	100	100
Togo								
	(1)	SOCIETE GENERALE TOGO	Bank	FULL	89.64	89.64	100	100
Tunisia								
		UNION INTERNATIONALE DE BANQUES	Bank	FULL	55.1	55.1	52.34	52.34
Turkey								
		ALD AUTOMOTIVE TURIZM TICARET ANONIM SIRKETI	Specialist Financing	FULL	79.82	79.82	100	100
	(1)	SG ISTANBUL	Bank	FULL	100	100	100	100
Ukraine								
		ALD AUTOMOTIVE UKRAINE LIMITED LIABILITY COMPANY	Specialist Financing	FULL	79.82	79.82	100	100

* *FULL: Full consolidation - JO: Joint Operation - EJV: Equity (Joint Venture) - ESI: Equity (significant influence) – EFS: Equity For Simplification (Entities controlled by the Group that are consolidated using the equity method for simplification due to their limited materiality).*

(1) *Branches.*

(2) *Entities wound up in 2018.*

(3) *Removal from the scope in 2018.*

(4) *Entities sold in 2018.*

(5) *Merged in 2018.*

(6) *Newly consolidated in 2018.*

(7) *Including 48 funds.*

(8) *Wind up in process.*

Additional information related to the consolidation scope and equity investments as required by the regulation 2016-09 of the “Autorité des Normes Comptables” (ANC, the French Accounting standard setter), dated 2 December 2016 is available on the Societe Generale Group website at:

https://www.societegenerale.com/en/investors/

NOTE 8.7 FEES PAID TO STATUTORY AUDITORS

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

On the proposal of the Board of Directors and following the recommendation of the Audit and Internal Control Committee of Societe Generale (CACI), the Annual General Meeting held on 23 May 2018 renewed the mandates of Ernst & Young et Autres and Deloitte et Associés for six years.

Further to the publication of the European regulation on the audit reform, a new approval policy of the non-audit services of statutory auditors ("SACC") and their network was set up by the CACI to verify its compliance in relation to the new regulation before to the launch of the mission.

A synthesis of the SACC (approved or refused) is presented to every session of the CACI.

In addition, a report on the fees according to type of mission (audit or non-audit) is submitted each year to the CACI.

Lastly, the Finance Departments of the entities and business units annually appraise the quality of the audits performed by Deloitte et Associés and Ernst & Young et Autres. The conclusions of this survey are presented to the CACI.

AMOUNTS OF STATUTORY AUDITORS' FEES PRESENTED IN THE INCOME STATEMENT

		Ernst & Young et Autres		Deloitte et Associés		TOTAL	
(In millions of euros excl. VAT)		2018[1]	2017	2018[2]	2017	2018	2017
Statutory audit. certification. examination of parent company and consolidated accounts	Issuer	4	7	7	9	11	16
	Fully consolidated subsidiaries	16	17	12	14	28	31
SUB-TOTAL AUDIT		**20**	**24**	**19**	**23**	**39**	**47**
Non-audit services (SACC)	Issuer	2	1	1	1	3	2
	Fully consolidated subsidiaries	1	1	2	1	3	2
TOTAL		**23**	**26**	**22**	**25**	**45**	**51**

(1) Including Ernst and Young network: EUR 14 million
(2) Including Deloitte network: EUR 11 million

The non-audit services provided by statutory auditors this year mainly consisted of missions of compliance review with regard to the regulatory requirements, missions of internal control within the framework of respect of ISAE standards (International Standard on Assurance Engagement), agreed upon procedures or complementary audits within the scope of issuing of certificates or RSE report (RSE: environmental and social responsibility) and then audit assignments within the framework of project of acquisitions. They include also non-audit services expressly and exclusively entrusted to the statutory auditors for EUR 1.5 million.

NOTE 8.8 Accounting principles applied up to 31 december 2017 to financial instruments

ACCOUNTING PRINCIPLES

The accounting principles presented hereafter are those applied to financial instruments up to 31 December 2017 in accordance with IAS 39 provisions.

Classification of financial instruments

When initially recognised, financial instruments are presented in the balance sheet under categories that determine their accounting treatment and their subsequent valuation method. This classification depends on the type of financial instrument and the purpose of the transaction.

Financial assets are classified into one of the following four categories:

- *Financial assets at fair value through profit or loss*: these are financial assets held for trading purposes which by default include derivative financial assets not qualifying as hedging instruments and non-derivative financial assets designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option;
- *Loans and receivables*: these include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired and not designated upon initial recognition to be carried at fair value through profit or loss (in accordance with the fair value option). They are measured at amortised cost and impairment determined on an individual or a collective basis may be recorded if appropriate;
- *Held-to-maturity financial assets*: these are non-derivative financial assets with fixed or determinable payments and a fixed maturity that are quoted in an active market and which the Group has the intention and ability to hold to maturity. They are measured at their amortised cost and may be subject to impairment as appropriate. Amortised cost includes premiums and discounts as well as transaction costs;
- *Available-for-sale financial assets*: these are non-derivative financial assets held for an indeterminate period which the Group may sell at any time. By default, they are any assets that do not fall into one of the above three categories. These instruments are measured at fair value against *Unrealised or deferred gains and losses*. Interest accrued or paid on debt securities is recognised in the income statement using the effective interest rate method while dividend income earned on equity securities is recorded in the income statement under *Net gains and losses on available-for-sale financial assets*.

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

- *Financial liabilities at fair value through profit or loss*: these are financial liabilities held for trading purposes which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option;
- *Debts*: these include the other non-derivative financial liabilities and are measured at amortised cost.

Derivative financial assets and liabilities qualifying as hedging instruments are carried on separate lines of the balance sheet (see Note 3.2).

Reclassification of financial assets

After their initial recognition, financial assets may not be later reclassified as *Financial assets at fair value through profit or loss*.

A non-derivative financial asset initially recognised as an asset held for trading purposes under *Financial assets at fair value through profit or loss* may be reclassified out of this category when it meets the following conditions:

- if a financial asset with fixed or determinable payments initially held for trading purposes can no longer, after acquisition, be quoted in an active market and the Group has the intention and ability to hold it for the foreseeable future or until maturity then this financial asset may be reclassified as *Loans and receivables,* provided that the eligibility criteria for this category are met at the date of transfer;
- if rare circumstances generate a change in the holding purpose of non-derivative financial assets initially held for trading, then these assets may be reclassified as *Available-for-sale financial assets* or as *Held-to-maturity financial assets* provided that the eligibility criteria for the category in question are met at the date of transfer.

In any case financial derivatives and financial assets measured using the fair value option may not be reclassified out of *Financial assets at fair value through profit or loss*. A financial asset initially recognised under *Available-for-sale financial assets* may be reclassified to *Held-to-maturity financial assets* provided that the eligibility criteria for this category are met. Furthermore, if a financial asset with fixed or determinable payments initially recognised under *Available-for-sale financial assets* can subsequently no longer be quoted in an active market and if the Group has the intention and ability to hold it for the foreseeable future or until maturity then this financial asset may be reclassified to *Loans and receivables* provided that the eligibility criteria for this category are met at the date of transfer.

These reclassified financial assets are transferred to their new category at their fair value at the date of reclassification and are subsequently measured according to the rules that apply to the new category. The amortised cost of financial assets reclassified out of *Financial assets at fair value through profit or loss* or *Available-for-sale financial assets* to *Loans and receivables* and the amortised cost of financial assets reclassified out of *Financial assets at fair value through profit or loss* to *Available-for-sale financial assets* are determined on the basis of estimated future cash flows measured at the date of reclassification. The estimated future cash flows must be reviewed at each closing date. In the event of an increase in estimated future cash flows resulting from an increase in their recoverabilit the effective interest rate is adjusted prospectively. However, if there is objective evidence that the financial asset has been impaired as a result of an event occurring after reclassification and the loss event in question has a negative impact on the estimated future cash flows of the financial asset, the impairment of this financial asset is recognised under *Cost of risk* in the income statement.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation methods used by the Group to establish the fair value of financial instruments are detailed in Note 3.4.

Initial recognition

Purchases and sales of financial assets recorded under *Financial assets at fair value through profit or loss*. *Held-to-maturity financial assets* and *Available-for-sale financial assets* are recognised in the balance sheet at the delivery-settlement date. Changes in fair value between the trade and settlement dates are recorded in the income statement or booked to shareholders' equity depending on the accounting category of the relevant financial assets. *Loans and receivables* are recorded in the balance sheet on the date they are paid or at the maturity date for invoiced services.

When initially recognised financial assets and liabilities are measured at fair value including transaction costs directly attributable to their acquisition or their issuance except for financial instruments recognised at fair value through profit or loss for which these costs are booked directly to the income statement.

If the initial fair value is based on observable market data, any difference between the fair value and the transaction price. i.e. the sales margin is immediately recognised in the income statement. However, if valuation inputs are not observable or if the valuation models are not recognised by the market the initial fair value of the financial instrument is deemed to be the transaction price and the sales margin is then generally recognised in the income statement over the life of the instrument. For some instruments, due to their complexity, this margin is recognised at their maturity or in the event of early sale. When valuation inputs become observable. any portion of the sales margin that has not yet been recorded is recognised in the income statement at that time (see Note 3.4.7).

Derecognition of financial assets and liabilities

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to ownership of the asset.

The Group also derecognises financial assets over which it has retained the contractual rights to the associated cash flows but is contractually obligated to pass these same cash flows through to a third party ("pass-through agreement") and for which it has transferred substantially all the risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the income statement for an amount equal to the difference between the carrying value of the asset and the payment received for it adjusted where necessary for any unrealised profit or loss previously recognised directly in equity and for the value of any servicing asset or servicing liability. Indemnities billed to borrowers following the prepayment of their loan are recorded in the income statement on the prepayment date among *Interest and similar income*.

The Group only derecognises all or part of a financial liability when it is extinguished. i.e. when the obligation specified in the contract is discharged, cancelled or expired.

A financial liability may also be derecognised in the event of a substantial amendment to its contractual conditions or where an exchange is made with the lender for an instrument whose contractual conditions are substantially different.

Derivative financial instruments

First time application of IFRS 9 did not change the accounting principles applicable to derivative financial instruments. Those principles are presented in Note 3.2.

Financial assets and liabilities at fair value through profit or loss

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

The trading portfolio contains financial assets and liabilities which upon initial recognition are:

- acquired or incurred with the intention of selling or repurchasing them in the short term; or

- held for market making purposes; or
- acquired or incurred for the purposes of the specialised management of a trading portfolio including derivative financial instruments. securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

This portfolio also includes among *Other trading assets* physical commodities that are held by the Group as part of its market-maker activity on commodity derivative instruments.

The financial instruments recorded in the trading portfolio are measured at fair value at the balance sheet date and recognised in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in their fair value are recorded in the income statement as *Net gains and losses on financial instruments at fair value through profit or loss.*

In addition to financial assets and liabilities held for trading purposes the item *Financial assets and liabilities at fair value through profit or loss* also include non-derivative financial assets and liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option. Changes in the fair value of these items are recognised through profit or loss under *Net gains and losses on financial instruments at fair value through profit or loss*.

This option is only applied in the following cases:

- when it eliminates or significantly reduces discrepancies in the accounting treatment of certain financial assets and liabilities;
- when it applies to a hybrid instrument containing one or more embedded derivatives that would otherwise be subject to a separate recognition;
- when a group of financial assets and/or liabilities is managed and its performance is measured on a fair value basis.

The Group thus recognises some structured bonds issued by Societe Generale Corporate and Investment Banking at fair value through profit or loss. These issues are purely commercial and the associated risks are hedged on the market using financial instruments managed in trading portfolios. By using the fair value option the Group can ensure consistency between the accounting treatment of these bonds and that of the derivatives hedging the associated market risks which have to be carried at fair value.

The Group also recognises the financial assets held to guarantee the unit-linked policies of its life insurance subsidiaries at fair value through profit or loss to ensure that their accounting treatment matches that of the corresponding insurance liabilities. Under IFRS 4, insurance liabilities must be recognised according to local accounting principles. Revaluations of underwriting reserves on unit-linked policies. which are directly linked to revaluations of the financial assets underlying their policies are therefore recognised in the income statement. The fair value option thus allows the Group to record changes in the fair value of the financial assets through profit or loss so that they match fluctuations in value of the insurance liabilities associated with these unit-linked policies.

Furthermore, in order to simplify their accounting treatment by avoiding the separate recognition of embedded derivatives, the Group applies the fair value option to convertible bonds that are not held for trading purposes.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets held for an indeterminate period which the Group may sell at any time. By default, they are any financial assets that are not classified under *Loans and receivables, Financial assets at fair value through profit or loss* or *Held-to-maturity financial assets*.

Interest accrued or paid on fixed-income securities is recognised in the income statement using the effective interest rate method under *Interest and similar income – Transactions in financial instruments*. Dividend income earned on these securities is recorded in the income statement under *Net gains and losses on available-for-sale financial assets*.

At the balance sheet date, available-for-sale financial assets are measured at fair value and any changes in fair value excluding income are booked to *Unrealised or deferred capital gains and losses*. except for foreign exchange losses or gains on foreign-currency monetary assets which are taken to the income statement.

If these financial assets are sold, the unrealised gains and losses booked to equity are reclassified as *Net gains and losses on available-for-sale financial assets*.

If, at the balance sheet date, there is objective evidence of impairment of an available-for-sale financial asset arising from one or more events subsequent to its initial recognition, the unrealised loss previously accumulated in equity is reclassified under *Cost of risk* for debt instruments and under *Net gains and losses on available-for-sale financial assets* for equity instruments. The impairment rules applied by the Group are described hereafter.

Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired and not designated by the Group upon initial recognition to be measured at fair value through profit or loss in accordance with the fair value option.

Loans and receivables are recognised in the balance sheet under *Due from banks* or *Customer loans* depending on the type of counterparty. After their initial recognition. they are measured at amortised cost using the effective interest rate method and impairment determined on an individual or a collective basis may be recorded if appropriate (see of the impairment rules hereafter).

Loans and receivables may be subject to commercial renegotiations provided that the borrowing customer is not experiencing financial difficulties and is not insolvent. Such transactions involve customers whose debt the Group is willing to renegotiate in the interest of maintaining or developing a commercial relationship in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest. Renegotiated loans and receivables are derecognised at the renegotiation date and replaced with the new loans taken out under renegotiated conditions which are recorded on the balance sheet at the same date. These new loans are subsequently measured at amortised cost based on the effective interest rate arising from the new contractual conditions and taking into account the renegotiation fees billed to the customer.

Customer loans include lease receivables where they are classified as finance leases. Leases granted by the Group are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise, they are classified as operating leases (see Notes 4.2 and 8.4).

These finance lease receivables represent the Group's net investment in the lease calculated as the present value of the minimum payments to be received from the lessee discounted at the interest rate implicit in the lease plus any unguaranteed residual value. In the event of a subsequent reduction in the estimated unguaranteed residual value used to calculate the lessor's investment in the finance lease, the present value of this reduction is recognised as a loss under *Expenses from other activities* in the income statement and as a reduction of finance lease receivables on the asset side of the balance sheet.

Debts

The first-time application of IFRS 9 did not change the accounting principles applicable to financial liabilities at amortised cost. Those principles are presented in Note 3.6.

Recognition of interest income and expense

Interest income and expense are recognised in the income statement under *Interest and similar income* and *Interest and similar expense* for all financial instruments measured at amortised cost using the effective interest rate method (loans and receivables, debts, held-to-maturity financial assets) and for debt securities classified as *Available-for-sale financial assets*.

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

When a financial asset or group of similar financial assets has been impaired following an impairment of value, subsequent interest income is recorded on the basis of the effective interest rate used to discount the future cash flows when measuring the loss of value.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same interest rate as that used to discount the expected outflow of resources.

Impairment of financial assets measured at amortised cost

At each balance sheet date, the Group assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognised (a "loss event") and whether that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Notwithstanding the existence of a guarantee, the criteria used to assess objective evidence of credit risk include the following conditions:

- a significant decline in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfill its overall commitments (credit obligations); hence a risk of loss to the bank;
- concessions are granted to the clauses of the loan agreement in light of the borrower's financial difficulties that would not have been granted in other circumstances;
- one or more over 90-day past-due payments are recorded (with the exception of restructured loans on probation which are considered in default at the first missed payment) and/or a collection procedure is initiated;
- or, regardless of whether or not any past-due payments are recorded, there is objective evidence of impairment or legal proceedings have been initiated (bankruptcy, legal settlement, compulsory liquidation).

The Group applies the impairment contagion principle to all of the defaulting counterparty's outstanding loans. When a debtor belongs to a group all of the group's outstanding loans are generally impaired as well.

If there is objective evidence that loans or other receivables or financial assets classified as *Held-to-maturity financial assets* are impaired, an impairment is recognised for the difference between the carrying amount and the present value of estimated future recoverable cash flows taking into account any guarantees. This discount is calculated using the financial assets' original effective interest rate. The impairment is deducted from the carrying value of the impaired financial asset. Allocations to and reversals of impairments are recorded in the income statement under *Cost of risk*. The impaired loans or receivables are remunerated for accounting purposes by the reversal over time of the discounting to present value which is recorded under *Interest and similar income* in the income statement.

Where there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, be it significant or not, the Group includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment. In a homogenous portfolio as soon as a credit risk is incurred on a group of financial instruments, impairment is recognised without waiting for the risk to individually affect one or more receivables.

Homogeneous portfolios thus impaired can include:

- receivables on counterparties which have encountered financial difficulties since these receivables were initially recognised without any objective evidence of impairment having yet been identified at the individual level (sensitive receivables); or
- receivables on counterparties linked to economic sectors considered as being in crisis further to the occurrence of loss events; or
- receivables on geographical sectors or countries in which a deterioration of credit risk has been assessed.

The amount of impairment on a group of homogeneous assets is calculated on the basis of assumptions on default rates and loss given default or, if necessary, on the basis of *ad hoc* studies. These assumptions are calibrated for each homogeneous group based on its specific characteristics, sensitivity to the economic environment and historical data. They are reviewed periodically by the Risk Division and then adjusted to reflect any relevant current economic conditions. Allocations to and reversals of such impairment are recorded under *Cost of risk.*

Restructuring of loans and receivables

When an asset recorded under *Loans and receivables* is restructured, contractual changes are made to the amount, term or financial conditions of the initial transaction approved by the Group due to the financial difficulties or insolvency of the borrower (whether insolvency has already occurred or will definitely occur unless the debt is restructured) and these changes would not have been considered in other circumstances.

Restructured financial assets are classified as impaired and the borrowers are considered to be in default. These classifications are maintained for at least one year and for as long as any uncertainty remains for the Group as to whether or not the borrowers can meet their commitments.

At the restructuring date, the carrying amout of the restructured financial asset is decreased to the present amount of the estimated new future recoverable cash flows discounted using the initiale effective interest rate. This loss is booked to profit or loss under *Cost of risk*.

Restructured financial assets do not include loans and receivables subject to commercial renegotiations and involving customers whose debt the Group has agreed to renegotiate in the interest of maintaining or developing a commercial relationship in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest.

Impairment of Available-for-sale financial assets

An available-for-sale financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of this asset.

For listed equity instruments, a significant or prolonged decline in their price below their acquisition cost constitutes objective evidence of impairment. For this purpose, the Group considers as impaired listed shares showing an unrealised loss greater than 50% of their acquisition price on the balance sheet date as well as listed shares for which the quoted prices have been below their acquisition price on every trading day for at least the last 24 months before the balance sheet date. Further factors, such as the financial situation of the issuer or its development outlook can lead the Group to consider that the cost of its investment may not be recovered even if the above-mentioned criteria are not met. An impairment loss is then recorded through profit or loss equal to the difference between the last quoted price of the security on the balance sheet date and its acquisition price.

For unlisted equity instruments, the criteria used to assess the evidence of impairment are identical to those mentioned above. The value of these instruments at the balance sheet date is determined using the valuation methods described in Note 3.4.

The criteria for the impairment of debt instruments are similar to those for the impairment of financial assets measured at amortised cost.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in shareholders’ equity under *Unrealised or deferred gains and losses* and subsequent objective evidence of impairment emerges, the Group recognises the total accumulated unrealised loss previously recorded in shareholders’ equity in the income statement under *Cost of risk* for debt instruments and under *Net gains and losses on available-for-sale financial assets* for equity securities.

This cumulative loss is measured as the difference between the acquisition cost (net of any repayments of principal and amortisation) and the present fair value less any impairment of the financial asset that has already been recorded through profit or loss.

Impairment losses recognised through profit or loss on an equity instrument classified as available-for-sale are only reversed through profit or loss when the instrument is sold. Once an equity instrument has been recognised as impaired, any further loss of value is recorded as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit or loss if they subsequently recover in value following an improvement in the issuer’s credit risk.

Provision on loan and guarantee commitments

Provisions for credit risk on loan and guarantee commitments granted by the Group to a third-party may be recorded:

- where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange;
- and when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision where this discounting has a significant impact. Probable losses incurred by the Group in identifying objective evidence of credit risk related to off-balance sheet loan and guarantee commitments are recorded in the income statement under *Cost of risk* against a provision booked to liabilities.

NOTE 9 INFORMATION ON RISKS AND LITIGATION

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

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

- Beginning in 2006, Societe Generale, along with numerous other banks, financial institutions, and brokers, received requests for information from the US Internal Revenue Service, the Securities and Exchange Commission (“SEC”) and the Antitrust Division of the U.S. Department of Justice (“DOJ”), focused on alleged noncompliance with various laws and regulations relating to the provision to governmental entities of Guaranteed Investment Contracts (“GICs”) and related products in connection with the issuance of tax-exempt municipal bonds. Societe Generale has cooperated with the US authorities. In light of the dormancy of these matters over several years, Societe Generale has determined that they no longer present a material loss contingency risk.
- On 24 October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5 October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion as damages to the bank. On 19 March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, the Versailles Court of Appeal rejected on 23 September 2016 J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (Conseil d’état) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on the 20 September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.
- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3 April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15 May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected Societe Generale’s arguments relating to service of the claims issued against Goldas, which are therefore time barred. On 18 December 2018, the Supreme Court refused permission to appeal to both Société Générale and Goldas. On 16 February 2017, the Paris Commercial Court dismissed Societe Generale’s claims against its insurers. Societe Generale filed an appeal against this decision.

- Societe Generale Algeria ("SGA") and several of its branch managers are being prosecuted for breach of Algerian laws on exchange rates and capital transfers with other countries and on money laundering and the financing of terrorism. The defendants are accused of having failed to make complete or accurate statements to the Algerian authorities on capital transfers in connection with exports or imports made by clients of SGA and on cash payment transactions made at SGA counters. The events were discovered during investigations by the Algerian authorities, which subsequently filed civil claims before the criminal court. Sentences were delivered by the court of appeal against SGA and its employees in some proceedings, while charges were dropped in other ones. To date, fourteen cases have ended in favour of SGA and eleven remain pending, nine of which before the Supreme Court.
- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – Echange d'Images Chèques), which has contributed to the improvement of cheque payments' security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.

  On 20 September 2010, after several years of investigation, the French competition authority ruled that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the Banque de France) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million and Crédit du Nord, its subsidiary, a fine of EUR 7 million. However, in its 23 February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except Banque de France, held that there was no competition law infringement, allowing the banks to recoup the fines paid. On 14 April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3 and 4 November 2016 by the Paris Court of Appeal before which the case was remanded. On 21 December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22 January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision.
- Societe Generale Private Banking (Suisse), along with several other financial institutions, has been named as a defendant in a putative class action that is pending in the US District Court for the Northern District of Texas. The plaintiffs seek to represent a class of individuals who were customers of Stanford International Bank Ltd. ("SIBL"), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16 February 2009. The plaintiffs allege that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants are responsible for those alleged losses. The plaintiffs further seek to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they are alleged to have been fraudulent transfers. The Official Stanford Investors Committee ("OSIC") was permitted to intervene and filed a complaint against Societe Generale Private Banking (Suisse) and the other defendants seeking similar relief.

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

  On 7 November 2017, the District Court denied the plaintiffs' motion for class certification. The plaintiffs sought leave to appeal this decision, which the court of appeal denied on 20 April 2018.

  On 22 December 2015, the OSIC filed a motion for partial summary judgment seeking return of a transfer of USD 95 million to Societe Generale Private Banking (Suisse) made in December 2008 (prior to the Stanford insolvency) on the grounds that it is voidable under Texas state law as a fraudulent transfer. Societe Generale Private Banking (Suisse) has opposed this motion.
- On 4 June 2018, Societe Generale announced that it had reached agreements with (i) the U.S. Department of Justice ("DOJ") and the U.S. Commodity Futures Trading Commission ("CFTC") in connection with investigations regarding submissions to the British Bankers Association for setting certain London Interbank Offered Rates and the Euro Interbank Offered Rate (the "IBOR matter"), and (ii) the DOJ and the French *Parquet National Financier* ("PNF") in connection with investigations regarding certain transactions involving Libyan counterparties, including the Libyan Investment Authority ("LIA") and the bank's third-party intermediary (the "Libyan matter").

  On 24 May 2018, Societe Generale entered into a "*Convention Judiciaire d'Intérêt Public*" ("CJIP") with the PNF, approved by the French court on 4 June 2018, to end its preliminary investigation in respect of the Libyan matter. On 5 June 2018, Societe Generale entered into a three-year deferred prosecution agreement ("DPA") with the DOJ in respect of the IBOR and Libyan matters. Societe Generale Acceptance N.V. ("SGA"), a subsidiary of Societe Generale dedicated to the issuance of investment products, entered a guilty plea in connection with the resolution of the Libyan matter. Also, on 4 June 2018, Societe Generale consented to an order from the CFTC in respect of the IBOR matter.

  As part of the settlements, Societe Generale paid penalties totalling approximately USD 1.3 billion to the DOJ, CFTC, and PNF. These penalties include (i) USD 275 million to the DOJ and USD 475 million to the CFTC in respect of the IBOR matter, and (ii) USD 292.8 million to the DOJ and EUR 250.15 million (USD 292.8 million) to the PNF in relation to the Libyan matter.

  In connection with the CJIP, which does not involve a recognition of criminal liability, Societe Generale agreed to have the French Anti-Corruption Agency (Agence Française Anticorruption) assess its anti-corruption programme for two years.

  In connection with the DPA, Societe Generale agreed to implement a compliance and ethics program designed to prevent and detect violations of the Foreign Corrupt Practices Act and other applicable anti-corruption laws, anti-fraud and commodities laws throughout the Bank's operations. These actions are in addition to extensive steps undertaken at Societe Generale's own initiative to strengthen its global compliance and control framework in order to meet the highest standards of compliance and ethics. No independent compliance monitor has been imposed in connection with the DPA. The charges against Societe Generale will be dismissed if the Bank abides by the terms of the agreement, to which the Bank is fully committed.

  Societe Generale received credit from the DOJ, CFTC and PNF for its cooperation with their investigations and the Bank has agreed to continue to cooperate with them pursuant to the settlement agreements.

In connection with the IBOR matter, the Bank continues to defend civil proceedings in the United States (as described below) and to respond to information requests received from other authorities, including the Attorneys General of various States of the United States and the New York Department of Financial Services ("NYDFS").

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

As to US Dollar Libor, all claims against Societe Generale have been dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that are effectively stayed, and in one individual action in which Societe Generale's motion to dismiss is pending. Certain individual plaintiffs whose claims were dismissed have filed motions for leave to amend their complaints, which Societe Generale has opposed. The class plaintiffs and a number of individual plaintiffs have appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit.

As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products and the plaintiffs have appealed that ruling to the United States Court of Appeals for the Second Circuit. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange, the District Court has allowed certain Commodity Exchange ("CEA") Act claims to proceed to discovery. The plaintiff's deadline to move for class certification in that action is now 21 August 2019.

As to Euribor, the District Court dismissed all claims against Societe Generale in the putative class action and denied the plaintiffs' motion to file a proposed amended complaint.

In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- On 10 December 2012, the French Supreme Administrative Court (Conseil d'État) rendered two decisions confirming that the "précompte tax" which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the "précompte tax" claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1 February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale. Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10 December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15 September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 29 April 2016 and by referring the matter to the Court of Justice of the European Union on 8 December 2016. The Court of Justice of European Union rendered its judgement on 4 October 2018 and sentenced France for failure by the the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale will assert its rights before the competent courts and the French tax authority, from which it expects diligent treatment and in accordance with the law.
- On 19 November 2018, Societe Generale reached settlement agreements with the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"), the U.S. Attorney's Office of the Southern District of New York ("SDNY"), the New York County District Attorney's Office ("DANY"), the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York (together , the "Federal Reserve"), and the NYDFS (collectively, the "U.S. Authorities"), resolving their investigations relating to certain U.S. dollar transactions processed by Societe Generale involving countries, persons, or entities that are the subject of U.S. economic sanctions and implicating New York State laws. The vast majority by value of the sanctions violations involved in the settlements related to Cuba, and stem from a single revolving credit facility extended in 2000. The remaining transactions involved other countries that are the target of U.S. economic sanctions, including Iran. Under the terms of these agreements, Société Generale agreed to pay penalties totaling approximately USD 1.3 billion (EUR 1.2 billion) to the U.S. Authorities, including EUR 53.9 million to OFAC, USD 717.2 million to SDNY, USD 162.8 million to DANY, USD 81.3 million to the Federal Reserve, and USD 325 million to NYDFS.

  The Bank signed deferred prosecution agreements with SDNY and DANY, which provide that, following a three-year probation period, the Bank will not be prosecuted if it abides by the terms of the agreements, to which Societe Generale is fully committed.

  The Bank will continue to cooperate with the U.S. Authorities in the future, pursuant to the agreements. The Bank has also committed to continue to enhance its compliance program to prevent and detect potential violations of U.S. economic sanctions laws and New York state laws. The Bank also agreed to enhance its oversight of its sanctions compliance program. The Bank has also agreed with the Federal Reserve to retain an independent consultant that will evaluate the Bank's progress on the implementation of enhancements to its sanctions compliance program.
- Also, on 19 November 2018, Societe Generale agreed to a Consent Order with NYDFS relating to components of the Bank's anti-money-laundering ("AML") compliance program in the New York Branch. The Consent Order requires the Bank paid a civil money penalty of USD 95 million (EUR 82 million) in light of deficiencies noted by NYDFS. The Consent Order requires the Bank to continue a series of enhancements to its New York branch's AML compliance program. After a period of 18 months, an independent consultant will conduct an assessment of the Branch's progress on the implementation of its AML compliance program.

- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4 October 2016, and discovery is now proceeding. Societe Generale and certain subsidiaries, along with other financial institutions, have also been named as defendants in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.
- On 30 January 2015, the CFTC served Societe Generale with a subpoena requesting the production of information and documents concerning trading in precious metals done since 1 January 2009. Societe Generale cooperated with the authorities and produced documents in 2015. There has been no contact with the CFTC since that time.
- SG Americas Securities, LLC ("SGAS"), along with other financial institutions, was named as a defendant in several putative class actions alleging violations of US antitrust laws and the CEA in connection with its activities as a US Primary Dealer, buying and selling US Treasury securities. The cases were consolidated in the US District Court in Manhattan, and lead plaintiffs' counsel appointed. An amended consolidated complaint was filed on 15 November 2017, and SGAS was not named as a defendant. By order dated 15 February 2018, SGAS was dropped as a defendant in an individual "opt out" action alleging similar causes of action. There are no actions pending against SGAS in this matter.
- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale has reached a settlement of USD 18 million, which was preliminarily approved by the Court. A final approval hearing was held on 23 May 2018, and a decision is pending. A separate putative class action behalf of putative classes of indirect purchasers is also pending. An amended complaint was filed on 21 November 2018, and a motion to dismiss was filed on 20 December 2018. On 7 November 2018, a group of individual entities that elected to opt out of the main class action settlement filed a lawsuit against SG, SG Americas Securities, LLC, and several other financial institutions.
- Since August 2015, various former and current employees of the Societe Generale group have been under investigation by German criminal prosecution and tax authorities for their alleged participation in the so called "CumEx" patterns in connection with withholding tax on dividends on German shares. These investigations relate to the administration of a fund, proprietary trading activities and transactions carried out on behalf of clients. The Group entities respond to the requests of the German authorities.

6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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S.A. au capital de € 1.723.040
572 028 041 R.C.S. Nanterre

SOCIÉTÉ GÉNÉRALE
Société anonyme
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92972 Paris-La Défense

For the year ended 31st December 2018

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Societe Generale,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Société Générale for the year ended 31st December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations of the Group for the year then ended and of its financial position and of its assets and liabilities as at 31st December 2018 in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Internal Control Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2018 to the issue date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

Emphasis of Matter

Without qualifying the opinion expressed above, we draw your attention to Note 1 on "Significant accounting principles" to the consolidated financial statements which describes the impacts of the first-time application of IFRS 9 "Financial Instruments".

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed to those risks.

These matters were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We do not express an opinion on any components of the consolidated financial statements taken individually.

Measurement of the provision for disputes

Risk identified

A provision for disputes in the amount of €340 million (hereafter "the provision for disputes") is recognized under liabilities in the balance sheet as at 31 December 2018 to cover the risks of future outflows of resources relating to several disputes in which the Société Générale Group is involved, as stated in Note 8.3.2 "Other provisions" to the consolidated financial statements. Société Générale is subject to investigations and requests for information of a regulatory nature from various authorities presented in Note 9 "Information on risks and litigation" to the consolidated financial statements.

During financial year 2018, Société Générale Group paid penalties of 2.7 billion US dollar following settlement agreements with authorities relating to the following matters:

- the investigation of American authorities relating to certain US dollar transactions involving countries, persons, or entities that are the subject of US economic sanctions;
- Investigations regarding certain transactions with Libyan counterparties;
- Investigations regarding IBOR submissions.

We consider that the measurement of the provision for disputes, which is based on the exercise of Management's judgement, is a key audit matter.

Our response

Our works notably consisted in:

- Monitoring the main legal proceedings and the ongoing investigations undertaken by the judicial authorities and the regulators with the Société Générale Group's legal department;
- Obtaining an understanding of the process for the measurement of the provision for disputes, notably through quarterly discussions with the Société Générale Group's Management;
- Assessing the assumptions used to determine the provision for disputes on the basis of the information that we obtained, in particular from the Société Générale Group's external legal advisers, specialized in these cases;
- Assessing the disclosures on these disputes in the notes to the consolidated financial statements.

Recoverability of deferred tax assets in France and in the United States

Risk identified

As at December 31, 2018, an amount of MEUR 4,753 was recorded under deferred tax assets.

As stated in Note 6 "Income tax" to the consolidated financial statements, Société Générale Group calculates deferred taxes at the level of each tax entity and recognizes deferred tax assets at the closing date when it is considered probable that future taxable profits will be available against which the tax entity concerned will be able to charge timing differences and tax loss carryforwards, over a determined period of time.

Furthermore, as stated in Notes 6 "Income tax" and 9 "Information on risks and litigation" to the consolidated financial statements, certain tax loss carryforwards are challenged by the French tax authorities and consequently may be called into question.

Given the assumptions used to assess the recoverability of the deferred tax assets in France and in the United States (which represent the most significant part of these assets) and the judgement exercised by Management in this respect, we identified this issue as a key audit matter.

Our response

Our audit approach consisted in assessing the probability that the Société Générale Group will be able to make future use of the tax loss carryforwards generated to date, notably based on the ability to make future taxable profits in France and the United States.

With the support of our tax specialists who are part of the audit team, we:

- Compared the projected of the past fiscal years with the actual results of the concerned fiscal years;
- Obtained an understanding of the three-year business plan drawn up by Management and approved by the Board of Directors, and of the assumptions used by Management beyond the three-year period to establish projected results;
- Assessed the sensitivity of these assumptions in the event of unfavourable scenarios defined by Société Générale Group;
- Analyzed Société Générale's situation, and obtained an understanding of the opinion from its external tax advisers regarding its tax loss carryforwards in France, partially challenged by the tax authorities;
- Analyzed the disclosures on deferred tax assets in Notes 6 and 9 to the consolidated financial statements.

Valuation of complex financial instruments

Risk identified

Within the scope of its market activities, Société Générale holds complex financial instruments for trading purposes.

To calculate the fair value of complex instruments, the Group uses techniques or in-house valuation models based on parameters and data that are not all observable in the market, as stated in Note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements. The models and data used to value these instruments are based on Management's estimates.

Due to the use of judgment to determine the instruments' fair value, the complexity of the modelling of the latter and the multiplicity of models used, we consider the valuation of complex financial instruments to be a key audit matter.

Our response

Our audit approach is focused on the key internal control processes related to the valuation of complex financial instruments.

With the support of our specialists in the valuation of financial instruments, we designed an approach including the following main stages:

- We familiarized ourselves with the procedure for the authorization and validation of new products and their valuation models, including the process for the entry of these models into the information systems;
- We assessed the governance relating to the Risk Department's control of the valuation models used;
- More specifically, based on tests, we considered the valuation formulae for certain categories of complex instruments;
- We analyzed certain market parameters used to provide input for the valuation models;
- As regards the profit and loss explanation process, we familiarized ourselves with the analysis principles used by the bank and performed tests of controls. We also performed "analytical" IT procedures on the database for the controls performed on the daily profit and loss explanation process;
- At each quarterly closing, we obtained the results of the process for the independent price verification, and we analyzed the differences in parameters compared to the market data in the event of a significant impact, as well as the accounting treatment of such differences;
- We performed counter-valuations on a selection of complex derivative financial instruments using our tools;
- We considered the compliance of the documented methods underlying the estimates with the principles described in Note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements, and we analyzed the criteria, particularly the observability of transactions, used to determine the fair value hierarchy.

Information technology risk on derivative financial instruments and structured bonds issued

Risk identified

Société Générale's derivative financial instruments and structured bonds issued constitute an important activity within its market activities, as illustrated by the significance of the net positions of derivative financial instruments in the transaction portfolio in Note 3.2 "Financial derivatives" to the consolidated financial statements.

This activity is highly complex given the nature of the financial instruments processed, the volume of transactions, and the use of numerous information systems interfacing with each other.

The risk of an IT incident could entail the risk of an anomaly in the accounts resulting from an incident in the data processing chains used, or the recording of transactions until they are transferred into the accounting system. Such a risk may notably take the form of:

- Changes made to management and financial information by unauthorized personnel via the information systems or underlying databases;
- A failure in processing or in the transfer of data between systems;
- A service interruption or operating incident, possibly associated with internal or external fraud.

In this context, the monitoring by the Société Générale Group of controls linked to information systems management relating to the above-mentioned activity is essential for the reliability of the accounts and is a key audit matter.

Our response

Our audit approach for this activity is based on the controls related to the information systems management set up by the Société Générale Group. With the support of our experts in information systems, we tested the IT general controls of the applications that we considered to be significant for this activity.

Our works in particular concerned:

- The controls set up by the Société Générale Group on access rights, notably at sensitive periods of a professional career (recruitment, transfer, resignation, end of contract) with, when necessary, extended audit procedures in the event of ineffective control identified during the year ended December 31, 2018;
- Potential privileged access to applications and infrastructure;
- Change management and, more specifically, the separation between development and business environments;
- Security policies in general and their deployment in IT applications (for example, those related to passwords);
- Handling of IT incidents during the audit period;
- Governance and the control environment on a sample of "end user" applications.

For these same applications, and in order to assess the transfer of information flows, we tested the application controls related to the automated interfaces between the systems.

Our tests of the IT general controls and application controls were supplemented by data analytics work on certain IT applications.

First-time application of IFRS 9 "Financial Instruments"

Risk identified

As of 1 January 2018, the Group has applied IFRS 9 "Financial Instruments" (phases 1 and 2) to its financial assets and liabilities except for those related to its insurance activities. This standard introduces new classification and measurement rules for these assets and liabilities, as well as significant changes to rules relating to impairment of financial assets.

As a result of the first-time application of IFRS 9 "Financial Instruments," Société Générale recognised an impact of €-1.1 billion in equity after tax (mainly with respect to the impairment of loans and receivables classified in stages 1 and 2), published an opening balance sheet as of 1 January 2018, and provided detailed disclosures on the transition of the balance sheet as at 31 December 2017 under IAS 39 to the opening balance sheet under IFRS 9 as of 1 January 2018 (excluding insurance assets and liabilities). The qualitative and quantitative disclosures are mainly described in Notes 1.4 "First-time application of IFRS 9: "Financial Instruments"" and 3 "Financial Instruments". The determination of that impact including the nature of the disclosures in the notes to the consolidated financial instruments required numerous assumptions and the use of judgement, in particular the significant increase in credit risk criteria, the integration of macro-economic projections and the measurement of expected credit losses.

Furthermore, the Société Générale Group uses its judgement and makes accounting estimates to measure the impairment of the doubtful loans (classified in stage 3).

Given the complexity related to the first-time application of IFRS 9 and the quantity of disclosures to be provided in this respect by the Société Générale Group in the notes to the consolidated financial statements, we considered the first-time application of IFRS 9 "Financial Instruments" to be a key audit matter.

Our response

We have, with the support of our specialists who are part of the audit team, familiarized ourselves with the measures deployed and the analyses performed by the Société Générale Group to implement IFRS 9.

Concerning classification and measurement, our audit procedures notably consisted in reviewing the analyses made by the Group and their breakdown at activity level and testing, based on a sample of contracts, the compliance of the classification of assets determined in Société Générale analyses with regard to the accounting policies described in the notes to consolidated financial statements.

Concerning impairment, our audit procedures notably consisted in:

- Examining the compliance of policies implemented by the Group and methodologies applied at activity level with IFRS 9;
- Familiarizing ourselves with the governance measures and testing key controls implemented at Group level;
- Performing tests on a selection of models set up in the information systems which are used to prepare financial information;
- Performing counter-valuations of expected credit losses on a selection of portfolios as at 1 January 2018;
- Examining (i) the main parameters used by the Société Générale Group to classify outstandings and assess impairment of stages 1 and 2 as at 1 January 2018, and (ii) the consistency of methods applied as at 31 December 2018;
- Testing as at 31 December 2018, the key assumptions used for estimating impairment on loans classified in stage 3, especially on a selection of the most significant corporate loans in France.

Furthermore, we have examined the qualitative and quantitative disclosures published in the notes to the consolidated financial statements with regard to the first-time application of this standard.

Specific verifications

As required by French law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial performance statement provided for in Article L. 225-102-1 of the French Commercial Code is included in the disclosures relating to the Group presented in the management report, it being specified that, in accordance with Article L. 823-10 of the Code, we have not verified the fairness of the information contained in this statement or its consistency with the consolidated financial statements that must be verified in a report by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Société Générale by your Annual General Meeting held on 18 April 2003 for DELOITTE & ASSOCIES and on 22 May 2012 for ERNST & YOUNG et Autres.

As at 31 December 2018, DELOITTE & ASSOCIES was in the sixteenth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the seventh year.

Previously, ERNST & YOUNG Audit was the statutory auditor of Société Générale from 2000 to 2011.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit and Internal Control Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit and Internal Control Committee

We submit to the Audit and Internal Control Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Internal Control Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Internal Control Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit and Internal Control Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 8 March 2019

The Statutory Auditors

French original signed by

Ernst & Young et Autres	Deloitte & Associés
Micha MISSAKIAN	Jean-Marc MICKELER

6.4 SOCIETE GENERALE MANAGEMENT REPORT

Summary balance sheet of Societe Generale

(In EUR bn at 31st December)	31.12.2018	31.12.2017	Variation
Interbank and money market assets	170	208	(38)
Customer loans	309	264	45
Securities	659	570	89
o.w. securities purchased under resale agreements	*259*	*201*	*58*
Other assets	146	139	7
o.w. option premiums	*53*	*57*	*(4)*
Tangible and intangible fixed assets	3	2	1
TOTAL ASSETS	**1,287**	**1,183**	**104**

(In EUR bn at 31st December)	31.12.2018	31.12.2017	Variation
Interbank and money liabilities[1]	262	254	8
Customer deposits	380	340	40
Bonds and subordinated debt[2]	31	31	-
Securities	456	381	75
o.w. securities sold under repurchase agreements	*210*	*189*	*21*
Other liabilities and provisions	123	142	(19)
o.w. option premiums	*58*	*61*	*(3)*
Equity	35	35	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,287**	**1,183**	**104**

(1) Including negotiable debt instruments.
(2) Including undated subordinated capital notes.

There were many causes for concern in 2018: on the international level first, with the uncertain outcome to Brexit talks between the UK and the EU, the economic and budgetary policy in Italy, plus Sino-American trade tensions. On the national level, the political/social crisis in December did nothing to help. Moreover, markets businesses had to cope with headwinds in the fourth quarter on world capital markets and retail banking performances are still undercut by low interest rates dragging on lines of credit.

Against this backdrop, Societe Generale nonetheless managed to preserve its solid financial structure in a still tight regulatory climate.

The balance sheet amounts to EUR 1,287 billion, up EUR 104 billion *versus* 31st December 2017.

The EUR -38 billion slide in Interbank and money market assets is partially the result of the transfer at the end of 2018 of loans initially granted to a subsidiary to Societe Generale New York and the fall in deposits with various Central Banks, which had been higher in 2017 to meet regulatory requirements, specifically the NSFR (Net Stable Funding Ratio) and the need to strengthen the Group's financing structure.

Customer loan outstandings rose EUR 45 billion in 2018, mainly loans granted for EUR 24 billion, liquidity lines for EUR 13 billion and equipment loans for EUR 5 billion. Mortgage loan production remained dynamic and the home loans item rose EUR 3 billion. Still in a competitive climate and undergoing radical digital transformation, the Retail bank saw substantial growth in sight deposits on special regime savings accounts (already up + EUR 5.4 billion in the last two financial years).

The securities transaction item is up EUR 89 billion mainly *via* securities received under repos (EUR 58 billion), bond portfolio outstandings for EUR 19.9 billion following the purchase of Medium-term Notes issued by the Group issuance vehicle and treasury bills up EUR 27.6 billion owing to the increase in securities lending increasing debt liabilities on borrowed securities.

Despite world growth estimated at +3.7% this year, stock markets lost a lot of ground, notably in the fourth quarter, hence the equities portfolio is down EUR 14.7 billion.

Lastly, despite the volatility of stock market indices impacting the valuation of derivatives, other asset and liability accounts, rather volatile, barely shifted except premiums on options instruments which are down by EUR 4.4 billion.

Societe Generale boasts a diversified range of funding sources and channels:

- stable resources consisting of equity and subordinated debt (EUR 67 billion);
- customer deposits, up EUR 40 billion, gathered in the form of deposits which make up a significant share (30%) of total balance sheet resources;
- resources (EUR 155 billion) in the form of interbank deposits and borrowings;
- capital raised on the market through a proactive diversification policy, making use of various types of debt (secured and unsecured bonds, etc.), issuance vehicles (EMTNs, Certificates of Deposit), currencies and investor pools (EUR 101 billion);
- resources from securities sold under repurchase agreements to customers and banks (EUR 210 billion) up EUR 21 billion.

The Group's financing structure is based on substantial deposit inflows across all its business lines and on the extension of its funding sources, which reflects Societe Generale's efforts to strengthen the structure of its balance sheet in recent years.

Summary income statement of Societe Generale

	2018			2017			VARIATIONS 18/17 *(in %)*		
(In EUR m)	France	International	Societe Generale	France	International	Societe Generale	France	International	Societe Generale
Net banking income	**7,947**	**2,662**	**10,609**	**7,220**	**2,719**	**9,939**	**10**	**(2)**	**7**
Total operating expenses	(7,733)	(1,730)	(9,463)	(7,804)	(1,803)	(9,607)	(1)	(4)	(1)
Gross operating income	**214**	**932**	**1,146**	**(584)**	**916**	**332**	**(137)**	**2**	**245**
Cost of risk	(17)	(52)	(69)	(542)	(123)	(665)	(97)	(58)	(90)
Operating income	**197**	**880**	**1,077**	**(1,126)**	**793**	**(333)**	**(117)**	**11**	**(423)**
Net income from long-term investments	(54)	86	32	1,092	(68)	1,024	(105)	(226)	(97)
Operating income before income tax	**143**	**966**	**1,109**	**(34)**	**725**	**691**	**(521)**	**33**	**60**
Income tax	722	(106)	616	490	(381)	109	47	(72)	465
Net income	**865**	**860**	**1,725**	**456**	**344**	**800**	**90**	**150**	**116**

In 2018, Societe Generale generated gross operating income of EUR 1.1 billion, up EUR 0.8 billion on 2017.

- There were transactional agreements in 2018 with American and European Authorities, putting an end to their enquiries relating to IBOR submissions and transactions with Libyan counterparties. There were also agreements with certain American Authorities putting an end to their enquiries regarding economic sanctions and the fight against money laundering. As part of these agreements, Societe Generale has agreed to pay penalties totalling some USD 2.7 billion; concomitantly, the provision booked to Societe Generale's accounts for public law litigation has seen writebacks and its balance has thus been reduced to EUR 340 million at 31st December 2018.
- Net banking income (NBI) amounts to EUR 10,609 million in 2018, up EUR 0.7 billion (+7%) on 2017:
  - Retail Banking net banking income in France is down slightly (EUR -0.1 billion) in comparison to 2017. In a still low rates climate and despite the fall in the net interest margin (-9%), the Retail bank put in a resilient financial performance and is pressing on with the transformation of the network and underpinning its business base with target clientele offering growth relays;
  - Global Banking and Investor Solutions businesses show a decline (EUR -1 billion) on 2017, in a negative market context and despite the sound momentum for the Coverage and Investment Banking business. Despite resilient commercial activity the Fixed Income, Credit, Forex and Commodities businesses faced a difficult climate. The Equities business is also down, undercut by a fall in trading business against a backdrop of declining equity markets. The management of structured portfolios was also undercut by major market movements. The Prime Services businesses are still showing pace, however, and the cash equity businesses are still resilient, with an increase in traded volumes. But this performance is not sufficient to offset the decline in derivatives revenues;
  - as regards other financial accounts, which includes the management of the Group's portfolio of stakes, they saw a EUR 1.8 billion increase in in net banking income. On the one hand, dividend inflows are up EUR 0.9 billion on 2017. This increase is mainly due to the low amount of dividends paid by the holding company subsidiaries in 2017 owing to the payment of exceptional advances at the end of 2016, while dividends related to FY 2017 were received in 2018. On the other hand, 2017 net banking income was exceptionally undercut to the tune of EUR 963 million for the transactional agreement with the Libyan Investment Authority (LIA) putting an end to the dispute between the two parties.
- General operating costs are down EUR 0.1 billion. Societe Generale has continued with its technological investments to accompany the growth of its businesses while maintaining strict cost control, which is reflected in the limited increase in management fees of EUR -0.2 billion. In 2018, management fees included costs relating to provisions for litigation to the tune of EUR -0.3 billion. Moreover, in December 2018, some defined benefit pension regimes in France have seen a change in scale resulting in a decline of EUR -0.2 billion in related provisions. The favourable variation is also due to the provisions which had been built up in 2017 to the tune of EUR 0.4 billion concerning the transformation of the Retail bank network.

- The CICE amounts to EUR 39 million in 2018 (*versus* EUR 44 million in 2017). It has been used in compliance with the regulation. In 2018, the CICE permitted ongoing technological investments and the underpinning of Societe Generale's commitments in positive transformations: digital strategies, integration of CSR challenges including the climate. Its utilisation has been impacted by the following items:
  - digitalisation of the retail bank offer *via* enrichment and valuation of client knowledge, transformation of networks towards a phygital model (web sites, mobile phones, customer and advisor tablets, process digitalisation) and dematerialisation of proposed services;
  - ongoing development of robust and re-utilisable digital capacities for Global Banking and Investor Solutions, notably in terms of user experience, security, robots (BOTs), and opening of business services (APIs);
  - deployment of Agile@Scale and Continuous Delivery setups in all IT System services, to boost value creation, improve the quality of services, and reduce time-to-market for new products;
  - as part of the technological watch, identification of French startups in a position to provide strategic inspiration and feed the Group with new methodologies, innovative locations and partnerships;
  - continuation of the 'intrapreneurial' programme open to all Societe Generale employees ('Internal Startup Call'), comprising the selection, sponsorship and incubation of internal startups on strategic innovation themes;
  - ongoing digital transformation of tools and usages (private and public Cloud, Big Data and data usage, Open Source, Automation, Security, and collaborative tools, etc.);
  - in the continuity of the technological innovations, continuation of the investments in previous years aimed at providing employees with collaborative, connected and mobile solutions, notably *via* a new ecosystem (Digital Workplace).
- The net cost of risk stands at EUR -69 million at end-2018, down EUR 0.6 billion on 2017. The observed decline reflects the quality of the credit portfolio. Moreover, the net charge for litigation provision which amounted to EUR -0.4 billion in 2017 is now presented in general operating costs.
- The combination of these items pushes up operating income by EUR 1.4 billion in comparison with 2017 and amounts to EUR 1.1 billion at end-2018.
- In 2018, Societe Generale did not book significant gains on fixed assets. Remember that in 2017, Societe Generale generated a gain on fixed assets of EUR 1.0 billion, mainly from the capital gain on the partial disposal of its stake in ALD following its floatation.
- Tax on profits amounts to EUR 0.6 billion (*versus* EUR 0.1 billion in 2017). In 2018, the entity is loss-making from an individual fiscal perspective in France. Moreover, this variation also includes the impact of the French and US fiscal reforms which amounted to EUR 0.4 billion in 2017.
- The after-tax net profit thus amounts to EUR 1.7 billion at end-2018 *versus* EUR 0.8 billion at end-2017.

Trade payables payment schedule

	31.12.2018						31.12.2017					
	Payables not yet due						Payables not yet due					
(In EUR m)	1 to 30 days	31 to 60 days	More than 60 days	More than 90 days	Payables due	Total	1 to 30 days	31 to 60 days	More than 60 days	More than 90 days	Payables due	Total
Trade Payable	44	53	-	-	22	119	42	29	-	-	27	98

Due dates are based on the condition that invoices must be paid within 60 days of receipt.

The processing of Societe Generale France's supplier invoices is largely centralised. The department responsible for this processing books and settles invoices for services requested by all Societe Generale France's corporate and business divisions. The branches of the French network, however, have dedicated teams to process and pay their own invoices.

In accordance with the Group's internal control procedures, invoices are only paid after they have been validated by the departments that signed for the services. The average time for the payment of invoices after validation is between three and seven days.

In accordance with Article D. 441-4 of the French Commercial Code, as worded pursuant to French Decree No. 2017-350 of 20th March 2017 and implemented pursuant to the Order of 20th April 2017, the information on supplier payment times is as follows:

The banking, insurance and financial services businesses (financing loans and commissions) are excluded from the scope.

	31.12.2018					
	Payables due					
(In EUR m)	**0 day (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (1 day and more)**
(A) Payment delay						
Number of invoices concerned	-	620	390	193	2.258	3,461
Total amount (excl. tax) of invoices concerned (In EUR m)	-	15	4	2	1	22
Percentage of total purchases (excl. tax) for the year	-	-	-	-	-	-
(B) Invoices excluded from (A) pertaining to disputed payables and receivables, not recorded						
Number of invoices excluded	-	-	-	-	-	-
Total amount (excl. tax) of invoices excluded	-	-	-	-	-	-
(C) Reference payment times used when calculating delay (Article L. 441-6 or L. 443-1 of the French Commercial Code)						
☑ Statutory payment terms (60 days from invoice date or 45 days end of month)						
Contractual payment terms						

Payment terms on accounts receivable

Payment times on Accounts Receivable in Respect of Financing Granted or Services Invoiced are fixed by contract. The initial payment terms set for loan repayments may be amended by means of contractual options (such as prepayment options, or options to defer payments). Compliance with contractual payment terms is monitored as part of the Bank's risk management process (see Chapter 4 of this Registration Document, "Risks and Capital Adequacy"), particularly in respect of credit risk, structural interest rate risk, and liquidity risk. The residual maturities of accounts receivable are indicated in Note 7.4 to the parent company financial statements.

The date schedules equate to conditions calculated at 60 days from invoice date.

	31.12.2018					
	Payables due					
(In EUR m)	**0 day (indication)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (1 day and more)**
(A) Payment delay						
Number of invoices concerned	-	143	47	35	1,283	1,508
Total amount (excl. tax) of invoices concerned *(in EUR m)*[(1)]	-	29	3	2	133	167
Percentage of total purchases (excl. tax) for the year	-	-	-	-	-	-
(B) Invoices excluded from (A) pertaining to disputed payables and receivables, not recorded						
Number of invoices excluded	-	-	-	-	-	-
Total amount (excl. tax) of invoices excluded	-	-	-	-	-	-
(C) Reference payment times used when calculating delay (Article L. 441-6 or L. 443-1 of the French Commercial Code)						
☑ Contractual payment terms (to préciser)						
Statutory payment terms						

(1) Including EUR 91 m of debts at issue.

Five-year summary of Societe Generale

(In EUR m)	2018	2017	2016	2015	2014
Financial position at year-end					
Capital stock *(in EUR m)*[1]	1,010	1,010	1,010	1,008	1,007
Number of shares issued[2]	807,917,739	807,917,739	807,713,534	806,239,713	805,207,646
Results of operations *(in EUR m)*					
Revenue excluding tax[3]	30,748	27,207	27,174	28,365	25,119
Earnings before tax, depreciation, amortisation, provisions, employee profit sharing and general reserve for banking risks	(23)	1,678	5,884	5,809	2,823
Employee profit sharing	11	11	13	15	12
Income tax	(616)	(109)	246	(214)	99
Net income	1,725	800	4,223	1,065	996
Total dividends paid	1,777	1,777	1,777	1,612	966
Earnings per share *(in EUR)*					
Earnings after tax but before depreciation, amortisation and provisions	0.72	2.20	6.96	7.45	3.37
Net income	2.14	0.99	5.23	1.32	1.24
Dividend paid per share	2.20	2.20	2.20	2.00	1.20
Employees					
Headcount	46,942	46,804	46,445	46,390	45,450
Total payroll *(in EUR m)*	3,128	3,560	3,696	3,653	3,472
Employee benefits (Social Security and other) *(in EUR m)*	1,525	1,475	1,468	1,452	1,423

(1) At 31st December 2018, Societe Generale's fully paid-up capital amounted to EUR 1,009,897,173.75 and comprised 807,917,739 shares with a nominal value of EUR 1.25.

(2) Revenue consists of interest income, dividend income, fee income, income from financial transactions and other operating income.

Main changes in the investment portfolio in 2018

In 2018, Societe Generale the following transactions affected Societe Generale's investment portfolio:

Outside France	In France
Creation	**Creation**
	Peers SAS
Acquisition of interest	**Acquisition of interest**
	Avem Holdings
Acquisition	**Acquisition**
	Lumo
Increase of interest in	**Increase of interest in**
	CRH
Subscription to capital increase	**Subscription to capital increase**
Ohridska Banka, YUP Management, YUP Côte Ivoire, YUP Sénégal, YUP Guinée, YUP Cameroun	
Full disposal	**Full disposal**
	SG Capital Partenaires SAS
Reduction of interest[1]	**Reduction of interest**[1]
SG Asia Ltd., Delta Credit MF Netherlands BV	Soginfo, SG Services, SG Financial Services Holding, Orpavimob

(1) Including capital reductions, dissolution by transfer of assets, mergers and liquidations.

The table below summaries the significant movements chalked up by the Societe Generale portfolio in 2018:

		Increase[1]				Decrease[1]	
Threshold	**Companies**	**% of the capital 31.12.2018**	**% of the capital 31.12.2017**	**Threshold**	**Companies**	**% of the capital 31.12.2018**	**% of the capital 31.12.2017**
5%	Havem holdings[2]	5%	0%	5%			
10%				10%			
20%				20%			
33.33%				33.33%			
50%				50%			
66.66%	Lumo[2]	100%	0%	66.66%	Delta Crédit MF Netherlands BV	0%	100%
	Peers SAS[2]	91%	0%		Soginfo[2]	0%	100%
					SG Services[2]	0%	100%

(1) Threshold crossings by percentage of direct ownership by Societe Generale SA.
(2) Stakes held in accordance with Article L. 233.6 of the French Commercial Code.

6.4.1 INFORMATION REQUIRED PURSUANT TO ARTICLE L. 511-4-2 OF THE FRENCH MONETARY AND FINANCIAL CODE RELATED TO SOCIETE GENERALE SA

As part of its long-standing presence in the commodity markets, Societe Generale proposes agricultural commodity derivatives to meet the various needs of its customers, including the risk management needs of business customers (producers, consumers) and exposure to the commodity markets for investors (asset managers, funds, insurance companies).

Societe Generale's offer includes: sugar, cocoa, coffee, cotton, orange juice, corn, wheat, rapeseed, soybean, oats, cattle, lean hogs, milk and rice). Societe Generale makes markets in vanilla products (*e.g.* forward contracts), options and option strategies, and structured products with additional complexity. Exposure to agricultural commodities can be provided through a single-commodity product or through multi-commodity products, which are mostly used by investors.

Societe Generale manages risks associated with the related positions either on the OTC market by executing transactions with commodity dealers, commodity traders, banks and brokers, or on organised markets:

- NYSE LIFFE (including Euronext Paris) for cocoa, corn, wheat, rapeseed oil, sugar and coffee;
- ICE FUTURES US for cocoa, coffee, cotton, orange juice, sugar and wheat;
- ICE FUTURES Canada for canola;
- CME group for corn, soybean, soybean oil, soybean meal, wheat, oats, cattle, lean hogs, milk and rice;
- Minneapolis Grain Exchange for wheat;
- SGX for rubber;
- TOCOM for rubber.

The list above is not fixed and may evolve in the future.

A number of measures are in place to prevent or detect any material impact on the price of agricultural commodities as a result of Societe Generale activities described above:

- the trading activity is in particular governed by the regulatory framework promulgated in Europe under MiFID II, as in force since 3rd January 2018. It sets limits for positions on certain agricultural commodities, imposes reporting on positions to the trading platform, as well as systematic reporting of all transactions performed to the appropriate regulatory body;
- the business also operates within internal limits, set by teams following risks independently of the operators;
- these teams constantly monitor compliance with these various limits;
- moreover, Societe Generale's trading activity in exchange contracts follows limits set by the Societe Generale clearing broker;
- to prevent behaviour that could be considered disruptive, Societe Generale traders are provided with trading rules and mandates, and receive regular training on business standards and market conduct;
- daily controls are run in order to detect any inappropriate trading. These controls include the monitoring of the CFTC (US Commodity Futures Trading Commission) and exchange requirements on position limits, such that no operator can adopt a market position that poses a danger to market equilibrium.

6.4.2 PUBLICATION ON DORMANT ACCOUNTS

Articles L. 312-19 and L. 312-20 of the French Monetary and Financial Code, as introduced by French Act No. 2014-617 of 13th June 2014 on dormant bank accounts and unclaimed life insurance accounts, also known as the "Eckert Act", which entered into effect on 1st January 2016, require all credit institutions to publish information on dormant bank accounts on an annual basis.

Over 2018, 32,158 dormant bank accounts were closed, and the total sums deposited with the Caisse des Dépôts et Consignations amounted to EUR 31,507,361.03.

At end-December 2018, 344,960 bank accounts were identified as dormant, representing an estimated total of EUR 1,613,533,905.10.

6.5 PARENT COMPANY FINANCIAL STATEMENTS

6.5.1 BALANCE SHEET

ASSETS

(In EUR m)		31.12.2018	31.12.2017
Cash, due from central banks and post office accounts		73,934	90,424
Treasury notes and similar securities	Note 2.1	154,810	127,216
Due from banks	Note 2.3	181,460	191,942
Customer loans	Note 2.3	482,496	390,312
Bonds and other debt securities	Note 2.1	113,202	93,288
Shares and other equity securities	Note 2.1	105,948	120,720
Securities, investments in subsidiarie	Note 2.1	705	592
Investments in subsidiaries	Note 2.1	25,210	26,478
Tangible and intangible fixed assets	Note 7.2	2,596	2,050
Treasury stock	Note 2.1	242	281
Accruals, other accounts receivables and other assets	Note 3.2	146,099	139,355
TOTAL ASSET		**1,286,702**	**1,182,658**

OFF-BALANCE SHEET ITEMS

(In EUR m)		31.12.2018	31.12.2017
Loan commitments granted	Note 2.3	226,742	197,307
Guarantee commitments granted	Note 2.3	222,259	187,617
Commitments made on securities		30,243	21,883

LIABILITIES AND SHAREHOLDERS' EQUITY

(In EUR m)		31.12.2018	31.12.2017
Due to central banks and post office accounts		5,661	5,554
Due to banks	Note 2.4	220,077	241,786
Customer deposits	Note 2.4	524,846	459,690
Liabilities in the form of securities issued	Note 2.4	108,350	83,111
Accruals, other accounts payable and other liabilities	Note 3.2	354,296	318,493
Provisions	Note 7.3	14,618	15,588
Long-term subordinated debt and notes	Note 6.4	23,807	23,508
Shareholders' equity			
Common stock	Note 6.1	1,010	1,010
Additional paid-in capital	Note 6.1	20,602	20,444
Retained earnings	Note 6.1	11,710	12,674
Net income	Note 6.1	1,725	800
SUB-TOTAL		**35,047**	**34,928**
TOTAL LIABILITIES		**1,286,702**	**1,182,658**

OFF-BALANCE SHEET ITEMS

(In EUR m)		31.12.2018	31.12.2017
Loan commitments received	Note 2.4	60,532	51,377
Guarantee commitments received	Note 2.4	50,841	47,127

6.5.2 INCOME STATEMENT

(In EUR m)		2018	2017
Interest and similar income	Note 2.5	24,106	14,879
Interest and similar expense	Note 2.5	(23,778)	(15,249)
Dividend income	Note 2.1	2,933	2,105
Fee income	Note 3.1	4,286	4,165
Fee expenses	Note 3.1	(1,527)	(1,359)
Net income from the trading portfolio	Note 2.1	4,397	5,955
Net income from short-term investment securities	Note 2.1	140	404
Income from other activities[(1)]		21,747	22,558
Expenses from other activities[(1)(2)]		(21,695)	(23,519)
Net banking income		**10,609**	**9,939**
Personnel expenses	Note 4.1	(4,908)	(5,307)
Other operating expenses[(3)]		(4,128)	(3,855)
Impairment and amortisation		(427)	(445)
Gross operating income		**1,146**	**332**
Cost of risk	Note 2.6	(69)	(665)
Operating income		**1,077**	**(333)**
Net income from long-term investments	Notes 2.1 & 7.2	32	1,024
Operating income before tax		**1,109**	**691**
Income tax	Note 5	616	109
Net Income		**1,725**	**800**
Earnings per ordinary share	**Note 6.3**	**2.15**	**1.00**
Diluted earnings per ordinary share		**2.15**	**1.00**

Information about fees paid to Statutory Auditors is disclosed in the notes to the consolidated financial statements of the Societe Generale Group; consequently, this information is not provided in the notes to the parent company financial statements of Societe Generale.

(1) As part of its market making activities on commodities derivatives, Societe Generale may hold physical commodities stocks. Related incomes and expenses are included in Other banking income and expense for other activities. For the year 2018, income amounts to EUR 21,323 million (EUR 22,459 million in 2017) and expense to EUR 21,391 million (EUR 22,369 million in 2017).

(2) During 2017, other operating expenses included a EUR 963 million payment (GBP 813.26 million in original currency) related to the transactional agreement concluded between Societe Generale and the Libyan Investment Authority.

(3) o.w. EUR 349 million related to the 2018 contribution to the Single Resolution Fund (SRF) (EUR 296 million in 2017).

6.6 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements were approved by the Board of Directors on 6 February 2019.

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

Introduction

The preparation and presentation of the parent company financial statements for Societe Generale comply with the provisions of Regulation 2014-07 of the French Accounting Standards Board, the ANC, related to the annual accounts for the banking sector.

As the financial statements of foreign branches were prepared using accounting principles generally accepted in their respective countries, they were subsequently adjusted to comply with the accounting principles applicable in France.

The disclosures provided in the notes to the parent company financial statements focus on information that is both relevant and material to the financial statements of Societe Generale, its activities and the circumstances in which it conducted its operations over the period.

Accounting policies and valuation methods

In accordance with the accounting principles applicable to French banks, the majority of transactions are recorded using valuation methods that take into account the purpose for which they were made.

In financial intermediation transactions, assets and liabilities are generally carried at historical cost and Impairment is recognised where counterpart risk arises. Revenues and expenses arising from these transactions are recorded over the life of the transaction in accordance with the time period concept. Transactions on forward financial instruments carried out for hedging purposes or to manage the bank's overall interest rate risk are accounted for using the same principles.

Trading transactions are generally marked to market at year-end, except for loans, borrowings and short-term investment securities which are recorded at nominal value (see below). When financial instruments are not quoted in an active market, the market value used is reduced for reasons of prudence. Moreover, a reserve is recorded to cover valuations established on the basis of in-house models (Reserve Policy), which is determined according to the complexity of the model used and the life of the financial instrument.

Translation of foreign currency financial statement

The on- and off-balance sheet items of branches reporting in foreign currencies are translated at the official exchange rate prevailing at year-end. Income statement items of these branches are translated at the average month-end exchange rates. Gains and losses arising from the translation of reserves, retained earnings and net income are included in shareholders' equity under *Other accounts payable* or *Other accounts receivable*. Gains and losses arising from the translation of the capital contribution of foreign branches are also included in changes in shareholders' equity under the same heading.

Gains and losses arising from the translation of the capital contribution of foreign branches are included under *Other accounts payable* or *Other accounts receivable*. Translation differences relating to branches in the Euro zone (since the Euro implementation) are retained in shareholders' equity and are only recognised in the income statement when these entities are sold.

Use of estimates and judgement

When applying the accounting principles disclosed in the following notes for the purpose of preparing Societe Generale's parent company financial statements, the Management makes assumptions and estimates that may have an impact on figures recorded in the income statement, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the parent company financial statements.

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

The use of estimates mainly concerns the following valuations:

- fair value in the balance sheet of financial instruments (securities portfolio and forward financial instruments) not quoted in an active market and held for trading activities (described in Notes 2.1, 2.2 and 3.2);
- impairment of financial assets (see Note 2.6);
- provisions recognised under liabilities (see Notes 2.6, 4.2 and 7.3);
- deferred tax assets recognised in the balance sheet (see Note 5).

The United Kingdom has organised on 23rd June 2016 a referendum following which a majority of British citizens have voted to leave the European Union (Brexit). This exit must occur on 29th March 2019. The technical agreement concluded between the British government and the European Commission to reshape the economic relations between United Kingdom and the European Union has been rejected by the British Parliament in January 2019. In the event of an exit of United Kingdom from the European Union on 29th March 2019 without any consent on a transition agreement, Societe Generale is taking actions to ensure the business continuity for its customers from this date. Those changes of Brexit implementation process have been considered in the assumptions and assessments adopted for the preparation of the parent company financial statements.

Change in accounting estimates of collective provisions

In 2018, Societe Generale made a change in accounting estimates for the recording of collective provisions for credit risk.

In line with the estimates modalities for expected credit losses which are used in the consolidated financial statements of the Group Societe Generale since the application of IFRS 9 as from 1st January 2018, Societe Generale has reviewed accounting estimates of collective provisions for credit risk in its parent company financial statements.

Until 31st December 2017, the amount of collective provisions was notably determined on the basis of historical data on default rates and incurred losses on assets with credit risk characteristics that are similar to those in the portfolio, adjusted to reflect any relevant current economic conditions and, where necessary, the opinion of an expert.

From 2018, the amount of collective provisions for credit risk is now estimated at the expected credit losses at termination calculated on the basis of the downgraded performing assets (homogenous portfolios of credits and commitments with a significant deterioration in credit risk since the initial recognition). See Note 2.6.

NOTE 2 FINANCIAL INSTRUMENTS

NOTE 2.1 Securities portofolio

ACCOUNTING PRINCIPLES

Securities are classified according to:

- their type: public notes (Treasury notes and similar securities), bonds and other debt securities (negotiable debt instruments, interbank securities), shares and other equity securities;
- the purpose for which they were acquired: trading, short-term and long-term investment, shares intended for portfolio activity, investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments.

Purchases and sales of securities are recorded in the balance sheet at the date of settlement-delivery.

The classification and valuation rules applied for each portfolio category are as follows and the impairment rules applied by Societe Generale are described in Note 2.6.

TRADING SECURITIES

Trading securities are securities acquired or incurred principally for the purpose of selling or repurchasing them in the near-term or held for the purpose of market-making activities. These securities are traded in active markets, and the available market price reflects frequent buying and selling under normal conditions of competition. Trading securities also include securities linked to a sale commitment in the context of an arbitrage operation done on an organised or assimilated market and securities purchased or sold in the specialised management of a trading portfolio containing forward financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Trading securities are recognised in the balance sheet at cost, excluding acquisition expenses.

They are marked to market at the end of the financial period.

Net unrealised gains or losses, together with net gains or losses on disposals, are recognised in the income statement under *Net income from the trading portfolio*, or, *from short-term investment securities.* Coupon payments received on fixed-income securities in the trading portfolio are recorded in the income statement under *Net interest income from bonds,* or *other debt securities*.

Trading securities that are no longer held for the purpose of selling them in the near-term, or no longer held for the purpose of market-making activities, or held in the specialised management of a trading portfolio for which there is no longer evidence of a recent pattern of short-term profit-taking, may be reclassified into the *Short-term investment securities* category or into the *Long-term investment securities* category if:

- exceptional market situations generate a change of holding strategy;
- or, if after their acquisition debt securities become no longer negotiable in an active market and Societe Generale has the intention and the ability to hold them for the foreseeable future or until maturity.

Securities which are then reclassified are recorded in their new category at their fair market value on the date of reclassification.

LONG-TERM INVESTMENT SECURITIES

Long-term investment securities are acquired debt securities or reclassified short-term investment securities which Societe Generale intends and has the capacity to hold until maturity.

Societe Generale must therefore have, in particular, the necessary financing capacity to continue holding these securities until their expiry date. These long-term investment securities shall be not subject to any legal or other form of constraint that might call into question its intention to do so.

Long-term investment securities also include trading and short-term investment securities which have been reclassified by Societe Generale following the particular conditions described here before (facing exceptional market situations or when debt securities are no longer negotiable in an active market).

These instruments may be designated as hedged items in hedging transactions using forward financial instruments used to hedge the interest rate risk on identifiable items or groups of similar items.

Long-term investments are recorded according to the same principles as short-term investment securities.

SECURITIES, INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND OTHER LONG-TERM SECURITIES

This category of securities covers *Investments in subsidiaries* and *Affiliates*, when it is deemed useful to Societe Generale's business to hold the said shares in the long term. This notably covers investments that meet the following criteria:

- shares in companies that share Directors or senior managers with Societe Generale and where influence can be exercised over the company in which the shares are held;
- shares in companies that belong to the same group controlled by individuals or legal entities, where the said persons or entities exercise control over the group and ensure that decisions are taken in unison;
- shares representing more than 10% of the voting rights in the capital issued by a bank or a company whose business is directly linked to that of Societe Generale.

This category also includes *Other long-term equity investments*. These are equity investments made by Societe Generale with the aim of developing special professional relations with a company over the long term but without exercising any influence on its management due to the low proportion of attached voting rights.

Investments in subsidiaries, *Affiliates and Other long-term securities* are recorded at their purchase price net of acquisition cost s. Dividend income earned on these securities is recognised in the income statement under *Dividend income.*

SHORT-TERM INVESTMENT SECURITIES

Short-term investment securities are all those that are not classified as trading securities, long-term investment securities, or investments in consolidated subsidiaries and affiliates.

Shares and other equity securities

Equity securities are carried on the balance sheet at cost excluding acquisition expenses, or at contribution value. At year-end, cost is compared to realisable value. For listed securities, realisable value is defined as the most recent market price. Unrealised capital gains are not recognised in the accounts but a Impairment of portfolio securities is recorded to cover unrealised capital losses, without this depreciation being offset against any unrealised capital gains. Income from these securities is recorded in Dividend income.

Bonds and other debt securities

These securities are carried at cost excluding acquisition expenses and, in the case of bonds, excluding interest accrued and not yet due at the date of purchase. The positive or negative difference between cost and redemption value is amortised to income over the life of the relevant securities and using the actuarial method. Accrued interest on bonds and other short-term investment securities is recorded as related receivables and under Interest and similar income in the income statement.

Short-term investment securities may be reclassified into the Long-term investment securities category provided that:

- exceptional market situations generate a change of holding strategy;
- or, if after their acquisition debt securities become no longer negotiable in an active market and Societe Generale has the intention and the ability to hold them for the foreseeable future or until maturity.

NOTE 2.1.1 TREASURY NOTES, BONDS AND OTHER DEBT SECURITIES, SHARES AND OTHER EQUITY SECURITIES

	31.12.2018				31.12.2017			
(In EUR m)	**Treasury notes and similar securities**	**Shares and other equity securities**	**Bonds and other debt securities**	**Total**	**Treasury notes and similar securities**	**Shares and other equity securities**	**Bonds and other debt securities**	**Total**
Trading securities	135,243	104,327	69,581	309,151	107,005	120,062	48,828	275,895
Short-term investment securities								
Gross book value	19,494	1,576	11,586	32,656	20,139	600	10,322	31,061
Impairment	(78)	(31)	(75)	(184)	(76)	(18)	(60)	(154)
Net book value	19,416	1,545	11,511	32,472	20,063	582	10,262	30,907
Long-term investment securities								
Gross book value	64	-	32,072	32,136	68	-	34,177	34,245
Impairment				-		-		
Net book value	64	-	32,072	32,136	68	-	34,177	34,245
Related receivables	87	76	38	201	80	76	21	177
TOTAL	**154,810**	**105,948**	**113,202**	**373,960**	**127,216**	**120,720**	**93,288**	**341,224**

ADDITIONAL INFORMATION ON SECURITIES

(In EUR m)	31.12.2018	31.12.2017
Estimated market value of short-term investment securities		
Unrealised capital gains[1]	453	677
Estimated value of long-term investment securities:		
Premiums and discounts relating to short-term and long-term investment securities	186	135
Investments in mutual funds:		
- French mutual funds	4,069	2,163
- Foreign mutual funds	6,992	8,660
Of which mutual funds which reinvest all their income	*1*	*52*
Listed securities[2]	316,997	298,034
Subordinated securities	113	113
Securities lent	56,084	45,923

(1) Not including unrealized gains or losses on forward financial instruments, if any, used to hedge short-term investment securities.
(2) The listed trading securities amounted to EUR 254,324 million at 31st December 2018 against EUR 232,955 million at 31th December 2017.

NOTE 2.1.2 SECURITIES, INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND OTHER LONG-TERM SECURITIES

AFFILIATES AND OTHER LONG-TERM SECURITIES

(In EUR m)	31.12.2018	31.12.2017
Banks	388	371
Others	368	265
Gross book value	**756**	**636**
Impairment	(51)	(44)
NET BOOK VALUE[1]	**705**	**592**

(1) o.w. EUR 69 million from the associate's certificates (French deposit guaranty).

INVESTMENTS IN SUBSIDIARIES

(In EUR m)	31.12.2018	31.12.2017
Banks	**26,324**	**28,539**
Listed	5,452	5,618
Unlisted	20,782	22,921
Others	**6,509**	**5,423**
Listed	1,156	1,156
Unlisted	5,323	4,267
Gross book value[1]	**32,743**	**33,962**
Impairment [2]	(7,533)	(7,484)
NET BOOK VALUE	**25,210**	**26,478**

All transactions with the related parties were concluded under normal market conditions.

(1) The main changes involve:
- *the capital decrease of SG FSH: EUR -701 million;*
- *the merger of Soginfo: EUR -149 million;*
- *the liquidation of Delta Credit MF Netherlands BV: EUR -149 million;*
- *the capital decrease of Orpavimob: EUR -21 million;*
- *the capital decrease of SG Asia Ltd.: EUR -17 million.*

(2) The main changes in the depreciation are as follow:
- *the impairment of Inter Europe Conseil: EUR -258 million;*
- *the impairment of SG International Ltd.: EUR -64 million;*
- *the impairment of SG Securities SPA: EUR -38 million;*
- *the impairment of Banka Societe Generale Albania: EUR -29 million;*
- *the impairment of Descartes Trading: EUR -17 million;*
- *the Rosbank recovery: EUR +87 million;*
- *the recovery following the liquidation of Delta Credit MF Netherlands BV: EUR +147 million;*
- *the Fiditalia recovery: EUR +111 million.*

NOTE 2.1.3 TREASURY SHARES

ACCOUNTING PRINCIPLES

Societe Generale shares acquired for allocation to employees are recorded as Short-term investment securities and presented under *Treasury stock* on the assets side of the balance sheet.

Societe Generale shares held with a view to underpinning the share price or as part of arbitrage transactions on the CAC 40 index are recorded as *Trading securities*.

	31.12.2018			31.12.2017		
(In EUR m)	**Quantity**	**Book value**	**Market value**	**Quantity**	**Book value**	**Market value**
Trading securities[1]	274,599	8	8	232,399	11	11
Short-term investment securities	5,975,497	234	166	6,850,304	270	295
Long-term equity investments						
TOTAL	**6,250,096**	**242**	**174**	**7,082,703**	**281**	**306**

Nominal value: EUR 1.25.

Market value per share: EUR 27.82 at 31st December 2018.

(1) Societe Generale set up on 22nd August 2011 a liquidity contract which was endowed with EUR 170 million for carrying out transactions on the Societe Generale share. At 31st December 2018, 130,000 Societe Generale shares were held under the liquidity contract, which contained EUR 5 million for the purpose of carrying out transactions in Societe Generale shares.

(2) The accounting value is assessed according to the notice of the CNC N° 2008-17 approved on 6th November 2008 concerning stock-options and bonus issues of shares.

NOTE 2.1.4 DIVIDEND INCOME

(In EUR m)	**2018**	**2017**
Dividends from shares and other equity securities	10	37
Dividends from investments in non-consolidated subsidiaries and affiliates and other long-term securities	2,923	2,068
TOTAL[1]	**2,933**	**2,105**

(1) Dividends received from investments in the trading portfolio have been classified under "Net income from the trading portfolio and short-term investment securities".

NOTE 2.1.5 NET INCOME FROM THE TRADING PORTFOLIO AND SHORT-TERM INVESTMENT SECURITIES

(In EUR m)	**2018**	**2017**
Net income from the trading portfolio:		
Net income from operations on trading securities	(12,658)	11,629
Net income from forward financial instruments	17,748	(6,224)
Net income from foreign exchange transactions	(693)	550
SUB-TOTAL	**4,397**	**5,955**
Net income from short-term investment securities:		
Gains on sale	278	485
Losses on sale	(87)	(52)
Allocation of impairment	(73)	(58)
Reversal of impairment	22	29
SUB-TOTAL	**140**	**404**
NET TOTAL	**4,537**	**6,360**

NOTE 2.1.6 NET INCOME FROM LONG-TERM INVESTMENTS

ACCOUNTING PRINCIPLES

This item covers capital gains or losses realised on disposals, as well as the net allocation to impairment for investments in subsidiaries and affiliates, long-term investment securities.

(In EUR m)	2018	2017
Long-term investment securities:		
Net capital gains (or losses) on sale	-	
Net allocation to depreciations		7
SUB-TOTAL	**-**	**7**
Investments in subsidiaries and affiliates:		
Gains on sale[(1)]	174	1,000
Losses on sale[(2)]	(147)	(711)
Allocation to impairment[(3)]	(419)	(340)
Reversal of impairment[(3)]	361	1,060
Subsidies granted to affiliates (subsidiaries)		
SUB-TOTAL	**(31)**	**1,009**
Net income from long term investment (see Note 7.2)	**63**	**8**
TOTAL	**32**	**1024**

(1) o.w. EUR +119 million concerning the partial disposal of Euroclear and EUR +38 million concerning the merger of SG Services and the merger of Soginfo.
(2) o.w. EUR -147 million concerning the liquidation of Delta Credit MF Netherlands BV compensated by a provision reversal of the same amount.
(3) Almost all of allocations and write-backs concerning subsidiaries (cf. Note 2.1.2 - Investments in subsidiaries).

NOTE 2.2 Operations on forward financial instruments

ACCOUNTING PRINCIPLES

Operations on forward financial instruments relating to interest rates, foreign exchange or equities are used for trading or hedging purposes.

Nominal commitments on forward financial instruments are recorded as a separate off-balance sheet item. This amount represents the volume of outstanding transactions and does not represent the potential gain or loss associated with the market or counterpart risk on these transactions. Credit derivatives purchased to hedge credit risks on financial assets which are not valued at market value are classified and treated as guarantee commitments received.

The accounting treatment of income or expenses on these forward financial instruments depends on the purpose for which the transaction was concluded, as follows:

HEDGING TRANSACTIONS

Income and expenses on forward financial instruments used as a hedge and assigned from the beginning to an identifiable item or group of similar items, are recognised in the income statement in the same manner as income and expenses on the hedged items. Income and expenses on interest rate instruments are recorded as net interest income in the same interest income or expense account as the items hedged. Income and expenses on other instruments such as equity instruments, stock market indexes or currencies are recognised under *Net income from the trading portfolio,* or, *from short-term investment securities*.

Income and expenses on forward financial instruments used to hedge or manage an overall interest rate risk are recognised in the income statement over the life of the instrument under *Net income from the trading portfolio,* or, *from short-term investment securities*.

TRADING TRANSACTIONS

Trading transactions include instruments traded on organised or similar markets and other instruments, such as credit derivatives and composite option products, which are included in the trading portfolio although they are traded over-the-counter on less liquid markets, together with debt securities with a forward financial instrument component for which this classification in the accounts most appropriately reflects the results and associated risks. These transactions are measured at their market value at the balance sheet date. When financial instruments are not quoted in an active market, this value is generally determined on the basis of in-house models. Where necessary, these valuations are adjusted for reasons of prudence by applying a discount (*Reserve Policy*). This discount is determined on the basis of the instruments concerned and the associated risks, and takes into account:

- a conservative valuation of all the instruments, regardless of the liquidity of the corresponding market;
- a reserve calculated according to the size of the position and intended to cover the risk that Societe Generale will be unable to liquidate the investment in one go due to the size of the holding;

- an adjustment for the reduced liquidity of instruments and modelling risks in the case of complex products as well as transactions on less liquid markets (less liquid since they have been developed recently or are more specialised).

Furthermore, for over-the-counter transactions on forward interest rate instruments, the market value takes into account counterpart risks and the discounted value of future management cost s. The corresponding gains or losses are directly recognised as income for the period, regardless of whether they are realised or unrealised. They are recognised in the income statement as *Net income from the trading portfolio,* or, *from short-term investment securities*.

Gains or losses corresponding to contracts concluded within the scope of cash management activities managed by the trading room, in order to benefit from any interest rate fluctuations, are recorded when liquidated or over the life of the contract, depending on the type of instrument. Unrealised losses are provisioned at year-end and the corresponding amount is recorded under Net income from the trading portfolio, or, from short-term investment securities.

NOTE 2.2.1 FORWARD FINANCIAL INSTRUMENTS COMMITMENTS

(In EUR m)	Fair Value Trading transactions	Hedging transactions	Total at 31.12.2018	31.12.2017
Firm transactions				
Transactions on organized markets				
Interest rate futures	692,014		692,014	552,460
Foreign exchange futures[1]	1,644,515		1,644,515	1,484,340
Other futures contracts	550,171	121	550,292	561,934
OTC agreements				
Interest rate swaps	8,428,271	11,177	8,439,448	8,526,194
Currency financing swaps	860,895	567	861,462	805,265
Forward Rate Agreements (FRA)	904,689		904,689	1,491,975
Other	47,339		47,339	38,313
Optional transactions				
Interest rate options	1,960,587		1,960,587	2,038,182
Foreign exchange options	525,918	211	526,129	359,238
Options on stock exchange indexes and equities	1,182,292	1	1,182,293	1,000,006
Other options	77,522		77,522	66,230
TOTAL	**16,874,213**	**12,077**	**16,886,290**	**16,924,137**

(1) Amount reviewed against published 2017 financial statements, further to the incorporation of some foreign exchange future operations which were previously excluded.

NOTE 2.2.2 FAIR-VALUE OF THE TRANSACTIONS QUALIFIED AS HEDGING

(In EUR m)	31.12.2018
Firm transactions	
Transactions on organized markets	
Interest rate futures	-
Foreign exchange futures	-
Other forward contracts	(19)
OTC agreements	
Interest rate swaps	3,660
Currency financing swaps	108
Forward Rate Agreements (FRA)	-
Other	-
Optional transactions	
Interest rate options	-
Foreign exchange options	-
Options on stock exchange indexes and equities	-
Other options	-
TOTAL	**3,749**

NOTE 2.2.3 MATURITIES OF FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

(In EUR m)	Less than 3 months	3 months to one year	1 to 5 years	More than 5 years	Total
Firm transactions					
Transactions on organised markets	311,887	1,594,273	478,292	502,369	2,886,821
OTC agreements	47,156	3,019,241	3,194,279	3,992,262	10,252,938
Optional transactions	**25,672**	**1,445,391**	**1,079,669**	**1,195,799**	**3,746,531**
TOTAL	**384,715**	**6,058,905**	**4,752,240**	**5,690,430**	**16,886,290**

NOTE 2.3 Loans and borrowings

ACCOUNTING PRINCIPLES

Amounts due from banks and customer loans are classified according to their initial duration and type: demand deposits (current accounts and overnight transactions) and term deposits in the case of banks, and commercial loans, overdrafts and other loans to customers. They also include securities purchased from banks and customers under resale agreements, and loans secured by notes and securities.

Only amounts due and customer loans which meet the following criteria are offset on the balance sheet: those with the same counterpart, maturity, currency and accounting entity, and those for which an agreement exists with the counterpart allowing the company to combine the accounts and exercise the right of offset.

Interest accrued on these receivables is recorded as *Related receivables* and recognised in the income statement under *Interest income and expenses*.

Fees received and incremental transaction cost s related to the granting of a loan are comparable to interest and spread over the effective life of the loan.

Guarantees and endorsements recorded off-balance sheet represent transactions which have not yet given rise to cash movements, such as irrevocable commitments for the undrawn portion of facilities made available to banks and customers or guarantees given on their behalf.

If a commitment carries an incurred credit risk which makes it probable that Societe Generale will not recover all or part of the amounts due under the counterpart's commitment in accordance with the original terms of the contract, despite the existence of a guarantee, the corresponding outstanding loan is classified as a doubtful loan. Moreover, any loan will be classified as doubtful if one or more repayments are more than three months overdue (six months for mortgage loans and nine months for loans to local authorities), or, regardless of whether any payments have been missed, if it can be assumed that there is an identified risk, or if legal proceedings have been started.

If a loan to a given borrower is classified as doubtful, all outstanding loans or commitments to that borrower are reclassified as doubtful, regardless of whether or not they are backed by a guarantee.

Impairment for unrealised losses and for doubtful loans is recorded in the amount of the probable loss (see Note 2.6)

RESTRUCTURING OF LOANS AND RECEIVABLES

When an asset recorded under *Due from banks* or *Customer loans* is restructured, contractual changes are made to the amount, term or financial conditions of the initial transaction approved by the Group, due to the financial difficulties or insolvency of the borrower (whether insolvency has already occurred or will definitely occur unless the debt is restructured), and these changes would not have been considered in other circumstances. Restructured financial assets are classified as impaired and the borrowers are considered to be in default.

These classifications are maintained for at least one year and for as long as any uncertainty remains for the Group as to whether or not the borrowers can meet their commitments.

At the restructuring date, the carrying amount of the restructured financial asset is decreased to the present amount of the estimated new future recoverable cash flows discounted using the initial effective interest rate. This loss is booked to profit or loss under *Cost of risk*.

Restructured financial assets do not include loans and receivables subject to commercial renegotiations.

Loans and receivables may be subject to commercial renegotiations provided that the borrowing customer is not experiencing financial difficulties and is not insolvent. Such transactions involve customers whose debt the Group is willing to renegotiate in the interest of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force, and without relinquishing any principal or accrued interest.

Renegotiated loans and receivables are derecognised at the renegotiation date and replaced with the new loans, taken out under renegotiated conditions, which are recorded on the balance sheet at the same date. These new loans are subsequently measured at amortised cost, based on the effective interest rate arising from the new contractual conditions and taking into account the renegotiation fees billed to the customer.

NOTE 2.3.1 DUE FROM BANKS

(In EUR m)	31.12.2018	31.12.2017
Deposits and loans		
Demand		
Current accounts	15,485	13,176
Overnight deposits and loans	468	500
Loans secured by notes-overnight		
Term		
Term deposits and loans	**75,640**	**99,465**
Subordinated and participating loans	4,244	4,104
Loans secured by notes and securities		
Related receivables	121	254
GROSS AMOUNT	**95,958**	**117,499**
Impairment	(24)	(24)
NET AMOUNT	**95,934**	**117,475**
Securities purchased under resale agreements	85,526	74,467
TOTAL[(1)(2)]	**181,460**	**191,942**

(1) At 31st December 2018 doubtful loans amounted to EUR 48 million (of which EUR 17 million were non-performing loans) against EUR 94 million (of which EUR 17 million were non-performing loans at 31st December 2017).

(2) Including amounts receivable from subsidiaries: EUR 79,091 million at 31st December 2018 against EUR 94,433 million at 31st December 2017.

NOTE 2.3.2 CUSTOMER LOANS

(In EUR m)	31.12.2018	31.12.2017
Discount of trade notes	1,661	1,814
Other loans		
Short-term loans	74,060	60,816
Export loans	10,705	9,493
Equipment loans	45,782	40,705
Mortgage loans	63,604	60,622
Other loans	99,359	76,236
SUB-TOTAL[(1)(2)(3)]	**293,510**	**247,872**
Overdrafts	15,596	15,986
Related receivables	1,051	996
GROSS AMOUNT	**311,818**	**266,668**
Impairment	(2,963)	(3,287)
NET AMOUNT	**308,855**	**263,381**
Loans secured by notes and securities	92	89
Securities purchased under resale agreements	173,549	126,842
TOTAL[(4)(5)]	**482,496**	**390,312**

(1) Including pledged loan: EUR 60,152 million of which amounts eligible for refinancing with Bank of France: EUR 9,612 million at 31th December 2018 (EUR 9,006 million at 31st December 2017).

(2) Of which participating loans: EUR 2,834 million at 31st December 2018 (EUR 2,605 million at 31st December 2017).

(3) At 31st December 2018 doubtful loans amounted to EUR 6,759 million (of which EUR 4,002 million were non-performing loans) against EUR 7,839 million (of which EUR 4,494 million were non-performing loans) at 31st December 2017.

(4) Of which amounts receivable from subsidiaries: EUR 168,233 million at 31st December 2018 (EUR 104,837 million at 31st December 2017).

(5) Including restructured loans: EUR 2,297 million at 31st December 2018 against EUR 2,865 million at 31st December 2017.

NOTE 2.3.3 COMMITMENTS GRANTED

(In EUR m)	31.12.2018	31.12.2017
Commitments granted[1]		
Loan commitments		
- To banks	21,465	23,487
- To customers	205,277	173,820
TOTAL	**226,742**	**197,307**
Guarantee commitments		
- On behalf of banks	150,762	116,941
- On behalf of customers	71,497	70,676
TOTAL	**222,259**	**187,617**

(1) Of which commitments granted to subsidiaries: EUR 92,533 million at 31st December 2018 (EUR 70,171 million at 31st December 2017).

NOTE 2.3.4 SECURITISATION

ACCOUNTING PRINCIPLES

Loans and receivables transferred by Societe Generale to a securitisation undertaking (securitisation fund, securitisation vehicle or equivalent foreign undertaking) are derecognised and the gain or loss on sale calculated as the difference between the selling price and the carrying amount of transferred loans or receivables is recognised in profit or loss.

If the transfer agreement contains an overcollateralisation clause, Societe Generale records on the assets side of its balance sheet, among the loans and receivables, a receivable for the part of the amount of transferred loans and receivables exceeding the sale price.

Ordinary units issued by a gaining securitisation undertaking and acquired or subscribed by Societe Generale are recorded as trading securities or as short-term investment securities according to their purpose.

Specific units, subordinated units and other financial instruments issued by the gaining securitisation undertaking and acquired or subscribed by Societe Generale as collateral at the benefit of the undertaking are recorded as short-term investment securities (see Note 2.1).

If Societe Generale lodges a cash security deposit with the gaining securitisation undertaking to bear the losses resulting from the failure of debtors of loans and receivables transferred, it records such deposit on the assets side of its balance sheet in the section *Accruals, other accounts receivable and other assets* as a receivable from securitisation undertaking, provided that the possible balance of the deposit will be attributed to it in course of liquidation of the securitisation undertaking.

If the guarantee granted by Societe Generale takes the form of a commitment granted, it is recorded in the off-balance sheet as a guarantee commitment granted to customers or to banks, as the case may be.

In 2017, Societe Generale proceeded to a securitisation in order to substitute in the assets, eligible bonds as the eurosystem refinancing guaranty for mortgage loans. For this purpose, Societe Generale has transferred EUR 9,242 million mortgage loans to a securitisation mutual fund. To capitalise the acquisition, the fund has issued bonds which were fully subscribed by Societe Generale, who bears the risks and the profits.

The bonds are presented in the assets on the balance sheet as at 31st December 2017 within the investment portfolio for an amount of EUR 7,640 million at 31st December 2018 (EUR 8,727 million at 31st December 2017).

NOTE 2.4 Debts

ACCOUNTING PRINCIPLES

Amounts due to banks and customer deposits are classified according to their initial duration and type: demand (demand deposits and current accounts) and time deposits and borrowings in the case of banks, and regulated savings accounts and other deposits in the case of customers. They also include securities sold to banks and customers under repurchase agreements.

Interest accrued on these deposits is recorded as related payables and as an expense in the income statement.

NOTE 2.4.1 DUE TO BANKS

(In EUR m)	31.12.2018	31.12.2017
Demand deposits		
Demand deposits and current accounts	22,721	13,858
Borrowings secured by notes - overnight	-	-
SUB-TOTAL	**22,721**	**13,858**
Term deposits		
Term deposits and borrowings	131,862	158,040
Borrowings secured by notes and securities	-	-
SUB-TOTAL	**131,862**	**158,040**
Related payables	429	529
TOTAL DEPOSITS	**155,012**	**172,427**
Securities sold under repurchase agreements	65,065	69,359
TOTAL(1)	**220,077**	**241,786**

(1) Including amounts due to subsidiaries: EUR 77,953 million at 31st December 2018 (EUR 77,314 million at 31st December 2017).

NOTE 2.4.2 CUSTOMER DEPOSITS

(In EUR m)	31.12.2018	31.12.2017
Regulated savings accounts		
Demand	43,373	42,093
Term	17,637	18,086
SUB-TOTAL	**61,010**	**60,179**
Other demand deposits		
Businesses and sole proprietors	50,722	49,458
Individual customers	33,835	31,206
Financial customers	26,230	24,686
Others	5,935	5,445
SUB-TOTAL	**116,722**	**110,795**
Other term deposits		
Businesses and sole proprietors	45,542	53,731
Individual customers	214	352
Financial customers	143,443	107,264
Others	12,458	6,850
SUB-TOTAL	**201,657**	**168,197**
Related payables	641	548
TOTAL CUSTOMER DEPOSITS	**380,030**	**339,719**
Securities sold to customers under repurchase agreements	144,816	119,971
TOTAL(1)	**524,846**	**459,690**

(1) Including deposits of subsidiaries: EUR 193,951 million at 31st December 2018 (EUR 132,477 million at 31st December 2017).

NOTE 2.4.3 DEBT SECURITIES ISSUED

ACCOUNTING PRINCIPLES

These liabilities are classified by type of security: loan notes, interbank market certificates, negotiable debt instruments, bonds and other debt securities, but exclude subordinated notes which are classified under *Subordinated debt*.

Interest accrued is recorded as related payables and as an expense in the income statement. Bond issuance and redemption premiums are amortised using the straight-line or actuarial method over the life of the related borrowings. The resulting expense is recorded in the income statement under *Interest and similar expense.*

Bond issuance cost s accrued over the period are recorded as expenses for the period, under *Interest and similar expense* in the income statement.

(In EUR m)	31.12.2018	31.12.2017
Term savings certificates		
Bond borrowings	1,792	1,668
Related payables	20	19
SUB-TOTAL	**1,812**	**1,687**
Interbank certificates and negotiable debt instruments	105,933	80,900
Related payables	605	525
TOTAL[1]	**108,350**	**83,111**

(1) *Including commissions related to subsidiaries: EUR 2,506 million at 31st December 2018 (EUR 2,144 million at 31st December 2017)*

NOTE 2.4.4 COMMITMENTS RECEIVED

(In EUR m)	31.12.2018	31.12.2017
Commitments received[1]		
Loan commitments received from banks	60,532	51,377
Guarantee commitments received from banks	50,841	47,127
TOTAL	**111,373**	**98,504**

(1) *Including commitments received from subsidiaries: EUR 16,561 million at 31st December 2018 (EUR 11,871 million at 31st December 2017).*

NOTE 2.5 Interests income and expenses

ACCOUNTING PRINCIPLES

Interest income and expense are recognised in the income statement under *Interest and similar income* or *Interest and similar expense* for all financial instruments measured at amortised cost using the effective interest rate method.

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

When a financial asset or group of similar financial assets has been impaired following an impairment of value, subsequent interest income is recorded on the basis of the effective interest rate used to discount the future cash flows when measuring the loss of value.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same interest rate used to discount the expected outflow of resources.

	2018			2017		
(In EUR m)	**Incomes**	**Expenses**	**Net**	**Incomes**	**Expenses**	**Net**
Interest income from transactions with banks	**3,320**	**(3,433)**	**(113)**	**3,109**	**(3,190)**	**(81)**
Transactions with central banks, post office accounts and banks	2,132	(2,320)	(188)	2,318	(2,566)	(248)
Securities sold under repurchase agreements and borrowings secured by notes and securities	1,188	(1,113)	75	791	(624)	167
Transactions with customers	**9,495**	**(7,473)**	**2,022**	**8,221**	**(5,971)**	**2,250**
Trade notes	33	-	33	64	-	64
Other customer loans	7,577	-	7,577	6,803	-	6,803
Overdrafts	355	-	355	305	-	305
Special savings accounts	-	(622)	(622)	-	(635)	(635)
Other deposits	-	(4,904)	(4,904)	-	(4,111)	(4,111)
Securities sold/bought under repurchase agreements and borrowings secured by notes and securities	1,530	(1,947)	(417)	1,049	(1,225)	(176)
Bonds and other debt securities	**9,336**	**(9,591)**	**(255)**	**2,041**	**(3,609)**	**(1,568)**
Other interest expenses and related income	**1,955**	**(3,281)**	**(1,326)**	**1,508**	**(2,479)**	**(971)**
TOTAL INTEREST INCOMES/EXPENSES	**24,106**	**(23,778)**	**328**	**14,879**	**(15,249)**	**(370)**

The detail of other customer loans is composed of:

(In EUR m)	**2018**	**2017**
Short-term loans	1,619	1,357
Export loans	282	236
Equipment loans	881	944
Mortgage loans	1,319	1,571
Other loans	3,476	2,695
TOTAL	**7,577**	**6,803**

NOTE 2.6 Impairment and provisions

NOTE 2.6.1 IMPAIRMENT AND PROVISIONS FOR CREDIT RISKS

NOTE 2.6.1.1 IMPAIRMENT

ACCOUNTING PRINCIPLES

Depreciations include assets impairment of assets and impairment of securities.

IMPAIRMENT OF ASSETS

Impairment for unrealised losses is equal to the difference between the carrying amount of the asset and the present value of estimated future recoverable cash flows, taking into account any guarantees, discounted at the financial assets' original effective interest rate. Furthermore, this impairment may not be less than the full amount of the accrued interest on the doubtful loan. Impairment, reversals of impairment, losses on bad debts and recovery of impaired debts are recognised under *Cost of risk*, along with write-backs of impairment linked to the passage of time.

Doubtful loans can be reclassified as performing loans when the credit risk has been definitively eliminated and regular repayments have resumed according to the original terms of the contract. Similarly, doubtful loans which have been restructured can be reclassified as performing loans. When a loan is restructured, a discount is applied to any differences between the cash flows expected to be received under the initial terms of the contract and the present value of the future flows of capital and interest expected to be received under the new terms, discounted at the original effective interest rate.

The amount deducted is recognised under *Cost of risk*. If the restructured loan is subsequently reclassified as a performing loan, it is reincorporated into net interest income over the remaining term of the loan.

When a borrower's solvency is such that after the loan has been classified as doubtful for a reasonable period, it is not foreseeable that it will be reclassified as a performing loan, the loan is identified as a non-performing loan. A loan is classified as non-performing once the bank asks for an early termination, when the contract is terminated and in any case one year after it was classified as doubtful, except where the original terms of the contract have been respected or where the loan is covered by guarantees which ensure its recovery. Loans which have been restructured and for which the borrower has not respected the new conditions are also classified as non-performing.

IMPAIRMENT OF SECURITIES

Short-term investment securities

- Shares and other equity securities

At year-end, cost is compared to realisable value. For listed securities, realisable value is defined as the most recent market price. Unrealised capital gains are not recognised in the accounts but a impairment of portfolio securities is recorded to cover unrealised capital losses, without this impairment being offset against any unrealised capital gains.

- Bonds and other debt securities

At year-end, cost is compared to realisable value or, in the case of listed securities, to their most recent market price. Unrealised capital gains are not recognised in the accounts but impairment of portfolio securities is recorded to cover unrealised capital losses, after consideration of any gains made on any related hedging transactions.

Allocations to and reversals of impairment for losses on short-term investment securities together with gains and losses on sales of these securities are recorded under *Net income from the trading portfolio,* or *from short-term investment securities* in the income statement.

Long-term investment securities

Long-term investments are recorded according to the same principles as short-term investment securities, except that no impairment is made for unrealised losses, unless there is a strong probability that the securities will be sold in the short term, or unless there is a risk that the issuer will be unable to redeem them.

Allocations to and reversals of impairment for losses on long-term investment securities, together with gains and losses on sales of these securities, are recorded in the income statement under *Net income from long-term investments.*

Affiliates and investment in subsidiaries

At year-end, investments in consolidated subsidiaries and affiliates are valued at their value in use, namely the price the company would accept to pay to obtain the said securities if it had to acquire them in view of its investment objective. This value is estimated on the basis of various criteria, such as shareholders' equity, profitability, and the average share price over the last three months. Unrealised capital gains are not recognised in the accounts but a depreciation on portfolio securities is recorded to cover unrealised capital losses.

Allocations to and reversals of impairment as well as any capital gains or losses realised on the disposal of these securities, including any profit or loss generated when tendering these securities to public share exchange offers, are recognised under *Net income from long-term investments.*.

(In EUR m)	31.12.2018	31.12.2017
Assets impairment:		
Banks	24	24
Customer loans	2,963	3,287
Other	142	82
Sub-total(1)	**3,129**	**3,393**
Impairment on securities(2)	7,768	7,682
TOTAL IMPAIRMENT	**10,897**	**11,075**

(1) Of which depreciation for non-performing loans: EUR 2,273 million.
(2) Except Treasury stock.

The change of impairment (excluding securities) breaks down as follows:

(In EUR m)	Amount at 31.12.2017	Net allocations		Used reversals	Change and reclassifying	Amount at 31.12.2018
		Net cost of risk	Other income statement			
Assets' impairment	**3,393**	**303**	**55**	**(642)**	**20**	**3,129**

NOTE 2.6.1.2 PROVISIONS

ACCOUNTING PRINCIPLES

Provisions include:

- provisions for off-balance sheet commitments (relative to commitments granted);
- collective provisions for credit risk.

PROVISIONS FOR OFF-BALANCE SHEET COMMITMENTS (PROVISIONS FOR OFF-BALANCE SHEET GUARANTEES)

Provisions for off-balance sheet commitments represent the Societe Generale's potential losses incurred following the identification of an identified credit risk on an off-balance sheet financing or guarantee commitment that would not be considered as a derivative instrument or designated as financial asset through profit or loss.

COLLECTIVE PROVISIONS FOR CREDIT RISK (LINKED TO DOWNGRADED COMMITMENTS AND LOANS)

In a homogenous portfolio, as soon as a significant deterioration in credit risk is identified on a group of financial instruments, a provision is recognized without waiting for the risk to individually affect one or more receivables.

The provision is calculated for the amount of credit losses that Societe Generale expects to incur over the life of the exposures (lifetime expected credit loss), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity. Accordingly, the amount of impairment equals to the present value of the expected credit losses, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring through to maturity.

Comments relative to the identification of the downgrading of credit risk:

To identify the exposures under collective provision, Societe Generale determines whether or not there is a significant increase of credit risk based on available historical and prospective information (behaviour scoring, credit ratings, loan to value indicators, macroeconomics scenarios, etc.).

The assessment of changes in credit risk takes account of the following criteria:

- 1st criteria: changes in the counterpart's credit rating as well as a change in operating sector, macroeconomic conditions and the behaviours of the counterpart that may, above and beyond the review of the credit rating, may be a sign of deteriorating credit risk;
- 2nd criteria: changes in the counterpart's credit rating, from contract to contract from the date of first recognition to the balance sheet date;
- 3rd criteria: the existence of amounts past due of more than 30 days.

Once any one of these criteria is met, the relative contract is impaired as described before.

(In EUR m)	Amount at 31.12.2017	Net allocations per net cost of risk	Change and reclassifying	Amount at 31.12.2018
Provisions for off-balance sheet commitments to banks	2	(2)		-
Provisions for off-balance sheet commitments to customers	205	(51)	5	159
Collective provisions for credit risks	825	(285)	4	544
TOTAL	**1,032**	**(338)**	**9**	**703**

PROVISIONS FOR OFF-BALANCE SHEET COMMITMENTS

Provisions for off-balance sheet commitments represent Societe Generale's probable losses incurred following the identification of a proven credit risk on an off-balance sheet financing or guarantee commitment that would not be considered as a derivative instrument or designated as financial asset through profit and loss.

NOTE 2.6.1.3 COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS/PLANS (CEL/PEL)

ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

OUTSTANDING DEPOSITS IN MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EUR m)	31.12.2018	31.12.2017
Mortgage savings plans (PEL)		
less than 4 years old	2,752	4,818
between 4 and 10 years old	9,043	7,237
more than 10 years old	4,545	4,485
SUB-TOTAL	**16,340**	**16,540**
Mortgage savings accounts (CEL)	1,076	1,119
TOTAL	**17,416**	**17,659**

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EUR m)	31.12.2018	31.12.2017
less than 4 years old	1	3
between 4 and 10 years old	22	40
more than 10 years old	10	6
TOTAL	**33**	**49**

PROVISIONS FOR COMMITMENTS LINKED TO MORTGAGE SAVINGS AGREEMENTS (PEL/CEL)

(In EUR m)	31.12.2017	Allocations	Reversals	31.12.2018
Mortgage savings plans (PEL)				
less than 4 years old	15	-	(14)	1
between 4 and 10 years old	28	-	(8)	20
more than 10 years old	122	-	(4)	118
SUB-TOTAL	**165**	**-**	**(26)**	**139**
Mortgage savings accounts (CEL)	4	6	-	10
TOTAL	**169**	**6**	**(26)**	**149**

The level of provisions is sensitive to the long-term interest rates. Since the long-term rates were low during 2018, the provisions for PEL and CEL mortgage saving accounts are linked to the risks attached to the commitment to remunerate the deposits. Provisioning for PEL/CEL savings amounted to 0.85% of total outstandings as at 31st December 2018.

METHODS USED TO ESTABLISH THE PARAMETERS FOR VALUING PROVISIONS

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

The values of the various market parameters used, notably interest rates and margins, are calculated on the basis of observable data and constitute a best estimate, at the date of valuation, of the future value of These items for the periods in question, in line with the Retail Banking Division's policy of interest rate risk management.

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

NOTE 2.6.1.4 COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk includes allocations, net of reversals, to provisions and to impairments for credit risk, the amount of the loan considered uncollectable and the amount of recoveries on loans written off.

(In EUR m)	2018	2017
Identified risks	36	(177)
Losses not covered by impairment and amounts recovered on write-offs	(105)	(84)
Other risks and litigations[1]	-	(404)
Net allocation to impairment and provisions for receivables and off-balance commitments	**(69)**	**(665)**
Including gain (loss) on revaluation of currency hedge of provisions:		
Counterparty risk	*(21)*	*(63)*

(1) In 2018, the movements of provisions for litigations are reported in different operating margins according to the accounting classification of the estimated risk.

NOTE 2.6.2 PROVISIONS FOR FORWARD FINANCIAL INSTRUMENTS

ACCOUNTING PRINCIPLES

Provisions on forward financial instruments are related to unrealized losses calculated on homogeneous sets of forward financial contracts recognized in balance sheet as isolated open positions

They are determined as the difference between the market value estimated at balance sheet closing date and determined at previous balance sheet closing date.

They are recognised in balance sheet as provisions for probable risks and expenses. The changes in provisions thus calculated are recorded in net income under *Net income from the trading portfolio*.

(In EUR M)	Amount at 31.12.2017	Net Allocations	Used reversals	Change and reclassifying	Amount at 31.12.2018
Provisions for forwards Financial instruments	9,685	887	-	73	10,646

NOTE 3 OTHER ACTIVITIES

NOTE 3.1 Net fees for services

ACCOUNTING PRINCIPLES

Societe Generale recognises fee income and expense for services provided and received in different ways depending on the type of service.

Fees for ongoing services, such as some payment services, custody fees, or web-service subscriptions are recorded as income over the lifetime of the service. Fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties following payment incidents are recognised in income when the service is provided.

In syndication deals, the effective interest rate for the share of the issue retained on Societe Generale's balance sheet is comparable to that applying to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees is recorded in the income statement at the end of the syndication period. Arrangement fees are recorded in income when the placement is legally complete.

	2018			2017		
(In EUR m)	Incomes	Expenses	Net	Incomes	Expenses	Net
Transactions with banks	81	(92)	(11)	74	(92)	(18)
Transactions with customers	1,478	(35)	1,443	1,359		1,359
Securities transactions	457	(831)	(374)	507	(771)	(264)
Primary market transactions	44	-	44	112	-	112
Foreign exchange transactions and forward financial instruments	85	(283)	(198)	68	(269)	(201)
Loan and guarantee commitments	657	(174)	483	662	(71)	591
Services	1,484	-	1,484	1,383	-	1,383
Other	-	(112)	(112)	-	(156)	(156)
NET TOTAL	**4,286**	**(1,527)**	**2,759**	**4,165**	**(1,359)**	**2,806**

NOTE 3.2 Accruals, other assets and liabilities

NOTE 3.2.1 ACCRUALS, OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS

(In EUR m)	31.12.2018	31.12.2017
Other assets		
Guarantee deposits paid[1]	30,784	27,560
Miscellaneous receivables	3,220	2,253
Premiums on options purchased	53,060	57,497
Settlement accounts on securities transactions	3,144	3,195
Other	626	461
SUB-TOTAL	**90,834**	**90,966**
Accruals and similar		
Prepaid expenses	402	359
Deferred taxes	4,113	4,032
Accrued income	2,190	1,761
Other[2]	48,702	42,319
SUB-TOTAL	**55,407**	**48,471**
GROSS AMOUNT	**146,241**	**139,437**
Depreciations	(142)	(82)
NET TOTAL	**146,099**	**139,355**

(1) Mainly relates to guarantee deposits paid on financial instruments.
(2) Including derivative instruments valuation for EUR 38,391 million (EUR 34,709 million at 31st December 2017).

NOTE 3.2.2 ACCRUALS, OTHER ACCOUNTS PAYABLE AND OTHER LIABILITIES

(In EUR m)	31.12.2018	31.12.2017
Securities transactions		
Amounts payable for securities borrowed	190,147	149,444
Other amounts due for securities	55,824	42,387
SUB-TOTAL	**245,971**	**191,831**
Other liabilities		
Guarantee deposits received[1]	23,440	21,550
Miscellaneous payables	531	444
Premiums on options sold	57,532	61,352
Settlement accounts on securities transactions	3,509	3,856
Other securities transactions	-	530
Related payables	199	192
SUB-TOTAL	**85,211**	**87,924**
Accruals and similar		
Accrued expenses	3,799	3,054
Deferred taxes	1	6
Deferred income	1,340	1,465
Other[2]	17,974	34,213
SUB-TOTAL	**23,114**	**38,738**
TOTAL	**354,296**	**318,493**

(1) Mainly relates to guarantee deposits received on financial instruments.
(2) Including derivative instruments valuation for EUR 6,313 million (EUR 22,033 million at 31st December 2017).

NOTE 4 EXPENSES AND EMPLOYEE BENEFITS

NOTE 4.1 Personnel expenses and remuneration of members of the Board of Directors and Chief Executive Officers

ACCOUNTING PRINCIPLES

The *Personnel expenses* account includes all expenses related to personnel, notably the cost of the legal employee profit-sharing, income related to CICE (Tax Credit for Competitiveness and Employment) and incentive plans for the year, as well as the cost of internal restructuring operations.

Employee benefits are divided into four categories:

- short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled within twelve months of the end of the annual reporting period in which the employees render the related service, such as fixed and variable compensation, annual leave, taxes and social security contributions, mandatory employer contributions and profit-sharing;
- post-employment benefits, including defined contributions plans and defined benefit plans such as pension plans and retirement benefits;
- long-term employee benefits are employee benefits that are not expected to be fully settled within twelwe months those such deferred remuneration paid in cash and not indexed (long service awards and time saving accounts);
- termination benefits.

Short-term employee benefits are recorded under *Personnel expenses* during the period according to the services provided by the employee.

The accounting principles relating to post-employment benefits and long-term benefits are described in Note 4.2; those related to share-based payments are described in Note 4.3.

NOTE 4.1.1 PERSONNEL EXPENSES

(In EUR m)	2018	2017
Employee compensation	3,385	3,633
Social security benefits and payroll taxes	1,300	1,483
Employer contribution, profit sharing and incentives	223	191
TOTAL	**4,908**	**5,307**
Average staff	**46,942**	**46,804**
In France	42,014	41,160
Outside France	4,928	5,644

Analysis of personnel expenses for the last five years:

(In EUR m)	2018	2017	2016	2015	2014
Societe Generale					
Profit sharing	11	11	13	15	12
Incentives	150	136	99	79	90
Employer contribution	62	44	49	43	44
SUB-TOTAL	**223**	**191**	**161**	**137**	**146**
Subsidiaries					**2**
TOTAL	**223**	**191**	**161**	**137**	**148**

NOTE 4.1.2 REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICERS

Total attendance fees paid in 2018 to the Company's Directors amounted to EUR 1.7 million.

The remuneration paid in 2018 to the senior management (Chairman of the Board, the Chief Executive Officer and his four deputies) amounted to EUR 14.8 million (including EUR 5.4 million of variable pay paid in cash or in shares for 2014 to 2017 fiscal years and EUR 3.4 million of long term incentives for the 2012 fiscal year).

NOTE 4.2 Employee benefits

Societe Generale, in France and its branches in foreign countries, may award their employees:

- post-employment benefits, such as pension plans or retirement benefits;
- long-term benefits such as deferred variable remuneration, long service awards or the time service account (*Compte épargne temps (CET)*);
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS:

(In EUR m)	Amount at 31.12.2017	Net allocations[1]	Used reversals	Change and reclassifying	Amount at 31.12.2018
Provisions for employee benefits	1,759	805	(593)	45	2,016

(1) Net allocations include an allocation of EUR 554 million related to the change of hedging strategies for French benefits plans in November 2018 (cf. Note 4.2.1.2) and a decrease of liabilities in December 2018 according to the revision of some employee benefits in France.

NOTE 4.2.1 POST-EMPLOYMENT BENEFITS

ACCOUNTING PRINCIPLES

Pension plans may be defined contribution or defined benefit plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans are those that limit Societe Generale's liability to the subscriptions paid into the plan but do not commit the company to a specific level of future benefits. Contributions paid are recorded as an expense for the current year.

DEFINED BENEFIT PLANS

Defined benefit plans commit Societe Generale, either formally or constructively, to pay a certain amount or level of future benefits and therefore bear the medium- or long-term risk. The present value of defined benefit obligations is valued by independent qualified actuaries.

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

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

Funding assets are classified as plan assets if assets are held by an entity (a fund) that is legally separate from the reporting entity and are available to be used only to pay employee benefits

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

When these plans are financed from funds not classified as plan assets, these funds, classified as separate assets, are displayed separately in the assets of the balance sheet.

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance (return on plan assets) are recognised as actuarial gains or losses. They are recorded immediately and in full in the income statement

Where a new or amended plan comes into force the cost of past services is recorded immediately and in full in the income statement. An annual charge is recorded under *Personnel expenses* for defined benefit plans, consisting of:

- the additional entitlements vested by each employee (current service cost);
- the financial expense resulting from the discount rate;
- the expected return on plan assets (gross return);
- the actuarial gains and losses and past service cost ;
- the settlement or curtailment of plans.

DEFINED CONTRIBUTION PLANS

Main defined contribution plans provided to employees of the Group are located in France. They include state pension plans and other national pension plan such as AGIRC-ARRCO, as well as pension schemes put in place by some branches of the Societe Generale for which the only commitment is to pay annual contributions (PERCO).

POST-EMPLOYMENT BENEFIT PLANS (DEFINED BENEFIT PLANS)

Pension plans include pension benefit as annuities and end of career payments. Pension benefit annuities are paid in addition to pensions state plans.

NOTE 4.2.1.1 RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

(In EUR m)	31.12.2018	31.12.2017
Net liabilities recorded in the balance sheet	1,194	874
Assets recorded in the balance sheet	(952)	(469)
Net balance	**242**	**405**
Breakdown of the net balance		
Present value of funded defined benefit obligations	2,139	2,459
Fair value of plan assets	(2,012)	(2,182)
A - Actuarial deficit (net balance)	**127**	**277**
B - Present value of unfunded defined benefit obligations	**115**	**120**
Unrecognised items		
Plan assets impacted by change in asset celling	-	(8)
C - Total unrecognised items	**-**	**(8)**
A + B - C Net balance	**242**	**405**

(1) This item includes excess in plan assets for EUR 51 million and separate assets for EUR 902 million as of 31st December 2018 against EUR 397 million as of 31st December 2017 (see Note 4.2.1 §1.2).

NOTE 4.2.1.2 INFORMATION REGARDING PLAN ASSETS

Funding assets include plan assets and separate assets.

The breakdown of the fair value of plan assets is as follows: 67% bonds, 26% equities and 7% other investments. Societe Generale's own financial instruments directly held are not significant.

Excess in funding assets are EUR 119 million.

Employer contributions to be paid to post-employment defined benefit plans for 2019 are estimated at EUR 3 million.

In France, plan hedging strategies of some defined benefit plans has been modified in November 2018, implying a requalification of some plan assets into separate assets. The result is an increase of the liabilities of EUR 554 million and the recognition of a separate assets for the same amount. At the transfer date, the impact of this change is nil in profit or loss.

NOTE 4.2.1.3 MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

(In percentage)	31.12.2018	31.12.2017
Discount rate		
Europe	1.96%	1.77%
Americas	4.29%	3.50%
Asia-Oceania-Africa	4.10%	3.36%
Long-term inflation		
Europe	2.06%	2.17%
Asia-Oceania-Africa	2.00%	2.00%
Future salary increase net of inflation		
Europe	0.45%	0.54%
Asia-Oceania-Africa	3.19%	3.06%
Average remaining working lifetime of employees (in years)		
Europe	7.44	8.83
Americas	7.85	8.25
Asia-Oceania-Africa	11.18	12.77
Duration (in years)		
Europe	15.14	16.10
Americas	15.59	17.53
Asia-Oceania-Africa	11.01	10.81

The assumptions by geographical area are averages weighted by the present value of the Defined Benefit Obligation (DBO) with the exception of the expected returns on plan assets, which are averages weighted by the fair value of assets.

The yield curves used to discount the liabilities are corporate AA yield curves (source: Merrill Lynch) observed in the end of October for USD, GBP and EUR, and corrected at the end of December if the variation in discount rates had a significant impact.

Inflation rates used for EUR and GBP monetary areas are market rates observed in the end of October, and corrected at the end of December if the variation had a significant impact. Inflation rates used for the other monetary areas are the long-term targets of the central banks.

The average remaining working lifetime of employees is calculated taking into account turn over assumptions.

The assumptions described above have been applied on post employment benefit plans.

NOTE 4.2.2 OTHER LONG-TERM BENEFITS

ACCOUNTING PRINCIPLES

Long-term employee benefits are benefits other than post-employment and termination benefits, that are paid to employees more than twelve months after the end of the annual period in which they provided the related services. Long-term benefits are measured in the same way as post-employment benefits.

Societe Generale may award their employees long-term benefits, like long-term deferred variable remunerations, time saving accounts (*Compte Épargne Temps*) or long service awards. They are different from post-employment benefits and termination benefits, which are not fully due within twelve months following the financial year during which the services are rendered by the employees.

The amount of net balance of long-term benefits stands at EUR 553 million.

The total cost of long-term benefits is EUR 110 million.

NOTE 4.3 Free share plans

ACCOUNTING PRINCIPLES

In the case of share purchase options and free shares plans granted to employees, a provision must be recorded for the loss that the entity will incur when it will deliver treasury shares to the employees.

This provision is recorded under *Personnel expenses* for an amount equal to the difference:

- between the quoted price of the treasury shares at the balance sheet closing date and the exercise price (zero in the case of free shares) if the entity has not already purchased its treasury shares in order to give them to the employees;
- between the acquisition price of treasury shares held and the exercise price (zero in case of free shares) if the entity has already purchased its treasury shares in order to deliver them to the employees.

If vesting conditions such as service or performance conditions must be satisfied for the employees to become entitled to receive shares, the provision expense shall be accounted for the services as they are rendered by the employees during the vesting period.

In the case of share subscription plans, no expense shall be recorded concerning treasury shares that have to be issued.

NOTE 4.3.1 MAIN CHARACTERISTICS OF THE FREE SHARE PLANS OF THE YEAR

The plans for employees for the year ended 31st December 2018 are briefly described below:

Issuer	Societe Generale
Year of grant	**2018**
Type of plan	**Performance shares**
Number of free shares granted	1,319,346
Shares delivered	64
Shares forfeited as at 31.12.18	65,257
Shares outstanding as at 31.12.18	1,254,025
Number of shares reserved as at 31.12.18	1,254,025

The performance conditions are described in the "Corporate Governance" section of the present document.

NOTE 4.3.2 AMOUNT OF THE DEBT RECORDED IN THE BALANCE SHEET FOR 2018 PLANS

The amount of the debt recorded in the balance sheet for the 2018 plans is EUR 20 million.

NOTE 4.3.3 INFORMATION RELATIVE TO TREASURY SHARES FOR 2018 PLANS

The number of treasury shares acquired in relation to the 2018 plans is 1,254,025 for a cost of EUR 50 million.

NOTE 5 TAXES

ACCOUNTING PRINCIPLES

Current taxes

In the 1989 financial year, Societe Generale opted to apply a tax consolidation regime. At 31st December 2018, 243 subsidiaries had signed a tax consolidation agreement with Societe Generale. Accordingly, all of the tax consolidated companies must record in their financial statements the tax expense they would have paid if they had not been consolidated with Societe Generale for tax purposes.

Deferred taxes

Societe Generale applies the option allowing it to recognise deferred taxes in its annual financial statements.

Deferred taxes are recognised whenever Societe Generale identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities. They are calculated using the liability method, whereby deferred taxes from previous years are adjusted to account for changes in tax rates. The impact of changes to tax rates is recorded in the income statement under deferred taxes. Net deferred tax assets are recorded only if the entity concerned is likely to recover these assets within a set timeframe.

Deferred taxes are determined separately for each taxable entity and are never discounted to present value.

NOTE 5.1 Income tax

(In EUR m)	2018	2017
Current taxes	565	336
Deferred taxes	51	(227)
TOTAL[1]	**616**	**109**

(1) 2018 income tax includes a gain of EUR 56 million (against a loss of EUR 7.4 million for 2017). The 2017 loss was primarily related to the deneutralization resulting from the exit of the tax group from Ald entities.

In France, the standard corporate income tax rate is 33.33%. It is supplemented by a national contribution payment based on pre-tax earnings (contribution sociale) introduced in 2000 equal to 3.3% (after a deduction of EUR 0.76 million from basic taxable income).

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

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

The 2018 French Finance Act, adopted on 21st December 2017, includes a gradual reduction in French tax rate. Until 2022, the standard Corporate Income Tax of 33.33% will be decreased to 25%, plus the existing national contribution of 3.3%.

Deferred taxes in French companies are determined by applying the tax rate in force at the reversal of the temporary difference. Regarding the gradual reduction in French tax rate until 2022:

- for income taxed at the ordinary tax rate, the rate is between 34.43% in 2018 and 25.83% from 2022 (including the national contribution payment);
- for income taxed at reduced rate, the rate is between 4.13% in 2018 and 3.10% from 2022 (including the national contribution payment).

NOTE 5.2 Provisions for tax adjustments

ACCOUNTING PRINCIPLES

Provisions represent liabilities whose timing or amount cannot be precisely determined.

Provisions may be recorded:

- where, by virtue of a an obligation related to the corporate income tax towards a tax authority, Societe Generale will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange; and
- when the amount of probable outflow of resources can be reliably estimated.

The probable outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions for tax adjustments are booked to current taxes in the income statement under *Income tax*.

Information on the nature and the amount of the associated risks is not disclosed when Societe Generale considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

(In EUR m)	Amount at 31.12.2017	Net allocations	Used reversals	Change and reclassifying	Amount at 31.12.2018
Provisions for tax adjustments	**110**	**34**	**(75)**		**69**

NOTE 5.3 Deffered taxes

(In EUR m)	31.12.2018	31.12.2017
Tax loss carryforwards	2,815	2,889
Gains on sales of assets to companies included in the tax consolidation, in France	(159)	(155)
Other (primarily relating to other reserves)	1,457	1,299
TOTAL	**4,113**	**4,033**

Each year, Societe Generale performs a review of tax loss carryforwards, according to the tax system applicable for each relevant tax entity and a realistic forecast of its tax results. For this purpose, tax results are determined based on the forecast of the performance of each business line entering in Societe Generale budgetary path and/or on the strategic review of entities, after being approved by empowered management bodies. In addition, they include accounting and tax adjustments (of which the reversal of deferred tax assets and liabilities on temporary differences) applicable to concerned entities and jurisdictions. These adjustments are determined based on historical tax results and on the tax expertise. Beyond Societe Generale budgetary path and/or the strategic review, extrapolations are performed particularly from macroeconomic assumptions (for example, the evolution of interest rates).

By nature, the appreciation of macroeconomic factors chosen, and the internal estimations used to determine the tax results contain risks and uncertainties on their realization over the estimated horizon of the losses absorption. These risks and uncertainties concern the possibilities of change of tax rules applicable (tax result computation as well as rules of imputation of tax losses carried forward) or the achievement of the strategic assumptions.

To ensure the robustness of the tax result projections, Societe Generale realizes sensitivity analysis on the achievement of budgetary and strategic assumptions.

At 31st December 2018, these analyses confirm the probability for Societe Generale to use tax loss carryforwards subject to deferred tax assets against future taxable profit.

NOTE 5.4 Deferred tax assets recognised on tax loss carryforwards

At 31st December 2018, based on the tax system of each franchise and a realistic projection of their tax income or expense, the projected period for deferred tax asset recovery is indicated in the table below:

(In EUR m)	31.12.2018	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets recognised to tax loss carryforwards	2,815	0	0
o.w. French tax group	*2,327*	*unlimited[(1)]*	*10 years*
o.w.US tax group	*461*	*20 years[(2)]*	*7 years*
others	28	0	0

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

(2) Tax losses generated before 31.12.2017

Furthermore, at 31st December 2018, deferred tax assets not recognised on the asset side of the balance sheet concerned our franchises in the United States of America, for EUR 497 million (versus EUR 266 million at 31st December 2017) and in Singapore for EUR 29 million (versus EUR 27 million at 31st December 2017).

With regards to the tax treatment of the loss caused by the actions of Jérôme Kerviel, Societe Generale considers that the judgement of the Versailles Court of Appeal of 23rd September 2016 is not likely to call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers there is no need to provision the corresponding deferred tax assets.

However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and confirmed that they intended to call into question the deductibility of the loss caused by the actions of Jérôme Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by a tax adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale will not fail to assert its rights before the competent courts.

NOTE 6 SHAREHOLDER'S EQUITY

NOTE 6.1 Changes in shareholders' equity

(In EUR m)	Capital Stock	Additional paid-in-capital	Reserves, unappropriated retained earnings	Shareholders' equity
At 31st December 2016	**1,010**	**20,429**	**14,437**	**35,876**
Increase/Decrease in capital stock(1)	-	8	-	8
Net income for the period	-	-	800	800
Dividends paid(2)	-	-	(1,763)	(1,763)
Other movements(3)	-	7	-	7
At 31st December 2017	**1,010**	**20,444**	**13,474**	**34,928**
Increase in capital stock	-	-	-	-
Net income for the period	-	-	1,725	1,725
Dividends paid(5)	-	-	(1,764)	(1,764)
Other movements(6)	-	158	-	158
At 31st December 2018(7)	**1,010**	**20,602**	**13,435**	**35,047**

(1) In 2017 Societe Generale proceeded with the following capital increase, representing EUR 0.26 million resulting from stock options granted by the Board of Directors, that were exercised by employees with EUR 8.16 million of issuing premiums.

(2) The dividends distribution performed by Societe Generale in 2017 amounted to EUR 1,763 million after elimination of treasury stock dividend for EUR 15.1 million.

(3) EUR 6.35 million related to the merger profit further to the takeover of Eléapart.

(4) At 31st December 2017, Societe Generale's fully paid-up capital amounted to EUR 1,009,897,173.75 and comprised 807,917,739 shares with a nominal value of EUR 1.25.

At 31st December 2017, the amount of Societe Generale's reserves was EUR 3,632,905,672.87 with:

– EUR 100.96 million for the legal reserve

– EUR 2,097.25 million for the long-term capital gain reserve

– EUR 1,434.69 million for other reserves.

(5) The dividends distribution performed by Societe Generale in 2018 amounted to EUR 1,764 million after elimination of treasury stock dividend for EUR 13.4 million.

(6) EUR 158.34 million related to the merger profit further to the takeover of Soginfo.

(7) At 31st December 2018, Societe Generale's fully paid-up capital amounted to EUR 1,009,897,173.75 and comprised 807,917,739 shares with a nominal value of EUR 1.25.

At 31st December 2018, the amount of Societe Generale's reserves was EUR 3,632,931,198.50 with:

– EUR 101.99 million for legal reserve.

– EUR 2,097.25 million long term capital gain reserve.

– EUR 1,434.69 million for other reserve.

NOTE 6.2 Proposal of income assignment

At the Annual General Meeting of 21rd May 2019, the Board of Directors will propose an allocation of income for the year ended 31st December 2018 and dividend distribution under the following terms:

(In EUR m)	
Net income	1,725
Unappropriated retained earnings	8,077
TOTAL INCOME TO BE APPROPRIATED	**9,802**
Dividend	1,777
Retained earnings	8,025
TOTAL APPROPRIATED INCOME	**9,802**

The dividend corresponds to EUR 2.20 per share with a par value of EUR 1.25.

The amount of dividend of EUR 1,777 million to be paid to shareholders is calculated on the basis of an existing number of shares on 31st December 2018. It will be proposed to offer of each shareholder the opportunity to opt of payment in new shares of the company, of the dividend to which he is entitled.

NOTE 6.3 Net earnings per shares

(In EUR m)	31.12.2018	31.12.2017
Net income attributable to ordinary shareholders	**1,725**	**800**
Weighted average number of ordinary shares outstanding	801,909,473	800,596,132
Earnings per ordinary share (in EUR)	**2.15**	**1.00**
Average number of ordinary shares used in the dilution calculation[1]	-	50
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	801,909,473	800,596,182
Diluted earnings per ordinary share (in EUR)	2.15	1.00

(1) The number of shares used in the dilution calculation is computed using the "share buy-back" method and takes into account free shares in stock-option plans.

NOTE 6.4 Subordinated debt

ACCOUNTING PRINCIPLES

This item includes all dated or undated borrowings, whether or not in the form of securitised debt, which in the event of the liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Interest accrued and payable in respect of long-term subordinated debt, if any, is recorded as related payables and as an expense in the income statement.

Issuance date	Currency	Amount issued	Maturity date	31.12.2018	31.12.2017
Undated subordinated capital notes					
1st July 1985	EUR	348	Undated	62	62
24th November 1986	USD	500	Undated	216	207
16th June 2008	GBP	700	Undated	-	570
7th July 2008	EUR	100	Undated	-	100
4th September 2009	EUR	1,000	Undated	1,000	1,000
6th September 2013	USD	1,250	Undated	-	1,042
18th December 2013	USD	1,750	Undated	1,528	1,459
7th April 2014	EUR	1,000	Undated	1,000	1,000
25th June 2014	USD	1,500	Undated	1,310	1,251
29th September 2015	USD	1,250	Undated	1,092	1,042
13th September 2016	USD	1,500	Undated	1,310	1,251
6th April 2018	USD	1,250	Undated	1,092	-
4th October 2018	USD	1,250	Undated	1,092	-
SUB-TOTAL[1]				**9,702**	**8,984**
Subordinated long-term debts and notes					
21st July 2000	EUR	78	31st July 2030	12	14
30th January 2003	GBP	450	30th January 2018	-	142
29th December 2003	GBP	150	30th January 2018	-	169
16th August 2005	EUR	226	18th August 2025	216	216
15th May 2006	EUR	135	15th May 2018	-	125
26th October 2006	EUR	120	26th October 2018	-	111
9th February 2007	EUR	124	11th February 2019	116	116
16th July 2007	EUR	135	16th July 2019	130	130
30th October 2007	EUR	134	30th October 2019	129	129
14th February 2008	EUR	225	14th February 2018	-	225
26th March 2008	EUR	550	26th March 2018	-	331
7th April 2008	EUR	250	6th April 2023	155	155
15th April 2008	EUR	321	15th April 2023	321	321
28th April 2008	EUR	50	6th April 2023	50	50
14th May 2008	EUR	90	6th April 2023	90	90
14th May 2008	EUR	50	6th April 2023	50	50
14th May 2008	EUR	150	6th April 2023	150	150
30th May 2008	EUR	79	15th April 2023	79	79

Issuance date	Currency	Amount issued	Maturity date	31.12.2018	31.12.2017
10th June 2008	EUR	300	12th June 2023	260	260
30th June 2008	EUR	40	30th June 2023	40	40
20th August 2008	EUR	1,000	20th August 2018	-	778
7th June 2013	EUR	1,000	7th June 2023	1,000	1,000
17th January 2014	USD	1,000	17th January 2024	873	834
16th September 2014	EUR	1,000	16th September 2026	1,000	1,000
27th February 2015	EUR	1,250	27th February 2025	1,250	1,250
14th April 2015	USD	1,500	14th April 2025	1,310	1,251
15th April 2015	EUR	150	7th April 2025	150	150
2nd June 2015	AUD	125	2nd June 2022	77	81
3rd June 2015	CNH	1,200	3rd June 2025	152	154
10th June 2015	AUD	50	10th June 2025	31	33
12th June 2015	JPY	27,800	12th June 2025	221	206
12th June 2015	JPY	13,300	12th June 2025	106	99
12th June 2015	JPY	2,500	12th June 2025	20	19
22th July 2015	USD	50	23rd July 2035	44	42
30th September 2015	JPY	20,000	30th September 2025	159	148
21st October 2015	EUR	70	21st October 2026	70	70
24th November 2015	USD	500	24th November 2045	437	417
24th November 2015	USD	1,000	24th November 2025	873	834
19th May 2016	SGD	425	19th May 2026	273	265
3rd June 2016	JPY	15,000	3rd June 2026	119	111
3rd June 2016	JPY	27,700	3rd June 2026	220	205
27th June 2016	USD	500	26th June 2036	437	417
20th July 2016	AUD	325	20th July 2028	200	212
19th August 2016	USD	1,000	19th August 2026	873	834
13th October 2016	AUD	150	13th October 2026	92	98
16th December 2016	JPY	10,000	16th December 2026	79	74
24th January 2017	AUD	200	24th January 2029	123	130
19th May 2017	AUD	500	19th May 2027	308	326
23rd June 2017	JPY	5,000	23rd June 2027	40	37
18th July 2017	JPY	5,000	27th July 2027	40	37
18th July 2017	AUD	150	19th May 2027	92	98
23rd February 2018	EUR	1,000	23rd February 2028	1,000	-
7th March 2018	JPY	6,500	7th March 2028	52	-
13th April 2018	JPY	6,500	13th April 2028	52	-
17th April 2018	JPY	6,500	17th April 2028	52	-
24th October 2018	JPY	13,100	24th October 2028	104	-
SUB-TOTAL(1)				**13,727**	**14,110**
Related payables				378	414
TOTAL(2)(3)				**23,807**	**23,508**

(1) The Board of Directors may decide to defer payouts on undated subordinated notes in full or in part in the event that the Ordinary General Meeting called to approve the parent company financial statements has decided not to pay any dividends.
Societe Generale has issued EUR 348 million in undated subordinated notes with warrants for the acquisition of preferential investment certificates attached, all of which are eligible for dividends on income earned from 1st July 1985. These certificates shall only be redeemed in the event of the liquidation of the company and once all unsubordinated debt has been reimbursed in full.
The other securities and borrowings have an early redemption clause as of their tenth year which may only be exercised by Societe Generale.

(2) The bank's global subordinated debt expense, net of tax and of the repurchase impact, amounted to EUR 1,266 million in 2018 (compared with EUR 1,342 million in 2017).

(3) Including debt related to subsidiaries EUR 160 million at 31st December 2018 (85 million at 31st December 2017).

NOTE 7 OTHER INFORMATION

NOTE 7.1 Geographical breakdown of net banking income[1]

(In EUR m)	France		Europe		Americas	
	2018	2017	2018	2017	2018	2017
Net interest and similar income[2]	2,437	1,135	643	480	95	24
Net fee income	2,194	2,241	370	398	117	117
Net income from financial transactions	3,436	4,821	624	1,005	85	188
Other net operating income	(120)	(977)	168	22	7	(5)
NET BANKING INCOME	**7,947**	**7,220**	**1,805**	**1,905**	**304**	**324**

(In EUR m)	Asia		Africa		Total	
	2018	2017	2018	2017	2018	2017
Net interest and similar income[2]	76	88	10	8	3,261	1,735
Net fee income	73	45	5	5	2,759	2,806
Net income from financial transactions	392	345	-	-	4,537	6,359
Other net operating income	(3)	(1)	-		52	(961)
NET BANKING INCOME	**538**	**477**	**15**	**13**	**10,609**	**9,939**

(1) Geographical regions in which companies recording income is located.
(2) Including Dividend income and Net income from lease financing and similar agreements.

NOTE 7.2 Tangible and intangible fixed assets

ACCOUNTING PRINCIPLES

Premises, equipment and other fixed assets are carried at their purchase price on the assets side of the balance sheet. Borrowing expenses incurred to fund a lengthy construction period for fixed assets are included in the acquisition cost, along with other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets.

Software developed internally is recorded on the asset side of the balance sheet at the amount of the direct cost of development, which includes external expenditure on hardware and services and personnel expenses which can be attributed directly to its production and preparation for use.

As soon as they are fit for use, fixed assets are amortised over their useful life. Any residual value of the asset is deducted from its depreciable amount.

Amortisation is recorded through the income statement under *Impairment and amortisation.*

Where one or several components of a fixed asset are used for different purposes or to generate economic benefits over a different time period from the asset considered as a whole, these components are amortised over their own useful life, through the income statement under *Depreciation and amortisation*.

Societe Generale has applied this approach to its operating property, breaking down its assets into the following minimum components with their corresponding amortisation periods:

Depreciation periods for fixed assets other than buildings depend on their useful life, usually estimated in the following ranges:

Infrastructure	Major structures	50 years
	Doors and windows, roofing	20 years
	Façades	30 years
Technical installations	Elevators	
	Electrical installations	
	Electricity generators	
	Air conditioning, extractors	
	Technical wiring	10-30 years
	Security and surveillance installations	
	Plumbing	
	Fire safety equipment	
Fixtures and fittings	Finishings, surroundings	10 years

Depreciation periods for fixed assets other than buildings depend on their useful life, usually estimated in the following ranges:

Plant and equipement	5 years
Transport	4 years
Furniture	10-20 years
Office equipment	5-10 years
IT equipment	3-5 years
Software, developed or acquired	3-5 years
Concessions, patents, licences, etc	5-20 years

NOTE 7.2.1 CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In EUR m)	Gross book value 31.12.2017	Acquisitions	Disposals	Other movements	Gross book value at 31.12.2018	Accumulated impairment and amortisation 2018.12	Net book value 31.12.2018
Operating assets							
Intangible assets	3,391	433	(5)	(1)	3,818	(2,449)	1,369
Tangible assets	2,677	234	(142)	492	3,261	(2,036)	1,225
Non-operating assets							
Tangible assets	10	-	-	-	10	(8)	2
TOTAL	**6,078**	**667**	**(147)**	**491**	**7,089**	**(4,493)**	**2,596**

NOTE 7.2.2 NET INCOME FROM LONG-TERM INVESTMENTS

ACCOUNTING PRINCIPLES

This item covers capital gains or losses realised on disposals, as well as the net allocation to impairment in operating fixed assets. Income from non-operating assets is recorded under *net banking income*.

(In EUR m)	31.12.2018	31.12.2017
Operating fixed assets:		
Gains on disposals	65	8
Losses on disposals	(2)	-
TOTAL	**63**	**8**

NOTE 7.3 Provisions

ACCOUNTING PRINCIPLES

Under balance sheet liabilities, *Provisions* are comprised of provisions for financial instruments (off-balance sheet commitments and loans), provisions for mortgage savings accounts/plans (CEL/PEL), disputes, provisions for employee benefits and provisions for tax adjustments.

DETAILS OF THE PROVISIONS

(In EUR m)	31.12.2018	31.12.2017
Provisions on forward financial instruments (See Note 2.6)	10,646	9,685
Provisions on credit Risks (See Note 2.6)	703	1,032
Provisions on employee benefits (See Note 4.2)	2,016	1,759
Provisions on commitments related to mortgage saving agreements (PEL/CEL) (See Note 2.6)	149	169
Provisions for tax adjustments (See Note 5)	69	110
Other provisions on risks and expenses	1,035	2,833
TOTAL	**14,618**	**15,588**

Until 31st December 2017, the provisions for forward financial instruments, the sectorial provisions, the provisions for off-balance sheet commitments, the other provisions for risks including provision for disputes and the provision to mortgage savings accounts/plans (CEL/PEL) were presented under Provisions for forward financial instruments. From 2018, these provisions have been separately disclosed.

OTHER PROVISIONS FOR RISKS AND EXPENSES

ACCOUNTING PRINCIPLES

A description of contingencies and disputes is provided in the Risk Management report.

Provisions for contingencies and disputes are defined as liabilities with no precisely defined amount or due date.

They are only recorded if the company has an obligation to a third party that will probably or necessarily lead to a transfer of funds to the third party, without compensation for at least an equivalent amount being expected from this third party.

Information on the nature and the amount of the risks is not disclosed when Societe Generale estimates that such disclosure could seriously prejudice its position in a dispute with other parties on the subject matter of the provision.

Net allocations to provisions are classified by type of risk in the corresponding accounts in the income statement.

Other provisions include provisions for restructuring, provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

Societe Generale is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, Societe Generale and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of Societe Generale's current business. In recent years, litigation with investors and the number of proceedings involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Societe Generale entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

In preparing its financial statements, Societe Generale assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgement and taking into account all information available when financial statements are prepared. In particular, Societe Generale takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court rulings already handed down, as well as its experience and the experiences of other companies dealing with similar cases (assuming that Societe Generale has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter, Societe Generale carries out a detailed examination of pending disputes that present a significant risk. These disputes are described in the Note 8 “Information on risks and litigation”.

During the financial year 2018, Societe Generale concluded settlement agreements with US and European authorities to end investigations related to IBOR and to some transactions with Libyan counterparties, and with some US authorities to end investigations related to economic sanctions and anti-money laundering. In the context of those agreements, Societe Generale agreed to pay penalties to those authorities for a total amount of USD 2.7 billion ; at the same time, the provision for public right disputes recognised in the Group financial statements has been reversed partially and its outstanding balance amounts to EUR 340 million as at 31 December 2018.

NOTE 7.4 Breakdown of assets and liabilities by term to maturity

	Outstanding at 31.12.2018					
(In EUR m)	Less than 3 months	3 months to one year	1 to 5 years	More than 5 years	Intercompany eliminations: Societe Generale Paris/branches	Total
Assets						
Due from banks	119,436	58,293	93,500	58,023	(147,792)	181,460
Customer loans	127,435	84,343	97,431	173,281	6	482,496
Bonds and other debt securities:						
Trading securities	4,738	55,038	-	9,804	-	69,580
Short-term investment securities	457	11,000	39	10	-	11,507
Long-term investment securities	-	-	9	32,106	-	32,115
TOTAL	**252,066**	**208,674**	**190,979**	**273,224**	**(147,786)**	**777,158**
Liabilities						
Due to banks	105,823	88,070	91,606	81,403	(146,825)	220,077
Customer deposits	274,967	94,387	31,196	125,201	(905)	524,846
Liabilities in the form of securities issued	8,726	25,309	36,376	37,939	-	108,350
TOTAL	**389,516**	**207,766**	**159,178**	**244,543**	**(147,730)**	**853,273**

NOTE 7.5 Transactions in foreign currencies

ACCOUNTING PRINCIPLES

Gains and losses arising from ordinary activities in foreign currencies are recognised in the income statement. Outright forward foreign exchange transactions and those used to hedge other forward foreign exchange transactions are valued on the basis of the forward foreign exchange rate of the relevant currency for the remaining maturity. Spot and other forward foreign exchange positions are revalued on a monthly basis using official month-end spot rates. Unrealised gains and losses are recognised in the income statement. Premiums and discounts resulting from hedged forward foreign exchange transactions, are amortised to income statement on a straight-line basis over the remaining term to maturity of these transactions.

	31.12.2018				31.12.2017			
(In EUR m)	**Assets**	**Liabilities**	**Foreign exchange bought, not yet received**	**Foreign exchange sold, not yet delivered**	**Assets**	**Liabilities**	**Foreign exchange bought, not yet received**	**Foreign exchange sold, not yet delivered**
EUR	590,757	617,439	356,411	335,016	533,292	560,212	328,709	330,098
USD	456,555	429,199	673,967	654,999	400,419	374,414	629,816	587,358
GBP	58,509	58,728	161,289	152,706	59,935	60,098	136,767	125,222
JPY	83,732	83,159	79,386	137,679	80,826	78,435	88,130	111,884
Other currencies	97,149	98,177	313,920	293,286	108,186	109,499	280,683	302,420
TOTAL	**1,286,702**	**1,286,702**	**1,584,973**	**1,573,686**	**1,182,658**	**1,182,658**	**1,464,105**	**1,456,982**

NOTE 7.6 Operations in uncooperative states or territories

Since 2003, Societe Generale has defined strict internal rules to prevent the development of operations in countries qualified as uncooperative tax heavens by the OECD. Any operation, or development of new activities as part of existing operations, may only be authorised by decision of the General Management after approval by the Corporate Secretariat and the Risk Division.

Since 2010, Societe Generale has decided to close (and has therefore taken the necessary steps to do so) all the Societe Generale operations in countries and territories deemed non-cooperative by France, the list of which was updated by the Ministerial order of 8th April 2016 (published on 10th April 2016).

In 2018, Societe Generale did not hold, directly or indirectly, any operations in the states and territories in question.

NOTE 7.7 Table of subsidiaries and affiliates

(In thousands of euros or local currency)		2018			
Company/Head Office or Establishment	**Activity/Division**		**Registered capital** *(local currency)*[(1)]	**Shareholders' equity other than capital** *(local currency)*[(1)]	**Share of capital held** *(in %)*
I – INFORMATION ON INVESTMENTS WITH A BOOK VALUE IN EXCESS OF 1% OF SOCIETE GENERALE'S SHARE CAPITAL					
A) Subsidiaries (more than 50% owned by Societe Generale)					
SG AMERICAS SECURITIES HOLDINGS, LLC	**Brokerage**				
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington – Delaware – USA	Global Banking and Investor Solutions	USD	1,430,976	1,082,582	100.00
SG FINANCIAL SERVICES HOLDING	**Portfolio management**				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	1,962,193	223,238	100.00
GENEFINANCE	**Portfolio management**				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	1,000,000	237,443	100.00
INTER EUROPE CONSEIL	**Credit institution**				
29, boulevard Haussmann – 75009 Paris – France	Global Banking and Investor Solutions	EUR	764,983	86,484	100.00
SG KLEINWORT HAMBROS LIMITED	**Asset Management**				
St Jame's Square, SW1Y 4JU – London – United Kingdom	Global Banking and Investor Solutions	GBP	518,710	140,735	100.00
SOCIETE GENERALE SECURITIES SERVICES SPA	**Credit institution**				
Via Benigno Crespi, 19 A – 20159 Milan – Italy	Global Banking and Investor Solutions	EUR	111,309	198,737	100.00
SOCIETE GENERALE SECURITIES JAPAN LIMITED	**Brokerage**				
1-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan	Global Banking and Investor Solutions	JPY	35,765,000	33,508,000	100.00
SOCIETE GENERALE REAL ESTATE	**Real estate and real estate financing**				
29, boulevard Haussmann – 75009 Paris – France	French Retail Banking	EUR	327,112	46,604	100.00
SOGEMARCHE	**Real estate**				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	500,000	(25,031)	100.00
SOCIETE GENERALE (CHINA) LIMITED	**International Retail Banking**				
Taikang International Tower 18th floor,2, Wudinghou Street, Xicheng District – 100033 Beijing – China	Global Banking and Investor Solutions	CNY	4,000,000	(295,384)	100.00
FIDITALIA SPA	**Consumer finance**				
Via G. Ciardi, 9 – 20149 Milan – Italy	International Retail Banking and Financial Services	EUR	130,000	134,644	100.00
SOCIETE GENERALE BANKA SRBIJA	**International Retail Banking**				
Bulevar Zorana Djindjica 50 a/b, 11070 Novi Beograd – Serbia	International Retail Banking and Financial Services	RSD	23,724,274	11,303,043	100.00
BANCO SOCIETE GENERALE BRASIL S/A	**Investment banking**				
Avenida Paulista, 2300 – Cerqueira Cesar – Sâo Paulo – SP CEP 01310-300 – Brazil	Global Banking and Investor Solutions	BRL	2,956,929	(1,576,657)	100.00

(1) For foreign subsidiaries and affiliates, shareholders' equity is booked in the Group consolidated financial statements in their consolidated reporting currency.
(2) For banking and finance subsidiaries, revenue refers to net banking income.
(3) Financial statements not yet audited for French companies.

2018							
Book value of shares held		**Unreimbursed loans and advances made by the Company** *(in EUR)*	**Guarantees given by the Company** *(in EUR)*	**Revenue excluding tax for the last financial year** *(local currency)* [1] [2] [3]	**Net income (loss) for the last financial year** *(local currency)* [1] [3]	**Dividends received by the Company during the year** *(in EUR)*	**Remarks Revaluation differences**
Gross *(in EUR)*	**Net** *(in EUR)*						
3,000,656	3,000,656	995,633	-	576,412	26,379	-	1 EUR = 1,145 USD
2,456,502	2,456,502	2,617,151	-	1,531,455	1,415,166	830,929	
1,076,025	1,076,025	-	-	406,109	301,973	66,000	
3,852,866	908,249	2,108,465	-	78,874	55,352	328,943	
645,636	645,636	0	0	188,074	3,177	-	1 EUR = 0,89453 GBP
745,062	619,377	195	0	143,644	18,373	28,055	
605,297	605,297	0	347	20,121,000	4,510,000	111,471	1 EUR = 125.85JPY
586,505	586,505	3,900	-	738	38,514	16,871	
500,000	500,000	20,000	-	24,414	288	-	
416,783	394,684	63,491	1,917,314	423,008	32,104	-	1 EUR = 7,8751 CNY
335,169	317,383	3,859,450	-	199,088	44,859	-	
258,243	258,243	351,599	16,695	15,404,674	7,180,581	38,784	1 EUR = 118,31865 RSD
935,703	257,582	0	108,494	217,705	65,508	-	1 EUR = 4,444 BRL

(In thousands of euros or local currency)		2018			
Company/Head Office or Establishment	**Activity/Division**		**Registered capital** *(local currency)*[1]	**Shareholders' equity other than capital** *(local currency)*[1]	**Share of capital held** *(in %)*
VALMINVEST	**Office space**				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	248,877	11,252	100.00
SOGECAMPUS	**Real estate**				
17, cours Valmy – 92800 Puteaux – France	Corporate Centre	EUR	241,284	(1,926)	100.00
LYXOR ASSET MANAGEMENT	**Alternative Asset Management**				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	161,106	59,981	100.00
GENEGIS I	**Office space**				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	192,900	15,969	100.00
SG SECURITIES KOREA CO, LTD.	**Business consulting**				
(1-ga, Shinmun-ro),14F 82, Saemunan-ro, Jongno-gu – Seoul – South Korea	Global Banking and Investor Solutions	KRW	205,500,000	29,916,928	100.00
COMPAGNIE FONCIÈRE DE LA MÉDITERRANÉE (CFM)	**Office space**				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	76,627	2,393	100.00
SOCIETE GENERALE ALGÉRIE	**International Retail Banking**				
Résidence EL KERMA – 16105 Gué de Constantine – Wilaya d'Alger – Algeria	International Retail Banking and Financial Services	DZD	10,000,000	30,149,739	100.00
SOCIETE GENERALE CAPITAL CANADA Inc	**Brokerage**				
1501 Avenue McGill College – Suite 1800 H3A 3M8 – Montréal -Canada	Global Banking and Investor Solutions	CAD	150,000	63,439	100.00
SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	**Office space**				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	90,030	19,394	100.00
ORPAVIMOB	**Real estate and real estate financing**				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	79,253	5,545	100.00
SG SECURITIES (SINGAPORE) PTE. LTD.	**Brokerage**				
8 Marina Boulevard – #12-01 – Marina Bay financial Centre Tower 1 – 018981 – Singapore	Global Banking and Investor Solutions	SGD	99,156	9,486	100.00
SG AMERICAS, INC.	**Investment banking**				
C/O The Corporation Trust Company 1209 Orange Street 19801 Wilmington – Delaware – USA	Global Banking and Investor Solutions	USD	-	432,237	100.00
SG FACTORING SPA	**Factoring**				
Via Trivulzio, 7 – 20146 Milan – Italy	Global Banking and Investor Solutions	EUR	11,801	29,469	100.00
SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD.	**Brokeragesur on equity markets**				
Level 23 – 400 George Street – Sydney – NSW 2000 – Australia	Global Banking and Investor Solutions	AUD	100,000	(31,960)	100.00
INORA LIFE LTD.	**Life insurance**				
IFSC House International Financial Services Center – Dublin 1 – Ireland	Global Banking and Investor Solutions	EUR	36,500	(16,502)	100.00

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(3) Financial statements not yet audited for French companies.

2018

Book value of shares held		Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Revenue excluding tax for the last financial year	Net income (loss) for the last financial year	Dividends received by the Company during the year	Remarks Revaluation differences
Gross *(in EUR)*	**Net** *(in EUR)*	*(in EUR)*	*(in EUR)*	*(local currency)* [1] [2] [3]	*(local currency)* [1] [3]	*(in EUR)*	
249,427	249,427	-	-	659	2,702	3,186	
241,284	241,284	140,000	-	23,119	3,399	-	
217,348	216,330	-	-	94,416	15,317	29,417	
196,061	196,061	50,484	-	208,189	(1,107)	0	
160,941	160,941	-	-	134,966,023	66,897,916	28,634	1 EUR = 1277,93 KRW
155,837	155,837	-	-	754	1,450	1,346	
110,628	110,628	-	-	22,931,208	9,770,637	20,011	1 EUR = 135,4518 DZD
95,550	95,550	0	0	46,811	8,545	1,281	1 EUR = 1,5605 CAD
89,992	89,992	-	-	7,472	4,263	4,186	
79,253	79,253	-	-	18,517	3,445	3,223	
94,300	71,323	13,100	0	39,064	22,371	11,293	1 EUR = 1,5591 SGD
							capital = 1 USD
1,612,723	60,207	-	-	17,484	15,163	-	1 EUR = 1,145 USD
46,100	46,100	757,969	1,401,850	11,713	3,753	3,236	
62,745	42,640	98,644	126,387	22,206	(629)	-	1 EUR = 1,622 AUD
36,500	20,373	-	-	2,599	213	-	

(In thousands of euros or local currency)		2018			
Company/Head Office or Establishment	**Activity/Division**		**Registered capital** *(local currency)*[1]	**Shareholders' equity other than capital** *(local currency)*[1]	**Share of capital held** *(in %)*
SG AUSTRALIA HOLDINGS LTD.	**Portfolio management**				
Level 25, 1-7 bligh street – Sydney, NSW 2000 – Australia	Global Banking and Investor Solutions	AUD	19,500	3,474	100.00
SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD. (HONG-KONG)	**Investment banking**				
Level 38 – Three Pacific Place 1 Queen's Road – East Hong-Kong – Hong Kong	Global Banking and Investor Solutions	USD	154,991	143,790	100.00
SOCIETE GENERALE EQUIPMENT FINANCE SA	**Portfolio management**				
17, cours Valmy – 92800 Puteaux – France	International Retail Banking and Financial Services	EUR	750,355	3,983	100.00
SOCIETE GENERALE IMMOBEL	**Real estate**				
11 Rue des Colonies – 1000 Brussels – Belgium	Global Banking and Investor Solutions	EUR	50,062	85,121	100.00
DESCARTES TRADING	**Proprietary trading**				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	377,000	(18,564)	100.00
SOCIETE GENERALE SFH	**Credit institution**				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	375,000	149,459	100.00
BOURSORAMA SA	**Online brokerage**				
18, Quai du Point du Jour – 92100 Boulogne-Billancourt – France	French Retail Banking	EUR	35,548	451,668	100.00
SOCIETE GENERALE SCF	**Mortgages**				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	150,000	98,142	100.00
SOCIETE GENERALE INTERNATIONAL LIMITED	**Brokerage and clearing**				
10 Bishops square – London E1 6EG – United Kingdom	Global Banking and Investor Solutions	GBP	1,000,000	127,116	100.00
CREDIT DU NORD	**French Retail Banking**				
28, place Rihour – 59800 Lille – France	French Retail Banking	EUR	890,263	1,869,389	100.00
SOCIETE GENERALE SECURITIES SERVICES HOLDING	**Portfolio management**				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	12,487	7,659	100.00
SG EUROPEAN MORTGAGE INVESTMENTS	**Portfolio management**				
17, cours Valmy – 92800 Puteaux – France	Global Banking and Investor Solutions	EUR	1,000	49,704	99.99
ROSBANK	**International Retail Banking**				
34, Masha Poryvaeva Street 107078 – Moscow – Russia	International Retail Banking and Financial Services	RUB	17,586,914	105,741,386	99.95
SOCIETE DE LA RUE EDOUARD VII	**Office space**				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	11,396	867	99.91
SG EXPRESS BANK	**International Retail Banking**				
92, Bld VI Varnentchik – 9000 Varna – Bulgaria	International Retail Banking and Financial Services	BGN	33,674	660,129	99.74

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2018

Book value of shares held		Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Revenue excluding tax for the last financial year	Net income (loss) for the last financial year	Dividends received by the Company during the year	Remarks Revaluation differences
Gross *(in EUR)*	**Net** *(in EUR)*	*(in EUR)*	*(in EUR)*	*(local currency)*(1) (2) (3)	*(local currency)*(1) (3)	*(in EUR)*	
12,024	12,024	-	-	6,760	(142)	0	1 EUR = 1,622 AUD
146,513	146,513	214,416	-	638,775	312,515	227,262	1 EUR = 1,145 USD
754,201	754,201	72,422	-	31,232	53,499	-	
50,061	50,061	-	-	1,669	3,179	-	
376,987	359,535	62,000	-	(2,250)	(18,633)	792	
375,000	375,000	31,900,000	36,367,030	420,904	30,619	-	
783,843	783,843	3,861,447	460,000	152,740	(28,221)	-	
150,000	150,000	8,053,668	11,114,186	14,148	5,585	-	
1,411,017	1,347,364	5,057,539	467,564	265,768	93,237	21,285	1 EUR = 0,89453 GBP
1,410,255	1,410,255	11,549,690	80,000	1,098,724	430,160	228,130	
237,555	21,574	-	-	-	(480)	3,811	
25,604	25,604	-	-	-	14,367	-	
3,628,043	2,127,764	601,762	51,731	43,793,540	9,954,108	-	1 EUR = 79,7153 RUB
59,612	22,753	-	-	0	115	99	
62,470	62,470	0	152,000	280,536	120,916	21,808	The subsidiary was sold on 01.15.2019 1 EUR = 1,9558 BGN

(In thousands of euros or local currency)		2018			
Company/Head Office or Establishment	**Activity/Division**	**Registered capital** *(local currency)*[(1)]		**Shareholders' equity other than capital** *(local currency)*[(1)]	**Share of capital held** *(in %)*
SOCIETE GENERALE INVESTMENTS (UK) LIMITED	**Investment banking**				
SG House, 41 Tower Hill, EC3N 4SG – London – United Kingdom	Global Banking and Investor Solutions	GBP	157,822	101,820	98.96
SKB BANKA D.D. LJUBLJANA	**International Retail Banking**				
Adjovscina,4 – 1513 Ljubljana – Slovenia	International Retail Banking and Financial Services	EUR	52,785	230,936	97.58
SOCIETE GENERALE MAURITANIE	**International Retail Banking**				
Ilot A, n°652 Nouakchott – Mauritania	International Retail Banking and Financial Services	MRU	600,000	561,627	95.50
SOCIETE GENERALE BANKA MONTENEGRO A.D.	**International Retail Banking**				
Bulevar Revolucije 17 – 81000 Podgorica – Montenegro	International Retail Banking and Financial Services	EUR	24,731	32,858	90.56
BANKA SOCIETE GENERALE ALBANIA SH.A	**International Retail Banking**				
BLV Deshmoret e Kombit Blu Towers – Tower1, 9th floor -Tirana – Albania	International Retail Banking and Financial Services	ALL	6,740,900	882,792	88.89
ALD	**Automobile leasing and financing**				
15, allée de l'Europe – 92110 Clichy sur Seine – France	International Retail Banking and Financial Services	EUR	606,155	403,063	79.82
OHRIDSKA BANKA AD SKOPJE	**International Retail Banking**				
Orce Nikolov Str. No. 54, Skopje-Centar – Centar – Macedonia	International Retail Banking and Financial Services	MKD	1,368,328	2,184,433	76.25
BANQUE DE POLYNESIE	**Retail banking**				
355 Bd Pomaré, BP 530, 98713 Papeete – Tahiti – French Polynesia	International Retail Banking and Financial Services	XPF	1,380,000	7,035,835	72.10
SOCIETE GENERALE DE BANQUES EN COTE D'IVOIRE	**International Retail Banking**				
5 & 7, avenue J. Anoma, 01 BP 1355 – Abidjan 01 – Côte d'Ivoire	International Retail Banking and Financial Services	XOF	15,555,555	106,559,795	71.84
MOBIASBANCA GROUPE SOCIETE GENERALE	**International Retail Banking**				
Bd. Stefan cel Mare 81A, MD-2012 mun.-Chisinau – Republic of Moldova	International Retail Banking and Financial Services	MDL	99,944	1,164,997	67.85
BANCO SOCIETE GENERALE MOÇAMBIQUE SA	**International Retail Banking**				
Av. Julius Nyerere no. 140 , 1568 – Maputo – Mozambique	International Retail Banking and Financial Services	MZN	1,897,200	1,106,643	65.00
KOMERCNI BANKA A.S	**International Retail Banking**				
Na Prikope 33 – Building Register number 969 – 114 07 Praha 1 – Czech Republic	International Retail Banking and Financial Services	CZK	19,004,926	64,569,826	60.35
BRD – GROUPE SOCIETE GENERALE	**International Retail Banking**				
B-dul Ion Mihalache nr. 1-7 Sector 1 – Bucharest – Romania	International Retail Banking and Financial Services	RON	696,902	5,063,815	60.17
SOCIETE GENERALE CAMEROUN	**International Retail Banking**				
78 Avenue Joss, BP 4042 – Douala – Cameroun	International Retail Banking and Financial Services	XAF	12,500,000	39,813,546	58.08
GENEFIM	**Real estate lease finance**				
29, boulevard Haussmann – 75009 Paris – France	French Retail Banking	EUR	72,779	29,152	57.62

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(3) Financial statements not yet audited for French companies.

2018

Book value of shares held							
Gross *(in EUR)*	**Net** *(in EUR)*	**Unreimbursed loans and advances made by the Company** *(in EUR)*	**Guarantees given by the Company** *(in EUR)*	***Revenue excluding* tax for the last financial year** *(local currency)*[1] [2] [3]	***Net income (loss)* for the last financial year** *(local currency)*[1] [3]	**Dividends received by the Company during the year** *(in EUR)*	**Remarks Revaluation differences**
189,709	189,709	206,663	-	13,790	14,822	9,534	1 EUR = 0,89453 GBP
220,226	220,226	204,000	560,000	120,567	57,770	54,189	
							Since 01.01.2018 currency of Mauritania is MRU instead of MRO (1 MRU = 10 MRO)
20,361	20,361	0	Not communicated	791,368	240,884	257	1 EUR = 41,7741 MRU
28,819	28,819	30,000	1,000	27,506	10,713	3,179	
70,149	30,849	19,934	29,052	3,589,966	905,928	3,483	1 EUR = 123,365 ALL
1,156,422	1,156,422	0	0	97,456	535,689	177,399	
37,371	37,371	29,000	2,829	1,704,997	679,508	423	1 EUR = 61,43205 MKD
12,397	12,397	3,800	121,285	5,377,386	1,457,615	7,768	1 EUR =119,33174 XPF
30,504	30,504	136,226	40,884	123,006,298	43,216,316	19,780	1 EUR = 655,957 XAF
24,960	24,960	-	4,824	753,832	417,343	4,356	1 EUR = 19,67215 MDL
25,711	12,802	10,800	20,897	810,891	(79,761)	-	1 EUR = 70,50275 MZN
1,353,885	1,353,885	1,255,211	341,740	31,477,987	15,270,959	208,568	1 EUR = 25,724 CZK
223,690	223,690	16,332	210,136	2,961,361	1,566,236	147,903	1 EUR = 4,6635 RON
16,940	16,940	21,697	18,214	68,480,953	19,563,055	6,278	1 EUR = 655,957 XAF
89,846	89,846	2,325,678	0	39,885	19,609	12,765	

(In thousands of euros or local currency)		2018			
Company/Head Office or Establishment	**Activity/Division**		**Registered capital** *(local currency)*[1]	**Shareholders' equity other than capital** *(local currency)*[1]	**Share of capital held** *(in %)*
SG MAROCAINE DE BANQUES	**International Retail Banking**				
55, boulevard Abdelmoumen – Casablanca – Morocco	International Retail Banking and Financial Services	MAD	2,050,000	7,685,906	57.57
UNION INTERNATIONALE DE BANQUES	**International Retail Banking**				
65, avenue Habib Bourguiba – 1000A Tunis – Tunisia	International Retail Banking and Financial Services	TND	172,800	181,994	52.34
B) Affiliates (10% to 50% owned by Societe Generale)					
SA SOGEPARTICIPATIONS	**Portfolio management**				
29, boulevard Haussmann – 75009 Paris – France	Corporate Centre	EUR	411,267	307,270	24.58
SOCIETE GENERALE CALÉDONIENNE DE BANQUE	**Retail banking**				
44, rue de l'Alma BP G2 98848 Nouméa cedex – New Caledonia	International Retail Banking and Financial Services	XPF	1,068,375	13,667,437	20.60
CAISSE DE REFINANCEMENT DE L'HABITAT	**Housing loan refinancing**				
35, rue de la Boetie – 75008 Paris – France	Corporate Centre	EUR	539,995	22,580	16.22
CREDIT LOGEMENT	**Credit institution**				
50, boulevard Sébastopol – 75003 Paris – France	Corporate Centre	EUR	1,259,850	346,838	13.50

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(3) *Financial statements not yet audited for French companies.*

2018

Book value of shares held		Unreimbursed loans and advances made by the Company *(in EUR)*	Guarantees given by the Company *(in EUR)*	Revenue excluding tax for the last financial year *(local currency)*(1) (2) (3)	Net income (loss) for the last financial year *(local currency)*(1) (3)	Dividends received by the Company during the year *(in EUR)*	Remarks Revaluation differences
Gross *(in EUR)*	**Net** *(in EUR)*						
141,887	141,887	5,016	288,171	4,418,032	1,101,293	12,564	1 EUR = 10,9181 MAD
153,211	153,211	11,472	110,268	367,961	97,126	3,584	1 EUR = 3,4867 TND
234,000	234,000	310,000	-	305,531	315,417	81,875	
16,266	16,266	119,583	77,000	9,282,532	2,553,286	4,306	1 EUR = 119,33174 XPF
98,811	98,811	-	-	1,055,388	18	-	
171,037	171,037	257,982	-	266,189	102,486	35,716	

Table of subsidiaries and affiliates (cont.)

(in thousands of euros)	Book value of shares held – Gross	Book value of shares held – Net	Unreimbursed loans and advances made by the Company	Guarantees given by the Company	Dividends received by the Company during the year	Remarks	
II -INFORMATION REGARDING OTHER SUBSIDIARIES AND AFFILIATES							
A) Subsidiaries not included in paragraph 1 :							
1°) French subsidiaries	65,842	61,959	13,726,084	0	49,028	Revaluation difference:	0
2°) Foreign subsidiaries	378,370	93,084	3,530,256	40,985	28,568	Revaluation diffrerence:	1,447
B) Affiliates not included in paragraph 1 :							
1°) French companies	7,803	7,198	130,600	0	301	Revaluation diffrerence:	0
2°) Foreign companies	10,646	10,646	48,965	61,112	2,944	Revaluation diffrerence:	0
	462,661	172,887	17,435,905	102,097	80,841		

NOTE 8 INFORMATION ON RISKS AND LITIGATION

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

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

- Beginning in 2006, Societe Generale, along with numerous other banks, financial institutions, and brokers, received requests for information from the US Internal Revenue Service, the Securities and Exchange Commission ("SEC") and the Antitrust Division of the US Department of Justice ("DOJ"), focused on alleged noncompliance with various laws and regulations relating to the provision to governmental entities of Guaranteed Investment Contracts ("GICs") and related products in connection with the issuance of tax-exempt municipal bonds. Societe Generale has cooperated with the US authorities. In light of the dormancy of these matters over several years, Societe Generale has determined that they no longer present a material loss contingency risk.
- On 24th October 2012, the Court of Appeal of Paris confirmed the first judgement delivered on 5th October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion as damages to the bank. On 19th March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, the Versailles Court of Appeal rejected on 23rd September 2016 J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on the 20th September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.
- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3rd April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15th May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected Societe Generale's arguments relating to service of the claims issued against Goldas, which are therefore time barred. On 18th December 2018, the Supreme Court refused permission to appeal to both Societe Generale and Goldas. On 16th February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against this decision.
- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – *Échange d'images chèques*), which has contributed to the improvement of cheque payments' security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.
- On 20th September 2010, after several years of investigation, the French competition authority ruled that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the Banque de France) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million. However, in its 23rd February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except Banque de France, held that there was no competition law infringement, allowing the banks to recoup the fines paid. On 14th April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3rd and 4th November 2016 by the Paris Court of Appeal before which the case was remanded. On 21st December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22nd January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision.
- On 4th June 2018, Societe Generale announced that it had reached agreements with (i) the US Department of Justice ("DOJ") and the US Commodity Futures Trading Commission ("CFTC") in connection with investigations regarding submissions to the British Bankers Association for setting certain London Interbank Offered Rates and the Euro Interbank Offered Rate (the "IBOR matter"), and (ii) the DOJ and the French *Parquet national financier* ("PNF") in connection with investigations regarding certain transactions involving Libyan counterparties, including the Libyan Investment Authority ("LIA") and the bank's third-party intermediary (the "Libyan matter").

  On 24th May 2018, Societe Generale entered into a "*Convention judiciaire d'intérêt public*" ("CJIP") with the PNF, approved by the French court on 4th June 2018, to end its preliminary investigation in respect of the Libyan matter. On 5th June 2018, Societe Generale entered into a three-year deferred prosecution agreement ("DPA") with the DOJ in respect of the IBOR and Libyan matters. Societe Generale Acceptance NV ("SGA"), a subsidiary of Societe Generale

dedicated to the issuance of investment products, entered a guilty plea in connection with the resolution of the Libyan matter. Also, on 4th June 2018, Societe Generale consented to an order from the CFTC in respect of the IBOR matter.

As part of the settlements, Societe Generale paid penalties totalling approximately USD 1.3 billion to the DOJ, CFTC, and PNF. These penalties include (i) USD 275 million to the DOJ and USD 475 million to the CFTC in respect of the IBOR matter, and (ii) USD 292.8 million to the DOJ and EUR 250.15 million (USD 292.8 million) to the PNF in relation to the Libyan matter.

In connection with the CJIP, which does not involve a recognition of criminal liability, Societe Generale agreed to have the French Anti-Corruption Agency (*Agence française anticorruption*) assess its anticorruption programme for two years.

In connection with the DPA, Societe Generale agreed to implement a compliance and ethics program designed to prevent and detect violations of the Foreign Corrupt Practices Act and other applicable anticorruption laws, antifraud and commodities laws throughout the Bank's operations. These actions are in addition to extensive steps undertaken at Societe Generale's own initiative to strengthen its global compliance and control framework in order to meet the highest standards of compliance and ethics. No independent compliance monitor has been imposed in connection with the DPA. The charges against Societe Generale will be dismissed if the Bank abides by the terms of the agreement, to which the Bank is fully committed.

Societe Generale received credit from the DOJ, CFTC and PNF for its cooperation with their investigations and the Bank has agreed to continue to cooperate with them pursuant to the settlement agreements.

In connection with the IBOR matter, the Bank continues to defend civil proceedings in the United States (as described below) and to respond to information requests received from other authorities, including the Attorneys General of various States of the United States and the New York Department of Financial Services ("NYDFS").

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

As to US Dollar Libor, all claims against Societe Generale have been dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that are effectively stayed, and in one individual action in which Societe Generale's motion to dismiss is pending. Certain individual plaintiffs whose claims were dismissed have filed motions for leave to amend their complaints, which Societe Generale has opposed. The class plaintiffs and a number of individual plaintiffs have appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit.

As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products and the plaintiffs have appealed that ruling to the United States Court of Appeals for the Second Circuit. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange, the District Court has allowed certain Commodity Exchange ("CEA") Act claims to proceed to discovery. The plaintiff's deadline to move for class certification in that action is now 21st August 2019.

As to Euribor, the District Court dismissed all claims against Societe Generale in the putative class action and denied the plaintiffs' motion to file a proposed amended complaint.

In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- On 10th December 2012, the French Supreme Administrative Court (*Conseil d'État*) rendered two decisions confirming that the "précompte tax" which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the "précompte tax" claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1st February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale. Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10th December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15th September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 29th April 2016 and by referring the matter to the Court of Justice of the European Union on 8th December 2016. The Court of Justice of European Union rendered its judgement on 4th October 2018 and sentenced France for failure by the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale will assert its rights before the competent courts and the French tax authority, from which it expects diligent treatment and in accordance with the law.
- On 19th November 2018, Societe Generale reached settlement agreements with the Office of Foreign Assets Control of the US Department of the Treasury (OFAC), the US Attorney's Office of the Southern District of New York ("SDNY"), the New York County District Attorney's Office ("DANY"), the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York (together, the "Federal Reserve"), and the NYDFS (collectively, the "US Authorities"), resolving their investigations relating to certain US dollar transactions processed by Societe Generale involving countries, persons, or entities that are the subject of US economic sanctions and implicating New York State laws. The vast majority by value of the sanctions violations involved in the settlements related to Cuba, and stem from a single revolving credit facility extended in 2000. The remaining transactions involved other countries that are the target of US economic sanctions, including Iran. Under the terms of these agreements, Société Generale agreed to pay penalties totalling approximately USD 1.3 billion (EUR 1.2 billion) to the US Authorities, including EUR 53.9 million to OFAC, USD 717.2 million to SDNY, USD 162.8 million to DANY, USD 81.3 million to the Federal Reserve, and USD 325 million to NYDFS.

The Bank signed deferred prosecution agreements with SDNY and DANY, which provide that, following a three-year probation period, the Bank will not be prosecuted if it abides by the terms of the agreements, to which Societe Generale is fully committed.

The Bank will continue to cooperate with the US Authorities in the future, pursuant to the agreements. The Bank has also committed to continue to enhance its compliance program to prevent and detect potential violations of US economic sanctions laws and New York

state laws. The Bank also agreed to enhance its oversight of its sanctions compliance program. The Bank has also agreed with the Federal Reserve to retain an independent consultant that will evaluate the Bank's progress on the implementation of enhancements to its sanctions compliance program.

- Also, on 19th November 2018, Societe Generale agreed to a Consent Order with NYDFS relating to components of the Bank's antimoney-laundering ("AML") compliance program in the New York Branch. The Consent Order requires the Bank paid a civil money penalty of USD 95 million (EUR 82 million) in light of deficiencies noted by NYDFS. The Consent Order requires the Bank to continue a series of enhancements to its New York branch's AML compliance program. After a period of 18 months, an independent consultant will conduct an assessment of the Branch's progress on the implementation of its AML compliance program.
- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4th October 2016, and discovery is now proceeding. Societe Generale and certain subsidiaries, along with other financial institutions, have also been named as defendants in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.
- On 30th January 2015, the CFTC served Societe Generale with a subpoena requesting the production of information and documents concerning trading in precious metals done since 1st January 2009. Societe Generale cooperated with the authorities and produced documents in 2015. There has been no contact with the CFTC since that time.
- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale has reached a settlement of USD 18 million, which was preliminarily approved by the Court. A final approval hearing was held on 23rd May 2018, and a decision is pending. A separate putative class action behalf of putative classes of indirect purchasers is also pending. An amended complaint was filed on 21st November 2018, and a motion to dismiss was filed on 20th December 2018. On 7th November 2018, a group of individual entities that elected to opt out of the main class action settlement filed a lawsuit against SG, SG Americas Securities, LLC, and several other financial institutions.
- Since August 2015, various former and current employees of the Societe Generale group have been under investigation by German criminal prosecution and tax authorities for their alleged participation in the so called "CumEx" patterns in connection with withholding tax on dividends on German shares. These investigations relate to the administration of a fund, proprietary trading activities and transactions carried out on behalf of clients. The Group entities respond to the requests of the German authorities.

6.7 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

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Membre de la compagnie
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Membre de la compagnie
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SOCIÉTÉ GÉNÉRALE
Société Anonyme
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92972 Paris-La Défense

Year ended December 31, 2018

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders.This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Société Générale,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Société Générale for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Internal Control Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Measurement of the provision for disputes

Risk identified

A provision for disputes in the amount of MEUR 340 (hereafter "the provision for disputes") is recognized under liabilities in the balance sheet as at 31 December 2018 to cover the risks of future outflows of resources relating to several disputes in which the Company is involved, as stated in Note 7.3 "Provisions" to the financial statements. Société Générale is subject to investigations and requests for information of a regulatory nature from various authorities presented in Note 8 "Information on risks and litigation" to the financial statements.

During the financial year 2018, Société Générale paid penalties of 2.7 billion US dollar following settlement agreements with authorities relating to the following matters:

- the investigations of American authorities relating to certain US dollar transactions involving countries, persons, or entities that are the subject of US economic sanctions;
- investigations regarding certain transactions with Libyan counterparties;
- investigations regarding IBOR submissions.

We consider that the measurement of the provision for disputes, which is based on the exercise of Management's judgment, is a key audit matter.

Our response

Our works notably consisted in:

- monitoring the main legal proceedings and the ongoing investigations undertaken by the judicial authorities and the regulators with Société Générale's legal department;
- obtaining an understanding of the process for the measurement of the provision for disputes, notably through quarterly discussions with Société Générale's Management;
- assessing the assumptions used to determine the provision for disputes on the basis of the information that we obtained, in particular from Société Générale's external legal advisers, specialized in these cases;
- assessing the disclosures on these disputes in the notes to the financial statements.

Recoverability of deferred tax assets in France and in the United States

Risk identified

As at December 31, 2018, an amount of MEUR 4,113 was recorded under deferred tax assets.

As stated in Note 5 "Taxes" to the financial statements, Société Générale calculates deferred taxes at the level of each tax entity and recognizes deferred tax assets at the closing date when it is considered probable that future taxable profits will be available against which the tax entity concerned will be able to charge timing differences and tax loss carryforwards, over a determined period of time.

Furthermore, as stated in Notes 5 "Taxes" and 8 "Information on risks and litigation" to the financial statements, certain tax loss carryforwards are challenged by the French tax authorities and consequently may be called into question.

Given the assumptions used to assess the recoverability of the deferred tax assets in France and in the United States (which represent the most significant part of these assets) and the judgment exercised by Management in this respect, we identified this issue as a key audit matter.

Our response

Our audit approach consisted in assessing the probability that Société Générale will be able to make future use of the tax loss carryforwards generated to date, notably based on the ability to make future taxable profits in France and the United States.

With the support of our tax specialists who are part of the audit team, we:

- compared the projected results of the past fiscal years with the actual results of the concerned fiscal years;
- obtained an understanding of the three-year business plan drawn up by Management and approved by the Board of Directors and of the assumptions used by Management beyond the three-year period to establish projected results;
- assessed the sensitivity of these assumptions in the event of unfavourable scenarios defined by Société Générale;
- analyzed Société Générale's situation, and obtained an understanding of the opinion from its external tax advisers regarding its tax loss carryforwards in France, partially challenged by the tax authorities;
- analyzed the disclosures on deferred tax assets in Notes 5 and 8 to the financial statements.

Valuation of complex financial instruments

Risk identified

Within the scope of its market activities, Société Générale holds complex financial instruments for trading purpose.

To calculate the market value of complex instruments, Société Générale uses techniques or in-house valuation models based on parameters and data that are not observable in the market, as stated in Note 2.2 "Operations on forward financial instruments" to the financial statements. The models and data used to value these instruments are based on Management's estimates.

Due to the use of judgment to determine the instruments' market value, the complexity of the modelling of the latter and the multiplicity of models used, we consider the valuation of complex financial instruments to be a key audit matter.

Our response

Our audit approach is focused on the key internal control processes related to the valuation of the complex financial instruments. With the support of our specialists in the valuation of financial instruments, we designed an approach including the following main stages:

- we familiarized ourselves with the procedure for the authorization and validation of new products and their valuation models, including the process for the entry of these models into the information systems;
- we assessed the governance relating to the Risk Department's control of the valuation models used;
- more specifically, based on tests, we considered the valuation formulae for certain categories of complex instruments;
- we analyzed certain market parameters used to provide input for the valuation models;
- as regards the profit and loss explanation process, we familiarized ourselves with the analysis principles used by the bank and performed tests of controls. We also performed "analytical" IT procedures on the database for the controls performed on the daily profit and loss explanation process;
- at each quarterly closing, we obtained the results of the process for the independent price verification, and we analyzed the differences in parameters compared to the market data in the event of a significant impact, as well as the accounting treatment of such differences;
- we performed counter-valuations on a selection of complex derivative financial instruments using our tools;
- we considered the compliance of the documented methods underlying the estimates with the principles described in Note 2.2 "Operations on forward financial instruments" to the financial statements.

Information technology risk on derivative financial instruments and structured bonds issued

Risk identified

Société Générale's derivative financial instruments and structured bonds issued constitute an important activity within its market activities, as illustrated by the significance of the net positions of derivative financial instruments in the transaction portfolio in Note 2.2 "Operations on forward financial instruments" to the financial statements.

This activity is highly complex given the nature of the financial instruments processed, the volume of the transactions, and the use of numerous information systems interfacing with each other.

The risk of an IT incident could entail the risk of an anomaly in the accounts resulting from an incident in the data processing chains used, or the recording of transactions until they are transferred into the accounting system. Such a risk may notably take the form of:

- changes made to management and financial information by unauthorized personnel via the information systems or underlying databases;
- a failure in processing or in the transfer of data between systems;
- a service interruption or operating incident, possibly associated with internal or external fraud.

In this context, the monitoring by the Company of controls linked to information systems management relating to the above-mentioned activity is essential for the reliability of the accounts and is a key audit matter.

Our response

Our audit approach for this activity is based on the controls related to the information systems management set up by Société Générale. With the support of our experts in information systems, we tested the IT general controls of the applications that we considered to be significant for this activity.

- Our works concerned in particular the following:
- the controls set up by Société Générale on access rights, notably at sensitive period of a professional career (recruitment, transfer, resignation, end of contract) with, when necessary, extended audit procedures in the event of ineffective control identified during the year ended December 31, 2018;
- potential privileged access to applications and infrastructure;
- change management and, more specifically, the separation between development and business environments;
- security policies in general and their deployment in IT applications (for example, those related to passwords);
- handling of IT incidents during the audit period;

governance and the control environment on a sample of "end user" applications.

For these same applications, and in order to assess the transfer of information flows, we tested the application controls related to the automated interfaces between the systems.

Our tests of the IT general controls and application controls were supplemented by data analytics work on certain IT applications.

Change in accounting estimates of collective provisions and measurement of impairment and provisions on loans and other commitments granted to corporate clients

Risk identified

Loans and receivables to corporate clients carry a credit risk that exposes Société Générale to a potential loss if its client or counterparty is unable to meet its financial commitments.

The accounting principles used for measuring the impairment and collective provisions are described in Note 2.6 "Impairment and provisions" to the financial statements.

In the financial year 2018, Société Générale changed its accounting estimates for the recording of collective provisions for credit risk as stated in Note 1 "Significant accounting principles" to the financial statements. The amount of collective provisions for credit risk is now measured based on lifetime expected credit losses calculated on under-performing loans. Société Générale's management uses its judgment to set the assumptions and parameters used to calculate these collective provisions.

Furthermore, Société Générale uses its judgment and makes accounting estimates to measure the impairment of the doubtful loans.

We consider (i) the change in accounting estimates of collective provisions and (ii) the measurement of impairment and provisions of loans and other commitments, especially for corporate clients with significant individual exposures, to be a key audit matter.

Our response

Our audit approach consisted in obtaining an understanding of the process of measuring impairment and collective provisions in place at Société Générale. We tested the key controls set up by Management for determining the assumptions and parameters used as a basis for this measurement.

Regarding under-performing loans for which provisions are determined on a collective basis, with the support of our experts, our works consisted in:

- assessing the assumptions and documentation of Société Générale used to identify a significant increase in credit risk;
- obtaining an understanding of the governance framework set up by Société Générale;
- analyzing the key parameters used by Société Générale to measure collective provisions;
- analyzing the disclosures on the change in accounting estimates performed in the year ended December 31, 2018.

Regarding doubtful loans, our works consisted in testing the key assumptions used for estimating impairment as at December 31, 2018, especially on a selection of the most significant corporate loans in France.

We also analyzed the qualitative and quantitative disclosures described in Note 2.6 "Impairment and provisions" to the financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the Management Report and in the Other Documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders except for the point described below.

We have the following matter to report regarding the fair presentation and consistency with the financial statements of the information relating to payment terms referred to in article D. 441-4 of the French Commercial Code (Code de commerce): As stated in the management report, this information does not include bank and other related operations as your Company considers that such operations fall outside the scope of disclosable information.

Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (Code de commerce).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L. 225-37-5 of the French Commercial Code (Code de commerce), we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders or holders of the voting rights and cross-shareholdings has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Société Générale by your Annual General Meeting held on April 18, 2003 for DELOITTE & ASSOCIES and on May 22, 2012 for ERNST & YOUNG et Autres.

As at December 31, 2018, DELOITTE & ASSOCIES was in the sixteenth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the seventh year.

Previously, ERNST & YOUNG Audit was the statutory auditor of Société Générale from 2000 to 2011.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Internal Control Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Internal Control Committee

We submit to the Audit and Internal Control Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Internal Control Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Internal Control Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the French code of ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit and Internal Control Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 8, 2019

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Jean-Marc MICKELER	Micha MISSAKIAN

7

SHARE, SHARE CAPITAL AND LEGAL INFORMATION

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7.1 THE SOCIETE GENERALE SHARE

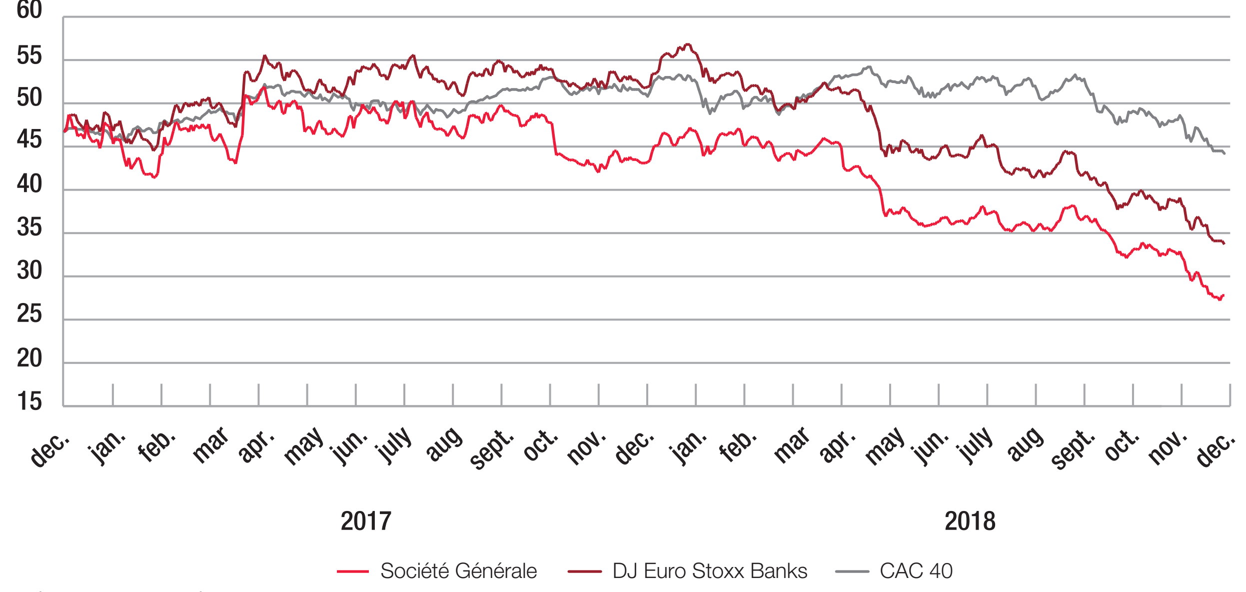
7.1.1 STOCK MARKET PERFORMANCE

Societe Generale's share price decreased by 35.4% in 2018, closing at EUR 27.82 at 31st December. This performance can be compared over the same period to a decrease of 33.3% for the Eurozone bank index (DJ EURO STOXX BANK) and to a decrease of 11.0% for the CAC 40 index.

At 31st December 2018, the Societe Generale Group's market capitalisation stood at EUR 22.5 billion, ranking it 22nd among CAC 40 stocks (18th at 31st December 2017), 19th in terms of free float (13th at 31st December 2017) and 8th among Eurozone banks (7th at 31st December 2017).

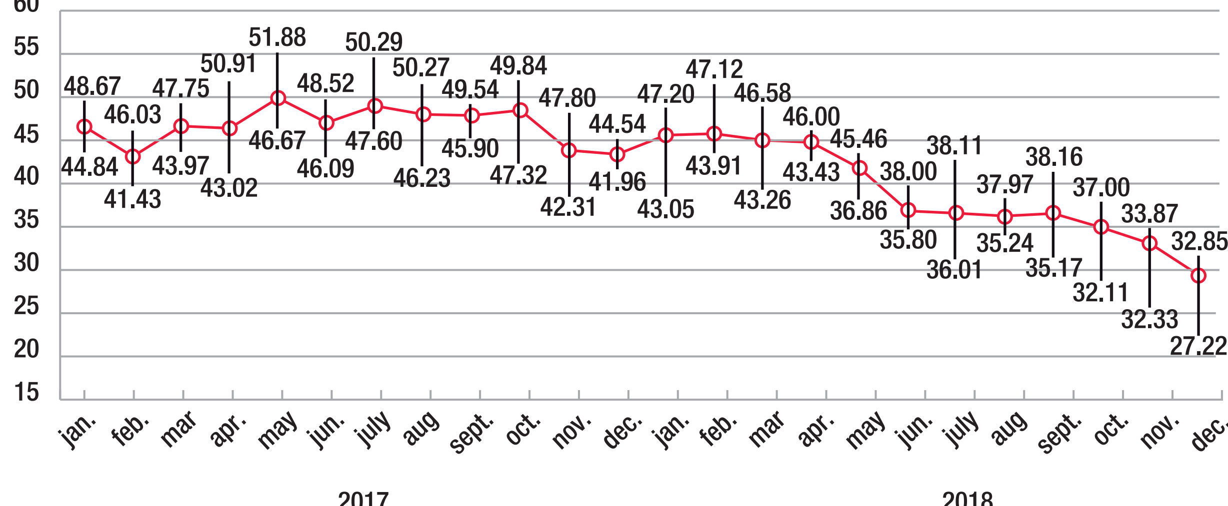
The market for the Group's shares remained highly liquid in 2018, with an average daily trading volume of EUR 157 million, representing a daily capital rotation ratio of 0.51% (versus 0.48% in 2017). In value terms, Societe Generale's shares were the 6th most actively traded on the CAC 40 index.

SHARE PERFORMANCE (BASE: SOCIETE GENERALE SHARE PRICE AS AT 31ST DECEMBER 2016)



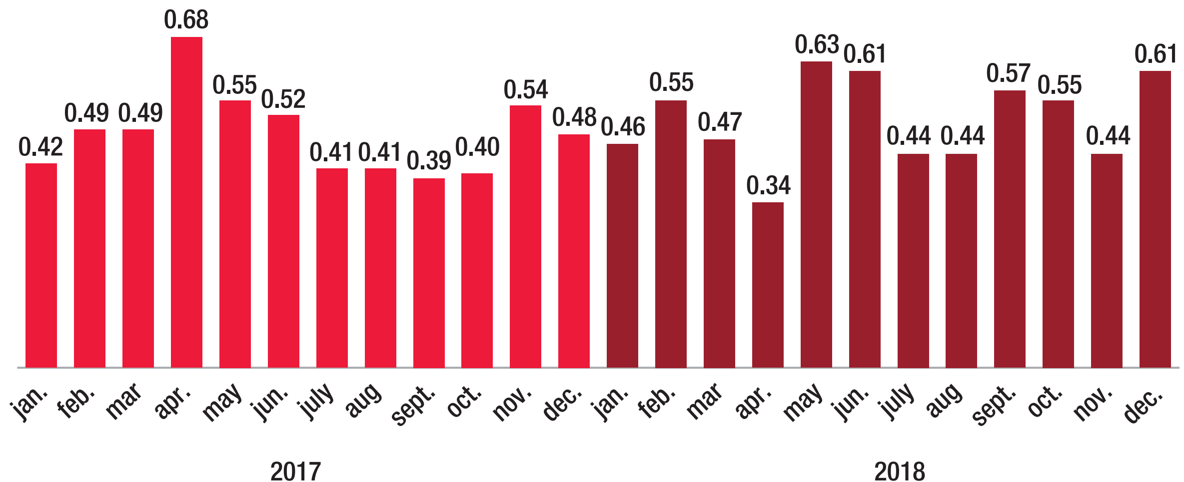
Source: *Thomson Reuters Eikon*

MONTHLY CHANGE IN SHARE PRICE (AVERAGE MONTHLY PRICE IN EURO)



Source: *Thomson Reuters Eikon*

TRADING VOLUMES (AVERAGE DAILY TRADING VOLUMES AS PERCENTAGE OF CAPITAL)



Source: Thomson Reuters Eikon.

7.1.2 TOTAL RETURN* FOR SHAREHOLDERS

The following table shows the cumulative and annualised average total return on investment for Societe Generale shareholders over different time periods ending 31st December 2018.

Duration of shareholding	Date	Cumulative total return*	Annualised average total return*
Since privatisation	8th July 1987	531.0%	6.0%
15 years	31st December 2003	-27.1%	-2.1%
10 years	31st December 2008	10.0%	1.0%
5 years	31st December 2013	-19.0%	-4.1%
4 years	31st December 2014	-4.5%	-1.1%
3 years	31st December 2015	-23.6%	-8.6%
2 years	31st December 2016	-34.0%	-18.8%
1 year	31st December 2017	-31.6%	-31.6%

Source

* *Total return = capital gain + net dividend reinvested in shares.*

7.1.3 STOCK EXCHANGE LISTING

The Societe Generale share is listed on the Paris Stock Exchange (deferred settlement market, continuous trading group A, ISIN code FR0000130809) and is also traded in the United States under an American Depository Receipt (ADR) programme.

7.1.4 STOCK MARKET INDICES

The Societe Generale share is a component stock of the CAC 40, STOXX All Europe 100, EURO STOXX 50, Euronext 100, MSCI PAN EURO, FTSE4Good Global and ASPI Eurozone indices.

7.1.5 2018 DIVIDEND

The Board of Directors of Societe Generale, which met on 6th February 2019, decided to propose the distribution of a dividend of EUR 2.20 per share to the General Meeting of 21st May 2019, with option of payment in shares.

- dividend detachment will take place on 27th May 2019;
- the dividend will be paid as from 14th June 2019.

7.1.6 DIVIDEND HISTORY

	2018*	2017	2016	2015	2014
Net dividend (in EUR)	2.20	2.20	2.20	2.00	1.20
Payout ratio (%)(1)	51.8	75.3	51.6	44.5	41.2
Net yield (%)(2)	7.9	5.1	4.7	4.7	3.4

* *Dividend proposed by the Board of Directors to the General Meeting to be held on 21st May 2019.*
(1) *Net dividend/diluted earnings per ordinary share (see Chapter 6, p. 414, Note 7.2 to the consolidated financial statements).*
(2) *Net dividend/closing price at end-December.*

Stock market data	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Share capital (number of outstanding shares)	807,917,739	807,917,739	807,713,534	806,239,713	805,207,646
Market capitalisation (in EUR bn)	22.5	34.8	37.8	34.3	28.2
Earnings per share (in EUR)	4.24	2.92	4.26	4.49	2.90(1)
Book value per share at year-end (in EUR)	64.6	63.2	63.7	61.6	58.0(1)
Share price (in EUR)					
high	47.2	51.9	47.5	48.3	48.4
low	27.2	41.4	26.4	32.8	33.9
closing	27.8	43.1	46.8	42.6	35.0

(1) *The amount for the 2014 financial year has been restated due to the implementation of the IFRIC 21 standard, resulting in the publication of adjusted data for the previous financial year.*

7.2 INFORMATION ON SHARE CAPITAL

7.2.1 SHARE CAPITAL

At 31st December 2018, Societe Generale paid-up share capital amounted to EUR 1,009,897,173.75 and comprised 807,917,739 shares with a nominal value of EUR 1.25 per share, all eligible for dividends paid out of income earned from 1st January 2018.

As part of the Group's capital market activities, transactions may be carried out involving indices or underlying assets with a Societe Generale share component. These transactions do not have an impact on the Group's future capital.

7.2.2 SHARE BUYBACKS AND TREASURY SHARES

At 31st December 2018, Societe Generale held 6,105,497 shares under its share buyback programme, representing 0.76% of its capital. The Group disposed of all its treasury shares during the first half of 2015.

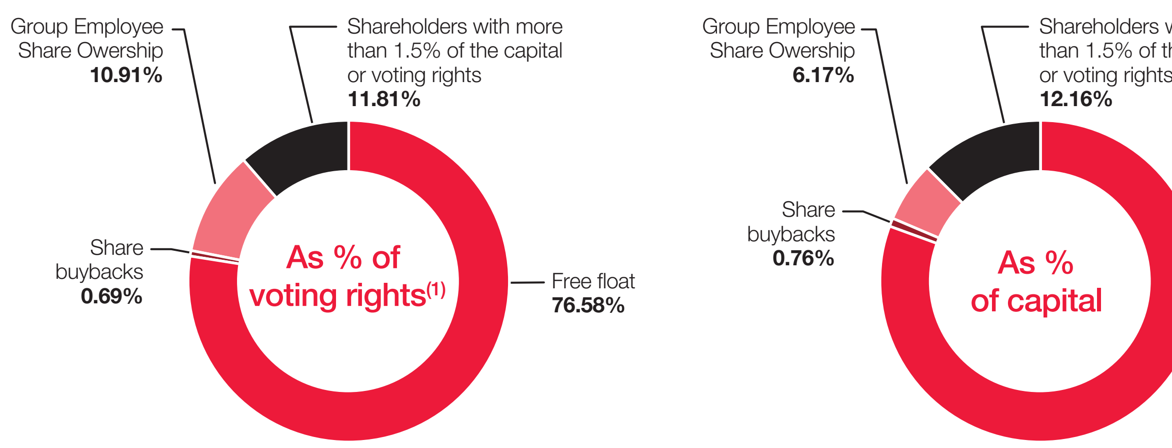
7.2.3 BREAKDOWN OF CAPITAL AND VOTING RIGHTS C'ESOVER 3 YEARS

	31.12.2018(1)				31.12.2017(2)			31.12.2016(3)		
	Number of shares	% of capital	% of voting rights(4)	% of voting rights exercisable at GM(4)	Number of shares	% of capital	% of voting rights(4)	Number of shares	% of capital	% of voting rights(4)
Group Employee Share Ownership Plan	49,885,581	6.17%	10.91%	10.99%	47,914,654	5.93%	10.85%	53,380,553	6.61%	11.98%
Shareholders with more than 1.5% of the capital or voting rights(5)	98,207,247	12.16%	11.81%	11.89%	113,334,627	14.03%	13.52%	110,008,696	13.62%	12.98%
BlackRock, Inc.	*48,813,400*	*6.04%*	*5.55%*	*5.59%*	*50,129,600*	*6.20%*	*5.69%*	*44,601,311*	*5.52%*	*5.00%*
The Capital Group Companies, Inc.	*28,794,220*	*3.56%*	*3.27%*	*3.30%*	*42,605,400*	*5.27%*	*4.84%*	*44,370,496*	*5.49%*	*4.98%*
CDC	*20,599,627*	*2.55%*	*2.99%*	*3.01%*	*20,599,627*	*2.55%*	*2.99%*	*21,036,889*	*2.60%*	*3.00%*
Free float	653,719,414	80.91%	76.58%	77.12%	639,818,154	79.19%	74.85%	636,072,534	78.75%	74.12%
Share buybacks(6)	6,105,497	0.76%	0.69%	0.00%	6,850,304	0.85%	0.78%	8,251,751	1.02%	0.93%
Treasury stocks(7)	0	0.00%	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%
TOTAL		**100%**	**100%**	**100%**		**100%**	**100%**		**100%**	**100%**
Calculation base		807,917,739	879,624,610	873,519,113		807,917,739	880,459,245		807,713,534	891,445,181

(1) As at 31st December 2018, the share of EU institutional shareholders in the capital is estimated at 47%.
(2) As at 31st December 2017, the share of EU institutional shareholders in the capital is estimated at 46%.
(3) As at 31st December 2016, the share of EU institutional shareholders in the capital is estimated at 45%.
(4) In accordance with article 223-11 of the AMF's General Regulation, the calculation of the total voting rights includes voting rights associated with share buybacks and treasury shares; however, these shares do not give the right to vote at General Meetings.
(5) Societe Generale's By-laws stipulate that shareholders are obliged to notify the Company whenever their holding of share capital or voting rights exceeds an additional 0.5% beyond an initial notification threshold of 1.5%. As at end-December 2018, no other shareholder declared a holding in excess of 1.5% of the share capital or voting rights, with the exception of mutual funds and trading activities of financial institutions.
(6) Of which 130,000 shares held within the liquidity agreement.
(7) Except shares held in the context of Global Markets activities.

During the 2018 financial year:

- During the first half of year 2018, The Capital Group Companies, Inc., acting as investment adviser on behalf of funds, reported to the AMF (French Financial Markets Authority) that it had crossed (i) upwards and downwards the 5% threshold of Societe Generale's voting rights an (ii) downwards the 5% threshold of Societe Generale's share capital. In its last declaration, the Capital Group Companies, Inc. stated that it had crossed downwards, on 25 July 2018, the 5% threshold of Societe Generale's share capital and held 39,868,503 Societe Generale shares, representing the same number of voting rights, i.e. 4.93% of the share capital and 4.53% of the voting rights of Societe Generale
- Société Générale reported to the AMF (French Financial Markets Authority) that it had crossed upwards, on 15 May 2018, the 5% threshold of Societe Generale's share capital and held 47,420,538 Societe Generale's shares, i.e. 5.87% of its share capital, distributed as follows: (i) effective holding of 12,670,921 shares (i.e. 1.57% of the share capital) and (ii) assimilated holding of 34,749,617 shares (i.e. 4.30% of the share capital).



(1) As of 2006 and in accordance with article 223-11 of the AMF's General Regulation, the calculation of the total voting rights includes voting rights associated with share buybacks and treasury shares; however, these shares do not give the right to vote at General Meetings.

7.2.4 SHARE BUYBACKS

The General Meeting of 23rd May 2018 authorised the Company to buy or sell its own shares with a view to (i) cancelling bought-back shares, (ii) granting, honouring or covering any free shares allocation plan, employees savings plan and any other form of allocation to Group employees and Chief Executive Officers, (iii) granting shares when rights attached to convertible securities are exercised, (iv) holding and subsequently delivering shares in exchange or as payment for acquisitions, and (v) continuing a liquidity contract.

Societe Generale did not buy back any of its own shares in 2018, excluding the liquidity contract.

Under the liquidity contract implemented on 22nd August 2011, Societe Generale acquired 3,226,428 shares in 2018, with a value of EUR 134,397,549, and sold 3,096,428 shares with a value of EUR 128,740,724.

At 31st December 2018, the liquidity contract held 130,000 shares.

From 1st January 2019 to 6th February 2019, excluding the liquidity contract, Societe Generale did not buy back any of its own shares on the market. At 6th February 2019, 135,625 shares were recorded in the liquidity contract account.

From 1st January 2018 to 31st December 2018

	Purchases			Transfers/Disposals				
	Number	Purchase price		Number	Purchase price			Disposal/ transfer price
Cancellation	0	-	0.00					
Acquisitions	0	-	0.00					
Allocation to employees	0	-	0.00	874,807	36.28	31,736,599	0.00	0
Liquidity contract	3,226,428	41.66	134,397,549	3,096,428	41.96	129,928,220	41.58	128,740,724
TOTAL	**3,226,428**	**41.66**	**134,397,549**	**3,971,235**	**40.71**	**161,664,819**	**41.58**	**128,740,724**

VALUE OF TREASURY SHARES AND BUYBACKS AS AT 31ST DECEMBER 2018

Percentage of capital held directly or indirectly	0.76%
Number of shares cancelled over the last 24 months	0
Number of shares held directly	6,105,497
Book value of shares held directly	EUR 243,786,043
Market value of shares held directly[1]	EUR 169,854,927

(1) The current value is equal to the average share price of the last month for available-for-sale listed securities.

As at 31.12.2018	Number of shares	Nominal value (in EUR)	Book value (in EUR)
Societe Generale*	6,105,497	7,631,871	243,786,043
TOTAL	**6,105,497**	**7,631,871**	**243,786,043**

** Of which liquidity contract (130,000 shares).*

7.2.5 CHANGES IN SHARE CAPITAL

Operation	Date (of record or completion)	Change	Number of shares	Share capital (in EUR)	Change in share capital resulting from operation (%)
Exercise of stock options from 11th July 2013 to 31st December 2013	recorded on 8th January 2014	+59,863	798,716,162	998,395,202.50	
Free grant of shares to employees	recorded on 31st March 2014	+1,303,272	800,019,434	1,000,024,292.50	+0.16
Increase through 2014 Company Savings Plan and exercise of stock options until 30th June 2014	recorded on 11th July 2014	+5,172,260(1)	805,191,694	1,006,489,617.50	+0.65
Exercise of stock options from 1st July 2014 to 31st December 2014	recorded on 8th January 2015	+15,952	805,207,646	1,006,509,557.50	
Free grant of shares to employees	recorded on 31st March 2015	+892,416	806,100,062	1,007,625,077.50	+0.11
Exercise of stock options from 1st January 2015 to 31st December 2015	recorded on 8th January 2016	+139,651	806,239,713	1,007,799,641.25	+0.01
Free grant of shares to employees	recorded on 31st March 2016	+1,264,296	807,504,009	1,009,380,011.25	+0.15
Exercise of stock options from 1st January 2016 to 31st December 2016	recorded on 9th January 2017	+209,525	807,713,534	1,009,641,917.50	+0.02
Exercise of stock options from 1st January 2017 to 8th March 2017	recorded on 11th December 2017	+204,205	807,917,739	1,009,897,173.75	+0.02

(1) Including 55,292 shares resulting from the exercise of stock options in 2014.

7.2.6 TRANSACTIONS CARRIED OUT BY CHIEF EXECUTIVE OFFICERS AND DIRECTORS IN SOCIETE GENERALE SHARES

Summary statement published in compliance with Article 223–26 of the AMF General Regulation.

(In EUR)	Type of transaction	Date	Amount
Diony LEBOT			
Deputy Chief Executive Officer, performed 1 transaction:	Subscription to 323 Societe Generale fund units	27.06.18	6,881
Philippe AYMERICH			
Deputy Chief Executive Officer, performed 1 transaction:	Subscription to 323 Societe Generale fund units	27.06.18	6,881
Séverin CABANNES			
Deputy Chief Executive Officer, performed 2 transactions:	Acquisition of 20,825 Societe Generale shares	04.04.18	
	Acquisition of 4,326 Societe Generale shares	28.09.18	
Philippe HEIM			
Deputy Chief Executive Officer, performed 1 transaction:	Subscription to 323 Societe Generale fund units	27.06.18	6,881
Bernardo SANCHEZ INCERA			
Deputy Chief Executive Officer, performed 1 transaction:	Acquisition of 20,825 Societe Generale shares	04.04.18	
Frédéric OUDÉA			
Chief Executive Officer, performed 2 transactions:	Acquisition of 31,238 Societe Generale shares	04.04.18	
	Acquisition of 8,956 Societe Generale shares	28.09.18	
Diane CÔTE			
Director, performed 1 transaction	Acquisition of 1,000 Societe Generale shares	24.09.18	37,845
Jérôme CONTAMINE			
Director, performed 1 transaction:	Acquisition of 1,000 Societe Generale shares	18.09.18	36,123

7.2.7 EXISTING AGREEMENTS BETWEEN SOCIETE GENERALE AND ITS SHAREHOLDERS

On 24th July 2000, Societe Generale entered into an agreement with Santander Central Hispano (which became "Banco Santander") relating to the management of their cross-holdings. According to this agreement, Societe Generale and Santander Central Hispano each grant the other party a pre-emptive right to the shares held, directly or through a subsidiary, by each of the parties in the share capital of the other, although this right does not apply in the event of a public tender offer initiated by a third party for the shares of either party.

The agreement was concluded for an initial period of three years from the date of its signature and is subsequently renewable for two-year periods.

This pre-emptive clause was published by the French Financial Markets Council (Conseil *des Marchés Financiers*) in the Decision No. 201C1417 dated 30th November 2001. This agreement was still in force on 31st December 2018. However, as at 31st December 2018, Banco Santander no longer held any shares in Societe Generale and Societe Generale no longer held any shares in Banco Santander.

7.3 ADDITIONAL INFORMATION

7.3.1 GENERAL INFORMATION

Name

Societe Generale

Registered office

29 boulevard Haussmann, 75009 Paris (France)

Administrative office

17 cours Valmy, 92972 Paris-La Défense (France)

Postal address: Societe Generale, Tours Societe Generale, 75886 Paris cedex 18 (France)

Telephone number: +33 (0)1 42 14 20 00

Website: www.societegenerale.com

Legal form

Societe Generale is a public limited company (*société anonyme*) established under French law and having the status of a bank.

Governing law

Societe Generale is a public limited company (*société anonyme*) governed by French commercial legislation, in particular by Articles L. 210-1 *et seq.* of the French Commercial Code, as well as by its By-laws.

Societe Generale is a credit institution licensed as a bank and investment services provider. It is subject to the legislative and regulatory provisions relating to the financial sector, in particular the Articles of the French Monetary and Financial Code and, where appropriate, to local law provisions in particular for its branches. As such, it may carry out all banking transactions, all investment services and related services, except for operating a multilateral trading facility (MTF) or an organised trading facility (OTF). It must in particular comply with a number of prudential rules and is subject to the controls carried out by the European Central Bank (ECB) and the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR).

Date of incorporation and duration

Societe Generale was incorporated following a deed approved by decree dated 4th May 1864. The duration of Societe Generale will expire on 31st December 2047, unless it is extended or the Company is wound up before that date.

Corporate purpose

Article 3 of the Company's By-laws describes the corporate purpose. The purpose of Societe Generale is, under the conditions determined by the laws and regulations applicable to credit institutions, to carry out with individuals or legal entities, in France and abroad:

- all banking transactions;
- all transactions related to banking operations, including in particular investment services or related services referred to in Articles L. 321-1 and L. 321-2 of the French Monetary and Financial Code;
- all acquisitions of interests in other companies.

Societe Generale may also, on a regular basis, as defined in the conditions set by the French Banking and Financial Regulation Committee (*Comité de la réglementation bancaire et financière*), engage in all transactions other than those mentioned above, in particular insurance brokerage.

Generally, Societe Generale may carry out, on its own behalf, on behalf of a third party or jointly, all financial, commercial, industrial or agricultural, security or property transactions, directly or indirectly related to the abovementioned activities or likely to facilitate their accomplishment.

Identification

552 120 222 RCS PARIS

ISIN code (International Securities Identification Number): FR 0000130809

NAF (trade sector) code: 6419Z

LEI (Legal Entity Identifier): O2RNE8IBXP4R0TD8PU41

Corporate documents

Documents relating to the Company and in particular its By-laws, its accounts, the reports submitted to its General Meetings by the Board of Directors or the Statutory Auditors, are available at Tours Société Générale, 17 cours Valmy, 92972 Paris-La Défense (France).

The By-laws of Societe Generale are filed with the notarial firm of "Thibierge & Associés" in Paris (France).

Financial year

From 1st January to 31st December of each year.

Categories of shares and attached rights

Under Article 4 of the Company's By-laws, the share capital is divided into 807,917,739 fully paid-up shares with a nominal value of EUR 1.25.

Double voting rights

In accordance with Article 14 of the Company's By-laws, double voting rights are allocated, in relation to the amount of share capital represented by the shares in question, to all shares which are fully paid-up and which have been registered in the name of the same shareholder for at least two years as from 1st January 1993, as well as to any new registered shares that may be freely allocated to a shareholder, in the event of a capital increase by incorporation of reserves, profits or premiums, on the basis of shares benefiting from this right.

According to the law, double voting rights cease for shares which have been converted into bearer form or if ownership of the shares is transferred. Nevertheless, transfer through inheritance, liquidation of marital assets, donation *inter vivos* to a spouse or a direct relative entitled to inherit, does not result in the loss of rights and does not affect the minimum two-year vesting period. The same applies, unless otherwise stated in the Company's By-laws, in case of transfer following a merger or a spin-off of a shareholder company.

Restriction on voting rights

In accordance with Article 14 of the Company's By-laws, the number of votes at General Meetings to be used by one shareholder, either personally or through a proxy, may not exceed 15% of the total voting rights existing at the date of the Meeting. This 15% limit does not apply to the Chairman or any other proxy with respect to the total number of voting rights they hold on a personal basis and in their capacity as proxy, provided that each proxy complies with the 15% rule. For the purposes of applying this 15% limit, shares held by a single shareholder include shares held indirectly or jointly in accordance with the conditions described in Articles L. 233-7 *et seq.* of the French Commercial Code. This limit ceases to apply when a shareholder comes to hold, following a public tender offer, either directly or indirectly or jointly with another shareholder, more than 50.01% of the Company's voting rights.

Disclosure of statutory threshold crossings

In accordance with the provisions of Article 6.2 of the Company's By-laws, any shareholder acting alone or jointly, who comes to hold directly or indirectly at least 1.5% of the share capital or of the voting rights in the Company, must inform the latter within fifteen days following the crossing of this threshold, and must also indicate in this statement the number of securities giving access to the share capital it holds. Mutual fund management companies must provide this information for all shares in the Company held by the funds they manage. Beyond 1.5%, the Company must be notified of each crossing of an additional 0.50% threshold of the share capital or voting rights, as provided by Article 6.2 of the Company's By-laws.

Failure to comply with this requirement will be punished in accordance with legal provisions, at the request, duly recorded in the minutes of the General Meeting, of one or more shareholders holding at least 5% of the share capital or of the voting rights in the Company.

Any shareholder, acting alone or jointly, is also required to inform the Company within fifteen days when the percentage of share capital or voting rights it holds falls below each of the thresholds mentioned in Article 6.2 of the Company's By-laws.

Convening and rules for attending General Meetings of Shareholders

Under Article 14 of the Company's By-laws, General Meetings are convened and deliberate in accordance with the conditions set forth by the laws and regulations in force. They meet at the registered office or in any other place in mainland France indicated in the convening notice. Such meetings are chaired by the Chairman of the Board of Directors or, failing this, by a Director appointed for this purpose by the Chairman of the Board of Directors.

Regardless of the number of shares held, any shareholder whose shares are registered under the terms and at a date set by decree, has the right, upon proof of their identity and status as a shareholder, to participate in the General Meetings. A shareholder may, in accordance with the laws and regulations in force, personally attend the General Meetings, vote remotely or appoint a proxy. The intermediary registered on behalf of shareholders may participate in the General Meetings, under the conditions set forth by the provisions of the laws and regulations in force.

In order for the ballots to be counted, they must be received by the Company at least two days before the General Meeting is held, unless a shorter period is specified in the convening notice or required by the regulations in force.

Shareholders may participate in General Meetings by videoconference or any other means of telecommunication, when provided for in the convening notice and subject to the conditions defined therein.

The General Meeting may be publicly broadcast by means of electronic communication subject to the approval of and under the terms set by the Board of Directors. Notice will be given in the notice of meeting and/or the convening notice.

In all General Meetings, the voting right attached to shares with a right of usufruct is exercised by the usufructuary.

Identifiable bearer securities

Article 6.3 of the Company's By-laws provides that Societe Generale may at any time, in accordance with the provisions of the laws and regulations in force, ask the organisation responsible for securities clearing to provide information relating to the securities granting the right to vote in its General Meetings, either immediately or in the future, as well as information about the holders of these securities.

7.3.2 PUBLICLY AVAILABLE DOCUMENTS

The Company's By-laws are included in this Registration Document. All reports, letters and other documents, historical financial data, assessments and statements prepared by any expert at the request of the issuer and included in part or referred to in the present document, as well as all financial information, including on subsidiaries, for each of the two financial years preceding the publication of this document, are available either on the Societe Generale Group website or at its administrative office.

7.4 BY-LAWS

(Updated on 11th December 2017)

TYPE OF COMPANY – NAME – REGISTERED OFFICE – PURPOSE

Article 1

The Company, named Societe Generale, is a public limited company incorporated by deed approved by the Decree of 4th May 1864, and is approved as a bank.

The duration of Societe Generale, previously fixed at 50 years with effect from 1st January 1899, was then extended by 99 years with effect from 1st January 1949.

Under the legislative and regulatory provisions relating to credit institutions, notably the articles of the French Monetary and Financial Code that apply to them, the Company is subject to commercial laws, in particular Articles L. 210-1 *et seq.* of the French Commercial Code, as well as these By-laws.

Article 2

Societe Generale's registered office is at 29, boulevard Haussmann, Paris (9th arrondissement).

In accordance with current legislative and regulatory provisions it may be transferred to any other location.

Article 3

The purpose of Societe Generale is, under the conditions determined by the laws and regulations applicable to credit institutions, to carry out with individuals and corporate entities, in France or abroad:

- all banking transactions;
- all transactions related to banking operations, including in particular investment services or allied services as listed by Articles L. 321-1 and L. 321-2 of the Monetary and Financial Code;
- all acquisitions of interests in other companies.

Societe Generale may also, on a regular basis, as defined in the conditions set by the French Financial and Banking Regulation Committee, engage in all transactions other than those mentioned above, including in particular insurance brokerage.

Generally, Societe Generale may carry out, on its own behalf, on behalf of a third party or jointly, all financial, commercial, industrial, agricultural, security or property transactions, directly or indirectly related to the abovementioned activities or likely to facilitate the accomplishment of such activities.

CAPITAL – SHARES

Article 4

4.1 SHARE CAPITAL

The share capital amounts to EUR 1,009,897,173.75. This is divided into 807,917,739 fully paid-up shares, each with a nominal value of EUR 1.25.

4.2 CAPITAL INCREASE AND REDUCTION

The capital may be increased or reduced on the decision of the competent General Meeting or Meetings.

Any capital reduction motivated by losses shall be divided between shareholders in proportion to their share of the capital.

Article 5

Unless otherwise provided by legislative and regulatory provisions, all shares have the same rights.

All shares which make up or which will make up the share capital will be given equal rank as regards taxes. Consequently, all taxes which, for whatever reason, may become payable on certain shares following capital reimbursement, either during the life of the Company or during its liquidation, shall be divided between all the shares making up the capital on such reimbursement(s) so that, while allowing for the nominal and non-amortised value of the shares and for their respective rights, all present or future shares shall entitle their owners to the same effective advantages and to the right to receive the same net sum.

Whenever it is necessary to possess a certain number of shares in order to exercise a right, it is incumbent on shareholders who own fewer shares than the total number required to assemble the necessary number of shares.

Article 6

6.1. FORM AND TRANSFER OF SHARES

The shares may, in accordance with the holder's wishes, be registered or bearer shares and shall be freely negotiable, unless otherwise stipulated by law.

6.2. STATUTORY THRESHOLDS

Any shareholder acting on his own or jointly, who comes to hold directly or indirectly at least 1.5% of the capital or voting rights, must inform the Company within fifteen days of the time at which he exceeds this threshold, and must also indicate in his declaration the number of shares he holds in the share capital. Mutual fund management companies must provide this information based on the total number of shares held in the Company by the funds they manage. Beyond the initial 1.5%, shareholders are obliged to notify the Company, under the aforementioned conditions, whenever their holding of capital or voting rights exceeds an additional 0.50%.

Failure to comply with this requirement will be penalised in accordance with legal provisions on this matter, at the request of one or more shareholders with at least a 5% holding in the Company's capital or voting rights. Said request will be duly recorded in the minutes of the General Meeting.

Any shareholder acting on his own or jointly, is also required to inform the Company within fifteen days if the percentage of his capital or voting rights falls below each of the thresholds described in this article.

6.3. IDENTIFICATION OF SHAREHOLDERS

The Company can at any time, in accordance with current legislative and regulatory provisions, request that the organisation responsible for securities clearing provide information relating to the shares granting the right to vote in its General Meetings, either immediately or in the long term, as well as information about the holders of these shares.

6.4. SHAREHOLDERS' RIGHTS

The rights of shareholders shall comply with applicable legislative and regulatory provisions, subject to the specific provisions of the current by-laws.

BOARD OF DIRECTORS

Article 7

I – DIRECTORS

The Company is managed by a Board of Directors made up of two categories of Directors:

1. Directors appointed by the Ordinary General Meeting of Shareholders

There are at least nine of these Directors, and thirteen at the most.

The term of office of Directors appointed by the Ordinary General Meeting shall expire four years after the approval of the current article. This provision does not apply to Directors in office at the time of this approval.

When, in application of current legislative and regulatory provisions, a Director is appointed to replace another, then his term of office shall not exceed the term of office remaining to be served by his predecessor.

Each Director must hold at least six hundred shares.

2. Directors elected by employees

The status and methods of electing these Directors are laid down by Articles L. 225-27 to L. 225-34 of the French Commercial Code, as well as by these By-laws.

There are two Directors, one to represent the executives and one to represent all other Company employees.

In any event, their number may not exceed one-third of the Directors appointed by the General Meeting.

Their term of office is three years.

Regardless of the appointment procedure, the duties of a Director cease at the end of the Ordinary General Meeting called to approve the financial statements of the previous fiscal year and held during the year in which his term of office expires.

Directors may be re-elected, as long as they meet the legal provisions, particularly with regard to age.

II – METHODS OF ELECTING DIRECTORS ELECTED BY EMPLOYEES

For each seat to be filled, the voting procedure is that set forth by law.

The first Directors elected by employees will begin their term of office during the Board of Directors' meeting held after publication of the full results of the first elections.

Subsequent Directors shall take up office upon expiry of the outgoing Directors' terms of office.

If, under any circumstances and for any reason whatsoever, there shall remain in office less than the statutory number of Directors before the normal end of the term of office of such Directors, vacant seats shall remain vacant until the end of the term of office and the Board shall continue to meet and take decisions validly until that date.

Elections shall be organised every three years so that a second vote may take place at the latest fifteen days before the normal end of the term of office of outgoing Directors.

For both the first and second ballot, the following deadlines should be adhered to:

- posting of the date of the election at least eight weeks before the polling date;
- posting of the lists of the electors at least six weeks before the polling date;
- registration of candidates at least five weeks before the polling date;
- posting of lists of candidates at least four weeks before the polling date;
- sending of documents required for postal voting at least three weeks before the polling date.

The candidatures or lists of candidates other than those entered by a representative trade union should be accompanied by a document including the names and signatures of the one hundred employees presenting the candidates.

Polling takes place the same day, at the work place, and during working hours. Nevertheless, the following may vote by post:

- employees not present on the day of polling;
- employees working abroad;
- employees of a department or office or seconded to a subsidiary in France not having a polling station, or who cannot vote in another office.

Each polling station consists of three elective members, the Chairman being the oldest one among them. The Chairman is responsible for seeing that voting operations proceed correctly.

Votes are counted in each polling station, and immediately after the closing of the polls; the report is drawn up as soon as the counting has been completed.

Results are immediately sent to the Head Office of Societe Generale, where a centralised results station will be set up with a view to drafting the summary report and announcing the results.

Methods of polling not specified by Articles L. 225-27 to L. 225-34 of the French Commercial Code or these By-laws are decreed by the General Management after consulting with the representative trade unions.

These methods may include electronic voting, whose organisation may deviate from the practical organisation of the election described herein.

III – NON-VOTING DIRECTORS

On the proposal of the Chairman, the Board of Directors may appoint one or two Non-Voting Directors.

Non-Voting Directors are convened and attend Board of Directors' meetings in a consultative capacity.

They are appointed for a period not exceeding four years and the Board can renew their terms of office or terminate them at any time.

They may be selected from among shareholders or non-shareholders, and receive an annual remuneration determined by the Board of Directors.

Article 8

The Board of Directors determines the Company's strategy and ensures its implementation. Subject to the powers expressly attributed to the General Meeting and within the scope provided for in the corporate purpose, it considers all matters that affect the Company's operations and settles by its decisions matters that concern it.

It carries out all the controls and verifications it deems appropriate. The Chairman or Chief Executive Officer is required to furnish each Director with all documents required to carry out their function.

Article 9

The Board of Directors elects a Chairman from among its natural person members, determines his remuneration and sets the duration of his term of office, which may not exceed that of his term of office as Director.

No member of 70 years of age or more shall be appointed Chairman. If the Chairman in office reaches the age of 70, his duties shall cease after the next Ordinary General Meeting called to approve the financial statements of the preceding fiscal year.

The Chairman organises and manages the work of the Board of Directors and reports on its activities to the General Meeting. He ensures that the Company's bodies operate correctly and in particular ensures that the Directors are able to fulfil their functions.

Article 10

The Board of Directors meets as often as is required by the interests of the Company, upon convocation by the Chairman, either at the registered office or in any other place indicated in the Notice of Meeting. The Board examines the items placed on the agenda.

It shall meet when at least one-third of Board members or the Chief Executive Officer submits a request for a meeting with a specific agenda to the Chairman.

If the Chairman is unable to attend, the Board of Directors can be convened either by one-third of its members, or by the Chief Executive Officer or a Deputy Chief Executive Officer, provided they are members of the Board.

Unless specifically provided for, Directors are called to meetings by letter or by any other means. In any event, the Board may always deliberate validly if all its members are present or represented.

Article 11

Board meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Director designated for this purpose at the beginning of the meeting.

Every Director may give his proxy to another Director, but a Director may act as proxy for only one other Director and a proxy can only be given for one specific meeting of the Board.

In all cases, deliberations of the Board are valid only if at least half the members are present.

The Chief Executive Officer attends meetings of the Board.

One or several delegates of the Central Works Council attend Board meetings, under the conditions laid down by the legislation in force.

At the request of the Chairman of the Board of Directors, members of the General Management, the Statutory Auditors or other persons outside the Company with specific expertise relating to the items on the agenda may attend all or part of a Board meeting.

Resolutions are adopted by a majority vote of the Directors present or represented. In the event of a tie, the Chairman holds a casting vote.

A member of the Management appointed by the Chairman serves as Secretary of the Board.

Minutes are prepared and copies or extracts certified and delivered in accordance with the law.

Article 12

Members of the Board may receive Director's fees in the form of a global sum set by the General Meeting distributed by the Board among its members as it sees fit.

GENERAL MANAGEMENT

Article 13

The General Management of the Company is the responsibility of either the Chairman of the Board of Directors or any other individual appointed by the Board of Directors to act as Chief Executive Officer.

The Board of Directors may choose between the two general management structures, and its decision is only valid if:

- the agenda with respect to this choice is sent to members at least 15 days before the date of the Board meeting;
- at least two-thirds of Directors are present or represented.

Shareholders and third parties shall be informed of this decision in accordance with the regulations in force.

When the Chairman of the Board of Directors assumes responsibility for the general management of the Company, the following provisions relating to the Chief Executive Officer shall be applicable to him.

The Chief Executive Officer shall be granted exhaustive powers to act on behalf of the Company in all matters. He shall exercise these powers within the scope of the Company's purpose and subject to those powers expressly assigned by law to meetings of shareholders and the Board of Directors. He shall represent the Company vis-à-vis third parties.

The Board of Directors sets the remuneration and the duration of the Chief Executive Officer's term, which may not exceed that of the dissociation of the functions of Chairman and Chief Executive Officer nor, where applicable, the term of his Directorship.

No person aged 70 or more may be appointed Chief Executive Officer. If the Chief Executive Officer in office reaches 70 years of age, his functions shall end at the end of the next Ordinary General Meeting called to approve the financial statements of the preceding fiscal year.

On recommendation by the Chief Executive Officer, the Board of Directors can appoint up to five persons to assist the Chief Executive Officer, who shall have the title Deputy Chief Executive Officer.

In agreement with the Chief Executive Officer, the Board of Directors determines the extent and duration of the powers granted to Deputy Chief Executive Officers. The Board of Directors sets their remuneration. With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

SHAREHOLDERS' MEETING

Article 14

General Meetings are comprised of all shareholders.

The General Meeting is called and deliberates as provided for by the legal and regulatory provisions in force.

It meets at the Company's head office or in any other place in mainland France indicated in the Notice to attend the General Meeting.

Such meetings are chaired by the Chairman of the Board or, in his absence, by a Director appointed for this purpose by the Chairman of the Board.

Regardless of the number of shares held, all shareholders whose shares are registered under the terms and at a date set forth by decree have the right, upon proof of their identity and status as a shareholder, to participate in the General Meetings. They may, as provided for by the legal and regulatory provisions in force, personally attend the General Meetings, vote remotely or appoint a proxy.

The intermediary registered on behalf of shareholders may participate in the General Meetings as provided for by the legal and regulatory provisions in force.

In order for the ballots to be counted, they must be received by the Company at least two days before the General Meeting is held, unless otherwise specified in the Notice of Meeting or required by the regulations in force.

Shareholders may participate in General Meetings by videoconference or any other means of telecommunication, when stipulated in the Notice of Meeting and subject to the conditions provided therein.

The General Meeting may be publicly broadcast by means of electronic communication subject to the approval and under the terms set by the Board of Directors. Notice will be given in the preliminary Notice of Meeting and/or Notice to attend the Meeting.

Double voting rights, in relation to the share of capital stock they represent, are allocated to all those shares which are fully paid up and which have been registered in the name of the same shareholder for at least two years as from 1st January 1993. Double voting rights are also allocated to new registered shares that may be allocated free of charge to a shareholder in respect of the shares with double voting rights already held by him, in the case of a capital increase by incorporation of reserves, earnings, or additional paid-in capital.

The number of votes at General Meetings to be used by one shareholder, either personally or by a proxy, may not exceed 15% of total voting rights at the date of the Meeting.

This 15% limit does not apply to the Chairman or any other proxy with respect to the total number of voting rights they hold on a personal basis and in their capacity as proxy, provided each shareholder for whom they act as proxy complies with the rule stipulated in the previous paragraph.

For the purposes of applying this limit, shares held by a single shareholder include shares held indirectly or jointly in accordance with the conditions described in Articles L. 233-7 *et seq.* of the French Commercial Code.

This limit ceases to apply when a shareholder acquires – either directly or indirectly or jointly with another shareholder – more than 50.01% of the Company's voting rights following a public offering.

In all General Meetings, the voting right attached to shares that include a usufructuary right is exercised by the usufructuary.

SPECIAL MEETINGS

Article 15

When different categories of shares exist, the Special Meetings of the shareholders of such categories of shares deliberate as provided by applicable legislative and regulatory provisions and Article 14 herein.

AUDITORS

Article 16

The Statutory Auditors are appointed and carry out their duties according to the applicable statutory and regulatory provisions.

ANNUAL FINANCIAL STATEMENTS

Article 17

The financial year starts on 1st January and ends on 31st December.

The Board of Directors prepares the financial statements for the year under the conditions set by the applicable laws and regulations.

All other documents prescribed by the applicable laws and regulations are also drawn up.

Article 18

The results for the year are determined in accordance with the applicable legal and regulatory provisions.

At least 5% of the profits for the year, less any previous losses, must be set aside by law to form a reserve fund until said fund reaches 10% of the capital.

The net income available after this deduction, increased by any net income brought forward, constitutes the profits available for distribution, to be successively allocated to ordinary, extraordinary or special reserves or to be carried forward in those amounts which the General Meeting may deem useful, upon the recommendation of the Board of Directors.

The balance is then allocated to the shareholders in proportion to their stake in the share capital.

The General Meeting may also resolve to distribute amounts from available reserves.

The General Meeting approving the annual financial statements may, with regard to the whole or part of the dividend or interim dividend, grant each shareholder the option to choose between payment of the dividend or interim dividend in cash or in shares in accordance with the conditions set by the laws in force. A shareholder who exercises this option must do so for all of the dividends or interim dividends attached to their shares.

Except in cases of a reduction in capital, no distribution may be made to shareholders if the shareholders' equity of the Company is or may subsequently become less than the minimum capital and reserves that may not be distributed by law or under the Company's By-laws.

FORUM SELECTION CLAUSE

Article 19

Any dispute arising during the life of the Company or during its liquidation, between the Company and its shareholders or among the shareholders themselves, related to Company matters shall be brought before the courts under the proper jurisdiction effective at the Company's registered office.

DISSOLUTION

Article 20

In the event that Societe Generale is wound up and unless otherwise provided for by law, the General Meeting determines the method of liquidation, appoints the liquidators on the proposal of the Board of Directors and continues to exercise its assigned powers during said liquidation until completion thereof.

The net assets remaining after repayment of the nominal value of the shares are distributed among the shareholders, in proportion to their share of the capital.

7.5 INTERNAL RULES OF THE BOARD OF DIRECTORS[1]

(Updated on 1st August 2018)

Preamble

The Board of Directors collectively represents all shareholders and acts in the Company's interest. Each Director, regardless of the manner in which he/she was appointed, must act in all circumstances in the Company's corporate interest.

Societe Generale applies the AFEP-MEDEF Corporate Governance Code for listed companies. As a credit institution, Societe Generale is subject to the provisions of the French Commercial Code, the French Monetary and Financial Code and more generally the regulatory texts applicable to the banking sector.

The purpose of these Internal Rules is to define the Board of Directors' organisation and operating procedures and to specify the rights and obligations of its members.

The Board of Directors ensures that Societe Generale has a solid governance system including, in particular, a clear organisation ensuring a well-defined, transparent and coherent sharing of responsibilities, effective procedures for the detection, management, monitoring and reporting of risks to which the Company is or could be exposed, an adequate internal control system, sound administrative and accounting procedures and compensation policies and practices enabling and promoting sound and effective risk management.

Article 1: Powers of the Board of Directors

1.1 The Board of Directors shall deliberate on any issue falling within its legal or regulatory powers and devote sufficient time to perform its missions.

1.2 The Board of Directors is competent, the enumeration is not to be regarded as exhaustive, in the following areas:

a) Strategic directions and operations

The Board of Directors:

- approves the Group's strategic directions, ensures their implementation and reviews them at least once a year; these directions include the values and the code of conduct of the Group as well as the main thrusts of the policy followed with respect to social and environmental responsibility, human resources, information systems and organisation;
- approves the plans for strategic operations, in particular acquisitions or disposals, which may have a significant impact on the Group's earnings, its balance sheet structure or its risk profile.

  This prior approval process concerns:

  - organic growth transactions of a unit amount higher than EUR 250 million and not already approved as part of the annual budget or the strategic plan;
  - external growth transactions of a unit amount higher than 3% of the Group's consolidated shareholders' equity or higher than 1.50% of the Group's consolidated shareholders' equity if these transactions do not fall within the development priorities approved in the strategic plan;
  - disposal transactions of a unit amount higher than 1.50% of the Group's consolidated shareholders' equity;
  - partnership transactions with a compensation (*soulte*) of an amount higher than 1.50% of the Group's consolidated shareholders' equity;
  - transactions substantially degrading the Group's risk profile.

  The Chairman shall assess, on a case-by-case basis, the appropriateness of a referral to the Board of Directors to deliberate on a transaction that does not fall under the aforementioned circumstances.

  During each Board of Directors' meeting, an update is made on the transactions concluded since the previous meeting as well as on the main projects in progress and likely to be concluded before the next Board of Directors' meeting.

b) Financial statements and communication

The Board of Directors:

- ensures the accuracy and truthfulness of the annual and consolidated annual accounts and the quality of the information provided to the shareholders and the market;
- approves the management report;
- controls the publication and communication process, the quality and reliability of the information to be published and communicated.

c) Risk management

The Board of Directors:

- approves the global strategy and the appetite in terms of risks of any kind and controls the related implementation. To this end, it approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which the Company is or could be exposed, including the risks created by the economic environment; ensures, in particular, the adequacy and effectiveness of the risk management systems, controls the risk exposure from its activities and approves the overall risk limits; ensures the effectiveness of the corrective measures taken in the event of a default.

d) Governance

The Board of Directors:

- appoints the Chairman, the Chief Executive Officer and, upon the latter's proposal, the Deputy Chief Executive Officer(s); it determines any possible limitations on the powers of the Chief Executive Officer and the Deputy Chief Executive Officer(s);
- reviews the governance system, periodically assesses its effectiveness and ensures that corrective measures to remedy potential shortcomings have been taken;
- ensures, in particular, compliance with the banking regulations with respect to internal control;

(1) *This document does not form part of Societe Generale's By-laws.*

- determines the orientations and controls the implementation by the Effective Senior Managers[1] of the oversight systems in order to ensure effective and prudent management of the institution, in particular the avoidance of conflicts of interest;
- deliberates on changes to the Group's management structures prior to their implementation and is informed of the main changes to its organisation;
- deliberates at least once a year, on its operation and that of its Committees, on the skills, aptitudes and availability of its members (see Articles 2 and 3) as well as on the conclusions of the periodic assessment thereof;
- reviews once a year the succession plan for the chief executive officers (*dirigeants mandataires sociaux*);
- gives, where appropriate, its prior consent to the dismissal of the Chief Risk Officer, after the Risk Committee and the Nomination and Corporate Governance Committee have been consulted;
- prepares the Report on corporate governance submitted to the General Meeting of Shareholders.

e) Compensation and wage policy

The Board of Directors:

- distributes the attendance fees in accordance with Article 15 of these Internal Rules;
- establishes the compensation policy principles applicable in the Group, in particular regarding the categories of staff whose activities have a significant impact on the Group's risk profile, and ensures that the internal control systems enable to verify that these principles comply with the regulations and professional standards and are consistent with the objectives for risk control;
- sets the compensation of the chief executive officers (*dirigeants mandataires sociaux*), in particular their fixed and variable compensation, including benefits in kind, allocations of performance shares or any compensation instruments, as well as post-employment benefits;
- deliberates once a year on the Company's policy regarding professional and wage equality between men and women.

f) Preventive recovery plan

The Board of Directors:

- establishes the preventive recovery plan that is communicated to the European Central Bank and deliberates on any similar plan requested by foreign supervisory authorities.

Article 2: Skills/Aptitudes of the members of the Board of Directors

2.1 The members of the Board of Directors shall have at all times the good repute, knowledge, skills and experience necessary for the performance of their duties and, collectively, the knowledge, skills and experience necessary to understand the Company's activities, including the main risks to which it is exposed.

2.2 Each Director continually ensures to improve his/her knowledge of the Company and its sector of activity.

Article 3: Availability of the members of the Board of Directors

3.1 The members of the Board of Directors shall devote sufficient time to the performance of their functions.

Under the conditions defined by the legislation in force, they may hold, within any legal entity, only one executive directorship and two non-executive directorships or only four non-executive directorships. For the purpose of this rule, directorships held within the same group are considered to be a single directorship. The European Central Bank may authorise a member of the Board of Directors to hold an additional non-executive directorship.

3.2 Any Director holding an executive directorship in the Group must obtain the opinion of the Board of Directors before accepting a mandate in a listed company; the Director must comply with the procedure set out in Article 14 "Conflicts of interest."

3.3 The Director shall promptly inform the Chairman of any change in the number of directorships held, including his/her participation in a committee of a Board, as well as any change in professional responsibility.

He/she undertakes to let the Board of Directors decide whether he/she should continue to serve as a Director in the event of a significant change in his/her professional responsibilities or mandates.

He/she undertakes to resign from his/her directorship when he/she no longer considers himself/herself able to perform his/her duties within the Board of Directors and the Committees of which he/she is a member.

3.4 The Directors, under the conditions defined by the By-laws, may participate in meetings of the Board or of the Committees by videoconference or telecommunication means enabling their identification and guaranteeing their effective participation.

3.5 The Registration Document reports on the attendance of Directors at meetings of the Board of Directors and the Committees.

3.6 The Directors shall attend the General Meetings of Shareholders.

Article 4: Ethics of the members of the Board of Directors

4.1 The Director keeps, in all circumstances, his/her independence of analysis, judgement, decision and action.

He/she undertakes not to seek or accept any benefit likely to compromise his/her independence.

4.2 Each Director must comply with the provisions of the rules on market abuse (regulation (EU) n° 596/2014 dated 16 April 2014 and its delegated and implementing regulations supplementing it and defining technical standards; French Monetary and Financial Code; General Regulations, position-recommendation and instruction of the French Financial Markets Authority) in particular the ones relating to the communication and the use of inside information with regard to Societe Generale shares, debt securities and derivatives instruments or other financial instruments related to the Societe Generale share (hereinafter, Financial instruments). He/she must also comply with these same rules for Financial instruments of his/her subsidiaries or listed investments or companies on which he/she may hold inside information received as a result of his/her participation in the Board of Directors of Societe Generale.

(1) *Persons designated as such with the European Central Bank (ECB) and the French Prudential Supervisory and Resolution Authority (ACPR) pursuant to banking regulations. For Societe Generale, these are the Chief Executive Officer and the Deputy Chief Executive Officers.*

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

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

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

4.4 In accordance with the regulations in force, Directors and persons closely associated with them must report to the French Financial Markets Authority (AMF) the transactions carried out on Societe Generale Financial instruments.

A copy of this statement is also sent to the Secretary of the Board of Directors.

4.5 Directors must hold in registered form all Societe Generale shares they have under the obligation provided for in Article 16 of these Internal Rules.

Article 5: The Chairman of the Board of Directors

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

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

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

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

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

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

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

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

Article 6: Meetings of the Board of Directors

6.1 The Board of Directors shall hold at least eight meetings per year.

6.2 The Directors who participate in the meeting of the Board of Directors by means of videoconference or telecommunication enabling their identification and guaranteeing their effective participation shall be deemed present for the calculation of the quorum and the majority. To this end, the means chosen shall transmit at least the voice of the participants and comply with technical characteristics enabling the continuous and simultaneous transmission of the deliberations.

This provision does not apply when the Board of Directors is convened to carry out the work for establishing and adopting the annual and consolidated annual accounts and the Management Report.

6.3 Convening notices, which may be transmitted by the Secretary of the Board of Directors, are sent by letter, fax, e-mail or by any other means, including verbally.

6.4 Upon decision of the Chairman, the Deputy Chief Executive Officers or other Group senior managers or, where relevant, external persons whose attendance is useful to the deliberations may attend all or part of the meetings of the Board of Directors.

Article 7: Information provided to the Board of Directors

7.1 The Chairman or the Chief Executive Officer shall provide each Director with all information and documents necessary for the performance of his/her missions; he/she is provided with computer equipment enabling easy access to them.

7.2 Effective Senior Managers shall inform the Board of Directors of all significant risks, risk management policies and changes made to them.

7.3 If necessary, in the event of changes in the risks affecting or likely to affect the Company, the Chief Risk Officer may report directly to the Board of Directors.

7.4 Meetings of the Board of Directors and the Committees are preceded by the on-line publication or availability in due course of a file on the agenda items that require special analysis and prior reflection whenever the respect of confidentiality so permits.

Moreover, between meetings, Directors shall receive all useful information, including critical information, about events or transactions significant for the Company. In particular, they shall receive press releases issued by the Company.

Article 8: Training of Directors

8.1 The Company devotes the necessary human and financial resources to the training of the Directors and, especially, the Directors representing the employees.

8.2 Training sessions on the specificities of the banking activity are organised each year.

Each Director may, on his/her appointment or throughout his/her term of office, benefit from any training that he/she deems necessary for the performance of the mandate.

8.3 These training sessions shall be organised by the Company which shall bear their costs.

Article 9: Committees of the Board of Directors

9.1 In certain areas, the Board of Directors' deliberations are prepared by specialised Committees composed of Directors appointed by the Board of Directors, which examine matters within their remit and submit their opinions and proposals to the Board of Directors.

9.2 These Committees are composed of members of the Board of Directors who do not hold any executive function within the Company and who have suitable knowledge for the performance of the missions of the Committee in which they participate.

These Committees may decide, as necessary, to involve other Directors, without the right to vote, in their meetings.

9.3 They shall have the necessary means to perform their missions and act under the responsibility of the Board of Directors.

9.4 In the performance of their respective duties, they may request the communication of any relevant information, hear the Chief Executive Officer, the Deputy Chief Executive Officers as well as the Group's senior managers and, after having informed the Chairman, request the carrying out of external technical studies, at the Company's expense. They shall report on the information obtained and the opinions collected.

9.5 There are four standing Committees:

- the Audit and Internal Control Committee;
- the Risk Committee;
- the Compensation Committee; and
- the Nomination and Corporate Governance Committee.

9.6 Upon decision of the Chairmen of the relevant Committees, joint meetings between Committees may be arranged on topics of common interest. These meetings are co-chaired by the Chairmen of the Committees.

9.7 The Board of Directors may create one or more "ad hoc" Committees.

9.8 The Risk Committee, the Compensation Committee and the Nomination and Corporate Governance Committee may perform their missions for Group companies on a consolidated or sub-consolidated basis.

9.9 Each Committee shall be chaired by a Chairman appointed by the Board of Directors based on a proposal from the Nomination and Corporate Governance Committee.

The Secretariat of each Committee is provided by a person designated by the Secretary of the Board of Directors.

9.10 The Chairman of each Committee shall report to the Board of Directors on the Committee's work. A written report of the Committees' work shall be regularly circulated to the Board of Directors.

Each Committee shall submit its annual work programme to the Board of Directors.

9.11 Each Committee shall give an opinion to the Board of Directors on the part of the Registration Document dealing with the issues falling within its scope of activity and prepare an annual activity report, submitted to the Board of Directors' approval, to be inserted in the Registration Document.

Article 10: The Audit and Internal Control Committee

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

10.2 In particular, it is responsible for:

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 11: The Risk Committee

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

11.2 In particular, it is responsible for:

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

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

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

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

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

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

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

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

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

j) reviewing the enterprise risk management related to the Company's operations in the United States. When acting as US Risk Committee, the Risk Committee is composed of its members and those of the Audit and Internal Control Committee. However, following a decision of the Board of Directors, the members of the Audit and Internal Control Committee, other than its Chairman, may be exempted from participating if they are not members of the Risk Committee[1].

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

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

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

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

Article 12: The Compensation Committee

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

12.2 It conducts an annual review of:

a) the principles of the Company's compensation policy;

b) the compensation, allowances and benefits of any kind granted to the Company's executive officers (*mandataires sociaux*) as well as the Effective Senior Managers, if they are different;

c) the compensation policy for regulated employees within the meaning of the banking regulations.

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

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

(1) In accordance with the requirements of the U.S. Federal Reserve's Enhanced Prudential Standards Rules, the Risk Committee holds quarterly meetings to review the Company's operations in the United States. The Risk Committee's obligations in this regard include the review of the enterprise risk management related to the Company's operations in the United States. As such, the Risk Committee must:
a) receive regular reports from US-based Chief Risk Officer of the Company;
b) review the risk management system for the Company's combined operations in the United States; and
c) review the Company's liquidity risk in the United States.

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

12.6 In particular, the Committee:

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

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

Article 13: The Nomination and Corporate Governance Committee

13.1 The Nomination and Corporate Governance Committee:

- **a)** is responsible for making proposals to the Board of Directors for the appointment of Directors and Committees members as well as on the succession of the executive officers (*mandataires sociaux*), especially in the event of an unforeseeable vacancy, after having carried out necessary studies. To this end, it prepares the selection criteria to be submitted to the Board of Directors, proposes to the Board of Directors an objective to be achieved concerning the balanced representation of women and men on the Board of Directors and develops a policy designed to achieve this objective[2];
- **b)** periodically reviews the structure, size, composition and effectiveness of the Board of Directors' work and submits to the Board of Directors any recommendation relevant to the carrying out of the annual assessment of the Board of Directors and its members;
- **c)** periodically reviews the Board of Directors' policies concerning the selection and appointment of the Effective Senior Managers, the Deputy Chief Executive Officers and the Heads of risk, compliance, audit and finance functions; it makes recommendations in this area;
- **d)** is informed in advance of the appointment of the Heads of risk, compliance, audit and finance functions. It is also informed of the appointment of the Heads of Business Units or of Service Units. It is informed of the succession plan for these senior officers (*dirigeants*);
- **e)** prepares the review by the Board of Directors of corporate governance issues as well as the Board of Directors' work on matters relating to Corporate culture. It proposes to the Board of Directors the presentation of the Board of Directors in the Registration Document and in particular the list of independent Directors.

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

Article 14: Conflicts of interest

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

14.2 The Chairman is in charge of managing conflict of interest situations of the members of the Board of Directors. Where appropriate, he/she refers the matter to the Nomination and Corporate Governance Committee. Regarding conflicts which could affect him/her personally, he/she refers to the Chairman of the Nomination and Corporate Governance Committee.

If necessary, the Chairman may invite a Director having a conflict of interest not to attend the deliberation.

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

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

14.5 Each Director shall make a sworn statement as to the existence or otherwise of the situations referred to in 14.1 and 14.3: i) upon taking up his/her office, ii) each year in response to the request made by the Secretary of the Board of Directors upon the preparation of the Registration Document, iii) at any time if the Secretary of the Board of Directors requests it and iv) within 10 working days following the occurrence of any event that renders the previous statement made by him/her in whole or in part inaccurate.

Article 15: Attendance fees

15.1 The overall amount of attendance fees is set by the General Meeting. The Board of Directors may decide to only partially use it. It may decide to allocate a budget for specific tasks or temporary workload increases for some members of the Board of Directors or of Committees.

15.2 The Chairman and the Chief Executive Officer, when he/she is also a Director, do not receive attendance fees.

(1) *For the calculation of the rate of independents within the committees, the AFEP-MEDEF Code does not take employees into account.*

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

15.3 As from 1 May 2018, the amount of allocated attendance fees is reduced by a sum equal to EUR 200,000 to be distributed between the members of the Risk Committee and the members of the Audit and Internal Control Committee gathered as the US Risk Committee. This amount is distributed in equal portions, except for the Chairman of the Risk Committee who has two portions.

The balance is then reduced by a lump sum of EUR 130,000 distributed between the Chairman ofthe Audit and Internal Control Committee and the Chairman of the Risk Committee.

15.4 The balance is divided into 50% fixed, 50% variable. The number of fixed portions per Director is 6. Additional fixed portions are allocated:

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

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

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

Article 16: Shares held in a personal capacity

16.1 Each Director appointed by the General Meeting (whether in his/her own name or as a permanent representative of a legal entity) must hold the equivalent of at least 1,000 shares. Each Director has a six-month time frame to hold the 600 shares provided for by the By-laws and an additional six-month time frame to increase his/her holding to 1,000 shares.

16.2 Each Director shall refrain from hedging his/her shares.

Article 17: Reimbursement of expenses

17.1 Directors' travel, accommodation, meals and mission expenses pertaining to the meetings of the Board of Directors or of the Committees of the Board of Directors, the General Meeting of Shareholders or any other meetings related to the work of the Board of Directors or the Committees, are paid for or reimbursed by Societe Generale, upon submission of receipts.

At least once a year, the Nomination and Corporate Governance Committee considers these and, as necessary, makes proposals or recommendations.

17.2 As to the Chairman, the Company also pays the expenses necessary for the performance of his/her duties.

17.3 The Secretary of the Board of Directors receives and verifies the relevant supportive documents and ensures that the sums due are paid or reimbursed.

Article 18: Secret

18.1 Each Director is bound by a strict professional secrecy with regard to the confidential information he/she receives, the discussions in which he/she participates, the decisions taken as long as they are not made public as well as with regard to the views expressed by each of them.

18.2 He/she obliges himself/herself to a duty of care and a duty to alert.

7.6 LIST OF REGULATED INFORMATION PUBLISHED IN THE LAST 12 MONTHS[1]

Press releases under regulated information

- 14.03.2018 – Changes within the General Management of the Group
- 19.03.2018 – Update of the information related to litigations
- 20.04.2018 – Societe Generale Remuneration Policies and Practices Report 2017
- 03.05.2018 – Renewal of the Group's management team and appointments
- 23.05.2018 – Annual General Meeting and Board of Directors dated 23 May 2018
- 04.06.2018 – Update of information related to litigations
- 04.06.2018 – Societe Generale reaches agreements with the DOJ, CFTC and PNF to resolve their pending IBOR and Libya-related investigations
- 04.06.2018 – Statement from Societe Generale following the publication of an article in the *Financial Times*
- 03.09.2018 – Update of the information related to investigations by US authorities
- 04.09.2018 – Erratum: Update of the information related to investigations by US authorities
- 02.11.2018 – The European Banking Authority published the results of the 2018 European Stress Testing Exercise
- 19.11.2018 – Agreement with US authorities
- 17.01.2019 – Update on the Q4 2018 Group performance
- 14.02.2019 – Disclosure of new regulatory capital requirements as from 1 March 2019

Annual financial report

- 08.03.2018 – 2018 Registration Document
- 08.03.2018 – Availability of the 2018 Registration Document
- 08.03.2018 – Availability of the Annual Financial Report
- 07.05.2018 – Availability of the first update to the 2018 Registration Document filed on 7 May 2018
- 07.05.2018 – First update of the 2018 Registration Document filed on 7 May 2018
- 06.08.2017 – Availability of the second update to the 2018 Registration Document filed on 6 August 2018
- 06.08.2017 – Second update to the 2018 Registration Document filed on 6 August 2018
- 09.11.2018 – Availability of the third update to the 2018 Registration Document filed on 9 November 2018
- 09.11.2018 – Third update to the 2018 Registration Document filed on 9 November 2018

Half-yearly financial report

- 06.08.2018 – Availability of the half-yearly financial report for 2018
- 06.08.2018 – Half-yearly financial report for 2018

Financial information

- 04.05.2018 – 1st quarter 2018 results
- 02.08.2018 – 2nd quarter 2018 results
- 08.11.2018 – 3rd quarter 2018 results
- 07.02.2019 – 4th quarter and full-year 2018 results

Monthly reports on total amount of voting rights and shares

- 12 report forms

Description of the buyback programmes and statement of the liqudity agreement

- 17.05.2018 – Description the share buyback programme
- 03.07.2018 – Half-yearly statement on the liquidity agreement
- 19.12.2018 – Rider to the liquidity agreement
- 03.01.2019 – Half-yearly statement on the liqudity agreement

Reports on corporate governance

- 08.03.2018 – Availability of the report on corporate governance, internal control and risk management

Communiques for access to or consultation of the information relative to shareholders' general meetings

- 19.04.2018 – Availability or consultation of the information relative to the Combined General Meeting of shareholders dated 23 May 2018

(1) *Full information available at www.societegenerale.com under "Regulated information"*

8

PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

8.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT 556

8.2 STATEMENT OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT 556

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8.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Mr. Frédéric Oudéa

Chief Executive Officer of Societe Generale

8.2 STATEMENT OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

I hereby certify, after taking all reasonable measures for this purpose, that the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission likely to affect its meaning.

I certify, to the best of my knowledge, that the accounts have been prepared in accordance with applicable accounting standards and are a fair reflection of the assets, liabilities, financial position and profit or loss of the Company and all the undertakings included in the consolidation scope, and that the Management Report (the cross-reference table of the annual financial Report, in Chapter 9, indicates the contents of said report) presents a fair view of the Company's business, performance and financial position and that of all the undertakings included in the consolidation scope, as well as a description of the main risks and uncertainties to which they are exposed.

I have received a completion letter from the Statutory Auditors, stating that they have audited the information contained in this Registration Document about the financial position and accounts contained herein, and that they have read this Registration Document in its entirety

Paris, 8th March 2019

Chief Executive Officer

Frédéric Oudéa

8.3 PERSONS RESPONSIBLE FOR THE AUDIT OF THE ACCOUNTS

STATUTORY AUDITORS

Name: Ernst & Young et Autres
represented by Mr. Micha Missakian

Address: 1/2 place des Saisons,
92400 Courbevoie – Paris-La Défense (France)

Date of appointment: 22nd May 2012

Date of renewal: 23rd May 2018

Term of office: six financial years

End of current term of office: at the close of the Ordinary General Meeting called to approve the accounts for the year ended 31st December 2023

Name: Deloitte & Associés
represented by Mr. Jean-Marc Mickeler

Address: 6, place de la Pyramide
92908 Paris-La Défense Cedex (France)

Date of first appointment: 18th April 2003

Date of last renewal: 23nd May 2018

Term of office: six financial years

End of current term of office: at the close of the Ordinary General Meeting called to approve the accounts for the year ended 31st December 2023

The companies Ernst & Young et Autres and Deloitte & Associés are registered as Statutory Auditors with the Compagnie régionale des Commissaires aux comptes de Versailles.

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In accordance with Article 28 of EC Regulation No. 809/2004 dated 29th April 2004, the following information is included by reference in this Registration Document:

- the parent company and consolidated accounts for the year ended 31st December 2017, the related Statutory Auditors' reports and the Group Management Report presented respectively on pages 454 to 523 and 123, 125, 147, 151 to 154, 166-167, 176, 179 to 183, 191 to 194, 198 to 202, 204 to 206, 217-218, 220 to 222, 301 to 447, on pages 524 to 529 and 448 to 453, and on pages 27 to 67 of the Registration Document D. 18-0112 filed with the AMF on 8th March 2018;
- the parent company and consolidated accounts for the year ended 31st December 2016, the related Statutory Auditors' reports and the Group Management Report presented respectively on pages 429 to 487 and 116-117, 158-159, 169, 179, 181, 183 to 187, 195 to 198, 201 to 206, 208 to 210, 221-222, 224 to 226, 301 to 426, on pages 488-489 and 427-428, and on pages 25 to 63 of the Registration Document D. 17-0139 filed with the AMF on 8th March 2017.

The chapters of the Registration Documents D. 17-0139 and D. 18-0112 not mentioned above do not apply to investors or are covered in another part of this Registration Document

Both of the aforementioned Registration Documents are available on the Company's website *www.societegenerale.com* and on the AMF's (French Financial Markets Authority) website *www.amf-france.org.*

9.1.2 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

Pursuant to Article 222-3 of the French Financial Markets Authority's General Regulation, the annual financial report referred to in section I of Article L. 451-1-2 of the French Monetary and Financial Code includes the items described in the following pages of the Registration Document:

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■ Statutory Auditors' report on the consolidated accounts	464-468

9.1.3 CROSS-REFERENCE TABLE FOR THE REGISTRY OF THE COURT

Pursuant to Article L. 232-23 of the French Commercial Code, it is specified that the Registration Document includes the items described in the following pages and/or chapters of the Registration Document:

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GLOSSARY OF MAIN TECHNICAL TERMS

ACRONYM TABLE

Acronym	Definition	Glossary
ABS	Asset-Backed Securities	See: Securitisation
CDS	Credit Default Swap	See: Securitisation
CDO	Collateralised Debt Obligation	See: Securitisation
CLO	Collateralised Loan Obligation	See: Securitisation
CMBS	Commercial Mortgage Backed Securities	See: Securitisation
CRD	Capital Requirement Directive	
CVaR	Credit Value at Risk	
EAD	Exposure at default	
EL	Expected Loss	
G-SIB	Global Systemically Important Banks	See: SIFI
LCR	Liquidity Coverage Ratio	
LGD	Loss Given Default	
NSFR	Net Stable Funding Ratio	
PD	Probability of Default	
RMBS	Residential Mortgage Backed Securities	See: Securitisation
RWA	Risk Weighted Assets	
SVaR	Stressed Value at Risk	
VaR	Value at Risk	

Asset Backed Securities (ABS): see securitisation.

Basel 1 (Accords): prudential framework established in 1988 by the Basel Committee to ensure solvency and stability in the international banking system by setting an international minimum and standardised limit on banks' capital bases. It notably establishes a minimum capital ratio – as a proportion of the total risks taken on by banks – of 8% (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Basel 2 (Accords): prudential framework used to better assess and limit banks' risks. It is focused on banks' credit, market and operational risks (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Basel 3 (Accords): changes to prudential banking standards that supplement the Basel 2 accords by improving the quality and quantity of banks' required capital. They also implement minimum requirements in terms of liquidity risk management (quantitative ratios), define measures to limit the financial system's procyclicality (capital buffers that vary according to the economic cycle) and strengthen requirements related to systemically significant banks (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012). The Basel 3 Accords are implemented in Europe under Directive 2013/36/EU ("CRD4") and Regulation 575/2013 ("CRR"), which have been in force since 1st January 2014.

Bond: a bond is a fraction of a loan, issued in the form of a security, which is tradable and – in a given issue – grants a receivable over the issuer according to the issue's nominal value (the issuer being a company, public sector entity or government).

Cash Generating Unit (CGU): the smallest identifiable set of assets which generates incoming cash flow that is generally independent from the incoming cash flow generated by other assets or sets of assets in accordance with the IAS 36 accounting standard. "In accordance with IFRS standards, a company must determine the largest number of cash generating units (CGU) which make it up; these CGU should be generally independent in terms of operations and the company must allocate assets to each of these CGU. Impairment testing must be conducted at the CGU level periodically (if there are reasons to believe that their value has dropped) or annually (if they include goodwill)." (Source: Les Echos.fr, quoting Vernimmen).

Collateral: transferable asset or guarantee used as a pledge for the repayment of a loan in the event that the borrower cannot meet its payment obligations (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Collateralised Debt Obligation (CDO): see securitisation.

Collateralised Loan Obligation (CLO): see securitisation.

Commercial Mortgage Backed Securities (CMBS): see securitisation.

Common Equity Tier 1 capital: includes principally share capital, associated share premiums and reserves, less prudential deductions.

Common Equity Tier 1 ratio: ratio between **Common Equity Tier 1** capital and risk-weighted assets, according to CRD4/CRR rules. **Common Equity Tier 1** capital has a more restrictive definition than in the earlier CRD3 Directive (Basel 2).

Comprehensive Risk Measurement (CRM): capital charge in addition to Incremental Risk Charge (IRC) for the credit activities correlation portfolio which accounts for specific price risks (spread, correlation, collection, etc.). The CRM is a 99.9% risk factor, meaning the highest risk obtained after eliminating the 0.1% most unfavourable incidents.

Core Tier 1 ratio: ratio between Core Tier 1 capital and risk-weighted assets, according to Basel 2 rules and their changes known as Basel 2.5.

Cost-to-income ratio: ratio indicating the share of net banking income (NBI) used to cover the company's operating costs. It is determined by dividing management fees by the NBI.

Cost of risk in basis points: the cost of risk in basis points is calculated using the ratio of the net cost of commercial risk to loan outstandings at the start of the period.

Net cost of risk corresponds to the cost of risk calculated for on- and off-balance sheet exposures, *i.e.* Depreciation and reversals (used or not used) + Losses on unrecoverable receivables - Recovery of impaired debts. Provisions and reversals of provisions for litigation issues are excluded from this calculation.

CRD3: European Directive on capital requirements, incorporating the provisions known as Basel 2 and 2.5, notably in respect of market risk: improvement in the incorporation of the risk of default or rating migration for assets in the trading book (tranched and untranched assets), and reduction in the procyclicality of Value at Risk (see definition).

CRD4/CRR (Capital Requirement Regulation): Directive 2013/36/EU ("CRD4") and Regulation (EU) No. 575/2013 ("CRR") constitute the corpus of the texts transposing Basel 3 in Europe. They therefore define the European regulations relating to the solvency ratio, large exposures, leverage and liquidity ratios, and are supplemented by the European Banking Authority's ("EBA") technical standards.

Credit and counterparty risk: risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk also includes the counterparty risk linked to market transactions, as well as that stemming from securitisation activities.

Credit Default Swaps (CDS): insurance mechanism against credit risk in the form of a bilateral financial contract, in which the protection buyer periodically pays the seller in return for a guarantee to compensate the buyer for losses on reference assets (government, bank or corporate bonds) if a credit event occurs (bankruptcy, payment default, moratorium, restructuring) (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Credit Value at Risk (CVaR): the largest loss that would be incurred after eliminating the top 1% of the most adverse occurrences, used to set the risk limits for individual counterparties.

Derivative: a financial asset or financial contract, the value of which changes based on the value of an underlying asset, which may be financial (equities, bonds, currencies, etc.) or non-financial (agricultural or other commodities, etc.). Depending on the circumstances, this change may be accompanied by a leverage effect. Derivatives can take the form of securities (warrants, certificates, structured EMTNs, etc.) or contracts (forwards, options, swaps, etc.). Listed derivative contracts are called Futures.

Doubtful loan coverage rate: ratio between portfolio provision and depreciation and doubtful outstandings (customer loans and receivables, loans and receivables with credit institutions, finance leases and basic leases).

Expected Loss (EL): losses that may occur given the quality of a transaction's structuring and all measures taken to reduce risk, such as collateral.

Exposure at default (EAD): Group exposure to default by a counterparty. The EAD includes both balance sheet and off-balance sheet exposures. Off-balance sheet exposures are converted to their balance sheet equivalent using internal or regulatory conversion factors (drawdown assumption).

Fair value: the amount for which an asset could be exchanged or a liability settled, between informed and consenting parties under normal market conditions.

Gross rate of doubtful outstandings: the ratio between doubtful outstandings and gross book loan outstandings (customer loans and receivables, loans and receivables with credit institutions, finance leases and basic leases).

Haircut: percentage by which the market value of securities is reduced to reflect their value in the context of stress (counterparty or market stress risk). The extent of the reduction reflects the perceived risk.

Impairment: recording of probable loss on an asset (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Incremental Risk Charge (IRC): capital cost incurred due to rating migration risk and risk of issuers' default within a one-year horizon for trading book debt instruments (bonds and CDS). The IRC is a 99.9% risk factor, meaning the highest risk obtained after eliminating the 0.1% most unfavourable incidents.

Insurance risk: beyond asset/liability risk management (interest-rate, valuation, counterparty and currency risk), insurance risk includes underwriting risk, mortality risk and structural risk of life and non-life insurance activities, including pandemics, accidents and catastrophic events (such as earthquakes, hurricanes, industrial disasters, or acts of terrorism or war).

Internal Capital Adequacy Assessment Process (ICAAP): process outlined in Pillar 2 of the Basel Accord, by which the Group verifies its capital adequacy with regard to all risks incurred. Investment grade: long-term rating provided by an external ratings agency, ranging from AAA/Aaa to BBB-/Baa3 for a counterparty or underlying issue. A rating of BB+/Ba1 or lower indicates a Non-Investment Grade instrument.

Leverage ratio: the leverage ratio is intended to be a simple ratio developed with a view to limiting the size of banks' balance sheets. The leverage ratio compares the Tier 1 capital with the accounting balance sheet/off-balance sheet, after restatements of certain items. A new definition of leverage ratio has been implemented in accordance with the application of the CRR.

Liquidity: for a bank, the capacity to cover its short-term maturities. For an asset, this term indicates the potential to purchase or sell it quickly on the market, with a limited discount (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Liquidity Coverage Ratio (LCR): this ratio is intended to promote the short-term resilience of a bank's liquidity risk profile. The LCR requires banks to hold risk-free assets that may be easily liquidated on markets in order to meet required payments for outflows net of inflows during a thirty-day crisis period without central bank support (Source: December 2010 Basel document).

Loss Given Default (LGD): ratio between the loss incurred from exposure to default by a counterparty and the amount of the exposure at the time of default.

Market risk: risk of decline in the value of financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets, including real estate.

Market stress tests: to assess market risks, alongside the internal VaR and SVaR model, the Group monitors its exposure using market stress test simulations to take into account exceptional market occurrences, based on 26 historical scenarios and eight hypothetical scenarios.

Mezzanine: form of financing between equity and debt. In terms of ranking, mezzanine debt is subordinate to senior debt, but it is still above equity.

Minimum requirement of own funds and eligible liabilities (MREL): the EU Bank Recovery and Resolution Directive (BRRD) requires compliance with a minimum ratio of "bail-inable" debt (*i.e.* debt that can be used in the event of the bank's resolution). The MREL requirement is determined on a case-by-case basis for each bank.

Monoline insurer: insurance company participating in a credit enhancement transaction and which guarantees bond issues (for example, a securitisation transaction), in order to improve the issue's credit rating.

Net earnings per share: net earnings of the company (adjusted for hybrid securities recorded under equity instruments) divided by the weighted average number of shares outstanding.

Net Stable Funding Ratio (NSFR): this ratio aims to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding. This structural ratio has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities (Source: December 2010 Basel document).

Netting agreement: a contract in which two parties to a forward financial instrument, securities lending or resale contract agree to offset reciprocal claims arising from these contracts, with the settlement of these claims based only on the net balance, especially in the event of default or termination. A master netting agreement enables this mechanism to be extended to different kinds of transactions, subject to various framework agreements under a master agreement.

Operational risk (including accounting and environmental risk): risk of losses or sanctions, notably due to failures in procedures and internal systems, human error or external events, etc.

Own shares: shares held by the company, especially as part of the Share Buyback programme. Own shares are excluded from voting rights and are not included in the calculation of earnings per share, with the exception of shares held as part of a liquidity contract.

Personal commitment: represented by a deposit, autonomous guarantee or letter of intent. Whoever makes themselves guarantor for an obligation binds themselves to the creditor to honour that obligation, if the debtor does not honour it themselves. An independent guarantee is an undertaking by which the guarantor binds himself, in consideration of a debt subscribed by a third party, to pay a sum either on first demand or subject to terms agreed upon. A letter of intent is an undertaking to do or not to do, the purpose of which is the support provided to a debtor in honouring their obligation.

Physical collateral: guarantees consisting of assets including tangible and intangible property and securities, including commodities, precious metals, cash, financial instruments and insurance contracts.

Prime Brokerage: a bundled package of services dedicated to hedge funds to facilitate and improve their activities. In addition to performing standard brokerage transactions on financial markets (buying and selling on the customer's behalf), the prime broker offers securities lending and borrowing services and financing services specifically suited to hedge funds.

Probability of Default (PD): likelihood that a counterparty of the bank will default within one year.

Rating: assessment by a ratings agency (Moody's, Fitch Ratings, Standard & Poor's) of the financial solvency risk of an issuer (company, government or other public institution) or of a given transaction (bond loan, securitisation, covered bond). The rating has a direct impact on the cost of raising capital (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Resecuritisation: securitisation of an already securitised exposure where the risk associated with underlyings is divided into tranches and, therefore, at least one of the underlying exposures is a securitised exposure.

Residential Mortgage Backed Securities (RMBS): see securitisation.

Return On Equity (ROE): ratio between the net income restated for interest on hybrid securities recorded under equity instruments and restated book equity (especially hybrid securities), which enables return on capital to be measured.

Risk appetite: level of risk, by type and by business line, that the Group is prepared to take on with regard to its strategic objectives. Risk appetite is derived using both quantitative and qualitative criteria. The Risk Appetite exercise is one of the strategic steering tools available to the Group's decision-making bodies.

Risk weight: percentage of weighting of exposures which is applied to a particular exposure in order to determine the related risk-weighted asset.

Risk-Weighted Assets (RWA): value of a bank's assets or exposures, weighted according to risk.

Securitisation: transaction that transfers a credit risk (loan outstandings) to an organisation that issues, for this purpose, tradable securities to which investors subscribe. This transaction may involve a transfer of outstandings (physical securitisation) or a transfer of risk only (credit derivatives). Securitisation transactions may, if applicable, enable securities subordination (tranches).

The following products are considered securitisations:

ABS: Asset Backed Securities.

CDO: Collateralised Debt Obligation, a debt security backed by an asset portfolio (bank loans (residential) or corporate bonds). Interest and principal payments may be subordinated (tranche creation).

CLO: Collateralised Loan Obligation, a CDO backed by an asset portfolio of bank loans.

CMBS: Commercial Mortgage Backed Securities, a debt security backed by an asset portfolio of corporate real estate loans leading to a mortgage.

RMBS: Residential Mortgage Backed Securities, a debt security backed by an asset portfolio of residential mortgage loans.

Share: equity stake issued by a company in the form of shares, representing a share of ownership and granting its holder (shareholder) the right to a proportional share in any distribution of profits or net assets as well as a right to vote in a General Meeting of Shareholders.

Stressed Value at Risk (SVaR): identical to the VaR approach, the calculation method consists of a "historical simulation" with "one-day" shocks and a 99% confidence interval. Unlike the VaR, which uses 260 scenarios of daily variation year-on-year, the stressed VaR uses a fixed one-year window that corresponds to a historical period of significant financial tensions.

Structural interest rate and currency risk: risk of loss or of write-downs in the Group's assets arising from variations in interest or exchange rates. Structural interest rate and exchange rate risks are incurred in commercial activities and proprietary transactions.

Structured issue or structured product: a financial instrument combining a bond product and an instrument (an option for example) providing exposure to all types of asset (equities, currencies, interest rates, commodities). Instruments can include a total or partial guarantee in respect of the invested capital. The term "structured product" or "structured issue" also refers to securities resulting from securitisation transactions, where holders are subject to a ranking hierarchy.

Systemically Important Financial Institution (SIFI): the Financial Stability Board (FSB) coordinates all of the measures to reduce moral hazard and risks to the global financial system posed by Globally Systemically Important Financial Institutions (G-SIFI). These banks meet criteria defined in the Basel Committee rules included in the document titled "Global Systemically Important Banks: Assessment methodology and the additional loss absorbency requirement" and published as a list in November 2011. This list is updated by the FSB each November. Banks classified as G-SIBs are subject to increasingly strict capital requirements.

Tier 1 capital: comprises Common Equity Tier 1 capital and Additional Tier 1 capital. The latter corresponds to perpetual debt instruments, with no incentive to redeem, less prudential deductions.

Tier 2 capital: supplementary capital consisting mainly of subordinated notes less prudential deductions.

Tier 1 ratio: ratio between Tier 1 capital and risk-weighted assets.

Total capital ratio or Solvency ratio: ratio between total (Tier 1 and Tier 2) capital and risk-weighted assets.

Total Loss Absorbing Capacity (TLAC): on 10th November 2014, the Financial Stability Board (FSB) published for public consultation a term sheet proposing a "pillar 1" type requirement regarding loss-absorbing capacity in the event of resolution. This new requirement only applies to G-SIBs (Global Systemically Important Banks). It is a ratio of liabilities considered to be "bail-inable" in the event of resolution and calculated with respect to weighted risks or the leverage ratio denominator (Source: *Revue de l'ACPR*, No. 25).

Transformation risk: appears as soon as assets are financed through resources with a different maturity. Due to their traditional activity of transforming resources with a short maturity into longer-term maturities, banks are naturally faced with transformation risk which itself leads to liquidity and interest-rate risk. Transformation occurs when assets have a longer maturity than liabilities; anti-transformation occurs when assets are financed through longer-maturity resources.

Treasury shares: shares held by a company in its own equity through one or several intermediary companies in which it holds a controlling share either directly or indirectly. Treasury shares are excluded from voting rights and are not included in the calculation of earnings per share.

Value at Risk (VaR): composite indicator used to monitor the Group's daily market risk exposure, notably for its trading activities (99% VaR in accordance with the internal regulatory model). It corresponds to the greatest risk calculated after eliminating the top 1% of most unfavourable occurrences observed over a one-year period. Within the framework described above, it corresponds to the average of the second and third largest losses computed.

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